

# *City of Rockport, Texas*

*COMPREHENSIVE ANNUAL FINANCIAL REPORT*

*For the Year Ended September 30, 2012*

*Prepared by*

*Patty Howard, Finance Director*

City of Rockport, Texas  
 Comprehensive Annual Financial Report  
 For The Year Ended September 30, 2012

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## Introductory Section



[www.cityofrockport.com](http://www.cityofrockport.com)

**ADMINISTRATION**

622 E. Market Street  
Rockport, Tx. 78382  
Mayor & City Council  
City Manager  
City Secretary  
Finance Office  
Municipal Court  
Parks & Leisure Services  
Utility Customer Service  
Phone: 361-729-2213  
Fax: 361-790-5966  
Fax: 361-790-1165

**CITY HALL ANNEX**

901 E. Main Street  
Rockport, Tx. 78382  
Building & Inspections  
Building Permits  
Code Enforcement  
Phone: 361-790-1125  
Fax: 361-729-6476  
Inspection Request Line:  
361-790-1177

**PUBLIC SAFETY CENTER**

Police Department  
714 E. Concho Street  
Rockport, Tx. 78382  
Phone: 361-729-1111  
Fax: 361-729-3461

**PUBLIC WORKS SERVICE CENTER**

402 E. Laurel Street  
Rockport, Tx. 78382  
Building Maintenance  
Fleet Maintenance  
Streets & Drainage  
Water & Wastewater Utility  
Phone: 361-790-1160  
Fax: 361-729-7672

**ROCKPORT BEACH PARK**  
212 Seabreeze Drive  
Rockport, Tx. 78382  
Beach Operations  
Pavilion & Park Rentals  
Beach Concessions  
Phone: 361-727-2158  
Fax: 361-727-9393  
Toll Free: 877-929-7977

**COMMUNITY AQUATIC PARK**  
2001 Stadium Drive  
Rockport, Tx. 78382  
Pool Operations/Rentals  
& Swim Classes  
Phone: 361-727-9989

February 20, 2013

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

The Comprehensive Annual Financial Report of the City of Rockport, Texas for the year ended September 30, 2012, is submitted. This report was prepared in accordance with generally accepted accounting principles on a basis consistent with the prior year. The preparation of the annual financial report and all financial information in the report is the responsibility of the City. The scope of the independent auditor's examination is to render an opinion on the financial information in the Annual Financial Report. Complete details concerning the City's fiscal year activities and related costs are presented in the enclosed narratives and financial statements.

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

**INDEPENDENT AUDIT**

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

## **MANAGEMENT RESPONSIBILITY**

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

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

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

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

## **GOVERNING BODY**

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

## **FINANCIAL ADMINISTRATION**

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

## **CITY OF ROCKPORT AND ITS SERVICES**

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

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

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

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

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

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

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

## **BUDGETING**

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

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

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

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

## **GENERAL INFORMATION**

The City of Rockport is the county seat for Aransas County and is located 30 miles northeast of Corpus Christi. There are approximately 14.5 square miles of land within the City's corporate boundary.

## **ECONOMIC TRENDS**

Ranked in *The 100 Best Small Art Towns of America*, and recognized among the top retirement spots in the nation by *America's Best Places to Retire*, Rockport is a wonderful place to live and visit alike. *Gulfscapes Magazine*'s "2011 Readers Choice Best Gulf Coast Towns" listed Rockport number four in the top ten. In 2009 Rockport was hailed as a coastal dream town by *Coastal Living Magazine*. *Better Homes and Gardens* in its April 2007 issue listed Rockport-Fulton the number five destination as a "long weekend hotspot" for spring migration bird watching. *Texas Meetings and Events* list Rockport-Fulton as a great Gulf Coast getaway for a business meeting, board meeting, etc.

Property values in the City of Rockport increased from \$538,391,491 in 2000 to \$1,411,293,956 in 2012. This can be attributed to the annexation of several areas, increased property values, as well as, the increase in development within the City.

Permits for single family homes have increased from approximately 66 annually to 83 in 2012, largely due to the economic conditions of the country realizing a slight improvement. Rockport is made up largely of second homes, with the slight growth in the market these home starts have increased. The population of Rockport has grown by 27% in the last ten (10) years going from 7,385 in the U.S. Census Bureau 2000 Census to 9357 as of 2011.

Sales tax revenues have increased from \$1,117,080 in 2000 to \$1,923,831 in 2012. This is a 72% increase in sales tax revenues over an eleven (11) year period. Winter Texans and summer visitors have helped in the increase of sales tax.

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

## **MAJOR INITIATIVES**

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

- Anoxic Tank – In response to a study showing that nitrates were contributing to lower water quality in Little Bay, construction was begun on a \$785,000 anoxic tank at the wastewater treatment plant. The anoxic tank is designed to remove significant amounts of nitrates from the plant's effluent, which flows down the Tule Creek and into Little Bay. The tank is substantially complete and is fully operational as of the end of September, 2012.
- Public Service Center – Construction of a new \$3,750,000 Public Service Center began in 2011 and is complete, except for paving and construction of out buildings. Public Works and Building and Development will relocate to the facility, with a move-in date sometime in January, 2013. Although not submitted as a LEED project, there are many LEED features incorporated into the design. These design features are expected to result in superior energy efficiency and lower operating and maintenance costs. Located at one of the highest points on Live Oak peninsula, the facility was also designed to serve as a base of operations in the event of a catastrophic event. In an emergency it can sleep and feed over 100 responders, has an electrical generator to serve the entire building, provide water and sewer service, and can also serve as a back-up communications center.
- Tule Hike and Bike Trail – In June 1999 the City was awarded a \$648,023 Statewide Transportation Enhancement Program grant from the Texas Department of Transportation for construction of the one-mile long Tule Hike and Bike Trail. Delayed primarily by right-of-way acquisition issues and mandated changes in design criteria, the project began construction in January, 2012 and was completed in November, 2012. This is a significant addition to the City's park facilities and will link Memorial Park to Highway 35 business and ultimately to the trails planned by Aransas Pathways. Parks and Leisure will monitor expenses throughout FY 2012-2013 in order to determine what appropriate annual funding should be.
- Water Tower – Construction of \$2,045,000 water tower was completed and operational in April, 2012. The tower is located adjacent to the new Public Service Center and adds one million gallon in storage and also will provide the Public Service Center with a water source in the event the facility has to be used as an emergency operations center and the distribution system is offline.

## **BUDGET AS COMPARED TO ACTUAL**

### **General Government Fund Revenues – Budget as Compared to Actual**

The General Government Fund Revenues are budgeted based on historical information and the current economic climate of the City. For a detailed comparison of actual General Governmental Fund revenues with budget amounts, see Exhibit A-7.

## **FIDUCIARY FUNDS**

The City had no fiduciary funds at September 30, 2012.

## **PROPRIETARY FUNDS**

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

The operating expenditures are those incurred by the delivery of those services. A more complete discussion of the financial operations of this fund can be found in the financial statements.

## **AD VALOREM TAXES**

State statutes require the value of the property as of January 1 of each year be used as the basis for calculating ad valorem tax for the ensuing fiscal year. The estimated adjusted taxable value of property in the City at January 1, 2011 was \$1,409,008,233 and was taxed at \$.308890 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$4,040,271.

### **Collections**

Current taxes of \$4,048,902 representing 99.9% of the adjusted tax roll were collected during fiscal year 2011-2012. The collection rate was comparable to the year end. Current tax collections have exceeded 97% in each of the last ten years.

### Allocation of Ad Valorem Taxes

The revenue to be received from current tax collections is distributed between the General Fund and the Debt Service Fund according to the rates for allocation set when the budget ordinances are adopted. Allocation of property tax revenues by purpose for fiscal year 2011 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
General Fund	.158338	.157307	.165133	.168320	.1605
G. O. Debt	<u>.150552</u>	<u>.152701</u>	<u>.133548</u>	<u>.130680</u>	<u>.1185</u>
Total	.308890	.310008	.298681	.299000	.2790

### AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2011. This is the ninth year that the City has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized basic financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Programs' requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget since October 1, 2002. The budget for October 1, 2012 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

### ACKNOWLEDGMENTS

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

planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Patty Howard".

Patty Howard  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockport  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morrell*

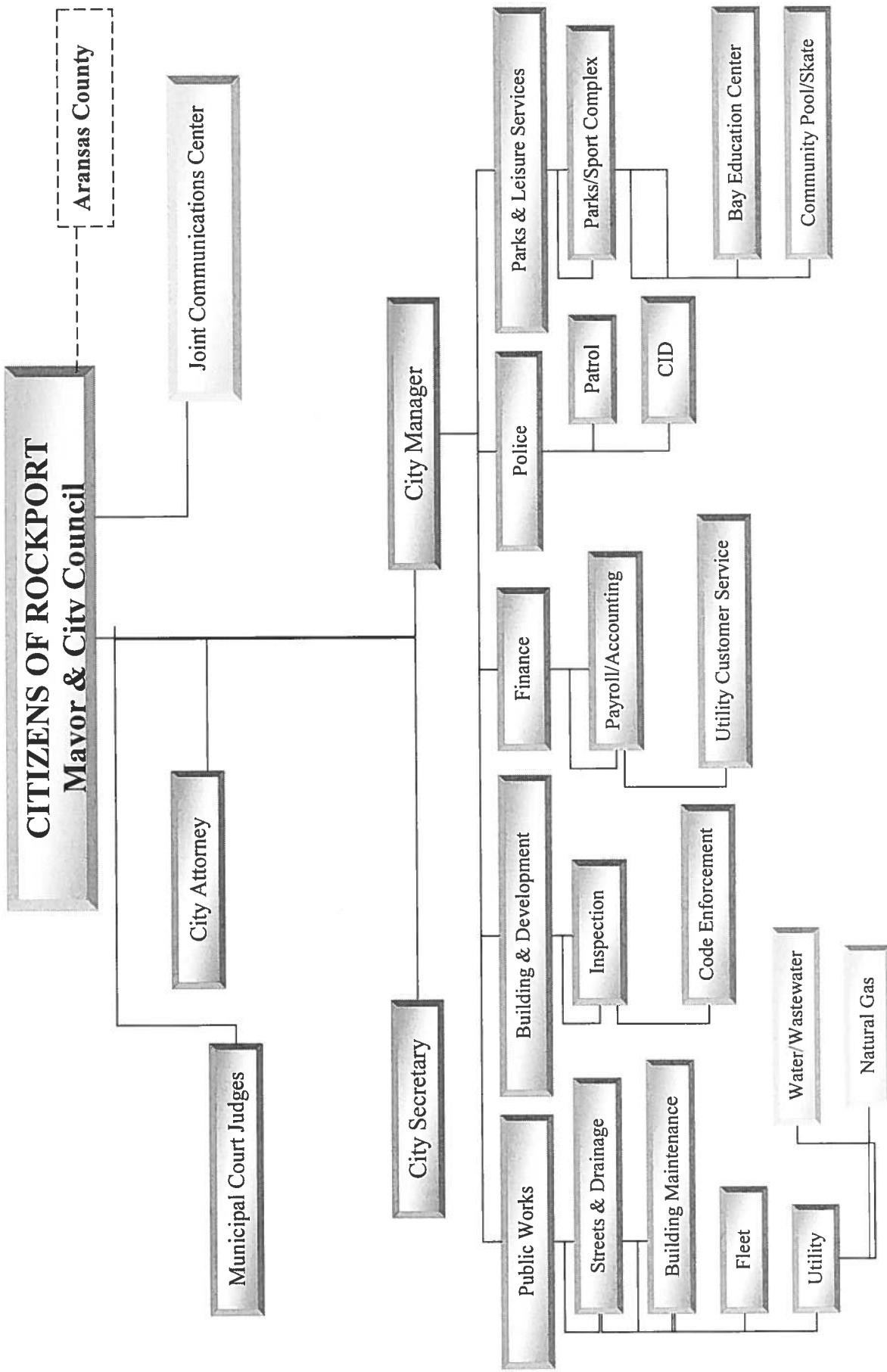
President

*Jeffrey P. Ecker*

Executive Director



ORGANIZATION CHART - 2012-2013



## **CITY OF ROCKPORT, TEXAS**

### **LIST OF PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2012**

#### **Elected Officials**

---

<b>Name</b>	<b>Office</b>
Charles J. Wax	Mayor
William Fisher	Mayor Pro-Tem
J.D. Villa	Council Member
Paul L. Lippke	Council Member
Adelaide H. Marlatt	Council Member

#### **Appointed Officials**

---

<b>Name</b>	<b>Position</b>
Kevin Carruth	City Manager
Irma G. Parker	City Secretary
Patty Howard	Finance Director
Billy Dick	Director of Utilities
Tim Jayroe	Chief of Police
Mike Henry	Building and Development Director
Tom Staley	Parks and Leisure Services Director



## Financial Section

# *Michael A. Arnold, PLLC*

501 E. MARKET

P.O. BOX 1266

ROCKPORT, TEXAS 78381-1266

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545

FAX (361) 790-9692

## **Independent Auditor's Report on Financial Statements**

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

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rockport, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budget comparison for the General Fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013, on our consideration of City of Rockport, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockport, Texas's financial statements as a whole, not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael A. Arnold PLLC".

Michael A. Arnold, PLLC

February 20, 2013



## Management's Discussion and Analysis

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the City of Rockport's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the transmittal letter on page i and the City's financial statements, which begin on page 12.

### **Financial Highlights**

- The assets of the City of Rockport exceeded its liabilities at the close of 2012 by \$34,695,571 (net assets). Of this amount, \$6,822,239 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$877,179 in 2012.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,314,156, a decrease of 7% in comparison with the prior year. Approximately \$3,063,111 (25%) of this total amount is available for spending at the government's discretion.
- The General fund reported an unassigned fund balance of \$3,131,055 or, 52% of total general fund expenditures.
- The City's total long-term debt decreased by \$1,638,155 (3.9%) during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) notes to financial statements, and 3) combining and individual funds. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-Wide Financial Statements**

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related

cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Rockport that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, tourism, culture and recreation and interest and fiscal charges. The business-type activities of the City include the Water, Wastewater and Natural Gas Utility System, Sanitation, and the Community Aquatic and Skate Park.

The government-wide financial statements can be found on pages 12 and 13 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rockport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rockport can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Currently, the City does not have any fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

The basic governmental fund financial statements can be found on pages 15 through 21 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 22 through 26 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 27 through 47 of this report.

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rockport, assets exceeded liabilities by \$34,695,571 at the close of the most recent fiscal year.

\$27.2 million or 79%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire these assets which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to

repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Net Assets at September 30, 2012

Table 1

	Governmental Activities		Business Type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and Other Assets	\$ 5,220,144	\$ 5,656,578	\$ 6,459,517	\$ 6,412,063	\$ 11,679,661	\$ 12,068,641
Restricted Assets	8,206,961	8,719,014	3,130,015	7,427,887	11,336,976	16,146,901
Capital Assets, net of accumulated depreciation	22,645,126	21,461,771	33,187,491	30,188,625	55,832,617	51,650,396
<b>Total Assets</b>	<b>36,072,231</b>	<b>35,920,997</b>	<b>\$42,777,023</b>	<b>44,028,575</b>	<b>\$ 78,849,254</b>	<b>79,865,938</b>
<b>Liabilities</b>						
Current & Due Within One Year	2,207,055	2,189,795	3,130,937	3,202,955	5,337,992	5,392,750
Due in More Than One Year	21,698,680	22,326,906	17,117,009	18,107,566	38,814,689	40,434,472
<b>Total Liabilities</b>	<b>23,905,735</b>	<b>24,516,701</b>	<b>20,247,946</b>	<b>21,310,521</b>	<b>44,153,681</b>	<b>45,827,222</b>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	9,313,304	7,539,674	17,967,353	17,287,725	27,280,657	24,827,399
Restricted for:						
Debt Service	408,684	407,389	183,991	184,655	592,675	592,044
Capital Projects						
Unrestricted	2,444,508	3,373,599	4,377,731	5,245,674	6,822,239	8,619,273
<b>Total Net Assets</b>	<b>\$12,166,496</b>	<b>\$ 11,320,662</b>	<b>\$22,529,075</b>	<b>\$ 22,718,054</b>	<b>\$34,695,571</b>	<b>\$ 34,038,716</b>

An additional portion of the City's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (84%) may be used to meet the government's ongoing obligations to citizens and creditors. It has been the practice of the City to finance major maintenance and rehabilitation of infrastructure or invest in new capital assets by issuance of long term debt and cautious and conservative draws on these unrestricted net assets. It is anticipated that this will continue to be our practice in the future.

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

## Changes in Net Assets

**Table 2**

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
<b>Program revenues</b>						
Charges for services	\$ 715,567	\$ 703,850	\$ 10,187,023	\$ 10,660,270	\$10,902,590	\$ 11,364,120
Operating grants and contributions	455,997	575,942	62,000	183,750	517,997	759,692
Capital grants and contributions	<u>634,417</u>	<u>79,300</u>	<u>3,500</u>	<u>267,941</u>	<u>637,917</u>	<u>347,241</u>
Total program revenues	1,805,981	1,359,092	\$ 10,252,523	11,111,961	\$12,058,504	12,471,053
<b>General revenues</b>						
Property taxes	4,159,989	4,024,879	-	-	4,159,989	4,024,879
Sales taxes	1,929,948	1,799,286	-	-	1,929,948	1,799,286
Franchise and other taxes	795,072	807,931	-	-	795,072	807,931
Occupancy taxes	662,330	647,278	-	-	662,330	647,278
Interest	31,763	50,110	21,108	46,943	52,871	97,053
Miscellaneous	<u>78,699</u>	<u>59,003</u>	<u>-</u>	<u>-</u>	<u>78,699</u>	<u>59,003</u>
Total revenues	9,463,782	8,747,579	\$10,273,631	11,158,904	19,737,413	19,906,483
<b>Expenses</b>						
General government	1,615,599	1,646,376	-	-	-	1,646,376
Public safety	3,531,426	3,439,538	-	-	-	3,439,538
Public Works	1,563,014	1,528,189	-	-	-	1,528,189
Culture and recreation	788,105	734,248	-	-	-	734,248
Tourism	464,438	476,810	-	-	-	476,810
Environmental	55,129	-	-	-	-	55,129
Water and Sewer	-	-	7,589,175	7,643,247	7,589,175	7,643,247
Sanitation	-	-	-	-	-	-
Beach Park	-	-	315,789	662,288	315,789	662,288
Community Aquatic Center	-	-	314,698	306,478	314,698	306,478
Natural Gas	-	-	1,163,782	1,415,532	1,163,782	1,415,532
Interest and fiscal charges	<u>996,263</u>	<u>999,535</u>	<u>-</u>	<u>-</u>	<u>996,263</u>	<u>999,535</u>
Total expense	9,013,974	8,824,696	9,383,444	11,158,904	18,397,418	18,845,241

**Change in net assets**

Increase(Decrease) before transfers	449,808	(77,117)	890,187	1,138,359	1,339,995	1,061,242
Loss on disposition of assets	-	-	-462,816	-	-462,816	-
Transfers	616,350	26,410	-616,350	(26,410)	-	-
Prior Period Adj	-220,324	-	-	148,857	-220,324	148,857
Net assets at beginning of year	<u>\$11,320,662</u>	<u>\$11,371,369</u>	<u>22,718,054</u>	<u>21,457,248</u>	<u>34,038,719</u>	<u>32,828,617</u>
 Net assets at end of year	 <u>\$12,166,496</u>	 <u>\$11,320,662</u>	 <u>\$22,529,075</u>	 <u>\$22,718,054</u>	 <u>\$34,695,571</u>	 <u>\$34,038,716</u>

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

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

As shown in Table 2 and the Exhibit A-2 of the Basic Financial Statements, the expenses incurred in providing these services are netted against the program revenues received by the City for these services. Because the City is not a for-profit entity, the cost to deliver the services far exceeds the program revenues generated. This deficit of new expenses, \$7,207,993, is overcome by the general revenues of taxes, investment earnings, miscellaneous income and transfers in totaling \$8,274,151. The overall change in Net Assets resulting from governmental activities at the end of the year was \$1,066,158.

**Business-Type Activities.** As shown in Table 2 and in the Statement of Activities, net program revenues of the City's business-type activities were \$10,273,631 for the fiscal year ended September 30, 2012. Expenses for the City's business-type activities were \$9,383,444, resulting in net revenues of \$890,187. After the non-program expenses and revenues are added in, the total change in net assets for the business type activities was (\$188,979) or (1,07%) of the prior year total. This is due to loss on the disposition of beach Park assets.

In the Utility System Fund, the City has little control over the costs of the two products: water and natural gas delivered to the City's customers. Water is purchased from the San Patricio Municipal Water District, and natural gas is purchased from two sources, South Cross Energy and Gulf Coast Gas Gathering. Water rates remained the same this year as they have been since 2010, other than pass through increase due to increases from the supplier. Any additional revenue generated will be used to pay debt service for capital improvements. Wastewater rates also remained the same this year. Any additional funds

generated will be used to make payments on the Cured in Place Pipe (CIPP) Project portion of the 2007 Bond Issue and other projects. The City purchased Aransas Natural Gas Company, a privately owned company, on May 30, 2008. Natural Gas rates remained the same as they were when the City adopted the M & O rate that was being charged by Aransas Natural Gas Co. in 2008. The fuel adjustment rate is calculated each month based on the rate natural gas is purchased for. The City contracts with McLain Decision Support Systems each year to do a rate study to ensure that the revenues generated by the Utility System Fund will support the associated expenditures. This study includes the natural gas revenue also.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental Funds.** The focus of the City governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$12,328,994, a decrease of \$985,162 compared to the prior year. Of this decrease, \$459,976 in the General Fund was due to the deficit budget that was approved. \$3,185 in the Debt Service Fund was due to less than projected interest being earned. \$38,589 in the 2007 Certificate of Obligation Fund was due to capital outlay projected being accomplished this year. The remaining \$483,412 in Other Governmental Funds was primarily due to the loss of the Beach Park before the high income period occurred.

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 \$3,099,834. This fund balance is the amount available without constraints from outside of the City to fund the City's normal operations. In order to illustrate the City's ability to withstand a major disaster such as a hurricane, it is worthwhile to measure the unreserved fund balance in terms of the number of days of operations it could sustain. For 2012, the daily cost of operation in the general fund was \$16,462 (total current expenditures of \$6,008,789 divided by 365 days in the year). The City of Rockport's unassigned general fund balance would be able to sustain 188 days in the event of disaster that interrupted normal revenue generation. The City of Rockport makes every effort to keep the unreserved fund balance at 180 days.

### **General Fund Budgetary Highlights.**

During FY 2011-12, the General Fund budget was amended only one time.

**Proprietary Funds.** The proprietary funds ended 2012 with combined net assets totaling \$22,529,079. The proprietary funds include the Utility System Fund, Natural Gas Fund, Sanitation, and the Community Aquatic & Skate Park. The Water and Sewer Fund and the Natural Gas Fund are the only major funds in this group.

### **Proprietary Fund Budgetary Highlights.**

During FY 2011-12, the Community Aquatic Park Fund was not amended at all.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City of Rockport's investment in capital assets for its governmental and business type activities as of September 30, 2012 totals at \$55,832,616 (net of accumulated depreciation). This investment in capital assets includes, land, buildings and improvements, vehicles, furniture and equipment, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year was 9%.

Major capital asset events during 2012 include the following:

- Anoxic Tank – In response to a study showing that nitrates were contributing to lower water quality in Little Bay, construction was begun on a \$785,000 anoxic tank at the wastewater treatment plant. The anoxic tank is designed to remove significant amounts of nitrates from the plant's effluent, which flows down the Tule Creek and into Little Bay. The tank is substantially complete and is fully operational as of the end of September, 2012.
- Public Service Center – Construction of a new \$3,750,000 Public Service Center began in 2011 and is complete, except for paving and construction of out buildings. Public Works and Building and Development will relocate to the facility, with a move-in date sometime in January, 2013. Although not submitted as a LEED project, there are many LEED features incorporated into the design. These design features are expected to result in superior energy efficiency and lower operating and maintenance costs. Located at one of the highest points on Live Oak peninsula, the facility was also designed to serve as a base of operations in the event of a catastrophic event. In an emergency it can sleep and feed over 100 responders, has an electrical generator to serve the entire building, provide water and sewer service, and can also serve as a back-up communications center.
- Tule Hike and Bike Trail – In June 1999 the City was awarded a \$648,023 Statewide Transportation Enhancement Program grant from the Texas Department of Transportation for construction of the one-mile long Tule Hike and Bike Trail.

Delayed primarily by right-of-way acquisition issues and mandated changes in design criteria, the project began construction in January, 2012 and was completed the end of November, 2012. This is a significant addition to the City's park facilities and will link Memorial Park to Highway 35 business and ultimately to the trails planned by Aransas Pathways. Parks and Leisure will monitor expenses throughout FY 2012-2013 in order to determine what appropriate annual funding should be.

- Water Tower – Construction of \$2,045,000 water tower was completed and operational in April, 2012. The tower is located adjacent to the new Public Service Center and adds one million gallon in storage and also will provide the Public Service Center with a water source in the event the facility has to be used as an emergency operations center and the distribution system is offline.

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

**Long-Term Debt.** The City of Rockport did not issue any new debt in 2012.

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

During the budget process for fiscal year 2012-13 the elected and appointed officials considered many factors including the forces driving the economy in their budget decisions. The housing starts, development, and raw land being turned into retail and housing can each be measured by the number of new water connections recorded. An increase in Hotel Occupancy Tax and sales tax indicate an increase in tourism. There has been an increase in registered voters since 2000, going from 5,987 in 2006 to 6186 in 2010, equating to a 4% increase. The population for Rockport is 9,357 as of 2011 which is up from 8,766 in the 2010 U. S. Census.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**



## CITY OF ROCKPORT, TEXAS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 3,921,323	\$ 4,775,260	\$ 8,696,583
Receivables ( net of allowances for uncollectibles):			
Property taxes	153,980	--	153,980
Other taxes	437,943	--	437,943
Accounts	89,886	1,320,254	1,410,140
Special assessments	7,208	4,136	11,344
Intergovernmental	203,067	--	203,067
Other	1,504	--	1,504
Inventories	76,159	124,418	200,577
Restricted assets:			
Cash and investments	8,206,961	3,130,015	11,336,976
Bond issuance costs	329,074	235,449	564,523
Capital assets:			
Land	4,902,767	214,954	5,117,721
Construction in progress	120,877	--	120,877
Buildings	4,771,680	3,661,586	8,433,266
Improvements other than buildings	1,599,888	1,944,240	3,544,128
Utility system	--	42,908,568	42,908,568
Machinery and equipment	3,378,561	2,100,100	5,478,661
Infrastructure	12,206,219	--	12,206,219
Accumulated depreciation	(4,334,866)	(17,641,957)	(21,976,823)
Total Assets	<u>36,072,231</u>	<u>42,777,023</u>	<u>78,849,254</u>
<b>LIABILITIES</b>			
Accounts payable	363,645	709,672	1,073,317
Accrued liabilities	61,668	25,281	86,949
Accrued interest payable	112,161	88,421	200,582
Payable from restricted assets	--	228,101	228,101
Customer Deposits	--	915,807	915,807
Noncurrent liabilities:			
Due within one year	1,669,581	1,164,657	2,834,238
Due in more than one year	21,698,680	17,116,009	38,814,689
Total Liabilities	<u>23,905,735</u>	<u>20,247,948</u>	<u>44,153,683</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	9,313,304	17,967,353	27,280,657
Restricted For:			
Debt Service	408,684	183,991	592,675
Unrestricted	2,444,508	4,377,731	6,822,239
Total Net Assets	<u>\$ 12,166,496</u>	<u>\$ 22,529,075</u>	<u>\$ 34,695,571</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 1,615,599	\$ 18,267	\$ --	\$ --
Public safety	3,531,426	494,629	455,997	308,174
Public works	1,563,014	182,984	--	--
Culture and recreation	788,105	19,687	--	326,243
Tourism	464,438	--	--	--
Environmental	55,129	--	--	--
Interest and fiscal charges	996,263	--	--	--
Total governmental activities	<u>9,013,974</u>	<u>715,567</u>	<u>455,997</u>	<u>634,417</u>
<b>Business-type Activities:</b>				
Sanitation	--	14,873	--	--
Water & Sewer	7,589,175	8,455,811	--	3,500
Beach Park	315,789	128,376	--	--
Community Aquatic Center	314,698	138,830	62,000	--
Natural Gas	1,163,782	1,449,133	--	--
Total Business-type Activities	<u>9,383,444</u>	<u>10,187,023</u>	<u>62,000</u>	<u>3,500</u>
Total Primary Government	<u>\$ 18,397,418</u>	<u>\$ 10,902,590</u>	<u>\$ 517,997</u>	<u>\$ 637,917</u>

**General Revenues:**

Property Taxes, Levied for General Purposes  
 Property Taxes, Levied for Debt Services  
 Sales Taxes  
 Franchise Taxes and Other Taxes  
 Occupancy Taxes  
 Investment Earnings  
 Other Revenues  
 Gain (Loss) on Disposition of Assets  
 Transfers  
     Total General Revenues and Transfers  
     Change in Net Assets  
 Net Assets - Beginning  
 Prior Period Adjustment  
 Net Assets - Ending

The accompanying notes are an integral part of this statement.

## Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,597,332)	\$ (1,597,332)	
(2,272,626)	(2,272,626)	
(1,380,030)	(1,380,030)	
(442,175)	(442,175)	
(464,438)	(464,438)	
(55,129)	(55,129)	
(996,263)	(996,263)	
<u>(7,207,993)</u>	<u>(7,207,993)</u>	
-- \$ 14,873	14,873	14,873
-- 870,136	870,136	870,136
-- (187,413)	(187,413)	(187,413)
-- (113,868)	(113,868)	(113,868)
-- 285,351	285,351	285,351
<u>-- 869,079</u>	<u>869,079</u>	<u>869,079</u>
<u>(7,207,993)</u>	<u>869,079</u>	<u>(6,338,914)</u>
2,133,106	--	2,133,106
2,026,883	--	2,026,883
1,929,948	--	1,929,948
795,072	--	795,072
662,330	--	662,330
31,763	21,108	52,871
78,699	--	78,699
-- (462,816)	(462,816)	(462,816)
616,350	(616,350)	--
<u>8,274,151</u>	<u>(1,058,058)</u>	<u>7,216,093</u>
1,066,158	(188,979)	877,179
11,320,662	22,718,054	34,038,716
(220,324)	--	(220,324)
<u>\$ 12,166,496</u>	<u>\$ 22,529,075</u>	<u>\$ 34,695,571</u>

**CITY OF ROCKPORT, TEXAS**  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2012

	General Fund	Debt Service
<b>ASSETS</b>		
Assets:		
Cash and investments	\$ 2,543,519	\$ 341,347
Receivables ( net of allowances for uncollectibles):		
Property taxes	86,643	67,337
Other taxes	223,771	--
Accounts	--	--
Special assessments	--	--
Intergovernmental	--	--
Other	1,504	--
Due from other funds	581,931	--
Inventories	31,221	--
Restricted assets:		
Cash and investments	--	--
Total Assets	<u>\$ 3,468,589</u>	<u>\$ 408,684</u>
Liabilities:		
Accounts payable	\$ 199,865	\$ --
Accrued expenditures	51,026	--
Due to other funds	--	--
Deferred revenue	86,643	67,337
Total Liabilities	<u>337,534</u>	<u>67,337</u>
Fund balances:		
Nonspendable	31,221	--
Restricted	--	341,347
Committed	--	--
Assigned	--	--
Unassigned	3,099,834	--
Total fund balances	<u>3,131,055</u>	<u>341,347</u>
Total Liabilities and Fund balances	<u>\$ 3,468,589</u>	<u>\$ 408,684</u>

The accompanying notes are an integral part of this statement.

2007 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 986,954	\$ 3,871,820
--	--	153,980
--	214,172	437,943
--	14,886	14,886
--	7,208	7,208
--	203,067	203,067
--	--	1,504
--	--	581,931
--	--	31,221
<u>\$ 5,726,885</u>	<u>\$ 2,480,076</u>	<u>\$ 8,206,961</u>
<u>\$ 5,726,885</u>	<u>\$ 3,906,363</u>	<u>\$ 13,510,521</u>
\$ --	\$ 163,780	\$ 363,645
--	8,899	59,925
--	581,931	581,931
--	22,046	176,026
--	<u>776,656</u>	<u>1,181,527</u>
--	--	31,221
<u>5,726,885</u>	<u>3,166,430</u>	<u>9,234,662</u>
--	(253,917)	(253,917)
--	217,194	217,194
--	--	3,099,834
<u>5,726,885</u>	<u>3,129,707</u>	<u>12,328,994</u>
<u>\$ 5,726,885</u>	<u>\$ 3,906,363</u>	<u>\$ 13,510,521</u>



**CITY OF ROCKPORT, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 12,328,994
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,632,912
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	153,980
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	104,912
Payables for bond principal which are not due in the current period are not reported in the funds.	(20,428,783)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,110,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(112,161)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(335,649)
Pension obligation payable is not recorded in the funds.	(254,411)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	329,074
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	75,000
OBEP Obligation is not recorded in the funds.	(1,239,418)
Certain receivables unavailable to pay for current period expenditures are deferred in the funds.	14,838
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>7,208</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 12,166,496</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service
<b>Revenue:</b>		
Taxes	\$ 4,825,202	\$ 2,022,403
Licenses and permits	182,984	--
Intergovernmental	569	--
Charges for services	19,687	--
Fines	295,694	--
Interest	8,716	895
Miscellaneous	78,699	--
<b>Total revenues</b>	<b>5,411,551</b>	<b>2,023,298</b>
 <b>Expenditures:</b>		
<b>Current:</b>		
General government	1,323,409	--
Public safety	2,343,985	--
Public works	1,257,527	--
Culture and recreation	595,043	--
Tourism	--	--
Environmental	55,129	--
<b>Capital outlay</b>	<b>433,696</b>	--
<b>Debt service:</b>		
Principal	--	1,065,695
Interest and fiscal charges	--	982,202
<b>Total expenditures</b>	<b>6,008,789</b>	<b>2,047,897</b>
 Excess (deficiency) of revenues (under) expenditures	(597,238)	(24,599)
 <b>Other financing sources (uses):</b>		
Transfers in	1,060,387	25,550
Transfers out	(923,125)	(4,136)
<b>Total other financing sources (uses)</b>	<b>137,262</b>	<b>21,414</b>
 Net change in fund balance	(459,976)	(3,185)
 Fund balance, beginning of year	3,591,031	344,532
<b>Fund balance, end of year</b>	<b>\$ 3,131,055</b>	<b>\$ 341,347</b>

The accompanying notes are an integral part of this statement.

2007 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 870,882	\$ 7,718,487
--	--	182,984
--	1,089,845	1,090,414
--	--	19,687
--	37,641	333,335
14,701	7,451	31,763
--	--	78,699
<u>14,701</u>	<u>2,005,819</u>	<u>9,455,369</u>
--	22,308	1,345,717
--	943,251	3,287,236
--	--	1,257,527
--	63,978	659,021
--	464,438	464,438
--	--	55,129
53,290	1,418,989	1,905,975
--	29,972	1,095,667
--	5,769	987,971
<u>53,290</u>	<u>2,948,705</u>	<u>11,058,681</u>
 (38,589)	 (942,886)	 (1,603,312)
--	510,574	1,596,511
--	(51,100)	(978,361)
--	<u>459,474</u>	<u>618,150</u>
 (38,589)	 (483,412)	 (985,162)
 5,765,474	 3,613,119	 13,314,156
<u>\$ 5,726,885</u>	<u>\$ 3,129,707</u>	<u>\$ 12,328,994</u>

**CITY OF ROCKPORT, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	\$ (985,162)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,888,255
The depreciation of capital assets used in governmental activities is not reported in the funds.	(703,155)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	7,525
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,025,667
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	70,000
Amortization of deferred loss on refunding is not recorded in the funds.	(23,728)
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(28,134)
(Increase) decrease in accrued interest from beginning of period to end of period.	11,179
The net revenue (expense) of internal service funds is reported with governmental activities.	7,840
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	17,154
Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year.	888
Change in net pension obligation is not reported in the funds.	(34,087)
Amortization of bond premiums are not recorded in the funds.	32,391
Change in current OPEP obligation is not reported in the funds.	<u>(220,475)</u>
Change in net assets of governmental activities - Statement of Activities	\$ <u>1,066,158</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**
**EXHIBIT A-7**
**GENERAL FUND**
**BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
<b>Revenue:</b>					
Taxes	\$ 4,709,456	\$ 4,709,456	\$ 4,825,202	\$ 115,746	
Licenses and permits	146,800	146,800	182,984	36,184	
Intergovernmental	34,000	34,000	569	(33,431)	
Charges for services	14,500	14,500	19,687	5,187	
Fines	341,500	341,500	295,694	(45,806)	
Interest	11,000	11,000	8,716	(2,284)	
Miscellaneous	25,000	25,000	78,699	53,699	
<b>Total revenues</b>	<b>5,282,256</b>	<b>5,282,256</b>	<b>5,411,551</b>	<b>129,295</b>	
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,276,292	1,276,293	1,323,409	(47,116)	
Public safety	2,403,240	2,401,941	2,343,985	57,956	
Public works	1,442,540	1,439,041	1,257,527	181,514	
Culture and recreation	487,895	490,396	595,043	(104,647)	
Environmental	108,199	109,299	55,129	54,170	
<b>Capital outlay</b>	<b>442,181</b>	<b>438,162</b>	<b>433,696</b>	<b>4,466</b>	
<b>Total expenditures</b>	<b>6,160,347</b>	<b>6,155,132</b>	<b>6,008,789</b>	<b>146,343</b>	
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>(878,091)</b>	<b>(872,876)</b>	<b>(597,238)</b>	<b>275,638</b>	
<b>Other financing sources (uses):</b>					
Transfers in	1,050,313	1,050,313	1,060,387	10,074	
Transfers out	(645,613)	(650,833)	(923,125)	(272,292)	
<b>Total other financing sources (uses)</b>	<b>404,700</b>	<b>399,480</b>	<b>137,262</b>	<b>262,218</b>	
<b>Net change in fund balance</b>	<b>(473,391)</b>	<b>(473,396)</b>	<b>(459,976)</b>	<b>13,420</b>	
<b>Fund balance, beginning of year</b>	<b>3,591,031</b>	<b>3,591,031</b>	<b>3,591,031</b>	<b>--</b>	
<b>Fund balance, end of year</b>	<b>\$ 3,117,640</b>	<b>\$ 3,117,635</b>	<b>\$ 3,131,055</b>	<b>\$ 13,420</b>	

# CITY OF ROCKPORT, TEXAS

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

SEPTEMBER 30, 2012

	Enterprise Fund	Enterprise Fund Natural Gas Fund
	Water & Sewer Fund	
<b>ASSETS</b>		
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 4,074,685	\$ 349,773
Investments	100,000	--
Receivables ( net of allowances for uncollectibles):		
Accounts	805,764	189,231
Special assessments	4,136	--
Inventories	81,000	43,418
Total current assets	<u>5,065,585</u>	<u>582,422</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	3,130,015	--
Accounts receivable - noncurrent	155,448	--
Bond issue costs	235,449	--
Capital assets:		
Land	110,654	--
Buildings	3,661,586	--
Improvements other than buildings	--	--
Water system	20,486,817	--
Sewer system	20,568,751	--
Natural gas system	--	1,853,000
Machinery and equipment	2,086,938	--
Accumulated depreciation	<u>(16,657,766)</u>	<u>(262,510)</u>
Total noncurrent assets	<u>33,777,892</u>	<u>1,590,490</u>
Total Assets	<u>\$ 38,843,477</u>	<u>\$ 2,172,912</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 284,603	\$ 8,773
Accrued expenses	20,183	3,163
Accrued interest payable	88,421	--
Customer deposits	915,109	--
Payable from restricted assets	228,101	--
Compensated absences	100,000	--
Bonds and certificates of obligation - current portion	<u>1,064,657</u>	--
Total current liabilities	<u>2,701,074</u>	<u>11,936</u>
Noncurrent liabilities:		
Bonds and certificates of obligation payable	17,101,505	--
Compensated absences	<u>10,087</u>	<u>4,417</u>
Total noncurrent liabilities	<u>17,111,592</u>	<u>4,417</u>
Total liabilities	<u>19,812,666</u>	<u>16,353</u>
<b>NET ASSETS:</b>		
Investment in Capital Assets, Net of Related Debt	15,036,842	1,590,490
Restricted for Debt Service	183,991	--
Unrestricted Net Assets	3,809,978	566,069
Total Net Assets	<u>\$ 19,030,811</u>	<u>\$ 2,156,559</u>

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
		Fleet Fund
\$ 250,802	\$ 4,675,260	\$ 49,503
--	100,000	--
169,811	1,164,806	--
--	4,136	--
--	124,418	44,938
<u>420,613</u>	<u>6,068,620</u>	<u>94,441</u>
--	3,130,015	--
--	155,448	--
--	235,449	--
104,300	214,954	--
--	3,661,586	--
1,944,240	1,944,240	--
--	20,486,817	--
--	20,568,751	--
--	1,853,000	--
13,162	2,100,100	17,448
(721,681)	(17,641,957)	(5,234)
<u>1,340,021</u>	<u>36,708,403</u>	<u>12,214</u>
<u>\$ 1,760,634</u>	<u>\$ 42,777,023</u>	<u>\$ 106,655</u>
\$ 416,296	\$ 709,672	\$ --
1,935	25,281	1,743
--	88,421	--
698	915,807	--
--	228,101	--
--	100,000	--
--	1,064,657	--
<u>418,929</u>	<u>3,131,939</u>	<u>1,743</u>
--	17,101,505	--
--	14,504	--
--	17,116,009	--
<u>418,929</u>	<u>20,247,948</u>	<u>1,743</u>
1,340,021	17,967,353	12,214
--	183,991	--
1,684	4,377,731	92,698
<u>\$ 1,341,705</u>	<u>\$ 22,529,075</u>	<u>\$ 104,912</u>

# CITY OF ROCKPORT, TEXAS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Fund	Enterprise Fund
	Water & Sewer Fund	Natural Gas Fund
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 8,455,811	\$ 1,449,133
Total Operating Revenues	<u>8,455,811</u>	<u>1,449,133</u>
<b>OPERATING EXPENSES:</b>		
Personal services	1,448,046	267,421
Contractual services	361,491	27,212
Maintenance	440,898	87,971
Supplies	3,680,863	700,012
Other	40,739	19,399
Amortization	20,777	--
Depreciation	886,847	61,767
Total Operating Expenses	<u>6,879,661</u>	<u>1,163,782</u>
Operating Income (Loss)	<u>1,576,150</u>	<u>285,351</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	21,108	--
Intergovernmental revenue	--	--
Gain (Loss) on sale of assets	--	--
Interest expense	(709,514)	--
Total Non-operating Revenues (Expenses)	<u>(688,406)</u>	<u>--</u>
Net Income (Loss) before Operating Transfers	<u>887,744</u>	<u>285,351</u>
Capital Contributions	3,500	--
<b>TRANSFERS:</b>		
Interfund transfers in	168,820	--
Interfund transfers out	(923,093)	(265,978)
Change in Net Assets	<u>136,971</u>	<u>19,373</u>
Net Assets, beginning of year	<u>18,893,840</u>	<u>2,137,186</u>
Net Assets, end of year	<u>\$ 19,030,811</u>	<u>\$ 2,156,559</u>

The accompanying notes are an integral part of this statement.

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
		Fleet Fund
\$ 282,079	\$ 10,187,023	\$ 553,384
282,079	10,187,023	553,384
311,292	2,026,759	127,081
49,367	438,070	19,861
25,767	554,636	--
151,945	4,532,820	394,242
850	60,988	815
--	20,777	--
91,266	1,039,880	1,745
630,487	8,673,930	543,744
(348,408)	1,513,093	9,640
--	21,108	--
62,000	62,000	--
(462,816)	(462,816)	--
--	(709,514)	--
(400,816)	(1,089,222)	--
(749,224)	423,871	9,640
--	3,500	--
439,901	608,721	--
(36,000)	(1,225,071)	(1,800)
(345,323)	(188,979)	7,840
1,687,028	22,718,054	97,072
\$ 1,341,705	\$ 22,529,075	\$ 104,912

**CITY OF ROCKPORT, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Enterprise Funds				
	Water & Sewer	Natural Gas	Nonmajor Enter. Funds	Totals	Service Funds
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$ 8,538,994	\$ 1,454,001	\$ 259,610	\$ 10,252,605	\$ 553,384
Cash Receipts (Payments) for Operating Transactions with Other Funds	—	—	(241,831)	(241,831)	—
Cash Payments to Employees for Services	(1,453,641)	(264,655)	(320,436)	(2,038,732)	(128,786)
Cash Payments to Other Suppliers for Goods and Services	(4,743,649)	(826,443)	(219,876)	(5,789,968)	(419,997)
Net Cash Provided (Used) by Operating Activities	<u>2,341,704</u>	<u>362,903</u>	<u>(522,533)</u>	<u>2,182,074</u>	<u>4,601</u>
<b>Cash Flows from Non-capital Financing Activities:</b>					
Operating Grants Received	—	—	62,000	62,000	—
Transfers From Other Funds	168,820	—	439,901	608,721	—
Transfers To Other Funds	(923,093)	(265,978)	(36,000)	(1,225,071)	(1,800)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(754,273)</u>	<u>(265,978)</u>	<u>465,901</u>	<u>(554,350)</u>	<u>(1,800)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from Issuance of Long-term Debt	—	—	—	—	—
Principal and Interest Paid	(1,699,241)	—	—	(1,699,241)	—
Acquisition or Construction of Capital Assets	(5,445,264)	—	—	(5,445,264)	—
Proceeds from sale of capital assets	—	—	45,355	45,355	—
Amounts paid for bond issuance	—	—	—	—	—
Contributed Capital	71,213	—	—	71,213	—
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(7,073,292)</u>	<u>—</u>	<u>45,355</u>	<u>(7,027,937)</u>	<u>—</u>
<b>Cash Flows from Investing Activities:</b>					
Purchase of Investments	(100,000)	—	—	(100,000)	—
Interest and Dividends on Investments	21,108	—	—	21,108	—
Net Cash Provided (Used) for Investing Activities	<u>(78,892)</u>	<u>—</u>	<u>—</u>	<u>(78,892)</u>	<u>—</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,564,753)	96,925	(11,277)	(5,479,105)	2,801
Cash and Cash Equivalents at Beginning of Year	12,769,453	252,848	262,079	13,284,380	46,702
Cash and Cash Equivalents at End of Year	<u>\$ 7,204,700</u>	<u>\$ 349,773</u>	<u>\$ 250,802</u>	<u>\$ 7,805,275</u>	<u>\$ 49,503</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss)	\$ 1,576,150	\$ 285,351	\$ (348,408)	\$ 1,513,093	\$ 9,640
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation and Amortization	907,624	61,767	91,266	1,060,657	1,745
Provision for Uncollectible Accounts	—	—	—	—	—
Change in Assets and Liabilities:					
Decrease (Increase) in Receivables	3,569	4,868	(15,613)	(7,176)	—
Decrease (Increase) in Inventories	(19,307)	12,513	—	(6,794)	(4,917)
Decrease (Increase) in Prepaid Expenses	—	—	—	—	—
Increase (Decrease) in Accounts Payable	(200,351)	(4,362)	19,029	(185,684)	(162)
Increase (Decrease) in Payroll Deductions	—	—	—	—	—
Increase (Decrease) in Accrued Wages Payable	500	—	—	500	—
Increase (Decrease) in Interfund Payables	—	—	(241,831)	(241,831)	—
Increase (Decrease) in Customer Deposits	79,614	—	(17,832)	61,782	—
Increase (Decrease) in Accrued Expenses	(6,095)	2,766	(9,144)	(12,473)	(1,705)
Increase (Decrease) in Unearned Revenue	—	—	—	—	—
Total Adjustments	<u>765,554</u>	<u>77,552</u>	<u>(174,125)</u>	<u>668,981</u>	<u>(6,784)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,341,704</u>	<u>\$ 362,903</u>	<u>\$ (522,533)</u>	<u>\$ 2,182,074</u>	<u>\$ 4,601</u>
<b>Summary of cash and cash equivalents:</b>					
Cash and cash equivalents - operating	\$ 4,074,685	\$ 349,773	\$ 250,802	\$ 4,675,260	\$ 49,503
Cash and cash equivalents - restricted	3,130,015	—	—	3,130,015	—
	<u>\$ 7,204,700</u>	<u>\$ 349,773</u>	<u>\$ 250,802</u>	<u>\$ 7,805,275</u>	<u>\$ 49,503</u>

The accompanying notes are an integral part of this statement.

# CITY OF ROCKPORT, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

### A. Summary of Significant Accounting Policies

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

#### 1. Reporting Entity

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

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

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

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

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

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

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

## CITY OF ROCKPORT, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

In addition, the City reports the following fund types:

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

b. **Measurement Focus, Basis of Accounting**

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

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

## CITY OF ROCKPORT, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

#### 3. Financial Statement Amounts

##### a. Cash and Cash Equivalents

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

##### b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

##### c. Inventories and Prepaid Items

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

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

##### d. Capital Assets

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

**CITY OF ROCKPORT, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

threshold of \$5,000 is used.

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

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

e. **Receivable and Payable Balances**

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

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

f. **Compensated Absences**

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

g. **Interfund Activity**

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

i. **Fund Balances - Governmental Funds**

For the year ended September 30, 2012, the City adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." Fund balances are now classified as described below:

Fund balances of the governmental funds are classified as follows:

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

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

## CITY OF ROCKPORT, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

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

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

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

#### 4. Budgetary Data

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

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

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

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

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

**CITY OF ROCKPORT, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

5. Encumbrance Accounting

Encumbrance accounting is not used by the City.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
City County Dispatch	\$ (176,812)	Temporary shortage.
Stonegarden	(76,617)	Temporary shortage.

Both deficits will be replenished by General Fund.

3. Budgets

The City over expended budgeted amounts in the following funds:

Hotel/Motel Occupancy Fund	\$	7,113
Debt Service Fund		13,713

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2012, the carrying amount of the City's deposits (cash, certificates" of deposit, and interest-bearing savings accounts included in temporary investments) \$20,075,630. The total deposits were covered by Federal Depository Insurance (FDIC) or by collateral held in the City's agent bank in the City's name.

Investments:

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

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

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

The City's investment at September 30, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Fair Value</u>
TexPool	N/A	\$ 7,534	\$ 7,534
Texas Term Daily	N/A	34,540	34,540
Certificates of Deposit	2 years	1,500,000	1,500,000
Total Investments		\$ 1,542,074	\$ 1,542,074

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

a. Credit Risk

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

At September 30, 2012, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

D. Receivables

Receivables at September 30, 2012 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Governmental Activities

	General	Debt Service	Nonmajor Governmental	Total
Property taxes	\$ 142,753	\$ 97,944	\$ --	\$ 240,697
Other Taxes	223,771	--	214,172	437,943
Accounts	--	--	19,182	19,182
Fines	75,000	--	--	75,000
Special Assessments	--	--	7,208	7,208
Intergovernmental	--	--	203,067	203,067
Sundry	1,504	--	--	1,504

# CITY OF ROCKPORT, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Gross	443,028	97,944	443,629	984,601
Less allowance for uncollectibles	(56,110)	(30,607)	(4,296)	(91,013)
Net Receivables	<u>\$ 386,918</u>	<u>\$ 67,337</u>	<u>\$ 439,333</u>	<u>\$ 893,588</u>

### E. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,902,767	\$ --	\$ --	\$ 4,902,767
Construction in progress	120,877	--	--	120,877
Total capital assets not being depreciated	<u>5,023,644</u>	<u>--</u>	<u>--</u>	<u>5,023,644</u>
Capital assets being depreciated:				
Infrastructure	11,565,458	640,761	--	12,206,219
Buildings and improvements	4,771,680	--	--	4,771,680
Improvements other than buildings	1,101,870	498,018	--	1,599,888
Machinery and Equipment	2,775,428	749,474	146,341	3,378,561
Total capital assets being depreciated	<u>20,214,436</u>	<u>1,888,253</u>	<u>146,341</u>	<u>21,956,348</u>
Less accumulated depreciation for:				
Infrastructure	(791,193)	(213,388)	--	(1,004,581)
Buildings and improvements	(949,151)	(123,201)	--	(1,072,352)
Improvements other than buildings	(287,566)	(67,115)	--	(354,681)
Machinery and Equipment	(1,750,142)	(299,451)	(146,341)	(1,903,252)
Total accumulated depreciation	<u>(3,778,052)</u>	<u>(703,155)</u>	<u>(146,341)</u>	<u>(4,334,866)</u>
Total capital assets being depreciated, net	<u>16,436,384</u>	<u>1,185,098</u>	<u>--</u>	<u>17,621,482</u>
Governmental activities capital assets, net	<u>\$ 21,460,028</u>	<u>\$ 1,185,098</u>	<u>\$ --</u>	<u>\$ 22,645,126</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Construction in progress	789,061	--	789,061	--
Total capital assets not being depreciated	<u>1,004,015</u>	<u>--</u>	<u>789,061</u>	<u>214,954</u>
Capital assets being depreciated:				
Buildings and improvements	1,728,904	3,388,333	1,455,651	3,661,586
Improvements other than buildings	3,361,401	--	1,417,162	1,944,239
Infrastructure	40,059,940	2,848,628	--	42,908,568
Machinery and Equipment	2,176,581	99,015	175,496	2,100,100
Total capital assets being depreciated	<u>47,326,826</u>	<u>6,335,976</u>	<u>3,048,309</u>	<u>50,614,493</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,441,813)	(59,762)	(1,247,245)	(254,330)
Improvements other than buildings	(1,788,198)	(78,383)	(1,155,277)	(711,304)
Infrastructure	(14,151,877)	(785,224)	--	(14,937,101)
Machinery and Equipment	(1,760,327)	(116,511)	(137,616)	(1,739,222)
Total accumulated depreciation	<u>(19,142,215)</u>	<u>(1,039,880)</u>	<u>(2,540,138)</u>	<u>(17,641,957)</u>
Total capital assets being depreciated, net	<u>28,184,611</u>	<u>5,296,096</u>	<u>508,171</u>	<u>32,972,536</u>
Business-type activities capital assets, net	<u>\$ 29,188,626</u>	<u>\$ 5,296,096</u>	<u>\$ 1,297,232</u>	<u>\$ 33,187,490</u>

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Depreciation was charged to functions as follows:

**Governmental activities:**

General Government	\$ 32,474
Public Safety	244,190
Public Works	297,407
Culture and Recreation	129,084
	<hr/>
	\$ 703,155

**Business-type activities:**

Water and Sewer System	\$ 886,847
Natural Gas System	61,767
Beach Park	25,142
Community Aquatic Center	66,124
	<hr/>
	\$ 1,039,880

**Capital Leases**

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

Buildings	\$ 1,607,000
Less accumulated amortization	(321,400)
Capitalized leases, net	<hr/> \$ 1,285,600

**Beach Park Fund**

On May 1, 2012, the City's 25 year lease with the Aransas County Navigation District No. 1 (the District) terminated. The District did not renew the lease and took over operations of the Beach Park. The buildings and improvements made over the term of the lease became the property of the District. The District did pay the City \$45,349 for equipment and fixtures. The loss on disposition of assets of the beach park was \$462,816 and is reflected in the financial statements.

**F. Interfund Balances and Activity**

**1. Due To and From Other Funds**

Balances due to and due from other funds at September 30, 2012, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 581,931	Short-term loans
General Fund	Other Enterprise Fund	--	Short-term loans
	Total	<hr/> \$ 581,931	

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

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2012, consisted of the following:

Transfers Out	Total	Transfers In			
		General Fund	Nonmajor Governmental	Nonmajor Proprietary	Water & Sewer
Natural Gas Fund	\$ 265,978	\$ 101,294	\$	\$	\$ 164,684
Water and Sewer Fund	923,093	923,093			
General Fund	923,125	--	510,574	412,551	
Debt Service Fund	4,136	--			4,136
Nonmajor Governmental	51,100			25,550	
Nonmajor Proprietary	36,000	36,000		--	--
	<u>\$ 2,203,432</u>	<u>\$ 1,060,387</u>	<u>\$ 510,574</u>	<u>\$ 438,101</u>	<u>\$ 168,820</u>

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

Other transfers were made to supplement other funds operations.

G. Short-Term Debt Activity

The City had no short-term debt activity for the year ended September 30, 2012.

H. Restricted Assets

Cash and investments were restricted for the following purposes at September 30, 2012:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 8,206,961	\$ 2,946,024
Debt Service	--	183,991
	<u>\$ 8,206,961</u>	<u>\$ 3,130,015</u>

# CITY OF ROCKPORT, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

### I. Long-Term Obligations

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

Long-term debt consisted of the following at September 30, 2012:

	Interest Rate	General Long-Term Debt	Enterprise Fund Debt
Combination Tax and Revenue Certificates of Obligation, Series 2005	4.00-4.50%	4,606,360	3,368,640
Combination Tax and Revenue Certificates of Obligation, Series 2007	4.25-5.25%	12,988,589	2,671,411
General Obligation Refunding Bonds, Series 2009	3.00-4.00%	1,386,575	988,475
Combination Tax and Revenue Certificates of Obligation, Series 2009	3.00-4.50%	--	9,565,000
General Refunding Bonds, Series 2010	2.00-4.00%	1,304,584	1,300,428
<b>Total Bonded Debt</b>		<b>20,286,108</b>	<b>17,893,954</b>
Unamortized bond premium		327,739	209,707
Unamortized Deferred Loss on Refunding		(185,064)	(33,966)
Unamortized Deferred Gain on Refunding		--	96,467
Capital leases payable		1,110,000	--
OPEB obligation payable		1,239,418	--
Pension obligation payable		254,411	--
Compensated absences		335,649	114,504
<b>Total Long-Term Debt</b>		<b>\$ 23,368,261</b>	<b>\$ 18,280,666</b>

### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2012, are as follows:

# CITY OF ROCKPORT, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 18,246,471	\$ --	\$ 651,522	\$ 17,594,949	707,432
General obligation bonds	3,065,304	--	374,145	2,691,159	382,487
Bond premium	358,129		30,390	327,739	30,390
Deferred loss on refunding	(208,792)		(23,728)	(185,064)	(23,728)
Capital leases	1,180,000	--	70,000	1,110,000	73,000
Pension obligation	220,324	34,087	--	254,411	30,000
OPEB obligation	1,018,943	355,729	135,254	1,239,418	330,000
Compensated absences *	352,803	138,998	156,152	335,649	140,000
<b>Total governmental activities</b>	<b>\$ 24,233,182</b>	<b>\$ 528,814</b>	<b>\$ 1,393,735</b>	<b>\$ 23,368,261</b>	<b>\$ 1,669,581</b>
<b>Business-type activities:</b>					
Certificates of obligation	\$ 16,263,529	\$ --	\$ 658,478	\$ 15,605,051	658,478
General obligation bonds	2,589,758		300,855	2,288,903	380,855
Bond premium	229,652		19,945	209,707	19,945
Deferred loss on refunding	(40,646)		(6,680)	(33,966)	(6,680)
Deferred gain on refunding	108,526		12,059	96,467	12,059
Compensated absences *	129,091	97,079	111,666	114,504	100,000
<b>Total business-type activities</b>	<b>\$ 19,279,910</b>	<b>\$ 97,079</b>	<b>\$ 1,096,323</b>	<b>\$ 18,280,666</b>	<b>\$ 1,164,657</b>

\* Other long-term liabilities

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

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

## 2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2012, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 1,089,919	\$ 897,287	\$ 1,987,206
2014	1,133,084	855,860	1,988,944
2015	1,182,055	812,386	1,994,441
2016	1,383,731	763,104	2,146,835
2017	1,360,939	708,205	2,069,144
2018-2022	6,864,830	2,643,643	9,508,473
2023-2027	7,271,550	923,122	8,194,672
<b>Totals</b>	<b>\$ 20,286,108</b>	<b>\$ 7,603,607</b>	<b>\$ 27,889,715</b>

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<b>Business-type Activities</b>			
<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,000,081	\$ 738,762	\$ 1,738,843
2014	1,031,916	707,371	1,739,287
2015	1,072,945	674,129	1,747,074
2016	1,111,269	639,359	1,750,628
2017	1,099,061	602,642	1,701,703
2018-2022	5,520,182	2,357,942	7,878,124
2023-2027	5,563,500	1,191,471	6,754,971
2027-2029	1,495,000	155,805	1,650,805
<b>Totals</b>	<b>\$ 17,893,954</b>	<b>\$ 7,067,481</b>	<b>\$ 24,961,435</b>

**3. Advance Refunding of Debt**

There was no outstanding refunded debt at September 30, 2012.

**4 Capital Leases**

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2012, as follows:

<u>Year Ending September 30:</u>	
2013	\$ 121,137
2014	120,222
2015	120,162
2016	120,911
2017	120,414
2018-2022	603,028
2023-2027	241,942
<b>Total Minimum Rentals</b>	<b>1,447,816</b>
Less amount representing interest	(337,816)
Present value of minimum lease payments	\$ 1,110,000
Rental Expenditures in 2012	\$ 120,303

The effective interest rate on capital leases is 4.39%.

**J. Commitments Under Noncapitalized Leases**

The City had no material commitments under operating (noncapitalized) lease agreements at September 30, 2012.

**K. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial 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.

# CITY OF ROCKPORT, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

### L. Pension Plan

#### 1. Plan Description

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

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

	Plan Year 2011	Plan Year 2012
Employee deposit rate	7.00%	7.00%
Matching ratio(city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility express as age/years of service	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating	70% of CPI Repeating

#### 2 Contributions

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

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

# CITY OF ROCKPORT, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Annual Pension Cost:	
Annual required contribution (ARC)	\$ 717,557
Interest on Net Pension Obligation	16,524
Adjustment to ARC	(13,257)
Annual Pension Cost	720,824
Contributions Made	(686,737)
Increase in net pension	34,087
NPO at beginning of year	220,324
NPO at End of Year	\$ 254,411

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2008 - 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Acutuarial Valuation Date	12/31/08	12/31/09	12/31/10	12/31/11
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll			
Remaining Amortization Period	29 years: closed period	28.1 years: closed period	27.3 years: closed period	26.4 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.5%	7.5%	7.0%	7.0%
Projected Salary Increases	Varies by age and service			
Inflation Rate	3.0%	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%	2.1%

3 Funding Status and Funding Progress: In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumption were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting. For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 Comprehensive Annual Financial Report.

# CITY OF ROCKPORT, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

The funding status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	<u>12/31/11</u>
Actuarial Value of Assets	\$ 16,183,038
Actuarial Accrued Liability	\$ 19,865,789
Percentage Funded	81.5%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 3,682,751
Annual Covered Payroll	\$ 4,476,021
UAAL as a Percentage of Covered Payroll	82.3%

Trend Information for the Plan:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/10	\$ 566,212	100.00%	\$ --
09/30/11	784,961	85.13%	116,741
09/30/12	719,061	95.50%	147,073

Schedule of Funding Progress:

Actuarial Value Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	9,739,357	\$ 14,196,937	\$ 4,457,580	68.60%	\$ 4,043,337	110.2%
12/31/10	14,763,503	18,263,261	3,499,758	80.84%	4,372,266	80.0%
12/31/11	16,183,038	19,865,789	3,682,751	81.46%	4,476,201	82.3%

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

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

### M. Health Care Coverage

During the year ended September 30, 2012, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$413 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

**CITY OF ROCKPORT, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

**N. Post Employment Benefits Other Than Pensions**

**Health Care Benefit Eligibility Conditions:**

**Normal Retirement Benefits:**

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

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

At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy. The City provides the same Medicare subsidy to all eligible retirees regardless of service. The amount of the medicare subsidy is capped at \$268 per month.

**Health Care Benefit Provided by the Plan**

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

**Deferred Retirement Benefits**

None.

**Duty and Non-Duty Death in Service Retirement Benefits**

None.

**Duty and Non-Duty Disabled Retirement Benefits**

Same Normal Retirement Benefits.

**Benefits for Spouses of Retired Employees**

Benefits are paid by the retiree.

**Non-Medicare and Medicare-Eligible Provisions**

At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy capped at \$268 per month.

# CITY OF ROCKPORT, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

### Vision Coverage

Benefits are paid by retiree

### Dental Coverage

Benefits are paid by retiree

### Life Insurance Coverage

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

No dependent life is covered by the City of Rockport.

### Retiree Opt-Out

N/A

### Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its OPEB actuarial valuation performed for the fiscal year beginning October 1, 2011 as required by GASB and is required to have additional valuations every three years. The annual OPEB cost for the fiscal year ending September 30, 2012 was determined as follows:

Annual required contribution	\$ 355,729
Interest on OPEB obligation	10,672
Adjustment to ARC	(10,672)
Annual OPEB cost (expense end of year)	355,729
Net employer contributions (pay as you go)	(135,254)
Increase in net OPEB	220,475
Net OPEB obligation - as 09/30/11	1,018,943
Net OPEB obligation (asset)- as of 09/30/12	\$ 1,239,418

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

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

Year Ended <u>September 30</u>	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 441,961	26.51%	\$ 324,796
2010	455,220	20.56%	686,441
2011	468,876	29.73%	1,015,943
2012	355,729	38.02%	1,236,418

# CITY OF ROCKPORT, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

### Funding status and funding progress

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

Actuarial accrued liability (AAL)	\$	3,722,633
Actuarial value of assets		--
Unfunded AAL(UAAL)	\$	3,722,633
 Funded ratio		--
 Covered Payroll	\$	4,419,569
 UAAL as % of covered payroll		84.23%

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

### Actuarial methods and assumptions

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

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

#### Actuarial Methods and Assumptions

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

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

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**O. Commitments and Contingencies**

**1. Contingencies**

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

**2. Litigation**

No reportable litigation was pending against the City at September 30, 2012.

**P. Subsequent Events**

**Bond Issue**

In October, 2012, the City issued \$6,880,000 in General Obligation Refunding Bonds, Series 2012. The interest rates on the bonds vary from 1.00% to 3.00%. The bonds will be used to refund \$6,620,000 in existing debt.

**Management Review**

Management has reviewed subsequent events as of February 25, 2013 which is the first date the financials were available for review.

**Q. Prior Period Adjustment**

A prior period adjustment was made to record the net pension obligation payable at September 30, 2011. The City has been paying the "phase-in rates" instead of the "full rate" as set by TMRS creating a liability for pension obligations payable of \$220,324 at September 30, 2011.

## **Combining Statements and Budget Comparisons as Supplementary Information**

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

## CITY OF ROCKPORT, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>			
<b>Assets:</b>			
Cash and investments	\$ 579,623	\$ 407,331	\$ 986,954
Receivables ( net of allowances for uncollectibles):			
Other taxes	214,172	--	214,172
Accounts	14,838	48	14,886
Special assessments	735	6,473	7,208
Intergovernmental	85,567	117,500	203,067
Restricted assets:			
Cash and investments	--	2,480,076	2,480,076
Total Assets	<u>\$ 894,935</u>	<u>\$ 3,011,428</u>	<u>\$ 3,906,363</u>
<b>Liabilities:</b>			
Accounts payable	\$ 139,866	\$ 23,914	\$ 163,780
Accrued expenditures	8,899	--	8,899
Due to other funds	320,490	261,441	581,931
Deferred revenue	15,573	6,473	22,046
Total Liabilities	<u>484,828</u>	<u>291,828</u>	<u>776,656</u>
<b>Fund balances:</b>			
Restricted	665,797	2,500,633	3,166,430
Committed	(255,690)	1,773	(253,917)
Assigned	--	217,194	217,194
Total fund balances	<u>410,107</u>	<u>2,719,600</u>	<u>3,129,707</u>
Total Liabilities and Fund balances	<u>\$ 894,935</u>	<u>\$ 3,011,428</u>	<u>\$ 3,906,363</u>

**CITY OF ROCKPORT, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 870,882	\$ --	\$ 870,882
Intergovernmental	763,602	326,243	1,089,845
Fines	37,641	--	37,641
Interest	--	7,451	7,451
Total revenues	<u>1,672,125</u>	<u>333,694</u>	<u>2,005,819</u>
Expenditures:			
Current:			
General government	22,308	--	22,308
Public safety	943,251	--	943,251
Culture and recreation	52,230	11,748	63,978
Tourism	464,438	--	464,438
Capital outlay	308,174	1,110,815	1,418,989
Debt service:			
Principal	29,972	--	29,972
Interest and fiscal charges	5,769	--	5,769
Total expenditures	<u>1,826,142</u>	<u>1,122,563</u>	<u>2,948,705</u>
Excess (deficiency) of revenues (under) expenditures	(154,017)	(788,869)	(942,886)
Other financing sources (uses):			
Transfers in	295,112	215,462	510,574
Transfers out	(51,100)	--	(51,100)
Total other financing sources (uses)	<u>244,012</u>	<u>215,462</u>	<u>459,474</u>
Net change in fund balance	89,995	(573,407)	(483,412)
Fund balance, beginning of year	320,112	3,293,007	3,613,119
Fund balance, end of year	<u>\$ 410,107</u>	<u>\$ 2,719,600</u>	<u>\$ 3,129,707</u>

**CITY OF ROCKPORT, TEXAS**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2012

	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
<b>ASSETS</b>				
Assets:				
Cash and investments	\$ 152,048	\$ --	\$ 1,705	\$ 989
Receivables ( net of allowances for uncollectibles):				
Other taxes	--	--	--	--
Accounts	14,838	--	--	--
Special assessments	--	--	--	--
Intergovernmental	--	26,858	--	--
Total Assets	<u>\$ 166,886</u>	<u>\$ 26,858</u>	<u>\$ 1,705</u>	<u>\$ 989</u>
Liabilities:				
Accounts payable	\$ 123,197	\$ --	\$ 1,493	\$ 2,473
Accrued expenditures	--	--	--	--
Due to other funds	--	103,475	--	--
Deferred revenue	14,838	--	--	--
Total Liabilities	<u>138,035</u>	<u>103,475</u>	<u>1,493</u>	<u>2,473</u>
Fund balances:				
Restricted	28,851	--	--	989
Committed	--	(76,617)	212	(2,473)
Total fund balances	<u>28,851</u>	<u>(76,617)</u>	<u>212</u>	<u>(1,484)</u>
Total Liabilities and Fund balances	<u>\$ 166,886</u>	<u>\$ 26,858</u>	<u>\$ 1,705</u>	<u>\$ 989</u>

Contribution Fund	City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy	Key Allegro Property Impr. District
\$ 30	\$ --	\$ 84,878	\$ 223,750	\$ 232
--	--	--	214,172	--
--	--	--	--	--
--	--	--	--	735
--	19,969	--	--	--
<u>\$ 30</u>	<u>\$ 19,969</u>	<u>\$ 84,878</u>	<u>\$ 437,922</u>	<u>\$ 967</u>
\$ --	\$ 9,607	\$ --	\$ 298	\$ --
--	8,899	--	--	--
--	178,275	--	--	--
--	--	--	--	735
--	196,781	--	298	735
30	--	84,878	437,624	232
--	(176,812)	--	--	--
<u>30</u>	<u>(176,812)</u>	<u>84,878</u>	<u>437,624</u>	<u>232</u>
<u>\$ 30</u>	<u>\$ 19,969</u>	<u>\$ 84,878</u>	<u>\$ 437,922</u>	<u>\$ 967</u>

**CITY OF ROCKPORT, TEXAS**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2012

	Border Star Grant	Child Safety
<b>ASSETS</b>		
Assets:		
Cash and investments	\$ --	\$ 997
Receivables ( net of allowances for uncollectibles):		
Other taxes	--	--
Accounts	--	--
Special assessments	--	--
Intergovernmental	38,740	--
Total Assets	<u>38,740</u>	<u>997</u>
Liabilities:		
Accounts payable	\$ --	\$ 997
Accrued expenditures	--	--
Due to other funds	38,740	--
Deferred revenue	--	--
Total Liabilities	<u>38,740</u>	<u>997</u>
Fund balances:		
Restricted	--	--
Committed	--	--
Total fund balances	<u>--</u>	<u>--</u>
Total Liabilities and Fund balances	<u><u>38,740</u></u>	<u><u>997</u></u>

Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
\$ 27,902	\$ 87,092	\$ 579,623
—	—	214,172
—	—	14,838
—	—	735
—	—	85,567
<u>\$ 27,902</u>	<u>\$ 87,092</u>	<u>\$ 894,935</u>
\$ 1,801	\$ —	\$ 139,866
—	—	8,899
—	—	320,490
—	—	15,573
<u>1,801</u>	<u>—</u>	<u>484,828</u>
26,101	87,092	665,797
—	—	(255,690)
<u>26,101</u>	<u>87,092</u>	<u>410,107</u>
<u>\$ 27,902</u>	<u>\$ 87,092</u>	<u>\$ 894,935</u>

**CITY OF ROCKPORT, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
Revenue:				
Taxes	\$ 178,673	\$ --	\$ --	\$ --
Intergovernmental	--	443,846	--	--
Fines	--	--	--	6,790
Total revenues	<u>178,673</u>	<u>443,846</u>	<u>--</u>	<u>6,790</u>
Expenditures:				
Current:				
General government	--	--	--	13,256
Public safety	123,196	212,289	--	--
Culture and recreation	--	--	52,230	--
Tourism	--	--	--	--
Capital outlay	--	308,174	--	--
Debt service:				
Principal	29,972	--	--	--
Interest and fiscal charges	5,769	--	--	--
Total expenditures	<u>158,937</u>	<u>520,463</u>	<u>52,230</u>	<u>13,256</u>
Excess (deficiency) of revenues (under) expenditures	19,736	(76,617)	(52,230)	(6,466)
Other financing sources (uses):				
Transfers in	--	--	52,442	3,993
Transfers out	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>52,442</u>	<u>3,993</u>
Net change in fund balance	19,736	(76,617)	212	(2,473)
Fund balance, beginning of year	9,115	--	--	989
Fund balance, end of year	<u>\$ 28,851</u>	<u>\$ (76,617)</u>	<u>\$ 212</u>	<u>\$ (1,484)</u>

Contribution Fund	City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy	Key Allegro Property Impr. District
\$ --	\$ --	\$ 29,879	\$ 662,330	\$ --
--	279,818	--	--	--
--	--	--	--	--
--	279,818	29,879	662,330	--
--	--	--	--	--
--	559,364	--	--	--
--	--	--	--	--
--	--	--	464,438	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	559,364	--	464,438	--
--	(279,546)	29,879	197,892	--
--	238,677	--	--	--
--	--	--	(51,100)	--
--	238,677	--	(51,100)	--
--	(40,869)	29,879	146,792	--
30	(135,943)	54,999	290,832	232
\$ 30	\$ (176,812)	\$ 84,878	\$ 437,624	\$ 232

**CITY OF ROCKPORT, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Border Star Grant	Child Safety
<b>Revenue:</b>		
Taxes	\$ --	\$ --
Intergovernmental	39,938	--
Fines	--	997
<b>Total revenues</b>	<b>39,938</b>	<b>997</b>
 <b>Expenditures:</b>		
<b>Current:</b>		
General government	--	--
Public safety	39,938	997
Culture and recreation	--	--
Tourism	--	--
<b>Capital outlay</b>	<b>--</b>	<b>--</b>
<b>Debt service:</b>		
Principal	--	--
Interest and fiscal charges	--	--
<b>Total expenditures</b>	<b>39,938</b>	<b>997</b>
 <b>Excess (deficiency) of revenues (under) expenditures</b>	<b>--</b>	<b>--</b>
 <b>Other financing sources (uses):</b>		
Transfers in	--	--
Transfers out	--	--
<b>Total other financing sources (uses)</b>	<b>--</b>	<b>--</b>
 <b>Net change in fund balance</b>	<b>--</b>	<b>--</b>
 <b>Fund balance, beginning of year</b>	<b>--</b>	<b>--</b>
<b>Fund balance, end of year</b>	<b>\$ --</b>	<b>\$ --</b>

Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit B-2)
\$ --	\$ --	\$ 870,882
--	--	763,602
18,377	11,477	37,641
<u>18,377</u>	<u>11,477</u>	<u>1,672,125</u>
--	9,052	22,308
7,467	--	943,251
--	--	52,230
--	--	464,438
--	--	308,174
--	--	29,972
--	--	5,769
<u>7,467</u>	<u>9,052</u>	<u>1,826,142</u>
10,910	2,425	(154,017)
--	--	295,112
--	--	(51,100)
--	--	244,012
10,910	2,425	89,995
15,191	84,667	320,112
<u>\$ 26,101</u>	<u>\$ 87,092</u>	<u>\$ 410,107</u>

**CITY OF ROCKPORT, TEXAS**

UTILITY BILL SURCHARGE

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

**EXHIBIT B-5**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 167,490	\$ 167,490	\$ 178,673	\$ 11,183
Total revenues	<u>167,490</u>	<u>167,490</u>	<u>178,673</u>	<u>11,183</u>
Expenditures:				
Current:				
Public safety	123,525	123,525	123,196	329
Debt service:				
Principal	28,938	28,938	29,972	(1,034)
Interest and fiscal charges	6,652	6,652	5,769	883
Total expenditures	<u>159,115</u>	<u>159,115</u>	<u>158,937</u>	<u>178</u>
Excess (deficiency) of revenues (under) expenditures	8,375	8,375	19,736	11,361
Other financing sources (uses):				
Transfers out	(8,375)	(8,375)	--	8,375
Total other financing sources (uses)	<u>(8,375)</u>	<u>(8,375)</u>	<u>--</u>	<u>(8,375)</u>
Net change in fund balance	--	--	19,736	19,736
Fund balance, beginning of year	9,115	9,115	9,115	--
Fund balance, end of year	<u>\$ 9,115</u>	<u>\$ 9,115</u>	<u>\$ 28,851</u>	<u>\$ 19,736</u>

**CITY OF ROCKPORT, TEXAS**

CITY/COUNTY DISPATCH SERVICE

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

**EXHIBIT B-6**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Intergovernmental	\$ 325,863	\$ 325,863	\$ 279,818	\$ (46,045)
Total revenues	<u>325,863</u>	<u>325,863</u>	<u>279,818</u>	<u>(46,045)</u>
Expenditures:				
Current:				
Public safety	580,832	580,832	559,364	21,468
Total expenditures	<u>580,832</u>	<u>580,832</u>	<u>559,364</u>	<u>21,468</u>
Excess (deficiency) of revenues (under) expenditures	(254,969)	(254,969)	(279,546)	(24,577)
Other financing sources (uses):				
Transfers in	254,970	254,970	238,677	(16,293)
Total other financing sources (uses)	<u>254,970</u>	<u>254,970</u>	<u>238,677</u>	<u>16,293</u>
Net change in fund balance	1	1	(40,869)	(40,870)
Fund balance, beginning of year	(135,943)	(135,943)	(135,943)	--
Fund balance, end of year	<u>\$ (135,942)</u>	<u>\$ (135,942)</u>	<u>\$ (176,812)</u>	<u>\$ (40,870)</u>

**CITY OF ROCKPORT, TEXAS**  
 HOTEL/MOTEL OCCUPANCY TAX FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

**EXHIBIT B-7**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 511,000	\$ 511,000	\$ 662,330	\$ 151,330
Total revenues	<u>511,000</u>	<u>511,000</u>	<u>662,330</u>	<u>151,330</u>
Expenditures:				
Current:				
Tourism	457,325	457,325	464,438	(7,113)
Total expenditures	<u>457,325</u>	<u>457,325</u>	<u>464,438</u>	<u>(7,113)</u>
Excess (deficiency) of revenues (under) expenditures	53,675	53,675	197,892	144,217
Other financing sources (uses):				
Transfers out	(51,100)	(51,100)	(51,100)	--
Total other financing sources (uses)	<u>(51,100)</u>	<u>(51,100)</u>	<u>(51,100)</u>	<u>--</u>
Net change in fund balance	2,575	2,575	146,792	144,217
Fund balance, beginning of year	290,832	290,832	290,832	--
Fund balance, end of year	\$ 293,407	\$ 293,407	\$ 437,624	\$ 144,217

**CITY OF ROCKPORT, TEXAS**

MUNICIPAL COURT SECURITY & TECHNOLOGY FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

**EXHIBIT B-8**

	(GAPP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Fines	\$ 16,000	\$ 16,000	\$ 11,477	\$ (4,523)
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>11,477</u>	<u>(4,523)</u>
Expenditures:				
Current:				
General government	13,200	13,200	9,052	4,148
Total expenditures	<u>13,200</u>	<u>13,200</u>	<u>9,052</u>	<u>4,148</u>
Excess (deficiency) of revenues (under) expenditures	2,800	2,800	2,425	(375)
Other financing sources (uses):				
Total other financing sources (uses)	--	--	--	--
Net change in fund balance	2,800	2,800	2,425	(375)
Fund balance, beginning of year	84,667	84,667	84,667	--
Fund balance, end of year	<u>\$ 87,467</u>	<u>\$ 87,467</u>	<u>\$ 87,092</u>	<u>\$ (375)</u>

**CITY OF ROCKPORT, TEXAS**

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

**EXHIBIT B-9**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 1,963,827	\$ 1,963,827	\$ 2,022,403	\$ 58,576
Interest	1,000	1,000	895	(105)
Total revenues	<u>1,964,827</u>	<u>1,964,827</u>	<u>2,023,298</u>	<u>58,471</u>
Expenditures:				
Current:				
Debt service:				
Principal	1,015,990	1,015,990	1,065,695	(49,705)
Interest and fiscal charges	1,018,194	1,018,194	982,202	35,992
Total expenditures	<u>2,034,184</u>	<u>2,034,184</u>	<u>2,047,897</u>	<u>(13,713)</u>
Excess (deficiency) of revenues (under) expenditures	(69,357)	(69,357)	(24,599)	44,758
Other financing sources (uses):				
Transfers in	--	--	25,550	25,550
Transfers out	--	--	(4,136)	(4,136)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>21,414</u>	<u>(21,414)</u>
Net change in fund balance	(69,357)	(69,357)	(3,185)	66,172
Fund balance, beginning of year	344,532	344,532	344,532	--
Fund balance, end of year	<u>\$ 275,175</u>	<u>\$ 275,175</u>	<u>\$ 341,347</u>	<u>\$ 66,172</u>

**CITY OF ROCKPORT, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2012

	Flamingo/ Luau Road Assessment	General Capital Improvement
<b>ASSETS</b>		
Assets:		
Cash and investments	\$ 1,725	\$ 149,964
Receivables ( net of allowances for uncollectibles):		
Accounts	48	--
Special assessments	3,911	2,562
Intergovernmental	--	117,500
Restricted assets:		
Cash and investments	--	--
Total Assets	<u>\$ 5,684</u>	<u>\$ 270,026</u>
Liabilities:		
Accounts payable	\$ --	\$ --
Due to other funds	--	261,441
Deferred revenue	3,911	2,562
Total Liabilities	<u>3,911</u>	<u>264,003</u>
Fund balances:		
Restricted	--	--
Committed	1,773	--
Assigned	--	6,023
Total fund balances	<u>1,773</u>	<u>6,023</u>
Total Liabilities and Fund balances	<u>\$ 5,684</u>	<u>\$ 270,026</u>

<u>Bay Education Center Construction</u>	<u>Vehicle and Equipment Replacement</u>	<u>2005 Certificate of Obligation</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit B-1)</u>
\$ 20,557	\$ 235,085	\$ --	\$ 407,331
--	--	--	48
--	--	--	6,473
--	--	--	117,500
--	--	2,480,076	2,480,076
<u>\$ 20,557</u>	<u>\$ 235,085</u>	<u>\$ 2,480,076</u>	<u>\$ 3,011,428</u>
\$ --	\$ 23,914	\$ --	\$ 23,914
--	--	--	261,441
--	--	--	6,473
--	<u>23,914</u>	<u>--</u>	<u>291,828</u>
20,557	--	2,480,076	2,500,633
--	--	--	1,773
--	<u>211,171</u>	<u>--</u>	<u>217,194</u>
<u>20,557</u>	<u>211,171</u>	<u>2,480,076</u>	<u>2,719,600</u>
<u>\$ 20,557</u>	<u>\$ 235,085</u>	<u>\$ 2,480,076</u>	<u>\$ 3,011,428</u>

**CITY OF ROCKPORT, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECTS FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Flamingo/ Luau Road Assessment	General Capital Improvement
<b>Revenue:</b>		
Intergovernmental	\$ --	\$ 313,295
Interest	--	--
<b>Total revenues</b>	<u>--</u>	<u>313,295</u>
 <b>Expenditures:</b>		
<b>Current:</b>		
Culture and recreation	--	--
Capital outlay	--	335,471
<b>Total expenditures</b>	<u>--</u>	<u>335,471</u>
 <b>Excess (deficiency) of revenues (under) expenditures</b>	 --	 (22,176)
 <b>Other financing sources (uses):</b>		
Transfers in	--	--
<b>Total other financing sources (uses)</b>	<u>--</u>	<u>--</u>
 <b>Net change in fund balance</b>	 --	 (22,176)
 Fund balance, beginning of year	1,773	28,199
<b>Fund balance, end of year</b>	<u>\$ 1,773</u>	<u>\$ 6,023</u>

Bay Education Center Construction	Vehicle and Equipment Replacement	2005 Certificate of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
\$ 12,948	\$ --	\$ --	\$ 326,243
—	435	7,016	7,451
<u>12,948</u>	<u>435</u>	<u>7,016</u>	<u>333,694</u>
 11,748	 --	 --	 11,748
<u>—</u>	<u>310,197</u>	<u>465,147</u>	<u>1,110,815</u>
<u>11,748</u>	<u>310,197</u>	<u>465,147</u>	<u>1,122,563</u>
 1,200	 (309,762)	 (458,131)	 (788,869)
<u>—</u>	<u>215,462</u>	<u>--</u>	<u>215,462</u>
<u>—</u>	<u>215,462</u>	<u>--</u>	<u>215,462</u>
 1,200	 (94,300)	 (458,131)	 (573,407)
<u>19,357</u>	<u>305,471</u>	<u>2,938,207</u>	<u>3,293,007</u>
<u>\$ 20,557</u>	<u>\$ 211,171</u>	<u>\$ 2,480,076</u>	<u>\$ 2,719,600</u>

**CITY OF ROCKPORT, TEXAS**  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 SEPTEMBER 30, 2012

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Sanitation Fund	Beach Park	Community Aquatic Center	
<b>ASSETS</b>				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 231,955	\$ --	\$ 18,847	\$ 250,802
Receivables ( net of allowances for uncollectibles):				
Accounts	169,569	--	242	169,811
Total current assets	<u>401,524</u>	--	<u>19,089</u>	<u>420,613</u>
Noncurrent assets:				
Capital assets:				
Land	--	--	104,300	104,300
Improvements other than buildings	--	--	1,944,240	1,944,240
Machinery and equipment	--	--	13,162	13,162
Accumulated depreciation	--	--	(721,681)	(721,681)
Total noncurrent assets	--	--	<u>1,340,021</u>	<u>1,340,021</u>
Total Assets	<u>\$ 401,524</u>	<u>\$ --</u>	<u>\$ 1,359,110</u>	<u>\$ 1,760,634</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 404,717	\$ --	\$ 11,579	\$ 416,296
Accrued expenses	--	--	1,935	1,935
Customer deposits	--	--	698	698
Total current liabilities	<u>404,717</u>	--	<u>14,212</u>	<u>418,929</u>
Noncurrent liabilities:				
Total liabilities	<u>404,717</u>	--	<u>14,212</u>	<u>418,929</u>
<b>NET ASSETS:</b>				
Investment in Capital Assets, Net of Related Debt	--	--	1,340,021	1,340,021
Unrestricted Net Assets	(3,193)	--	4,877	1,684
Total Net Assets	<u>\$ (3,193)</u>	<u>\$ --</u>	<u>\$ 1,344,898</u>	<u>\$ 1,341,705</u>

**CITY OF ROCKPORT, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-9)
	Sanitation Fund	Beach Park	Community Aquatic Center	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 14,873	\$ 128,376	\$ 138,830	\$ 282,079
Total Operating Revenues	<u>14,873</u>	<u>128,376</u>	<u>138,830</u>	<u>282,079</u>
<b>OPERATING EXPENSES:</b>				
Personal services	—	181,955	129,337	311,292
Contractual services	—	26,748	22,619	49,367
Maintenance	—	14,404	11,363	25,767
Supplies	—	66,922	85,023	151,945
Other	—	618	232	850
Depreciation	—	25,142	66,124	91,266
Total Operating Expenses	<u>—</u>	<u>315,789</u>	<u>314,698</u>	<u>630,487</u>
Operating Income (Loss)	<u>14,873</u>	<u>(187,413)</u>	<u>(175,868)</u>	<u>(348,408)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Intergovernmental revenue	—	—	62,000	62,000
Gain (Loss) on sale of assets	—	(462,816)	—	(462,816)
Total Non-operating Revenues (Expenses)	<u>—</u>	<u>(462,816)</u>	<u>62,000</u>	<u>(400,816)</u>
Net Income (Loss) before Operating Transfers	<u>14,873</u>	<u>(650,229)</u>	<u>(113,868)</u>	<u>(749,224)</u>
<b>TRANSFERS:</b>				
Interfund transfers in	—	143,070	296,831	439,901
Interfund transfers out	(36,000)	—	—	(36,000)
Change in Net Assets	<u>(21,127)</u>	<u>(507,159)</u>	<u>182,963</u>	<u>(345,323)</u>
Net Assets, beginning of year	<u>17,934</u>	<u>507,159</u>	<u>1,161,935</u>	<u>1,687,028</u>
Net Assets, end of year	<u>\$ (3,193)</u>	<u>\$ —</u>	<u>\$ 1,344,898</u>	<u>\$ 1,341,705</u>

**CITY OF ROCKPORT, TEXAS**  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Sanitation Fund	Beach Park	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-10)
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 10,236	\$ 110,544	\$ 138,830	\$ 259,610
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	--	(241,831)	(241,831)
Cash Payments to Employees	--	(192,275)	(128,161)	(320,436)
Cash Payments to Suppliers for Goods and Services	--	(110,904)	(108,972)	(219,876)
Net Cash Provided (Used) by Operating Activities	<u>10,236</u>	<u>(192,635)</u>	<u>(340,134)</u>	<u>(522,533)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>				
Operating Grants Received	--	--	62,000	62,000
Transfers From Other Funds	--	143,070	296,831	439,901
Transfers To Other Funds	(36,000)	--	--	(36,000)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(36,000)</u>	<u>143,070</u>	<u>358,831</u>	<u>465,901</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from sale of assets	--	45,355	--	45,355
Net Cash Provided by Capital & Related Financing Activities	<u>--</u>	<u>45,355</u>	<u>--</u>	<u>45,355</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(25,764)	(4,210)	18,697	(11,277)
Cash and Cash Equivalents at Beginning of Year	<u>257,719</u>	<u>4,210</u>	<u>150</u>	<u>262,079</u>
Cash and Cash Equivalents at End of Year	<u>\$ 231,955</u>	<u>\$ --</u>	<u>\$ 18,847</u>	<u>\$ 250,802</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 14,873	\$ (187,413)	\$ (175,868)	\$ (348,408)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	--	25,142	66,124	91,266
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(15,613)	--	--	(15,613)
Increase (Decrease) in Accounts Payable	10,976	(2,212)	10,265	19,029
Increase (Decrease) in Interfund Payables	--	--	(241,831)	(241,831)
Increase (Decrease) in Customer Deposits	--	(17,832)	--	(17,832)
Increase (Decrease) in Accrued Expenses	--	(10,320)	1,176	(9,144)
Total Adjustments	<u>(4,637)</u>	<u>(5,222)</u>	<u>(164,266)</u>	<u>(174,125)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,236</u>	<u>\$ (192,635)</u>	<u>\$ (340,134)</u>	<u>\$ (522,533)</u>



# STATISTICAL SECTION

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

Contents	Page
Financial Trends	70
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	76
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	81
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	85
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	87
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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

TABLE C-1

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities</b>									
Invested in Capital Assets,									
Net of Related Debt	\$ 2,458,884	\$ 2,540,929	\$ 993,534	\$ 2,337,041	\$ 3,524,435	\$ 4,913,873	\$ 6,821,463	\$ 7,539,674	\$ 9,313,304
Restricted	685,243	507,082	403,643	565,763	397,985	414,299	247,272	407,389	408,684
Unrestricted	(300,615)	1,225,603	3,811,482	3,960,640	4,483,176	4,486,555	4,202,634	3,373,599	2,444,508
Total Governmental Activities Net Assets	\$ 2,843,512	\$ 4,273,614	\$ 5,208,659	\$ 6,863,444	\$ 8,405,596	\$ 9,814,727	\$ 11,271,369	\$ 11,320,662	\$ 12,166,496
<b>Business-type Activities</b>									
Invested in Capital Assets,									
Net of Related Debt	\$ 12,128,297	\$ 13,301,770	\$ 13,861,718	\$ 14,728,064	\$ 14,887,246	\$ 15,244,499	\$ 16,563,623	\$ 17,287,725	\$ 17,967,353
Restricted	619,791	692,600	187,425	195,144	197,798	186,750	185,349	184,655	183,991
Unrestricted	4,335,955	4,078,290	5,103,927	5,397,009	6,135,437	5,598,373	4,708,276	5,245,674	4,377,731
Total Business-type Activities Net Assets	\$ 17,084,043	\$ 18,072,660	\$ 19,153,070	\$ 20,320,217	\$ 21,220,481	\$ 21,029,622	\$ 21,457,248	\$ 22,718,054	\$ 22,529,075
<b>Primary Government</b>									
Invested in Capital Assets,									
Net of Related Debt	\$ 14,587,181	\$ 15,842,699	\$ 14,855,252	\$ 17,065,105	\$ 18,411,681	\$ 20,158,372	\$ 23,385,086	\$ 24,827,399	\$ 27,280,657
Restricted	1,305,034	1,199,682	591,068	760,907	595,783	601,049	532,621	592,044	592,675
Unrestricted	4,035,340	5,303,893	8,915,409	9,357,649	10,618,613	10,084,928	8,910,910	8,619,273	6,822,239
Total Primary Government Net Assets	\$ 19,927,555	\$ 22,346,274	\$ 24,361,729	\$ 27,183,661	\$ 29,626,077	\$ 30,844,349	\$ 32,828,617	\$ 34,038,716	\$ 34,695,571

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

TABLE C-2

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

UNAUDITED

	2004	2005	2006	2007	2008	Fiscal Year	2009	2010	2011	2012
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 905,631	\$ 963,466	\$ 932,925	\$ 971,839	\$ 1,055,722	\$ 1,279,701	\$ 1,536,874	\$ 1,646,376	\$ 1,615,599	\$ 1,615,599
Public Safety	1,873,033	2,290,626	2,388,337	2,419,601	2,722,740	2,987,967	3,107,677	3,439,538	3,531,426	3,531,426
Public Works	1,067,291	1,206,618	1,568,715	1,462,111	1,612,377	1,698,485	1,802,657	1,528,189	1,563,014	1,563,014
Culture and Recreation	280,460	305,057	383,127	373,979	456,641	494,513	542,142	734,248	788,105	788,105
Tourism	273,010	303,839	510,202	483,780	505,658	522,986	480,483	476,810	464,438	464,438
Environmental	—	—	—	582,858	1,157,502	1,126,044	—	—	55,129	55,129
Interest and Fiscal Charges	335,779	327,688	542,165	—	—	—	1,060,140	999,535	996,263	996,263
Total Governmental Activities Expenses	\$ 4,735,114	\$ 5,397,294	\$ 6,325,471	\$ 6,284,168	\$ 7,510,640	\$ 8,109,706	\$ 8,529,973	\$ 8,824,696	\$ 9,013,974	\$ 9,013,974
<b>Business-type Activities</b>										
Sanitation	—	—	—	—	—	—	—	—	—	—
Water & Sewer	4,738,144	5,155,035	5,657,236	5,446,484	6,677,635	8,498,469	6,572,267	7,636,247	7,589,175	7,589,175
Beach Park	416,128	460,107	487,793	547,752	635,462	669,681	650,646	662,288	315,789	315,789
Community Aquatic Center	221,956	270,039	295,534	294,325	299,539	373,948	307,583	306,478	314,698	314,698
Natural Gas System*	—	—	—	—	—	—	—	—	—	—
Total Business-type Activities Expenses	\$ 5,376,228	\$ 5,885,181	\$ 6,440,563	\$ 6,288,561	\$ 7,612,636	\$ 9,542,098	\$ 9,150,615	\$ 10,020,545	\$ 9,393,444	\$ 9,393,444
Total Primary Government Expenses	\$ 10,111,342	\$ 11,282,475	\$ 12,766,034	\$ 12,582,729	\$ 15,123,276	\$ 17,651,804	\$ 17,680,588	\$ 18,845,241	\$ 18,397,418	\$ 18,397,418
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	\$ 22,350	\$ 74,568	\$ 12,532	\$ 47,079	\$ 15,683	\$ 23,970	\$ 17,051	\$ 17,953	\$ 18,267	\$ 18,267
Public Safety	400,382	393,625	436,159	496,827	487,146	500,843	536,995	507,255	494,629	494,629
Public Works	200,348	356,756	236,243	231,245	257,689	138,806	157,742	177,694	182,984	182,984
Culture and Recreation	—	—	3,293	1,191	38,376	—	28,916	—	948	19,687
Tourism	—	—	—	—	—	—	—	—	—	—
Interest and Fiscal Charges	—	—	—	—	—	—	—	—	—	—
Operating Grants and Contributions	66,460	500,796	330,102	309,457	312,468	304,545	521,842	575,942	455,997	455,997
Capital Grants and Contributions	167,900	—	—	20,000	—	384,894	1,111,885	79,300	634,417	634,417
Total Governmental Activities Program Revenues	\$ 857,440	\$ 1,325,745	\$ 1,018,329	\$ 1,105,799	\$ 1,111,362	\$ 1,353,058	\$ 2,374,431	\$ 1,359,092	\$ 1,805,981	\$ 1,805,981
<b>Business-type Activities:</b>										
Charges for Services:										
Sanitation	11,339	12,016	10,942	12,133	13,967	14,183	17,267	17,039	14,873	14,873
Water & Sewer	5,949,225	6,524,568	6,803,901	6,552,677	7,824,588	9,561,756	7,354,531	8,377,063	8,455,811	8,455,811
Beach Park	234,318	250,333	316,482	317,321	355,287	404,937	381,096	425,924	128,376	128,376
Community Aquatic Center	69,661	99,239	117,835	99,906	89,073	97,404	109,049	114,642	138,830	138,830
Natural Gas System*	—	—	—	—	—	—	1,965,945	1,725,602	1,449,133	1,449,133
Operating Grants and Contributions	86,721	99,362	122,568	105,583	129,750	108,750	118,583	183,750	62,000	62,000
Capital Grants and Contributions	119,144	138,457	—	287,350	322,574	6,081	22,000	267,941	3,500	3,500
Total Business-type Activities Program Revenues	\$ 6,470,428	\$ 7,123,975	\$ 7,371,728	\$ 7,374,970	\$ 8,735,209	\$ 10,193,111	\$ 9,968,471	\$ 11,111,961	\$ 10,252,523	\$ 10,252,523
Total Primary Government Program Revenues	\$ 7,327,868	\$ 8,449,720	\$ 8,390,057	\$ 8,480,769	\$ 9,846,571	\$ 11,546,169	\$ 12,342,902	\$ 12,471,053	\$ 12,058,504	\$ 12,058,504
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (3,877,674)	\$ (4,071,549)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)	\$ (6,155,542)	\$ (7,465,604)	\$ (7,207,993)	\$ (7,207,993)
Business-type Activities	\$ 1,094,200	\$ 1,238,794	\$ 931,165	\$ 1,086,409	\$ 1,122,573	\$ 651,013	\$ 817,856	\$ 1,091,416	\$ 869,079	\$ 869,079
Total Primary Government Net Expense	\$ (2,783,474)	\$ (2,832,755)	\$ (4,375,977)	\$ (4,101,960)	\$ (5,276,705)	\$ (6,105,655)	\$ (5,337,886)	\$ (6,374,188)	\$ (6,338,914)	\$ (6,338,914)

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

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

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

TABLE C-3

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>Net (Expense)/Revenue</b>						
Governmental Activities	\$ (3,877,674)	\$ (4,071,546)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)
Business-type Activities	1,094,200	1,232,794	931,165	1,086,409	1,123,573	651,013
Total Primary Government Net Expense	\$ (2,783,474)	\$ (2,838,752)	\$ (4,375,977)	\$ (4,101,960)	\$ (5,275,705)	\$ (6,105,635)
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental Activities:						
Taxes						
Property Taxes	\$ 2,096,150	\$ 2,194,213	\$ 2,455,597	\$ 2,793,748	\$ 3,471,324	\$ 3,876,478
Franchise Taxes and other taxes	567,342	585,662	692,098	746,414	776,959	836,640
Sales Taxes	1,400,557	1,624,226	1,718,155	1,714,042	1,842,730	1,726,846
Occupancy Taxes	438,785	503,819	514,322	533,215	540,624	467,038
Unrestricted Grants and Contributions	2,695	—	—	—	—	—
Investment Earnings	44,674	136,628	472,166	649,602	702,769	297,450
Miscellaneous	28,936	71,348	97,718	61,002	46,437	53,059
Transfers	385,311	385,757	292,131	345,131	560,587	908,268
Total Governmental Activities	\$ 4,964,450	\$ 5,501,653	\$ 6,242,187	\$ 6,843,154	\$ 7,941,430	\$ 8,165,779
Business-type Activities:						
Investment Earnings	45,474	141,580	441,376	425,869	337,278	66,396
Miscellaneous	—	—	—	—	—	—
Gain(Loss) on asset disposition	—	—	—	—	—	—
Transfers	(385,311)	(385,757)	(292,131)	(345,131)	(560,587)	(908,268)
Total Business-type Activities	(339,837)	(244,177)	149,245	80,738	(223,309)	(841,872)
Total Primary Government	\$ 4,624,613	\$ 5,257,476	\$ 6,391,432	\$ 6,923,892	\$ 7,718,121	\$ 7,323,907
Change in Net Assets						
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
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Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
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Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272
Governmental						

TABLE C-4

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

TABLE C-5

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

		Fiscal Year																	
		2003		2004		2005		2006		2007		2008		2009		2010		2011	
<b>Revenues</b>																			
Taxes	\$ 4,334,880	\$ 4,652,207	\$ 5,037,361	\$ 5,469,894	\$ 5,927,580	\$ 6,759,146	\$ 7,014,990	\$ 7,160,823	\$ 7,440,695	\$ 7,718,487									
Licenses, Fees and Permits	127,411	189,154	162,694	169,497	179,770	179,454	127,810	157,742	177,694	182,984									
Intergovernmental	14,250	223,011	500,796	330,102	307,960	312,468	689,439	1,633,727	655,242	1,090,414									
Charges for Services	38,337	22,350	62,530	21,976	33,342	116,431	19,265	28,916	948	19,687									
Fines	282,322	283,341	270,303	302,134	359,838	349,821	361,139	393,378	329,567	333,335									
Investment Earnings	95,293	44,674	136,628	492,582	553,544	702,769	297,450	79,650	42,175	31,763									
Special Assessments	20,016	14,394	12,777	4,455	4,602	3,489	711	—	—	—									
Other Revenues	181,471	28,936	284,486	145,207	133,476	46,437	53,059	53,633	59,003	78,699									
<b>Total Revenues</b>	<b>5,093,980</b>	<b>5,458,067</b>	<b>6,447,575</b>	<b>6,935,847</b>	<b>7,500,112</b>	<b>8,470,015</b>	<b>8,563,863</b>	<b>9,507,869</b>	<b>8,705,324</b>	<b>9,455,369</b>									
<b>Expenditures</b>																			
General Government	774,491	868,958	881,978	908,290	934,602	1,045,219	1,137,890	1,158,179	1,274,439	1,345,717									
Public Safety	1,524,115	1,801,959	2,146,537	2,229,055	2,256,783	2,534,311	2,684,287	2,914,167	3,234,665	3,287,236									
Public Works	1,143,208	1,003,901	1,126,343	1,473,824	1,327,317	1,454,671	1,410,462	1,600,542	1,321,318	1,257,527									
Culture and Recreation	228,301	256,095	277,234	341,482	329,821	408,354	398,058	453,479	631,897	659,021									
Tourism	256,172	273,010	303,839	510,202	483,780	505,658	522,996	480,483	476,810	464,438									
Environmental	—	—	—	—	—	—	—	—	—	55,129									
Capital Outlay	1,172,731	3,033,285	1,175,909	1,042,111	2,004,996	3,340,589	8,084,491	2,765,131	1,019,504	1,905,975									
Debt Service	352,713	334,695	341,219	476,053	438,512	495,322	666,283	864,399	1,018,895	1,095,667									
Interest and bond costs	259,577	335,779	352,911	516,672	495,085	1,159,854	1,135,664	1,127,741	1,007,674	987,971									
Principal	5,711,308	7,907,682	6,605,970	7,497,689	8,270,896	10,943,978	16,040,131	11,364,121	9,985,202	11,058,681									
<b>Total Expenditures</b>	<b>(617,328)</b>	<b>(2,449,615)</b>	<b>(158,395)</b>	<b>(561,842)</b>	<b>(770,784)</b>	<b>(2,473,963)</b>	<b>(7,476,268)</b>	<b>(1,856,252)</b>	<b>(1,279,878)</b>	<b>(1,603,312)</b>									
<b>Excess of Revenues Over (Under) Expenditures</b>																			
<b>Other Financing Sources (Uses)</b>																			
Bonds Issued	—	—	—	5,902,724	14,420,203	—	—	—	2,258,397	1,524,701									
Capital Leases	—	1,607,000	—	—	—	—	—	—	—	—									
Payments to Escrow Agent	—	—	—	(120,795)	(218,954)	(10,000)	—	—	(2,155,327)	(1,475,220)									
Bond issue costs	510,023	615,853	762,945	962,140	923,114	1,089,136	1,796,614	1,609,671	1,566,570	1,596,511									
Transfers In	(202,790)	(230,542)	(377,188)	(425,421)	(577,983)	(528,549)	(896,296)	(1,067,958)	(1,533,335)	(978,361)									
Total Other Financing Sources (Uses)	307,233	1,992,311	385,757	6,318,648	14,546,380	550,587	900,318	644,783	82,716	618,150									
<b>Net Change in Fund Balances</b>	<b>\$ (310,095)</b>	<b>\$ (457,304)</b>	<b>\$ 227,362</b>	<b>\$ 5,756,806</b>	<b>\$ 13,775,596</b>	<b>\$ (1,923,376)</b>	<b>\$ (6,575,950)</b>	<b>\$ (1,211,469)</b>	<b>\$ (1,197,162)</b>	<b>\$ (985,162)</b>									
Debt Service As A Percentage Of Noncapital Expenditures	13.5%	13.8%	12.8%	15.4%	14.9%	21.8%	22.6%	23.2%	22.6%	22.8%									

**CITY OF ROCKPORT, TEXAS**

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Occupancy Tax	Other Taxes	Total
2003	\$ 1,992,595	\$ 1,273,567	\$ 497,834	\$ 388,259	\$ 182,625	\$ 4,334,880
2004	2,114,864	1,400,557	567,342	421,125	148,319	4,652,207
2005	2,190,191	1,624,226	560,227	503,819	158,898	5,037,361
2006	2,451,332	1,718,155	657,696	472,166	170,545	5,469,894
2007	2,793,123	1,714,042	712,156	533,215	175,044	5,927,580
2008	3,455,073	1,842,730	753,400	540,624	164,319	6,756,146
2009	3,837,024	1,726,846	803,466	467,038	180,616	7,014,990
2010	3,996,528	1,737,375	731,583	477,688	217,649	7,160,823
2011	4,011,625	1,799,286	801,629	647,278	180,877	7,440,695
2012	4,152,465	1,929,948	795,072	662,330	178,672	7,718,487
Percent Change 2003-2012	108.4%	51.5%	59.7%	70.6%	-2.2%	78.1%

TABLE C-7

**CITY OF ROCKPORT, TEXAS**

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2003	\$ 694,686,410	0.2836	\$ 694,686,410	100.000%
2004	783,984,771	0.2650	783,984,771	100.000%
2005	850,188,337	0.2557	850,188,337	100.000%
2006	955,490,048	0.2549	954,164,770	99.861%
2007	1,144,148,087	0.2443	1,134,573,954	99.163%
2008	1,287,712,948	0.2790	1,216,113,588	94.440%
2009	1,361,604,141	0.2990	1,285,461,385	94.408%
2010	1,397,961,945	0.2987	1,321,626,417	94.540%
2011	1,531,620,376	0.3100	1,367,738,150	89.300%
2012	1,409,008,233	0.3089	1,307,996,374	92.831%

Source: Aransas County Appraisal District

TABLE C-8

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service		Aransas County	Aransas County Navigation District	
		Total Direct Rate			Aransas County	Aransas County Navigation District
2003	\$ 0.2044	\$ 0.0792	\$ 0.2836	\$ 0.3185	\$ 0.0355	\$ 1.6065
2004	0.1963	0.0687	0.2650	0.3478	0.0320	1.5700
2005	0.1949	0.0608	0.2557	0.3387	0.0499	1.5173
2006	0.1808	0.0741	0.2549	0.3241	0.0499	1.5184
2007	0.1629	0.0814	0.2443	0.2784	0.0398	1.3963
2008	0.1605	0.1185	0.2790	0.2632	0.0545	1.0849
2009	0.1683	0.1307	0.2990	0.3049	0.0524	1.0849
2010	0.1651	0.1335	0.2987	0.3397	0.0547	1.0949
2011	0.1573	0.1527	0.3100	0.3598	0.0547	1.0917
2012	0.1583	0.1506	0.3089	0.3703	0.0558	1.1324

Source: Aransas County Tax Assessor

**CITY OF ROCKPORT, TEXAS**

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

<u>Taxpayer</u>	2012			2003			Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank		
Oaks at Bentwater, LP	\$ 7,663,730	1	0.5848%	\$ —	—	—	—
Wal-Mart Real Estate Bus Tr	7,132,010	2	0.5443%	—	—	—	—
Rockport Harborfront, LP	6,962,895	3	0.5314%	—	—	—	—
H E Butt Grocery	6,378,066	4	0.4867%	4,457,422	1	0.6248%	
C H Marina and Drystack LP	5,725,958	5	0.4370%	—	—	—	—
Lokseva, Inc	5,513,770	6	0.4208%	—	—	—	—
Wal-Mart Stores East #440	5,431,319	7	0.4145%	2,557,873	6	0.3586%	
Heritage Hotels Rockport LP	4,665,180	8	0.3560%	—	—	—	—
Crowley, Christopher	3,675,250	9	0.2805%	—	—	—	—
AEP Texas Central Comp	3,465,570	10	0.2645%	3,006,980	4	0.4215%	
Southwestern Bell Telephone	—	—	—	3,557,150	2	0.4986%	
Bass, Perry R Inc.	—	—	—	3,384,997	3	0.4745%	
Bracht Lumber Co., Inc.	—	—	—	2,608,990	5	0.3657%	
Rockbay Properties LTD	—	—	—	2,385,620	7	0.3344%	
White Marlin of Rockport LP	—	—	—	2,253,690	8	0.3159%	
Summit Care Texas LP	—	—	—	2,241,850	9	0.3143%	
Pahl, Brian H Etux Linda	—	—	—	2,110,955	10	0.2959%	
<b>Total</b>	<b>\$ 56,613,748</b>		<b>4.3203%</b>	<b>\$ 28,565,527</b>			<b>4.0042%</b>

Source: Aransas County Appraisal District

TABLE C-10

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 1,968,507	\$ 1,924,473	97.76%	\$ 36,583	\$ 1,961,056	99.62%
2004	2,079,426	2,043,298	98.26%	27,984	2,071,282	99.61%
2005	2,173,619	2,136,929	98.31%	27,782	2,164,711	99.59%
2006	2,432,166	2,392,879	98.38%	28,833	2,421,712	99.57%
2007	2,771,764	2,729,705	98.48%	30,085	2,759,790	99.57%
2008	3,444,641	3,392,957	98.50%	40,202	3,433,159	99.67%
2009	3,842,178	3,771,806	98.17%	50,964	3,822,770	99.49%
2010	3,947,447	3,866,254	97.94%	49,142	3,915,396	99.19%
2011	3,999,750	3,928,989	98.23%	72,293	3,967,699	99.20%
2012	4,113,275	4,047,717	98.41%			

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

TABLE C-11

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

Fiscal Year	Governmental Activities			Business-types Activities			Percent of Personal Income	Per Capita
	General Bonded Debt		Capital Leases	Revenue Bonds		General Bonded Debt		
	General Bonded Debt	General Bonded Debt	Capital Leases	Revenue Bonds	General Bonded Debt	General Bonded Debt		
2003	\$ 5,734,716	\$ —		\$ 1,970,000	\$ 4,304,759	\$ 12,009,475	\$ —	\$ 1,539
2004	5,145,547	1,607,000	1,552,000	1,850,000	3,884,454	12,487,001	—	1,474
2005	4,806,458	1,552,000	1,495,000	1,725,000	3,448,543	11,532,001	—	1,362
2006	10,163,405	1,600,000	1,436,000	1,470,000	7,281,596	20,540,001	9.11%	2,272
2007	23,883,894	1,375,000	1,375,000	1,335,000	9,731,107	36,521,001	14.33%	4,039
2008	23,449,572	1,312,000	1,190,000	9,245,429	9,245,429	35,405,001	13.66%	3,756
2009	22,846,289	1,247,000	—	8,933,712	34,282,001	10,40%	3,495	
2010	22,061,354	—	—	19,978,647	43,287,001	13.13%	4,413	
2011	21,311,775	1,180,000	—	18,853,275	41,345,050	12.54%	4,419	
2012	20,286,108	1,110,000	—	17,893,954	39,290,062	11.92%	4,199	

**CITY OF ROCKPORT, TEXAS**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property(1)	Per Capita(2)
	General Bonded Debt	Debt Service Funds	Net Bonded Debt		
2003	\$ 12,009,475	\$ 250,259	\$ 11,759,216	1.69%	\$ 1,507
2004	12,487,001	271,850	12,215,151	1.56%	1,442
2005	11,532,001	277,024	11,809,025	1.39%	1,394
2006	20,540,001	259,152	20,280,849	2.13%	2,243
2007	36,521,001	542,935	35,978,066	3.17%	3,884
2008	35,405,001	365,215	35,039,786	2.88%	3,718
2009	34,282,001	363,963	33,918,038	2.64%	3,457
2010	43,287,001	293,651	43,580,652	3.30%	4,442
2011	41,345,050	344,532	41,689,582	3.05%	4,455
2012	39,290,062	525,338	39,815,400	2.91%	4,255

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

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

**CITY OF ROCKPORT, TEXAS**

DIRECT AND OVERLAPPING

GOVERNMENTAL ACTIVITIES DEBT

UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt Repaid With Property Taxes</b>			
Aransas County Independent School District	\$ 31,805,000	62.070%	\$ 19,741,364
Aransas County	14,320,506	56.800%	8,134,047
Aransas County Navigation District	5,480,000	46.850%	2,567,380
Subtotal, Overlapping Debt			30,442,791
City Direct Debt			21,386,108
<b>Total Direct and Overlapping Debt</b>			<b>\$ 51,828,899</b>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.

The percentage of overlapping debt applicable is estimated by the percent of area of each government that is within the boundaries of the City.

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

TABLE C-14

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Maximum available tax revenues for all purposes including debt service</b>	\$ 17,367,160	\$ 19,599,619	\$ 21,254,708	\$ 23,887,251	\$ 28,364,349	\$ 30,402,840	\$ 32,136,535	\$ 33,040,660	\$ 34,193,454	\$ 32,699,909
<b>Actual amount expended for general obligation debt</b>	352,173	680,474	694,130	922,725	933,597	1,655,176	1,679,650	1,930,704	1,949,434	2,083,638
<b>Excess</b>	17,014,987	18,919,145	20,560,578	22,964,526	27,430,752	28,747,664	30,456,885	31,109,956	32,244,020	30,616,271
<b>Legal Debt Margin Calculation for the Current Fiscal Year</b>										
Assessed Value								\$ 1,307,996,374		
Maximum tax rate per \$100 assessed valuation								2.50		
Maximum available tax revenues for all purposes including debt service								32,699,909		
Actual amount expended for general obligation debt service								\$ 2,083,638		

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

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

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

TABLE C-16

Fiscal Year	Utility Service Charges	Water and Sewer Revenue Bonds			
		Less: Operating Expenses(1)	Available Revenue	Net Services Requirements(2)	Debt Coverage
2003	\$ 5,311,757	\$ 3,467,662	\$ 1,844,095	\$ 203,470	9.06
2004	5,949,225	3,817,976	2,131,249	204,063	10.44
2005	6,524,568	4,238,296	2,286,272	204,345	11.19
2006	6,803,901	4,566,109	2,237,792	204,408	10.95
2007	6,552,677	4,377,782	2,174,895	199,243	10.92
2008	7,824,558	5,482,597	2,341,961	198,742	11.78
2009	9,561,756	7,257,707	2,304,049	201,372	11.44
2010	9,320,476	6,555,998	2,764,478	—	N/A
2011	10,102,665	7,421,348	2,681,317	—	N/A
2012	9,904,944	7,094,829	2,810,115	—	N/A

(1) Exclusive of depreciation and interest

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

TABLE C-16

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population(1)	7,805	8,469	8,469	9,041	9,264	9,425	9,810	9,810	9,357	9,357
Personal Income(3)	\$ —	\$ —	\$ 27,504	\$ 27,504	\$ 27,504	\$ 27,504	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950
Per Capita Personal Income (in thousands)	\$ —	\$ —	\$ 232,931	\$ 248,664	\$ 254,797	\$ 259,225	\$ 244,760	\$ 244,760	\$ 233,457	\$ 233,457
Median Age(3)	—	—	—	42.7	42.7	42.7	42.7	46.0	46.0	49.0
Education Level in Years of Schooling	—	—	—	—	—	—	—	—	—	—
School Enrollment	3,349	3,331	3,126	3,079	3,014	3,241	3,331	2,916	2,848	3,331
Unemployment(2)	7.4%	8.3%	5.5%	4.8%	4.2%	4.8%	6.9%	7.4%	7.4%	7.4%

## Data Sources:

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

Omitted information is not available.

**CITY OF ROCKPORT, TEXAS**

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

<u>Employer</u>	2012			2003		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Aransas County ISD	496	1	--	--	--	--
Wal-Mart	232	2	--	--	--	--
Wood Group Production Ser	225	3				
H.E.B.	180	4				
Aransas County	178	5				
City of Rockport	139	6	--	--	--	--
State of Texas	107	7	--	--	--	--
Rockport Coastal Care Center	80	8				
Gulf Poine Plaza	73	9	--	--	--	--
Oak Crest Nursing Center	70	10				
 Total	 <u>1,780</u>		 <u>--</u>	 <u>--</u>		 <u>--</u>

Source: Rockport Fulton Chamber of Commerce

Omitted information is not available.

TABLE C-18

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

Function/Program	Full-Time-Equivalent Employees as of Year End					2010	2011	2012
	2003	2004	2005	2006	2007			
General Government								
Municipal Court	—	5	5	5	5	5	5	5
City Secretary	—	2	3	3	3	3	3	3
City Manager	—	1	1	1	1	1	1	1
Information/Technology	—	1	1	1	1	1	1	1
Finance	—	2	2	2	2	2	2	2
Police Officers	—	19	22	22	22	21	25	25
Civilians	—	7	13	14	14	14	14	13
Public Works								
Building and Development	—	5	5	5	5	5	5	5
Street and Drainage	—	6	6	8	8	8	9	10
Building Maintenance	—	1	1	1	1	1	1	1
Fleet	—	2	2	2	2	2	3	2
Parks and Recreation	—	13	22	25	27	27	27	28
Utilities:								
Water	—	11	14	15	15	15	15	16
Wastewater	—	4	4	6	6	6	7	6
Natural Gas	—	—	—	—	—	7	6	6
Customer Service	—	4	4	5	5	4	4	6
Total	—	83	105	115	117	123	124	131

Source: City Budget

Information was not collected prior to 2004

TABLE C-19

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

Function/Program	UNAUDITED						Fiscal Year				
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
General Government											
Building Permits Issued	437	475	463	475	475	475	490	162	209	209	342
Building Inspections Conducted	618	720	735	644	644	644	520	233	177	177	278
Police	885	996	892	829	829	829	833	833	833	833	833
Physical Arrests	4,039	2,960	2,625	3,460	3,460	3,460	3,337	3,337	3,677	4,025	4,025
Traffic Violations											
Fire	N/A	N/A	N/A	N/A	N/A						
Refuse Collection	N/A	N/A	N/A	N/A	N/A						
Other Public Works											
Street Resurfacing (miles)	11.40	9.89	9.03	20.63	20.63	20.63	9.15	9.15	9.15	9.15	9.15
Potholes Repaired	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Library	N/A	N/A	N/A	N/A	N/A						
Water											
New Connections	179	228	238	297	297	297	203	143	267	48	73
Water Main Breaks	20	19	25	19	19	19	10	10	10	10	10
Average Daily Consumption	2,516,000	2,746,000	2,240,000	2,837,000	2,837,000	2,837,000	2,948,000	2,948,000	2,630,137	2,818,759	2,765,108
Peak Daily Consumption	5,589,000	3,787,000	4,580,000	4,979,000	4,979,000	4,979,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000
Storage Capacity	(1)	(1)	(1)	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	8,100,000
Wastewater											
Average Daily Sewage Treatment (millions of gallons)	1.46	1.50	1.25	1.36	1.36	1.36	1.30	1.30	1.30	1.30	1.30
Transit	N/A	N/A	N/A	N/A	N/A						

(1) Information is not available.

TABLE C-20

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

Function/Program	Fiscal Year						2011	2012
	2003	2004	2005	2006	2007	2008		
Police								
Stations	1	1	1	1	1	1	1	1
Patrol Units	—	—	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2	2	2
Other Public Works	82	83	83	83	77	77	77	77
Streets (miles)								
Parks and Recreation								
Acreage	200	200	200	200	200	200	200	200
Parks	10	10	10	10	10	10	10	10
Swimming Pools	—	1	1	1	1	1	1	1
Community Centers	—	1	1	1	1	1	1	1
Water								
Water Mains (miles)	96	96	96	96	160	163	163	163
Storage Capacity (thousands of gallons)	5,100	5,100	5,100	7,100	7,100	7,100	7,100	8,100
Wastewater								
Sanitary Sewers (miles)	62	62	62	64	64	67	67	67
Storm Sewers (miles)	31	31	31	31	31	31	31	31
Treatment Capacity (thousands of gallons)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50

Sources: Various city departments

**CITY OF ROCKPORT, TEXAS**

INSURANCE IN FORCE

SEPTEMBER 30, 2012

UNAUDITED

**TABLE C-21**

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #9131	Real and Personal Property, \$24,076,1866 Mobile Equipment, \$909,525 Errors & Omissions, \$2,000,000 occurrence, \$4,000,000 annual aggregate Law Enforcement Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate General Liability, \$2,000,000 occurrence, \$4,000,000 annual aggregate Auto Liability, \$1,000,000 occurrence, \$25,000 Medical Auto Physical Damage, coverage varies per vehicle Workers Compensation, limit statutory Public Employee Dishonesty, \$50,000 occurrence Forgery or Alteration, \$10,000 occurrence Theft, Disappearance & Destruction, \$10,000 occurrence Computer Fraud, \$10,000 occurrence Boiler & Machinery, \$100,000 Flood-City Hall and contents, \$500,000 Fine Arts, 37,400	October 1, 2013
Hartford Casualty Insurance Company 61BSBAN2111 61BSBGE5563 61BSBGG2972	Public Official Bond, Tax Collector, \$50,000 Public Official Bond, City Manger, \$50,000 Public Official Bond, Finance Director, \$50,000	August 12, 2013 Janurary 9, 2013 March 6, 2013
Fidelity National Insurance Co. 421150576270	Flood-Bay Education Center, \$500,000/\$487,000	September 4, 2013
Texas Windstorm Insurance Assoc. 26742911	Windstorm and Hail, \$15,620,756	August 27, 2013

**CITY OF ROCKPORT, TEXAS**

SELECTED UTILITY FUND DATA

LAST TEN FISCAL YEARS

SEPTEMBER 30, 2012

UNAUDITED

TABLE C-22

Fiscal Year Ended September 30,	Water Connections	Sewer Connections	Gallons of Water Consumed
2003	7,938	3,872	769,984,600
2004	8,161	3,986	797,799,100
2005	8,396	4,129	879,564,100
2006	8,747	4,276	916,721,400
2007	9,025	4,356	842,145,700
2008	9,173	4,433	882,252,300
2009	9,410	4,526	1,073,168,400
2010	9,516	4,567	1,014,375,581
2011	9,612	4,615	1,028,847,000
2012	10,042	4,688	1,009,264,400



## **Single Audit Section**

# *Michael A. Arnold, PLLC*

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

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545  
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## **Independent Auditor's Report**

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of and for the year ended September 30, 2012, which collectively comprise the City of Rockport, Texas's basic financial statements and have issued our report thereon dated February 20, 2013. 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.

### Internal Control Over Financial Reporting

Management of City of Rockport, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Rockport, Texas's internal control over financial reporting as a basis for designing our auditing procedures 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 of Rockport, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rockport, Texas's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of City of Rockport, Texas in a separate letter dated February 20, 2013.

This report is intended solely for the information and use of management, others within the entity, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Michael A. Arnold, PLLC

February 20, 2013

# *Michael A. Arnold, PLLC*

501 E. MARKET  
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ROCKPORT, TEXAS 78381-1266

CERTIFIED PUBLIC ACCOUNTANT

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## **Independent Auditor's Report**

### Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the City Council:

#### Compliance

We have audited City of Rockport, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Rockport, Texas's major federal programs for the year ended September 30, 2012. City of Rockport, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Rockport, Texas's management. Our responsibility is to express an opinion on City of Rockport, Texas's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Rockport, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Rockport, Texas's compliance with those requirements.

In our opinion, City of Rockport, Texas complied, in all material respects, with the 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, 2012.

### Internal Control Over Compliance

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

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

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of City of Rockport, Texas's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on City of Rockport, Texas's compliance but not to provide an opinion on the effectiveness of City of Rockport, Texas's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rockport, Texas's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael A. Arnold PLLC".

Michael A. Arnold, PLLC

February 20, 2013

**CITY OF ROCKPORT, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
One or more material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X No

**2. Federal Awards**

Internal control over major programs:		
One or more material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X None Reported
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.067	Operation Stonegarden(OPSG)
15.614	Coastal Wetlands Planning, Protection and Restoration Act

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

Auditee qualified as low-risk auditee?  Yes  X No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**CITY OF ROCKPORT, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

**CITY OF ROCKPORT, TEXAS**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

N/A

**CITY OF ROCKPORT, TEXAS**

EXHIBIT D-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF THE INTERIOR</u></b>			
Passed Through Texas Department of Transportation:			
Coastal Wetlands Planning, Protection and Restoration Act	15.614	CSJ 0916-38-004	\$ 313,245
Total U.S. DEPARTMENT OF THE INTERIOR			<u>313,245</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Passed Through Aransas County, Texas:			
Operation Stonegarden(OPSG) *	97.067	10-SR-48007-02	165,442
Operation Stonegarden (OPSG) *	97.067	11-SR-48007-01	<u>294,528</u>
Total Passed Through Aransas County, Texas			<u>459,970</u>
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>459,970</u>
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>			
Passed Through Texas Department of Public Safety:			
State Homeland Security Program	97.073	LBSP-12	39,938
Total DEPARTMENT OF HOMELAND SECURITY			<u>39,938</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 813,153</u>

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

The accompanying notes are an integral part of this schedule.

## **CITY OF ROCKPORT, TEXAS**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2012**

#### **Basis of Presentation**

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