

CITY OF ROCKPORT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2004

CITY of ROCKPORT, TEXAS



City of Rockport, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2004

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CITY of ROCKPORT, TEXAS



Introductory Section

CITY of ROCKPORT, TEXAS





www.cityofrockport.com

Administrative Offices

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

City Hall Annex

Building & Inspection
Building Permits
Code Enforcement
621 E. Market Rockport, TX 78382
Inspection Request Line:
361-790-1177
Phone: 361-790-1155
Fax: 361-729-6476

Public Safety Center

Police Department
714 E. Concho Street
Rockport, TX 78382
Phone: 361-729-1111
Fax: 361-790-1118

Public Works Service Center

Building Maintenance
Fleet Maintenance
Streets & R.O.W
Water & Wastewater Utility
402 E. Laurel Street
Rockport, TX 78382
Phone: 361-790-1160
Fax: 361-790-5966

Rockport Beach Park

Beach Operations
Pavilion & Park Rentals
Beach Concessions
212 Seabreeze Drive
Rockport, TX 78382
Phone: 361-727-2158 or
Toll Free 877-929-7977
Fax: 361-727-9393

**Community Aquatic
Park**

Pool Operations
Pool Rentals & Swim Classe
2001 Stadium Drive
Rockport, TX 78382
Phone: 361-727-9989

January 24, 2005

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, 2004, 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 or 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 is 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 "General Purpose 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, P.L.L.C. was selected by the Council to perform this function. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

MANAGEMENT RESPONSIBILITY

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

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

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

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

GOVERNING BODY

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

FINANCIAL ADMINISTRATION

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

CITY OF ROCKPORT AND ITS SERVICES

Services provided by the City under the general governmental functions include police, street maintenance, public improvements, planning and zoning, engineering, traffic control, parks operation and maintenance, code enforcement, building permits, flood plane 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 Aransas County, the 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 this year 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.

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

ECONOMIC TRENDS

Ranked in *The 100 Best Small Art Towns of America*, and recognized among the top retirement spots in the nation by *America's Best Places to Retire*, Rockport is a wonderful place to live and visit alike. 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 \$308,299,010 in 1993 to \$851,079,944 in 2004. This can be attributed to the annexation of several areas, increased property values, as well as, the increase in development within the City.

Development in Rockport has continued to increase over the last ten (10) years. H.E.B. Food Store opened a super store in the summer of 2002. A Blockbusters Video, as well as, a seventy-eight room Hotel on the waterfront was built in 2003. Wal-Mart opened a new super store in October of 2004. The City's sixth bank and an all night pharmacy are scheduled to open in 2005.

Permits for single family homes continue to be issued at a rate of approximately 68 each year. The population of Rockport has grown by 61% in the last ten (10) years going from 4,753 in 1990 to 7,658 in 2000.

Sales tax revenues have increased from \$743,721 in 1994 to \$1,394,708 in 2004. This is an 86% 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. In 2000 a grant was received from Coastal Coordination Council totaling \$150,000 for a ten (10) acre addition to Memorial Park which included a pond.

Rockport Beach has the privilege of being designated as Texas' first Blue Wave Beach. Improvements to the Saltwater and Beachfront Pavilions were done this year with funds from a Coastal Management Program (CMP) grant. The existing fishing dock and bulkhead were completely redone. This project was funded by a grant from Texas Parks and Wildlife. 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:

- Linden Street Improvements to reduce the number of stop signs at this intersection.
This project is complete.
- Cherry Street Drainage relieving water flow from Omohundro, Enterprise and Linden Streets.
The contractor has installed 100% of the box culverts. Clean up work is in progress.
- Service Center Expansion and Replacement of Maintenance Building.
This project is complete.
- Equipment Storage Building to house large equipment.
This project is complete.
- Hike/Bike Trail Phase 1 and Phase 2 building a trail along Tule Creek to Enterprise and along Live Oak Street from Enterprise to Cornwall.
These projects are in the design phase and waiting for Contracts with TxDOT to be approved.

- Build one softball and two multi-use fields to be used jointly by the City of Rockport and Aransas County ISD.
This project is complete.
- Install 14,000 lf of 16" water line to provide adequate water to the North side of the service area.
This project is complete.
- Weeping Willow Line Extension providing water service to residences currently on the transmission line.
This project is complete.
- Water line relocation on business 35 in conjunction with the TXOT project widening Hwy 35.
This project is complete.
- Little Bay Shores and Linden Street Wastewater Main Replacement.
This project will be complete early in FY 04-05.
- North Area Lift Station rehabilitation and upgrade.
This project is in the design phase and easements for the project are being obtained.
- The City/County Public Safety Center. The Rockport Police Department, the Aransas County Sheriff and a combined Dispatch share this building.
This project is complete.

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 A-2).

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 the "Budgetary Comparison Schedules" included in the financial statements.

FIDUCIARY FUNDS

The City had no fiduciary funds at September 30, 2004.

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 swimming pool. 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. As shown below, both the revenues and expenditures were increased from the prior year.

GENERAL FIXED ASSETS

The General Fixed 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 General Fixed Assets. For a more detailed analysis refer to Notes A and E 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, 2003 was \$784,568,528 and was taxed at \$.2650 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$2,079,093. The City council set the tax rate .0186 cents lower than the previous year, this limiting the adjusted tax roll to an increase of only \$108,962 or 5.5% of 2003.

Collections

Current taxes of \$2,016,720 representing 97.7% of the adjusted tax roll were collected during fiscal year 2004. The collection rate was comparable to the year end. Current tax collections have exceeded 95% 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 2004 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	2004	2003	2002	2001	2000
General Fund	.1949	.1963	.2044	.2197	.2345
G.O. Debt	.0608	.0687	.0792	.0842	.0955
Total	.2557	.2650	.2836	.3039	.3300

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, which by law 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, 2003. 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. 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 2004 was \$90,148 compared to \$101,420 in 2003.

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, 2003. This is the first year that the City has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2003. The budget for October 1, 2004 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

ACKNOWLEDGMENTS

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

Respectfully submitted,

A handwritten signature in cursive script that reads "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, 2003

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.



Nancy L. Zjelle

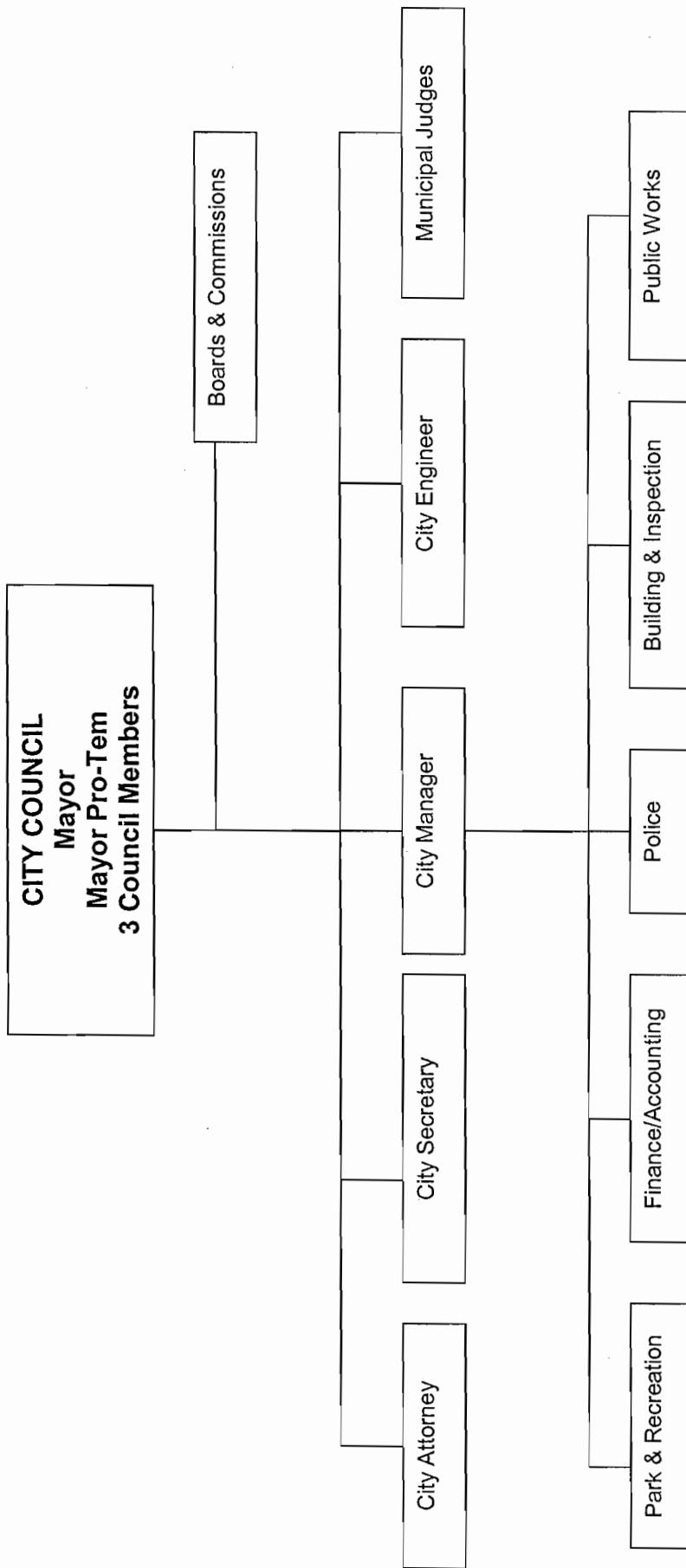
President

Jeffrey R. Enen

Executive Director

CITY OF ROCKPORT

Organization Chart



CITY OF ROCKPORT, TEXAS**LIST OF PRINCIPAL OFFICIALS****SEPTEMBER 30, 2004**

Elected Officials

<u>Name</u>	<u>Office</u>
Todd W. Pearson	Mayor
George Marriott	Mayor Pro-Tem
Leo Villa	Council Member
Frank Reilly	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

CITY of ROCKPORT, TEXAS



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, 2004, 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, 2004, 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.

As described in Note A, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", as of September 30, 2004.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated January 24, 2005, on our consideration of City of Rockport, Texas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary 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 supplemental 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 24, 2005

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, 2004. Please read it in conjunction with the transmittal letter on pages 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 \$1,841,139 as a result of this year's operations. Governmental activities contributed \$1,086,776 with the balance of \$754,363 resulting from business-type activities.

Since this is the City's first year to implement the requirements of GASB No. 34, last year's numbers for the government-wide level financial statements are not restated and therefore are not available for the basis of comparison to the current year. Next year this information will be available and our discussion and analysis will address the following:

- Governmental Activities – Revenues and Expenses Compared to Last Year
- Business-Type Activities – Revenues and Expenses Compared to Last Year
- City as a Whole – Revenues and Expenses Compared to Last Year

General Fund Performance

As a result of this year's operations, the General fund reported a \$268,509 increase to fund balance. This is primarily due to a number of the capital projects that were budgeted not being completed in this fiscal year. Expenses were generally well under control.

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 18 and 19) 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 44. 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 5. 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 21. The fund financial statements are presented on pages 44 through 62. 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 to 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 is 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	
	2004	2003*	2004	2003*	2004	2003*
Current and other assets	5.2		6.3		11.5	
Capital Assets	5.0		17.9		22.9	
Total Assets	10.2		24.2		34.4	
Long-term debt outstanding	6.9		5.9		12.8	
Other liabilities	.4		1.2		1.6	
Total liabilities	7.3		7.1		14.4	
Net assets:	2.8		17.1		19.9	

Invested in capital assets,					
Net of debt	2.5		12.1		14.6
Restricted	.6		.6		1.2
Unrestricted (deficit)	(.3)		4.4		4.1
Total net assets	2.8		17.1		19.9

*Information is not available.

Net assets of the City's governmental activities increased \$1,086,776. 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 \$754,363.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003*	2004	2003*	2004	2003*
Revenues						
Program revenues:						
Charges for services	.6		6.3		6.9	
Federal grants	.2		.1		.3	
State grants	.1		.1		.2	
General revenues:						
Property taxes	2.1				2.1	
Sales tax	1.4				1.4	
Other taxes	.9				.9	
Federal entitlements						
Other general revenues	.1				.1	
Total revenues	5.4		6.5		11.9	
Program expenses						
General government	.9				.9	
Public safety	1.9				1.9	
Public works	1.1				1.1	
Tourism	.2				.2	
Culture and recreation	.3				.3	
Interest on long-term debt	.3				.3	
Water and Sewer			4.8		4.8	

Sanitation					
Beach Park			.4		.4
Community Aquatic Park			.2		.2
Total expenses	4.7		5.4		10.1
Excess (deficiency)					
Before special items					
And transfers	.7		1.1		1.8
Transfers	.4		.4		-
Increase (decrease)					
In net assets	1.1		.7		1.8

*Information is not available.

Total revenues generated from both governmental and business-type activities this year amounted to \$11.9 million.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$5.4 million. Expenses came in at \$4.7 million.

The cost of all governmental activities this year was \$4.7 million. However, as shown on the Statement of Activities on pages 19 and 20, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$4.5 million. \$.9 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	
	2004	2003*	2004	2003*
Public Safety	1.9		1.3	
General Government	.9		.9	
Public Works	1.1		.9	
Culture and Recreation	.3		.3	
Total	4.2		3.4	

*Information is not available.

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$6.5 million. Expenses came in at \$5.4 million, leaving \$1.1 million as an increase to net assets before transfers. An additional net \$.4 million in transfers to governmental activities was provided, resulting in an all-inclusive increase to net assets amounting to \$.7 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 21) increased combined fund balance to \$4.7 million, a decrease of \$.5 million from last year. The decrease came about largely from Capital Project Funds. The largest increase in revenues came from taxes, which amount to \$4.6 million, with sales tax providing the largest share. This year sales tax increased \$.1 million, 10% over last year. Although the tax rate was lower than last year, current property taxes increased \$.1 million due to an increase in values.

Governmental Funds - 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, 2004 and 2003.

Table 4
Revenues and Transfers-In

Revenues and Transfers- In	2004 Amount	% of Total	2003 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$4,652,207	76.6	\$4,334,880	\$317,327	7.3
Licenses & Permits	189,154	3.2	127,411	61,743	48.5
Intergovernmental	223,011	3.8	14,250	208,761	1,464.9
Charges for services	22,350	0.1	38,337	(15,987)	(41.7)
Fines and Forfeitures	283,341	4.8	282,322	1,019	.4
Interest	44,674	0.7	95,293	(50,619)	(53.1)
Miscellaneous	43,330	0.7	201,487	(158,157)	(78.4)
Operating transfers-in	615,853	10.1	510,023	105,830	20.6

Total	\$6,073,920	100.0	\$5,604,003	469,917	8.3
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Of the total increase, intergovernmental represent the largest growth at 1464.9%.

Taxes

The substantial increase in taxes is primarily attributable to sales tax receipts. Of the total increase in taxes as a whole, it represents \$126,990 or 40%. The significance of its contribution to this year's increase in total taxes is due to its size in relation to other taxes as well as the 10.0% increase that it experienced this year. Less significant in impact on this year's increase, although important, total property taxes contributed \$122,269.

Sales Tax

Sales tax collections, which experienced an increase of \$126,990 over 2003, 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 10.0%.

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 \$89,882,118 or 12.9% over last year. Of that amount, \$15,452,940 represented new improvements, leaving \$74,429,178 attributable to a 10.7% increase in property existing in the prior year, which resulted from the Appraisal District's revaluation.

Collection Rate

This year's collection rate of current property taxes on the current adjusted tax levy amounted to 98% compared to 97% last year.

These factors resulted in revenues from current taxes reflecting an increase of \$118,825 over 2003 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, fell from \$0.0792 in fiscal year 2002-03 to \$0.0687 in fiscal year 2003-04 a decline of \$0.0105/\$100 due to declining general obligation debt service requirements and growth in property values. Therefore, the current tax revenues in the Debt Service Fund experienced a \$9,945.00 decrease. The resulting M&O portion of the tax rate, which is accounted for in the General Fund, decreased from \$0.2044 in fiscal year 2002-03 to \$0.1963 in fiscal year 2003-04. Current year tax revenues in the General Fund increased \$92,247.

Other Taxes

This year's reported franchise taxes as a whole increased \$69,508 from the prior year. The tax paid by the electric companies increased \$5,769. The amount from telecommunication companies was reported at \$549 under the prior year.

Hotel Taxes

Fiscal year 2003-04 increased over prior year collections by \$32,866, or 8.4% over 2003.

Intergovernmental

The increase in intergovernmental revenues, amounting to \$208,761 is principally due to the City drawing on grant programs and inter-local agreements with Aransas County, Texas.

Interest

Interest earnings, before adjusting investments to fair value, were down over prior year, generally reflecting lower interest rates earned this fiscal year.

Miscellaneous

Miscellaneous revenues total \$43,330 largely consist of insurance claims, fuel reimbursements and donations.

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, 2004 and 2003.

Table 5
Expenditures and Transfers-Out

Expenditures and Transfers- Out	2004 Amount	Percent of Total	2003 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
General government	\$ 868,958	18.9	\$ 774,491	94,467	12.2
Public safety	1,801,959	30.9	1,524,115	277,844	18.2
Public Works	1,003,901	22.0	1,143,208	(139,307)	(12.2)
Recreation & Tourism	529,105	7.4	484,473	44,632	71.8

Capital Outlay	3,033,285	18.4	1,172,731	1,860,554	124.0
Debt Service:					
Principal	344,695	.2	352,713	(8,018)	(2.27)
Interest and Fiscal Charges	335,779	.4	259,577	76,202	29.4
Operating transfers-out and other financing uses	230,542	1.8	202,790	27,752	13.7
Total	\$8,148,224	100.0	\$5,914,098	\$2,234,126	37.8

General Government

General government expenditures increase by \$2.2 million over the prior year. This increase is primarily due to capital projects budgeted in 2003 that were completed in 2004.

Public Safety

The increase in public safety is primarily attributable to departmental increases within the General Fund.

Police Department

The Police Department contributed increases to the General Fund, amounting to \$239,883, which primarily consists of a 3% pay increase and the new Public Safety Center finished last August. This also reflects setting up the consolidated Communication Center with Aransas County.

Public Works

Street Department

Expenditures for the 2004 year in the Street Department increased \$233,723 over 2003 expenditures. Increases were due primarily from capital outlay projects.

Building and Operation Maintenance Department

This department had an increase in expenses of \$114,759 over 2003 expenses. This was due to improvements to the Public Works building and equipment maintenance building being completed in 2004 instead of 2003 as planned.

Fleet Operations and Maintenance Department

The \$14,061 increase in expenses can be attributed to the 3% pay increase for employees in this department and the increased cost of purchasing fuel.

Culture and Recreation

Parks and Leisure Services Department

The expenses for the Parks and Leisure Services Department increased by \$163,915 for fiscal year 2004.

Debt Service

Principal, Interest and fiscal charges were expended from the General Fund for 2004. 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 decreased \$467,304, from a balance of \$5,207,040 in the prior year to \$4,739,040 as of the current fiscal yearend.

General Fund

Revenues and transfers-in generated \$4,100,056 and 432,311 respectively, aggregating \$4,532,367. Expenditures and transfers-out amounted to \$4,065,316 and \$198,542, respectively, aggregating \$4,263,858. The resulting effect on fund balance represented a increase of \$268,509.

Special Revenue Funds

Combined fund balance of the special revenue funds increased from \$217,641 in the prior year to \$335,993 - an increase of \$118,352. The increase occurred primarily in the Hotel/Motel Occupancy Tax Fund.

Debt Service Fund

The fund balance of the debt service fund increased from \$250,259 in the prior year to \$271,850, an increase of \$21,591.

Capital Project Funds

Combined fund balance of the capital projects funds decreased \$857,756, principally due to spending down the resources of the General Capital Improvement Project Fund, leaving a fund balance on September 30, 2004 of \$1,221,581.

PROPRIETARY FUNDS – a Detailed Discussion

Enterprise Funds

The City's enterprise operations 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 6
Consumption

Fiscal Year	01-02	02-03	% Increase/ Decrease	03-04	% Increase/ Decrease
Total Consumption	822,894,200	777,065,300	(5.67)	797,802,100	2.67

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 2.5% annually since 2000. This is illustrated in the table below:

Table 7
Growth in Customer Base

Fiscal Year	01-02	02-03	% Increase/ Decrease	03-04	% Increase/ Decrease
--------------------	--------------	--------------	-------------------------------------	--------------	-------------------------------------

Total Meter Connections	7831	8047	2.76	8309	3.15
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Utility System Fund

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 \$10 to \$20 for business hours and from \$15 to \$30 for after business hours in October of 2002. 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 \$378,462, which is \$144,073 over revenues for 2003. Expenses for the same period were \$416,128, a total of \$42,471 over 2003. Capital Improvements at the Beach Park account for \$188,195. Capital Improvements include repairs to the boat dock and bulkhead, both funded by grants from Texas Parks and Wildlife. This is a reimbursable grant and funds will be received in Fiscal Year 2004-2005. The second grant from the Coastal Management Program was used to do improvements to the Beachfront Pavilion.

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, and the Town of Fulton each help fund the park. The City of Rockport and Aransas County contribute \$25,000 each for park operations. The Town of Fulton contributes \$1,000, and the Aransas County ISD's contribution is "in-kind" with a pool manager's salary of \$35,721. Revenues were \$2,944 over revenues for 2003, and expenditures were \$12,334 over 2003 figures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$19,808,717 in capital assets.

Table 8
Capital Assets at Year-end
(Net of Depreciation,)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Land	\$ 693,508	\$693,508	\$ 214,954	\$ 214,954	\$ 908,462	\$ 908,462
Buildings and improvements	2,715,385	1,006,119	2,623,802	2,495,641	5,339,187	3,501,760
Equipment	562,147	287,957	328,163	318,187	890,310	606,144
Infrastructure	1,000,852	-	14,730,899	14,066,380	15,731,751	14,066,380
Totals	\$4,971,892	\$1,987,584	\$17,897,818	\$17,095,162	\$22,869,710	\$19,082,746

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, 2004, 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 Moody's Investor Service is Aaa.

Bonds Outstanding

At the end of the fiscal year, the City had \$10,880,000 in bonds outstanding – as shown in Table 5.

Table 9
Outstanding Debt at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
General obligation bonds (backed by the City)	2.7	3.0	0.8	0.9	3.5	3.9
Revenue bonds (backed by specific tax and fee revenues)	1.9	1.9	5.5	6.0	7.4	7.9
Totals	4.6	4.9	6.3	6.9	10.9	11.8

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, 2004 both sinking fund balances were sufficient to satisfy the City's ordinance requirements.

During this fiscal year, the City issued no new bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2004-05 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 5,596 in 2000 to 5,702 in 2004, equating to a 1.9% increase. The U. S. Census estimates the population for Rockport at 8,469 in 2003 this up from 7,385 in the 2000 census.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY of ROCKPORT, TEXAS



Basic Financial Statements

CITY of ROCKPORT, TEXAS



CITY OF ROCKPORT, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 905,631	\$ 22,350	\$ 14,044	\$ --
Public safety	1,873,033	400,382	40,101	167,900
Public works	1,067,201	200,348	12,315	--
Culture and recreation	280,460	--	--	--
Tourism	273,010	--	--	--
Interest and fiscal charges	335,779	--	--	--
Total governmental activities	<u>4,735,114</u>	<u>623,080</u>	<u>66,460</u>	<u>167,900</u>
Business-type Activities:				
Sanitation	--	11,339	--	--
Water and Sewer	4,738,144	5,949,225	--	--
Beach Park	416,128	234,318	25,000	119,144
Community Aquatic Center	221,956	69,681	61,721	--
Total Business-type Activities	<u>5,376,228</u>	<u>6,264,563</u>	<u>86,721</u>	<u>119,144</u>
Total Primary Government	<u>\$ 10,111,342</u>	<u>\$ 6,887,643</u>	<u>\$ 153,181</u>	<u>\$ 287,044</u>

General Revenues:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Services

Sales Taxes

Franchise Taxes

Occupancy Taxes

Other Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Other Revenues

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (869,237)		\$ (869,237)
(1,264,650)		(1,264,650)
(854,538)		(854,538)
(280,460)		(280,460)
(273,010)		(273,010)
(335,779)		(335,779)
<u>(3,877,674)</u>		<u>(3,877,674)</u>
--	\$ 11,339	11,339
--	1,211,081	1,211,081
--	(37,666)	(37,666)
--	(90,554)	(90,554)
--	<u>1,094,200</u>	<u>1,094,200</u>
<u>(3,877,674)</u>	<u>1,094,200</u>	<u>(2,783,474)</u>
1,552,781	--	1,552,781
543,369	--	543,369
1,400,557	--	1,400,557
567,342	--	567,342
421,125	--	421,125
17,660	--	17,660
2,695	--	2,695
44,674	45,474	90,148
28,936	--	28,936
385,311	(385,311)	--
<u>4,964,450</u>	<u>(339,837)</u>	<u>4,624,613</u>
1,086,776	754,363	1,841,139
1,512,259	16,574,154	18,086,413
244,474	(244,474)	--
<u>\$ 2,843,509</u>	<u>\$ 17,084,043</u>	<u>\$ 19,927,552</u>

CITY OF ROCKPORT, TEXASBALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	General Fund	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	\$ 2,772,721	\$ 531,501	\$ 888,316	\$ 4,192,538
Receivables (net of allowances for uncollectibles):				
Property taxes	50,092	--	18,185	68,277
Other taxes	161,669	--	142,492	304,161
Accounts	--	--	11,175	11,175
Special assessments	--	2,562	28,703	31,265
Intergovernmental	--	--	25,258	25,258
Other	16,915	--	--	16,915
Due from other funds	195,614	--	6,502	202,116
Inventories	68,806	--	--	68,806
Deferred charges	4,232	--	--	4,232
Restricted assets:				
Cash and cash equivalents	--	--	410,046	410,046
Total Assets	<u>\$ 3,270,049</u>	<u>\$ 534,063</u>	<u>\$ 1,530,677</u>	<u>\$ 5,334,789</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 144,410	\$ --	\$ 124,422	\$ 268,832
Accrued expenses	59,585	--	7,549	67,134
Due to other funds	90,150	--	42,768	132,918
Deferred revenue	65,592	2,562	58,015	126,169
Total Liabilities	<u>359,737</u>	<u>2,562</u>	<u>232,754</u>	<u>595,053</u>
Fund Equity:				
Fund balances:				
Reserved for inventories	68,806	--	--	68,806
Reserved for capital outlay	--	--	395,343	395,343
Reserved for prepaid items	4,232	--	--	4,232
Reserved for special purpose programs	--	--	3,408	3,408
Reserved for fire protection	--	--	6,696	6,696
Reserved for law enforcement	--	--	2,343	2,343
Reserved for debt service	--	--	336,453	336,453
Unreserved:				
Designated for:				
General contingencies	1,054,823	--	--	1,054,823
Capital outlay	--	531,501	294,737	826,238
Undesignated	1,782,451	--	142,828	1,925,279
Total fund equity	<u>2,910,312</u>	<u>531,501</u>	<u>1,297,923</u>	<u>4,739,736</u>
Total Liabilities and Fund Equity	<u>\$ 3,270,049</u>	<u>\$ 534,063</u>	<u>\$ 1,530,677</u>	<u>\$ 5,334,789</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2004**

Total fund balances - governmental funds balance sheet	\$ 4,739,736
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.	4,971,891
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	68,277
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,145,547)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,607,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(241,740)
Other receivables are not available to pay for current-period expenditures and are deferred in the funds.	57,892
Net assets of governmental activities - statement of net assets	\$ <u>2,843,509</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General Fund	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenue:				
Taxes	\$ 3,551,469	\$ --	\$ 1,100,738	\$ 4,652,207
Licenses and permits	189,154	--	--	189,154
Intergovernmental	15,578	--	207,433	223,011
Charges for services	22,350	--	--	22,350
Fines	265,707	--	17,634	283,341
Special assessments	--	--	14,394	14,394
Interest	26,862	7,798	10,014	44,674
Miscellaneous	28,936	--	--	28,936
Total revenues	<u>4,100,056</u>	<u>7,798</u>	<u>1,350,213</u>	<u>5,458,067</u>
Expenditures:				
Current:				
General government	864,187	--	4,771	868,958
Public safety	1,607,739	--	194,220	1,801,959
Public works	1,003,901	--	--	1,003,901
Culture and recreation	256,095	--	--	256,095
Tourism	--	--	273,010	273,010
Capital outlay	217,178	2,029,335	786,772	3,033,285
Debt service:				
Principal	7,924	--	336,771	344,695
Interest and fiscal charges	108,292	--	227,487	335,779
Total expenditures	<u>4,065,316</u>	<u>2,029,335</u>	<u>1,823,031</u>	<u>7,917,682</u>
Excess (deficiency) of revenues (under) expenditures	34,740	(2,021,537)	(472,818)	(2,459,615)
Other financing sources (uses):				
Operating transfers in	432,311	--	183,542	615,853
Operating transfers out	(198,542)	--	(32,000)	(230,542)
Capital leases	--	1,607,000	--	1,607,000
Total other financing sources (uses)	<u>233,769</u>	<u>1,607,000</u>	<u>151,542</u>	<u>1,992,311</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	268,509	(414,537)	(321,276)	(467,304)
Fund balances/equity, October 1	2,641,803	946,038	1,619,199	5,207,040
Fund balances/equity, September 30	<u>\$ 2,910,312</u>	<u>\$ 531,501</u>	<u>\$ 1,297,923</u>	<u>\$ 4,739,736</u>

The accompanying notes are an integral part of this statement.

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, 2004*

Net change in fund balances - total governmental funds \$ (467,304)

Amounts reported for governmental activities in the statement of activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	3,033,285
The depreciation of capital assets used in governmental activities is not reported in the funds.	(174,224)
Issuance of capital leases is reported as resources in governmental funds, but not in the SOA.	(1,607,000)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(18,714)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(2,774)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	344,695
Compensated absences are reported as the amount earned in the SOA.	(21,188)

Change in net assets of governmental activities - statement of activities \$ 1,086,776

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

SEPTEMBER 30, 2004

	Enterprise Fund		Nonmajor Enterprise Funds		Total Enterprise Funds
	Water and Sewer				
ASSETS					
Assets:					
Cash and cash equivalents	\$ 4,829,243	\$	86,703	\$	4,915,946
Receivables (net of allowances for uncollectibles):					
Accounts	560,569		101,091		661,660
Special assessments	22,155		--		22,155
Intergovernmental	--		77,411		77,411
Due from other funds	8,339		90,150		98,489
Inventories	60,722		--		60,722
Restricted assets:					
Cash and cash equivalents	481,947		--		481,947
Bond issue costs	148,158		--		148,158
Fixed assets (net, where applicable, of accumulated depreciation)	15,283,396		2,614,422		17,897,818
Total Assets	<u>\$ 21,394,529</u>	<u>\$</u>	<u>2,969,777</u>	<u>\$</u>	<u>24,364,306</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 295,200	\$	267,098	\$	562,298
Accrued expenses	20,766		4,219		24,985
Due to other funds	--		167,687		167,687
Payable from restricted assets	91,491		--		91,491
Deposits	551,185		12,315		563,500
Bonds and certificates of obligation payable	5,208,610		--		5,208,610
Compensated absences payable	95,929		4,852		100,781
Total Liabilities	<u>6,824,092</u>	<u>\$</u>	<u>456,171</u>	<u>\$</u>	<u>7,280,263</u>
Fund Equity:					
Retained earnings:					
Reserved for debt service	178,050		--		178,050
Reserved for capital improvements	441,741		--		441,741
Unreserved	13,136,402		2,579,160		15,715,562
Total fund equity	<u>14,570,437</u>	<u>\$</u>	<u>2,513,606</u>	<u>\$</u>	<u>17,084,043</u>
Total Liabilities and Fund Equity	<u>\$ 21,394,529</u>	<u>\$</u>	<u>2,969,777</u>	<u>\$</u>	<u>24,364,306</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
	Water and Sewer		
OPERATING REVENUES:			
Charges for services	\$ 5,949,225	\$ 315,338	\$ 6,264,563
Total Operating Revenues	<u>5,994,699</u>	<u>521,203</u>	<u>6,515,902</u>
OPERATING EXPENSES:			
Personal services	850,746	269,993	1,120,739
Contractual services	222,847	64,297	287,144
Maintenance	352,749	43,454	396,203
Supplies	2,336,928	110,122	2,447,050
Other	32,746	--	32,746
Amortization	21,960	--	21,960
Depreciation	682,057	150,218	832,275
Total Operating Expenses	<u>4,500,033</u>	<u>638,084</u>	<u>5,138,117</u>
Operating Income (Loss)	<u>1,494,666</u>	<u>(116,881)</u>	<u>1,377,785</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	45,474	--	45,474
Intergovernmental revenue	--	205,865	205,865
Interest expense	(238,111)	--	(238,111)
Total Non-operating Revenues (Expenses)	<u>5,756,588</u>	<u>521,203</u>	<u>6,277,791</u>
Net Income (Loss) before Operating Transfers	<u>1,256,555</u>	<u>(116,881)</u>	<u>1,139,674</u>
TRANSFERS:			
Interfund operating transfers in	--	57,000	57,000
Interfund operating transfers out	(442,311)	--	(442,311)
Net income	<u>814,244</u>	<u>(59,881)</u>	<u>754,363</u>
Retained earnings/fund balances, October 1	14,000,667	2,573,487	16,574,154
Prior Period Adjustment	(244,474)	--	(244,474)
Retained earnings/fund balances, September 30	<u>\$ 14,570,437</u>	<u>\$ 2,513,606</u>	<u>\$ 17,084,043</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, 2004

	Enterprise Funds		
	Water and Sewer	Other Funds	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 5,926,408	\$ 1,366,191	\$ 7,292,599
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	167,687	167,687
Cash Payments to Employees for Services	(845,673)	(268,891)	(1,114,564)
Cash Payments to Other Suppliers for Goods and Services	(2,982,753)	(1,192,064)	(4,174,817)
Net Cash Provided (Used) by Operating Activities	2,097,982	72,923	2,170,905
Cash Flows from Non-capital Financing Activities:			
Operating Grants Received	--	128,454	128,454
Operating Transfers From (To) Other Funds	(442,311)	57,000	(385,311)
Net Cash Provided (Used) by Non-capital Financing Activities	(442,311)	185,454	(256,857)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Bonds Payable	(549,072)	--	(549,072)
Interest Paid on Bonds Payable	(240,553)	--	(240,553)
Acquisition or Construction of Capital Assets	(1,590,122)	(188,195)	(1,778,317)
Proceeds from Assessments	8,566	--	8,566
Net Cash Provided (Used) for Capital & Related Financing Activities	(2,371,181)	(188,195)	(2,559,376)
Cash Flows from Investing Activities:			
Interest Received on Investments	45,474	--	45,474
Net Cash Provided (Used) for Investing Activities	45,474	--	45,474
Net Increase (Decrease) in Cash and Cash Equivalents	(670,036)	70,182	(599,854)
Cash and Cash Equivalents at Beginning of Year	5,981,226	16,521	5,997,747
Cash and Cash Equivalents at End of Year	\$ 5,311,190	\$ 86,703	\$ 5,397,893

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:			
Operating Income (Loss)	\$ 1,449,192	\$ (322,746)	\$ 1,126,446
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation	682,057	150,218	832,275
Amortization	21,960	--	21,960
Provision for Uncollectible Accounts	11,620	--	11,620
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(62,416)	(100,731)	(163,147)
Decrease (Increase) in Inventories	15,769	--	15,769
Increase (Decrease) in Interfund Receivables	--	(90,150)	(90,150)
Increase (Decrease) in Accounts Payable	(53,252)	264,223	210,971
Increase (Decrease) in Customer Deposits	27,979	3,320	31,299
Increase (Decrease) in Interfund Payables	--	167,687	167,687
Increase (Decrease) in Accrued Expenses	5,073	1,102	6,175
Net Cash Provided (Used) by Operating Activities	\$ 2,097,982	\$ 72,923	\$ 2,170,905

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, 2004

A. Summary of Significant Accounting Policies

The City of Rockport, Texas (the "City") was incorporated by Special Act of the Legislature on May 29, 1871. The City operates under a home rule charter with a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, parks and recreation, planning and zoning, and general administrative services.

The combined financial statements of 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. Implementation of New Accounting Standards

a. Governmental Accounting Standards Board Statement No. 34

For the fiscal year ended September 30, 2004, the City implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34)". This statement affects the manner in which the City records transactions and presents financial information.

State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

Management's Discussion and Analysis -

GASB 34 requires the financial statements to be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all the City's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

Statement of Net Assets -

The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities) and the total of its discretely presented component parts. The City reports capital assets in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The net assets of the City are broken down into three categories - 1) invested in capital assets, net of debt; 2) restricted; and 3) unrestricted.

Statement of Activities -

The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. The City has elected to account for the capitalization of infrastructure (roads, sidewalks, etc.) prospectively. Infrastructure expenditures for the year ended September 30, 2004 have been capitalized, but expenditures for infrastructure prior to that time have been expensed and are not included in the statement of net assets.

b. Governmental Accounting Standards Board Statement No. 37

For the year ended September 30, 2004, the City implemented GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus (GASB 37). This statement amends GASB 34 to either; 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

c. Governmental Accounting Standards Board Statement No. 38

The City adopted the provisions of GASB No. 38 Certain Financial Statement Note Disclosures (GASB 38). This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB 38.

d. Governmental Accounting Standards Board Interpretation No. 6

For the fiscal year ended September 30, 2004, the City implemented GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements". This interpretation clarifies the application standards for modified accrual recognition of certain liabilities and in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation affects the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB 34, but has no direct effect on the government-wide financial statements. Accordingly, the City has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental fund financial statements for amounts not considered to be due and payable as of September 30, 2004. The City also considered the effects of this interpretation when implementing the provisions of GASB 34 as previously described.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

General Capital Improvement Fund. This fund is a capital projects fund and is used to account for resources to be used for major capital outlay other than those financed by an Enterprise Fund.

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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

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

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

4. 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 when they become due or past due and receivable within the current period.

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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
Building Improvements	20
Vehicles	5
Office Equipment	5-7
Machinery & Equipment	5-10

e. Receivable and Payable Balances

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

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

f. Compensated Absences

P The City allows employees to accumulate earned, but unused vacation and a limited amount of earned, but unused sick leave which will be paid to employees upon separation from the City's service. All vacation pay and the portion of sick pay allowable as severance pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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. Actual results may differ from those estimates.

5. Budgetary Data

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

- 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.
- 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.

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2004

- 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.).

6. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

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, 2004, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,169,715 and the bank balance was \$5,328,860. The City's cash deposits at September 30, 2004 and during the year ended September 30, 2004, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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 investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

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

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. These custodial risk categories are as follows:

- Category 1 - Investments that are insured, registered or held by the City or by its agent in the City's name.
- Category 2 - Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the City's name.
- Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the City's name.

The City's investment at September 30, 2004 are shown below.

<u>Investment</u>	<u>Category</u>	<u>Reported Amount</u>	<u>Fair Value</u>
TexPool		\$ 4,830,762	\$ 4,830,762
Total Investments		<u>\$ 4,830,762</u>	<u>\$ 4,830,762</u>

TexPool has not been assigned a risk category since the City is not issued securities, but rather owns an undivided interest in the assets of TexPool.

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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 as September 30, 2004 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer	General Capital Impr.	Nonmajor Governmental	Nonmajor Business Types	Total
Taxes	\$ 246,843	\$ --	\$ --	\$ 172,650	\$ --	\$ 419,493
Accounts	--	692,691	--	13,872	123,923	830,486
Special Assessments	--	22,155	2,562	28,703	--	53,420
Intergovernmental	--	--	--	25,258	77,411	102,669
Fines	15,500	--	--	--	--	15,500
Sundry	1,463	--	--	--	346	1,809
Gross	263,806	714,846	2,562	240,483	201,680	1,423,377
Less allowance for uncollectibles	(35,082)	(132,122)	--	(14,718)	(23,178)	(205,100)
Net Rec.	\$ 228,724	\$ 582,724	\$ 2,562	\$ 225,765	\$ 178,502	\$ 1,218,277

E. Capital Assets

Capital asset activity for the period ended September 30, 2004, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 693,508	\$ --	\$ --	\$ 693,508
Total capital assets not being depreciated	693,508	--	--	693,508
<i>Capital assets being depreciated:</i>				
Infrastructure	--	1,010,961	--	1,010,961
Buildings	1,179,111	1,726,391	--	2,905,502
Improvements other than buildings	239,529	21,079	--	260,608
Machinery and equipment	917,719	274,854	--	1,192,573
Total capital assets being depreciated	2,336,359	3,033,285	--	5,369,644
Less accumulated depreciation for:				
Infrastructure	--	(10,109)	--	(10,109)
Buildings	(306,949)	(32,144)	--	(339,093)
Improvements other than buildings	(105,571)	(6,061)	--	(111,632)

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2004, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Beach Park Fund	\$ 167,687	Short-term loans
General Fund	City/County Dispatch Service	27,927	Short-term loans
Sanitation Fund	General Fund	90,150	Short-term loans
Debt Service Fund	2001 Certificate Capital Projects	6,502	Short-term loans
Water and Sewer Fund	2001 Certificate Capital Projects	8,339	Short-term loans
	Total	\$ 300,605	

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, 2004, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
<u>Major Governmental Funds</u>			
General Fund	Community Aquatic Center	\$ 25,000	Supplement other funds sources
General Fund	City/County Dispatch Service	27,228	Supplement other funds sources
General Fund	Vehicle & Equip. Replacement	146,314	Supplement other funds sources
Hotel/Motel Occupancy Tax	Beach Park Fund	32,000	Supplement other funds sources
Water and Sewer Fund	Debt Service Fund	10,000	Debt Service
Water and Sewer Fund	General Fund	432,311	Administrative Charges
	Total	\$ 672,853	

G. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2004:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bond Construction Funds	\$ 410,046	\$ 312,236
Debt Service	--	169,711
	\$ 410,046	\$ 481,947

H. 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 issued for only proprietary activities. Bonds and certificates of obligation reported in proprietary funds if they are expected to be repaid from proprietary revenues.

Long-term debt consisted of the following at September 30, 2004:

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Interest Rate	General Long-Term Debt	Enterprise Fund Debt
Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 1995	4.70-6.50%	\$ --	\$ 190,000
Utility System Revenues Bonds, Series 1996	2.55-4.70%	--	1,850,000
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1998	3.75-4.80%	2,185,000	--
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1999	4.80-5.50%	792,120	437,880
Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2001	3.50-4.70%	1,833,449	2,351,552
General Obligation Refunding Bonds, Series 2001	3.00-3.75%	334,978	905,022
Total Bonded Debt		5,145,547	5,734,454
Deferred gain on advanced refunding		--	35,068
Capital leases payable		1,607,000	--
Compensated absences		241,740	100,780
Total Long-Term Debt		\$ 6,994,287	\$ 5,870,302

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2004, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 4,930,960	\$ --	\$ 120,391	\$ 4,810,569	161,135
General obligation bonds	559,282	--	224,304	334,978	177,954
Capital leases	--	1,607,000	--	1,607,000	55,000
Compensated absences	220,552	21,188	--	241,740	--
Total governmental activities	\$ 5,710,794	\$ 1,628,188	\$ 344,695	\$ 6,994,287	\$ 394,089
Business-type activities:					
Certificates of obligation	\$ 3,144,041	\$ --	\$ 164,609	\$ 2,979,432	193,865
General obligation bonds	1,160,718	--	255,696	905,022	242,046
Revenue Bonds	1,970,000	--	120,000	1,850,000	125,000
Deferred Gain on Defeasance	43,834	--	8,766	35,068	--
Compensated absences	99,865	915	--	100,780	--
Total business-type activities	\$ 6,418,458	\$ 915	\$ 549,071	\$ 5,870,302	\$ 560,911

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2004, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2005	\$ 339,089	\$ 233,765	\$ 572,854
2006	384,397	221,178	605,575
2007	266,879	199,054	465,933
2008	279,480	187,414	466,894
2009	291,671	174,813	466,484
2010-2014	1,541,415	672,260	2,213,675
2015-2019	1,887,091	268,836	2,155,927
2020-2024	155,525	14,926	170,451
Totals	<u>\$ 5,145,547</u>	<u>\$ 1,972,246</u>	<u>\$ 7,117,793</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2005	\$ 560,911	\$ 228,363	\$ 789,274
2006	495,603	206,403	702,006
2007	503,121	194,685	697,806
2008	520,520	179,196	699,716
2009	273,330	167,405	440,735
2010-2014	1,783,585	609,929	2,393,514
2015-2019	1,206,864	238,306	1,445,170
2020-2024	390,520	19,145	409,665
Totals	<u>\$ 5,734,454</u>	<u>\$ 1,843,432</u>	<u>\$ 7,577,886</u>

3. Advance Refunding of Debt

There was no outstanding refunded debt at September 30, 2004.

4. Capital Leases

Aransas County, Texas (the County) issued approximately \$3,300,000 in General Obligation Bonds for construction of a Public Safety Center. The City entered into a lease purchase agreement with the County to acquire approximately 49% of the Center for \$1,607,000. The City will pay the County a pro-rata amount of the County's debt service on the bonds in semi-annual payments beginning February 1, 2004. At conclusion of the lease in February 2024, the City will own an undivided interest in the Center. Cost of repairs, maintenance and operation of the Center will be shared by the City and County on a 50/50 basis. The City has agreed not to construct, purchase or lease another facility to house City law enforcement until the lease is paid in its entirety.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Commitments under the capitalized lease agreement provide for minimum future lease payments as of September 30, 2004 as follows:

<u>Year Ending September 30:</u>		
2005	\$	120,346
2006		120,686
2007		120,926
2008		120,821
2009		120,658
2010-2014		603,078
2015-2019		602,827
2020-2024		603,628
Total Minimum Lease Payments		<u>2,412,970</u>
Less amount representing interest		<u>805,970</u>
Present Value of Future Minimum Lease Payments	\$	<u><u>1,607,000</u></u>
Lease Payments made for 2004	\$	<u><u>88,228</u></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.

I. Commitments Under Noncapitalized Leases

The City has no material commitments under operating (noncapitalized) lease agreements at September 30, 2004.

J. 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 2004, 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.

K. Pension Plan

1. Plan Description

The City's 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 794 administered by TMRS, an agent multiple-employer public retirement system.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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.

2. Contributions

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 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, 2003 valuation is effective for rates beginning January 2005).

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/03
Actuarial Value of Assets	\$ 6,373,483
Actuarial Accrued Liability	\$ 8,487,186
Percentage Funded	75.1%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 2,113,703
Annual Covered Payroll	\$ 2,347,985
UAAL as a Percentage of Covered Payroll	90.02%

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net Pension Obligation (NPO) at Beginning of Year	\$	--
Annual Pension Cost:		
Annual required contribution (ARC)	\$	354,208
Contributions Made	\$	354,208
NPO at End of Year	\$	--

The City of Rockport is one of 794 municipalities having the benefit plan administered by TMRS. Each of the 794 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-03 valuations are contained in the 2003 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

3. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/02	\$ 302,129	100.00%	\$ --
09/30/03	332,797	100.00%	--
09/30/04	354,208	100.00%	--

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
12/31/01	\$ 5,215,333	\$ 6,926,830	\$ 1,711,497	75.3%	\$ 2,085,813	82.1%
12/31/02	5,602,953	7,513,691	1,910,738	74.6%	2,236,641	85.4%
12/31/03	6,373,483	8,487,186	2,113,703	75.1%	2,347,985	90.0%

L. Health Care Coverage

During the year ended September 30, 2004, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$348 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a 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 licensed insurer is renewable October 1, 2004, and terms of coverage and premium costs are included in the contractual provisions.

M. Post Employment Health Care Benefits

In addition to providing pension benefits, the City provides certain health care benefits for retired employees at the retired employee's expense. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. There is no direct cost to the City associated with this benefit. Also, under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. The premiums are paid in full by the insured for the actual month covered. This program is offered for a period of 18 months after the termination date. There is no associated cost to the City under this program.

N. Commitments and Contingencies

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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

In the opinion of management, there is no pending or threatened litigation against the City that would have a material effect on the City's financial position or operations.

O. Prior Period Adjustment

The beginning net assets of the governmental-type and business-type funds has been restated to correct the amount of debt to be paid by the Water and Sewer Enterprise Fund as follows:

	Governmental- Type Funds	Business-Type Funds
Net Assets, beginning of the year, as previously reported	\$ 1,512,259	\$ 16,574,154
Prior Period Adjustment	244,474	(244,474)
Net Assets, beginning of the year, as restated	\$ <u>1,756,733</u>	\$ <u>16,329,680</u>

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



CITY OF ROCKPORT, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 3,366,017	\$ 3,366,017	\$ 3,551,469	\$ 185,452
<i>Licenses and permits</i>	144,700	144,700	189,154	44,454
<i>Intergovernmental</i>	442,264	442,264	15,578	(426,686)
<i>Charges for services</i>	29,000	23,000	22,350	(650)
<i>Fines</i>	301,300	301,300	265,707	(35,593)
<i>Interest</i>	35,000	35,000	26,862	(8,138)
<i>Miscellaneous</i>	389,836	395,836	28,936	(366,900)
Total revenues	<u>4,708,117</u>	<u>4,708,117</u>	<u>4,100,056</u>	<u>(608,061)</u>
Expenditures:				
Current:				
<i>General government</i>	797,566	830,716	864,187	(33,471)
<i>Public safety</i>	1,703,414	1,700,913	1,607,739	93,174
<i>Public works</i>	1,076,453	1,078,952	1,003,901	75,051
<i>Culture and recreation</i>	281,550	281,552	256,095	25,457
<i>Capital outlay</i>	1,574,225	1,574,225	217,178	1,357,047
Debt service:				
<i>Principal</i>	--	7,924	7,924	--
<i>Interest and fiscal charges</i>	88,228	108,292	108,292	--
Total expenditures	<u>5,521,436</u>	<u>5,582,574</u>	<u>4,065,316</u>	<u>1,517,258</u>
 Excess (deficiency) of revenues (under) expenditures	 (813,319)	 (874,457)	 34,740	 909,197
 Other financing sources (uses):				
<i>Operating transfers in</i>	639,711	639,711	432,311	(207,400)
<i>Operating transfers out</i>	(171,314)	(171,314)	(198,542)	(27,228)
Total other financing sources (uses)	<u>468,397</u>	<u>468,397</u>	<u>233,769</u>	<u>234,628</u>
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 (344,922)	 (406,060)	 268,509	 674,569
 Fund balances/equity, October 1	 --	 --	 2,641,803	 2,641,803
Fund balances/equity, September 30	<u>\$ (344,922)</u>	<u>\$ (406,060)</u>	<u>\$ 2,910,312</u>	<u>\$ 3,316,372</u>

CITY of ROCKPORT, TEXAS



*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 STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue Funds	Debt Service Fund Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:				
Taxes	\$ 551,784	\$ 548,954	\$ --	\$ 1,100,738
Intergovernmental	207,433	--	--	207,433
Fines	17,634	--	--	17,634
Special assessments	3,435	--	10,959	14,394
Interest	446	942	8,626	10,014
Total revenues	<u>780,732</u>	<u>549,896</u>	<u>19,585</u>	<u>1,350,213</u>
Expenditures:				
Current:				
General government	4,753	--	18	4,771
Public safety	185,992	--	8,228	194,220
Tourism	273,010	--	--	273,010
Capital outlay	167,900	--	618,872	786,772
Debt service:				
Principal	7,348	329,423	--	336,771
Interest and fiscal charges	18,605	208,882	--	227,487
Total expenditures	<u>657,608</u>	<u>538,305</u>	<u>627,118</u>	<u>1,823,031</u>
Excess (deficiency) of revenues (under) expenditures	123,124	11,591	(607,533)	(472,818)
Other financing sources (uses):				
Operating transfers in	27,228	10,000	146,314	183,542
Operating transfers out	(32,000)	--	--	(32,000)
Total other financing sources (uses)	<u>(4,772)</u>	<u>10,000</u>	<u>146,314</u>	<u>151,542</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	118,352	21,591	(461,219)	(321,276)
Fund balances/equity, October 1	217,641	250,259	1,151,299	1,619,199
Fund balances/equity, September 30	<u>\$ 335,993</u>	<u>\$ 271,850</u>	<u>\$ 690,080</u>	<u>\$ 1,297,923</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 59,193	\$ 179	\$ 5,011	\$ 12,699	\$ 328,141
--	--	--	--	142,492
--	--	--	--	11,127
3,991	--	--	--	3,991
--	--	--	--	25,258
<u>\$ 63,184</u>	<u>\$ 179</u>	<u>\$ 5,011</u>	<u>\$ 12,699</u>	<u>\$ 511,009</u>
\$ --	\$ 179	\$ 2,668	\$ --	\$ 124,422
--	--	--	--	7,549
--	--	--	--	27,927
3,991	--	--	--	15,118
<u>3,991</u>	<u>179</u>	<u>2,668</u>	<u>--</u>	<u>175,016</u>
--	--	--	3,408	3,408
--	--	--	--	6,696
--	--	2,343	--	2,343
55,312	--	--	9,291	64,603
3,881	--	--	--	142,828
<u>59,193</u>	<u>--</u>	<u>2,343</u>	<u>12,699</u>	<u>335,993</u>
<u>\$ 63,184</u>	<u>\$ 179</u>	<u>\$ 5,011</u>	<u>\$ 12,699</u>	<u>\$ 511,009</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, 2004

	Utility Bill Surcharge	City/County Dispatch Service	Hotel/Motel Occupancy
Revenue:			
Taxes	\$ 130,659	\$ --	\$ 421,125
Intergovernmental	--	204,738	--
Fines	--	--	--
Special assessments	--	--	--
Interest	--	--	--
Total revenues	<u>130,659</u>	<u>204,738</u>	<u>421,125</u>
Expenditures:			
Current:			
General government	--	--	--
Public safety	103,645	74,323	--
Tourism	--	--	273,010
Capital outlay	--	167,900	--
Debt service:			
Principal	7,348	--	--
Interest and fiscal charges	18,605	--	--
Total expenditures	<u>129,598</u>	<u>242,223</u>	<u>273,010</u>
Excess (deficiency) of revenues (under) expenditures	1,061	(37,485)	148,115
Other financing sources (uses):			
Operating transfers in	--	27,228	--
Operating transfers out	--	--	(32,000)
Total other financing sources (uses)	<u>--</u>	<u>27,228</u>	<u>(32,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	1,061	(10,257)	116,115
Fund balances/equity, October 1	6,696	--	148,143
Fund balances/equity, September 30	<u>\$ 7,757</u>	<u>\$ (10,257)</u>	<u>\$ 264,258</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ --	\$ 551,784
--	--	2,695	--	207,433
--	3,590	--	14,044	17,634
3,435	--	--	--	3,435
446	--	--	--	446
<u>3,881</u>	<u>3,590</u>	<u>2,695</u>	<u>14,044</u>	<u>780,732</u>
--	--	--	4,753	4,753
--	3,967	4,057	--	185,992
--	--	--	--	273,010
--	--	--	--	167,900
--	--	--	--	7,348
--	--	--	--	18,605
<u>--</u>	<u>3,967</u>	<u>4,057</u>	<u>4,753</u>	<u>657,608</u>
3,881	(377)	(1,362)	9,291	123,124
--	--	--	--	27,228
--	--	--	--	(32,000)
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(4,772)</u>
3,881	(377)	(1,362)	9,291	118,352
55,312	377	3,705	3,408	217,641
<u>\$ 59,193</u>	<u>\$ --</u>	<u>\$ 2,343</u>	<u>\$ 12,699</u>	<u>\$ 335,993</u>

CITY OF ROCKPORT, TEXAS
UTILITY BILL SURCHARGE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 118,000	\$ 118,000	\$ 130,659	\$ 12,659
<i>Interest</i>	1,000	1,000	--	(1,000)
Total revenues	<u>119,000</u>	<u>119,000</u>	<u>130,659</u>	<u>11,659</u>
Expenditures:				
Current:				
<i>Public safety</i>	86,647	86,647	103,645	(16,998)
Debt service:				
<i>Principal</i>	7,348	7,348	7,348	--
<i>Interest and fiscal charges</i>	18,605	18,605	18,605	--
Total expenditures	<u>112,600</u>	<u>112,600</u>	<u>129,598</u>	<u>(16,998)</u>
Excess (deficiency) of revenues (under) expenditures	6,400	6,400	1,061	(5,339)
Other financing sources (uses):				
<i>Operating transfers out</i>	(6,400)	(6,400)	--	6,400
Total other financing sources (uses)	<u>(6,400)</u>	<u>(6,400)</u>	<u>--</u>	<u>(6,400)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	--	1,061	1,061
Fund balances/equity, October 1	6,696	6,696	6,696	--
Fund balances/equity, September 30	<u>\$ 6,696</u>	<u>\$ 6,696</u>	<u>\$ 7,757</u>	<u>\$ 1,061</u>

CITY OF ROCKPORT, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 335,000	\$ 335,000	\$ 421,125	\$ 86,125
<i>Interest</i>	900	--	--	--
Total revenues	<u>335,900</u>	<u>335,000</u>	<u>421,125</u>	<u>86,125</u>
Expenditures:				
Current:				
<i>Tourism</i>	278,500	278,500	273,010	5,490
Debt service:				
<i>Principal</i>	7,924	--	--	--
<i>Interest and fiscal charges</i>	20,064	--	--	--
Total expenditures	<u>306,488</u>	<u>278,500</u>	<u>273,010</u>	<u>5,490</u>
Excess (deficiency) of revenues (under) expenditures	29,412	56,500	148,115	91,615
Other financing sources (uses):				
<i>Operating transfers out</i>	(32,000)	(32,000)	(32,000)	--
Total other financing sources (uses)	<u>(32,000)</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,588)	24,500	116,115	91,615
Fund balances/equity, October 1	148,142	148,142	148,143	1
Fund balances/equity, September 30	<u>\$ 145,554</u>	<u>\$ 172,642</u>	<u>\$ 264,258</u>	<u>\$ 91,616</u>

CITY OF ROCKPORT, TEXAS

EXHIBIT C-7

FORFEITURE

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ --	\$ --	\$ 2,695	\$ 2,695
Total revenues	<u>--</u>	<u>--</u>	<u>2,695</u>	<u>2,695</u>
Expenditures:				
Current:				
Public safety	3,750	3,750	4,057	(307)
Total expenditures	<u>3,750</u>	<u>3,750</u>	<u>4,057</u>	<u>(307)</u>
Excess (deficiency) of revenues (under) expenditures	(3,750)	(3,750)	(1,362)	2,388
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,750)	(3,750)	(1,362)	2,388
Fund balances/equity, October 1	3,705	3,705	3,705	--
Fund balances/equity, September 30	<u>\$ (45)</u>	<u>\$ (45)</u>	<u>\$ 2,343</u>	<u>\$ 2,388</u>

CITY OF ROCKPORT, TEXAS

MUNICIPAL COURT SECURITY & TECHNOLOGY FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Fines</i>	\$ 14,700	\$ 14,700	\$ 14,044	\$ (656)
<i>Interest</i>	200	200	--	(200)
Total revenues	<u>14,900</u>	<u>14,900</u>	<u>14,044</u>	<u>(856)</u>
Expenditures:				
Current:				
<i>General government</i>	4,500	4,500	4,753	(253)
Total expenditures	<u>4,500</u>	<u>4,500</u>	<u>4,753</u>	<u>(253)</u>
Excess (deficiency) of revenues (under) expenditures	10,400	10,400	9,291	(1,109)
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	10,400	10,400	9,291	(1,109)
Fund balances/equity, October 1	3,408	3,408	3,408	--
Fund balances/equity, September 30	<u>\$ 13,808</u>	<u>\$ 13,808</u>	<u>\$ 12,699</u>	<u>\$ (1,109)</u>

CITY of ROCKPORT, TEXAS



CITY OF ROCKPORT, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-9

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
<i>Taxes</i>	\$ 556,225	\$ 556,225	\$ 548,954	\$ (7,271)
<i>Interest</i>	3,500	3,500	942	(2,558)
Total revenues	<u>559,725</u>	<u>559,725</u>	<u>549,896</u>	<u>(9,829)</u>
Expenditures:				
Current:				
Debt service:				
<i>Principal</i>	329,423	329,423	329,423	--
<i>Interest and fiscal charges</i>	209,777	209,777	208,882	895
Total expenditures	<u>539,200</u>	<u>539,200</u>	<u>538,305</u>	<u>895</u>
Excess (deficiency) of revenues (under) expenditures	20,525	20,525	11,591	(8,934)
Other financing sources (uses):				
<i>Operating transfers in</i>	(209,777)	(209,777)	10,000	219,777
Total other financing sources (uses)	<u>(209,777)</u>	<u>(209,777)</u>	<u>10,000</u>	<u>(219,777)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(189,252)	(189,252)	21,591	210,843
Fund balances/equity, October 1	250,259	250,259	250,259	--
Fund balances/equity, September 30	<u>\$ 61,007</u>	<u>\$ 61,007</u>	<u>\$ 271,850</u>	<u>\$ 210,843</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2004

	Flamingo/ Luau Road Assessment	Community Pool Construction
ASSETS		
Assets:		
Cash and cash equivalents	\$ 160,077	\$ 138
Receivables (net of allowances for uncollectibles):		
Accounts	48	--
Special assessments	24,712	--
Restricted assets:		
Cash and cash equivalents	--	--
Total Assets	<u>\$ 184,837</u>	<u>\$ 138</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Due to other funds	\$ --	\$ --
Deferred revenue	24,712	--
Total Liabilities	<u>24,712</u>	<u>--</u>
Fund Equity:		
Fund balances:		
Reserved for capital outlay	--	138
Designated for:		
Capital outlay	160,125	--
Total fund equity	<u>160,125</u>	<u>138</u>
Total Liabilities and Fund Equity	<u>\$ 184,837</u>	<u>\$ 138</u>

2001 Certificate of Obligation	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ 134,612	\$ 294,827
--	--	48
--	--	24,712
410,046	--	410,046
\$ <u>410,046</u>	\$ <u>134,612</u>	\$ <u>729,633</u>
\$ 14,841	\$ --	\$ 14,841
--	--	24,712
<u>14,841</u>	--	<u>39,553</u>
395,205	--	395,343
--	134,612	294,737
<u>395,205</u>	<u>134,612</u>	<u>690,080</u>
\$ <u>410,046</u>	\$ <u>134,612</u>	\$ <u>729,633</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, 2004

	Flamingo/ Luau Road Assessment	Community Pool Construction
Revenue:		
<i>Special assessments</i>	\$ 10,959	\$ --
<i>Interest</i>	1,231	(4,516)
Total revenues	<u>12,190</u>	<u>(4,516)</u>
Expenditures:		
Current:		
<i>General government</i>	18	--
<i>Public safety</i>	--	--
<i>Capital outlay</i>	--	--
Total expenditures	<u>18</u>	<u>--</u>
Excess (deficiency) of revenues (under) expenditures	12,172	(4,516)
Other financing sources (uses):		
<i>Operating transfers in</i>	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	12,172	(4,516)
Fund balances/equity, October 1	147,953	4,654
Fund balances/equity, September 30	<u>\$ 160,125</u>	<u>\$ 138</u>

2001 Certificate of Obligation	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ 10,959
11,603	308	8,626
<u>11,603</u>	<u>308</u>	<u>19,585</u>
--	--	18
--	8,228	8,228
511,918	106,954	618,872
<u>511,918</u>	<u>115,182</u>	<u>627,118</u>
(500,315)	(114,874)	(607,533)
--	146,314	146,314
<u>--</u>	<u>146,314</u>	<u>146,314</u>
(500,315)	31,440	(461,219)
895,520	103,172	1,151,299
<u>\$ 395,205</u>	<u>\$ 134,612</u>	<u>\$ 690,080</u>

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2004

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
	Sanitation Fund	Beach Park	Community Aquatic Center	
ASSETS				
Assets:				
<i>Cash and cash equivalents</i>	\$ 76,850	\$ 255	\$ 9,598	\$ 86,703
<i>Receivables (net of allowances for uncollectibles):</i>				
<i>Accounts</i>	100,745	346	--	101,091
<i>Intergovernmental</i>	--	77,411	--	77,411
<i>Due from other funds</i>	90,150	--	--	90,150
<i>Fixed assets (net, where applicable, of accumulated depreciation)</i>	--	752,023	1,862,399	2,614,422
Total Assets	\$ 267,745	\$ 830,035	\$ 1,871,997	\$ 2,969,777
LIABILITIES AND FUND EQUITY				
Liabilities:				
<i>Accounts payable</i>	\$ 256,406	\$ 9,359	\$ 1,333	\$ 267,098
<i>Accrued expenses</i>	--	2,682	1,537	4,219
<i>Due to other funds</i>	--	167,687	--	167,687
<i>Deposits</i>	--	11,617	698	12,315
<i>Compensated absences payable</i>	--	4,852	--	4,852
Total Liabilities	256,406	196,197	3,568	456,171
Fund Equity:				
Retained earnings:				
<i>Unreserved</i>	11,339	633,838	1,933,983	2,579,160
Total fund equity	11,339	633,838	1,868,429	2,513,606
Total Liabilities and Fund Equity	\$ 267,745	\$ 830,035	\$ 1,871,997	\$ 2,969,777

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	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	\$ 11,339	\$ 234,318	\$ 69,681	\$ 315,338
Total Operating Revenues	11,339	378,462	131,402	521,203
OPERATING EXPENSES:				
Personal services	--	194,504	75,489	269,993
Contractual services	--	35,425	28,872	64,297
Maintenance	--	40,309	3,145	43,454
Supplies	--	61,267	48,855	110,122
Depreciation	--	84,623	65,595	150,218
Total Operating Expenses	--	416,128	221,956	638,084
Operating Income (Loss)	11,339	(37,666)	(90,554)	(116,881)
NON-OPERATING REVENUES (EXPENSES):				
Intergovernmental revenue	--	144,144	61,721	205,865
Total Non-operating Revenues (Expenses)	11,339	378,462	131,402	521,203
Net Income (Loss) before Operating Transfers	11,339	(37,666)	(90,554)	(116,881)
TRANSFERS:				
Interfund operating transfers in	--	32,000	25,000	57,000
Interfund operating transfers out	--	--	--	--
Net income	11,339	(5,666)	(65,554)	(59,881)
Retained earnings/fund balances, October 1	--	639,504	1,933,983	2,573,487
Retained earnings/fund balances, September 30	\$ 11,339	\$ 633,838	\$ 1,868,429	\$ 2,513,606

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Sanitation	Beach Park	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,058,858	\$ 237,652	\$ 69,681	\$ 1,366,191
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	167,687	--	167,687
Cash Payments to Employees	--	(193,402)	(75,489)	(268,891)
Cash Payments to Suppliers for Goods and Services	(982,008)	(129,665)	(80,391)	(1,192,064)
Net Cash Provided (Used) by Operating Activities	<u>76,850</u>	<u>82,272</u>	<u>(86,199)</u>	<u>72,923</u>
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	--	66,733	61,721	128,454
Operating Transfers From (To) Other Funds	--	32,000	25,000	57,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>98,733</u>	<u>86,721</u>	<u>185,454</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition or Construction of Capital Assets	--	(188,195)	--	(188,195)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>(188,195)</u>	<u>--</u>	<u>(188,195)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	76,850	(7,190)	522	70,182
Cash and Cash Equivalents at Beginning of Year	--	7,445	9,076	16,521
Cash and Cash Equivalents at End of Year	<u>\$ 76,850</u>	<u>\$ 255</u>	<u>\$ 9,598</u>	<u>\$ 86,703</u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:				
Operating Income (Loss)	\$ 11,339	\$ (181,810)	\$ (152,275)	\$ (322,746)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	--	84,623	65,595	150,218
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(100,745)	14	--	(100,731)
Decrease (Increase) in Interfund Receivables	(90,150)	--	--	(90,150)
Increase (Decrease) in Accounts Payable	256,406	7,336	481	264,223
Increase (Decrease) in Customer Deposits	--	3,320	--	3,320
Increase (Decrease) in Interfund Payables	--	167,687	--	167,687
Increase (Decrease) in Accrued Expenses	--	1,102	--	1,102
Net Cash Provided (Used) by Operating Activities	<u>\$ 76,850</u>	<u>\$ 82,272</u>	<u>\$ (86,199)</u>	<u>\$ 72,923</u>

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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CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Report on Compliance and on Internal Control over Financial Reporting 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 basic financial statements of City of Rockport, Texas as of and for the year ended September 30, 2004, and have issued our report thereon dated January 24, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether City of Rockport, Texas's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under GOVERNMENT AUDITING STANDARDS.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Rockport, Texas's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

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,

Michael A. Arnold, PLLC

Michael A. Arnold, PLLC

January 24, 2005

CITY of ROCKPORT, TEXAS



Statistical Section

CITY OF ROCKPORT, TEXAS**GOVERNMENT ACTIVITIES EXPENSES BY FUNCTION (1)****LAST TEN FISCAL YEARS****UNAUDITED**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Tourism</u>	<u>Interest & Fiscal Charges</u>
2004	\$ 905,631	\$ 1,873,033	\$ 1,067,201	\$ 280,460	\$ 273,010	\$ 335,779

Note: The City of Rockport first applied GASB Statement No. 34 in fiscal year 2004; therefore, government-wide information for years prior to fiscal year 2004 is not available.

(1) Includes general, special revenue, debt service and capital projects funds.

	<u>Total</u>
\$	4,735,114

CITY OF ROCKPORT, TEXAS

GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Property Taxes</u>
2004	\$ 623,080	\$ 66,460	\$ 167,900	\$ 2,096,150

Note: The City of Rockport first applied GASB Statement No. 34 in fiscal year 2004; therefore, government-wide information for years prior to fiscal year 2004 is not available.

(1) Includes general, special revenue, debt service and capital projects funds.

<u>Other Taxes</u>		<u>Interest</u>		<u>Other</u>		<u>Total</u>	
\$	2,389,024	\$	44,674	\$	49,291	\$	5,436,579

CITY OF ROCKPORT, TEXAS**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)****LAST TEN FISCAL YEARS****UNAUDITED**

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Public Health and Welfare	Tourism	Capital Outlay
1995	\$ 376,825	\$ 987,994	\$ 648,370	\$ 103,684	\$ 2,000	\$ 172,525	\$ 269,232
1996	379,490	1,037,513	712,453	111,572	2,000	189,317	231,163
1997	451,141	1,105,436	752,294	116,026	3,000	197,026	379,482
1998	463,314	1,176,312	739,126	142,210	3,000	225,313	1,065,830
1999	559,119	1,264,062	837,707	222,736	3,000	244,155	1,496,230
2000	550,735	1,298,116	873,643	202,421	3,000	266,596	2,848,299
2001	629,583	1,464,735	963,407	191,552	3,000	247,998	3,824,370
2002	667,263	1,420,531	943,672	238,589	--	308,030	1,369,732
2003	774,491	1,524,115	1,143,208	228,301	--	256,172	1,172,731
2004	868,958	1,801,959	1,003,901	256,095	--	273,010	3,033,285

(1) Includes general, special revenue, debt service and capital projects funds.

TABLE E-3

	Debt Service	Total
\$	314,587	\$ 2,875,217
	290,096	2,953,604
	295,905	3,300,310
	300,891	4,115,996
	430,616	5,057,625
	505,085	6,547,895
	577,054	7,901,699
	626,765	5,574,582
	612,290	5,711,308
	680,474	7,917,682

CITY OF ROCKPORT, TEXAS**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)****LAST TEN FISCAL YEARS****UNAUDITED**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- governmental</u>	<u>Charges for Services</u>
1995	\$ 2,511,142	\$ 46,913	\$ 42,064	\$ 80,000
1996	2,683,288	68,740	34,618	80,000
1997	2,856,575	93,904	127,366	80,000
1998	3,123,405	106,814	104,384	80,000
1999	3,492,947	120,624	102,270	--
2000	3,837,857	126,308	109,167	--
2001	4,005,149	130,556	741,501	--
2002	4,190,041	150,105	32,839	--
2003	4,334,880	127,411	14,250	38,337
2004	4,652,207	189,154	223,011	22,350

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(2) Includes private donations of \$999,828 for construction of a community swimming pool.

Fines		Interest		Special Assessments	Miscellaneous	Total			
\$	136,158	\$	134,419	\$	39,238	\$	53,149	\$	3,043,083
	165,932		156,530		16,228		26,767		3,232,103
	179,714		178,318		8,896		30,004		3,554,777
	167,006		208,597		9,013		39,710		3,838,929
	177,768		296,167		9,833		82,285		4,281,894
	193,321		390,734		4,300		301,826		4,963,513
	313,503		272,820		82,909		1,029,336 (2)		6,575,774
	312,393		151,666		55,648		74,672		4,967,364
	282,322		95,293		20,016		181,471		5,093,980
	283,341		44,674		14,394		28,936		5,458,067

CITY OF ROCKPORT, TEXAS**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE****LAST TEN FISCAL YEARS****UNAUDITED****TABLE E-5**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Hotel/Motel Occupancy Tax</u>	<u>Other Taxes</u>	<u>Total</u>
1995	\$ 1,158,878	\$ 794,181	\$ 295,192	\$ 182,506	\$ 80,385	\$ 2,511,142
1996	1,206,149	862,271	335,687	194,457	84,724	2,683,288
1997	1,289,567	915,004	364,762	205,030	82,212	2,856,575
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

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

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

TABLE E-6

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1995	\$ 1,125,149	\$ 1,089,333	96.8%	\$ 32,624	\$ 1,121,957	99.7%	\$ 3,192	0.3%
1996	1,213,149	1,178,935	97.2%	31,249	1,210,184	99.8%	2,965	0.2%
1997	1,282,190	1,243,056	96.9%	35,302	1,278,358	99.7%	3,832	0.3%
1998	1,422,188	1,386,510	97.5%	31,846	1,418,356	99.7%	3,832	0.3%
1999	1,478,860	1,441,830	97.5%	31,450	1,473,280	99.6%	5,580	0.4%
2000	1,605,882	1,587,610	98.9%	11,190	1,598,800	99.6%	7,082	0.4%
2001	1,733,941	1,691,380	97.5%	34,684	1,726,064	99.5%	7,877	0.5%
2002	1,856,869	1,825,080	98.3%	20,324	1,845,404	99.4%	11,465	0.6%
2003	1,968,507	1,924,473	97.8%	26,176	1,950,649	99.1%	17,858	0.9%
2004	2,079,426	2,043,298	98.3%	—	2,043,298	98.3%	36,128	1.7%

CITY OF ROCKPORT, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

TABLE E-7

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed Value To Total Estimated Actual Value</u>
1995	\$ 310,385,919	\$ 310,385,919	\$ 100.00%
1996	344,742,671	344,742,671	100.00%
1997	368,975,528	368,975,528	100.00%
1998	409,262,772	409,262,772	100.00%
1999	438,180,772	438,180,772	100.00%
2000	475,816,897	475,816,897	100.00%
2001	538,391,491	538,391,491	100.00%
2002	611,641,940	611,641,940	100.00%
2003	694,686,410	694,686,410	100.00%
2004	783,984,771	783,984,771	100.00%

Source: Aransas County Appraisal District

CITY OF ROCKPORT, TEXAS**TABLE E-8***PROPERTY TAX RATES**DIRECT AND OVERLAPPING GOVERNMENTS**(PER \$100 OF ASSESSED VALUE)**LAST TEN FISCAL YEARS**UNAUDITED*

<u>Fiscal Year</u>	<u>City of Rockport</u>	<u>Aransas County</u>	<u>Aransas County Navigation District</u>	<u>Aransas County Independent School District</u>
1995	\$ 0.3625	\$ 0.3990	\$ 0.0504	\$ 1.4914
1996	0.3519	0.3990	0.0478	1.5058
1997	0.3475	0.3850	0.0478	1.4518
1998	0.3475	0.3804	0.0472	1.4323
1999	0.3375	0.3700	0.0446	1.5500
2000	0.3375	0.3630	0.0446	1.5350
2001	0.3300	0.3460	0.0446	1.4900
2002	0.3039	0.3185	0.0410	1.6120
2003	0.2836	0.3185	0.0355	1.6065
2004	0.2650	0.3478	0.0499	1.5700

Source: Aransas County Tax Collector

CITY OF ROCKPORT, TEXAS

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2004

UNAUDITED

TABLE E-9

	Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
1	Walter Oil & Gas Corp	Oil & Gas	\$ 15,147,780	0.1946%
2	AEP Central Power & Light	Electric Utility	11,893,790	0.1528%
3	H. E. Butt Grocery	Commercial Real Estate	11,332,084	0.1456%
4	Gryphon Exploration Co	Oil & Gas	10,648,140	0.1368%
5	Southwestern Bell Telephone	Telephone Utilitiy	7,845,790	0.1008%
6	Degussa Corporation	Chemicals	7,124,180	0.0915%
7	Sherwin Alumina LP	Metals	5,442,410	0.0699%
8	Rockport Harborfront LP	Real Estate Development	3,166,462	0.0407%
9	Investo LP	Real Estate Development	2,826,510	0.0363%
10	Charlotte Plummers Seafare	Restaurant	2,792,914	0.0359%
	Totals		\$ 78,220,060	1.0049%

Source: Aransas County Appraisal District

CITY OF ROCKPORT, TEXAS**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS****LAST TEN FISCAL YEARS****UNAUDITED****TABLE E-10**

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessments Collected</u>
1995	\$ --	\$ 39,238
1996	577,262	16,228
1997	--	260,551
1998	--	69,859
1999	--	73,046
2000	--	69,084
2001	148,536	135,113
2002	--	71,980
2003	--	35,919
2004	--	22,950

CITY OF ROCKPORT, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2004
UNAUDITED

TABLE E-11

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 more than 5,000 population, the maximum tax rate for all puposes is \$2.50 per \$100 of assessed valuation.

Taxable Assessed Value - 2003 Roll	\$ 783,984,771
Maximum tax rate per \$100 assessed valuation	<u>2.50</u>
Maximum available tax revenues for all purposes, including debt service	\$ <u>19,599,619</u>
Actual amount expended for general obligation debt service for the year ended September 30, 2004	<u>592,166</u>

CITY OF ROCKPORT, TEXAS
TABLE E-12

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Estimated Population	Assessed Value (1)	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	6,069	\$ 310,385,919	\$ 2,313,816	\$ 77,817	\$ 2,235,999	0.72%	\$ 368
1996	6,250	344,742,671	2,159,864	86,383	2,073,481	0.60%	332
1997	6,412	368,975,528	1,988,280	95,967	1,892,313	0.51%	295
1998	6,584	409,262,772	4,299,064	122,956	4,176,108	1.02%	634
1999	6,772	438,180,772	5,012,064	150,233	4,861,831	1.11%	718
2000	7,338	475,816,897	4,752,872	164,449	4,588,423	0.96%	625
2001	7,657	538,391,491	4,407,352	173,341	4,234,011	0.79%	553
2002	7,805	611,641,940	6,087,429	240,336	5,847,093	0.96%	749
2003	7,805	694,686,410	5,734,716	250,259	5,484,457	0.79%	703
2004	8,469	783,984,771	5,145,547	336,453	4,809,094	0.61%	568

(1) The Assessed Value is 100% of the Appraised or Market Value.

CITY OF ROCKPORT, TEXAS**TABLE E-13**

*RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT (1)
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS
UNAUDITED*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest (2)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (3)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1995	\$ 165,264	\$ 149,323	\$ 314,587	\$ 2,875,217	10.9%
1996	153,952	136,144	290,096	2,953,604	9.8%
1997	171,584	124,321	295,905	3,299,310	9.0%
1998	189,216	111,675	300,891	4,115,996	7.3%
1999	220,800	209,816	430,616	5,057,625	8.5%
2000	259,193	245,892	505,085	6,547,895	7.7%
2001	345,521	384,008	729,529	7,901,699	9.2%
2002	384,008	242,757	626,765	5,574,582	11.2%
2003	352,713	259,577	612,290	5,819,387	10.5%
2004	344,695	247,471	592,166	5,230,739	11.3%

(1) General obligation bonds reported in the enterprise funds have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes general, special revenue and debt service funds.

CITY OF ROCKPORT, TEXAS

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

GENERAL OBLIGATION BONDS

SEPTEMBER 30, 2004

UNAUDITED

TABLE E-14

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct:			
City of Rockport, Texas	\$ 5,145,547	100.00%	\$ 5,145,547
Overlapping:			
Aransas County ISD	12,075,000	63.82%	7,706,265
Aransas County Navigation District #1	--	49.00%	--
Aransas County	11,400,000	49.49%	5,641,860
			<u>\$ 18,493,672</u>
Total direct and overlapping Debt Per Capita			<u>\$ 2,184</u>

Information obtained from entities audited financial statements.

CITY OF ROCKPORT, TEXAS

REVENUE BOND COVERAGE

WATER AND SEWER DEBT

LAST TEN FISCAL YEARS

UNAUDITED

TABLE E-15

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	(2) Revenue Bond Debt Service Requirements	Coverage	(3) Total Bonded Debt Service Requirements	Coverage
1995	\$ 2,696,802	\$ 1,752,693	\$ 944,109	\$ 129,815	7.27	\$ 357,874	\$ 2.64
1996	3,020,618	1,929,869	1,090,749	131,265	8.31	438,729	2.49
1997	3,085,124	2,107,421	977,703	281,198	3.48	626,714	1.56
1998	3,408,596	2,387,695	1,020,901	282,018	3.62	623,696	1.64
1999	3,960,108	2,939,174	1,020,934	277,998	3.67	652,064	1.57
2000	4,980,709	3,270,599	1,710,110	278,289	6.15	698,806	2.45
2001	4,952,605	3,262,919	1,689,686	201,395	8.39	688,933	2.45
2002	5,100,452	3,443,421	1,657,031	202,578	8.18	794,594	2.09
2003	5,311,757	3,467,662	1,844,095	203,470	9.06	785,559	2.35
2004	5,949,225	3,817,976	2,131,249	204,063	10.44	789,626	2.70

(1) Total operating expenses exclusive of depreciation.

(2) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the water and sewer authority fund or debt defeasance transactions.

(3) Includes all bonded debt of the water and sewer fund.

CITY OF ROCKPORT, TEXAS

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

TABLE E-16

Fiscal Year	(1) Population	Per Capita Income	Median Age	Education Level In Years Of Formal Schooling	(3) School Enrollment	(2) Unemployment Rate
1995	6,069	\$ (a)	(a)	(a)	3,320	6.1%
1996	6,250	(a)	(a)	(a)	3,419	4.8%
1997	6,412	(a)	(a)	(a)	3,530	6.6%
1998	6,584	(a)	(a)	(a)	3,468	6.0%
1999	6,772	(a)	(a)	(a)	3,480	5.8%
2000	7,338	(a)	(a)	(a)	3,360	6.0%
2001	7,657	(a)	(a)	(a)	3,337	5.9%
2002	7,805	(a)	(a)	(a)	3,345	6.5%
2003	7,805	(a)	(a)	(a)	3,349	6.5%
2004	8,469	(a)	(a)	(a)	3,331	6.5%

Data Sources:

- (1) City of Rockport
- (2) Texas Workforce Commission
- (3) Texas Education Agency
- (a) Information Not Available

CITY OF ROCKPORT, TEXAS

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
UNAUDITED

TABLE E-17

<u>Fiscal Year</u>	<u>Property Value(1)</u>	<u>Total Building Permits</u>	<u>Bank Deposits</u>
1995	\$ 310,385,919	\$ 10,536,385	\$ (a)
1996	344,742,671	14,550,681	(a)
1997	368,975,528	16,469,977	(a)
1998	409,262,772	21,500,592	(a)
1999	438,180,772	27,572,863	(a)
2000	475,816,897	26,355,252	(a)
2001	538,391,491	25,577,427	(a)
2002	611,641,940	22,951,784	(a)
2003	694,686,410	29,042,016	(a)
2004	783,984,771	36,833,008	(a)

(1) Estimated actual value from Table 5

(a) Information Not Available

CITY OF ROCKPORT, TEXAS**MISCELLANEOUS STATISTICS****SEPTEMBER 30, 2004****UNAUDITED****TABLE E-18**

Date of Incorporation	May 29, 1871
Form of Government	Council-Manger
Number of employees	76
Area in square miles	13.37
City of Rockport, Texas	
Miles of streets	83
Culture and Recreation:	
Community centers	1
Parks	10
Park acreage	200
Swimming pools	1
Tennis courts	1
Fire Protection:	
Number of stations	2
Number of fire personnel and officers:	
Volunteers	125
Police Protection:	
Number of stations	1
Number of police personnel and officers	23
Number patrol units	12
Sewerage System:	
Miles of sanitary sewers	62
Miles of storm sewers	31
Number of treatment plants	1
Number of service connections	3,872
Daily average treatment in gallons	1.5million
Maximum daily capacity of treatment plant in gallons	2.5 mgd
Water System:	
Miles of water mains	96
Number of service connections	7,938
Daily average consumption in gallons	2,109,547
Maximum daily capacity of storage in gallons	5,100,000
Facilities and services not included in the primary government:	
Education:	
Number of schools	6
Number of instructors	251

CITY OF ROCKPORT, TEXAS

INSURANCE IN FORCE

SEPTEMBER 30, 2004

UNAUDITED

TABLE E-19

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #9131	Real and Personal Property, \$12,250,652 Mobile Equipment, \$800,630 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	October 1, 2004
Hartford Casualty 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, 2004 November 29, 2004 March 6, 2005
Omaha Property and Casualty 9902063531 9902051341 9901895498 9901895496 9901895499 9901895497	Flood-City Hall and contents, \$332,800 Flood-Beach Park Maintenance, \$33,300 Flood-Pavillion Bath House, \$60,500 Flood-Pavillion, Saltwater Pool, \$60,500 Flood-Pavillion with Concession, \$60,500 Flood-Pavillion Bath House \$60,500	August 19, 2005 August 16, 2005 March 21, 2005 March 21, 2005 March 21, 2005 March 21, 2005
Texas Windstorm Insurance Assc. 26742900	Windstorm and Hail, \$6,799,827	September 11, 2005
AXA Corporate Solutions Ins. Co. 6560000388C03	Windstorm and Hail, \$2,425,130	August 27, 2005

CITY OF ROCKPORT, TEXAS

SELECTED WATER AND SEWER FUND DATA

LAST TEN FISCAL YEARS

SEPTEMBER 30, 2004

UNAUDITED

TABLE E-20

<u>Fiscal Year Ended September 30,</u>	<u>Water Connections</u>	<u>Sewer Connections</u>	<u>Gallons of Water Consumed</u>
1995	6,032	2,893	719,934,200
1996	6,191	3,009	746,836,400
1997	6,412	3,194	698,147,000
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	621,750,900