

CITY OF ROCKPORT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2007

PREPARED BY
JACKY COCKERHAM
FINANCE DIRECTOR

City of Rockport, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2007

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Introductory Section



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

621 E. Market Street
Rockport, Tx. 78382
Building & Inspections
Building Permits
Code Enforcement
Phone: 361-790-1155
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: 361-790-1118

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

January 25, 2008

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, 2007, 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.

ORGANIZATION OF THE REPORT

This report is divided into three sections that are interrelated but serve distinctly different purposes. The first section contains introductory material, which orients the reader as to the proper location, governing board, and key administrators of the reporting entity and the fiscal period covered by the report. The Table of Contents is highly detailed so that material can be quickly and precisely accessed. 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.

The Financial Section, the second section of the Audit Report, is introduced by the Auditor's opinion on the highly condensed "Basic Financial Statements" immediately following the opinion. Combining and individual fund statements and supplemental schedules are presented as needed for purposes of analysis and/or for greater detail.

The third and final section is a separate statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

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 A. Arnold PLLC 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 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 and sewer, beach park, 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, Aransas County Independent School District 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 have eliminated the duplication of services, and helped 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.

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, detailed 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 year.

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 14.18 square miles of land within the City's corporate boundary.

ECONOMIC TRENDS

Rockport has been named one of the top 10 U.S. destinations for 2008 by *Trip Advisor*, the world's largest travel community network. The June 2007 edition of *Texas Monthly* listed Rockport as having one of the best Texas beaches. In the April 2007 issue of *Better Homes and Gardens*, Rockport-Fulton was listed as a destination as a "long weekend hotspot" for spring migration birdwatching. 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. In 2004, *Money* recognized Rockport as one of the best places to live on the coast.

Property values in the City of Rockport increased from \$368,975,528 in 1997 to \$1,144,148,087 in 2006. 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 continue to be issued at a rate of approximately 120 each year. The population of Rockport has grown by 95% in the last ten (10) years going from 4,753 in 1990 to 9,264 in 2006 according to an estimate done by the Census Bureau. Whistler's Cove and La Buena Vida are new subdivisions being developed, with several more in the planning stages.

Sales tax revenues have increased from \$915,004 in 1997 to \$1,719,259 in 2007. This is an 88% increase in sales tax revenues over a ten (10) 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. Several of the area parks have been upgraded and expanded, as well as, the planning of a two phase Hike and Bike Trail that will be partially funded by TxDOT grants totaling over \$700,000. A grant from Texas Department of Agriculture (Texas Yes) helped complete a beautification project on Austin Street. Large potted plants were placed in the median, as well as, signs being located at the entrance of the Rockport Historic District.

Rockport Beach has the privilege of being designated as Texas' first Blue Wave Beach. The Navigation District received a General Land Office (GLO) Grant in 2004 for the renourishment of the Beach Park. This project was completed in 2004.

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:

- Install approximately 1,530 L.F. of water main & fire protection for 72 homes within the service area, providing first time water service to this area. The City has received \$300,000 in grant funds from the Office of Rural Community Affairs to fund this project.
This project was completed in 2007.
- Construction of lift station and force main to increase capacity of existing system to provide sanitary sewer to the north end of the peninsula.
This project was completed in 2007.
- Sanitary Sewer Improvements to Old Rockport Phase II consisted of replacement of 50+ year old wastewater collection. The existing vetrified clay pipe was replaced with 8" PVC.
- Live Oak Street Paving & Drainage is being rehabilitated from Enterprise Boulevard to Cornwall Street. The drainage upgrades and a majority of the curbs and gutters were installed in the FY 2006-2007. This project will be completed in early 2008.
- Drainage continues to be a major issue for the City of Rockport. Several minor and major drainage projects have been started this year. These projects will continue to be scheduled and propose to be completed in the next two budget years.

BUDGET AS COMPARED TO ACTUAL

General Government Fund Revenues – Budget as Compared to Actual

The General Government Fund Revenues are budgeted based on historical information and the current economic climate of the City. For a detailed comparison of actual General Governmental Fund revenues with budget amounts, see "Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – All Governmental Fund Types and Governmental Expendable Trust Funds: in the financial section of this report (Exhibit B-1).

General Governmental Fund Expenditures – Budget as Compared to Actual

The proposed expenditures in the General Governmental Funds are budgeted based on historical demand for services and inflationary trends. For a detailed comparison of actual General Governmental fund Expenditures with budgeted amounts, see "Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – All Government Fund Types and

Governmental Expendable Trust Funds” in the financial section of this report (Exhibit B-1).

FIDUCIARY FUNDS

The City had no fiduciary funds at September 30, 2007.

PROPRIETARY FUNDS

The Proprietary Funds are those funds that are self-supporting. The Proprietary Funds of the City include the Utility Fund, Sanitation Fund, Community Aquatic Park Fund, and the Beach Park Fund. The Utility System Fund operates with revenues generated by the sale of water and wastewater services. 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 Beach Park Fund accounts for all revenues and expenditures associated with the operation of the Rockport Beach Park.

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

CAPITAL ASSETS

The Capital Assets include all fixed assets of the City except for those of the Proprietary Fund Type (Utility System Fund), with the implementation of GASB rule 34 depreciation will be calculated on Capital Assets. For a more detailed analysis refer to Notes A and G in Notes to 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, 2006 was \$1,144,148,087 and was taxed at \$.2443 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$2,766,632.

Collections

Current taxes of \$2,729,705 representing 98.66% of the adjusted tax roll were collected during fiscal year 2006-2007. 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 2006 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	2006	2005	2004	2003	2002
General Fund	.1629	.1808	.1949	.1963	.2044
G. O. Debt	.0814	.0741	.0608	.0687	.0792
Total	.2443	.2549	.2557	.2650	.2836

CASH MANAGEMENT

The City has a policy of investing idle cash in the various funds in time deposits. Interest rates on time deposits are governed by the City's depository contract. This contract is awarded for three-year periods to the best bidder. The current depository contract was awarded to Well Fargo Bank, Rockport Branch, Rockport, Texas on May 1, 2006. The contract provides payment of interest at commercial posted rates. The contract further provides the City may make deposits outside of the depository bank. The City has chosen to invest its idle cash in TexPool when the interest rates available at TexPool are higher than the depository bank. The City of Rockport has also registered to invest in TexasTerm and TexasDaily, but presently have no funds invested with these pools. All funds in the Demand Deposit Account are invested nightly by Wells Fargo under a Repurchase Agreement, allowing the City to increase interest earnings on all idle funds. TexPool was created under the Public Funds Investment Act to provide local governments investment opportunities while protecting principal and liquidity. The total amount of interest earned across funds in 2006-2007 was \$975,544.

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, 2006. This is the third 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

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, 2007 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

ACKNOWLEDGMENTS

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

Respectfully submitted,

A handwritten signature in cursive script, reading "Jacky Cockerham".

Jacky Cockerham
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, 2006

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.



Charles S. Cox

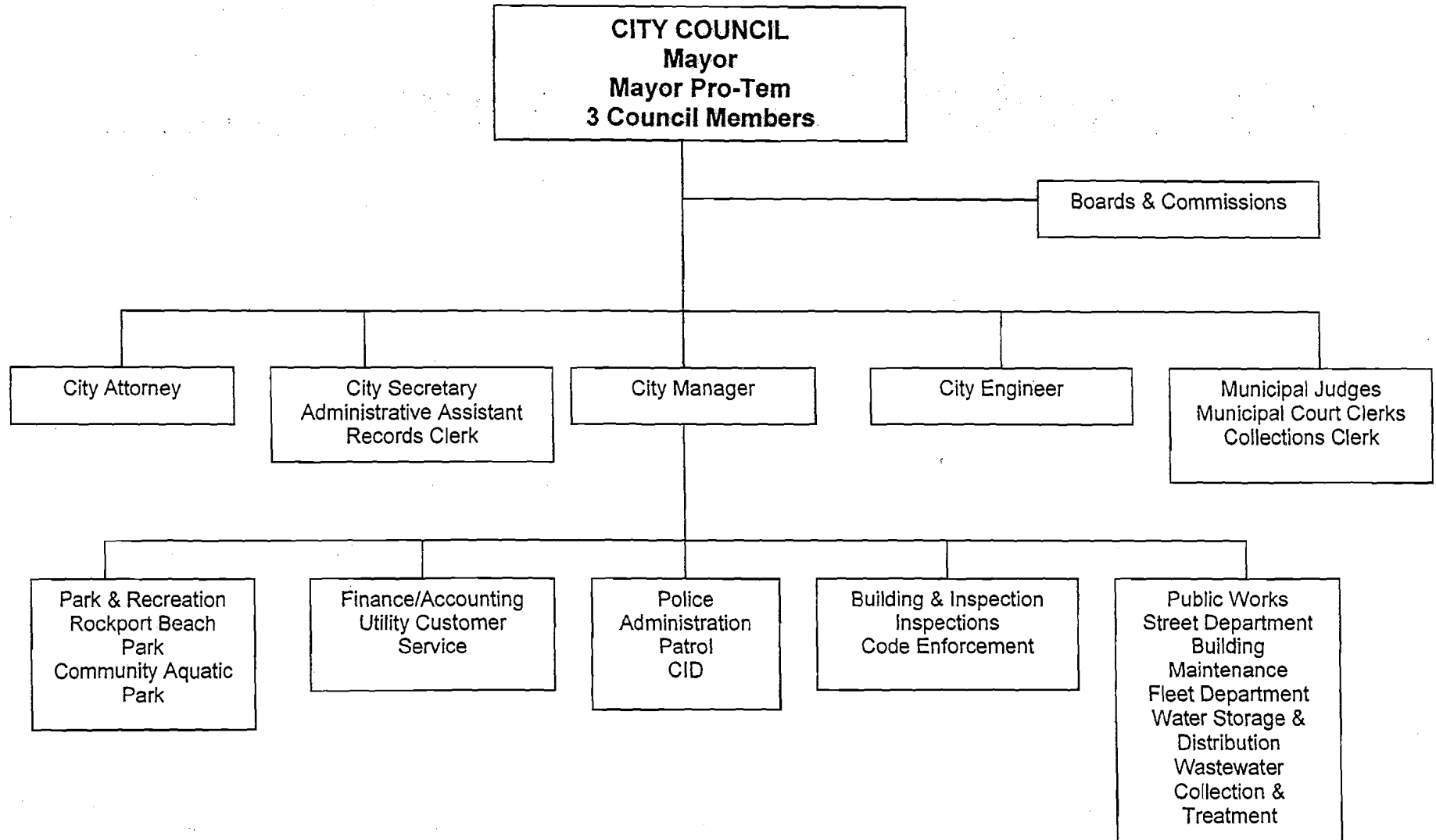
President

Jeffrey R. Emer

Executive Director

CITY OF ROCKPORT

Organization Chart



CITY OF ROCKPORT, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2007

Elected Officials

<u>Name</u>	<u>Office</u>
Todd W. Pearson	Mayor
Frank Reilly	Mayor Pro-Tem
William Fisher	Council Member
Leo Villa	Council Member
Jerry Beattie	Council Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Thomas J. Blazek	City Manager
Irma G. Parker	City Secretary
Jacky Cockerham	Finance Director
Billy Dick	Public Works Director
Tim Jayroe	Chief of Police
Mike Henry	Building and Development Director
Tom Staley	Parks and Leisure Services Director
William G. Walston, Jr. P.C.	City Attorney
Patrick Daley	Municipal Court Judge
Martin DeLeon	Asst. Municipal Court Judge

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, 2007, 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 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof 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 January 25, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Rockport, Texas's basic financial statements. The accompanying combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

A handwritten signature in cursive script that reads "Michael A. Arnold, PLLC".

Michael A. Arnold, PLLC

January 25, 2008

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Rockport's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2007. Please read it in conjunction with the transmittal letter on page i and the City's financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

City's Change in Net Assets – Governmental and business-Type Activities

Total government-wide net assets increased \$2,821,932 as a result of this year's operations. Governmental activities contributed \$1,654,785 with the balance of \$1,167,147 resulting from business-type activities.

Entity Wide

Total assets, were \$66,810,569 at September 30, 2007, increasing 41% over September 30, 2006. Total liabilities, were \$39,626,908 at September 30, 2007, an increase of 72% over September 30, 2006. These increases were due to the Combination Tax & Revenue Certificate of Obligation 2005 issue and the Combination Tax & Revenue Certificate of Obligation 2007 issue.

Total net assets of the City, were \$27,183,661 at September 30, 2007, and increase of \$2,821,932, or 12% compared to September 30, 2006. Of these assets, 64% are invested in capital assets or restricted with the remaining 36% unrestricted.

Total net expenses over program revenue were \$4,101,960 compared to \$4,375,977 net expenses at September 30, 2006, or a 6% decrease.

Governmental Activities

On a governmental-wide basis for governmental activities, the City had expenses net of program revenue of \$5,188,369 at September 30, 2007 compared to \$5,307,142 at September 30, 2006, representing a decrease of 2% from prior year.

General revenues and transfers totaled \$6,843,154 at September 30, 2007, resulting in an increase in net assets of \$1,654,785. This compares to September 30, 2006 totals of \$6,242,187 in general revenues and transfers with a net asset increase of \$935,045.

Governmental activities net assets increased 32%, from \$5,208,659 at September 30, 2006 to \$6,863,444 at September 30, 2007.

Business-Type Activities

On a governmental-wide basis for business-type activities, program revenue net of expenses was \$1,167,147 for fiscal year ended September 30, 2007 compared to \$1,080,410 for 2006; an 8% increase

Net assets grew from \$19,153,070 in 2006 to \$20,320,217 as of September 30, 2007, or 6%.

General Fund Performance

At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$2,510,736 or 49% of the General Fund expenditures. This compares to an unreserved, undesignated fund balance of \$2,218,875 or 42% of expenditures for fiscal year ended September 30, 2006

Revenues of \$5,237,799 for fiscal year ended September 30, 2007 increased by 4% from prior year revenues of \$5,035,825.

General Fund expenditures were \$5,082,743 for the current year, compared to \$5,282,875 for fiscal year ended September 30, 2006, or a 4% decrease.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 19 and 20) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 46. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assts and the Statement of Activities

One of the central concerns in assessing any City's finances is summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 6. The analysis includes a condensed summary of the government-wide financial statements – The Statement of Net Assets and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including all assets and liabilities using the accrual basis of

accounting. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

These government-wide financial statements report both net assets and changes thereto. Net assets are reported in the Statement of Net Assets. The City's net assets, which is the difference between assets and liabilities, is one indicator of the City's financial well-being or financial position at one point in time. Increases or decreases to net assets over a period of time is an indication of whether its financial well-being is improving or deteriorating. Of course, other non-financial considerations enter into the determination of the City's overall health, which would include such things as changes in the City's property tax base and the condition of its streets.

Changes to net assets are reported in the Statement of Activities, which divides all City functions into two categories:

Governmental activities – Most of the City's basic services are reported in this category, which includes public safety (including police and fire), highways and streets, health and welfare, culture and recreation and general administration. These activities are primarily supported by sales and property taxes and franchise fees.

Business-type activities – Certain services that the City provides are paid for from fees that are charged to customers. Water, wastewater, garbage collection, Community Aquatic Park, and Rockport Beach Park are activities that are reported in this category.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds commences on page 18. The fund financial statements are presented on pages 46 through 64. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Community Aquatic Park Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose – governmental and proprietary. Each category uses a different accounting approach.

Governmental funds – Most of the City's basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other financial assets that can readily be converted to cash. This approach provides a detailed short-term perspective of the City's general government operations and the basic services it provides. This view of the City's operations provides

information that helps to determine the extent to which financial resources are available spend in the near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

Proprietary funds- Services provided to either outside customers or to another unit of the City, where a fee is charged, are generally reported in proprietary funds. Proprietary funds are reported the same way that used in the government-wide financial statements. Matter of fact, the City's enterprise funds (a component of proprietary funds) are substantially the same as the business-type activities column of the government-wide financial statements but provides more detail including cash flows. The other component of proprietary funds is internal service funds.

THE CITY AS A WHOLE

The City's Condensed Statement of Net Assets is presented in Table 1.

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	25.3	11.0	12.2	9.3	37.5	18.1
Capital Assets	8.2	6.7	21.1	20.5	29.3	27.2
Total Assets	33.5	17.7	33.3	29.8	66.8	45.3
Long-term debt outstanding	25.4	12.0	10.8	9.1	36.2	21.1
Other liabilities	1.2	.5	2.2	1.6	3.4	2.1
Total liabilities	26.6	12.5	13.0	10.7	39.6	23.2
Net assets:						
Invested in capital assets,						
Net of debt	2.3	1.0	14.7	13.9	17.0	14.9
Restricted	.6	.4	.2	.1	.8	.5
Unrestricted (deficit)	4.0	3.8	5.4	5.1	9.4	8.9
Total net assets	6.9	5.2	20.3	19.1	27.2	24.3

Net assets of the City's governmental activities increased \$1,654,785 This increase is primarily due to budgeting expenditures based upon a conservative estimate of revenues, strong performance of revenues and control over expenditures – all of which will be discussed in greater detail below.

The net assets of the City's business-type activities increased \$1,167,147.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	.8	.7	7.0	7.3	7.8	8.0
Grants	.3	.3	.3	.1	.6	.4
General revenues:						
Property taxes	2.8	2.4			2.8	2.4
Sales tax	1.7	1.7			1.7	1.7
Other taxes	1.3	1.2			1.3	1.2
Federal entitlements						
Other general revenues	.7	.7	.4	.4	.8	1.1
Total revenues	7.6	7.0	7.7	7.8	15.0	14.8
Program expenses						
General government	1.0	1.0				1.0
Public safety	2.4	2.4				2.4
Public works	1.4	1.5				1.5
Tourism	.5	.5				.5
Culture and recreation	.4	.4				.4
Interest on long-term debt	.6	.5				.5
Water and Sewer			5.4	5.7		5.7
Sanitation						
Beach Park			.5	.5		.5
Community Aquatic Park			.3	.3		.3
Total expenses	6.3	6.3	6.2	6.5	12.5	12.8
Excess						

(deficiency)						
Before special items						
And transfers	1.3	.7	1.5	1.3	2.8	2.0
Transfers	.3	.3	-.3	-.3	0	0
Increase (decrease)						
In net assets	1.6	1.0	1.2	1.0	2.8	2.0

Total revenues generated from both governmental and business-type activities this year amounted to 14.8 million.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$7.6 million. Expenses came in at \$6.3 million.

The cost of all governmental activities this year was \$6.3 million. However, as shown on the Statement of Activities on pages 20 and 21, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$6.2 million. \$.7 million to finance these programs was paid by those who directly benefited from them, bond funds, construction funds and by other governments that subsidized certain programs with grants.

Table 3 presents the cost of each of the City's four largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Public Safety	2.4	2.4	1.6	1.7
General Government	1.0	.9	.9	.9
Public Works	1.5	1.5	1.2	1.3
Culture and Recreation	.4	.4	.3	.4
Total	5.3	5.2	4.0	4.3

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$7.7 million. Expenses came in at \$6.2 million, leaving \$1.5 million as an increase to net assets before transfers. An additional net \$.3 million in transfers to governmental

activities was provided, resulting in an all-inclusive increase to net assets amounting to \$1.2 million.

More details will be provided about governmental and business-type activities' operations later in this discussion and analysis.

THE CITY'S FUNDS

As a result of this year's operation, governmental funds (as reflected in the balance sheet on page 22) increased combined fund balance to \$10.5 million, an increase of \$5.5 million from last year. The increase came about largely from the General Fund. The largest increase in revenues came from taxes, which amount to \$5.0 million. This year sales tax increased \$.2 million, 14% over last year. Although the tax rate was lower than last year, current property taxes increased \$.1 million due to an increase in values.

General Fund - A Detailed Discussion

Revenues and Transfers-In

The following table presents a summary of total governmental funds' revenues and operation transfers-in for the years ended September 30, 2007 and 2006.

Table 4
Revenues and Transfers-In

Revenues and Transfers- In	2007 Amount	% of Total	2006 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$5,927,580	70	\$5,469,894	\$457,686	8
Licenses & Permits	179,770	2	169,497	10,273	6
Intergovernmental	307,960	4	330,102	-22,142	-7
Charges for services	33,342		21,976	11,366	52
Fines and Forfeitures	359,838	4	302,134	57,704	19
Interest	553,544	7	492,582	60,962	12
Miscellaneous	138,078	2	149,662	-11,584	-8
Operating transfers-in	923,114	11	962,140	-39,026	-4
Total	\$8,423,226		\$7,897,987	\$525,239	7

Of the total increase, charges for services represent the largest growth at 52%.

Taxes

The substantial increase in taxes is primarily attributable to increases in property, sales tax and franchise tax receipts.

Sales Tax

Sales tax collections, which experienced a decrease of \$4,113 over 2007, are reported in the General Fund.

Ad Valorem (Property) Tax

The general citywide property tax including collections of the current levy, that of prior years', and penalty and interest increased 14.0%.

Growth in Taxable Assessed Value

Although the overall rate was reduced for this fiscal year taxable assessed values as adjusted for changes throughout each fiscal year, increased by \$103,844,306 or 12.2% over last year.

Collection Rate

This year's collection rate of current property taxes on the current adjusted tax levy amounted to 98.66% compared to 98.4% last year.

These factors resulted in revenues from current taxes reflecting an increase of \$98,336 over 2006 collections

Shifting of I&S Tax Rate to M&O Rate-Related Effects on Revenues in General Fund

The I&S portion of the tax rate, which is accounted for in the Debt Service Fund, increased from \$0.0741 in fiscal year 2005-06 to \$0.0814 in fiscal year 2006-07 a increase of \$0.0073. This increase is due to the debt service payments increasing for the 2005 Combination tax and Revenue Certificates of Obligation. Therefore, the current tax revenues in the Debt Service Fund experienced a \$225,281 increase. The resulting M&O portion of the tax rate, which is accounted for in the General Fund, decreased from \$0.1808 in fiscal year 2005-06 to \$0.1629 in fiscal year 2006-07. Current year tax revenues in the General Fund increased \$125,886.

Other Taxes

This year reported franchise taxes as a whole increased \$54,460 from the prior year. The tax paid by the electric companies increased \$11,900.

Hotel Taxes

Fiscal year 2006-07 increased over prior year collections by \$61,049.

Interest

Interest earnings, before adjusting investments to fair value, were up over prior year, generally reflecting higher interest rates and larger fund balances this fiscal year.

Transfers-In

The substantial portion of the increase in transfers-in is due to transfers from the Utility System Fund. The Utility System Fund and the Rockport Beach Park transfer funds to the General Fund for payment of In Lieu of Taxes, Franchise Fees and as reimbursement for operating expenditures paid through the Parks and Leisure Service Department.

The following table presents a summary of governmental funds' expenditures, operating transfers-out and other financing uses for the years ended September 30, 2007 and 2006.

Table 5
Expenditures and Transfers-Out

Expenditures and Transfers- Out	2007 Amount	Percent of Total	2006 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
General government	\$934,602	10	\$908,290	\$26,312	3
Public safety	2,256,783	25	2,229,055	27,728	1
Public Works	1,327,317	15	1,473,824	-146,507	-10
Recreation & Tourism	813,601	9	851,684	-38,083	-5
Capital Outlay	2,004,996	22	1,042,111	962,885	92
Debt Service:					
Principal	438,512	5	476,053	-37,541	-8
Interest and Fiscal Charges	714,039	8	637,467	76,572	12
Operating transfers-out and other financing uses	577,983	6	670,009	-92,026	-14
Total	\$9,067,833		\$8,288,493	\$779,340	9

General Government

General government expenditures were substantially unchanged from 2006.

Public Safety

Public safety expenditures were substantially unchanged from 2006.

Public Works

Street Department

Expenditures for the 2007 year in the Street Department increased \$144,264 over 2006 expenditures. Increases were due primarily to departmental increases.

Building and Operation Maintenance Department
Expenditures were virtually unchanged from 2006 in this department.

Fleet Operations and Maintenance Department
The \$42,242 increase in expenses can be attributed to the increased cost of purchasing fuel.

Capital Outlay

The increase in capital outlay resulted primarily from expenditures from the 2005 Certificate of Obligation Fund.

Debt Service

Principal, Interest and fiscal charges were expended from the General Fund for 2007. The payment was for a project at the Rockport Beach Park, which was previously funded by Hotel Occupancy Tax.

Transfers-Out

There were increases in the transfers-out due to the increase in the level of funding agencies requested.

Fund Balance

Combined fund balance for all of the governmental fund types increased \$13,775,596, from a balance of \$10,479,317 in the prior year to \$24,254,913 as of the current fiscal year end. This was primarily due to the proceeds of the 2007 Certificate issue.

Table 6
Comparison of Fund Balances

	2007	2006	2005
Combined Fund Balance	24,254,913	10,479,317	4,939,737

General Fund

Revenues and transfers-in generated \$5,237,799 and \$560,271 respectively, aggregating \$5,798,070. Expenditures and transfers-out amounted to \$5,082,743 and \$387,843, respectively, aggregating \$5,470,586. The resulting effect on fund balance represented an increase of \$327,484. There were no significant budgetary variances between the final budget and actual.

Special Revenue Funds

Combined fund balance of the special revenue funds increased from \$342,403 in the prior year to \$346,316 - an increase of \$3,913.

Debt Service Fund

The fund balance of the debt service fund increased from \$283,783 in the prior year to \$542,935 an increase of \$283,783. The increases in fund balance are due primarily because of increased tax collections and interest received on the 2007 Certificate issue of \$96,058.

Capital Project Funds

Combined fund balance of the capital projects funds increased \$13,160,416, principally due to the 2007 Certificate of Obligation issue.

PROPRIETARY FUNDS – a Detailed Discussion

Utility System Fund

The City's Proprietary Funds consist of the Utility System Fund, Sanitation Fund, Rockport Beach Park, and the Community Aquatic Park.

General Comments

This year's results, both water and wastewater revenues exceeded prior year and surpassed budget expectations. An increase on the cost of water purchased from San Patricio Water District was passed on to the customers attributing to the increased revenues. Revenues were up largely due to the increased consumption, which is largely due to the growth in the customer base.

Consumption

Consumption played a significant role in this year's results of operation. Historical consumption and its percentage increase (decrease) from the previous year, over the last three years, are presented in the following table:

**Table 7
Consumption**

Fiscal Year	04-05	05-06	% Increase/ Decrease	06-07	% Increase/ Decrease
Total Consumption	879,564,100	916,721,400	4.2	842,145,700	-8.1

Rates

The City of Rockport has not increased water or wastewater rates for operations in the last three years. There have been two increases but these were both pass through increases from the City's water supplier, San Patricio Municipal Water District.

Growth in Customer Base

The City of Rockport has seen a growth in the customer base on the average of 2.7% annually since 2003. This is illustrated in the table below:

**Table 8
Growth in Customer Base**

Fiscal Year	04-05	05-06	% Increase/ Decrease	06-07	% Increase/ Decrease
Total Meter Connections	8,492	8,747	2.9	8,970	2.5

Water Sales

Water sales increased over last year and the budget, both in terms of dollar amount and percentage, due to the reasons shown in the table above.

Connect & Reconnect Fees

Connect and reconnect fees continue to increase. These fees were increased from \$20 to \$25 for business hours and from \$30 to \$37.50 for after business hours in October of 2005. This increase more closely reflects what it actually costs to provide this service.

Expenses

Expenses as a whole were well under control. Almost without exception, all expense line items, year-to-date, were under budget.

Bond coverage Ratio

Although the bond indenture ties the bond coverage requirements to water and wastewater combined-level, it is managements' preference that we manage that statistic at the fund level.

Sanitation Fund

This is a "pass through" fund. All revenues collected for garbage collection are reported and the corresponding expenditures for franchise fees, administrative fees and reserves

for bad debt are deducted and the balance is sent to the solid waste contractor, per the contract.

Rockport Beach Park

Revenues for the Rockport Beach Park totaled \$317,321, which is \$839 over revenues for 2006. Expenditures for the same period were \$547,752 a total of \$59,959 over 2006. This was primarily due to personnel costs.

Community Aquatic Park

The Community Aquatic Park is funded with revenue from admissions, passes, rentals, instructional classes and concessions. The City of Rockport, Aransas County, Aransas County ISD help fund the park. The City of Rockport and Aransas County contribute \$25,000 each for park operations. Aransas County ISD's contribution is "in-kind" with a pool manager's salary of \$35,721. Revenues decreased \$17,929 over 2006 amounts, and expenditures were \$1,209 less than 2006 figures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$29,342,465 in capital assets. For more detailed information on capital assets refer to the notes to the financial statement on page 36.

Table 9
Capital Assets at Year-end
(Net of Depreciation,)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$693,508	\$693,508	\$214,954	\$214,954	\$908,462	\$908,462
Buildings and improvements	2,733,808	2,832,122	2,433,488	2,566,610	5,167,296	5,332,732
Equipment	749,921	693,918	463,093	237,824	1,213,014	997,742
Infrastructure	4,066,193	2,371,923	17,987,500	17,458,493	22,053,693	19,830,416
Totals	\$8,243,430	\$6,591,471	\$21,099,035	\$20,477,881	\$29,342,465	\$27,069,352

Debt Administration

The City of Rockport is authorized to issue bonds, for any purpose for which a city may issue bonds under the Constitution and laws of the State of Texas. The Charter precludes the use of bond proceeds for any other purpose other than that for which the bonds were sold.

The City Charter or state statutes do not prescribe a debt limit on the amount of outstanding general obligation or revenue bonds.

Type of Debt Issued

The types of debt the City has issued are revenue bonds, general obligation refunding bonds, and combination tax and revenue certificates of obligation. At September 30, 2006, the City had no bonds of any type approved that had not been issued.

Bond Ratings

The City's bond rating as of last issue from Standard & Poor's and Fitch is A+.

Bonds Outstanding

At the end of the fiscal year, the City had \$34,025,000 in bonds outstanding – as shown in Table 10.

Table 10
Outstanding Debt at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General obligation bonds (backed by the City)	23.9	10.2	9.7	7.3	33.6	17.5
Revenue bonds (backed by specific tax and fee revenues)			1.4	1.6	1.4	1.6
Totals	23.9	10.2	11.1	8.9	35.0	19.1

Revenue Bond Coverage

The City's ordinance authorizing the Water and Sewer System revenue bonds requires the City deposit into a sinking fund an amount sufficient to meet the current installments of principal and interest plus accumulate an amount sufficient to maintain a bond Reserve Fund not less than the average annual requirement for the payment of principal and interest on all the revenue bonds.

The City's ordinance authorizing combination tax and revenue certificates of obligation, and general obligation refunding bonds requires that the City deposit into a sinking fund an amount sufficient to meet the current installment of principal and interest. No Reserve Fund is required because when net revenues are insufficient to make required certificate payments, taxes may be assessed and collected annually to pay principal and interest as it becomes due.

At September 30, 2007 both sinking fund balances were sufficient to satisfy the City's ordinance requirements. For more detailed information on the long-term debts refer to the notes to the financial statements on page 39.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2006-07 the elected and appointed officials considered many factors including the forces driving the economy in their budget decisions. The increased housing starts, increased 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 5,760 in 2005 to 5,987 in 2006, equating to a 4% increase. The U. S. Census estimates the population for Rockport at 9,264 in 2006 this up from 7,385 in the 2000 census.

In September 2007, the City issued Certificates of Obligation in the amount of \$17,000,000 for improvements to the City's sanitary sewer system; street and drainage improvements; to make storm sewer improvements; construct and equip a community recreation center; construct and equip a park and leisure services building; construct additional parking at the Beach Park and acquire approximately 50 acres of land located within the City limits of Rockport.

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, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,748,764	\$ 6,486,446	\$ 11,235,210
Receivables (net of allowances for uncollectibles):			
Property taxes	77,190	--	77,190
Other taxes	361,738	--	361,738
Accounts	11,617	604,234	615,851
Special assessments	11,427	10,136	21,563
Intergovernmental	13,512	2,530	16,042
Other	41,807	--	41,807
Internal balances	348,558	(348,558)	--
Inventories	75,750	90,489	166,239
Deferred charges	3,280	--	3,280
Restricted assets:			
Cash and cash equivalents	19,236,885	5,148,953	24,385,838
Bond issuance costs	324,209	219,137	543,346
Capital assets:			
Land	693,508	214,954	908,462
Buildings	2,928,947	1,728,904	4,657,851
Improvements other than buildings	519,093	3,361,402	3,880,495
Water and sewer system	--	29,436,120	29,436,120
Machinery and equipment	1,795,701	1,833,874	3,629,575
Infrastructure	4,210,335	--	4,210,335
Accumulated depreciation	(1,904,154)	(15,476,219)	(17,380,373)
Total Assets	<u>33,498,167</u>	<u>33,312,402</u>	<u>66,810,569</u>
LIABILITIES			
Accounts payable	435,092	789,202	1,224,294
Accrued liabilities	89,175	37,782	126,957
Accrued interest payable	137,307	60,846	198,153
Payable from restricted assets	12,663	--	12,663
Customer Deposits	--	655,890	655,890
Noncurrent liabilities:			
Due within one year	528,076	684,648	1,212,724
Due in more than one year	25,432,410	10,763,817	36,196,227
Total Liabilities	<u>26,634,723</u>	<u>12,992,185</u>	<u>39,626,908</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,337,041	14,728,064	17,065,105
Restricted For:			
Debt Service	565,763	195,144	760,907
Unrestricted	3,960,640	5,397,009	9,357,649
Total Net Assets	<u>\$ 6,863,444</u>	<u>\$ 20,320,217</u>	<u>\$ 27,183,661</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 971,839	\$ 47,079	\$ 7,386	\$ --
Public safety	2,419,601	496,827	279,141	6,233
Public works	1,462,111	231,245	--	4,988
Culture and recreation	373,979	1,191	22,930	8,779
Tourism	483,780	--	--	--
Interest and fiscal charges	582,858	--	--	--
Total governmental activities	<u>6,294,168</u>	<u>776,342</u>	<u>309,457</u>	<u>20,000</u>
Business-type Activities:				
Sanitation	--	12,133	--	--
Water and Sewer	5,446,484	6,552,677	5,669	287,350
Beach Park	547,752	317,321	25,000	--
Community Aquatic Center	294,325	99,906	74,914	--
Total Business-type Activities	<u>6,288,561</u>	<u>6,982,037</u>	<u>105,583</u>	<u>287,350</u>
Total Primary Government	<u>\$ 12,582,729</u>	<u>\$ 7,758,379</u>	<u>\$ 415,040</u>	<u>\$ 307,350</u>

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (917,374)		\$ (917,374)
(1,637,400)		(1,637,400)
(1,225,878)		(1,225,878)
(341,079)		(341,079)
(483,780)		(483,780)
(582,858)		(582,858)
<u>(5,188,369)</u>		<u>(5,188,369)</u>
--	\$ 12,133	12,133
--	1,399,212	1,399,212
--	(205,431)	(205,431)
--	(119,505)	(119,505)
<u>--</u>	<u>1,086,409</u>	<u>1,086,409</u>
<u>(5,188,369)</u>	<u>1,086,409</u>	<u>(4,101,960)</u>
1,864,043	--	1,864,043
929,705	--	929,705
1,714,042	--	1,714,042
746,414	--	746,414
533,215	--	533,215
649,602	425,869	1,075,471
61,002	--	61,002
345,131	(345,131)	--
<u>6,843,154</u>	<u>80,738</u>	<u>6,923,892</u>
1,654,785	1,167,147	2,821,932
5,208,659	19,153,070	24,361,729
<u>\$ 6,863,444</u>	<u>\$ 20,320,217</u>	<u>\$ 27,183,661</u>

CITY OF ROCKPORT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General Fund	Debt Service
ASSETS		
Assets:		
Cash and cash equivalents	\$ 3,455,592	\$ 542,739
Receivables (net of allowances for uncollectibles):		
Property taxes	54,361	22,829
Other taxes	193,214	--
Accounts	--	--
Special assessments	--	--
Intergovernmental	--	--
Other	41,807	--
Due from other funds	489,612	195
Inventories	75,750	--
Deferred charges	3,280	--
Restricted assets:		
Cash and cash equivalents	--	--
Total Assets	<u>\$ 4,313,616</u>	<u>\$ 565,763</u>
Liabilities:		
Accounts payable	\$ 328,890	\$ --
Accrued expenses	76,007	--
Due to other funds	90,150	--
Payable from restricted assets	--	--
Deferred revenue	92,861	22,828
Total Liabilities	<u>587,908</u>	<u>22,828</u>
Fund balances:		
Reserved for inventories	75,750	--
Reserved for capital outlay	--	--
Reserved for prepaid items	3,280	--
Reserved for special purpose programs	--	--
Reserved for fire protection	--	--
Reserved for law enforcement	--	--
Reserved for tourism	--	--
Reserved for debt service	--	542,935
Unreserved, reported in -		
General fund:		
Designated for general contingencies	1,135,942	--
Undesignated	2,510,736	--
Special revenue funds:		
Undesignated	--	--
Capital project funds:		
Designated for capital outlay	--	--
Total fund balances	<u>3,725,708</u>	<u>542,935</u>
Total Liabilities and Fund balances	<u>\$ 4,313,616</u>	<u>\$ 565,763</u>

2007 Certificate of Obligation	2005 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 750,433	\$ 4,748,764
--	--	--	77,190
--	--	168,524	361,738
--	--	11,617	11,617
--	--	11,427	11,427
--	--	13,512	13,512
--	--	--	41,807
--	--	--	489,807
--	--	--	75,750
--	--	--	3,280
14,125,358	5,111,471	56	19,236,885
<u>\$ 14,125,358</u>	<u>\$ 5,111,471</u>	<u>\$ 955,569</u>	<u>\$ 25,071,777</u>
\$ --	\$ --	\$ 106,202	\$ 435,092
--	--	13,168	89,175
--	--	51,099	141,249
12,663	--	--	12,663
--	--	22,996	138,685
<u>12,663</u>	<u>--</u>	<u>193,465</u>	<u>816,864</u>
--	--	--	75,750
14,112,695	5,111,471	(389)	19,223,777
--	--	--	3,280
--	--	46,747	46,747
--	--	1,206	1,206
--	--	9,985	9,985
--	--	344,663	344,663
--	--	230	543,165
--	--	--	1,135,942
--	--	--	2,510,736
--	--	(56,515)	(56,515)
--	--	416,177	416,177
<u>14,112,695</u>	<u>5,111,471</u>	<u>762,104</u>	<u>24,254,913</u>
<u>\$ 14,125,358</u>	<u>\$ 5,111,471</u>	<u>\$ 955,569</u>	<u>\$ 25,071,777</u>

CITY OF ROCKPORT, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Total fund balances - governmental funds balance sheet	\$ 24,254,913
--	---------------

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

Capital assets used in governmental activities are not reported in the funds.	8,243,430
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	77,189
Payables for bond principal which are not due in the current period are not reported in the funds.	(24,201,088)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,436,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(137,307)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(323,398)
Bond issuance costs are not available to pay for current-period expenditures and are deferred in the funds.	324,209
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	38,500
Surcharge receivables unavailable to pay for current period expenditures are deferred in the funds.	11,569
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>11,427</u>

Net assets of governmental activities - statement of net assets	\$ <u>6,863,444</u>
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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, 2007

	General Fund	Debt Service
Revenue:		
Taxes	\$ 4,325,823	\$ 927,756
Licenses and permits	179,770	--
Intergovernmental	30,316	--
Charges for services	33,342	--
Fines	325,047	--
Special assessments	--	--
Interest	210,025	6,426
Miscellaneous	133,476	--
Total revenues	<u>5,237,799</u>	<u>934,182</u>
Expenditures:		
Current:		
General government	933,499	--
Public safety	1,679,943	--
Public works	1,323,580	--
Culture and recreation	323,243	--
Tourism	--	--
Capital outlay	655,463	--
Debt service:		
Principal	87,725	324,150
Interest and fiscal charges	79,290	399,693
Bond issuance cost	--	--
Total expenditures	<u>5,082,743</u>	<u>723,843</u>
Excess (deficiency) of revenues (under) expenditures	155,056	210,339
Other financing sources (uses):		
Transfers in	560,271	--
Transfers out	(387,843)	(22,614)
Issuance of certificates of obligation	--	96,058
Premium on bonds issued	--	--
Total other financing sources (uses)	<u>172,428</u>	<u>73,444</u>
Net change in fund balance	327,484	283,783
Fund balance, beginning of year	3,398,224	259,152
Fund balance, end of year	<u>\$ 3,725,708</u>	<u>\$ 542,935</u>

The accompanying notes are an integral part of this statement.

2007 Certificate of Obligation	2005 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 674,001	\$ 5,927,580
--	--	--	179,770
--	--	277,644	307,960
--	--	--	33,342
--	--	34,791	359,838
--	--	4,602	4,602
7,504	301,128	28,461	553,544
--	--	--	133,476
<u>7,504</u>	<u>301,128</u>	<u>1,019,499</u>	<u>7,500,112</u>
--	--	1,103	934,602
--	--	576,840	2,256,783
--	--	3,737	1,327,317
--	--	6,578	329,821
--	--	483,780	483,780
--	1,194,118	155,415	2,004,996
--	--	26,637	438,512
--	--	16,102	495,085
218,954	--	--	218,954
<u>218,954</u>	<u>1,194,118</u>	<u>1,270,192</u>	<u>8,489,850</u>
(211,450)	(892,990)	(250,693)	(989,738)
--	--	362,843	923,114
--	--	(167,526)	(577,983)
14,100,000	--	--	14,196,058
224,145	--	--	224,145
<u>14,324,145</u>	<u>--</u>	<u>195,317</u>	<u>14,765,334</u>
14,112,695	(892,990)	(55,376)	13,775,596
--	6,004,461	817,480	10,479,317
<u>\$ 14,112,695</u>	<u>\$ 5,111,471</u>	<u>\$ 762,104</u>	<u>\$ 24,254,913</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, 2007

Net change in fund balances - total governmental funds	\$ 13,775,596
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,974,731
The depreciation of capital assets used in governmental activities is not reported in the funds.	(322,772)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	625
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	379,511
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	59,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(7,329)
The amortization of bond premiums is not reported in the funds.	6,686
(Increase) decrease in accrued interest from beginning of period to end of period	(87,129)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(25,970)
Certain surcharge receivables are deferred in the funds. This is the change in these amounts this year.	131
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(4,104)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	11,000
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(14,100,000)
Bond premiums are reported in the funds but not in the SOA.	(224,145)
Bond issuance costs are reported in the funds but not in the SOA.	218,954
Change in net assets of governmental activities - statement of activities	\$ <u>1,654,785</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

SEPTEMBER 30, 2007

	Enterprise Fund		Nonmajor Enterprise Funds		Total Enterprise Funds
	Water and Sewer				
ASSETS					
Assets:					
Current assets:					
Cash and cash equivalents	\$ 6,300,047		\$ 186,399		\$ 6,486,446
Receivables (net of allowances for uncollectibles):					
Accounts	469,886		134,348		604,234
Special assessments	10,136		--		10,136
Intergovernmental	2,530		--		2,530
Due from other funds	250		90,150		90,400
Inventories	90,489		--		90,489
Total current assets	<u>6,873,338</u>		<u>410,897</u>		<u>7,284,235</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	5,148,953		--		5,148,953
Bond issue costs	219,137		--		219,137
Capital assets:					
Land	110,654		104,300		214,954
Buildings	273,253		1,455,651		1,728,904
Improvements other than buildings	--		3,361,402		3,361,402
Water system	14,967,833		--		14,967,833
Sewer system	14,468,287		--		14,468,287
Machinery and equipment	1,666,856		167,018		1,833,874
Accumulated depreciation	(12,871,550)		(2,604,669)		(15,476,219)
Total noncurrent assets	<u>23,983,423</u>		<u>2,483,702</u>		<u>26,467,125</u>
Total Assets	<u>\$ 30,856,761</u>		<u>\$ 2,894,599</u>		<u>\$ 33,751,360</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 408,087		\$ 381,115		\$ 789,202
Accrued expenses	32,442		5,340		37,782
Due to other funds	--		438,958		438,958
Accrued interest payable	60,846		--		60,846
Customer deposits	643,643		12,247		655,890
Compensated absences	49,000		--		49,000
Bonds and certificates of obligation - current portion	635,648		--		635,648
Total current liabilities	<u>1,829,666</u>		<u>837,660</u>		<u>2,667,326</u>
Noncurrent liabilities:					
Bonds and certificates of obligation payable	10,689,132		--		10,689,132
Compensated absences	68,387		6,298		74,685
Total noncurrent liabilities	<u>10,757,519</u>		<u>6,298</u>		<u>10,763,817</u>
Total liabilities	<u>12,587,185</u>		<u>843,958</u>		<u>13,431,143</u>
NET ASSETS:					
Investment in Capital Assets, Net of Related Debt	12,244,362		2,483,702		14,728,064
Restricted for Debt Service	195,144		--		195,144
Unrestricted Net Assets	5,830,070		(433,061)		5,397,009
Total Net Assets	<u>\$ 18,269,576</u>		<u>\$ 2,050,641</u>		<u>\$ 20,320,217</u>

CITY OF ROCKPORT, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Fund		
	Water and Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 6,552,677	\$ 429,360	\$ 6,982,037
Total Operating Revenues	<u>6,552,677</u>	<u>433,229</u>	<u>6,985,906</u>
OPERATING EXPENSES:			
Personal services	1,081,995	350,762	1,432,757
Contractual services	314,579	81,291	395,870
Maintenance	314,839	60,963	375,802
Supplies	2,615,603	170,214	2,785,817
Other	30,205	1,504	31,709
Amortization	20,561	--	20,561
Depreciation	700,012	177,343	877,355
Total Operating Expenses	<u>5,077,794</u>	<u>842,077</u>	<u>5,919,871</u>
Operating Income (Loss)	<u>1,474,883</u>	<u>(408,848)</u>	<u>1,066,035</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	422,000	--	422,000
Intergovernmental revenue	5,669	99,914	105,583
Interest expense	(368,690)	--	(368,690)
Total Non-operating Revenues (Expenses)	<u>58,979</u>	<u>99,914</u>	<u>158,893</u>
Net Income (Loss) before Operating Transfers	<u>1,533,862</u>	<u>(308,934)</u>	<u>1,224,928</u>
Capital Contributions	287,350	--	287,350
TRANSFERS:			
Interfund transfers in	131,167	76,918	208,085
Interfund transfers out	(553,216)	--	(553,216)
Change in Net Assets	<u>1,399,163</u>	<u>(232,016)</u>	<u>1,167,147</u>
Net Assets, beginning of year	16,870,413	2,282,657	19,153,070
Net Assets, end of year	<u>\$ 18,269,576</u>	<u>\$ 2,050,641</u>	<u>\$ 20,320,217</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Funds		
	Water & Sewer	Other Funds	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 6,642,630	\$ 1,749,623	\$ 8,392,253
Cash Receipts (Payments) for			
Operating Transactions with Other Funds	--	143,052	143,052
Cash Payments to Employees for Services	(1,075,982)	(350,664)	(1,426,646)
Cash Payments to Other Suppliers for Goods and Services	(3,400,999)	(1,606,364)	(5,007,363)
Net Cash Provided (Used) by Operating Activities	<u>2,165,649</u>	<u>(64,353)</u>	<u>2,101,296</u>
Cash Flows from Non-capital Financing Activities:			
Operating Grants Received	5,669	99,914	105,583
Transfers From Other Funds	131,167	76,918	208,085
Transfers To Other Funds	(553,216)	--	(553,216)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(416,380)</u>	<u>176,832</u>	<u>(239,548)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on bonds payable	(580,489)	--	(580,489)
Interest paid on bonds payable	(369,748)	--	(369,748)
Proceeds from Capital Grant	284,820	--	284,820
Acquisition or Construction of Capital Assets	(1,424,850)	(73,659)	(1,498,509)
Proceeds from certificate of obligation issue	2,901,079	--	2,901,079
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>810,812</u>	<u>(73,659)</u>	<u>737,153</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	422,000	3,869	425,869
Net Cash Provided (Used) for Investing Activities	<u>422,000</u>	<u>3,869</u>	<u>425,869</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,982,081	42,689	3,024,770
Cash and Cash Equivalents at Beginning of Year	8,466,919	143,710	8,610,629
Cash and Cash Equivalents at End of Year	<u>\$ 11,449,000</u>	<u>\$ 186,399</u>	<u>\$ 11,635,399</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 1,474,883	\$ (412,717)	\$ 1,062,166
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation and amortization	720,573	177,343	897,916
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	66,701	(20,014)	46,687
Decrease (Increase) in Inventories	(13,469)	--	(13,469)
Decrease (Increase) in Interfund Receivables	--	--	--
Increase (Decrease) in Accounts Payable	(112,304)	49,354	(62,950)
Increase (Decrease) in Customer Deposits	23,252	(1,469)	21,783
Increase (Decrease) in Interfund Payables	--	143,052	143,052
Increase (Decrease) in Accrued Expenses	6,013	98	6,111
Total Adjustments	<u>690,766</u>	<u>348,364</u>	<u>1,039,130</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,165,649</u>	<u>\$ (64,353)</u>	<u>\$ 2,101,296</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, 2007

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 have 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.

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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.

2005 Certificate of Obligation Fund. This fund is used to account for the proceeds and related expenditures of the 2005 Certificate of Obligation issue.

The City reports the following major enterprise funds:

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

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. 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.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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 threshold of \$5,000 is used.

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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.

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.

h. Use of Estimates

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 prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- 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 a resolution 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. All budget appropriations lapse at year end.

The City Council approves by ordinance, total budget appropriations only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations. For report purposes, this level has been extended to a functional basis (i.e. General Government, Public Safety, etc.).

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.

5. Encumbrance Accounting

Encumbrance accounting is not used by the City.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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. Budgeted expenditures exceed appropriations for the following funds:

<u>Fund</u>	<u>Expenditures over Budget</u>
Utility Bill Surcharge	\$ 10,553
City/County Dispatch Service Fund	24,977
Hotel/Motel Occupancy Tax Fund	2,195

3. 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 Service Fund	\$ 56,515	Temporary funding shortage. To be replenished by General Fund.
2001 Certificate of Obligation Fund	389	Temporary funding shortage. To be replenished by General Fund.

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, 2007, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,034,532 and the bank balance was \$1,225,854. The City's cash deposits at September 30, 2007 and during the year ended September 30, 2007, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of

CITY OF ROCKPORT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2007

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.

<u>Investment or Investment Type</u>	<u>Maturity (Days)</u>	<u>Fair Value</u>
TexPool	1	\$ 34,586,516
Total Investments		<u>\$ 34,586,516</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

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. The City's investment policy seeks to minimize credit risk by limiting the types and term of investments. The policy allows for investments in Public Fund Investment Pools described below which must have an AAA or AAAM rating.

At September 30, 2007, 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

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.

d. Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to TexPool.

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.

CITY OF ROCKPORT, TEXAS
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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, 2007 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	\$ 97,354	\$ 38,253	\$ --	\$ 135,607
Other Taxes	193,214	--	168,524	361,738
Accounts	--	--	15,270	15,270
Special Assessments	--	--	11,427	11,427
Intergovernmental	--	--	13,512	13,512
Fines	38,500	--	--	38,500
Sundry	3,307	--	--	3,307
Gross	332,375	38,253	208,733	579,361
Less allowance for uncollectibles	(42,993)	(15,424)	(3,653)	(62,070)
Net Receivables	\$ 289,382	\$ 22,829	\$ 205,080	\$ 517,291

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

E. Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 693,508	\$ --	\$ --	\$ 693,508
Total capital assets not being depreciated	<u>693,508</u>	<u>--</u>	<u>--</u>	<u>693,508</u>
Capital assets being depreciated:				
Infrastructure	2,449,468	1,760,867	--	4,210,335
Buildings	2,905,502	23,445	--	2,928,947
Improvements other than buildings	550,089	35,004	66,000	519,093
Machinery and equipment	1,640,286	155,415	--	1,795,701
Total capital assets being depreciated	<u>7,545,345</u>	<u>1,974,731</u>	<u>66,000</u>	<u>9,454,076</u>
Less accumulated depreciation for:				
Infrastructure	(77,545)	(66,597)	--	(144,142)
Buildings	(483,306)	(72,888)	--	(556,194)
Improvements other than buildings	(140,163)	(17,875)	--	(158,038)
Machinery and equipment	(946,368)	(165,412)	(66,000)	(1,045,780)
Total accumulated depreciation	<u>(1,647,382)</u>	<u>(322,772)</u>	<u>(66,000)</u>	<u>(1,904,154)</u>
Total capital assets being depreciated, net	<u>5,897,963</u>	<u>1,651,959</u>	<u>--</u>	<u>7,549,922</u>
Governmental activities capital assets, net	<u>\$ 6,591,471</u>	<u>\$ 1,651,959</u>	<u>\$ --</u>	<u>\$ 8,243,430</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Total capital assets not being depreciated	<u>214,954</u>	<u>--</u>	<u>--</u>	<u>214,954</u>
Capital assets being depreciated:				
Buildings	1,721,753	7,151	--	1,728,904
Improvements other than buildings	3,318,843	42,559	--	3,361,402
Water and sewer system	28,289,578	1,146,543	--	29,436,121
Machinery and equipment	1,531,617	302,256	--	1,833,873
Total capital assets being depreciated	<u>34,861,791</u>	<u>1,498,509</u>	<u>--</u>	<u>36,360,300</u>
Less accumulated depreciation for:				
Buildings	(1,143,886)	(87,432)	--	(1,231,318)
Improvements other than buildings	(1,330,100)	(95,400)	--	(1,425,500)
Water and sewer system	(10,831,085)	(617,536)	--	(11,448,621)
Machinery and equipment	(1,293,793)	(76,987)	--	(1,370,780)
Total accumulated depreciation	<u>(14,598,864)</u>	<u>(877,355)</u>	<u>--</u>	<u>(15,476,219)</u>
Total capital assets being depreciated, net	<u>20,262,927</u>	<u>621,154</u>	<u>--</u>	<u>20,884,081</u>
Business-type activities capital assets, net	<u>\$ 20,477,881</u>	<u>\$ 621,154</u>	<u>\$ --</u>	<u>\$ 21,099,035</u>

Depreciation was charged to functions as follows:

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Government Activities:

General Government	\$	11,267
Public Safety		162,434
Public Works		104,913
Culture and Recreation		44,158
	\$	<u>322,772</u>

Business-type Activities:

Water and Sewer	\$	700,012
Beach Park		111,483
Community Aquatic Center		65,860
	\$	<u>877,355</u>

Capital Leases

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

Buildings	\$	1,607,000
Less accumulated amortization		(120,525)
Capitalized leases, net	\$	<u>1,486,475</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2007, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Beach Park Fund	\$ 387,970	Short-term loans
General Fund	City/County Dispatch Service	50,654	Short-term loans
General Fund	Community Aquatic Center	50,988	Short-term loans
Sanitation Fund	General Fund	90,150	Short-term loans
Water and Sewer	2001 Certificate of Obligation	250	Short-term loans
Debt Service Fund	2001 Certificate of Obligation	195	Short-term loans
	Total	\$ <u>580,207</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2007, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Vehicle & Equip Replacement	\$ 174,231	Supplement other funds sources
General fund	City/County Dispatch Service	188,612	Supplement other funds sources
General fund	Community Aquatic Center	25,000	Supplement other funds sources
Debt Service Fund	Water and Sewer	22,614	Debt payment
Utility Bill Surcharge	General Fund	7,055	Supplement other funds sources
Hotel/Occupancy Tax	Beach Park	51,918	Convention Center
2001 Certificate fund	Water and Sewer	108,553	Capital outlay
Water and Sewer	General Fund	553,216	Administrative Charges
	Total	\$ <u>1,131,199</u>	

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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G. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2007:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 19,236,885	\$ 4,953,809
Debt Service	--	195,144
	<u>\$ 19,236,885</u>	<u>\$ 5,148,953</u>

H. Short-Term Debt Activity

The City accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

I. Long-Term Obligations

1. Long-Term Obligation Activity

The City issues general obligation and revenue bonds, and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and proprietary activities. Revenue bonds have been issued for only proprietary activities. Bonds and certificates of obligation are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

Long-term debt consisted of the following at September 30, 2007:

	Interest Rate	General Long- Term Debt	Enterprise Fund Debt
Utility System Revenues Bonds, Series 1996	2.55-4.70%	\$ --	\$ 1,470,000
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1998	3.75-4.80%	1,845,000	--
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1999	4.80-5.50%	682,640	377,360
Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2001	3.50-4.70%	1,627,542	2,087,459
General Obligation Refunding Bonds, Series 2001	3.00-3.75%	--	250,000
Combination Tax and Revenue Certificates of Obligation, Series 2005	4.00-4.50%	5,628,712	4,116,288
Combination Tax and Revenue Certificates of Obligation, Series 2007	4.25-5.25%	14,100,000	2,900,000
Total Bonded Debt		<u>23,883,894</u>	<u>11,201,107</u>
Deferred gain on advanced refunding		--	8,767
Unamortized bond premium		315,207	114,906

CITY OF ROCKPORT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2007

Capital leases payable	1,436,000	--
Compensated absences	323,398	123,685
Total Long-Term Debt	<u>\$ 25,958,499</u>	<u>\$ 11,448,465</u>

2 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, 2007, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of obligation	\$ 10,163,405	\$ 14,100,000	\$ 379,511	\$ 23,883,894	\$ 434,322
Bond premium	99,735	224,145	6,686	317,194	16,754
Capital leases	1,495,000	--	59,000	1,436,000	61,000
Compensated absences *	297,428	184,454	158,484	323,398	16,000
Total governmental activities	<u>\$ 12,055,568</u>	<u>\$ 14,508,599</u>	<u>\$ 603,681</u>	<u>\$ 25,960,486</u>	<u>\$ 528,076</u>
<u>Business-type activities:</u>					
Certificates of obligation	\$ 6,791,596	\$ 2,900,000	\$ 210,489	\$ 9,481,107	\$ 235,678
General obligation bonds	490,000	--	240,000	250,000	250,000
Revenue bonds	1,600,000	--	130,000	1,470,000	135,000
Deferred gain on defeasance	17,536	--	8,769	8,767	8,767
Bond premium	72,936	46,105	4,135	114,906	6,203
Compensated absences *	122,723	47,401	46,439	123,685	49,000
Total business-type activities	<u>\$ 9,094,791</u>	<u>\$ 2,993,506</u>	<u>\$ 639,832</u>	<u>\$ 11,448,465</u>	<u>\$ 684,648</u>

* 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

3 Debt Service Requirements

Debt service requirements on bonded long-term debt at September 30, 2007, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2008	\$ 434,322	\$ 1,098,458	\$ 1,532,780
2009	603,283	1,076,367	1,679,650
2010	746,769	1,047,633	1,794,402
2011	860,781	1,013,334	1,874,115
2012	953,805	974,629	1,928,434
2013-2017	6,037,419	4,270,191	10,307,610
2018-2022	6,976,015	2,655,425	9,631,440
2023-2027	7,271,500	923,122	8,194,622
Totals	<u>\$ 23,883,894</u>	<u>\$ 13,059,159</u>	<u>\$ 36,943,053</u>

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2008	\$ 620,678	\$ 486,770	\$ 1,107,448
2009	456,717	464,582	921,299
2010	498,231	444,290	942,521
2011	544,219	421,971	966,190
2012	576,195	397,965	974,160
2013-2017	3,232,582	1,577,212	4,809,794
2018-2022	2,938,985	883,215	3,822,200
2023-2027	2,333,500	267,045	2,600,545
Totals	\$ 11,201,107	\$ 4,943,050	\$ 16,144,157

4 Advance Refunding of Debt

There was no outstanding refunded debt at September 30, 2007.

5. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2007, as follows:

<u>Year Ending September 30:</u>	
2008	\$ 120,921
2009	120,656
2010	120,614
2011	120,303
2012	120,820
2013-2017	602,846
2018-2022	603,026
2023-2024	241,941
Total Minimum Rentals	<u>2,051,127</u>
Less amount representing interest	<u>(615,127)</u>
Present value of minium lease payments	\$ <u>1,436,000</u>
Rental Expenditures in 2007	\$ <u>120,926</u>

The effective interest rate on capital leases is 4.394%.

5. Continuing Disclosure

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.

J. Commitments Under Noncapitalized Leases

The City had no material commitments under operating (noncapitalized) lease agreements at September 30, 2007.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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 2007, 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.

L. Pension Plan

1. Plan Description

The City provided pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public retirement system.

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

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

Deposit Rate: 7.0%

Matching Ratio (City to Employee): 2 to 1

A member is vested after: 10 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 10 yrs/age 60, 20yrs/any age.

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25 year amortization rate. Both the employees and the City make contributions monthly. Since the City needs to know its

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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. (i.e. December 31, 2006 valuation is effective for rates beginning January 2008). A summary of actuarial assumptions is as follows:

Actuarial Valuation Date	12/31/06
Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Inflation Rate	3.5%
Cost of Living Adjustments	None

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/06
Actuarial Value of Assets	\$ 8,434,240
Actuarial Accrued Liability	\$ 10,557,761
Percentage Funded	79.89%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 2,123,521
Annual Covered Payroll	\$ 2,995,937
UAAL as a Percentage of Covered Payroll	70.88%
Net Pension Obligation (NPO) at Beginning of Year	\$ --
Annual Pension Cost:	
Annual required contribution (ARC)	\$ 415,464
Contributions Made	\$ 415,464
NPO at End of Year	\$ --

The City of Rockport is one of 821 municipalities having their benefit plan administered by TMRS. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the 12-31-06 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, TX 78714-9153.

3. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/05	\$ 408,457	100.00%	\$ --
09/30/06	425,573	100.00%	--
09/30/07	415,464	100.00%	--

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

4. Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/04	\$ 6,785,879	\$ 8,685,089	\$ 1,899,210	78.13%	\$ 2,606,199	72.9%
12/31/05	7,691,826	9,940,382	2,248,556	77.38%	2,892,132	77.7%
12/31/06	8,434,240	10,557,761	2,123,521	79.89%	2,995,937	70.9%

M. Health Care Coverage

During the year ended September 30, 2007, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$374 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, 2007, and terms of coverage and premium costs are included in the contractual provisions.

N. 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, 2007.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF ROCKPORT, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE (GAAP Basis) FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 4,482,346	\$ 4,482,346	\$ 4,325,823	\$ (156,523)
Licenses and permits	168,250	168,250	179,770	11,520
Intergovernmental	388,000	388,000	30,316	(357,684)
Charges for services	23,000	23,000	33,342	10,342
Fines	301,300	301,300	325,047	23,747
Interest	186,500	186,500	210,025	23,525
Miscellaneous	52,200	52,200	133,476	81,276
Total revenues	<u>5,601,596</u>	<u>5,601,596</u>	<u>5,237,799</u>	<u>(363,797)</u>
Expenditures:				
Current:				
General government	1,022,210	1,022,210	933,499	88,711
Public safety	1,801,449	1,801,449	1,679,943	121,506
Public works	1,680,964	1,680,964	1,323,580	357,384
Culture and recreation	363,285	363,285	323,243	40,042
Capital outlay	901,400	901,400	655,463	245,937
Debt service:				
Principal	87,725	87,725	87,725	--
Interest and fiscal charges	79,050	79,050	79,290	(240)
Total expenditures	<u>5,936,083</u>	<u>5,936,083</u>	<u>5,082,743</u>	<u>853,340</u>
Excess (deficiency) of revenues (under) expenditures	(334,487)	(334,487)	155,056	489,543
Other financing sources (uses):				
Transfers in	559,716	559,716	560,271	555
Transfers out	(480,579)	(480,579)	(387,843)	92,736
Total other financing sources (uses)	<u>79,137</u>	<u>79,137</u>	<u>172,428</u>	<u>(93,291)</u>
Net change in fund balance	(255,350)	(255,350)	327,484	582,834
Fund balance, beginning of year	3,398,224	3,398,224	3,398,224	--
Fund balance, end of year	<u>\$ 3,142,874</u>	<u>\$ 3,142,874</u>	<u>\$ 3,725,708</u>	<u>\$ 582,834</u>

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, 2007

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
Cash and cash equivalents	\$ 334,304	\$ 416,129	\$ 750,433
Receivables (net of allowances for uncollectibles):			
Other taxes	168,524	--	168,524
Accounts	11,569	48	11,617
Special assessments	735	10,692	11,427
Intergovernmental	13,512	--	13,512
Restricted assets:			
Cash and cash equivalents	--	56	56
Total Assets	<u>\$ 528,644</u>	<u>\$ 426,925</u>	<u>\$ 955,569</u>
Liabilities:			
Accounts payable	\$ 106,202	\$ --	\$ 106,202
Accrued expenses	13,168	--	13,168
Due to other funds	50,654	445	51,099
Deferred revenue	12,304	10,692	22,996
Total Liabilities	<u>182,328</u>	<u>11,137</u>	<u>193,465</u>
Reserved for capital outlay	--	(389)	(389)
Reserved for special purpose programs	46,747	--	46,747
Reserved for fire protection	1,206	--	1,206
Reserved for law enforcement	9,985	--	9,985
Reserved for tourism	344,663	--	344,663
Reserved for debt service	230	--	230
Designated for:			
Capital outlay	--	416,177	416,177
Undesignated reported in nonmajor special revenue funds	(56,515)	--	(56,515)
Total fund balances	<u>346,316</u>	<u>415,788</u>	<u>762,104</u>
Total Liabilities and Fund balances	<u>\$ 528,644</u>	<u>\$ 426,925</u>	<u>\$ 955,569</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 674,001	\$ --	\$ 674,001
Intergovernmental	257,644	20,000	277,644
Fines	34,791	--	34,791
Special assessments	227	4,375	4,602
Interest	7,387	21,074	28,461
Total revenues	<u>974,050</u>	<u>45,449</u>	<u>1,019,499</u>
Expenditures:			
Current:			
General government	1,087	16	1,103
Public safety	572,170	4,670	576,840
Public works	--	3,737	3,737
Culture and recreation	--	6,578	6,578
Tourism	483,780	--	483,780
Capital outlay	--	155,415	155,415
Debt service:			
Principal	26,637	--	26,637
Interest and fiscal charges	16,102	--	16,102
Total expenditures	<u>1,099,776</u>	<u>170,416</u>	<u>1,270,192</u>
Excess (deficiency) of revenues (under) expenditures	(125,726)	(124,967)	(250,693)
Other financing sources (uses):			
Transfers in	188,612	174,231	362,843
Transfers out	(58,973)	(108,553)	(167,526)
Total other financing sources (uses)	<u>129,639</u>	<u>65,678</u>	<u>195,317</u>
Net change in fund balance	3,913	(59,289)	(55,376)
Fund balance, beginning of year	342,403	475,077	817,480
Fund balance, end of year	<u>\$ 346,316</u>	<u>\$ 415,788</u>	<u>\$ 762,104</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2007

	Utility Bill Surcharge	City/County Dispatch Service	Hotel/Motel Occupancy
ASSETS			
Assets:			
Cash and cash equivalents	\$ 92,521	\$ --	\$ 177,639
Receivables (net of allowances for uncollectibles):			
Other taxes	--	--	168,524
Accounts	11,569	--	--
Special assessments	--	--	--
Intergovernmental	--	13,512	--
Total Assets	<u>\$ 104,090</u>	<u>\$ 13,512</u>	<u>\$ 346,163</u>
Liabilities:			
Accounts payable	\$ 91,315	\$ 6,205	\$ 1,500
Accrued expenses	--	13,168	--
Due to other funds	--	50,654	--
Deferred revenue	11,569	--	--
Total Liabilities	<u>102,884</u>	<u>70,027</u>	<u>1,500</u>
Reserved for special purpose programs	--	--	--
Reserved for fire protection	1,206	--	--
Reserved for law enforcement	--	--	--
Reserved for tourism	--	--	344,663
Reserved for debt service	--	--	--
Undesignated reported in nonmajor special revenue funds	--	(56,515)	--
Total fund balances	<u>1,206</u>	<u>(56,515)</u>	<u>344,663</u>
Total Liabilities and Fund balances	<u>\$ 104,090</u>	<u>\$ 13,512</u>	<u>\$ 346,163</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 230	\$ 635	\$ 16,533	\$ 46,746	\$ 334,304
--	--	--	--	168,524
--	--	--	--	11,569
735	--	--	--	735
--	--	--	--	13,512
<u>\$ 965</u>	<u>\$ 635</u>	<u>\$ 16,533</u>	<u>\$ 46,746</u>	<u>\$ 528,644</u>
\$ --	\$ 634	\$ 6,548	\$ --	\$ 106,202
--	--	--	--	13,168
--	--	--	--	50,654
735	--	--	--	12,304
<u>735</u>	<u>634</u>	<u>6,548</u>	<u>--</u>	<u>182,328</u>
--	1	--	46,746	46,747
--	--	--	--	1,206
--	--	9,985	--	9,985
--	--	--	--	344,663
230	--	--	--	230
--	--	--	--	(56,515)
<u>230</u>	<u>1</u>	<u>9,985</u>	<u>46,746</u>	<u>346,316</u>
<u>\$ 965</u>	<u>\$ 635</u>	<u>\$ 16,533</u>	<u>\$ 46,746</u>	<u>\$ 528,644</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, 2007

	Utility Bill Surcharge	City/County Dispatch Service	Hotel/Motel Occupancy
Revenue:			
Taxes	\$ 140,786	\$ --	\$ 533,215
Intergovernmental	--	257,644	--
Fines	--	--	--
Special assessments	--	--	--
Interest	1,340	--	4,860
Total revenues	<u>142,126</u>	<u>257,644</u>	<u>538,075</u>
Expenditures:			
Current:			
General government	--	--	--
Public safety	91,315	466,058	--
Tourism	--	--	483,780
Debt service:			
Principal	26,637	--	--
Interest and fiscal charges	16,102	--	--
Total expenditures	<u>134,054</u>	<u>466,058</u>	<u>483,780</u>
Excess (deficiency) of revenues (under) expenditures	8,072	(208,414)	54,295
Other financing sources (uses):			
Transfers in	--	188,612	--
Transfers out	(7,055)	--	(51,918)
Total other financing sources (uses)	<u>(7,055)</u>	<u>188,612</u>	<u>(51,918)</u>
Net change in fund balance	1,017	(19,802)	2,377
Fund balance, beginning of year	189	(36,713)	342,286
Fund balance, end of year	<u>\$ 1,206</u>	<u>\$ (56,515)</u>	<u>\$ 344,663</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ --	\$ 674,001
--	--	--	--	257,644
--	10,803	9,060	14,928	34,791
227	--	--	--	227
3	40	--	1,144	7,387
<u>230</u>	<u>10,843</u>	<u>9,060</u>	<u>16,072</u>	<u>974,050</u>
--	--	--	1,087	1,087
--	10,845	3,952	--	572,170
--	--	--	--	483,780
--	--	--	--	26,637
--	--	--	--	16,102
<u>--</u>	<u>10,845</u>	<u>3,952</u>	<u>1,087</u>	<u>1,099,776</u>
230	(2)	5,108	14,985	(125,726)
--	--	--	--	188,612
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(58,973)</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>129,639</u>
230	(2)	5,108	14,985	3,913
--	3	4,877	31,761	342,403
\$ <u>230</u>	\$ <u>1</u>	\$ <u>9,985</u>	\$ <u>46,746</u>	\$ <u>346,316</u>

CITY OF ROCKPORT, TEXAS

UTILITY BILL SURCHARGE

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 130,000	\$ 130,000	\$ 140,786	\$ 10,786
Interest	--	--	1,340	1,340
Total revenues	<u>130,000</u>	<u>130,000</u>	<u>142,126</u>	<u>12,126</u>
Expenditures:				
Current:				
Public safety	80,762	80,762	91,315	(10,553)
Debt service:				
Principal	26,637	26,637	26,637	--
Interest and fiscal charges	16,102	16,102	16,102	--
Total expenditures	<u>123,501</u>	<u>123,501</u>	<u>134,054</u>	<u>(10,553)</u>
Excess (deficiency) of revenues (under) expenditures	6,499	6,499	8,072	1,573
Other financing sources (uses):				
Transfers out	(6,500)	(6,500)	(7,055)	(555)
Total other financing sources (uses)	<u>(6,500)</u>	<u>(6,500)</u>	<u>(7,055)</u>	<u>555</u>
Net change in fund balance	(1)	(1)	1,017	1,018
Fund balance, beginning of year	189	189	189	--
Fund balance, end of year	<u>\$ 188</u>	<u>\$ 188</u>	<u>\$ 1,206</u>	<u>\$ 1,018</u>

CITY OF ROCKPORT, TEXAS
CITY/COUNTY DISPATCH SERVICE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 243,067	\$ 243,067	\$ 257,644	\$ 14,577
Total revenues	<u>243,067</u>	<u>243,067</u>	<u>257,644</u>	<u>14,577</u>
Expenditures:				
Current:				
Public safety	441,081	441,081	466,058	(24,977)
Total expenditures	<u>441,081</u>	<u>441,081</u>	<u>466,058</u>	<u>(24,977)</u>
Excess (deficiency) of revenues (under) expenditures	(198,014)	(198,014)	(208,414)	(10,400)
Other financing sources (uses):				
Transfers in	198,014	198,014	188,612	(9,402)
Total other financing sources (uses)	<u>198,014</u>	<u>198,014</u>	<u>188,612</u>	<u>9,402</u>
Net change in fund balance	--	--	(19,802)	(19,802)
Fund balance, beginning of year	(36,713)	(36,713)	(36,713)	--
Fund balance, end of year	<u>\$ (36,713)</u>	<u>\$ (36,713)</u>	<u>\$ (56,515)</u>	<u>\$ (19,802)</u>

CITY OF ROCKPORT, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 518,175	\$ 518,175	\$ 533,215	\$ 15,040
Interest	1,000	1,000	4,860	3,860
Total revenues	<u>519,175</u>	<u>519,175</u>	<u>538,075</u>	<u>18,900</u>
Expenditures:				
Current:				
Tourism	481,085	481,585	483,780	(2,195)
Total expenditures	<u>481,085</u>	<u>481,585</u>	<u>483,780</u>	<u>(2,195)</u>
Excess (deficiency) of revenues (under) expenditures	38,090	37,590	54,295	16,705
Other financing sources (uses):				
Transfers out	(51,918)	(51,918)	(51,918)	--
Total other financing sources (uses)	<u>(51,918)</u>	<u>(51,918)</u>	<u>(51,918)</u>	<u>--</u>
Net change in fund balance	(13,828)	(14,328)	2,377	16,705
Fund balance, beginning of year	342,286	342,286	342,286	--
Fund balance, end of year	<u>\$ 328,458</u>	<u>\$ 327,958</u>	<u>\$ 344,663</u>	<u>\$ 16,705</u>

CITY OF ROCKPORT, TEXAS

MUNICIPAL COURT SECURITY & TECHNOLOGY FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines	\$ 14,700	\$ 14,700	\$ 14,928	\$ 228
Interest	500	500	1,144	644
Total revenues	<u>15,200</u>	<u>15,200</u>	<u>16,072</u>	<u>872</u>
Expenditures:				
Current:				
General government	<u>37,000</u>	<u>37,000</u>	<u>1,087</u>	<u>35,913</u>
Total expenditures	<u>37,000</u>	<u>37,000</u>	<u>1,087</u>	<u>35,913</u>
Excess (deficiency) of revenues (under) expenditures	(21,800)	(21,800)	14,985	36,785
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	(21,800)	(21,800)	14,985	36,785
Fund balance, beginning of year	31,761	31,761	31,761	--
Fund balance, end of year	<u>\$ 9,961</u>	<u>\$ 9,961</u>	<u>\$ 46,746</u>	<u>\$ 36,785</u>

CITY OF ROCKPORT, TEXAS

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 781,195	\$ 781,195	\$ 927,756	\$ 146,561
Interest	13,000	13,000	6,426	(6,574)
Total revenues	<u>794,195</u>	<u>794,195</u>	<u>934,182</u>	<u>139,987</u>
Expenditures:				
Current:				
Debt service:				
Principal	341,699	341,699	324,150	17,549
Interest and fiscal charges	422,497	422,497	399,693	22,804
Total expenditures	<u>764,196</u>	<u>764,196</u>	<u>723,843</u>	<u>40,353</u>
Excess (deficiency) of revenues (under) expenditures	29,999	29,999	210,339	180,340
Other financing sources (uses):				
Transfers out	--	--	(22,614)	(22,614)
Issuance of certificates of obligation	--	--	96,058	(96,058)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>73,444</u>	<u>(73,444)</u>
Net change in fund balance	29,999	29,999	283,783	253,784
Fund balance, beginning of year	259,152	259,152	259,152	--
Fund balance, end of year	<u>\$ 289,151</u>	<u>\$ 289,151</u>	<u>\$ 542,935</u>	<u>\$ 253,784</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2007

	Flamingo/ Luau Road Assessment	General Capital Improvement
ASSETS		
Assets:		
Cash and cash equivalents	\$ 143,260	\$ 1
Receivables (net of allowances for uncollectibles):		
Accounts	48	--
Special assessments	8,130	2,562
Restricted assets:		
Cash and cash equivalents	--	--
Total Assets	<u>\$ 151,438</u>	<u>\$ 2,563</u>
Liabilities:		
Due to other funds	\$ --	\$ --
Deferred revenue	8,130	2,562
Total Liabilities	<u>8,130</u>	<u>2,562</u>
Reserved for capital outlay	--	--
Designated for:		
Capital outlay	143,308	1
Total fund balances	<u>143,308</u>	<u>1</u>
Total Liabilities and Fund balances	<u>\$ 151,438</u>	<u>\$ 2,563</u>

2001 Certificate of Obligation	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ 272,868	\$ 416,129
--	--	48
--	--	10,692
56	--	56
<u>\$ 56</u>	<u>\$ 272,868</u>	<u>\$ 426,925</u>
\$ 445	\$ --	\$ 445
--	--	10,692
<u>445</u>	<u>--</u>	<u>11,137</u>
(389)	--	(389)
--	272,868	416,177
<u>(389)</u>	<u>272,868</u>	<u>415,788</u>
<u>\$ 56</u>	<u>\$ 272,868</u>	<u>\$ 426,925</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, 2007

	Flamingo/ Luau Road Assessment	General Capital Improvement
Revenue:		
Intergovernmental	\$ --	\$ --
Special assessments	4,375	--
Interest	3,240	--
Total revenues	<u>7,615</u>	<u>--</u>
Expenditures:		
Current:		
General government	16	--
Public safety	--	--
Public works	--	--
Culture and recreation	--	--
Capital outlay	--	--
Total expenditures	<u>16</u>	<u>--</u>
Excess (deficiency) of revenues (under) expenditures	7,599	--
Other financing sources (uses):		
Transfers in	--	--
Transfers out	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balance	7,599	--
Fund balance, beginning of year	135,709	1
Fund balance, end of year	<u>\$ 143,308</u>	<u>\$ 1</u>

2001 Certificate of Obligation	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ 20,000	\$ 20,000
--	--	4,375
2,424	15,410	21,074
<u>2,424</u>	<u>35,410</u>	<u>45,449</u>
--	--	16
--	4,670	4,670
--	3,737	3,737
--	6,578	6,578
--	155,415	155,415
<u>--</u>	<u>170,400</u>	<u>170,416</u>
2,424	(134,990)	(124,967)
--	174,231	174,231
(108,553)	--	(108,553)
<u>(108,553)</u>	<u>174,231</u>	<u>65,678</u>
(106,129)	39,241	(59,289)
105,740	233,627	475,077
<u>\$ (389)</u>	<u>\$ 272,868</u>	<u>\$ 415,788</u>

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2007

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
	Sanitation Fund	Beach Park	Community Aquatic Center	
ASSETS				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 185,694	\$ 555	\$ 150	\$ 186,399
Receivables (net of allowances for uncollectibles):				
Accounts	133,756	356	236	134,348
Due from other funds	90,150	--	--	90,150
Total current assets	<u>409,600</u>	<u>911</u>	<u>386</u>	<u>410,897</u>
Noncurrent assets:				
Capital assets:				
Land	--	--	104,300	104,300
Buildings	--	1,455,651	--	1,455,651
Improvements other than buildings	--	1,417,162	1,944,240	3,361,402
Machinery and equipment	--	153,856	13,162	167,018
Accumulated depreciation	--	(2,213,608)	(391,061)	(2,604,669)
Total noncurrent assets	<u>--</u>	<u>813,061</u>	<u>1,670,641</u>	<u>2,483,702</u>
Total Assets	<u>\$ 409,600</u>	<u>\$ 813,972</u>	<u>\$ 1,671,027</u>	<u>\$ 2,894,599</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 358,649	\$ 11,769	\$ 10,697	\$ 381,115
Accrued expenses	--	3,217	2,123	5,340
Due to other funds	--	387,970	50,988	438,958
Customer deposits	--	11,549	698	12,247
Total current liabilities	<u>358,649</u>	<u>414,505</u>	<u>64,506</u>	<u>837,660</u>
Noncurrent liabilities:				
Compensated absences	--	6,298	--	6,298
Total noncurrent liabilities	<u>--</u>	<u>6,298</u>	<u>--</u>	<u>6,298</u>
Total liabilities	<u>358,649</u>	<u>420,803</u>	<u>64,506</u>	<u>843,958</u>
NET ASSETS:				
Investment in Capital Assets, Net of Related Debt	--	813,061	1,670,641	2,483,702
Unrestricted Net Assets	50,951	(419,892)	(64,120)	(433,061)
Total Net Assets	<u>\$ 50,951</u>	<u>\$ 393,169</u>	<u>\$ 1,606,521</u>	<u>\$ 2,050,641</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, 2007

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Sanitation Fund	Beach Park	Community Aquatic Center	
OPERATING REVENUES:				
Charges for services	\$ 12,133	\$ 317,321	\$ 99,906	\$ 429,360
Total Operating Revenues	<u>12,133</u>	<u>317,321</u>	<u>99,906</u>	<u>429,360</u>
OPERATING EXPENSES:				
Personal services	--	251,015	99,747	350,762
Contractual services	--	48,998	32,293	81,291
Maintenance	--	43,065	17,898	60,963
Supplies	--	91,687	78,527	170,214
Other	--	1,504	--	1,504
Depreciation	--	111,483	65,860	177,343
Total Operating Expenses	<u>--</u>	<u>547,752</u>	<u>294,325</u>	<u>842,077</u>
Operating Income (Loss)	<u>12,133</u>	<u>(230,431)</u>	<u>(194,419)</u>	<u>(412,717)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	3,869	--	--	3,869
Intergovernmental revenue	--	25,000	74,914	99,914
Total Non-operating Revenues (Expenses)	<u>3,869</u>	<u>25,000</u>	<u>74,914</u>	<u>103,783</u>
Net Income (Loss) before Operating Transfers	<u>16,002</u>	<u>(205,431)</u>	<u>(119,505)</u>	<u>(308,934)</u>
TRANSFERS:				
Interfund transfers in	--	51,918	25,000	76,918
Interfund transfers out	--	--	--	--
Change in Net Assets	<u>16,002</u>	<u>(153,513)</u>	<u>(94,505)</u>	<u>(232,016)</u>
Net Assets, beginning of year	34,949	546,682	1,701,026	2,282,657
Net Assets, end of year	<u>\$ 50,951</u>	<u>\$ 393,169</u>	<u>\$ 1,606,521</u>	<u>\$ 2,050,641</u>

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Sanitation	Beach Park	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,332,566	\$ 317,321	\$ 99,736	\$ 1,749,623
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	115,466	27,586	143,052
Cash Payments to Employees	--	(250,224)	(100,440)	(350,664)
Cash Payments to Suppliers for Goods and Services	(1,294,046)	(190,814)	(121,504)	(1,606,364)
Net Cash Provided (Used) by Operating Activities	38,520	(8,251)	(94,622)	(64,353)
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	--	25,000	74,914	99,914
Transfers From (To) Other Funds	--	51,918	25,000	76,918
Net Cash Provided (Used) by Non-capital Financing Activities	--	76,918	99,914	176,832
Cash Flows from Capital and Related Financing Activities:				
Acquisition or Construction of Capital Assets	--	(68,367)	(5,292)	(73,659)
Net Cash Provided (Used) for Capital and Related Financing Activities	--	(68,367)	(5,292)	(73,659)
Cash Flows from Investing Activities:				
Interest on investments	3,869	--	--	3,869
Net Cash Provided by Investing Activities	3,869	--	--	3,869
Net Increase (Decrease) in Cash and Cash Equivalents	42,389	300	--	42,689
Cash and Cash Equivalents at Beginning of Year	143,305	255	150	143,710
Cash and Cash Equivalents at End of Year	\$ 185,694	\$ 555	\$ 150	\$ 186,399
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 12,133	\$ (230,431)	\$ (194,419)	\$ (412,717)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	--	111,483	65,860	177,343
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(19,844)	--	(170)	(20,014)
Decrease (Increase) in Interfund Receivables	--	--	--	--
Increase (Decrease) in Accounts Payable	46,231	(4,091)	7,214	49,354
Increase (Decrease) in Customer Deposits	--	(1,469)	--	(1,469)
Increase (Decrease) in Interfund Payables	--	115,466	27,586	143,052
Increase (Decrease) in Accrued Expenses	--	791	(693)	98
Net Cash Provided (Used) by Operating Activities	\$ 38,520	\$ (8,251)	\$ (94,622)	\$ (64,353)

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Michael A. Arnold, PLLC

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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, 2007, which collectively comprise the City of Rockport, Texas's basic financial statements and have issued our report thereon dated January 25, 2008. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Rockport, Texas's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Rockport, Texas's financial statements that is more than inconsequential will not be prevented by the City of Rockport, Texas's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Rockport, Texas's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered 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*.

This report is intended solely for the information and use of management, others within the organization and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Michael A. Arnold, PLLC".

Michael A. Arnold, PLLC

January 25, 2008

CITY OF ROCKPORT, TEXAS

EXHIBIT D-1

*SCHEDULE OF GRANT REVENUES AND EXPENSES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
For the year ending September 30, 2007*

Federal Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development

Pass-through Grantor: Texas Office of Rural Community Affairs

CFDA Number: 14.228

Project Number 725739

Contract Period: 6/22/05 to 6/21/07

	Budget	Federal		Match		Total
		Prior Years	Current Year	Prior Years	Current Year	
Revenues:						
Federal	\$ 300,000	\$ 12,650	\$ 287,350	\$ -	\$ -	\$ 300,000
Match	65,000	--	--	--	65,000	65,000
Total revenues	365,000	12,650	287,350	--	65,000	365,000
Expenditures:						
Federal:						
Water Facilities	181,673	--	181,673	--	--	181,673
Rehabilitation of Private Properties	58,027	--	58,027	--	--	58,027
Engineering	35,000	--	35,000	--	--	35,000
Administration	25,300	12,650	12,650	--	--	25,300
Match:						
Water Facilities	65,000	--	--	--	65,000	65,000
Total expenditures	365,000	12,650	287,350	--	65,000	365,000
Excess of revenues over expenditures	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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	67
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	74
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	78
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	83
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	85
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 E-1

CITY OF ROCKPORT, TEXAS

NET ASSETS BY COMPONENT

LAST FOUR FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

	Fiscal Year			
	2004	2005	2006	2007
Governmental Activities				
Invested in Capital Assets,				
Net of Related Debt	\$ 2,458,884	\$ 2,540,929	\$ 993,534	\$ 2,337,041
Restricted	685,243	507,082	403,643	565,763
Unrestricted	(300,615)	1,225,603	3,811,482	3,960,640
Total Governmental Activities Net Assets	<u>\$ 2,843,512</u>	<u>\$ 4,273,614</u>	<u>\$ 5,208,659</u>	<u>\$ 6,863,444</u>
Business-type Activities				
Invested in Capital Assets,				
Net of Related Debt	\$ 12,128,297	\$ 13,301,770	\$ 13,861,718	\$ 14,728,064
Restricted	619,791	692,600	187,425	195,144
Unrestricted	4,335,955	4,078,290	5,103,927	5,397,009
Total Business-type Activities Net Assets	<u>\$ 17,084,043</u>	<u>\$ 18,072,660</u>	<u>\$ 19,153,070</u>	<u>\$ 20,320,217</u>
Primary Government				
Invested in Capital Assets,				
Net of Related Debt	\$ 14,587,181	\$ 15,842,699	\$ 14,855,252	\$ 17,065,105
Restricted	1,305,034	1,199,682	591,068	760,907
Unrestricted	4,035,340	5,303,893	8,915,409	9,357,649
Total Primary Government Net Assets	<u>\$ 19,927,555</u>	<u>\$ 22,346,274</u>	<u>\$ 24,361,729</u>	<u>\$ 27,183,661</u>

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

TABLE E-2

CITY OF ROCKPORT, TEXAS

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

LAST FOUR FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental Activities:				
General Government	\$ 905,631	\$ 963,466	\$ 932,925	\$ 971,839
Public Safety	1,873,033	2,290,626	2,388,337	2,419,601
Public Works	1,067,201	1,206,618	1,568,715	1,462,111
Culture and Recreation	280,460	305,057	383,127	373,979
Tourism	273,010	303,839	510,202	483,780
Interest and Fiscal Charges	335,779	327,688	542,165	582,858
Total Governmental Activities Expenses	<u>4,735,114</u>	<u>5,397,294</u>	<u>6,325,471</u>	<u>6,294,168</u>
Business-type Activities				
Sanitation	--	--	--	--
Water and Sewer	4,738,144	5,155,035	5,657,236	5,446,484
Beach park	416,128	460,107	487,793	547,752
Community Aquatic Center	221,956	270,039	295,534	294,325
Total Business-type Activities Expenses	<u>5,376,228</u>	<u>5,885,181</u>	<u>6,440,563</u>	<u>6,288,561</u>
Total Primary Government Expenses	<u>\$ 10,111,342</u>	<u>\$ 11,282,475</u>	<u>\$ 12,766,034</u>	<u>\$ 12,582,729</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 22,350	\$ 74,568	\$ 12,532	\$ 47,079
Public Safety	400,382	393,625	436,159	496,827
Public Works	200,348	356,756	236,243	231,245
Culture and Recreation	--	--	3,293	1,191
Tourism	--	--	--	--
Interest and Fiscal Charges	--	--	--	--
Operating Grants and Contributions	66,460	500,796	330,102	309,457
Capital Grants and Contributions	167,900	--	--	20,000
Total Governmental Activities Program Revenues	<u>857,440</u>	<u>1,325,745</u>	<u>1,018,329</u>	<u>1,105,799</u>
Business-type Activities:				
Charges for Services:				
Sanitation	11,339	12,016	10,942	12,133
Water and Sewer	5,949,225	6,524,568	6,803,901	6,552,677
Beach park	234,318	250,333	316,482	317,321
Community Aquatic Center	69,681	99,239	117,835	99,906
Operating Grants and Contributions	86,721	93,362	122,568	105,583
Capital Grants and Contributions	119,144	138,457	--	287,350
Total Business-type Activities Program Revenues	<u>6,470,428</u>	<u>7,117,975</u>	<u>7,371,728</u>	<u>7,374,970</u>
Total Primary Government Program Revenues	<u>\$ 7,327,868</u>	<u>\$ 8,443,720</u>	<u>\$ 8,390,057</u>	<u>\$ 8,480,769</u>

Net (Expense)/Revenue				
Governmental Activities	\$ (3,877,674)	\$ (4,071,549)	\$ (5,307,142)	\$ (5,188,369)
Business-type Activities	1,094,200	1,232,794	931,165	1,086,409
Total Primary Government Net Expense	<u>\$ (2,783,474)</u>	<u>\$ (2,838,755)</u>	<u>\$ (4,375,977)</u>	<u>\$ (4,101,960)</u>

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

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

	Fiscal Year		
	2004	2005	2006
Net (Expense)/Revenue			
Governmental Activities	\$ (3,877,674)	\$ (4,071,546)	\$ (5,307,142)
Business-type Activities	1,094,200	1,232,794	931,165
Total Primary Government Net Expense	<u>\$ (2,783,474)</u>	<u>\$ (2,838,752)</u>	<u>\$ (4,375,977)</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes			
Property Taxes	\$ 2,096,150	\$ 2,194,213	\$ 2,455,597
Franchise Taxes and other taxes	567,342	585,662	692,098
Sales Taxes	1,400,557	1,624,226	1,718,155
Occupancy Taxes	438,785	503,819	514,322
Unrestricted Grants and Contributions	2,695	--	--
Payments in Lieu of Taxes	--	--	--
Investment Earnings	44,674	136,628	472,166
Miscellaneous	28,936	71,348	97,718
Transfers	385,311	385,757	292,131
Total Governmental Activities	<u>\$ 4,964,450</u>	<u>\$ 5,501,653</u>	<u>\$ 6,242,187</u>
Business-type Activities:			
Investment Earnings	45,474	141,580	441,376
Transfers	(385,311)	(385,757)	(292,131)
Total Business-type Activities	<u>(339,837)</u>	<u>(244,177)</u>	<u>149,245</u>
Total Primary Government	<u>\$ 4,624,613</u>	<u>\$ 5,257,476</u>	<u>\$ 6,391,432</u>
Change in Net Assets			
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045
Business-type Activities	754,363	988,617	1,080,410
Total Primary Government	<u>\$ 1,841,139</u>	<u>\$ 2,418,724</u>	<u>\$ 2,015,455</u>

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 273,052	\$ 280,047	\$ 275,156	\$ 65,389	\$ 65,951	\$ 71,446	\$ 73,038	\$ 117,786	\$ 78,368	\$ 79,030
Unreserved	2,612,059	1,360,969	1,596,822	1,841,488	2,187,290	2,570,357	2,837,274	3,309,348	3,319,856	3,646,678
Total General Fund	<u>\$ 2,885,111</u>	<u>\$ 1,641,016</u>	<u>\$ 1,871,978</u>	<u>\$ 1,906,877</u>	<u>\$ 2,253,241</u>	<u>\$ 2,641,803</u>	<u>\$ 2,910,312</u>	<u>\$ 3,427,134</u>	<u>\$ 3,398,224</u>	<u>\$ 3,725,708</u>
All Other Governmental Funds										
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,219,931	\$ 810,021	\$ 1,026,199	\$ 6,748,469	\$ 20,169,543
Unreserved, Reported In:										
Special Revenue Funds	255,098	283,248	321,781	360,863	167,872	148,143	193,165	(27,738)	(36,713)	(56,515)
Capital Projects Funds	2,858,343	4,434,349	2,765,596	1,534,477	2,855,686	1,197,163	826,238	541,504	369,337	416,177
Debt Service Funds	122,956	150,233	164,449	173,341	240,336	--	--	--	--	--
Total All Other Governmental Funds	<u>\$ 3,236,397</u>	<u>\$ 4,867,830</u>	<u>\$ 3,251,826</u>	<u>\$ 2,068,681</u>	<u>\$ 3,263,894</u>	<u>\$ 2,565,237</u>	<u>\$ 1,829,424</u>	<u>\$ 1,539,965</u>	<u>\$ 7,081,093</u>	<u>\$ 20,529,205</u>

TABLE E-5

CITY OF ROCKPORT, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 3,123,405	\$ 3,492,947	\$ 3,837,857	\$ 4,191,986	\$ 4,190,041	\$ 4,334,880	\$ 4,652,207	\$ 5,037,361	\$ 5,469,894	\$ 5,927,580
Licenses, Fees and Permits	106,814	120,624	126,308	130,556	135,329	127,411	189,154	162,694	169,497	179,770
Intergovernmental	104,384	102,270	109,167	741,501	32,839	14,250	223,011	500,796	330,102	307,960
Charges for Services	80,000	--	--	--	--	38,337	22,350	62,530	21,976	33,342
Fines	167,006	177,768	193,321	313,503	312,393	282,322	283,341	270,303	302,134	359,838
Investment Earnings	208,597	296,167	390,734	272,820	151,666	95,293	44,674	136,628	492,582	553,544
Special Assessments	9,013	9,833	4,300	82,909	55,648	20,016	14,394	12,777	4,455	4,602
Other Revenues	39,710	82,285	301,826	1,029,336	74,672	181,471	28,936	264,486	145,207	133,476
Total Revenues	3,838,929	4,281,894	4,963,513	6,762,611	4,952,588	5,093,980	5,458,067	6,447,575	6,935,847	7,500,112
Expenditures										
General Government	463,314	559,119	550,735	629,583	667,263	774,491	868,958	881,978	908,290	934,602
Public Safety	1,176,312	1,264,062	1,298,116	1,464,735	1,420,531	1,524,115	1,801,959	2,146,537	2,229,055	2,256,783
Public Works	739,126	837,707	873,643	963,407	943,672	1,143,208	1,003,901	1,126,343	1,473,824	1,327,317
Culture and Recreation	142,210	222,736	202,421	191,552	238,589	228,301	256,095	277,234	341,482	329,821
Public Health and Welfare	3,000	3,000	3,000	3,000	--	--	--	--	--	--
Tourism	225,313	244,155	266,596	247,998	308,030	256,172	273,010	303,839	510,202	483,780
Capital Outlay	1,065,830	1,496,230	2,848,299	3,824,370	1,369,732	1,172,731	3,033,285	1,175,909	1,042,111	2,004,996
Debt Service										
Principal	189,216	220,800	259,192	345,520	384,008	352,713	344,695	341,219	476,053	438,512
Interest	111,675	209,816	245,893	231,534	242,757	259,577	335,779	352,911	516,672	495,085
Total Expenditures	4,115,996	5,057,625	6,547,895	7,901,699	5,574,582	5,711,308	7,917,682	6,605,970	7,497,689	8,270,896
Excess of Revenues Over (Under) Expenditures	(277,067)	(775,731)	(1,584,382)	(1,139,088)	(621,994)	(617,328)	(2,459,615)	(158,395)	(561,842)	(770,784)
Other Financing Sources (Uses)										
Bonds Issued	2,445,088	896,921	--	--	3,022,183	--	--	--	5,902,724	14,420,203
Capital leases	--	--	--	--	--	--	1,607,000	--	--	--
Payment to refunding escrow	--	--	--	--	(1,067,447)	--	--	--	--	--
Bond issue costs	--	--	--	--	(65,574)	--	--	--	(120,795)	(218,954)
Sale of fixed assets	--	100,000	--	--	--	--	--	--	--	--
Transfers In	318,710	2,136,515	810,631	1,047,995	826,060	510,023	615,853	762,945	962,140	923,114
Transfers Out	(83,584)	(2,007,218)	(611,291)	(833,672)	(643,810)	(202,790)	(230,542)	(377,188)	(425,421)	(577,983)
Total Other Financing Sources (Uses)	2,680,214	1,126,218	199,340	214,323	2,071,412	307,233	1,992,311	385,757	6,318,648	14,546,380
Net Change in Fund Balances	\$ 2,403,147	\$ 350,487	\$ (1,385,042)	\$ (924,765)	\$ 1,449,418	\$ (310,095)	\$ (467,304)	\$ 227,362	\$ 5,756,806	\$ 13,775,596
Debt Service As A Percentage Of Noncapital Expenditures	9.9%	12.1%	13.7%	14.2%	14.9%	13.5%	13.9%	12.8%	15.4%	14.9%

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
1998	\$ 1,450,961	\$ 992,976	\$ 342,653	\$ 245,611	\$ 91,204	\$ 3,123,405
1999	1,511,575	1,089,634	447,477	310,716	133,545	3,492,947
2000	1,612,626	1,117,080	637,483	331,326	139,342	3,837,857
2001	1,775,343	1,152,537	621,616	320,043	135,610	4,005,149
2002	1,890,537	1,227,505	560,747	365,720	145,532	4,190,041
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
Percent Change 1998-2007	92.5%	72.6%	107.8%	117.1%	91.9%	89.8%

TABLE E-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
1998	\$ 409,262,772	\$ 0.3475	\$ 409,262,772	100.000%
1999	438,180,772	0.3375	438,180,772	100.000%
2000	475,816,897	0.3375	475,816,897	100.000%
2001	538,391,491	0.3300	538,391,491	100.000%
2002	611,641,940	0.3039	611,641,940	100.000%
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%

Source: Aransas County Appraisal District

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

Fiscal Year	City Direct Rates				Overlapping Rates			
	Basic Rate	General		Total Direct Rate	Aransas County	Aransas County Navigation District		Aransas County ISD
		Obligation Debt	Service					
1998	\$ 0.2745	\$ 0.0730	\$	0.3475	\$ 0.3804	\$ 0.0472	\$	1.4323
1999	0.2520	0.0855		0.3375	0.3700	0.0446		1.5500
2000	0.2446	0.0929		0.3375	0.3630	0.0446		1.5350
2001	0.2345	0.0955		0.3300	0.3460	0.0446		1.4900
2002	0.2197	0.0842		0.3039	0.3185	0.0410		1.6120
2003	0.2044	0.0792		0.2836	0.3185	0.0355		1.6065
2004	0.1963	0.0687		0.2650	0.3478	0.0499		1.5700
2005	0.1949	0.0608		0.2557	0.3420	0.0499		1.5173
2006	0.1808	0.0741		0.2549	0.3244	0.0398		1.5184
2007	0.1629	0.0814		0.2443	0.2784	0.0545		1.4263

Source: Aransas County Tax Assessor

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

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Real Estate Bus Tr	\$ 8,263,850	1	0.73%	\$ 3,152,294	3	0.74%
Rockport Harborfront LP	7,394,924	2	0.65%	--	--	--
H E Butt Grocery	7,122,226	3	0.63%			
Wal-Mart Stores East #440	7,057,250	4	0.62%	2,702,065	6	0.64%
Bracht Lumber Co., Inc.	4,683,881	5	0.41%	--	--	--
AEP Texas Central	4,222,860	6	0.37%	2,561,640	7	0.60%
Crowley, Christopher, J	3,709,572	7	0.33%			
Heritage Hotels Rockport LP	3,496,950	8	0.31%	--	--	--
Laguna Partners, LTD	3,427,980	9	0.30%			
Bypass Oaks, LTD	3,221,050	10	0.28%			
Southwestern Bell Telephone	--	--	--	3,981,160	2	0.94%
Bypass Oaks, LTD	--	--	--	--	--	--
Southbound Trust	--	--	--	--	--	--
Petty, Scott Jr	--	--	--	--	--	--
Exxon USA	--	--	--	4,146,990	1	0.98%
Rockport Partners	--	--	--	2,974,320	4	0.70%
Rockbay Properties LTD	--	--	--	2,703,510	5	0.64%
Bracht Lumber Co., Inc.	--	--	--	2,524,800	8	0.60%
Rockport Country Club Memb.	--	--	--	2,111,620	9	0.50%
Summitt Care Corp	--	--	--	1,848,930	10	0.44%
Total	\$ 52,600,543		4.64%	\$ 28,707,329		6.78%

Source: Aransas County Appraisal District

TABLE E-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
1998	\$ 1,422,188	\$ 1,386,510	97.49%	\$ 32,673	\$ 1,419,183	99.79%
1999	1,478,860	1,441,830	97.50%	32,526	1,474,356	99.70%
2000	1,605,882	1,587,610	98.86%	12,527	1,600,137	99.64%
2001	1,773,941	1,691,380	95.35%	76,495	1,767,875	99.66%
2002	1,856,869	1,825,080	98.29%	25,564	1,850,644	99.66%
2003	1,968,507	1,924,473	97.76%	35,069	1,959,542	99.54%
2004	2,079,426	2,043,298	98.26%	25,636	2,068,934	99.50%
2005	2,173,619	2,136,929	98.31%	23,267	2,160,196	99.38%
2006	2,432,166	2,392,879	98.38%	19,029	2,411,908	99.17%
2007	2,771,764	2,729,705	98.48%	--	2,729,705	98.48%

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

TABLE E-11

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

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Bonded Debt	Capital Leases	Revenue Bonds	General Bonded Debt			
1998	\$ 4,299,064	\$ --	\$ 2,400,000	\$ 3,125,936	\$ 9,825,000	--	\$ 1,492
1999	5,012,064	--	2,350,000	3,292,936	10,655,000	--	1,573
2000	4,752,872	--	2,300,000	2,902,128	9,955,000	--	1,357
2001	4,407,352	--	2,195,000	2,562,648	9,165,000	--	1,197
2002	6,087,429	--	2,085,000	4,462,572	12,635,001	--	1,619
2003	5,734,716	--	1,970,000	4,304,759	12,009,475	--	1,539
2004	5,145,547	1,607,000	1,850,000	3,884,454	12,487,001	--	1,474
2005	4,806,458	1,552,000	1,725,000	3,448,543	11,532,001	--	1,362
2006	10,163,405	1,495,000	1,600,000	7,281,596	20,540,001	9.11%	2,272
2008	23,883,894	1,436,000	1,470,000	9,731,107	36,521,001	16.20%	4,039

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 Fund	Net Bonded Debt		
1998	\$ 4,299,064	\$ 122,956	\$ 4,176,108	1.02%	\$ 634
1999	5,012,064	150,233	4,861,831	1.11%	718
2000	4,752,872	164,449	4,588,423	0.96%	625
2001	4,407,352	173,341	4,234,011	0.79%	553
2002	6,087,429	240,336	5,847,093	0.96%	749
2003	5,734,716	250,259	5,484,457	0.79%	703
2004	5,145,547	271,850	4,873,697	0.62%	575
2005	4,806,458	277,024	4,529,434	0.53%	535
2006	10,163,405	259,152	9,904,253	1.04%	1,095
2007	23,883,894	542,935	23,340,959	2.06%	2,520

(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>
Debt Repaid With Property Taxes			
Aransas County Independent School District	\$ 10,260,000	63.820%	\$ 6,547,932
Aransas County	13,140,000	49.490%	6,502,986
Aransas County Navigation District	6,225,000	49.490%	3,080,753
			<hr/>
Subtotal, Overlapping Debt			16,131,671
City Direct Debt			<hr/> 23,883,894
Total Direct and Overlapping Debt			<hr/> <u>\$ 40,015,565</u>

Information obtained from entities audited financial statements.

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

TABLE E-14

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Maximum available tax revenues for all purposes including debt service	\$ 10,231,569	\$ 10,954,519	\$ 11,895,422	\$ 13,459,787	\$ 15,291,049	\$ 17,367,160	\$ 19,599,619	\$ 21,254,708	\$ 23,887,251	\$ 28,364,349
Actual amount expended for general obligation debt	300,891	430,616	505,085	577,054	626,765	352,173	680,474	694,130	992,725	933,597
Excess	\$ 9,930,678	\$ 10,523,903	\$ 11,390,337	\$ 12,882,733	\$ 14,664,284	\$ 17,014,987	\$ 18,919,145	\$ 20,560,578	\$ 22,894,526	\$ 27,430,752
Legal Debt Margin Calculation for the Current Fiscal Year										
Assessed Value										\$ 1,134,573,954
Maximum tax rate per \$100 assessed valuation										2.50
Maximum available tax revenues for all purposes including debt service										\$ 28,364,349
Actual amount expended for general obligation debt service										\$

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 of assessed valuation.

TABLE E-15

CITY OF ROCKPORT, TEXAS

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Water and Sewer System Revenue Bonds					Coverage
	Utility	Less:	Net	Debt		
	Service Charges	Operating Expenses(1)	Available Revenue	Service Rquirments(2)		
1998	\$ 3,408,596	\$ 2,387,695	\$ 1,020,901	\$ 282,018		3.62
1999	3,960,108	2,939,174	1,020,934	277,998		3.67
2000	4,980,709	3,270,599	1,710,110	278,289		6.15
2001	4,952,605	3,262,919	1,689,686	201,395		8.39
2002	5,100,452	3,443,421	1,657,031	202,578		8.18
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

(1) Exclusive of depreciation and interest.

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

TABLE E-16

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Population (1)	6,584	6,772	7,338	7,657	7,805	7,805	8,469	8,469	9,041	9,264
Personal Income (3)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 24,940	\$ 27,504
Per Capita Personal Income (in thousands)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 225,483	\$ 254,797
Median Age(3)	--	--	--	--	--	--	--	--	42.7	42.7
Education Level in Years of Formal Schooling	--	--	--	--	--	--	--	--	--	--
School Enrollment	3,468	3,480	3,360	3,337	3,345	3,349	3,331	3,126	3,079	3,014
Unemployment (2)	6.1%	5.9%	6.0%	6.5%	7.0%	7.4%	8.3%	5.5%	4.8%	4.2%

Data Sources:

(1) City of Rockport

(2) Texas Workforce Commission

(3) Rockport-Fulton Chamber of Commerce

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

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Aransas County ISD	521	1	--	--	--	--
Wal-Mart	250	2	--	--	--	--
HEB	185	3	--	--	--	--
Aransas County	175	4	--	--	--	--
City of Rockport	130	5	--	--	--	--
State of Texas	107	6	--	--	--	--
Gulf Pointe Plaza	93	7	--	--	--	--
Rockport Coastal Care	75	8	--	--	--	--
			--	--	--	--
			--	--	--	--
			--	--	--	--
			--	--	--	--
Total	1,536		--	--		--

Source: Rockport-Fulton Chamber of Commerce

Total City Employment is not available from any source. Also, 1998 Information is not available.

CITY OF ROCKPORT, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

<u>Function/Program</u>	Full-Time-Equivalent Employees as of Year End									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Municipal Court	--	--	--	--	--	--	5	5	5	5
City Secretary							2	3	3	3
City Manager							1	1	1	1
Information/Technology							1	1	1	1
Finance	--	--	--	--	--	--	2	2	2	2
Police										
Officers	--	--	--	--	--	--	19	22	22	22
Civilians	--	--	--	--	--	--	7	13	14	14
Public Works										
Building and Development	--	--	--	--	--	--	5	5	5	5
Street and Drainage	--	--	--	--	--	--	6	6	8	8
Building Maintenance	--	--	--	--	--	--	1	1	1	1
Fleet							2	2	2	2
Parks and Recreation							13	22	25	27
Water and Sewer										
Water	--	--	--	--	--	--	11	14	15	15
Wastewater	--	--	--	--	--	--	4	4	6	6
Customer Service	--	--	--	--	--	--	4	4	5	5
Total	--	--	--	--	--	--	83	105	115	117

Source: City Budget

Information was not collected prior to 2004.

CITY OF ROCKPORT, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government										
Building Permits Issued	1,266	667	561	406	391	437	475	463	475	494
Building Inspections Conducted	1,207	622	512	866	584	618	720	735	644	520
Police										
Physical Arrests	590	675	652	735	867	885	996	892	826	833
Traffic Violations	2,024	2,687	2,767	3,052	3,670	4,039	2,960	2,625	3,460	3,337
Fire	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Refuse Collection	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Public Works										
Street Resurfacing (miles)	8.51	9.86	12.65	7.22	8.34	11.40	9.89	9.03	20.63	9.15
Potholes Repaired	(1)	(1)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Library	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water										
New Connections	172	188	900	167	154	179	228	238	297	288
Water Main Breaks	(1)	(1)	19	32	20	20	19	25	19	37
Average Daily Consumption	2,315,000	2,349,000	250,000	2,353,000	2,492,000	2,516,000	2,746,000	2,240,000	2,837,000	2,568,000
Peak Daily Consumption	3,910,000	3,281,000	4,397,000	3,819,000	3,883,000	5,589,000	3,787,000	4,580,000	4,979,000	3,867,000
Storage Capacity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	7,100,000	7,100,000
Wastewater										
Average Daily Sewage Treatment (millions of gallons)	1.33	1.29	1.22	1.43	1.48	1.46	1.50	1.25	1.36	1.58
Transit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Information is not available.

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

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	--	--	--	--	--	--	--	12	12	12
Fire Stations	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	--	--	--	--	--	82	83	83	83	77
Parks and Recreation										
Acreage	200	200	200	200	200	200	200	200	200	200
Parks	10	10	10	10	10	10	10	10	10	10
Swimming Pools	--	--	--	--	--	--	1	1	1	1
Community Centers	--	--	--	--	--	--	1	1	1	1
Water										
Water Mains (miles)	96	96	96	96	96	96	96	96	96	160
Fire Hydrants	--	--	--	--	--	--	--	--	--	--
Storage Capacity (thousands of gallons)	--	--	--	--	--	5,100	5,100	5,100	5,100	5,100
Wastewater										
Sanitary Sewers (miles)	--	--	--	--	--	62	62	62	62	64
Storm Sewers (miles)	--	--	--	--	--	31	31	31	31	31
Treatment Capacity (thousands of gallons)	--	--	--	--	--	2.50	2.50	2.50	2.50	2.50

Sources: Various city departments

CITY OF ROCKPORT, TEXAS
INSURANCE IN FORCE
SEPTEMBER 30, 2007
UNAUDITED
TABLE E-21

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #9131	Real and Personal Property, \$13,077,515 Mobile Equipment, \$619,930 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 Forgery or Alteration, \$10,000 Theft, Disappearance & Destruction, \$10,000 Computer Fraud, \$10,000 Boiler & Machinery, \$100,000	October 1, 2007
Texas Municipal League 61BSBAN2111 61BSBAI4945 61BSBBO5668	Public Official Bond, Tax Collector, \$50,000 Public Official Bond, City Manger, \$50,000 Public Official Bond, Finance Director, \$50,000	October 1, 2007 November 29, 2007 March 6, 2007
Fidelity National Insurance Co. 422510150138 422510145056 422510086755 422510086753 422510086756 422510086754	Flood-City Hall and contents, \$500,000 Flood-Beach Park Maintenance, \$36,600 Flood-Pavillion North Bath House, \$66,600 Flood-Pavillion West, Saltwater Pool, \$66,600 Flood-Pavillion East with Concession, \$66,600 Flood-Pavillion South Bath House \$66,600	August 19, 2008 August 16, 2008 March 21, 2008 March 21, 2008 May 21, 2008 March 21, 2008
Texas Windstorm Insurance Assc. 26742906	Windstorm and Hail, \$9,757,475	August 27, 2008

CITY OF ROCKPORT, TEXAS

SELECTED WATER AND SEWER FUND DATA

LAST TEN FISCAL YEARS

SEPTEMBER 30, 2007

UNAUDITED

TABLE E-22

<u>Fiscal Year Ended September 30,</u>	<u>Water Connections</u>	<u>Sewer Connections</u>	<u>Gallons of Water Consumed</u>
1998	6,556	3,300	762,713,800
1999	6,743	3,365	720,046,400
2000	6,918	3,690	732,594,400
2001	7,617	3,756	777,939,800
2002	7,776	3,808	822,894,200
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	8,970	4,344	842,145,700