

City of Rockport, Texas

Comprehensive Annual Financial Report

For the Year Ended September 30, 2011



CITY OF ROCKPORT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

PREPARED BY
PATTY HOWARD
FINANCE DIRECTOR

City of Rockport, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2011

TABLE OF CONTENTS

Page Exhibit/Table

INTRODUCTORY SECTION

Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	x
Organizational Chart.....	xi
List of Principal Officials.....	xii

FINANCIAL SECTION

Independent Auditor's Report on Financial Statements.....	1
Management's Discussion and Analysis (Required Supplementary Information).....	3

Basic Financial Statements

Government-wide Financial Statements:		
Statement of Net Assets.....	12	Exhibit A-1
Statement of Activities.....	13	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	15	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	17	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	18	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	20	Exhibit A-6
Statement of Net Assets - Proprietary Funds.....	21	Exhibit A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Proprietary Funds.....	23	Exhibit A-8
Statement of Cash Flows - Proprietary Funds.....	25	Exhibit A-9
Notes to the Financial Statements	26	

Required Supplementary Information:

Budgetary Comparison Schedules:

General Fund.....	47	Exhibit B-1
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Combining Statements and Budgetary Comparison Schedules as Supplementary Information:

Combining Balance Sheet - All Nonmajor Governmental Funds.....	48	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	49	Exhibit C-2

Special Revenue Funds:

Combining Balance Sheet - Nonmajor Special Revenue Funds.....	50	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	54	Exhibit C-4

**City of Rockport, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2011**

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Budgetary Comparison Schedules:		
Utility Bill Surcharge.....	58	Exhibit C-5
City/County Dispatch Service.....	59	Exhibit C-6
Hotel/Motel Occupancy Tax Fund.....	60	Exhibit C-7
Municipal Court Security & Technology Fund.....	61	Exhibit C-8
Debt Service Funds:		
Budgetary Comparison Schedule:		
Debt Service Fund.....	62	Exhibit C-9
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	63	Exhibit C-10
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	65	Exhibit C-11
Enterprise Funds:		
Combining Statement of Net Assets - Nonmajor Enterprise Funds.....	67	Exhibit C-12
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds.....	68	Exhibit C-13
Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....	69	Exhibit C-14
STATISTICAL SECTION		
Net Assets by Component.....	70	Table E-1
Expenses, Program Revenues, and Net (Expense)/Revenue.....	71	Table E-2
General Revenues and Total Change in Net Assets.....	72	Table E-3
Fund Balances of Governmental Funds.....	73	Table E-4
Changes in Fund Balances of Governmental Funds.....	74	Table E-5
Tax Revenues by Source, Governmental Funds.....	75	Table E-6
Assessed Value and Estimated Actual Value of Taxable Property.....	76	Table E-7
Direct and Overlapping Property Tax Rates.....	77	Table E-8
Principal Property Tax Payers.....	78	Table E-9
Property Tax Levies and Collections.....	79	Table E-10
Ratios of Outstanding Debt by Type.....	80	Table E-11
Ratios of General Bonded Debt Outstanding.....	81	Table E-12
Direct and Overlapping Governmental Activities Debt.....	82	Table E-13
Legal Debt Margin Information.....	83	Table E-14
Pledged-Revenue Coverage.....	84	Table E-15
Demographic and Economic Statistics.....	85	Table E-16
Principal Employers.....	86	Table E-17
Full-Time-Equivalent Employees by Function/Program.....	87	Table E-18
Operating Indicators By Function/Program.....	88	Table E-19
Capital Asset Statistics by Function/Program.....	89	Table E-20
Schedule of Insurance in Force.....	90	Table E-21

City of Rockport, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2011

TABLE OF CONTENTS

	Page	<u>Exhibit/Table</u>
Selected Utility Fund Data.....	91	Table E-22
OTHER SUPPLEMENTARY INFORMATION SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	92	
Schedule of Grant Revenues and Expenses R729530.....	93	Table F-1

Introductory Section



www.cityofrockport.com

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

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

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

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

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

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

March 16, 2012

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, 2011, is submitted. This report was prepared in accordance with generally accepted accounting principles on a basis consistent with the prior year. The preparation of the annual financial report and all financial information in the report is the responsibility of the City. The scope of the independent auditor's examination is to render an opinion on the financial information in the Annual Financial Report. Complete details concerning the City's fiscal year activities and related costs are presented in the enclosed narratives and financial statements.

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

INDEPENDENT AUDIT

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

MANAGEMENT RESPONSIBILITY

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

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

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

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

GOVERNING BODY

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

FINANCIAL ADMINISTRATION

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

CITY OF ROCKPORT AND ITS SERVICES

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

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

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

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

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

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

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

BUDGETING

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

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

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

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

GENERAL INFORMATION

The City of Rockport is the county seat for Aransas County and is located 30 miles northeast of Corpus Christi. There are approximately 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. *Gulfscapes Magazine*'s "2011 Readers Choice Best Gulf Coast Towns" listed Rockport number four in the top ten. In 2009 Rockport was hailed as a coastal dream town by *Coastal Living Magazine*. *Better Homes and Gardens* in its April 2007 issue listed Rockport-Fulton the number five destination as a "long weekend hotspot" for spring migration bird watching. *Texas Meetings and Events* list Rockport-Fulton as a great Gulf Coast getaway for a business meeting, board meeting, etc.

Property values in the City of Rockport increased from \$538,391,491 in 2000 to \$1,436,910,753 in 2011. This can be attributed to the annexation of several areas, increased property values, as well as, the increase in development within the City.

Permits for single family homes have increased from approximately 66 annually to 83 in 2010, largely due to the economic conditions of the country realizing a slight improvement. Rockport is made up largely of second homes, with the slight growth in the market these home starts have increased. The population of Rockport has grown by 16% in the last ten (10) years going from 7,385 in 2000 to 8,766 in the U.S. Census Bureau 2010 Census.

Sales tax revenues have increased from \$1,117,080 in 2000 to \$1,773,673 in 2011. This is a 37% 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. In the past few years the City has purchased 50 acres of land to keep as green space and several acres behind the Memorial Park for expansion of that park in the future. The two phase Hike and Bike Trail that will be partially funded by a TxDOT grant has been planned for the Tule Park. A grant from Texas Department of Agriculture (Texas Yes) helped complete a beautification project on Austin Street. The project converted the four lane boulevard to a two lane street with diagonal parking, which provides greater pedestrian and handicapped street crossing safety.

Rockport Beach has the privilege of being designated as Texas' first Blue Wave Beach. The Beach continues to carry the title of Blue Wave Beach, earning this designation for twelve years in a row.

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:

- Utility/Development Complex- this project is a complex that will house the utility, public works, and building and development departments. The facility will be located on property owned by the City along Highway 35 Relief Route (also known as, Highway 35 ByPass). This will offer a "one stop shop" for contractors and developers, as all the departments will be at the same location. Presently the building and development department is housed at a separate facility and the utility and public works facility has out grown their current facility. This project is funded through the 2009 Construction Bonds.
- Elevated Water Storage Tank- This project will construct a 2 million gallon elevated water storage tank on property owned by the City along Highway 35 Relief Route where the Utility/Development Complex will be located. This will increase the City's Elevated Water Storage to 3 tanks.
- Waste Water Treatment Plant Nutrient Removal- This project will reduce nitrogen output of the wastewater treatment plant. This is to be proactive and part of the solution to insure nitrogen levels in Little Bay are at an ideal level for the growth of seagrass. This project will be funded through Capital Impact Fees.
- Master Plan Drainage Improvements- This project to improve drainage by constructing drainage road crossings at Spanish Woods Drive, the entry to road to the Sanctuary Subdivision, FM 1781 to the drainage outfall to Copano bay, FM 2165 at the Whistler's Cove Subdivision and FM 2165 at the Wastewater Treatment Plant. This project is funded by the 2007 Construction Bonds.
- South Rockport Drainage Project- This project will improve drainage by building outfall infrastructure on Loop 70, Business 35, First Street and Second Street which is jointly serving Rockport and Aransas County drainage systems. This project is funded by a grant through the Ike and Dolly relief fund money as mitigation to prepare for future storms.
- Tule Hike and Bike Trail. With the acquisition of 34 acres the long-awaited Tule Creek Hike and Bike Trail which was originally approved in 1999 will become a reality. The total cost of construction is \$717,048 of which \$573,638 is funded by a matching grant for the Texas Department of Transportation with the City providing \$143,170 as its match. The project should be begun and finished in the coming fiscal year.

- Community Center- The 2004 Parks, Recreation and Open Space Master Plan reflected that the “results for the park facilities needs assessment express an overwhelming need for a recreation/community center in the City of Rockport”. \$2,000,000 has been budgeted in the 2007 Capital Improvements Funding for this purpose. The City Council decided to take the current design and put it out for bid to determine the actual cost of construction which is estimated by the architect to be 2,400,000 for this 17,897 square foot facility.

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 “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-3).

FIDUCIARY FUNDS

The City had no fiduciary funds at September 30, 2006.

PROPRIETARY FUNDS

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

park. The Beach Park Fund accounts for all revenues and expenditures associated with the operation of the Rockport Beach Park.

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

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, 2010 was \$1,368,098,538 and was taxed at \$.310008 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$3,928,771.

Collections

Current taxes of \$3,932,641 representing 99.9% of the adjusted tax roll were collected during fiscal year 2010-2011. The collection rate was comparable to the year end. Current tax collections have exceeded 97% in each of the last ten years.

Allocation of Ad Valorem Taxes

The revenue to be received from current tax collections is distributed between the General Fund and the Debt Service Fund according to the rates for allocation set when the budget ordinances are adopted. Allocation of property tax revenues by purpose for fiscal year 2010 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	2010	2009	2008	2007	2006
General Fund	.157307	.165133	.168320	.1605	.1629
G.O. Debt	.152701	.133548	.130680	.1185	.0814
Total	.310008	.298681	.299000	.2790	.2443

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, 2010. This is the eighth year that the City has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized basic financial

report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget since October 1, 2002. The budget for October 1, 2011 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,



Patty Howard
Director of Finance

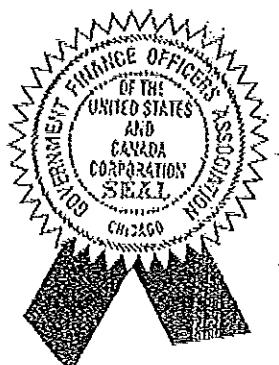
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockport
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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.



Linda C. Davidson

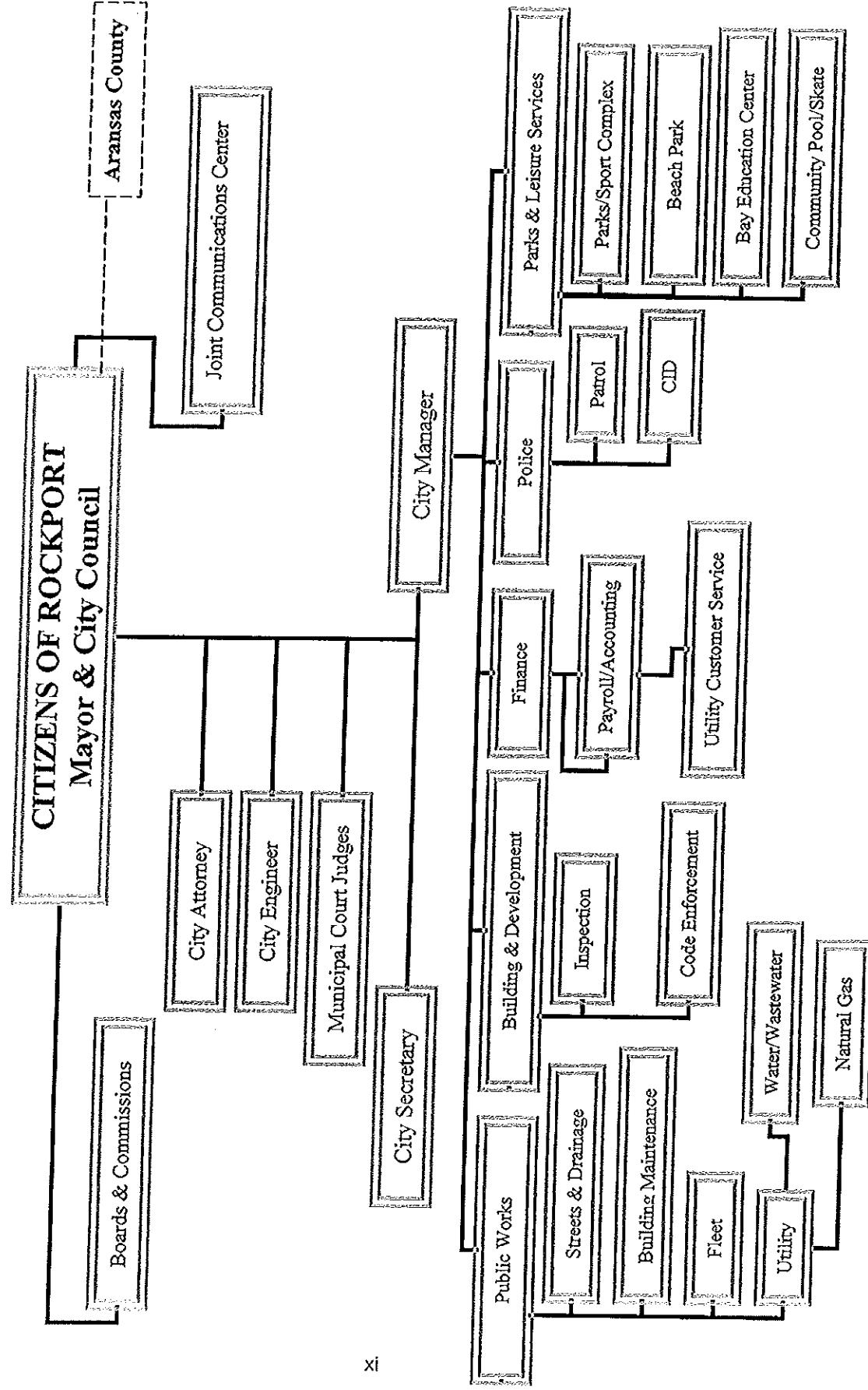
President

Jeffrey P. Evans

Executive Director



ORGANIZATION CHART – 2011



CITY OF ROCKPORT, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2011

Elected Officials

Name	Office
Charles J. Wax	Mayor
William Fisher	Mayor Pro-Tem
Leo Villa	Council Member
Paul L. Lippke	Council Member
Adelaide H. Marlatt	Council Member

Appointed Officials

Name	Position
Thomas J. Blazek	City Manager
Irma G. Parker	City Secretary
Jacky Cockerham	Finance Director
Billy Dick	Director of Utilities
Tim Jayroe	Chief of Police
Mike Henry	Building and Development Director
Tom Staley	Parks and Leisure Services Director

Financial Section

Michael A. Arnold, PLLC

601 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rockport, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, on our consideration of City of Rockport, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,



Michael A. Arnold, PLLC

March 16, 2012

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Rockport's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the transmittal letter on page i and the City's financial statements, which begin on page 12.

Financial Highlights

- The assets of the City of Rockport exceeded its liabilities at the close of 2011 by \$34,038,716 (net assets). Of this amount, \$8,619,273 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,061,242 in 2011.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,314,156, a decrease of 8.2% in comparison with the prior year. Approximately \$3,534,604 (26.6%) of this total amount is available for spending at the government's discretion (unreserved fund balance).
- The General fund reported an unreserved fund balance of \$3,534,604 or, 63.6% of total general fund expenditures.
- The City's total long-term debt decreased by \$605,495 (2.5%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 15 through 20 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 21 through 25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 45 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Rockport's operations. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rockport, assets exceeded liabilities by \$34,432,141 at the close of the most recent fiscal year.

\$21.5 million or 71%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire these assets which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to

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

Net Assets at September 30, 2010

Table 1

	Governmental Activities		Business Type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$ 5,656,578	\$ 5,893,479	\$6,412,063	\$6,464,616	\$ 12,068,641	\$12,358,095
Restricted Assets	8,719,014	9,405,803	7,427,887	9,438,947	16,146,901	18,844,750
Capital Assets, net of accumulated depreciation	21,461,771	21,030,563	30,188,625	27,422,514	51,650,396	48,453,077
Total Assets	35,920,997	36,329,845	44,028,575	43,326,077	79,865,938	79,655,922
Liabilities						
Current & Due Within One Year	\$ 2,189,795	1,454,451	3,202,955	2,652,968	\$ 5,392,750	4,107,419
Due in More Than One Year	22,326,906	23,504,025	18,107,566	19,215,861	40,434,472	42,719,886
Total Liabilities	24,516,701	24,958,476	21,310,521	21,868,829	45,827,222	46,827,305
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	\$ 7,539,674	6,821,463	17,287,725	16,563,623	\$ 24,827,399	23,385,086
Restricted for:						
Debt Service	407,389	347,272	184,655	185,349	592,044	532,621
Unrestricted	3,373,599	4,202,634	5,245,674	4,708,276	8,619,273	8,910,910
Total Net Assets	\$ 11,320,662	\$ 11,371,369	22,718,054	\$ 21,457,248	\$ 34,038,716	\$ 32,828,617

An additional portion of the City's net assets (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (25%) may be used to meet the government's ongoing obligations to citizens and creditors. It has been the practice of the City to finance major maintenance and rehabilitation of infrastructure or invest in new capital assets by issuance of long term debt and cautious and conservative draws on these unrestricted net assets. It is anticipated that this will continue to be our practice in the future.

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

Changes in Net Assets

Table 2

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Program revenues						
Charges for services	\$ 703,850	\$ 740,704	\$ 10,660,270	\$ 9,827,888	\$ 11,364,120	\$ 10,568,592
Operating grants and contributions	575,942	521,842	183,750	118,583	759,692	640,425
Capital grants and contributions	79,300	1,111,885	267,941	22,000	347,241	1,133,885
Total program revenues	1,359,092	2,374,431	11,111,961	9,968,471	12,471,053	12,342,902
General revenues						
Property taxes	\$ 4,024,879	3,996,835	-	-	\$ 4,024,879	3,996,835
Sales taxes	1,799,286	1,737,376	-	-	1,799,286	1,737,376
Franchise and other taxes	807,931	789,168	-	-	807,931	789,168
Occupancy taxes	647,278	477,688	-	-	647,278	477,688
Interest	50,110	122,596	\$ 46,943	72,781	97,053	152,430
Miscellaneous	59,003	53,633	-	71,877	59,003	125,510
Total revenues	8,747,579	7,177,296	11,158,904	144,658	19,906,483	7,279,007
Expenses						
General government	1,646,376	1,536,874	-	-	1,646,376	1,536,874
Public safety	3,439,538	3,107,677	-	-	3,439,538	3,107,677
Public Works	1,528,189	1,802,657	-	-	1,528,189	1,802,657
Culture and recreation	734,248	542,142	-	-	734,248	542,142
Tourism	476,810	480,483	-	-	476,810	480,483
Utilities	-	-	7,643,247	8,192,386	7,643,247	8,192,386
Sanitation	-	-	-	-	-	-
Beach Park	-	-	662,288	650,646	662,288	650,646
Community Aquatic Center	-	-	306,478	307,583	306,478	307,583
Natural Gas	-	-	1,415,532	-	1,415,532	307,583
Interest and fiscal charges	999,535	1,060,140	-	-	999,535	1,060,140
Total expenses	8,824,696	8,529,973	10,020,545	9,150,615	18,845,241	17,680,588

Change in net assets

Increase(Decrease) before transfers	(77,117)	1,021,754	1,138,359	962,514	1,061,242	1,984,268
Transfers	26,410	534,888	(26,410)	(534,888)	-	-
Prior Period Adj	-	-	148,857	-	148,857	-
Net assets at beginning of year	11,371,369	9,814,727	21,457,248	21,029,622	32,828,617	30,844,349
Net assets at end of year	\$11,320,662	\$11,371,369	22,718,054	\$ 21,457,248	\$ 34,038,716	\$ 32,828,617

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

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

As shown in Table 2 and the Exhibit A-2 of the Basic Financial Statements, the expenditures incurred in providing these services are netted against the program revenues received by the City for these services. Because the City is not a for-profit entity, the cost to deliver the services far exceeds the program revenues generated. This deficit of new expenditures, \$7,465,604, is overcome by the general revenues of taxes, investment earnings, miscellaneous income and transfers in totaling \$7,414897. The overall change in Net Assets resulting from governmental activities at the end of the year was (\$50,707).

Business-Type Activities. As shown in Table 2 and in the Statement of Activities, program revenues of the City's business-type activities were \$11,111,961 for the fiscal year ended September 30, 2011. Expenses for the City's business-type activities were \$10,020,545, resulting in net revenues of \$1,091,4168. After the non-program expenses and revenues are added in, the total change in net assets for the business type activities was \$1,111,949.

In the Utility System Fund, the City has little control over the costs of the two products: water and natural gas delivered to the City's customers. Water is purchased from the San Patricio Municipal Water District, and natural gas is purchased from two sources, South Cross Energy and Gulf Coast Gas Gathering. Water rates were increase by 3% this year for the first time since 2002, other than pass through increase due to increases from the supplier. The additional revenue generated will be used to pay debt service for capital improvements. Wastewater rates were also increased this year by 3%. The additional funds generated by this increase will be used to make payments on the Cured in Place Pipe (CIPP) Project portion of the 2007 Bond Issue and other projects. The City purchased Aransas Natural Gas Company, a privately owned company, on May 30, 2008. The City adopted the M & O rate that was being charged by Aransas Natural Gas Co. and the fuel adjustment rate is calculated each month based on the rate natural gas is purchased for. The

City contracts with McLain Decision Support Systems each year to do a rate study to ensure that the revenues generated by the Utility System Fund will support the associated expenditures. In future years this study will be expanded to include the natural gas revenue also.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$13,314,156, a decrease of \$1,197,162 compared to the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,534,604. This unreserved fund balance is the amount available without constraints from outside of the City to fund the City's normal operations. In order to illustrate the City's ability to withstand a major disaster such as a hurricane, it is worthwhile to measure the unreserved fund balance in terms of the number of days of operations it could sustain. For 2011, the daily cost of operation in the general fund was \$15,231 (total current expenditures of \$5,559,328 divided by 365 days in the year). The City of Rockport's unreserved general fund balance would be able to sustain 232 days in the event of disaster that interrupted normal revenue generation. The City of Rockport makes every effort to keep the unreserved fund balance at 180 days.

General Fund Budgetary Highlights.

During FY 2010-11, the General Fund budget was not significantly amended.

Proprietary Funds. The proprietary funds ended 2011 with combined net assets totaling \$22,718,054. The proprietary funds include the Utility System Fund, Natural Gas Fund, Sanitation, Rockport Beach Park and the Community Aquatic & Skate Park.

The Water and Sewer Fund and the Natural Gas Fund are the only major funds in this group.

Proprietary Fund Budgetary Highlights.

During FY 2010-11, the Community Aquatic Park Fund was not amended at all.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Rockport's investment in capital assets for its governmental and business type activities as of September 30, 2011 totals at \$50,730,740 (net of accumulated depreciation). This investment in capital assets includes, land, buildings and improvements, vehicles, furniture and equipment, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year was 4.7%.

Major capital asset events during 2011 include the following:

- Community Center - The 2007 Bond included \$2,000,000 for the construction of a Community Center. The Center will be located adjacent to the Community Aquatic and Skateboard Park. Architects are working on the design of the Center.
- Bay Education Center - The Bay Education Center was constructed by the City of Rockport with federal funds and City funds for a Parks and Leisure Services Department expansion which were included in the Center. The Center was built on land owned by the Aransas County Navigation District. The "District" will also be an owner of the Center (except for the portion built by the City).
- Linden Street Area Wastewater Collection Line – First-time public sewer service will be provided for at least 23 households. A total of 28 housing units and three other structures (churched, businesses) in the eastern Linden Street area will have first-time access to public sewer, of which 22 low and moderate income households will receive a connection as part of the grant project funded by a Texas Community Development block Grant Program. This project will be completed in the Fiscal Year 2010-2011.

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

Long-Term Debt. The City of Rockport issued refunding bonds debt in 2011, and refunded a current issue that will result in savings to the City based on current interest rates. See additional information on long-term debt on pages 37-39 of the audit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2011-12 the elected and appointed officials considered many factors including the forces driving the economy in their budget decisions. The housing starts, development, and raw land being turned into retail and housing can each be measured by the number of new water connections recorded. An increase in Hotel Occupancy Tax and sales tax indicate an increase in tourism. There has been an increase in registered voters since 2000, going from 5,987 in 2006 to 5,987 in 2010, equating to a 4% increase. The 2010 U. S. Census reports the population for Rockport at 8766 in 2010, 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.

Basic Financial Statements

CITY OF ROCKPORT, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 4,184,710	\$ 5,924,206	\$ 10,108,916
Receivables (net of allowances for uncollectibles):			
Property taxes	146,455	--	146,455
Other taxes	426,529	--	426,529
Accounts	88,998	1,313,106	1,402,104
Special assessments	7,208	4,108	11,316
Intergovernmental	105,452	--	105,452
Other	1,739	--	1,739
Internal balances	241,831	(241,831)	--
Inventories	96,448	156,238	252,686
Restricted assets:			
Cash and Investments	8,719,014	7,427,887	16,146,901
Bond issuance costs	357,208	256,236	613,444
Capital assets:			
Land	4,902,767	214,954	5,117,721
Construction in progress	120,877	789,061	909,938
Buildings	4,771,680	1,728,904	6,500,584
Improvements other than buildings	1,100,951	3,361,402	4,462,353
Utility system	--	40,059,940	40,059,940
Machinery and equipment	2,776,345	2,176,579	4,952,924
Infrastructure	11,565,458	--	11,565,458
Accumulated depreciation	(3,776,307)	(19,142,215)	(22,918,522)
Total Assets	<u>35,837,363</u>	<u>44,028,575</u>	<u>79,865,938</u>
LIABILITIES			
Accounts payable	306,586	895,356	1,201,942
Accrued liabilities	56,583	23,667	80,250
Accrued interest payable	123,340	92,345	215,685
Payable from restricted assets	15,333	172,905	188,238
Customer Deposits	--	854,025	854,025
Noncurrent liabilities:			
Due within one year	1,687,953	1,164,657	2,852,610
Due in more than one year	22,326,906	18,107,566	40,434,472
Total Liabilities	<u>24,516,701</u>	<u>21,310,521</u>	<u>45,827,222</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,539,674	17,287,725	24,827,399
Restricted For:			
Debt Service	407,389	184,655	592,044
Unrestricted	3,373,599	5,245,674	8,619,273
Total Net Assets	<u>\$ 11,320,662</u>	<u>\$ 22,718,054</u>	<u>\$ 34,038,716</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,646,376	\$ 17,953	\$ --	\$ --
Public safety	3,439,538	507,266	575,942	--
Public works	1,528,189	177,694	--	--
Culture and recreation	734,248	948	--	79,300
Tourism	476,810	--	--	--
Interest and fiscal charges	999,535	--	--	--
Total governmental activities	<u>8,824,696</u>	<u>703,850</u>	<u>575,942</u>	<u>79,300</u>
Business-type Activities:				
Sanitation	--	17,039	--	--
Water & Sewer	7,636,247	8,377,063	--	267,941
Beach Park	662,288	425,924	95,000	--
Community Aquatic Center	306,478	114,642	88,750	--
Natural Gas	1,415,532	1,725,602	--	--
Total Business-type Activities	<u>10,020,545</u>	<u>10,660,270</u>	<u>183,750</u>	<u>267,941</u>
Total Primary Government	<u>\$ 18,845,241</u>	<u>\$ 11,364,120</u>	<u>\$ 759,692</u>	<u>\$ 347,241</u>

General Revenues:

- Properly Taxes, Levied for General Purposes
- Properly Taxes, Levied for Debt Services
- Sales Taxes
- Franchise Taxes and Other Taxes
- Occupancy Taxes
- Unrestricted Investment Earnings
- Other Revenues
- Transfers
 - Total General Revenues
 - Change In Net Assets
- Net Assets - Beginning
- 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>
\$	(1,628,423)	\$ (1,628,423)	
	(2,356,341)	(2,356,341)	
	(1,350,495)	(1,350,495)	
	(654,000)	(654,000)	
	(476,810)	(476,810)	
	(999,535)	(999,535)	
	<u>(7,465,604)</u>	<u>(7,465,604)</u>	
--	\$ 17,039	17,039	
--	1,008,757	1,008,757	
--	(141,364)	(141,364)	
--	(103,086)	(103,086)	
--	310,070	310,070	
--	<u>1,091,416</u>	<u>1,091,416</u>	
	<u>(7,465,604)</u>	<u>1,091,416</u>	<u>(6,374,188)</u>
2,046,542	--	2,046,542	
1,978,337	--	1,978,337	
1,799,286	--	1,799,286	
807,931	--	807,931	
647,278	--	647,278	
60,110	46,943	97,053	
59,003	--	59,003	
26,410	(26,410)	--	
<u>7,414,897</u>	<u>20,533</u>	<u>7,435,430</u>	
(50,707)	1,111,949	1,061,242	
11,371,369	21,457,248	32,828,617	
--	148,857	148,857	
<u>\$ 11,320,662</u>	<u>\$ 22,718,054</u>	<u>\$ 34,038,716</u>	

CITY OF ROCKPORT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>General Fund</u>	<u>Debt Service</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 3,048,934	\$ 344,532
Receivables (net of allowances for uncollectibles):		
Property taxes	83,598	62,857
Other taxes	218,336	--
Accounts	75,000	--
Special assessments	--	--
Intergovernmental	--	--
Other	1,739	--
Due from other funds	470,663	--
Inventories	56,427	--
Restricted assets:		
Cash and Investments	--	--
Total Assets	<u>\$ 3,954,697</u>	<u>\$ 407,389</u>
Liabilities:		
Accounts payable	\$ 158,644	\$ --
Accrued expenditures	46,424	--
Due to other funds	--	--
Payable from restricted assets	--	--
Deferred revenue	158,598	62,857
Total Liabilities	<u>363,666</u>	<u>62,857</u>
Fund balances:		
Nonspendable	56,427	--
Restricted	--	344,532
Committed	--	--
Assigned	--	--
Unassigned	3,534,604	--
Total fund balances	<u>3,591,031</u>	<u>344,532</u>
Total Liabilities and Fund balances	<u>\$ 3,954,697</u>	<u>\$ 407,389</u>

The accompanying notes are an integral part of this statement.

2007 Certificate of Obligation	2005 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 744,542	\$ 4,138,008
--	--	--	146,455
--	--	208,193	426,529
--	--	13,998	88,998
--	--	7,208	7,208
--	--	105,452	105,452
--	--	--	1,739
--	--	--	470,663
--	--	--	56,427
<u>5,780,807</u>	<u>2,938,207</u>	<u>\$ 1,079,393</u>	<u>8,719,014</u>
<u>\$ 5,780,807</u>	<u>\$ 2,938,207</u>	<u>\$ 1,079,393</u>	<u>\$ 14,160,493</u>
\$ --	\$ --	\$ 147,780	\$ 306,424
--	--	6,711	53,135
--	--	228,832	228,832
15,333	--	--	15,333
--	--	21,158	242,613
<u>15,333</u>	<u>--</u>	<u>404,481</u>	<u>846,337</u>
--	--	--	56,427
5,765,474	2,938,207	475,412	9,523,625
--	--	(134,170)	(134,170)
--	--	333,670	333,670
--	--	--	3,534,604
<u>5,765,474</u>	<u>2,938,207</u>	<u>674,912</u>	<u>13,314,156</u>
<u>\$ 5,780,807</u>	<u>\$ 2,938,207</u>	<u>\$ 1,079,393</u>	<u>\$ 14,160,493</u>

CITY OF ROCKPORT, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

Total fund balances - governmental funds balance sheet	\$ 13,314,156
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	21,447,812
Properly taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	146,455
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	97,072
Payables for bond principal which are not due in the current period are not reported in the funds.	(21,463,113)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,180,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(123,340)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(352,803)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	357,208
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	75,000
OBEP Obligation is not recorded in the funds.	(1,018,943)
Utility receivables unavailable to pay for current period expenditures are deferred in the funds.	13,950
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	7,208
Net assets of governmental activities - Statement of Net Assets	\$ 11,320,662

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service
Revenue:		
Taxes	\$ 4,643,440	\$ 1,969,101
Licenses and permits	177,694	--
Intergovernmental	--	--
Charges for services	948	--
Fines	309,625	--
Interest	10,277	840
Miscellaneous	49,519	--
Total revenues	5,191,503	1,969,941
Expenditures:		
Current:		
General government	1,266,386	--
Public safety	2,217,963	--
Public works	1,313,366	--
Culture and recreation	578,111	--
Tourism	--	--
Capital outlay	183,502	--
Debt service:		
Principal	--	978,736
Interest and fiscal charges	--	970,698
Bond issuance cost	--	41,545
Total expenditures	5,559,328	1,990,979
Excess (deficiency) of revenues (under) expenditures	(367,825)	(21,038)
Other financing sources (uses):		
Transfers in	851,790	22,438
Transfers out	(1,320,308)	--
Issuance of certificates of obligation	--	1,454,824
Premium on bonds sold	--	61,942
Interest on bonds sold	--	7,935
Payment to refunding escrow agent	--	(1,475,220)
Total other financing sources (uses)	(468,518)	71,919
Net change in fund balance	(836,343)	50,881
Fund balance, beginning of year	4,427,374	293,651
Fund balance, end of year	\$ 3,591,031	\$ 344,532

The accompanying notes are an integral part of this statement.

<u>2007 Certificate of Obligation</u>	<u>2005 Certificate of Obligation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ --	\$ 828,154	\$ 7,440,695
--	--	--	177,694
--	--	655,242	655,242
--	--	--	948
--	--	19,942	329,567
18,243	12,193	622	42,175
--	--	9,484	59,003
<u>18,243</u>	<u>12,193</u>	<u>1,513,444</u>	<u>8,705,324</u>
 --	 --	 8,053	 1,274,439
--	--	1,016,702	3,234,665
--	--	7,952	1,321,318
--	--	53,786	631,897
--	--	476,810	476,810
524,292	55,534	256,176	1,019,504
 --	 --	 28,938	 1,007,674
--	--	6,652	977,350
--	--	--	41,545
<u>524,292</u>	<u>55,534</u>	<u>1,855,069</u>	<u>9,985,202</u>
 (506,049)	 (43,341)	 (341,625)	 (1,279,878)
 --	 --	 692,342	 1,566,570
(152,731)	--	(60,296)	(1,533,335)
--	--	--	1,454,824
--	--	--	61,942
--	--	--	7,935
--	--	--	(1,475,220)
<u>(152,731)</u>	<u>--</u>	<u>632,046</u>	<u>82,716</u>
 (658,780)	 (43,341)	 290,421	 (1,197,162)
 6,424,254	 2,981,548	 384,491	 14,511,318
<u>\$ 5,766,474</u>	<u>\$ 2,938,207</u>	<u>\$ 674,912</u>	<u>\$ 13,314,156</u>

CITY OF ROCKPORT, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds \$ (1,197,162)

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

Capital outlays are not reported as expenses in the SOA.	1,019,504
The depreciation of capital assets used in governmental activities is not reported in the funds.	(586,551)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	13,254
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,417,894
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	65,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(28,134)
Amortization of deferred loss on refunding is recorded in the SOA but not in the funds	(23,728)
(Increase) decrease in accrued interest from beginning of period to end of period.	18,787
The net revenue (expense) of internal service funds is reported with governmental activities.	63,041
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(39,845)
Certain utility receivables are deferred in the funds. This is the change in these amounts this year.	1,566
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,454,824)
Bond premiums are reported in the funds but not in the SOA.	(61,942)
Bond issuance costs are reported in the funds but not in the SOA.	41,545
Amortization of bond premium is not reported in the funds.	30,390
Change in current OBEPE obligation is not reported in the funds	(329,502)

Change in net assets of governmental activities - Statement of Activities \$ (50,707)

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	<u>Enterprise</u> <u>Fund</u>	<u>Enterprise</u> <u>Fund</u>
	<u>Water & Sewer</u> <u>Fund</u>	<u>Natural</u> <u>Gas</u> <u>Fund</u>
ASSETS		
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,409,279	\$ 252,848
Receivables (net of allowances for uncollectibles):		
Accounts	772,574	194,099
Special assessments	4,108	--
Inventories	100,307	55,931
Total current assets	<u>6,286,268</u>	<u>502,878</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	7,427,887	--
Accounts receivable - noncurrent	192,235	--
Bond issue costs	256,236	--
Capital assets:		
Land	110,654	--
Buildings	273,253	--
Improvements other than buildings	--	--
Water system	19,035,257	--
Sewer system	19,171,683	--
Natural gas system	--	1,853,000
Machinery and equipment	1,987,921	--
Accumulated depreciation	(15,770,919)	(200,743)
Total noncurrent assets	<u>32,684,207</u>	<u>1,652,257</u>
Total Assets	<u>\$ 39,769,536</u>	<u>\$ 2,155,135</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 484,954	\$ 13,135
Accrued expenses	19,683	946
Due to other funds	--	--
Accrued interest payable	92,345	--
Customer deposits	835,495	--
Compensated absences	100,000	--
Bonds and certificates of obligation - current portion	1,064,657	--
Total current liabilities	<u>2,597,134</u>	<u>14,081</u>
Noncurrent Liabilities:		
Bonds and certificates of obligation payable	18,079,475	--
Compensated absences	16,182	3,868
Total noncurrent liabilities	<u>18,095,657</u>	<u>3,868</u>
Total Liabilities	<u>20,865,696</u>	<u>17,949</u>
NET ASSETS:		
Investment in Capital Assets, Net of Related Debt	13,696,010	1,652,257
Restricted for Debt Service	184,655	--
Unrestricted Net Assets	5,013,175	484,929
Total Net Assets	<u>\$ 18,893,840</u>	<u>\$ 2,137,186</u>

EXHIBIT A-7

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
		Fleet Fund
\$ 262,079	\$ 5,924,206	\$ 46,702
154,198	1,120,871	--
--	4,108	--
--	166,238	40,021
<u>416,277</u>	<u>7,205,423</u>	<u>86,723</u>
--	7,427,887	--
--	192,235	--
--	256,236	--
104,300	214,954	--
1,455,651	1,728,904	--
3,361,402	3,361,402	--
--	19,035,257	--
--	19,171,683	--
--	1,853,000	--
188,658	2,176,579	17,448
(3,170,553)	(19,142,215)	(3,489)
<u>1,939,458</u>	<u>36,275,922</u>	<u>13,959</u>
<u>\$ 2,355,735</u>	<u>\$ 44,270,406</u>	<u>\$ 100,602</u>
\$ 397,267	\$ 895,366	\$ 162
3,038	23,667	3,448
241,831	241,831	--
--	92,345	--
18,530	854,025	--
--	100,000	--
--	<u>1,064,657</u>	--
<u>660,666</u>	<u>3,271,881</u>	<u>3,610</u>
--	18,079,475	--
8,041	28,091	--
<u>8,041</u>	<u>18,107,566</u>	<u>--</u>
<u>668,707</u>	<u>21,379,447</u>	<u>3,610</u>
1,939,458	17,287,725	13,959
--	184,655	
(252,430)	5,245,674	97,072
<u>\$ 1,687,028</u>	<u>\$ 22,718,054</u>	<u>\$ 97,072</u>

CITY OF ROCKPORT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Enterprise Fund</u>	<u>Enterprise Fund</u>
	<u>Water & Sewer Fund</u>	<u>Natural Gas Fund</u>
OPERATING REVENUES:		
Charges for services	\$ 8,377,063	\$ 1,725,602
Total Operating Revenues	<u>8,377,063</u>	<u>1,725,602</u>
OPERATING EXPENSES:		
Personal services	1,490,268	267,657
Contractual services	345,355	32,657
Maintenance	532,494	105,687
Supplies	3,661,535	919,491
Other	37,931	28,273
Amortization	20,777	--
Depreciation	787,571	61,767
Total Operating Expenses	<u>6,875,931</u>	<u>1,415,532</u>
Operating Income (Loss)	<u>1,501,132</u>	<u>310,070</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	46,943	--
Intergovernmental revenue	--	--
Interest expense	(760,316)	--
Total Non-operating Revenues (Expenses)	<u>(713,373)</u>	<u>--</u>
Net Income (Loss) before Operating Transfers	<u>787,759</u>	<u>310,070</u>
Capital Contributions	267,941	--
TRANSFERS:		
Interfund transfers in	319,269	--
Interfund transfers out	(724,531)	(271,939)
Change in Net Assets	<u>650,438</u>	<u>38,131</u>
Net Assets, beginning of year	18,243,402	2,099,055
Prior Period Adjustment	--	--
Net Assets, end of year	<u>\$ 18,893,840</u>	<u>\$ 2,137,186</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-8

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
		Fleet Fund
\$ 557,605	\$ 10,660,270	\$ 661,845
<u>557,605</u>	<u>10,660,270</u>	<u>661,845</u>
446,733	2,204,658	134,185
89,645	467,657	10,612
96,768	734,949	--
208,513	4,787,539	445,053
1,541	67,745	384
--	20,777	--
127,566	976,904	1,745
968,766	9,260,229	<u>591,979</u>
<u>(411,161)</u>	<u>1,400,041</u>	<u>69,866</u>
--	46,943	--
183,750	183,750	--
--	(760,316)	--
<u>183,750</u>	<u>(529,623)</u>	<u>--</u>
<u>(227,411)</u>	<u>870,418</u>	<u>69,866</u>
--	267,941	--
686,791	1,006,060	--
(36,000)	(1,032,470)	(6,825)
<u>423,380</u>	<u>1,111,949</u>	<u>63,041</u>
1,114,791	21,457,248	34,031
148,857	148,857	--
<u>\$ 1,687,028</u>	<u>\$ 22,718,054</u>	<u>\$ 97,072</u>

CITY OF ROCKPORT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Funds				
	Water & Sewer	Natural Gas	Nonmajor Enter. Funds	Totals	Service Funds
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 8,382,431	\$ 1,935,922	\$ 566,529	\$ 10,884,882	\$ 661,845
Cash Received from Grants	--	--	--	--	--
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	--	(571,588)	(571,588)	
Cash Payments to Employees for Services	(1,490,268)	(329,335)	(445,142)	(2,264,745)	(134,185)
Cash Payments to Other Suppliers for Goods and Services	(4,339,460)	(1,266,665)	(397,116)	(6,003,241)	(474,133)
Net Cash Provided (Used) by Operating Activities	<u>2,552,703</u>	<u>339,922</u>	<u>(847,317)</u>	<u>2,045,308</u>	<u>53,527</u>
Cash Flows from Non-capital Financing Activities:					
Operating Grants Received	--	--	183,750	183,750	--
Transfers From Other Funds	643,190	--	686,785	1,329,975	--
Transfers From To Other Funds	--	(200,519)	(36,000)	(236,519)	(6,825)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>643,190</u>	<u>(200,519)</u>	<u>834,535</u>	<u>1,277,206</u>	<u>(6,825)</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Issuance of Long-term Debt	1,517,243	--	--	1,517,243	--
Principal and Interest Paid	(3,343,100)	--	--	(3,343,100)	--
Acquisition or Construction of Capital Assets	(2,826,950)	--	--	(2,826,950)	--
Proceeds from sale of capital assets	--			--	--
Amounts paid for bond issuance	(6,483)	--	--	(6,483)	--
Contributed Capital	267,941	--	--	267,941	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(4,391,349)</u>	<u>--</u>	<u>--</u>	<u>(4,391,349)</u>	<u>--</u>
Cash Flows from Investing Activities:					
Interest and Dividends on Investments	46,943	--	--	46,943	--
Net Cash Provided (Used) for Investing Activities	<u>46,943</u>	<u>--</u>	<u>--</u>	<u>46,943</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,148,513)	139,403	(12,782)	(1,021,892)	46,702
Cash and Cash Equivalents at Beginning of Year	14,609,916	--	274,861	14,884,777	--
Cash and Cash Equivalents at End of Year	<u>\$ 13,461,403</u>	<u>\$ 139,403</u>	<u>\$ 262,079</u>	<u>\$ 13,862,885</u>	<u>\$ 46,702</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 1,501,132	\$ 345,826	(411,161)	\$ 1,435,797	\$ 69,866
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation and Amortization	787,571	61,767	127,566	976,904	1,745
Provision for Uncollectible Accounts	--	--	--	--	--
Change in Assets and Liabilities:					
Decrease (Increase) in Receivables	(77,684)	(31,069)	(13,715)	(122,468)	--
Decrease (Increase) in Inventories	(35,549)	(36,984)	--	(72,533)	2,516
Decrease (Increase) in Prepaid Expenses	--	--	--	--	24,282
Increase (Decrease) in Accounts Payable	290,741	956	17,774	309,471	162
Increase (Decrease) in Payroll Deductions	--	--	--	--	--
Increase (Decrease) in Accrued Wages Payable	--	--	--	--	--
Increase (Decrease) in Interfund Payables	--	--	(571,588)	(571,588)	(47,175)
Increase (Decrease) in Customer Deposits	83,052	--	2,216	85,268	--
Increase (Decrease) in Accrued Expenses	3,440	(574)	1,591	4,457	2,131
Increase (Decrease) in Unearned Revenue	--	--	--	--	--
Total Adjustments	<u>1,051,571</u>	<u>(5,904)</u>	<u>(436,156)</u>	<u>609,511</u>	<u>(18,084)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,552,703</u>	<u>\$ 339,922</u>	<u>\$ (847,317)</u>	<u>\$ 2,045,308</u>	<u>\$ 53,527</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

In addition, the City reports the following fund types:

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

b. Measurement Focus, Basis of Accounting

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

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

e. Receivable and Payable Balances

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

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

f. Compensated Absences

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

g. Interfund Activity

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

i. Fund Balances - Governmental Funds

For the year ended September 30, 2011, the City adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." Fund balances are now classified as described below:

Fund balances of the governmental funds are classified as follows:

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

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

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

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

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

4. Budgetary Data

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

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

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

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

5. Encumbrance Accounting

Encumbrance accounting is not used by the City.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
City County Dispatch	\$ 135,943	Temporary shortage. To be replenished by General Fund.

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$26,170,730 and the bank balance was \$26,245,610. The City's cash deposits at September 30, 2011 and during the year ended September 30, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

The City's investment at September 30, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	N/A	\$ 18,585
Texas Term Daily	N/A	66,502
Total Investments		\$ 85,087

During the year, the City invested in the following type of investment which was not held at year end:

Certificates of Deposit

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

At September 30, 2011, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

D. Receivables

Receivables at September 30, 2011 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Governmental Activities

	General	Debt Service	Nonmajor Governmental	Total
Property taxes	\$ 136,545	\$ 90,456	\$ --	\$ 227,001
Other Taxes	218,336	--	208,193	426,529
Accounts	--	--	18,294	18,294
Special Assessments	--	--	7,208	7,208
Intergovernmental	--	--	105,452	105,452
Fines	75,000	--	--	75,000
Sundry	1,739	--	--	1,739
Gross	431,620	90,456	339,147	861,223
Less allowance for uncollectibles	(52,947)	(27,599)	(4,296)	(84,842)
Net Receivables	\$ 378,673	\$ 62,857	\$ 334,861	\$ 776,381

E. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,856,512	\$ 46,255	\$ --	\$ 4,902,767
Construction in progress	120,877	--	--	120,877
Total capital assets not being depreciated	\$ 4,977,389	\$ 46,255	\$ --	\$ 5,023,644
Capital assets being depreciated:				
Infrastructure	10,972,329	593,128	--	11,565,457
Buildings and Improvements	4,715,196	56,484	--	4,771,680
Improvements other than buildings	977,006	123,945	--	1,100,951
Machinery and Equipment	2,651,654	199,692	75,000	2,776,346
Total capital assets being depreciated	19,316,185	973,249	75,000	20,214,434
Less accumulated depreciation for:				
Infrastructure	(592,778)	(198,415)	--	(791,193)
Buildings and Improvements	(825,950)	(124,945)	--	(950,895)
Improvements other than buildings	(238,722)	(48,844)	--	(287,566)
Machinery and Equipment	(1,605,563)	(216,090)	(75,000)	(1,746,653)
Total accumulated depreciation	(3,263,013)	(588,294)	(75,000)	(3,776,307)
Total capital assets being depreciated, net	\$ 16,053,172	\$ 384,955	\$ --	\$ 16,438,127
Governmental activities capital assets, net	\$ 21,030,561	\$ 431,210	\$ --	\$ 21,461,771

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Construction in progress	122,334	688,727	22,000	789,061
Total capital assets not being depreciated	<u>337,288</u>	<u>688,727</u>	<u>22,000</u>	<u>1,004,015</u>
Capital assets being depreciated:				
Buildings and Improvements	1,728,904	--	--	1,728,904
Improvements other than buildings	3,361,402	--	--	3,361,402
Infrastructure	38,073,033	1,986,907	--	40,059,940
Machinery and Equipment	3,104,018	89,376	16,815	3,176,579
Total capital assets being depreciated	<u>46,267,357</u>	<u>2,076,283</u>	<u>16,815</u>	<u>48,326,825</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,402,947)	(38,866)	--	(1,441,813)
Improvements other than buildings	(1,699,625)	(88,573)	--	(1,788,198)
Infrastructure	(13,420,332)	(730,144)	--	(14,150,476)
Machinery and Equipment	(1,659,222)	(119,321)	(16,815)	(1,761,728)
Total accumulated depreciation	<u>(18,182,126)</u>	<u>(976,904)</u>	<u>(16,815)</u>	<u>(19,142,215)</u>
Total capital assets being depreciated, net	<u>28,085,231</u>	<u>1,099,379</u>	<u>--</u>	<u>29,184,610</u>
Business-type activities capital assets, net	\$ 28,422,519	\$ 1,788,106	\$ 22,000	\$ 30,188,625

Depreciation was charged to functions as follows:

Governmental activities:

General Government	\$ 32,474
Public Safety	184,950
Public Works	268,520
Culture and Recreation	<u>102,350</u>
	\$ <u>588,294</u>

Business-type activities:

Water and Sewer System	\$ 787,571
Natural Gas System	61,767
Beach Park	61,442
Community Aquatic Center	<u>66,124</u>
	\$ <u>976,904</u>

Capital Leases

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

Buildings	\$ 1,607,000
Less accumulated amortization	(281,225)
Capitalized leases, net	<u>\$ 1,325,775</u>

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2011, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 228,832	Short-term loans
General Fund	Other Enterprise Fund	241,831	Short-term loans
	Total	\$ 470,663	

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, 2011, consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>				
	<u>Total</u>	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Proprietary</u>	<u>Water & Sewer</u>
Natural Gas Fund	\$ 271,939	\$ 105,401	\$	\$	\$ 166,538
Water and Sewer Fund	724,531	702,093			
2007 C. O. Fund	152,731	--			152,731
General Fund	1,320,308	--	685,517	634,791	
Debt Service Fund	--	--			
Nonmajor Governmental	114,082	8,296	53,786	52,000	
Nonmajor Proprietary	36,000	--		36,000	--
	\$ 2,619,591	\$ 815,790	\$ 739,303	\$ 722,791	\$ 319,269

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

The Beach Park Fund received \$597,830 to cover operating losses over the last several years. Annual transfers have have been budgeted, but not made over the last several years.

Other transfers were made to supplement other funds operations.

G. Short-Term Debt Activity

The City had no short-term debt activity for the year ended September 30, 2011.

H. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2011:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bond Construction Funds	\$ 8,719,014	\$ 7,243,232
Debt Service	--	184,655
	\$ 8,719,014	\$ 7,427,887

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. Long-Term Obligations

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

Long-term debt consisted of the following at September 30, 2011:

	Interest Rate	General Long-Term Debt	Enterprise Fund Debt
Combination Tax and Revenue Certificates of Obligation, Series 2005	4.00-4.50%	4,843,176	3,541,824
Combination Tax and Revenue Certificates of Obligation, Series 2007	4.25-5.25%	13,403,295	2,756,705
General Obligation Refunding Bonds, Series 2009	3.00-4.00%	1,640,478	1,169,522
Combination Tax and Revenue Certificates of Obligation, Series 2009	3.00-4.50%	--	9,965,000
General Refunding Bonds, Series 2010	2.00-4.00%	1,424,776	1,420,224
Total Bonded Debt		21,311,725	18,853,275
Unamortized bond premium		358,128	229,652
Unamortized Deferred Loss on Refunding		(208,792)	(47,332)
Unamortized Deferred Gain on Refunding		--	108,526
Capital leases payable		1,180,000	--
OPEB obligation		1,018,943	--
Compensated absences		362,803	128,091
Total Long-Term Debt		\$ 24,012,807	\$ 19,272,212

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 20,175,680	\$ --	\$ 1,929,209	\$ 18,246,471	651,522
General obligation bonds	1,885,674	1,454,824	275,244	3,065,254	490,769
Bond premium	326,577	61,941	30,390	358,128	30,390
Deferred loss on refunding	(19,028)	(213,492)	(23,728)	(208,792)	(23,728)
Capital leases	1,247,000	--	67,000	1,180,000	69,000
OPEB obligation	689,441	329,502	--	1,018,943	330,000
Compensated absences *	312,958	155,332	115,487	352,803	140,000
Total governmental activities	\$ 24,618,302	\$ 1,788,107	\$ 2,393,602	\$ 24,012,807	\$ 1,687,953

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Business-type activities:</u>							
Certificates of obligation	\$ 18,634,321	\$ --	\$ 2,370,792	\$ 18,263,529		658,478	
General obligation bonds	1,344,326	1,450,176	204,756	2,589,746		380,855	
Bond premium	187,854	61,743	19,945	229,652		19,945	
Deferred loss on refunding	(54,012)		(6,680)	(47,332)		(6,680)	
Deferred gain on refunding	--	120,585	12,059	108,526		12,059	
Compensated absences *	97,714	100,784	70,407	128,091		100,000	
Total business-type activities	\$ 20,210,203	\$ 1,733,288	\$ 2,671,279	\$ 19,272,212		\$ 1,164,657	

* Other long-term liabilities

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

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

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2011, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 1,025,667	\$ 935,996	\$ 1,961,663
2013	1,089,919	897,287	1,987,206
2014	1,133,084	855,860	1,988,944
2015	1,182,065	812,386	1,994,441
2016	1,383,731	763,104	2,146,835
2017-2021	6,901,392	2,951,373	9,852,765
2022-2026	7,339,319	1,290,614	8,629,933
2027	1,256,558	32,984	1,289,542
Totals	\$ 21,311,725	\$ 8,539,604	\$ 29,851,329

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2012	\$ 959,333	\$ 738,762	\$ 1,698,095
2013	1,000,081	707,371	1,707,452
2014	1,031,916	674,129	1,706,045
2015	1,072,945	639,359	1,712,304
2016	1,111,269	602,642	1,713,911
2017-2021	5,588,608	2,357,942	7,946,550
2022-2026	5,635,681	1,191,471	6,827,152
2027-2029	2,453,442	155,805	2,609,247
Totals	\$ 18,853,275	\$ 7,067,481	\$ 25,920,756

3. Advance Refunding of Debt

In December, 2010, the City issued \$2,905,000 of General Obligation Refunding Bonds to provide resources to advance refund \$1,261,728 of Governmental Bonds and \$1,618,210 of Business-type Bonds, with interest rates from 3.50 - 4.70%. Interest on the refunding bonds is 2.00-4.00%. The City used the net proceeds along with other resources to purchase U.S. government securities which were placed in an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, these bonds are considered defeased and the City has removed the liability for these bonds from its books. The outstanding principal of the defeased bonds is \$2,815,048 at September 30, 2011.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

The advance refunding reduced total debt service payments over the next 10 years by approximately \$205,999. This results is an economic gain(difference between the present values of the debt service payments on the old and new debt) of approximately \$177,155.

There was no outstanding refunded debt at September 30, 2011.

4 Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2011, as follows:

<u>Year Ending September 30:</u>	
2012	\$ 120,820
2013	121,137
2014	120,222
2015	120,162
2016	120,911
2017-2021	603,203
2022-2026	362,181
Total Minimum Rentals	<u>1,568,636</u>
Less amount representing interest	<u>(388,636)</u>
Present value of minimum lease payments	<u>\$ 1,180,000</u>
Rental Expenditures in 2011	<u>\$ 120,303</u>

The effective interest rate on capital leases is 4.39%.

5 Continuing Disclosure

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

J. Commitments Under Noncapitalized Leases

The City had no material commitments under operating (noncapitalized) lease agreements at September 30, 2011.

K. Risk Management

The City is exposed to various risks of loss related to loris, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, 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 reinsurance through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

L. Pension Plan

1. Plan Description

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

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

	Plan Year 2010	Plan Year 2011
Employee deposit rate	7.00%	7.00%
Matching ratio(city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility express as age/years of service	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating	70% of CPI Repeating

2 Contributions

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

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

Net Pension Obligation (NPO) at Beginning of Year \$	--
Annual Pension Cost:	
Annual required contribution (ARC)	\$ 668,220
Contributions Made	\$ 668,220
NPO at End of Year	\$ --

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10 prior to restructuring	12/31/10 Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 years: closed period	28.1 years: closed period	27.2 years: closed period	27.3 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%	2.1%

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

The funding status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Original Fund Structure	New Fund Structure
	12/31/10	12/31/10
Actuarial Value of Assets	\$ 10,348,760	\$ 14,763,503
Actuarial Accrued Liability	\$ 15,051,178	\$ 18,263,261
Percentage Funded	68.7%	80.8%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 4,704,418	\$ 3,499,758

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Annual Covered Payroll \$ 4,372,266 \$ 4,372,266

UAAL as a Percentage of Covered Payroll 107.6% 80.0%

Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/09	\$ 566,212	100.00%	\$ --
09/30/10	625,336	100.00%	--
09/30/11	668,220	100.00%	--

Schedule of Funding Progress:

	Actuarial Value Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL.)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	12/31/08	8,752,103	\$ 12,926,424	\$ 4,174,321	67.71%	\$ 3,861,196	108.1%
	12/31/09	9,739,357	14,196,937	4,457,580	68.60%	4,043,337	110.2%
(1)	12/31/10	10,346,760	15,051,178	4,704,418	68.74%	4,372,266	107.6%
(2)	12/31/10	14,763,503	18,263,261	3,499,758	80.84%	4,372,266	80.0%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

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

M. Health Care Coverage

During the year ended September 30, 2011, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$413 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed Insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2012, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the are available for the year ended , have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

N. Post Employment Benefits Other Than Pensions

Health Care Benefit Eligibility Conditions:

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy

Health Care Benefit Provided by the Plan

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

Early Retirement Benefits

Health Care Benefit Eligibility Conditions

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

After 4/24/2001: Retirement with ten year of service with the City of Rockport eligible for 50% of premium. The percentage of premium paid increases annually and at twenty years of service eligible for 100% of premium. If retiring after April 24, 2001, they must enroll for this coverage within thirty days of their retirement. At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy.

Health Care Benefit Provided by Plan

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

Deferred Retirement Benefits

None.

Duty and Non-Duty Death in Service Retirement Benefits

None.

Duty Disabled Retirement Benefits

Health Care Benefit Eligibility Conditions

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

After 4/24/2001: Retirement with ten year of service with the City of Rockport eligible for 50% of premium. The percentage of premium paid increases annually and at twenty years of service eligible for 100% of premium. If retiring after April 24, 2001, they must enroll for this coverage within thirty days of their retirement. At age 65, the retiree must apply for Medicare and City furnishes a Medicare Supplemental Policy.

Health Care Benefit Provided by Plan

Member:	Medical
---------	---------

Non-Duty Disabled Retirement Benefits

Health Care Benefit Eligibility Conditions

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

After 4/24/2001: Retirement with ten year of service with the City of Rockport eligible for 50% of premium. The

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

percentage of premium paid increases annually and at twenty years of service retirees are eligible for 100% of premium. If retiring after April 24, 2001, they must enroll for this coverage within thirty days. At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy.

Health Care Benefit Provided by Plan

Member: Medical

Benefits for Spouses of Retired Employees

Benefits are paid by the retiree

Non-Medicare and Medicare-Eligible Provisions

At age 65 must apply for Medicare and City furnishes a Medicare Supplemental Policy.

Vision Coverage

Health Care Benefit Eligibility Conditions

Benefits are paid by retiree

Health Care Benefit Provided by Plan

Member: No

Dental Coverage

Health Care Benefit Eligibility Conditions

Benefits are paid by retiree

Health Care Benefit Provided by Plan

Member: No

Life Insurance Coverage

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

No dependent life is covered by the City of Rockport.

Retiree Opt-Out

N/A

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB and is required to have additional valuations every three years. The annual OPEB cost for the fiscal year ending September 30, 2011 was determined as follows:

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Annual required contribution	\$468,876
Interest on OPEB obligation	13,259
Adjustment to ARC	(13,259)
Annual OPEB cost (expense end of year)	\$468,876
Net employer contributions (pay as you go)	(139,374)
Increase in net OPEB	\$329,502
Net OPEB obligation - as 09/30/10	686,441
Net OPEB obligation (asset)- as of 09/30/11	\$1,015,943

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

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

Year Ended September 30	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 441,961	26.51%	\$ 324,796
2010	455,220	20.56%	686,441
2011	468,876	29.73%	1,015,943

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB statement No. 45 as of December 31, 2009, its most recent actuarial valuation is as follows:

Actuarial accrued liability (AAL)	\$ 4,968,631
Actuarial value of assets	--
Unfunded AAL(UAAL)	\$ 4,968,631
Funded ratio	--
Covered Payroll	\$ 4,372,266
UAAL as % of covered payroll	113.64%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$4,698,631 at December 31, 2009.

Actuarial methods and assumptions

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Investment rate of return	4.5% net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Growth Rate	3.0% per annum
Medical Inflation	10% in the short-term to 5% in the long-term

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

O. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2011.

P. Prior Period Adjustment

A prior period adjustment was made to remove a contingent liability in the sanitation fund. The liability was created over a period of years under the terms of a previous contract and is no longer applicable. The retained earnings was increased \$148,857.

Q. Subsequent Events

The City entered into a lease agreement with the Aransas County Navigation District No. 1 (ACND) in 1987 to operate a Beach Park. The City also constructed all improvements and purchased all equipment at the Park since the leases' inception. The lease agreement expires May 1, 2012. The City and the ACND were unable to negotiate a renewal of the lease. At the time of this report's issuance, the ACND has stated that they intend to take over all operations of the Park on May 1, 2012.

The City intends to either sell the equipment to the ACND or remove it and place it at other parks. The buildings and improvements paid for by the City will remain at the Park. At September 30, 2011, the net property and equipment of the Park were carried on the books at \$533,307. If the lease is not renewed the City will incur a loss of close to that amount on May 1, 2012.

The Park has operated at a loss every year since its inception and has been supplemented by transfers from the General Fund. The City anticipates no adverse effects to its financial position due to this situation other than the loss incurred on abandonment of the buildings and improvements referred to above.

Required Supplementary Information

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

CITY OF ROCKPORT, TEXAS
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
Revenue:					
Taxes	\$ 4,676,872	\$ 4,676,872	\$ 4,643,440	\$ (33,432)	
Licenses and permits	140,000	153,700	177,694	23,994	
Intergovernmental	80,000	80,000	—	(80,000)	
Charges for services	13,500	1,000	948	(52)	
Fines	341,400	341,400	309,625	(31,775)	
Interest	45,000	45,000	10,277	(34,723)	
Miscellaneous	20,238	22,238	60,823	38,585	
Total revenues	5,317,010	5,320,210	5,202,807	(117,403)	
Expenditures:					
Current:					
General government	1,306,555	1,202,014	1,266,386	(64,372)	
Public safety	2,397,973	2,397,973	2,217,963	180,010	
Public works	1,512,421	1,512,421	1,313,366	199,055	
Culture and recreation	421,409	421,409	578,111	(156,702)	
Capital outlay	331,410	331,410	183,502	147,908	
Total expenditures	5,969,768	5,865,227	5,559,328	305,899	
Excess (deficiency) of revenues (under) expenditures	(652,758)	(545,017)	(356,521)	188,496	
Other financing sources (uses):					
Transfers in	829,313	825,213	851,790	26,577	
Transfers out	(486,246)	(579,286)	(1,320,308)	(741,022)	
Total other financing sources (uses)	343,067	245,927	(468,518)	714,445	
Net change in fund balance	(309,691)	(299,090)	(825,039)	(525,949)	
Fund balance, beginning of year	4,416,070	4,416,070	4,416,070	—	
Fund balance, end of year	\$ 4,116,980	\$ 4,116,980	\$ 3,591,031	\$ (525,949)	

Combining Statements and Budget Comparisons as Supplementary Information

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

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
Cash and cash equivalents	\$ 389,790	\$ 354,752	\$ 744,542
Receivables (net of allowances for uncollectibles):			
Other taxes	208,193	--	208,193
Accounts	13,950	48	13,998
Special assessments	735	6,473	7,208
Intergovernmental	105,452	--	105,452
Total Assets	<u>\$ 718,120</u>	<u>\$ 361,273</u>	<u>\$ 1,079,393</u>
Liabilities:			
Accounts payable	\$ 147,780	\$ --	\$ 147,780
Accrued expenditures	6,711	--	6,711
Due to other funds	228,832	--	228,832
Deferred revenue	14,685	6,473	21,158
Total Liabilities	<u>398,008</u>	<u>6,473</u>	<u>404,481</u>
Fund balances:			
Restricted	456,055	19,357	475,412
Committed	(135,943)	1,773	(134,170)
Assigned	--	333,670	333,670
Total fund balances	<u>320,112</u>	<u>354,800</u>	<u>674,912</u>
Total Liabilities and Fund balances	<u>\$ 718,120</u>	<u>\$ 361,273</u>	<u>\$ 1,079,393</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 828,154	\$ --	\$ 828,154
Intergovernmental	575,942	79,300	655,242
Fines	19,942	--	19,942
Interest	--	622	622
Miscellaneous	9,384	100	9,484
Total revenues	1,433,422	80,022	1,513,444
Expenditures:			
Current:			
General government	7,847	206	8,053
Public safety	1,016,702	--	1,016,702
Public works	7,952	--	7,952
Culture and recreation	53,786	--	53,786
Tourism	476,810	--	476,810
Capital outlay	--	256,176	256,176
Debt service:			
Principal	28,938	--	28,938
Interest and fiscal charges	6,652	--	6,652
Total expenditures	1,598,687	256,382	1,855,069
Excess (deficiency) of revenues (under) expenditures	(165,265)	(176,360)	(341,625)
Other financing sources (uses):			
Transfers in	298,934	393,408	692,342
Transfers out	(60,296)	--	(60,296)
Total other financing sources (uses)	238,638	393,408	632,046
Net change in fund balance	73,373	217,048	290,421
Fund balance, beginning of year	246,739	137,752	384,491
Fund balance, end of year	\$ 320,112	\$ 354,800	\$ 674,912

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011

	Utility Bill Surcharge		Stonegarden Grant		Bay Education Center		Juvenile Case Manager
ASSETS							
Assets:							
Cash and cash equivalents	\$ 131,156	\$ --	\$ --	\$ 1,391	\$ --	\$ 989	
Receivables (net of allowances for uncollectibles):							
Other taxes	--	--	--	--	--	--	
Accounts	13,950	--	--	--	--	--	
Special assessments	--	--	--	--	--	--	
Intergovernmental	--	55,644	--	--	--	--	
Total Assets	<u>\$ 145,106</u>	<u>\$ 55,644</u>		<u>\$ 1,391</u>		<u>\$ 989</u>	
Liabilities:							
Accounts payable	\$ 122,041	\$ --	\$ --	\$ 1,391	\$ --	\$ --	
Accrued expenditures	--	--	--	--	--	--	
Due to other funds	--	55,644	--	--	--	--	
Deferred revenue	13,950	--	--	--	--	--	
Total Liabilities	<u>\$ 135,991</u>	<u>\$ 55,644</u>		<u>\$ 1,391</u>		<u>\$ --</u>	
Fund balances:							
Restricted	9,115	--	--	--	--	989	
Committed	--	--	--	--	--	--	
Total fund balances	<u>9,115</u>	<u>--</u>		<u>--</u>		<u>989</u>	
Total Liabilities and Fund balances	<u>\$ 145,106</u>	<u>\$ 55,644</u>		<u>\$ 1,391</u>		<u>\$ 989</u>	

Contribution Fund	City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy	Key Allegro Property Impr. District
\$ 30	\$ --	\$ 54,999	\$ 82,639	\$ 232
--	--	--	208,193	--
--	--	--	--	--
--	--	--	--	735
\$ 30	\$ 21,104	\$ 54,999	\$ 290,832	\$ 967
\$ --	\$ 5,852	\$ --	\$ --	\$ --
--	6,711	--	--	--
--	144,484	--	--	--
--	--	--	--	735
--	157,047	--	--	735
30	--	54,999	290,832	232
--	(135,943)	--	--	--
30	(135,943)	54,999	290,832	232
\$ 30	\$ 21,104	\$ 54,999	\$ 290,832	\$ 967

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011

	Border Star Grant	Child Safety
ASSETS		
Assets:		
Cash and cash equivalents	\$ --	\$ 119
Receivables (net of allowances for uncollectibles):		
Other taxes	--	--
Accounts	--	--
Special assessments	--	--
Intergovernmental	28,704	--
Total Assets	<u>\$ 28,704</u>	<u>\$ 119</u>
Liabilities:		
Accounts payable	\$ --	\$ 119
Accrued expenditures	--	--
Due to other funds	28,704	--
Deferred revenue	--	--
Total Liabilities	<u>28,704</u>	<u>119</u>
Fund balances:		
Restricted	--	--
Committed	--	--
Total fund balances	<u>--</u>	<u>--</u>
Total Liabilities and Fund balances	<u>\$ 28,704</u>	<u>\$ 119</u>

EXHIBIT C-3
Page 2 of 2

Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 33,568	\$ 84,667	\$ 389,790
--	--	208,193
--	--	13,950
--	--	735
--	--	105,452
<u>\$ 33,568</u>	<u>\$ 84,667</u>	<u>\$ 718,120</u>
\$ 18,377	\$ --	\$ 147,780
--	--	6,711
--	--	228,832
--	--	14,685
<u>18,377</u>	<u>--</u>	<u>398,008</u>
15,191	84,667	456,055
--	--	(135,943)
<u>15,191</u>	<u>84,667</u>	<u>320,112</u>
<u>\$ 33,568</u>	<u>\$ 84,667</u>	<u>\$ 718,120</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, 2011

	<u>Utility Bill Surcharge</u>	<u>Stonegarden Grant</u>	<u>Bay Education Center</u>	<u>Juvenile Case Manager</u>
Revenue:				
Taxes	\$ 174,575	\$ --	\$ --	\$ --
Intergovernmental	--	143,751	--	--
Fines	--	--	--	5,812
Miscellaneous	--	--	--	--
Total revenues	174,575	143,751	--	5,812
Expenditures:				
Current:				
General government	--	--	--	7,022
Public safety	122,041	143,751	--	--
Public works	--	--	--	--
Culture and recreation	--	--	53,786	--
Tourism	--	--	--	--
Debt service:				
Principal	28,938	--	--	--
Interest and fiscal charges	6,652	--	--	--
Total expenditures	157,631	143,751	53,786	7,022
Excess (deficiency) of revenues (under) expenditures	16,944	--	(53,786)	(1,210)
Other financing sources (uses):				
Transfers in	--	--	53,786	1,210
Transfers out	(8,296)	--	--	--
Total other financing sources (uses)	(8,296)	--	53,786	1,210
Net change in fund balance	8,648	--	--	--
Fund balance, beginning of year	467	--	--	989
Fund balance, end of year	\$ 9,115	\$ --	\$ --	\$ 989

Contribution Fund	City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy	Key Allegro Property Impr. District
\$ --	\$ --	\$ 6,301	\$ 647,278	\$ --
--	313,779	--	--	--
--	--	--	--	--
9,384	--	--	--	--
9,384	313,779	6,301	647,278	--
--	--	--	--	--
1,402	625,738	--	--	--
7,952	--	--	--	--
--	--	--	--	--
--	--	--	476,810	--
--	--	--	--	--
--	--	--	--	--
9,354	625,738	--	476,810	--
30	(311,959)	6,301	170,468	--
--	243,938	--	--	--
--	--	--	(52,000)	--
--	243,938	--	(52,000)	--
30	(68,021)	6,301	118,468	--
--	(67,922)	48,698	172,364	232
\$ 30	\$ (135,943)	\$ 54,999	\$ 290,832	\$ 232

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Border Star Grant	Child Safety
Revenue:		
Taxes	\$ --	\$ --
Intergovernmental	118,412	--
Fines	--	1,397
Miscellaneous	--	--
Total revenues	118,412	1,397
Expenditures:		
Current:		
General government	--	--
Public safety	118,412	1,397
Public works	--	--
Culture and recreation	--	--
Tourism	--	--
Debt service:		
Principal	--	--
Interest and fiscal charges	--	--
Total expenditures	118,412	1,397
Excess (deficiency) of revenues (under) expenditures	--	--
Other financing sources (uses):		
Transfers in	--	--
Transfers out	--	--
Total other financing sources (uses)	--	--
Net change in fund balance	--	--
Fund balance, beginning of year	--	--
Fund balance, end of year	\$ --	\$ --

EXHIBIT C-4
Page 2 of 2

<u>Forfeiture</u>	<u>Municipal Court Security & Tech. Fund</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-2)</u>
\$ --	\$ --	\$ 828,154
--	--	575,942
592	12,141	19,942
--	--	9,384
<u>592</u>	<u>12,141</u>	<u>1,433,422</u>
 --	 825	 7,847
3,961	--	1,016,702
--	--	7,952
--	--	53,786
--	--	476,810
 --	 --	 28,938
--	--	6,652
<u>3,961</u>	<u>825</u>	<u>1,598,687</u>
 (3,369)	 11,316	 (165,265)
 --	 --	 298,934
--	--	(60,296)
--	--	<u>238,638</u>
 (3,369)	 11,316	 73,373
 18,560	 73,351	 246,739
<u>\$ 15,191</u>	<u>\$ 84,667</u>	<u>\$ 320,112</u>

CITY OF ROCKPORT, TEXAS
UTILITY BILL SURCHARGE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-5

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 167,490	\$ 167,490	\$ 174,575	\$ 7,085
Total revenues	\$ 167,490	\$ 167,490	\$ 174,575	\$ 7,085
Expenditures:				
Current:				
Public safety	123,525	123,525	122,041	1,484
Debt service:				
Principal	28,938	28,938	28,938	--
Interest and fiscal charges	6,652	6,652	6,652	--
Total expenditures	159,115	159,115	157,631	1,484
Excess (deficiency) of revenues (under) expenditures	8,375	8,375	16,944	8,569
Other financing sources (uses):				
Transfers out	(8,375)	(8,375)	(8,296)	79
Total other financing sources (uses)	(8,375)	(8,375)	(8,296)	(79)
Net change in fund balance	--	--	8,648	8,648
Fund balance, beginning of year	467	467	467	—
Fund balance, end of year	\$ 467	\$ 467	\$ 9,115	\$ 8,648

CITY OF ROCKPORT, TEXAS
CITY/COUNTY DISPATCH SERVICE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-6

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Intergovernmental	\$ 302,231	\$ 302,231	\$ 313,779	\$ 11,548
Total revenues	<u>\$ 302,231</u>	<u>\$ 302,231</u>	<u>\$ 313,779</u>	<u>\$ 11,548</u>
Expenditures:				
 Current:				
Public safety	544,205	544,205	625,738	(81,533)
Total expenditures	<u>544,205</u>	<u>544,205</u>	<u>625,738</u>	<u>(81,533)</u>
Excess (deficiency) of revenues (under) expenditures	(241,974)	(241,974)	(311,969)	(69,985)
Other financing sources (uses):				
Transfers in	241,974	241,974	243,938	1,964
Total other financing sources (uses)	<u>241,974</u>	<u>241,974</u>	<u>243,938</u>	<u>(1,964)</u>
Net change in fund balance	--	--	(68,021)	(68,021)
Fund balance, beginning of year	(67,922)	(67,922)	(67,922)	--
Fund balance, end of year	<u>\$ (67,922)</u>	<u>\$ (67,922)</u>	<u>\$ (135,943)</u>	<u>\$ (68,021)</u>

CITY OF ROCKPORT, TEXAS
 HOTEL/MOTEL OCCUPANCY TAX FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-7

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 520,000	\$ 520,000	\$ 647,278	\$ 127,278
Total revenues	<u>520,000</u>	<u>520,000</u>	<u>647,278</u>	<u>127,278</u>
Expenditures:				
Current:				
Tourism	481,050	481,050	476,810	4,240
Total expenditures	<u>481,050</u>	<u>481,050</u>	<u>476,810</u>	<u>4,240</u>
Excess (deficiency) of revenues (under) expenditures	38,950	38,950	170,468	131,518
Other financing sources (uses):				
Transfers out	(52,000)	(52,000)	(52,000)	--
Total other financing sources (uses)	<u>(52,000)</u>	<u>(52,000)</u>	<u>(52,000)</u>	<u>--</u>
Net change in fund balance	(13,050)	(13,050)	118,468	131,518
Fund balance, beginning of year	172,364	172,364	172,364	--
Fund balance, end of year	<u>\$ 159,314</u>	<u>\$ 159,314</u>	<u>\$ 290,832</u>	<u>\$ 131,518</u>

CITY OF ROCKPORT, TEXAS
 MUNICIPAL COURT SECURITY & TECHNOLOGY FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-8

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Fines	\$ 16,000	\$ 16,000	\$ 12,141	\$ (3,859)
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>12,141</u>	<u>(3,859)</u>
Expenditures:				
Current:				
General government	1,200	1,200	825	375
Total expenditures	<u>1,200</u>	<u>1,200</u>	<u>825</u>	<u>375</u>
Excess (deficiency) of revenues (under) expenditures	14,800	14,800	11,316	(3,484)
Other financing sources (uses):				
Total other financing sources (uses)	--	--	--	--
Net change in fund balance	14,800	14,800	11,316	(3,484)
Fund balance, beginning of year	73,351	73,351	73,351	--
Fund balance, end of year	<u>88,151</u>	<u>88,151</u>	<u>84,667</u>	<u>(3,484)</u>

CITY OF ROCKPORT, TEXAS
 DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-9

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 1,988,237	\$ 1,988,237	\$ 1,969,101	\$ (19,136)
Interest	1,000	1,000	840	(160)
Total revenues	<u>1,989,237</u>	<u>1,989,237</u>	<u>1,969,941</u>	<u>(19,296)</u>
Expenditures:				
Current:				
Debt service:				
Principal	915,731	915,731	978,736	(63,005)
Interest and fiscal charges	1,040,589	1,040,589	970,698	69,891
Bond issuance cost	2,000	2,000	41,545	(39,545)
Total expenditures	<u>1,958,320</u>	<u>1,958,320</u>	<u>1,990,979</u>	<u>(32,659)</u>
Excess (deficiency) of revenues (under) expenditures	30,917	30,917	(21,038)	(51,955)
Other financing sources (uses):				
Transfers in	--	--	22,438	22,438
Issuance of certificates of obligation	--	--	1,454,824	(1,454,824)
Premium on bonds sold	--	--	61,942	(61,942)
Interest on bonds sold	--	--	7,935	(7,935)
Payment to refunding escrow agent	--	--	(1,475,220)	(1,475,220)
Total other financing sources (uses)	--	--	<u>71,919</u>	<u>(71,919)</u>
Net change in fund balance	30,917	30,917	50,881	19,964
Fund balance, beginning of year	293,651	293,651	293,651	--
Fund balance, end of year	<u>\$ 324,568</u>	<u>\$ 324,568</u>	<u>\$ 344,532</u>	<u>\$ 19,964</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2011

	<u>Flamingo/ Luau Road Assessment</u>	<u>General Capital Improvement</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 1,725	\$ 28,199
Receivables (net of allowances for uncollectibles):		
Accounts	48	--
Special assessments	3,911	2,562
Total Assets	<u>\$ 5,684</u>	<u>\$ 30,761</u>
Liabilities:		
Deferred revenue	\$ 3,911	\$ 2,562
Total Liabilities	<u>3,911</u>	<u>2,562</u>
Fund balances:		
Restricted	--	--
Committed	1,773	--
Assigned	--	28,199
Total fund balances	<u>1,773</u>	<u>28,199</u>
Total Liabilities and Fund balances	<u>\$ 5,684</u>	<u>\$ 30,761</u>

<u>Bay Education Center Construction</u>	<u>Vehicle and Equipment Replacement</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
\$ 19,357	\$ 305,471	\$ 354,752
--	--	48
--	--	6,473
<u>\$ 19,357</u>	<u>\$ 305,471</u>	<u>\$ 361,273</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,473</u>
<u>--</u>	<u>--</u>	<u>6,473</u>
19,357	--	19,357
--	--	1,773
--	305,471	333,670
<u>19,357</u>	<u>305,471</u>	<u>354,800</u>
<u>\$ 19,357</u>	<u>\$ 305,471</u>	<u>\$ 361,273</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, 2011

	<u>Flamingo/ Luu Road Assessment</u>	<u>General Capital Improvement</u>
Revenue:		
Intergovernmental	\$ --	\$ --
Interest	--	--
Miscellaneous	--	--
Total revenues	<u>--</u>	<u>--</u>
 Expenditures:		
Current:		
General government	--	206
Capital outlay	--	--
Total expenditures	<u>--</u>	<u>206</u>
 Excess (deficiency) of revenues (under) expenditures	--	(206)
 Other financing sources (uses):		
Transfers in	--	52,999
Total other financing sources (uses)	<u>--</u>	<u>52,999</u>
 Net change in fund balance	--	52,793
 Fund balance, beginning of year	1,773	(24,594)
Fund balance, end of year	<u>\$ 1,773</u>	<u>\$ 28,199</u>

EXHIBIT C-11

<u>Bay Education Center Construction</u>	<u>Vehicle and Equipment Replacement</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-2)</u>
\$ 79,300	\$ --	\$ 79,300
--	622	622
100	--	100
<u>79,400</u>	<u>622</u>	<u>80,022</u>
--	--	206
56,484	199,692	256,176
<u>56,484</u>	<u>199,692</u>	<u>256,382</u>
22,916	(199,070)	(176,360)
94,216	246,193	393,408
<u>94,216</u>	<u>246,193</u>	<u>393,408</u>
117,132	47,123	217,048
(97,775)	258,348	137,752
<u>\$ 19,357</u>	<u>\$ 305,471</u>	<u>\$ 354,800</u>

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2011

	Enterprise Fund Sanitation Fund	Enterprise Fund Beach Park	Enterprise Fund Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-7)
ASSETS				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 257,719	\$ 4,210	\$ 150	\$ 262,079
Receivables (net of allowances for uncollectibles):				
Accounts	153,956	--	242	154,198
Total current assets	<u>411,675</u>	<u>4,210</u>	<u>392</u>	<u>416,277</u>
Noncurrent assets:				
Capital assets:				
Land	--	--	104,300	104,300
Buildings	--	1,455,651	--	1,455,651
Improvements other than buildings	--	1,417,162	1,944,240	3,361,402
Machinery and equipment	--	175,496	13,162	188,658
Accumulated depreciation	--	(2,514,996)	(655,557)	(3,170,553)
Total noncurrent assets		<u>533,313</u>	<u>1,406,145</u>	<u>1,939,458</u>
Total Assets	\$ 411,675	\$ 537,523	\$ 1,406,537	\$ 2,355,735
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 393,741	\$ 2,212	\$ 1,314	\$ 397,267
Accrued expenses	--	2,279	759	3,038
Due to other funds	--	--	241,831	241,831
Customer deposits	--	17,832	698	18,530
Total current liabilities	<u>393,741</u>	<u>22,323</u>	<u>244,602</u>	<u>660,666</u>
Noncurrent Liabilities:				
Compensated absences	--	8,041	--	8,041
Total noncurrent liabilities	--	<u>8,041</u>	--	<u>8,041</u>
Total Liabilities	393,741	30,364	244,602	668,707
NET ASSETS:				
Investment In Capital Assets, Net of Related Debt	--	533,313	1,406,145	1,939,458
Unrestricted Net Assets	17,934	(26,154)	(244,210)	(252,430)
Total Net Assets	\$ 17,934	\$ 507,159	\$ 1,161,935	\$ 1,687,028

CITY OF ROCKPORT, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	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	\$ 17,039	\$ 425,924	\$ 114,642	\$ 557,605
Total Operating Revenues	<u>17,039</u>	<u>425,924</u>	<u>114,642</u>	<u>557,605</u>
OPERATING EXPENSES:				
Personal services	--	332,863	113,870	446,733
Contractual services	--	66,282	23,363	89,645
Maintenance	--	87,699	9,069	96,768
Supplies	--	113,289	93,224	206,513
Other	--	713	828	1,541
Depreciation	--	61,442	66,124	127,566
Total Operating Expenses	<u>--</u>	<u>662,288</u>	<u>306,478</u>	<u>968,766</u>
Operating Income (Loss)	<u>17,039</u>	<u>(236,364)</u>	<u>(191,836)</u>	<u>(411,161)</u>
NON-OPERATING REVENUES (EXPENSES):				
Intergovernmental revenue	--	95,000	88,760	183,750
Total Non-operating Revenues (Expenses)	<u>--</u>	<u>95,000</u>	<u>88,760</u>	<u>183,750</u>
Net Income (Loss) before Operating Transfers	<u>17,039</u>	<u>(141,364)</u>	<u>(103,086)</u>	<u>(227,411)</u>
TRANSFERS:				
Interfund transfers in	--	649,830	36,961	686,791
Interfund transfers out	(36,000)	--	--	(36,000)
Change in Net Assets	<u>(18,961)</u>	<u>508,466</u>	<u>(66,125)</u>	<u>423,380</u>
Net Assets, beginning of year	<u>(111,962)</u>	<u>(1,307)</u>	<u>1,228,060</u>	<u>1,114,791</u>
Prior Period Adjustment	<u>148,857</u>	<u>--</u>	<u>--</u>	<u>148,857</u>
Net Assets, end of year	<u>\$ 17,934</u>	<u>\$ 507,159</u>	<u>\$ 1,161,935</u>	<u>\$ 1,687,028</u>

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Sanitation Fund	Beach Park	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 23,747	\$ 428,140	\$ 114,642	\$ 566,529
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	(571,588)	--	(571,588)
Cash Payments to Employees	--	(331,272)	(113,870)	(445,142)
Cash Payments to Suppliers for Goods and Services	(3,354)	(267,279)	(126,483)	(397,116)
Net Cash Provided (Used) by Operating Activities	<u>20,393</u>	<u>(741,999)</u>	<u>(125,711)</u>	<u>(847,317)</u>
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	--	95,000	88,750	183,750
Transfers From Other Funds	--	649,824	36,961	686,785
Transfers To Other Funds	(36,000)	--	--	(36,000)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(36,000)</u>	<u>744,824</u>	<u>125,711</u>	<u>834,535</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,607)	2,825	--	(12,782)
Cash and Cash Equivalents at Beginning of Year	273,326	1,385	150	274,861
Cash and Cash Equivalents at End of Year	<u>\$ 257,719</u>	<u>\$ 4,210</u>	<u>\$ 150</u>	<u>\$ 262,079</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income (Loss)	\$ 17,039	\$ (236,364)	\$ (191,836)	\$ (411,161)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	--	61,442	66,124	127,566
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(13,715)	--	--	(13,715)
Increase (Decrease) in Accounts Payable	17,069	704	1	17,774
Increase (Decrease) in Interfund Payables	--	(571,588)	--	(571,588)
Increase (Decrease) in Customer Deposits	--	2,216	--	2,216
Increase (Decrease) in Accrued Expenses	--	1,591	--	1,591
Total Adjustments	<u>3,354</u>	<u>(505,635)</u>	<u>66,125</u>	<u>(436,156)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 20,393</u>	<u>\$ (741,999)</u>	<u>\$ (125,711)</u>	<u>\$ (847,317)</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	70
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	76
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	80
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	85
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	88
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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

CITY OF ROCKPORT, TEXAS
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(ACCURIAL BASIS OF ACCOUNTING)
UNAUDITED

TABLE E-1

	2004	2005	2006	2007	2008	2009	2010	2011
Fiscal Year								
2004								
Governmental Activities								
Invested in Capital Assets,								
Net of Related Debt	\$ 2,458,884	\$ 2,540,929	\$ 993,534	\$ 2,337,041	\$ 3,524,435	\$ 4,913,873	\$ 6,821,463	\$ 7,539,674
Restricted	685,245	507,082	403,643	565,763	397,985	414,299	247,272	407,389
Unrestricted	(300,615)	1,225,603	3,811,482	3,960,640	4,483,176	4,486,556	4,202,634	3,373,599
Total Governmental Activities Net Assets	<u><u>\$ 2,843,512</u></u>	<u><u>\$ 4,273,614</u></u>	<u><u>\$ 5,208,659</u></u>	<u><u>\$ 6,863,444</u></u>	<u><u>\$ 8,405,596</u></u>	<u><u>\$ 9,814,727</u></u>	<u><u>\$ 11,271,369</u></u>	<u><u>\$ 11,320,662</u></u>
Business-type Activities								
Invested in Capital Assets,								
Net of Related Debt	\$ 12,128,297	\$ 13,301,770	\$ 13,861,718	\$ 14,728,064	\$ 14,887,246	\$ 15,244,499	\$ 16,563,623	\$ 17,287,725
Restricted	619,791	692,600	187,425	195,144	197,798	186,750	185,349	184,655
Unrestricted	4,335,955	4,078,290	5,103,927	5,397,009	6,135,437	5,598,373	4,708,276	5,245,674
Total Business-type Activities Net Assets	<u><u>\$ 17,084,043</u></u>	<u><u>\$ 18,072,660</u></u>	<u><u>\$ 19,153,070</u></u>	<u><u>\$ 20,320,217</u></u>	<u><u>\$ 21,220,481</u></u>	<u><u>\$ 21,029,622</u></u>	<u><u>\$ 21,457,248</u></u>	<u><u>\$ 22,718,054</u></u>
Primary Government								
Invested in Capital Assets,								
Net of Related Debt:	\$ 14,587,181	\$ 15,842,699	\$ 14,855,252	\$ 17,065,105	\$ 18,411,681	\$ 20,158,372	\$ 23,385,086	\$ 24,827,399
Restricted	1,305,034	1,199,682	591,068	760,907	595,783	601,049	532,621	592,044
Unrestricted	4,035,340	5,303,893	8,915,409	9,357,649	10,618,613	10,084,928	8,910,910	8,619,273
Total Primary Government Net Assets	<u><u>\$ 19,927,555</u></u>	<u><u>\$ 22,346,274</u></u>	<u><u>\$ 24,361,729</u></u>	<u><u>\$ 27,183,661</u></u>	<u><u>\$ 29,626,077</u></u>	<u><u>\$ 30,844,349</u></u>	<u><u>\$ 32,828,617</u></u>	<u><u>\$ 34,038,716</u></u>

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

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

TABLE E-2

		Fiscal Year							
		2004	2005	2006	2007	2008	2009	2010	2011
Expenditures									
Governmental Activities:									
General Government	\$ 905,631	\$ 963,486	\$ 932,925	\$ 971,839	\$ 1,055,722	\$ 1,279,701	\$ 1,536,874	\$ 1,646,376	
Public Safety	1,873,033	2,290,626	2,388,357	2,419,301	2,722,740	2,987,465	3,107,577	3,439,538	
Public Works	1,067,201	1,205,618	1,588,715	1,462,111	1,612,377	1,638,485	1,802,557	1,528,189	
Culture and Recreation	280,480	303,057	383,127	373,979	456,641	454,513	542,142	734,247	
Tourism	273,010	303,839	510,202	488,780	505,688	522,996	480,483	476,810	
Interest and Fiscal Changes	335,779	327,688	542,165	582,858	1,157,502	1,126,044	1,060,140	999,535	
Total Governmental Activities Expenses	\$ 4,735,114	\$ 5,397,284	\$ 6,325,471	\$ 6,294,168	\$ 7,510,840	\$ 8,109,706	\$ 8,529,973	\$ 8,824,696	
Business-type Activities									
Sanitation	—	—	—	—	—	—	—	—	
Water & Sewer	4,738,144	5,155,035	5,857,236	5,446,484	6,577,635	8,458,469	6,572,267	7,636,247	
Beach Park	416,128	460,107	487,793	547,752	655,462	669,581	650,646	662,288	
Community Aquatic Center	221,956	270,039	295,534	294,325	299,539	373,948	307,583	306,478	
Natural Gas System*	—	—	—	—	—	—	—	—	
Total Business-type Activities Expenses	\$ 5,376,228	\$ 5,885,181	\$ 6,440,562	\$ 6,288,551	\$ 7,512,566	\$ 9,522,098	\$ 9,150,615	\$ 10,020,545	
Total Primary Government Expenses	\$ 10,111,342	\$ 11,282,475	\$ 12,768,034	\$ 12,582,728	\$ 15,123,276	\$ 17,651,304	\$ 17,580,588	\$ 18,355,241	
Program Revenues									
Governmental Activities:									
Charges for Services:									
General Government	\$ 22,350	\$ 74,568	\$ 12,532	\$ 47,079	\$ 15,683	\$ 23,970	\$ 17,051	\$ 17,953	
Public Safety	400,382	383,625	496,159	495,327	497,146	500,843	535,955	507,255	
Public Works	200,348	356,756	236,243	231,245	237,689	138,806	157,742	177,694	
Culture and Recreation	—	—	3,293	1,191	38,376	—	28,516	948	
Tourism	—	—	—	—	—	—	—	—	
Interest and Fiscal Charges	—	—	—	—	—	—	—	—	
Operating Grants and Contributions	66,480	500,798	330,102	309,457	312,468	304,545	521,842	575,942	
Capital Grants and Contributions	167,900	—	—	20,000	—	384,894	1,111,885	79,300	
Activities Program Revenues	\$ 857,440	\$ 1,325,745	\$ 1,018,329	\$ 1,105,799	\$ 1,111,362	\$ 1,355,058	\$ 2,374,421	\$ 1,359,092	
Business-type Activities:									
Charges for Services:									
Sanitation	11,339	12,016	10,942	12,133	13,957	14,183	17,267	17,039	
Water & Sewer	5,949,225	6,524,556	6,803,901	6,552,577	7,324,558	9,667,756	7,354,521	8,377,063	
Beach Park	234,313	250,333	316,482	317,321	355,321	404,937	381,056	425,922	
Community Aquatic Center	69,681	98,239	117,835	99,906	99,073	97,404	109,049	114,642	
Natural Gas System*	—	—	—	—	—	—	1,965,945	1,725,602	
Operating Grants and Contributions	98,721	98,362	122,568	105,583	129,750	108,750	118,583	183,750	
Capital Grants and Contributions	119,144	138,467	—	287,350	322,572	6,081	22,000	267,941	
Activities Program Revenues	\$ 6,470,428	\$ 7,123,975	\$ 7,371,728	\$ 7,374,970	\$ 8,755,209	\$ 10,193,111	\$ 9,968,471	\$ 11,111,961	
Total Primary Government Program Revenues	\$ 7,327,858	\$ 8,449,720	\$ 8,390,057	\$ 8,480,769	\$ 9,845,571	\$ 11,545,169	\$ 12,342,902	\$ 12,471,053	
Net (Expense) Revenue	\$ (3,877,674)	\$ (4,071,549)	\$ (5,307,142)	\$ (5,188,869)	\$ (6,339,278)	\$ (6,756,648)	\$ (6,155,542)	\$ (7,465,604)	
Governmental Activities	\$ 1,054,200	\$ 1,288,734	\$ 931,165	\$ 1,086,409	\$ 1,122,573	\$ 655,013	\$ 817,836	\$ 1,081,416	
Business-type Activities	\$ (2,753,474)	\$ (2,832,755)	\$ (4,375,971)	\$ (4,101,060)	\$ (5,216,078)	\$ (6,105,525)	\$ (5,237,886)	\$ (6,374,182)	

Note: The City began to report detailed information when it implemented GASB Statement 34 in fiscal year 2004. The City acquired a natural gas system in 2009. For 2009, operations were accounted for in the Water and Sewer Utility Fund. In 2010, the Natural Gas system was accounted for in a separate fund.

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

TABLE E-3

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Net (Expense)/Revenue						
Governmental Activities	\$ (3,877,674)	\$ (4,071,546)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)
Business-type Activities	1,094,200	1,232,794	931,165	1,086,409	1,123,573	651,013
Total Primary Government Net Expense	\$ (2,783,474)	\$ (2,838,752)	\$ (4,375,977)	\$ (4,101,960)	\$ (5,275,705)	\$ (6,105,635)
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes						
Property Taxes	\$ 2,096,150	\$ 2,194,213	\$ 2,455,597	\$ 2,783,748	\$ 3,471,324	\$ 3,876,478
Franchise Taxes and other taxes	567,342	585,662	692,098	746,414	776,959	836,640
Sales Taxes	1,400,557	1,624,226	1,718,155	1,714,042	1,842,730	1,726,846
Occupancy Taxes	438,785	503,819	514,322	533,215	540,624	467,038
Unrestricted Grants and Contributions	2,695	—	—	—	—	—
Investment Earnings	44,674	136,628	472,166	649,602	702,769	297,450
Miscellaneous	28,936	71,348	97,718	67,002	46,437	53,059
Transfers	385,311	385,757	292,131	345,131	560,587	908,268
Total Governmental Activities	\$ 4,964,450	\$ 5,501,653	\$ 6,222,187	\$ 6,843,154	\$ 7,941,430	\$ 8,165,779
Business-type Activities:						
Investment Earnings	45,474	141,580	441,376	425,869	337,278	66,396
Miscellaneous	—	—	—	—	—	—
Transfers	(385,311)	(385,757)	(292,131)	(345,131)	(560,587)	(908,268)
Total Business-type Activities	\$ (339,837)	\$ (244,177)	\$ 149,245	\$ 80,738	\$ (223,309)	\$ (534,888)
Total Primary Government	\$ 4,624,613	\$ 5,257,476	\$ 6,391,432	\$ 6,923,392	\$ 7,718,121	\$ (841,872)
Change in Net Assets						
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,735	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272

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

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

TABLE E-4

	2002		2003		2004		2005		2006		Fiscal Year		2008		2009		2010		2011		
	General Fund	Nonspendable Unassigned	General Fund	Nonspendable Unassigned	General Fund	Nonspendable Unassigned	General Fund	Nonspendable Unassigned	General Fund	Nonspendable Unassigned	General Fund	Nonspendable Unassigned	General Fund	Nonspendable Unassigned	General Fund	Nonspendable Unassigned	General Fund	Nonspendable Unassigned	General Fund	Nonspendable Unassigned	
General Fund	\$ 65,951	\$ 71,446	\$ 73,058	\$ 117,786	\$ 78,368	\$ 79,030	\$ 92,008	\$ 56,886	\$ 43,857	\$ 43,857	\$ 43,857	\$ 43,857	\$ 43,857	\$ 43,857	\$ 43,857	\$ 43,857	\$ 43,857	\$ 43,857	\$ 43,857	\$ 43,857	
Nonspendable Unassigned	\$ 2,187,290	\$ 2,570,357	\$ 2,837,274	\$ 3,309,348	\$ 3,319,856	\$ 3,646,678	\$ 4,072,410	\$ 4,391,591	\$ 4,383,516	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604	\$ 3,534,604
Total General Fund	<u>\$ 2,253,241</u>	<u>\$ 2,641,803</u>	<u>\$ 2,910,312</u>	<u>\$ 3,427,134</u>	<u>\$ 3,398,224</u>	<u>\$ 3,725,708</u>	<u>\$ 4,164,418</u>	<u>\$ 4,448,477</u>	<u>\$ 4,427,373</u>	<u>\$ 3,591,031</u>	<u>\$ 3,591,031</u>										
All Other Governmental Funds																					
Nonspendable	\$ 3,263,894	\$ 2,565,237	\$ 1,829,424	\$ 1,567,703	\$ 7,117,806	\$ 20,585,720	\$ 17,895,455	\$ 11,230,229	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340	\$ 9,916,340
Restricted	—	—	—	(27,738)	(36,713)	(56,515)	(797,786)	—	(98,853)	(67,922)	—	—	—	—	—	—	—	—	—	—	—
Committed	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Assigned	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total All Other Governmental Funds	<u>\$ 3,263,894</u>	<u>\$ 2,565,237</u>	<u>\$ 1,829,424</u>	<u>\$ 1,539,965</u>	<u>\$ 7,081,093</u>	<u>\$ 20,539,205</u>	<u>\$ 17,057,619</u>	<u>\$ 11,274,350</u>	<u>\$ 10,083,945</u>	<u>\$ 9,773,125</u>	<u>\$ 9,773,125</u>										

TABLE E-5

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

Fiscal Year										
		2002		2003		2004		2005		2006
										2007
										2009
										2010
										2011
Revenues										
Taxes										
Licenses, Fees and Permits	\$ 4,190,041	\$ 4,334,880	\$ 4,652,207	\$ 5,037,361	\$ 5,469,894	\$ 5,927,580	\$ 6,759,146	\$ 7,014,930	\$ 7,160,823	\$ 7,440,695
Intergovernmental	\$ 135,329	\$ 127,411	\$ 189,154	\$ 162,694	\$ 169,497	\$ 179,770	\$ 179,454	\$ 127,810	\$ 157,742	\$ 177,694
Charges for Services	\$ 32,833	\$ 14,250	\$ 223,011	\$ 500,796	\$ 330,102	\$ 307,960	\$ 312,468	\$ 689,439	\$ 1,633,727	\$ 655,242
Fines	\$ 312,393	\$ 38,337	\$ 22,350	\$ 62,530	\$ 21,976	\$ 33,342	\$ 116,431	\$ 19,265	\$ 28,916	\$ 948
Investment Earnings	\$ 151,666	\$ 222,322	\$ 283,341	\$ 270,303	\$ 302,134	\$ 359,838	\$ 349,821	\$ 361,139	\$ 393,378	\$ 329,567
Special Assessments	\$ 55,848	\$ 95,293	\$ 44,674	\$ 136,628	\$ 492,582	\$ 553,544	\$ 702,769	\$ 297,450	\$ 79,650	\$ 42,175
Other Revenues	\$ 20,016	\$ 14,394	\$ 12,777	\$ 4,455	\$ 4,602	\$ 3,489	\$ 711	—	—	—
Total Revenues	\$ 74,672	\$ 181,471	\$ 28,936	\$ 264,486	\$ 145,207	\$ 133,476	\$ 46,437	\$ 53,059	\$ 53,633	\$ 59,003
Expenditures	\$ 4,952,588	\$ 5,033,980	\$ 5,458,067	\$ 6,447,575	\$ 6,935,847	\$ 7,500,112	\$ 8,470,015	\$ 8,563,863	\$ 9,507,869	\$ 8,705,324
General Government										
Public Safety	\$ 667,263	\$ 774,491	\$ 868,958	\$ 881,978	\$ 908,290	\$ 934,602	\$ 1,045,219	\$ 1,137,890	\$ 1,158,179	\$ 1,274,439
Public Works	\$ 1,420,531	\$ 1,524,115	\$ 1,801,959	\$ 2,146,537	\$ 2,229,055	\$ 2,256,783	\$ 2,534,311	\$ 2,684,287	\$ 2,914,167	\$ 3,224,665
Culture and Recreation	\$ 943,672	\$ 1,143,208	\$ 1,003,901	\$ 1,126,343	\$ 1,473,824	\$ 1,327,317	\$ 1,454,671	\$ 1,410,462	\$ 1,601,542	\$ 1,321,318
Public Health and Welfare	\$ 238,589	\$ 228,301	\$ 256,095	\$ 277,234	\$ 341,482	\$ 329,821	\$ 408,354	\$ 398,058	\$ 453,479	\$ 631,897
Tourism	—	—	—	—	—	—	—	—	—	—
Capital Outlay	\$ 308,030	\$ 256,172	\$ 273,010	\$ 303,839	\$ 510,202	\$ 483,780	\$ 505,658	\$ 522,996	\$ 480,483	\$ 476,810
Debt Service	\$ 1,369,732	\$ 1,172,731	\$ 3,033,285	\$ 1,175,909	\$ 1,042,111	\$ 2,004,996	\$ 3,340,589	\$ 8,084,491	\$ 2,765,131	\$ 1,019,504
Interest and bond costs	\$ 364,008	\$ 352,713	\$ 334,695	\$ 341,219	\$ 476,053	\$ 438,512	\$ 495,322	\$ 666,283	\$ 864,399	\$ 1,018,895
Principal	\$ 242,737	\$ 259,577	\$ 335,779	\$ 352,911	\$ 516,672	\$ 495,085	\$ 1,159,854	\$ 1,135,664	\$ 1,127,741	\$ 1,007,674
Total Expenditures	\$ 5,574,582	\$ 5,711,306	\$ 7,907,682	\$ 6,605,970	\$ 7,497,689	\$ 8,270,896	\$ 10,943,978	\$ 16,040,131	\$ 11,364,121	\$ 9,985,202
Excess of Revenues										
Over (Under) Expenditures										
Other Financing Sources (Uses)										
Bonds Issued	\$ 3,022,183	—	—	—	\$ 5,902,724	\$ 14,420,203	—	—	\$ 2,258,397	\$ 1,524,701
Capital Leases	—	—	\$ 1,607,000	—	—	—	—	—	—	—
Payments to Escrow Agent	(\$1,067,447)	—	—	—	—	—	—	—	—	—
Bond issue costs	(\$65,574)	—	—	—	(\$120,795)	(\$218,954)	(\$10,000)	—	(\$2,155,327)	(\$1,475,220)
Transfers In	\$ 826,060	\$ 510,023	\$ 615,853	\$ 762,945	\$ 962,140	\$ 923,114	\$ 1,038,135	\$ 1,795,614	\$ 1,609,671	\$ 1,566,570
Transfers Out	(\$643,810)	(\$202,790)	(\$230,542)	(\$377,188)	(\$425,421)	(\$577,983)	(\$528,549)	(\$896,296)	(\$1,067,958)	(\$1,533,335)
Total Other Financing Sources (Uses)	\$ 2,071,412	\$ 307,233	\$ 1,982,311	\$ 385,757	\$ 6,318,648	\$ 14,546,380	\$ 550,587	\$ 900,318	\$ 64,783	\$ 82,716
Net Change in Fund Balances	\$ 1,449,418	\$ (31,095)	\$ (457,304)	\$ 227,382	\$ 5,756,806	\$ 13,775,596	\$ (1,923,376)	\$ (6,575,950)	\$ (1,211,469)	\$ (1,197,162)
Debt Service As A Percentage Of Noncapital Expenditures	14.9%	13.5%	13.8%	12.8%	15.4%	14.9%	21.8%	22.6%	22.6%	22.6%

CITY OF ROCKPORT, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Occupancy Tax	Other Taxes	Total
2002	\$ 1,890,537	\$ 1,227,505	\$ 560,747	\$ 365,720	\$ 146,532	\$ 4,190,041
2003	1,992,595	1,273,567	497,834	388,259	182,625	4,334,880
2004	2,114,864	1,400,567	567,342	421,125	148,319	4,652,207
2005	2,190,191	1,624,226	560,227	503,819	158,898	5,037,381
2006	2,451,332	1,718,155	657,696	472,166	170,545	5,469,894
2007	2,793,123	1,714,042	712,156	533,215	175,044	5,927,580
2008	3,455,073	1,842,730	763,400	540,624	164,319	6,756,146
2009	3,837,024	1,726,846	803,466	467,038	180,616	7,014,990
2010	3,996,528	1,737,375	731,583	477,688	217,649	7,160,823
2011	4,011,626	1,799,286	801,629	647,278	180,877	7,440,695
Percent Change 2002-2011	112.2%	46.6%	43.0%	77.0%	24.3%	77.6%

TABLE E-7

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

Fiscal Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2001	\$ 611,641,940	0.3300	\$ 611,641,940	100.000%
2003	694,686,410	0.2836	694,686,410	100.000%
2004	783,984,771	0.2650	783,984,771	100.000%
2005	850,188,337	0.2557	850,188,337	100.000%
2006	955,490,048	0.2549	954,164,770	99.861%
2007	1,144,148,087	0.2443	1,134,573,954	99.163%
2008	1,287,712,948	0.2790	1,216,113,588	94.440%
2009	1,361,604,141	0.2990	1,285,461,385	94.408%
2010	1,397,961,945	0.2987	1,321,626,417	94.540%
2011	1,531,620,376	0.3100	1,367,738,160	89.300%

Source: Aransas County Appraisal District

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

TABLE E-8

Fiscal Year	City Direct Rates			Overlapping Rates			
	Basic Rate	General Obligation Debt Service		Aransas County	Aransas County Navigation District		Aransas County ISD
		Total	Direct Rate		Aransas County	Navigation District	
2002	\$ 0.2197	\$ 0.0842	\$ 0.3039	\$ 0.3185	\$ 0.0410	\$ 1.6120	
2003	0.2044	0.0792	0.2836	0.3185	0.0355	1.6065	
2004	0.1963	0.0687	0.2650	0.3478	0.0320	1.5700	
2005	0.1949	0.0608	0.2557	0.3387	0.0499	1.5173	
2006	0.1808	0.0741	0.2549	0.3241	0.0499	1.5184	
2007	0.1629	0.0814	0.2443	0.2784	0.0398	1.3963	
2008	0.1605	0.1185	0.2790	0.2632	0.0545	1.0849	
2009	0.1683	0.1307	0.2990	0.3049	0.0524	1.0849	
2010	0.1651	0.1335	0.2987	0.3397	0.0547	1.0949	
2011	0.1573	0.1527	0.3100	0.3598	0.0547	1.0917	

Source: Aransas County Tax Assessor

TABLE E-9

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

Taxpayer	2011			2002			Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank		
Oaks at Bentwater, LP	\$ 7,663,730	1	0.5603%	\$ --	--	--	--
Rockport Harborfront, LP	7,471,194	2	0.5462%	--	--	--	--
AEP Texas Central	7,177,280	3	0.5248%	2,759,910	4	0.4516%	
Wal-Mart Real Estate Bus Tr	7,132,010	4	0.5214%	--	--	--	
H.E. Butt Grocery	6,236,902	5	0.4560%	4,319,562	1	0.7068%	
Wal-Mart Stores East #440	5,180,977	6	0.4007%	2,325,344	6	0.3805%	
EOG Resources, Inc.	4,849,260	7	0.3645%	--	--	--	
Heritage Hotels Rockport LP	4,642,460	8	0.3394%	--	--	--	
Royal Marina Holdings, LLC	3,962,846	9	0.2897%	--	--	--	
Crowley, Christopher	3,660,790	10	0.2677%	--	--	--	
Southwestern Bell Telephone	--	--	--	3,629,790	2	0.5939%	
Bass, Perry R Inc.	--	--	--	2,796,937	3	0.4577%	
Bracht Lumber Co., Inc.	--	--	--	2,550,610	5	0.4174%	
Summit Care Texas LP	--	--	--	2,260,080	7	0.3698%	
Rockport Properties, LTD	--	--	--	2,227,830	8	0.3645%	
Pahl, Brian and Linda	--	--	--	2,019,330	9	0.3304%	
Grocers Supply Co., Inc	--	--	--	2,018,120	10	0.3299%	
Total	\$ 58,277,249		4.2608%	\$ 26,905,513		4.4025%	

Source: Aransas County Appraisal District

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

TABLE E-10

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 1,856,869	\$ 1,825,080	98.29%	\$ 26,665	\$ 1,851,745	99.72%
2003	1,968,507	1,924,473	97.76%	36,538	1,961,011	99.62%
2004	2,079,426	2,043,298	98.26%	27,924	2,071,222	99.61%
2005	2,173,619	2,136,929	98.31%	27,614	2,164,543	99.58%
2006	2,432,166	2,392,879	98.38%	28,661	2,421,540	99.56%
2007	2,771,764	2,729,705	98.46%	28,830	2,759,535	99.56%
2008	3,444,841	3,392,957	98.50%	39,871	3,432,828	99.66%
2009	3,842,178	3,771,806	98.17%	49,264	3,821,070	99.45%
2010	3,947,447	3,866,254	97.94%	35,875	3,902,129	98.85%
2011	3,999,750	3,928,969	98.23%			

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

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

TABLE E-11

Fiscal Year	Governmental Activities			Business-types Activities			Percent of Personal Income	Per Capita
	General Bonded Debt		Capital Leases	Revenue Bonds	General Bonded Debt	Total Primary Government		
	General Bonded Debt	Capital Leases	Revenue Bonds	General Bonded Debt	Total Primary Government			
2002	\$ 6,087,429	\$ —	\$ 2,085,000	\$ 4,462,572	\$ 12,635,001	\$ —	\$ 1,619	\$ 1,619
2003	\$ 5,734,716	\$ —	\$ 1,970,000	\$ 4,304,758	\$ 12,009,475	\$ —	—	1,539
2004	\$ 5,145,547	\$ 1,607,000	\$ 1,850,000	\$ 3,884,454	\$ 12,487,001	\$ —	—	1,474
2005	\$ 4,806,458	\$ 1,552,000	\$ 1,725,000	\$ 3,448,543	\$ 11,532,001	\$ —	—	1,362
2006	\$ 10,163,405	\$ 1,495,000	\$ 1,600,000	\$ 7,281,596	\$ 20,540,001	\$ —	—	2,272
2007	\$ 23,863,894	\$ 1,436,000	\$ 1,470,000	\$ 9,731,107	\$ 36,521,001	\$ —	—	4,039
2008	\$ 23,449,572	\$ 1,375,000	\$ 1,335,000	\$ 9,245,429	\$ 35,405,001	\$ —	—	14,33%
2009	\$ 22,846,289	\$ 1,312,000	\$ 1,190,000	\$ 8,933,712	\$ 34,282,001	\$ —	—	13,66%
2010	\$ 22,061,354	\$ 1,247,000	\$ —	\$ 19,978,647	\$ 43,287,001	\$ —	—	10,40%
2011	\$ 21,311,775	\$ 1,180,000	\$ —	\$ 18,853,275	\$ 41,345,050	\$ —	—	3,495
							13.13%	4,413
							12.54%	4,215

TABLE E-12

CITY OF ROCKPORT, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS
 UNAUDITED

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property(1)	Per Capita(2)
	General Bonded Debt	Debt Service Fund	Net Bonded Debt		
2001	\$ 6,087,429	\$ 240,336	\$ 5,847,093	0.84%	\$ 749
2003	5,734,716	250,269	5,484,457	0.79%	703
2004	5,145,547	271,850	4,873,697	0.62%	575
2005	4,806,458	277,024	5,083,482	0.60%	635
2006	10,163,405	259,152	9,904,253	1.04%	1,095
2007	23,886,894	542,935	23,343,959	2.06%	2,520
2008	23,449,572	365,215	23,084,357	1.90%	2,449
2009	22,846,289	363,963	22,482,326	1.75%	2,292
2010	22,061,354	293,651	22,355,005	1.69%	2,462
2011	21,311,775	344,532	21,656,307	1.58%	2,385

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

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

CITY OF ROCKPORT, TEXAS

DIRECT AND OVERLAPPING

GOVERNMENTAL ACTIVITIES DEBT

UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Aransas County Independent School District	\$ 26,052,147	62.070%	\$ 16,170,568
Aransas County	15,036,006	56.800%	8,540,451
Aransas County Navigation District	5,710,000	46.850%	<u>2,675,135</u>
Subtotal, Overlapping Debt			27,386,154
City Direct Debt			<u>22,311,775</u>
Total Direct and Overlapping Debt			\$ <u>49,697,929</u>

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

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

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

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

TABLE E-14

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Maximum available tax revenues for all purposes including debt service	\$ 15,291,049	\$ 17,367,160	\$ 19,599,619	\$ 21,254,708	\$ 23,887,251	\$ 26,364,349	\$ 30,402,840	\$ 32,136,535	\$ 33,040,660	\$ 34,193,454
Actual amount expended for general obligation debt	626,765	352,173	680,474	694,130	922,725	933,597	1,655,176	1,679,650	1,930,704	1,949,434
Excess	14,664,284	17,014,987	18,919,145	20,560,578	22,934,526	27,430,752	28,747,664	30,456,885	31,109,956	32,244,020

Legal Debt Margin Calculation for the Current Fiscal Year	
Assessed Value	\$ 1,367,738,150
Maximum tax rate per \$100 assessed valuation	2.50
Maximum available tax revenues for all purposes including debt service	<u>34,193,454</u>
Actual amount expended for general obligation debt service	\$ <u>1,949,434</u>

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

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

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

TABLE E-15

Fiscal Year	Utility Service Charges	Less: Operating Expenses(1)	Water and Sewer Revenue Bonds		
			Net Available Revenue	Services Requirements(2)	Coverage
2001	\$ 5,100,452	\$ 3,443,421	\$ 1,657,031	\$ 202,578	8.18
2003	5,311,757	3,467,662	1,844,095	203,470	9.06
2004	5,949,225	3,817,976	2,131,249	204,063	10.44
2005	6,524,568	4,238,296	2,286,272	204,345	11.19
2006	6,803,901	4,586,109	2,237,792	204,408	10.95
2007	6,552,677	4,377,782	2,174,895	199,243	10.92
2008	7,824,558	5,482,597	2,341,961	198,742	11.78
2009	9,561,756	7,257,707	2,304,049	201,372	11.44
2010	9,320,476	6,555,996	2,764,478	—	N/A
2011	10,102,665	7,421,348	2,681,317	—	N/A

(1) Exclusive of depreciation and interest

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

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

TABLE E-16

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Population(1)	7,805	7,805	8,469	8,469	9,041	9,264	9,425	9,810	9,810	9,810
Personal Income(3)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 24,940	\$ 27,504	\$ 33,602	\$ 33,602	\$ 33,602
Per Capita Personal Income (in thousands)	\$ —	\$ —	\$ —	\$ —	\$ 225,843	\$ 254,797	\$ 259,225	\$ 329,636	\$ 329,636	\$ 329,636
Median Age(3)	—	—	—	—	42.7	42.7	42.7	46.0	46.0	46.0
Education Level in Years of Schooling	—	—	—	—	—	—	—	—	—	—
School Enrollment	3,345	3,349	3,331	3,126	3,079	3,014	3,241	3,331	2,916	2,848
Unemployment(2)	7.0%	7.4%	8.3%	5.5%	4.8%	4.2%	4.8%	6.9%	7.4%	7.4%

Data Sources:

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

TABLE E-17

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

Employer	2011			2002			Percentage of Total City Employment
	Employees	Rank	Percentage of Total City Employment	Employees	Rank		
Aransas County ISD	521	1	--	--	--	--	--
Wal-Mart	250	2	--	--	--	--	--
Care Regional Medical Center	210	3	--	--	--	--	--
H.E.B.	185	4	--	--	--	--	--
Wood Group Production Ser	181	5	--	--	--	--	--
Aransas County	175	6	--	--	--	--	--
City of Rockport	130	7	--	--	--	--	--
State of Texas	107	8	--	--	--	--	--
Gulf Pointe Plaza	93	9	--	--	--	--	--
Rockport Coastal Care Center	75	10	--	--	--	--	--
Total	1,927		--	--	--	--	--

Source: Rockport Fulton Chamber of Commerce

Omitted Information is not available.

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

TABLE E-18

Function/Program	Full-Time-Equivalent Employees as of Year End						2010	2011
	2001	2002	2004	2005	2006	2007		
General Government								
Municipal Court	—	—	5	5	5	5	5	5
City Secretary	—	—	2	3	3	3	3	3
City Manager	—	—	1	1	1	1	1	1
Information/Technology	—	—	1	1	1	1	1	1
Finance	—	—	2	2	2	2	2	2
Police Officers	—	—	19	22	22	22	21	25
Civilians	—	—	7	13	14	14	14	14
Public Works								
Building and Development	—	—	5	5	5	5	5	5
Street and Drainage	—	—	6	6	6	6	8	10
Building Maintenance	—	—	1	1	1	1	1	1
Fleet	—	—	2	2	2	2	2	3
Parks and Recreation	—	—	13	22	25	27	27	27
Utilities:								
Water	—	—	11	14	15	15	15	15
Wastewater	—	—	4	4	6	6	6	7
Natural Gas	—	—	—	—	—	7	7	7
Customer Service	—	—	—	4	4	5	4	4
Total	—	—	—	83	105	115	123	131

Source: City Budget

Information was not collected prior to 2004

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

TABLE E-19

Function/Program	2002					Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010	2011				
General Government													
Building Permits Issued	391	437	475	463	475	475	490	162	209	209			
Building Inspections Conducted	584	618	720	735	644	644	520	233	177	177			
Police													
Physical Arrests	867	885	996	892	829	829	833	833	833	833			
Traffic Violations	3,670	4,039	2,960	2,625	3,460	3,460	3,337	3,337	3,677	4,025			
Fire	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Refuse Collection	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Other Public Works													
Street Resurfacing (miles)	8.34	11.40	9.89	9.03	20.63	20.63	9.15	9.15	9.15	9.15			
Potholes Repaired	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000			
Library	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Water													
New Connections	154	179	228	238	297	297	203	143	267	48			
Water Main Breaks	20	20	19	25	19	19	10	10	10	10			
Average Daily Consumption	2,492,000	2,516,000	2,746,000	2,240,000	2,837,000	2,837,000	2,948,000	2,948,000	2,630,137	2,818,759			
Peak Daily Consumption	3,883,000	5,589,000	3,787,000	4,580,000	4,979,000	4,979,000	4,634,000	4,634,000	4,634,000	4,634,000			
Storage Capacity	(1)	(1)	(1)	(1)	(1)	(1)	7,100,000	7,100,000	7,100,000	7,100,000			
Wastewater													
Average Daily Sewage Treatment (millions of gallons)	1.48	1.46	1.50	1.25	1.36	1.36	1.30	1.30	1.30	1.30			
Transit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			

(1) Information is not available.

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

TABLE E-20

Function/Program	Fiscal Year						2009	2010	2011
	2002	2003	2004	2005	2006	2007			
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol Units	—	—	—	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2	2	2	2
Other Public Works	—	—	—	—	—	—	—	—	—
Streets (miles)	—	82	83	83	77	77	77	77	77
Parks and Recreation									
Acreage	200	200	200	200	200	200	200	200	200
Parks	10	10	10	10	10	10	10	10	10
Swimming Pools	—	—	1	1	1	1	1	1	1
Community Centers	—	—	—	1	1	1	1	1	1
Water									
Water Mains (miles)	96	96	96	96	96	96	160	163	163
Storage Capacity (thousands of gallons)	—	5,100	5,100	5,100	7,100	7,100	7,100	7,100	7,100
Wastewater									
Sanitary Sewers (miles)	—	62	62	62	64	64	67	67	67
Storm Sewers (miles)	—	31	31	31	31	31	31	31	31
Treatment Capacity (thousands of gallons)	—	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50

Sources: Various city departments

CITY OF ROCKPORT, TEXAS
INSURANCE IN FORCE
SEPTEMBER 30, 2011
UNAUDITED

TABLE E-21

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #9131	Real and Personal Property, \$21,905,936 Mobile Equipment, \$869600 Errors & Omissions, \$2,000,000 occurrence, \$4,000,000 annual aggregate Law Enforcement Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate General Liability, \$2,000,000 occurrence, \$4,000,000 annual aggregate Auto Liability, \$1,000,000 occurrence, \$25,000 Medical Auto Physical Damage, coverage varies per vehicle Workers Compensation, limit statutory Public Employee Dishonesty, \$50,000 occurrence Forgery or Alteration, \$10,000 occurrence Theft, Disappearance & Destruction, \$10,000 occurrence Computer Fraud, \$10,000 occurrence Boiler & Machinery, \$100,000 Flood-City Hall and contents, \$500,000	October 1, 2012
Texas Municipal League 61BSBAN2111 61BSBAI4945 61BSBBO5668	Public Official Bond, Tax Collector, \$50,000 Public Official Bond, City Manager, \$50,000 Public Official Bond, Finance Director, \$50,000	August 12, 2012 January 9, 2013 March 6, 2012
Fidelity National Insurance Co. 421150039772 421150263872 421150263870 421150399146 421150263871 421150576270	Flood-Beach Park Maintenance, \$40,300 Flood-Pavillion North Bath House, \$410,000/\$5,500 Flood-Pavillion West, Saltwafer Pool, \$600,000/\$37,500 Flood-Pavillion East with Concession, \$500,000/\$37,500 Flood-Pavillion South Bath House \$410,000/\$25,000 Flood-Bay Education Center, \$500,000/\$487,000	August 16, 2012 March 21, 2012 March 21, 2012 May 21, 2012 March 21, 2012 September 4, 2012
Texas Windstorm Insurance Assoc. 26742910	Windstorm and Hall, \$15,496,574	August 27, 2012

CITY OF ROCKPORT, TEXAS
SELECTED UTILITY FUND DATA
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2011
UNAUDITED

TABLE E-22

<u>Fiscal Year Ended September 30,</u>	<u>Water Connections</u>	<u>Sewer Connections</u>	<u>Gallons of Water Consumed</u>
2002	7,776	3,808	822,894,200
2003	7,938	3,872	769,984,600
2004	8,161	3,986	797,799,100
2005	8,396	4,129	879,564,100
2006	8,747	4,276	916,721,400
2007	9,025	4,356	842,145,700
2008	9,173	4,433	882,252,300
2009	9,410	4,526	1,073,168,400
2010	9,516	4,567	1,014,375,581
2011	9,612	4,615	1,028,847,000

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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Independent Auditor's Report

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

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

Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of and for the year ended September 30, 2011, which collectively comprise the City of Rockport, Texas's basic financial statements and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Rockport, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rockport, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rockport, Texas's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Respectfully submitted,



Michael A. Arnold, PLLC

March 16, 2012

CITY OF ROCKPORT, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT PROGRAMS
For the Year Ended September 30, 2011

EXHIBIT F-1

FEDERAL FINANCIAL ASSISTANCE
GRANTOR: TEXAS DEPARTMENT OF RURAL AFFAIRS
CONTRACT NUMBER: R729530
CONTRACT PERIOD: September 15, 2009-September 14, 2011

	Budget	State		Match		Total
		Prior Years	Current Year	Prior Years	Current Year	
Revenues:						
Federal	\$300,000	\$22,000	\$267,942	\$ -	\$ -	\$289,942
Local	60,000	-	-	-	60,000	60,000
Total revenues	360,000	22,000	267,942	-	60,000	349,942
Expenditures:						
Federal:						
Sewer Facilities	195,280	-	195,280	-	-	195,280
Rehab. Private Prop	46,794	-	40,486	-	-	40,486
Engineering	32,926	9,500	23,426	-	-	32,926
Administration	9,683	4,000	3,621	-	-	7,621
Activity Delivery	15,317	8,500	5,129	-	-	13,629
Local:						
Sewer Facilities	48,402	-	-	-	48,402	48,402
Rehab. Private Prop	11,598	-	-	-	11,598	11,598
Total expenditures	360,000	22,000	267,942	-	60,000	349,942
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -