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CERTIFIED PUBLIC ACCOUNTANT

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ROCKPORT, TEXAS 78381-1266

October 21, 2008

City of Rockport
622 E. Market
Rockport, TX 78382

We are pleased to confirm our understanding of the services we are to provide the City of Rockport for the year ended September 30, 2008. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the City of Rockport as of and for the year ended September 30, 2008. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the City of Rockport's basic financial statements. As part of our engagement, we will apply certain limited procedures to the City of Rockport's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Required Budget Comparisons

Supplementary information other than RSI, such as combining and individual fund financial statements, also accompanies the City of Rockport's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements:

- 1) All Combining and Individual Fund Financial Statements

The following additional information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

- 1) Statistical Information

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the City of Rockport and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the City of Rockport is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockport and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are responsible for management decisions and functions. As part of the audit, we will prepare a draft of your financial statements and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the

determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Rockport's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Audit Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will locate any documents selected by us for testing.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Michael A. Arnold, PLLC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to grantors, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry

out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Michael A. Arnold, PLLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our fees for these services will not exceed \$8,900. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2005 peer review and letter of comment has been previously furnished to you.

We appreciate the opportunity to be of service to the City of Rockport and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Michael A. Arnold, PLLC

Michael A. Arnold, PLLC

RESPONSE:

This letter correctly sets forth the understanding of the City of Rockport.

Name:

Thomas J. Blazek

Title:

CITY MANAGER

Date:

11/4/09

CITY OF ROCKPORT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

PREPARED BY
JACKY COCKERHAM
FINANCE DIRECTOR

City of Rockport, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2008

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Introductory Section



www.cityofrockport.com

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

CITY HALL ANNEX
621 E. Market Street
Rockport, Tx. 78382
Building & Inspections
Building Permits
Code Enforcement
Phone: 361-790-1155
Fax: 361-729-6476
Inspection Request Line:
361-790-1177

PUBLIC SAFETY CENTER
Police Department
714 E. Concho Street
Rockport, Tx. 78382
Phone: 361-729-1111
Fax: 361-790-1118

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

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

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

February 27, 2009

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, 2008, is submitted. This report was prepared in accordance with generally accepted accounting principles on a basis consistent with the prior year. The preparation of the annual financial report and all financial information in the report is the responsibility of the City. The scope of the independent auditor's examination is to render an opinion on the financial information in the Annual Financial Report. Complete details concerning the City's fiscal year activities and related costs are presented in the enclosed narratives and financial statements.

ORGANIZATION OF THE REPORT

This report is divided into three sections that are interrelated but serve distinctly different purposes. The first section contains introductory material, which orients the reader as to the proper location, governing board, and key administrators of the reporting entity and the fiscal period covered by the report. The Table of Contents is highly detailed so that material can be quickly and precisely accessed. This Letter of Transmittal and the Management's Discussion and Analysis are management's opportunity to communicate aspects of the overall financial condition, details of which are frequently obscured or submerged in financial statements, schedules, and/or tables. The attached organizational chart provides a pictograph of the lines of authority and responsibility within the system.

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

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

INDEPENDENT AUDIT

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

MANAGEMENT RESPONSIBILITY

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

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

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

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

GOVERNING BODY

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

ordinances and appoints and supervises the heads of departments of the City Organization.

FINANCIAL ADMINISTRATION

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

CITY OF ROCKPORT AND ITS SERVICES

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

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

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

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

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

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

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, detailed estimates of all revenue and expenditures, debt requirements, and a draft of the budget ordinance. The City Council shall review the proposed budget and make any appropriate changes prior to publishing the final budget.

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

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

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

GENERAL INFORMATION

The City of Rockport is the county seat for Aransas County and is located 30 miles northeast of Corpus Christi. There are approximately 14.18 square miles of land within the City's corporate boundary.

ECONOMIC TRENDS

Rockport has been named one of the top 10 U.S. destinations for 2008 by *Trip Advisor*, the world's largest travel community network. The June 2007 edition of *Texas Monthly* listed Rockport as having one of the best Texas beaches. In the April 2007 issue of *Better Homes and Gardens*, Rockport-Fulton was listed as a destination as a "long weekend hotspot" for spring migration birdwatching. Ranked in *The 100 Best Small Art Towns of America*, and recognized among the top retirement spots in the nation by *America's Best Places to Retire*, Rockport is a wonderful place to live and visit alike. In 2004, *Money* recognized Rockport as one of the best places to live on the coast. *Flyfishing Magazine* has listed Rockport as one of the 10 Best Redfish spots from Texas to North Carolina.

Property values in the City of Rockport increased from \$409,262,772 in 1997 to \$1,361,703,552 in 2007. This can be attributed to the annexation of several areas, increased property values, as well as, the increase in development within the City.

Permits for single family homes continue to be issued at a rate of approximately 120 each year. The population of Rockport has grown by 95% in the last ten (10) years going from 4,753 in 1997 to 9,264 in 2007, according to an estimate done by the Census Bureau.

Sales tax revenues have increased from \$990,496 in 1998 to \$1,843,914 in 2008. This is an 86% increase in sales tax revenues over a ten (10) year period. Winter Texans and summer visitors have helped in the increase of sales tax.

The City has taken several steps in recent years to enhance the quality of life for the citizens of Rockport. Several of the area parks have been upgraded and expanded, as well as, the planning of a two phase Hike and Bike Trail that will be partially funded by a TxDOT grant. A grant from Texas Department of Agriculture (Texas Yes) helped complete a beautification project on Austin Street. Large pots and planting were placed in the median, as well as, signs being located at the entrance of the Rockport Historic District.

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

MAJOR INITIATIVES

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

- Live Oak Street Paving & Drainage is being rehabilitated from Enterprise Boulevard to Cornwall Street. The drainage upgrades and a majority of the curbs and gutters were installed in the FY 2007-2008. A change order was done on this project to include the Hike and Bike Trail originally awarded in a TxDOT grant. The project was completed in early 2008.
- Fulton Beach Road Overlay and Widening- This project rehabilitated the section of road between Highway 35 Business and Palmetto Avenue. The project widened the road in sections, replaced guardrail and pedestrian walkway on the Harbor Oaks Bridge, leveled and overlaid road with hot mix, and re-striped. This project was funded by Certificates of Obligation, Series 2005. The project was completed early in 2008.
- Sanitary Sewer Rehabilitation Program was completed this fiscal year. Insituform Technologies, Inc. installed approximately 65,000 LF of Cured In Place Pipe (CIPP) lining the vitrified clay pipe deeper than 12 feet within the existing sanitary sewer system. This project was funded in the 2007 Construction Bond Issue.

Drainage continues to be a major issue for the City of Rockport. Several minor and major drainage projects have been started this year. These projects will continue to be scheduled and propose to be completed in the next two budget years.

BUDGET AS COMPARED TO ACTUAL

General Government Fund Revenues – Budget as Compared to Actual

The General Fund revenues and expenditures are budgeted based on historical information and the current economic climate of the City. For a detailed comparison of actual General Fund revenues and expenditures with budget amounts, see "Budgetary Comparison Schedule (GAAP Basis)" in the financial section of this report (Exhibit B-1).

FIDUCIARY FUNDS

The City had no fiduciary funds at September 30, 2008.

PROPRIETARY FUNDS

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

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

CAPITAL ASSETS

The Capital Assets include all fixed assets of the City except for those of the Proprietary Fund Type (Utility System Fund), with the implementation of GASB rule 34 depreciation will be calculated on Capital Assets. For a more detailed analysis refer to Notes A and E in Notes to the Financial Statements and Exhibit E-20.

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, 2007 was \$1,288,060,950 and was taxed at \$.2790 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$3,443,756.46.

Collections

Current taxes of \$3,392,956.91 or 98.53% of the adjusted tax roll were collected during fiscal year 2007-2008. 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 2007 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	2007	2006	2005	2004	2003
General Fund	.1605	.1629	.1808	.1949	.1963
G. O. Debt	.1185	.0814	.0741	.0608	.0687
Total	.2790	.2443	.2549	.2557	.2650

CASH MANAGEMENT

The City has a policy of investing idle cash in the various funds in time deposits. Interest rates on time deposits are governed by the City's depository contract. This contract is awarded for three-year periods to the best bidder. The current depository contract was awarded to Well Fargo Bank, Rockport Branch, Rockport, Texas on May 1, 2006. The contract provides payment of interest at commercial posted rates. The contract further provides the City may make deposits outside of the depository bank. The City has chosen to invest its idle cash in TexPool when the interest rates are higher than the depository bank. The City has also registered to invest in TexasTerm and TexasDaily currently interest rates are substantially higher than TexPool, therefore, most of the City's idle cash is invested with TexasTerm and TexasDaily. All funds in the Demand Deposit Account are invested nightly by Wells Fargo under a Repurchase Agreement, allowing the City to increase interest earnings on all idle funds. The total amount of interest earned across funds in 2007-2008 was \$1,040,047.

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, 2007. This is the fifth 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, 2008 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

ACKNOWLEDGMENTS

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

Respectfully submitted,

A handwritten signature in cursive script, reading "Jacky Cockerham". The signature is written in dark ink and is positioned above the printed name and title.

Jacky Cockerham
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockport
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

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.

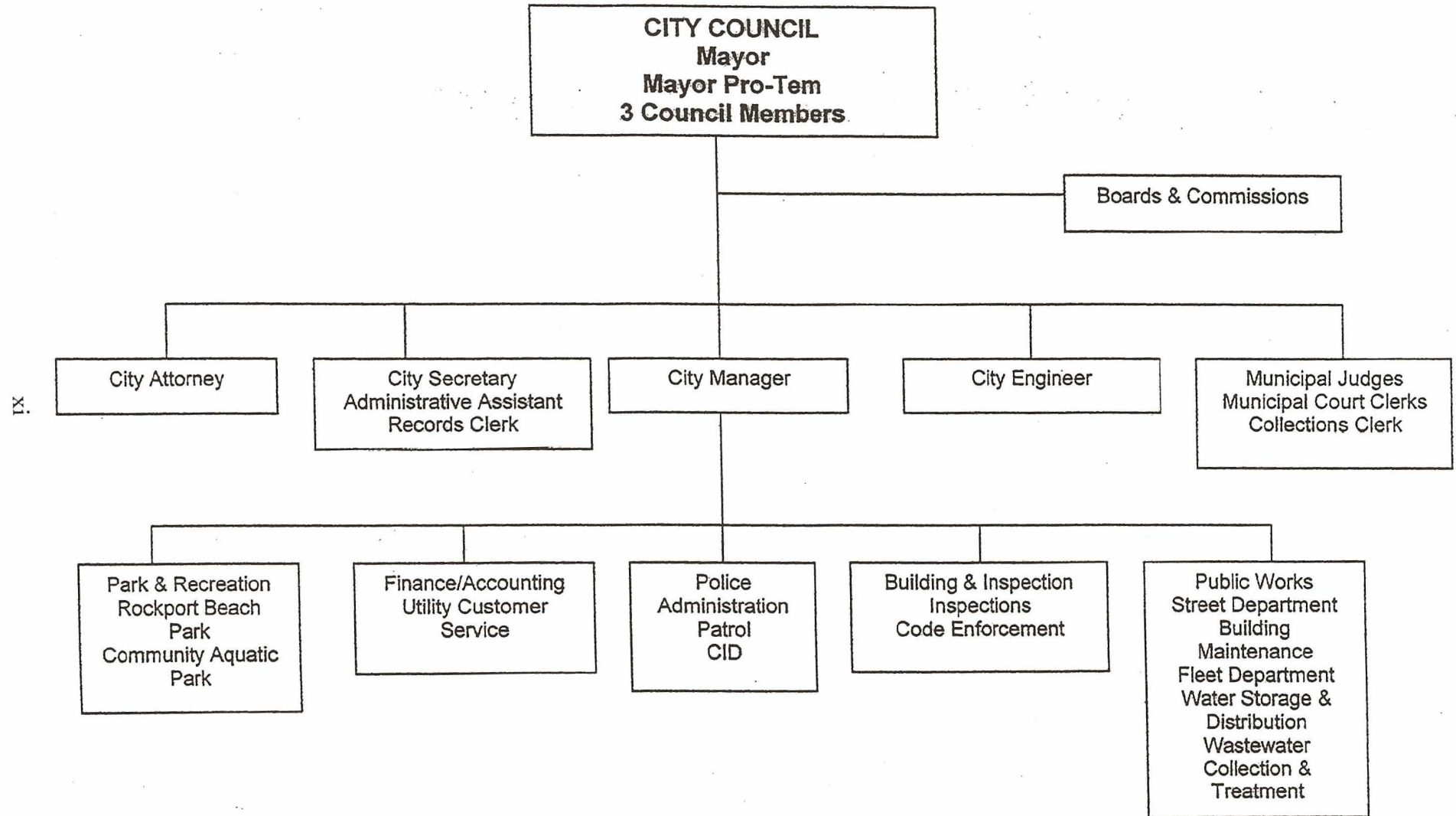


President

Executive Director

CITY OF ROCKPORT

Organization Chart



CITY OF ROCKPORT, TEXAS**LIST OF PRINCIPAL OFFICIALS****SEPTEMBER 30, 2008**

Elected Officials

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

Appointed Officials

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

Financial Section

Michael A. Arnold, PLLC

501 E. MARKET

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545

P.O. BOX 1266

FAX (361) 790-9692

ROCKPORT, TEXAS 78381-1266

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rockport, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of September 30, 2008, 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 February 27, 2009, on our consideration of City of Rockport, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Michael A. Arnold, PLLC". The signature is written in a cursive, flowing style.

Michael A. Arnold, PLLC

February 27, 2009

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, 2008. 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 2008 by \$29,626,077 (net assets). Of this amount, \$10,618,613 (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 \$2,442,416 in 2008.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,331,737, a decrease of 8% in comparison with the prior year. Approximately \$4,344,324 (19%) 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 \$4,072,410 or, 77% of total general fund expenditures.
- The City's total long-term debt decreased by \$1,389,399 (4.0%) 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 23 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 24 through 38 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 39 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 \$29,626,077 at the close of the most recent fiscal year.

\$1.1 million or 4%, 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, 2008

Table 1

	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$ 5,747,190	\$ 5,693,643	\$ 5,992,646	\$ 6,845,277	\$ 11,739,836	\$ 12,538,920
Restricted Assets	17,444,887	19,561,094	2,383,290	5,368,090	19,828,177	\$ 24,929,184
Capital Assets, net of accumulated depreciation	11,171,374	8,243,430	25,634,451	21,102,035	36,805,825	\$ 29,345,465
Total Assets	34,363,451	33,498,167	34,010,387	33,315,402	68,373,838	66,813,569
Liabilities						
Current & Due Within One Year	1,392,192	1,202,313	2,487,688	2,228,368	3,879,880	3,430,681
Due in More Than One Year	24,565,663	25,432,410	10,302,218	10,763,817	34,867,881	36,196,227
Total Liabilities	25,957,855	26,634,723	12,789,906	12,992,185	38,747,761	39,626,908
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	3,524,435	2,337,041	14,887,246	14,728,064	18,411,681	17,065,105
Restricted for:						
Debt Service	397,985	565,763	197,798	195,144	595,783	760,907
Capital Projects	-	-	-	-	-	-
Unrestricted	4,483,176	3,960,640	6,135,437	5,397,009	10,618,613	9,357,649
Total Net Assets	\$ 8,405,596	\$ 6,863,444	\$ 21,220,481	\$ 20,320,217	\$ 29,626,077	\$ 27,183,661

An additional portion of the City's net assets (51%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (45%) 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.

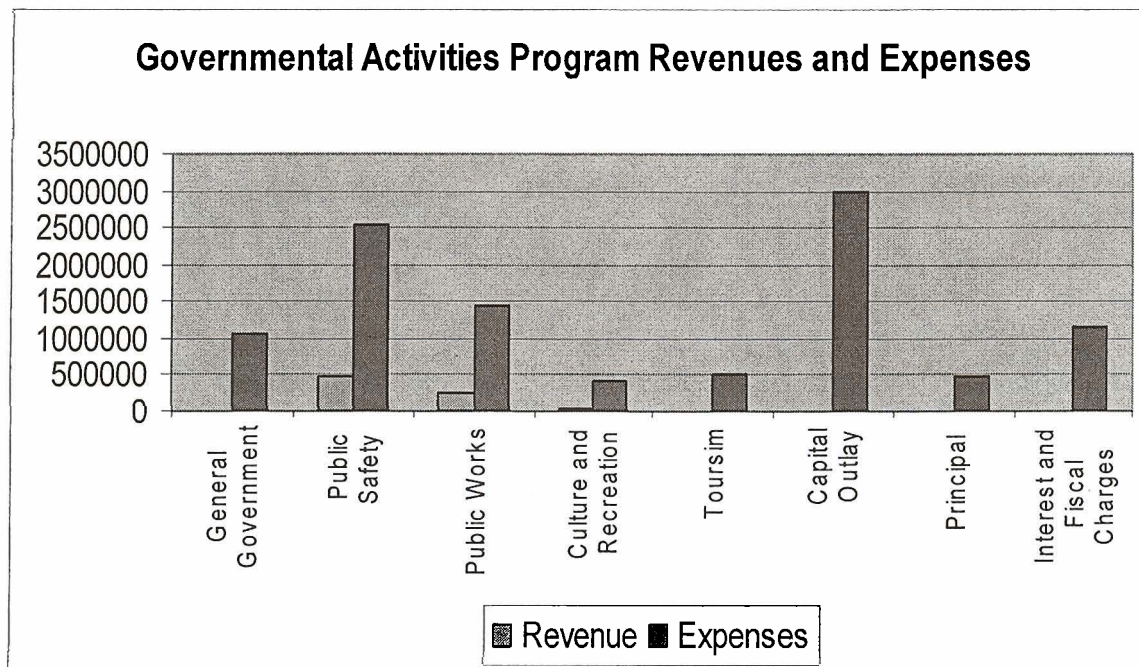
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. These positive balances are indicative of the conservative fiscal practices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

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. In the Government-wide Statement of Activities in

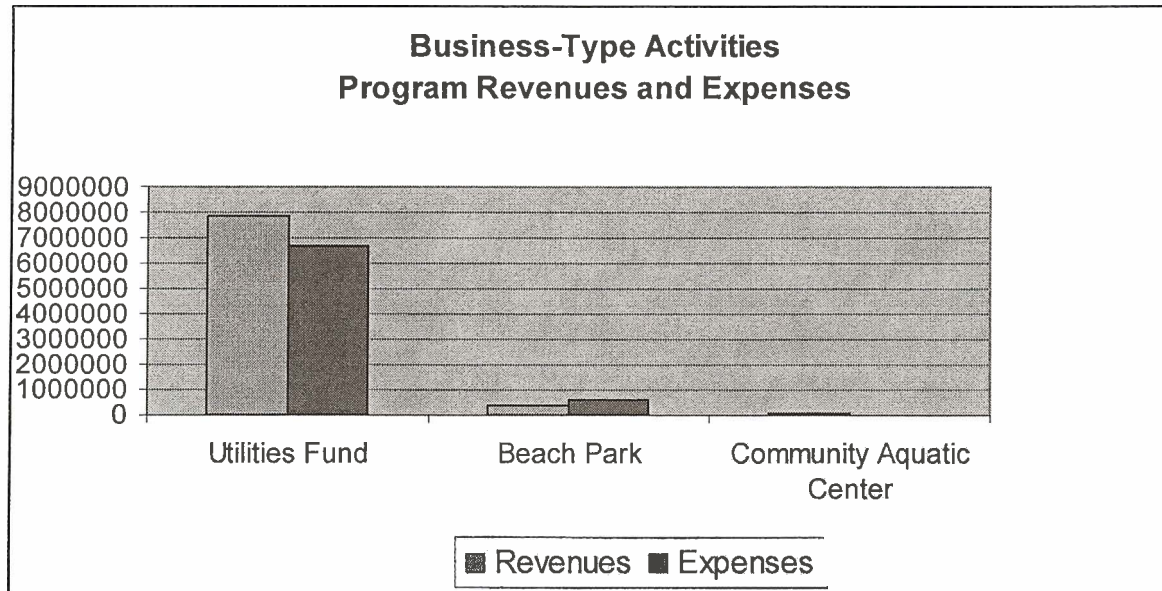
Exhibit A-2 of the Basic Financial Statements, the expenditures incurred in providing these services are netted against the program revenues received by the City for these services. Because the City is not a for-profit entity, the cost to deliver the services far exceeds the program revenues generated. This deficit of new expenditures, \$5,678,719, is overcome by the general revenues of taxes, investment earnings, miscellaneous income and transfers in totaling \$7,941,430. The overall change in Net Assets resulting from governmental activities at the end of the year was \$1,923,176.

Program Revenues & Expense –Governmental Activities
Table 2



The table above illustrates the deficit in program revenues for governmental activities as found in the Statement of Activities. In each category of activity, the revenue generated is far less than the cost to deliver the related services. The chart below illustrates the opposite for the City's business-type activities. These functions do provide revenue necessary to provide the related services and provide for the future stability of each system.

Program Revenues & Expenses – Business-type Activities
Table 3



Business-type Activities. As shown in the Statement of Activities, program revenues of the City's business-type activities were \$8,282,885 for the fiscal year ended September 30, 2008. Expenses for the City's business-type activities were \$7,611,636, resulting in net revenues of \$671,249. After the non-program expenses and revenues are added in, the total change in net assets for the business type activities was \$900,264 or 4% of the prior year total.

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, Crosstex Gulf and Gulf Coast Gas Gathering. The City has not increased water rates, other than a pass through from the San Patricio Municipal Water District, since 2002. Wastewater rates were increased this fiscal year by adding an additional tier for customers using more than 5,000 of water. 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. 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 \$22,331,737, a decrease of \$1,923,176 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 \$4,072,410. 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 2008, the daily cost of operation in the general fund was \$14,426 (total current expenditures of \$5,265,340 divided by 365 days in the year). The City of Rockport's unreserved general fund balance would be able to sustain 280 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 2007-08, the General Fund budget was amended only one time, with an increase of \$155,000. This increase was authorized for the purchase of land and an office building located at 401 Magnolia from Aransas Natural Gas Co.

Proprietary funds. The proprietary funds ended 2008 with combined net assets totaling \$21,220,481. The proprietary funds include the Utility System Fund, Sanitation, Rockport Beach Park and the Community Aquatic & Skate Park. In this total, the new assets for each fund are: Utility System Fund: \$5,420,310, Rockport Beach Park \$-0- and the Community Aquatic & Skate Park \$-0-.

The Utility System Fund is the only major fund in this group.

Proprietary Fund Budgetary Highlights.

During FY 2007-08, the Utility System Fund was amended one time. There were substantial increases to both revenues and expenditures. Revenues were amended to reflect revenue from the sale of Natural Gas, with the addition of the Natural Gas Department in

the Utility System Fund. Expenses were increased to reflect operational costs associated with adding a department to the fund. Unrestricted net assets were also reduced by \$ 1,912,205 to account for the purchase of capital assets associated with the purchase of the Aransas Natural Gas Co. Assets include all infrastructure in and above the ground, as well as, inventory of materials on hand at time of purchase.

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, 2008 totals at \$36,805,423 (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 25%.

Mayor capital asset events during 2008 include the following:

- As mentioned in the highlights above, the City purchased the Aransas Natural Gas Co., a private company, on May 30, 2008. This purchase included all infrastructure, land, and office building.
- Several drainage projects were completed including Austin Street, Linden and Live Oak, and West Terrace.
- Fulton Beach Road was leveled, areas widened, and a hot mix overlay from Highway 35 Business and Palmetto Avenue.
Downtown Sidewalks and Parking converted Austin Street from a four lane boulevard to a two lane street with diagonal parking. Curb extensions "bulbouts" were added to define the diagonal parking. This project was funded by a Texas Capital Fund – Downtown Revitalization Grant.
- Live Oak Street was paved and curb and gutter was installed from Enterprise Boulevard to Cornwall Street. In addition a sidewalk was installed the length of the improvements. The sidewalk was to be done with a TxDOT Grant, but by doing the projects together the sidewalk was completed for the amount that would have been the match on the grant.
Sanitary Sewer Rehabilitation Project lined the vitrified clay pipe deeper than 12 feet with Cured In Place Pipe lining. This project will eliminate failures in the sanitary sewer lines.

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 has not issues any new bonded debt in 2008, but is looking at refunding three current issues that will result in savings to the City based on current interest rates.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2008-09 the elected and appointed officials considered many factors including the forces driving the economy in their budget decisions. The increased housing starts, increased development, and raw land being turned into retail and housing can each be measured by the number of new water connections recorded. An increase in Hotel Occupancy Tax and sales tax indicate an increase in tourism. There has been an increase in registered voters since 2000, going from 5,760 in 2005 to 5,987 in 2006, equating to a 4% increase. The U. S. Census estimates the population for Rockport at 9,264 in 2006 this up from 7,385 in the 2000 census.

The City has not issued any bonds since the 2007 Certificates of Obligation that provided funds for improvements to the City's sanitary sewer system; street and drainage improvements; to make storm sewer improvements; construct and equip a community recreation center; construct and equip a park and leisure services building; construct additional parking at the Beach Park and acquire approximately 50 acres of land located within the City limits of Rockport. Projects funded by this bond issue continue to be designed, engineered and bid.

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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Cash and cash equivalents</i>	\$ 4,640,991	\$ 4,899,490	\$ 9,540,481
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Property taxes</i>	93,440		93,440
<i>Other taxes</i>	369,342	--	369,342
<i>Accounts</i>	12,885	1,423,767	1,436,652
<i>Special assessments</i>	7,918	10,136	18,054
<i>Intergovernmental</i>	33,325	--	33,325
<i>Other</i>	49,564	--	49,564
<i>Internal balances</i>	447,717	(447,717)	--
<i>Inventories</i>	92,008	126,970	218,978
Restricted assets:			
<i>Cash and cash equivalents</i>	17,127,831	2,163,136	19,290,967
<i>Bond issuance costs</i>	317,056	200,154	517,210
Capital assets:			
<i>Land</i>	693,508	214,954	908,462
<i>Buildings</i>	3,083,947	1,728,904	4,812,851
<i>Improvements other than buildings</i>	551,957	3,361,402	3,913,359
<i>Utility system</i>	--	34,773,776	34,773,776
<i>Machinery and equipment</i>	2,001,266	1,916,528	3,917,794
<i>Infrastructure</i>	7,095,827	--	7,095,827
<i>Accumulated depreciation</i>	(2,255,131)	(16,361,113)	(18,616,244)
Total Assets	<u>34,363,451</u>	<u>34,010,387</u>	<u>68,373,838</u>
		34,010,387	
LIABILITIES			
<i>Accounts payable</i>	348,052	1,167,457	1,515,509
<i>Accrued liabilities</i>	34,557	9,242	43,799
<i>Accrued interest payable</i>	134,546	58,073	192,619
<i>Customer Deposits</i>		740,996	740,996
Noncurrent liabilities:			
<i>Due within one year</i>	875,037	511,920	1,386,957
<i>Due in more than one year</i>	24,565,663	10,302,218	34,867,881
Total Liabilities	<u>25,957,855</u>	<u>12,789,906</u>	<u>38,747,761</u>
		12,789,906	
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,524,435	14,887,246	18,411,681
Restricted For:			
Debt Service	397,985	197,798	595,783
Unrestricted	4,483,176	6,135,437	10,618,613
Total Net Assets	<u>\$ 8,405,596</u>	<u>\$ 21,220,481</u>	<u>\$ 29,626,077</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
<i>General government</i>	\$ 1,055,722	\$ 15,683	\$ --	\$ --
<i>Public safety</i>	2,722,740	487,146	280,668	--
<i>Public works</i>	1,612,377	257,689	--	--
<i>Culture and recreation</i>	456,641	38,376	31,800	--
<i>Tourism</i>	505,658	--	--	--
<i>Interest and fiscal charges</i>	1,157,502	--	--	--
Total governmental activities	<u>7,510,640</u>	<u>798,894</u>	<u>312,468</u>	<u>--</u>
Business-type Activities:				
Sanitation	--	13,967	--	--
Utility	6,677,635	7,824,558	--	322,574
Beach Park	634,462	355,287	65,000	--
Community Aquatic Center	299,539	89,073	64,750	--
Total Business-type Activities	<u>7,611,636</u>	<u>8,282,885</u>	<u>129,750</u>	<u>322,574</u>
Total Primary Government	<u>\$ 15,122,276</u>	<u>\$ 9,081,779</u>	<u>\$ 442,218</u>	<u>\$ 322,574</u>

General Revenues:

Property Taxes, Levied for General Puposes

Property Taxes, Levied for Debt Services

Sales Taxes

Franchise Taxes and Other Taxes

Occupancy Taxes

Unrestricted Investment Earnings

Other Revenues

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,040,039)		\$ (1,040,039)
(1,954,926)		(1,954,926)
(1,354,688)		(1,354,688)
(386,465)		(386,465)
(505,658)		(505,658)
(1,157,502)		(1,157,502)
<u>(6,399,278)</u>		<u>(6,399,278)</u>
--	\$ 13,967	13,967
--	1,469,497	1,469,497
--	(214,175)	(214,175)
--	(145,716)	(145,716)
--	<u>1,123,573</u>	<u>1,123,573</u>
<u>(6,399,278)</u>	<u>1,123,573</u>	<u>(5,275,705)</u>
2,008,336	--	2,008,336
1,462,988	--	1,462,988
1,842,730	--	1,842,730
776,959	--	776,959
540,624	--	540,624
702,769	337,278	1,040,047
46,437	--	46,437
560,587	(560,587)	--
<u>7,941,430</u>	<u>(223,309)</u>	<u>7,718,121</u>
1,542,152	900,264	2,442,416
6,863,444	20,320,217	27,183,661
<u>\$ 8,405,596</u>	<u>\$ 21,220,481</u>	<u>\$ 29,626,077</u>

CITY OF ROCKPORT, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	General Fund	Debt Service
ASSETS		
Assets:		
Cash and cash equivalents	\$ 3,592,966	\$ 365,215
Receivables (net of allowances for uncollectibles):		
Property taxes	60,670	32,770
Other taxes	192,449	--
Accounts	--	--
Special assessments	--	--
Intergovernmental	--	--
Other	49,564	--
Due from other funds	626,716	--
Inventories	92,008	--
Restricted assets:		
Cash and cash equivalents	--	--
Total Assets	<u>\$ 4,614,373</u>	<u>\$ 397,985</u>
Liabilities:		
Accounts payable	\$ 232,099	\$ --
Accrued expenses	20,536	--
Due to other funds	90,150	--
Deferred revenue	107,170	32,770
Total Liabilities	<u>449,955</u>	<u>32,770</u>
Fund balances:		
Reserved for inventories	92,008	--
Reserved for capital outlay	--	--
Reserved for special purpose programs	--	--
Reserved for law enforcement	--	--
Reserved for tourism	--	--
Reserved for public access television	--	--
Reserved for debt service	--	365,215
Unreserved, reported in -		
General fund:		
Designated for general contingencies	1,155,932	--
Undesignated	2,916,478	--
Special revenue funds:		
Undesignated	--	--
Capital projects funds:		
Designated for capital projects	--	--
Total fund balances	<u>4,164,418</u>	<u>365,215</u>
Total Liabilities and Fund balances	<u>\$ 4,614,373</u>	<u>\$ 397,985</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
\$	\$	\$ 682,810	\$ 4,640,991
--	--		93,440
--	--	176,893	369,342
--	--	12,885	12,885
--	--	7,918	7,918
--	--	33,325	33,325
--	--		49,564
--	--		626,716
--	--		92,008
14,125,064	3,002,767	--	17,127,831
<u>\$ 14,125,064</u>	<u>\$ 3,002,767</u>	<u>\$ 913,831</u>	<u>\$ 23,054,020</u>
--	\$ --	\$ 115,953	\$ 348,052
--	--	14,021	34,557
--	--	88,849	178,999
--	--	20,735	160,675
<u>--</u>	<u>--</u>	<u>239,558</u>	<u>722,283</u>
--	--		92,008
14,125,064	3,002,767	--	17,127,831
--	--	50,709	50,709
--	--	6,143	6,143
--	--	330,460	330,460
--	--	14,815	14,815
--	--	232	365,447
--	--	--	1,155,932
--	--	--	2,916,478
--	--	(79,786)	(79,786)
--	--	351,700	351,700
<u>14,125,064</u>	<u>3,002,767</u>	<u>674,273</u>	<u>22,331,737</u>
<u>\$ 14,125,064</u>	<u>\$ 3,002,767</u>	<u>\$ 913,831</u>	<u>\$ 23,054,020</u>

CITY OF ROCKPORT, TEXAS

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008*

Total fund balances - governmental funds balance sheet	\$ 22,331,737
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	11,171,374
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	93,440
Payables for bond principal which are not due in the current period are not reported in the funds.	(23,750,022)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,375,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(134,546)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(315,678)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	317,056
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	46,500
Receivables unavailable to pay for current period expenditures are deferred in the funds.	12,817
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	7,918
Net assets of governmental activities - statement of net assets	<u>\$ 8,405,596</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General Fund	Debt Service
Revenue:		
<i>Taxes</i>	\$ 4,596,959	\$ 1,462,988
<i>Licenses and permits</i>	179,454	--
<i>Intergovernmental</i>	31,800	
<i>Charges for services</i>	116,631	--
<i>Fines</i>	324,387	
<i>Special assessments</i>	--	--
<i>Interest</i>	136,360	16,560
<i>Miscellaneous</i>	46,437	--
Total revenues	<u>5,432,028</u>	<u>1,479,548</u>
Expenditures:		
Current:		
<i>General government</i>	1,032,173	
<i>Public safety</i>	1,918,731	--
<i>Public works</i>	1,454,671	--
<i>Culture and recreation</i>	408,354	--
<i>Tourism</i>	--	--
<i>Capital outlay</i>	451,411	--
Debt service:		
<i>Principal</i>		467,767
<i>Interest and fiscal charges</i>		1,144,910
<i>Bond issuance cost</i>		
Total expenditures	<u>5,265,340</u>	<u>1,612,677</u>
Excess (deficiency) of revenues (under) expenditures	166,688	(133,129)
Other financing sources (uses):		
<i>Transfers in</i>	698,079	--
<i>Transfers out</i>	(426,057)	(44,591)
Total other financing sources (uses)	<u>272,022</u>	<u>(44,591)</u>
Net change in fund balance	438,710	(177,720)
Fund balance, beginning of year	3,725,708	542,935
Fund balance, end of year	<u>\$ 4,164,418</u>	<u>\$ 365,215</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
\$ --	\$ --	\$ 699,199	\$ 6,759,146
--	--	--	179,454
--	--	280,668	312,468
--	--	--	116,631
--	--	25,434	349,821
--	--	3,489	3,489
378,061	161,145	10,643	702,769
--	--	--	46,437
<u>378,061</u>	<u>161,145</u>	<u>1,019,433</u>	<u>8,470,215</u>
--	--	13,046	1,045,219
--	--	615,580	2,534,311
--	--	--	1,454,671
--	--	--	408,354
--	--	505,658	505,658
355,692	2,269,849	263,637	3,340,589
--	--	27,555	495,322
--	--	14,944	1,159,854
10,000	--	--	10,000
<u>365,692</u>	<u>2,269,849</u>	<u>1,440,420</u>	<u>10,953,978</u>
12,369	(2,108,704)	(420,987)	(2,483,763)
--	--	391,057	1,089,136
--	--	(57,901)	(528,549)
--	--	<u>333,156</u>	<u>560,587</u>
12,369	(2,108,704)	(87,831)	(1,923,176)
14,112,695	5,111,471	762,104	24,254,913
<u>\$ 14,125,064</u>	<u>\$ 3,002,767</u>	<u>\$ 674,273</u>	<u>\$ 22,331,737</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, 2008*

Net change in fund balances - total governmental funds \$ (1,923,176)

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

Capital outlays are not reported as expenses in the SOA.	3,336,993
The depreciation of capital assets used in governmental activities is not reported in the funds.	(409,049)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	16,251
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	434,322
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	61,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(17,153)
(Increase) decrease in accrued interest from beginning of period to end of period	2,761
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	7,720
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	8,000
Certain receivables are deferred in the funds. This is the change in these amounts this year.	1,248
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(3,509)
Amortization of bond premiums not reported in the funds.	16,744
Bond issue costs are reported in funds, but not in the SOA.	10,000

Change in net assets of governmental activities - statement of activities \$ 1,542,152

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

SEPTEMBER 30, 2008

	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
	Utility Fund		
ASSETS			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 4,704,926	\$ 194,564	\$ 4,899,490
Receivables (net of allowances for uncollectibles):			
Accounts	963,780	157,413	1,121,193
Special assessments	10,136	--	10,136
Due from other funds	--	90,150	90,150
Inventories	126,970	--	126,970
Total current assets	<u>5,805,812</u>	<u>442,127</u>	<u>6,247,939</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	2,163,136	--	2,163,136
Accounts receivable - noncurrent	302,574	--	302,574
Bond issue costs	200,154	--	200,154
Capital assets:			
Land	110,654	104,300	214,954
Buildings	273,253	1,455,651	1,728,904
Improvements other than buildings	--	3,361,402	3,361,402
Water system	15,460,825		15,460,825
Sewer system	17,459,951		17,459,951
Natural gas system	1,853,000	--	1,853,000
Machinery and equipment	1,749,510	167,018	1,916,528
Accumulated depreciation	(13,578,578)	(2,782,535)	(16,361,113)
Total noncurrent assets	<u>25,994,479</u>	<u>2,305,836</u>	<u>28,300,315</u>
Total Assets	<u>\$ 31,800,291</u>	<u>\$ 2,747,963</u>	<u>\$ 34,548,254</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 772,334	\$ 395,123	\$ 1,167,457
Accrued expenses	8,761	481	9,242
Due to other funds	--	537,867	537,867
Accrued interest payable	58,073	--	58,073
Customer deposits	724,950	16,046	740,996
Compensated absences	49,000	--	49,000
Bonds and certificates of obligation - current portion	462,920		462,920
Total current liabilities	<u>2,076,038</u>	<u>949,517</u>	<u>3,025,555</u>
Noncurrent liabilities:			
Bonds and certificates of obligation payable	10,226,212		10,226,212
Compensated absences	69,708	6,298	76,006
Total noncurrent liabilities	<u>10,295,920</u>	<u>6,298</u>	<u>10,302,218</u>
Total liabilities	<u>12,371,958</u>	<u>955,815</u>	<u>13,327,773</u>
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	10,674,145	2,305,836	12,979,981
Retricted for Debt Service	197,798	--	197,798
Unrestricted Net Assets	8,556,390	(513,688)	8,042,702
Total Net Assets	<u>\$ 19,428,333</u>	<u>\$ 1,792,148</u>	<u>\$ 21,220,481</u>

CITY OF ROCKPORT, TEXAS
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Enterprise Fund		
	Utility Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 7,824,558	\$ 458,327	\$ 8,282,885
Total Operating Revenues	<u>7,824,558</u>	<u>458,327</u>	<u>8,282,885</u>
OPERATING EXPENSES:			
Personal services	1,382,574	391,765	1,774,339
Contractual services	286,149	84,484	370,633
Maintenance	473,031	99,824	572,855
Supplies	3,307,379	178,370	3,485,749
Other	33,464	1,692	35,156
Amortization	18,983	--	18,983
Depreciation	707,028	177,866	884,894
Total Operating Expenses	<u>6,208,608</u>	<u>934,001</u>	<u>7,142,609</u>
Operating Income (Loss)	<u>1,615,950</u>	<u>(475,674)</u>	<u>1,140,276</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	335,458	1,820	337,278
Intergovernmental revenue	--	129,750	129,750
Interest expense	(469,027)	--	(469,027)
Total Non-operating Revenues (Expenses)	<u>(133,569)</u>	<u>131,570</u>	<u>(1,999)</u>
Net Income (Loss) before Operating Transfers	<u>1,482,381</u>	<u>(344,104)</u>	<u>1,138,277</u>
Capital Contributions	322,574	--	322,574
TRANSFERS:			
Interfund transfers in	44,591	85,611	130,202
Interfund transfers out	(690,789)	--	(690,789)
Change in Net Assets	<u>1,158,757</u>	<u>(258,493)</u>	<u>900,264</u>
Net Assets, beginning of year	18,269,576	2,050,641	20,320,217
Net Assets, end of year	<u>\$ 19,428,333</u>	<u>\$ 1,792,148</u>	<u>\$ 21,220,481</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Enterprise Funds		
	Utility Fund	Other Funds	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 7,411,971	\$ 2,146,597	\$ 9,558,568
Cash Receipts (Payments) for Operating Transactions with Other Funds	250	98,909	99,159
Cash Payments to Employees for Services	(1,404,934)	(396,624)	(1,801,558)
Cash Payments to Other Suppliers for Goods and Services	(3,772,257)	(2,057,898)	(5,830,155)
Net Cash Provided (Used) by Operating Activities	2,235,030	(209,016)	2,026,014
Cash Flows from Non-capital Financing Activities:			
Operating Grants Received	--	129,750	129,750
Transfers From Other Funds	44,591	85,611	130,202
Transfers To Other Funds	(690,789)	--	(690,789)
Net Cash Provided (Used) by Non-capital Financing Activities	(646,198)	215,361	(430,837)
Cash Flows from Capital and Related Financing Activities:			
Principal paid on bonds payable	(620,678)	--	(620,678)
Interest paid on bonds payable	(486,770)	--	(486,770)
Proceeds from Capital Grant	2,530	--	2,530
Proceeds from contributions	20,000	--	20,000
Acquisition or Construction of Capital Assets	(5,420,310)	--	(5,420,310)
Net Cash Provided (Used) for Capital & Related Financing Activities	(6,505,228)	--	(6,505,228)
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	335,458	1,820	337,278
Net Cash Provided (Used) for Investing Activities	335,458	1,820	337,278
Net Increase (Decrease) in Cash and Cash Equivalents	(4,580,938)	8,165	(4,572,773)
Cash and Cash Equivalents at Beginning of Year	11,449,000	186,399	11,635,399
Cash and Cash Equivalents at End of Year	\$ 6,868,062	\$ 194,564	\$ 7,062,626
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 1,615,950	\$ (475,674)	\$ 1,140,276
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and amortization	726,011	177,866	903,877
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(493,894)	(23,065)	(516,959)
Decrease (Increase) in Inventories	(36,481)	--	(36,481)
Decrease (Increase) in Interfund Receivables	250	--	250
Increase (Decrease) in Accounts Payable	364,247	14,008	378,255
Increase (Decrease) in Customer Deposits	81,307	3,799	85,106
Increase (Decrease) in Interfund Payables	--	98,909	98,909
Increase (Decrease) in Accrued Expenses	(22,360)	(4,859)	(27,219)
Total Adjustments	2,235,030	266,658	2,501,688
Net Cash Provided (Used) by Operating Activities	\$ 2,235,030	\$ (209,016)	\$ 2,026,014

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, 2008

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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:

Utility Fund. This fund is used to account for the activities of providing water, sewer and natural gas service to the citizens of the City.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

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

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

e. Receivable and Payable Balances

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

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

g. Interfund Activity

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

h. Use of Estimates

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

4. Budgetary Data

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

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

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

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

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

5. Encumbrance Accounting

Encumbrance accounting is not used by the City.

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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 Service Fund	\$ 79,298	Temporary funding shortage. To be replenished by General Fund.
Utility Bill Surcharge	488	Temporary funding shortage. To be replenished by General Fund.

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2008, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$217,514 and the bank balance was \$600,237. The City's cash deposits at September 30, 2008 and during the year ended September 30, 2008, 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.

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.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>Investment or Investment Type</u>	<u>Maturity (Days)</u>	<u>Fair Value</u>
Government Investment Pools:		
TexPool	1	\$ 2,044,559
Texas Term	1	12,429,929
Texas Term Fixed	190	14,159,446
Total Investments		\$ <u>28,633,934</u>

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City's investment policy seeks to minimize credit risk by limiting the types and term of investments. The policy allows for investments in Public Fund Investment Pools described below which must have an AAA or AAAM rating.

At September 30, 2008, 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.

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

D. Receivables

Receivables at September 30, 2008 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	\$ 105,757	\$ 50,653	\$ --	\$ 156,410
Other Taxes	192,449	--	176,893	369,342
Accounts		--	16,452	16,452
Special Assessments		--	7,918	7,918
Intergovernmental		--	33,325	33,325
Fines	46,500	--		46,500
Sundry	3,064	--	--	3,064
Gross	347,770	50,653	234,588	633,011
Less allowance for uncollectibles	(45,087)	(17,883)	(3,567)	(66,537)
Net Receivables	\$ 302,683	\$ 32,770	\$ 231,021	\$ 566,474

E. Capital Assets

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Capital asset activity for the year ended September 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 693,508	\$ --	\$ --	\$ 693,508
Total capital assets not being depreciated	693,508	--	--	693,508
<i>Capital assets being depreciated:</i>				
Infrastructure	4,210,335	2,885,492	--	7,095,827
Buildings	2,928,947	155,000	--	3,083,947
Improvements other than buildings	519,093	32,864	--	551,957
Machinery and equipment	1,795,701	263,637	58,072	2,001,266
Total capital assets being depreciated	9,454,076	3,336,993	58,072	12,732,997
Less accumulated depreciation for:				
Infrastructure	(144,142)	(113,060)	--	(257,202)
Buildings	(556,194)	(76,769)	--	(632,963)
Improvements other than buildings	(158,038)	(15,878)	--	(173,916)
Machinery and equipment	(1,045,780)	(203,342)	(58,072)	(1,191,050)
Total accumulated depreciation	(1,904,154)	(409,049)	(58,072)	(2,255,131)
Total capital assets being depreciated, net	7,549,922	2,927,944	--	10,477,866
Governmental activities capital assets, net	\$ 8,243,430	\$ 2,927,944	\$ --	\$ 11,171,374
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Total capital assets not being depreciated	214,954	--	--	214,954
<i>Capital assets being depreciated:</i>				
Buildings	1,728,904	--	--	1,728,904
Improvements other than buildings	3,361,402	--	--	3,361,402
Infrastructure	29,436,121	5,337,655	--	34,773,776
Machinery and equipment	1,833,873	82,653	--	1,916,526
Total capital assets being depreciated	36,360,300	5,420,308	--	41,780,608
Less accumulated depreciation for:				
Buildings	(1,231,318)	(88,072)	--	(1,319,390)
Improvements other than buildings	(1,425,500)	(95,007)	--	(1,520,507)
Infrastructure	(11,448,621)	(624,607)	--	(12,073,228)
Machinery and equipment	(1,370,780)	(77,608)	--	(1,448,388)
Total accumulated depreciation	(15,476,219)	(885,294)	--	(16,361,513)
Total capital assets being depreciated, net	20,884,081	4,535,014	--	25,419,095
Business-type activities capital assets, net	\$ 21,099,035	\$ 4,535,014	\$ --	\$ 25,634,049

Depreciation was charged to functions as follows:

Government Activities:	
General Government	\$ 14,627
Public Safety	188,429
Public Works	157,706
Culture and Recreation	48,287
	<u>\$ 409,049</u>

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Business-type Activities:

Utility Fund	\$	707,028
Beach Park		111,742
Community Aquatic Center		66,124
	\$	<u>884,894</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		(160,700)
Capitalized leases, net	\$	<u>1,446,300</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2008, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Beach Park Fund	\$ 434,374	Short-term loans
General Fund	City/County Dispatch Service	88,849	Short-term loans
General Fund	Community Aquatic Center	103,493	Short-term loans
Sanitation Fund	General Fund	90,150	Short-term loans
	Total	\$ <u>716,866</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2008, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Nonmajor governmental funds	\$ 478,224	Supplement other funds sources
General fund	Nonmajor enterprise funds	35,000	Supplement other funds sources
Debt Service fund	Utility Fund	44,591	Debt payment
Nonmajor Governm. funds	General Fund	57,901	Supplement other funds sources
Utility Fund	General Fund	690,789	Administrative Charges
	Total	\$ <u>1,306,505</u>	

G. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2008:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 17,127,831	\$ 1,965,338
Debt Service	--	197,798
	\$ <u>17,127,831</u>	\$ <u>2,163,136</u>

H. Short-Term Debt Activity

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

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

The City had no short-term debt activity for the year ended September 30, 2008.

I. Long-Term Obligations

1. Long-Term Obligation Activity

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

Long-term debt consisted of the following at September 30, 2008:

	Interest Rate	General Long-Term Debt	Enterprise Fund Debt
Utility System Revenues Bonds, Series 1996	2.55-4.70%	\$ --	\$ 1,335,000
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1998	3.75-4.80%	1,695,000	
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1999	4.80-5.50%	640,780	354,220
Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2001	3.50-4.70%	1,539,922	1,975,079
Combination Tax and Revenue Certificates of Obligation, Series 2005	4.00-4.50%	5,498,752	4,021,248
Combination Tax and Revenue Certificates of Obligation, Series 2007	4.25-5.25%	14,075,118	2,894,882
Total Bonded Debt		23,449,572	10,580,429
Unamortized bond premium		300,450	108,703
Capital leases payable		1,375,000	--
Compensated absences		315,678	125,006
Total Long-Term Debt		\$ 25,440,700	\$ 10,814,138

2 Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2008, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 23,883,894	\$	\$ 434,322	\$ 23,449,572	\$ 603,283
Bond premium	317,194		16,744	300,450	16,754

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Capital leases	1,436,000	--	61,000	1,375,000	63,000
Compensated absences *	323,398	184,778	192,498	315,678	192,000
Total governmental activities	<u>\$ 25,960,486</u>	<u>\$ 184,778</u>	<u>\$ 704,564</u>	<u>\$ 25,440,700</u>	<u>\$ 875,037</u>

Business-type activities:

Certificates of obligation	\$ 9,481,107	\$ --	\$ 235,678	\$ 9,245,429	\$ 311,717
General obligation bonds	250,000	--	250,000	--	--
Revenue bonds	1,470,000	--	135,000	1,335,000	145,000
Deferred gain on defeasance	8,767	--	8,767	--	--
Bond premium	114,906	--	6,203	108,703	6,203
Compensated absences *	123,685	50,508	49,187	125,006	49,000
Total business-type activities	<u>\$ 11,448,465</u>	<u>\$ 50,508</u>	<u>\$ 684,835</u>	<u>\$ 10,814,138</u>	<u>\$ 511,920</u>

* Other long-term liabilities

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

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

3. Debt Service Requirements

Debt service requirements on bonded long-term debt at September 30, 2008, are as follows:

Year Ending September 30.	Governmental Activities		
	Principal	Interest	Total
2009	\$ 603,283	\$ 1,076,367	\$ 1,679,650
2010	746,769	1,047,633	1,794,402
2011	860,781	1,013,334	1,874,115
2012	953,805	974,629	1,928,434
2013	1,022,316	1,032,405	2,054,721
2014-2018	6,529,117	3,897,141	10,426,258
2019-2023	6,851,842	2,329,846	9,181,688
2024-2028	5,881,659	589,346	6,471,005
Totals	<u>\$ 23,449,572</u>	<u>\$ 11,960,701</u>	<u>\$ 35,410,273</u>

Year Ending September 30.	Business-type Activities		
	Principal	Interest	Total
2009	\$ 456,717	\$ 464,582	\$ 921,299
2010	498,231	444,290	942,521
2011	544,219	421,971	966,190
2012	576,195	397,965	974,160
2013	612,684	372,421	985,105
2014-2018	3,220,884	1,436,195	4,657,079
2019-2023	2,818,158	753,310	3,571,468
2024-2028	1,853,341	165,546	2,018,887
Totals	<u>\$ 10,580,429</u>	<u>\$ 4,456,280</u>	<u>\$ 15,036,709</u>

4. Advance Refunding of Debt

There was no outstanding refunded debt at September 30, 2008.

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

5. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2008, as follows:

<u>Year Ending September 30:</u>	
2009	\$ 120,656
2010	120,614
2011	120,303
2012	120,820
2013	121,137
2014-2018	602,391
2019-2023	603,283
2024	121,024
Total Minimum Rentals	<u>1,930,228</u>
Less amount representing interest	<u>(555,228)</u>
Present value of minium lease payments	<u>\$ 1,375,000</u>
Rental Expenditures in 2008	<u>\$ 120,821</u>

The effective interest rate on capital leases is 4.394%.

5. Continuing Disclosure

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

J. Commitments Under Noncapitalized Leases

The City had no material commitments under operating (noncapitalized) lease agreements at September 30, 2008.

K. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

.. Pension Plan

1. Plan Description

The City provided pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public retirement system.

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

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

Deposit Rate:	7.0%
Matching Ratio (City to Employee):	2 to 1
A member is vested after:	10 years

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

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25 year amortization rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2007 valuation is effective for rates beginning January 2009). A summary of actuarial assumptions is as follows:

Acutuarial Valuation Date	12/31/07
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years - Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	varies by age and service
Inflation Rate	3.0%
Cost of Living Adjustments	2.1% (3.0% CPI)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/07
Actuarial Value of Assets	\$ 8,814,820
Actuarial Accrued Liability	\$ 12,419,118

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Percentage Funded		70.98%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$	3,604,298
Annual Covered Payroll	\$	3,238,173
UAAL as a Percentage of Covered Payroll		111.31%
Net Pension Obligation (NPO) at Beginning of Year	\$	
Annual Pension Cost:		
Annual required contribution (ARC)	\$	519,669
Contributions Made	\$	519,669
NPO at End of Year	\$	

The City of Rockport is one of 827 municipalities having their benefit plan administered by TMRS. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the 12-31-07 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, TX 78714-9153.

3. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/06	\$ 425,573	100.00%	\$
09/30/07	415,464	100.00%	
09/30/08	519,669	100.00%	--

4. Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/05	\$ 7,691,826	\$ 9,940,382	\$ 2,248,556	77.38%	\$ 2,606,199	86.3%
12/31/06	8,434,240	10,557,761	2,123,521	79.89%	2,995,937	70.9%
12/31/07	8,814,820	12,419,118	3,604,298	70.98%	3,238,173	111.3%

M. Health Care Coverage

During the year ended September 30, 2008, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$393 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, 2008, and terms of coverage and premium costs are included in the contractual provisions.

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

N. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2008.

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

EXHIBIT B-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 4,671,737	\$ 4,671,737	\$ 4,596,959	\$ (74,778)
<i>Licenses and permits</i>	190,500	190,500	179,454	(11,046)
<i>Intergovernmental</i>	674,600	674,600	31,800	(642,800)
<i>Charges for services</i>	74,000	74,000	116,631	42,631
<i>Fines</i>	301,300	301,300	324,387	23,087
<i>Interest</i>	250,000	250,000	136,360	(113,640)
<i>Miscellaneous</i>	2,200	2,200	46,437	44,237
Total revenues	<u>6,164,337</u>	<u>6,164,337</u>	<u>5,432,028</u>	<u>(732,309)</u>
Expenditures:				
Current:				
<i>General government</i>	1,297,200	1,085,600	1,032,173	53,427
<i>Public safety</i>	2,030,299	1,912,895	1,918,731	(5,836)
<i>Public works</i>	2,147,548	1,805,869	1,454,671	351,198
<i>Culture and recreation</i>	417,730	420,336	408,354	11,982
<i>Capital outlay</i>	1,004,838	1,265,738	451,411	814,327
Total expenditures	<u>6,897,615</u>	<u>6,490,438</u>	<u>5,265,340</u>	<u>1,225,098</u>
Excess (deficiency) of revenues (under) expenditures	(733,278)	(326,101)	166,688	492,789
Other financing sources (uses):				
<i>Transfers in</i>	828,586	656,586	698,079	41,493
<i>Transfers out</i>	(171,223)	(580,790)	(426,057)	154,733
Total other financing sources (uses)	<u>657,363</u>	<u>75,796</u>	<u>272,022</u>	<u>(196,226)</u>
Net change in fund balance	(75,915)	(250,305)	438,710	689,015
Fund balance, beginning of year	3,725,708	3,725,708	3,725,708	--
Fund balance, end of year	<u>\$ 3,649,793</u>	<u>\$ 3,475,403</u>	<u>\$ 4,164,418</u>	<u>\$ 689,015</u>

*Combining Statements and Budget Comparisons
as Supplementary Information*

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

CITY OF ROCKPORT, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
<i>Cash and cash equivalents</i>	\$ 331,178	\$ 351,632	\$ 682,810
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Other taxes</i>	176,893	--	176,893
<i>Accounts</i>	12,817	68	12,885
<i>Special assessments</i>	735	7,183	7,918
<i>Intergovernmental</i>	33,325	--	33,325
Total Assets	<u>\$ 554,948</u>	<u>\$ 358,883</u>	<u>\$ 913,831</u>
Liabilities:			
<i>Accounts payable</i>	\$ 115,953	\$	\$ 115,953
<i>Accrued expenses</i>	14,021		14,021
<i>Due to other funds</i>	88,849	--	88,849
<i>Deferred revenue</i>	13,552	7,183	20,735
Total Liabilities	<u>232,375</u>	<u>7,183</u>	<u>239,558</u>
<i>Reserved for special purpose programs</i>	50,709	--	50,709
<i>Reserved for fire protection</i>	(488)	--	(488)
<i>Reserved for law enforcement</i>	6,143	--	6,143
<i>Reserved for tourism</i>	330,460	--	330,460
<i>Reserved for public access television</i>	14,815	--	14,815
<i>Reserved for debt service</i>	232	--	232
<i>Designated for:</i>			
<i>Capital outlay</i>	--	351,700	351,700
<i>Undesignated reported in nonmajor special revenue funds</i>	(79,298)		(79,298)
Total fund balances	<u>322,573</u>	<u>351,700</u>	<u>674,273</u>
Total Liabilities and Fund balances	<u>\$ 554,948</u>	<u>\$ 358,883</u>	<u>\$ 913,831</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
<i>Taxes</i>	\$ 699,199	\$	\$ 699,199
<i>Intergovernmental</i>	280,668		280,668
<i>Fines</i>	25,434	--	25,434
<i>Special assessments</i>	--	3,489	3,489
<i>Interest</i>	2,211	8,432	10,643
Total revenues	<u>1,007,512</u>	<u>11,921</u>	<u>1,019,433</u>
Expenditures:			
Current:			
<i>General government</i>	12,950	96	13,046
<i>Public safety</i>	615,580	--	615,580
<i>Tourism</i>	505,658	--	505,658
<i>Capital outlay</i>		263,637	263,637
Debt service:			
<i>Principal</i>	27,555		27,555
<i>Interest and fiscal charges</i>	14,944		14,944
Total expenditures	<u>1,176,687</u>	<u>263,733</u>	<u>1,440,420</u>
Excess (deficiency) of revenues (under) expenditures	(169,175)	(251,812)	(420,987)
Other financing sources (uses):			
<i>Transfers in</i>	203,333	187,724	391,057
<i>Transfers out</i>	(57,901)	--	(57,901)
Total other financing sources (uses)	<u>145,432</u>	<u>187,724</u>	<u>333,156</u>
Net change in fund balance	(23,743)	(64,088)	(87,831)
Fund balance, beginning of year	346,316	415,788	762,104
Fund balance, end of year	<u>\$ 322,573</u>	<u>\$ 351,700</u>	<u>\$ 674,273</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2008

	Utility Bill Surcharge	City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy
ASSETS				
Assets:				
<i>Cash and cash equivalents</i>	\$ 95,527	\$ --	\$ 14,815	\$ 153,567
<i>Receivables (net of allowances for uncollectibles):</i>				
<i>Other taxes</i>	--	--	--	176,893
<i>Accounts</i>	12,817	--	--	--
<i>Special assessments</i>	--	--	--	--
<i>Intergovernmental</i>	--	33,325	--	--
Total Assets	<u>\$ 108,344</u>	<u>\$ 33,325</u>	<u>\$ 14,815</u>	<u>\$ 330,460</u>
Liabilities:				
<i>Accounts payable</i>	\$ 96,015	\$ 9,753	\$ --	\$ --
<i>Accrued expenses</i>	--	14,021	--	--
<i>Due to other funds</i>	--	88,849	--	--
<i>Deferred revenue</i>	12,817	--	--	--
Total Liabilities	<u>108,832</u>	<u>112,623</u>	<u>--</u>	<u>--</u>
<i>Reserved for special purpose programs</i>	--	--		
<i>Reserved for fire protection</i>	(488)	--		
<i>Reserved for law enforcement</i>	--	--	--	--
<i>Reserved for tourism</i>	--	--	--	330,460
<i>Reserved for public access television</i>	--	--	14,815	--
<i>Reserved for debt service</i>	--	--	--	
<i>Undesignated reported in nonmajor special revenue funds</i>	--	(79,298)	--	--
Total fund balances	<u>(488)</u>	<u>(79,298)</u>	<u>14,815</u>	<u>330,460</u>
Total Liabilities and Fund balances	<u>\$ 108,344</u>	<u>\$ 33,325</u>	<u>\$ 14,815</u>	<u>\$ 330,460</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
232	\$ 827	\$ 16,328	\$ 49,882	\$ 331,178
--				176,893
735	--	--	--	12,817
--	--	--	--	735
				33,325
<u>\$ 967</u>	<u>\$ 827</u>	<u>\$ 16,328</u>	<u>\$ 49,882</u>	<u>\$ 554,948</u>
\$ --	\$ --	\$ 10,185	\$ --	\$ 115,953
--	--	--	--	14,021
--	--	--	--	88,849
735	--	--	--	13,552
<u>735</u>		<u>10,185</u>		<u>232,375</u>
--	827		49,882	50,709
--	--	--	--	(488)
--	--	6,143	--	6,143
--	--	--	--	330,460
--	--	--	--	14,815
232	--	--	--	232
	--		--	(79,298)
<u>232</u>	<u>827</u>	<u>6,143</u>	<u>49,882</u>	<u>322,573</u>
<u>\$ 967</u>	<u>\$ 827</u>	<u>\$ 16,328</u>	<u>\$ 49,882</u>	<u>\$ 554,948</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, 2008

	Utility Bill Surcharge	City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy
Revenue:				
Taxes	\$ 143,760	\$ --	\$ 14,815	\$ 540,624
Intergovernmental	--	280,668	--	--
Fines	--	--	--	--
Interest	350	--	--	1,442
Total revenues	<u>144,110</u>	<u>280,668</u>	<u>14,815</u>	<u>542,066</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public safety	96,015	506,784	--	--
Tourism	--	--	--	505,658
Debt service:				
Principal	27,555	--	--	--
Interest and fiscal charges	14,944	--	--	--
Total expenditures	<u>138,514</u>	<u>506,784</u>	<u>--</u>	<u>505,658</u>
Excess (deficiency) of revenues (under) expenditures	5,596	(226,116)	14,815	36,408
Other financing sources (uses):				
Transfers in	--	203,333	--	--
Transfers out	(7,290)	--	--	(50,611)
Total other financing sources (uses)	<u>(7,290)</u>	<u>203,333</u>	<u>--</u>	<u>(50,611)</u>
Net change in fund balance	(1,694)	(22,783)	14,815	(14,203)
Fund balance, beginning of year	1,206	(56,515)	--	344,663
Fund balance, end of year	<u>\$ (488)</u>	<u>\$ (79,298)</u>	<u>\$ 14,815</u>	<u>\$ 330,460</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$	\$	\$	\$ 699,199
--	7,930	1,821	15,683	280,668
2	14	--	403	25,434
2	7,944	1,821	16,086	2,211
				1,007,512
--	--	--	12,950	12,950
--	7,118	5,663	--	615,580
--	--	--	--	505,658
--	--	--	--	27,555
--	--	--	--	14,944
	7,118	5,663	12,950	1,176,687
2	826	(3,842)	3,136	(169,175)
--	--	--	--	203,333
--	--	--	--	(57,901)
--	--	--	--	145,432
2	826	(3,842)	3,136	(23,743)
230	1	9,985	46,746	346,316
\$ 232	\$ 827	\$ 6,143	\$ 49,882	\$ 322,573

CITY OF ROCKPORT, TEXAS

UTILITY BILL SURCHARGE

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 150,000	\$ 150,000	\$ 143,760	\$ (6,240)
<i>Interest</i>	1,500	1,500	350	(1,150)
Total revenues	<u>151,500</u>	<u>151,500</u>	<u>144,110</u>	<u>(7,390)</u>
Expenditures:				
Current:				
<i>Public safety</i>	100,001	100,001	96,015	3,986
Debt service:				
<i>Principal</i>	27,555	27,555	27,555	--
<i>Interest and fiscal charges</i>	14,944	14,944	14,944	--
Total expenditures	<u>142,500</u>	<u>142,500</u>	<u>138,514</u>	<u>3,986</u>
Excess (deficiency) of revenues (under) expenditures	9,000	9,000	5,596	(3,404)
Other financing sources (uses):				
<i>Transfers out</i>	(7,500)	(7,500)	(7,290)	210
Total other financing sources (uses)	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,290)</u>	<u>(210)</u>
Net change in fund balance	1,500	1,500	(1,694)	(3,194)
Fund balance, beginning of year	1,206	1,206	1,206	--
Fund balance, end of year	<u>\$ 2,706</u>	<u>\$ 2,706</u>	<u>\$ (488)</u>	<u>\$ (3,194)</u>

CITY OF ROCKPORT, TEXAS
CITY/COUNTY DISPATCH SERVICE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Intergovernmental</i>	\$ 269,552	\$ 269,552	\$ 280,668	\$ 11,116
Total revenues	<u>269,552</u>	<u>269,552</u>	<u>280,668</u>	<u>11,116</u>
Expenditures:				
Current:				
<i>Public safety</i>	488,144	488,144	506,784	(18,640)
Total expenditures	<u>488,144</u>	<u>488,144</u>	<u>506,784</u>	<u>(18,640)</u>
Excess (deficiency) of revenues (under) expenditures	(218,592)	(218,592)	(226,116)	(7,524)
Other financing sources (uses):				
<i>Transfers in</i>	218,592	218,592	203,333	(15,259)
Total other financing sources (uses)	<u>218,592</u>	<u>218,592</u>	<u>203,333</u>	<u>15,259</u>
Net change in fund balance			(22,783)	(22,783)
Fund balance, beginning of year	(56,515)	(56,515)	(56,515)	--
Fund balance, end of year	<u>\$ (56,515)</u>	<u>\$ (56,515)</u>	<u>\$ (79,298)</u>	<u>\$ (22,783)</u>

CITY OF ROCKPORT, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 513,278	\$ 513,278	\$ 540,624	\$ 27,346
<i>Interest</i>	4,500	4,500	1,442	(3,058)
Total revenues	<u>517,778</u>	<u>517,778</u>	<u>542,066</u>	<u>24,288</u>
Expenditures:				
Current:				
<i>Tourism</i>	518,150	518,150	505,658	12,492
Total expenditures	<u>518,150</u>	<u>518,150</u>	<u>505,658</u>	<u>12,492</u>
Excess (deficiency) of revenues (under) expenditures	(372)	(372)	36,408	36,780
Other financing sources (uses):				
<i>Transfers out</i>	(50,611)	(50,611)	(50,611)	--
Total other financing sources (uses)	<u>(50,611)</u>	<u>(50,611)</u>	<u>(50,611)</u>	<u>--</u>
Net change in fund balance	(50,983)	(50,983)	(14,203)	36,780
Fund balance, beginning of year	344,663	344,663	344,663	--
Fund balance, end of year	<u>\$ 293,680</u>	<u>\$ 293,680</u>	<u>\$ 330,460</u>	<u>\$ 36,780</u>

CITY OF ROCKPORT, TEXAS

MUNICIPAL COURT SECURITY & TECHNOLOGY FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Fines</i>	\$ 14,700	\$ 14,700	\$ 15,683	\$ 983
<i>Interest</i>	1,000	1,000	403	(597)
Total revenues	<u>15,700</u>	<u>15,700</u>	<u>16,086</u>	<u>386</u>
Expenditures:				
Current:				
<i>General government</i>	22,886	22,886	12,950	9,936
Total expenditures	<u>22,886</u>	<u>22,886</u>	<u>12,950</u>	<u>9,936</u>
Excess (deficiency) of revenues (under) expenditures	(7,186)	(7,186)	3,136	10,322
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	(7,186)	(7,186)	3,136	10,322
Fund balance, beginning of year	46,746	46,746	46,746	--
Fund balance, end of year	<u>\$ 39,560</u>	<u>\$ 39,560</u>	<u>\$ 49,882</u>	<u>\$ 10,322</u>

CITY OF ROCKPORT, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 1,394,227	\$ 1,394,227	\$ 1,462,988	\$ 68,761
<i>Interest</i>	4,000	4,000	16,560	12,560
Total revenues	<u>1,398,227</u>	<u>1,398,227</u>	<u>1,479,548</u>	<u>81,321</u>
Expenditures:				
Current:				
Debt service:				
<i>Principal</i>	488,886	488,886	467,767	21,119
<i>Interest and fiscal charges</i>	1,168,809	1,168,809	1,144,910	23,899
Total expenditures	<u>1,657,695</u>	<u>1,657,695</u>	<u>1,612,677</u>	<u>45,018</u>
Excess (deficiency) of revenues (under) expenditures	(259,468)	(259,468)	(133,129)	126,339
Other financing sources (uses):				
<i>Transfers out</i>	--	--	(44,591)	(44,591)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>(44,591)</u>	<u>44,591</u>
Net change in fund balance	(259,468)	(259,468)	(177,720)	81,748
Fund balance, beginning of year	542,935	542,935	542,935	--
Fund balance, end of year	<u>\$ 283,467</u>	<u>\$ 283,467</u>	<u>\$ 365,215</u>	<u>\$ 81,748</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2008

	<u>Flamingo/ Luau Road Assessment</u>	<u>General Capital Improvement</u>
ASSETS		
Assets:		
<i>Cash and cash equivalents</i>	\$ 147,972	\$
Receivables (net of allowances for uncollectibles):		
<i>Accounts</i>	68	
<i>Special assessments</i>	4,621	2,562
Total Assets	<u>\$ 152,661</u>	<u>\$ 2,563</u>
Liabilities:		
<i>Deferred revenue</i>	\$ 4,621	\$ 2,562
Total Liabilities	<u>4,621</u>	<u>2,562</u>
 <i>Designated for:</i>		
<i>Capital outlay</i>	148,040	1
Total fund balances	<u>148,040</u>	<u>1</u>
 Total Liabilities and Fund balances	<u>\$ 152,661</u>	<u>\$ 2,563</u>

2001 Certificate of Obligation	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$	\$ 203,659	\$ 351,632
--		68
\$	\$ 203,659	7,183
		\$ 358,883
\$	\$ --	\$ 7,183
--	--	7,183
--	203,659	351,700
--	203,659	351,700
\$	\$ 203,659	\$ 358,883

CITY OF ROCKPORT, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES****NONMAJOR CAPITAL PROJECTS FUNDS****FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Flamingo/ Luau Road Assessment	General Capital Improvement
Revenue:		
<i>Special assessments</i>	\$ 3,489	\$ --
<i>Interest</i>	1,339	--
Total revenues	<u>4,828</u>	<u></u>
Expenditures:		
Current:		
<i>General government</i>	96	--
<i>Capital outlay</i>	--	--
Total expenditures	<u>96</u>	<u></u>
Excess (deficiency) of revenues (under) expenditures	4,732	
Other financing sources (uses):		
<i>Transfers in</i>		
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balance	4,732	
Fund balance, beginning of year	143,308	1
Fund balance, end of year	<u>\$ 148,040</u>	<u>\$ 1</u>

2001 Certificate of Obligation	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ 3,489
--	7,093	8,432
	7,093	11,921
--	--	96
--	263,637	263,637
	263,637	263,733
	(256,544)	(251,812)
389	187,335	187,724
389	187,335	187,724
389	(69,209)	(64,088)
(389)	272,868	415,788
\$ --	\$ 203,659	\$ 351,700

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2008

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
	Sanitation Fund	Beach Park	Community Aquatic Center	
ASSETS				
Assets:				
Current assets:				
<i>Cash and cash equivalents</i>	\$ 193,859	\$ 555	\$ 150	\$ 194,564
<i>Receivables (net of allowances for uncollectibles):</i>				
<i>Accounts</i>	157,072	--	341	157,413
<i>Due from other funds</i>	90,150	--	--	90,150
<i>Total current assets</i>	<u>441,081</u>	<u>555</u>	<u>491</u>	<u>442,127</u>
Noncurrent assets:				
Capital assets:				
<i>Land</i>	--	--	104,300	104,300
<i>Buildings</i>	--	1,455,651	--	1,455,651
<i>Improvements other than buildings</i>	--	1,417,162	1,944,240	3,361,402
<i>Machinery and equipment</i>	--	153,856	13,162	167,018
<i>Accumulated depreciation</i>	--	(2,325,350)	(457,185)	(2,782,535)
<i>Total noncurrent assets</i>	<u>--</u>	<u>701,319</u>	<u>1,604,517</u>	<u>2,305,836</u>
Total Assets	<u>\$ 441,081</u>	<u>\$ 701,874</u>	<u>\$ 1,605,008</u>	<u>\$ 2,747,963</u>
LIABILITIES				
Current Liabilities:				
<i>Accounts payable</i>	\$ 374,343	\$ 15,768	\$ 5,012	\$ 395,123
<i>Accrued expenses</i>	--	481	--	481
<i>Due to other funds</i>	--	434,374	103,493	537,867
<i>Customer deposits</i>	--	15,348	698	16,046
<i>Total current liabilities</i>	<u>374,343</u>	<u>465,971</u>	<u>109,203</u>	<u>949,517</u>
Noncurrent liabilities:				
<i>Compensated absences</i>	--	6,298	--	6,298
<i>Total noncurrent liabilities</i>	<u>--</u>	<u>6,298</u>	<u>--</u>	<u>6,298</u>
<i>Total liabilities</i>	<u>374,343</u>	<u>472,269</u>	<u>109,203</u>	<u>955,815</u>
NET ASSETS:				
<i>Investment in Capital Assets, Net of Related Debt</i>	--	701,319	1,604,517	2,305,836
<i>Unrestricted Net Assets</i>	66,738	229,605	(108,712)	187,631
<i>Total Net Assets</i>	<u>\$ 66,738</u>	<u>\$ 229,605</u>	<u>\$ 1,495,805</u>	<u>\$ 1,792,148</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	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	\$ 13,967	\$ 355,287	\$ 89,073	\$ 458,327
Total Operating Revenues	<u>13,967</u>	<u>355,287</u>	<u>89,073</u>	<u>458,327</u>
OPERATING EXPENSES:				
Personal services	--	293,944	97,821	391,765
Contractual services	--	57,433	27,051	84,484
Maintenance	--	73,133	26,691	99,824
Supplies	--	97,266	81,104	178,370
Other	--	944	748	1,692
Depreciation	--	111,742	66,124	177,866
Total Operating Expenses	<u></u>	<u>634,462</u>	<u>299,539</u>	<u>934,001</u>
Operating Income (Loss)	<u>13,967</u>	<u>(279,175)</u>	<u>(210,466)</u>	<u>(475,674)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	1,820	--	--	1,820
Intergovernmental revenue	--	65,000	64,750	129,750
Total Non-operating Revenues (Expenses)	<u>1,820</u>	<u>65,000</u>	<u>64,750</u>	<u>131,570</u>
Net Income (Loss) before Operating Transfers	<u>15,787</u>	<u>(214,175)</u>	<u>(145,716)</u>	<u>(344,104)</u>
TRANSFERS:				
Interfund transfers in	--	50,611	35,000	85,611
Interfund transfers out	--	--	--	--
Change in Net Assets	<u>15,787</u>	<u>(163,564)</u>	<u>(110,716)</u>	<u>(258,493)</u>
Net Assets, beginning of year	50,951	393,169	1,606,521	2,050,641
Net Assets, end of year	<u>\$ 66,738</u>	<u>\$ 229,605</u>	<u>\$ 1,495,805</u>	<u>\$ 1,792,148</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Sanitation	Beach Park	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,698,187	\$ 359,442	\$ 88,968	\$ 2,146,597
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	46,404	52,505	98,909
Cash Payments to Employees	--	(296,680)	(99,944)	(396,624)
Cash Payments to Suppliers for Goods and Services	(1,691,842)	(224,777)	(141,279)	(2,057,898)
Net Cash Provided (Used) by Operating Activities	6,345	(115,611)	(99,750)	(209,016)
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	--	65,000	64,750	129,750
Transfers From (To) Other Funds	--	50,611	35,000	85,611
Net Cash Provided (Used) by Non-capital Financing Activities	--	115,611	99,750	215,361
Cash Flows from Capital and Related Financing Activities:				
Acquisition or Construction of Capital Assets	--	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	--	--	--	--
Cash Flows from Investing Activities:				
Interest on investments	1,820	--	--	1,820
Net Cash Provided by Investing Activities	1,820	--	--	1,820
Net Increase (Decrease) in Cash and Cash Equivalents	8,165	--	--	8,165
Cash and Cash Equivalents at Beginning of Year	185,694	555	150	186,399
Cash and Cash Equivalents at End of Year	\$ 193,859	\$ 555	\$ 150	\$ 194,564

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

Operating Income (Loss)	\$ 13,967	\$ (279,175)	\$ (210,466)	\$ (475,674)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation		111,742	66,124	177,866
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(23,316)	356	(105)	(23,065)
Increase (Decrease) in Accounts Payable	15,694	3,999	(5,685)	14,008
Increase (Decrease) in Customer Deposits	--	3,799	--	3,799
Increase (Decrease) in Interfund Payables	--	46,404	52,505	98,909
Increase (Decrease) in Accrued Expenses	--	(2,736)	(2,123)	(4,859)
Net Cash Provided (Used) by Operating Activities	\$ 6,345	\$ (115,611)	\$ (99,750)	\$ (209,016)

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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ROCKPORT, TEXAS 78381-1266

CERTIFIED PUBLIC ACCOUNTANT

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

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

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

Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of and for the year ended September 30, 2008, which collectively comprise the City of Rockport, Texas's basic financial statements and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Rockport, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Rockport, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rockport, Texas's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Rockport, Texas's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Rockport, Texas's financial statements that is more than inconsequential will not be prevented by the City of Rockport, Texas's internal control.

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

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

Compliance and Other Matters

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Michael A. Arnold, PLLC". The signature is written in a cursive, flowing style.

Michael A. Arnold, PLLC

February 27, 2009

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	60
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	66
<i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	71
<i>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.</i>	
Demographic and Economic Information	76
<i>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.</i>	
Operating Information	78
<i>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.</i>	

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

TABLE E-1

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental Activities					
Invested in Capital Assets,					
Net of Related Debt	\$ 2,458,884	\$ 2,540,929	\$ 993,534	\$ 2,337,041	\$ 3,524,435
Restricted	685,243	507,082	403,643	565,763	397,985
Unrestricted	(300,615)	1,225,603	3,811,482	3,960,640	4,483,176
Total Governmental Activities Net Assets	<u>\$ 2,843,512</u>	<u>\$ 4,273,614</u>	<u>\$ 5,208,659</u>	<u>\$ 6,863,444</u>	<u>\$ 8,405,596</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
Restricted	619,791	692,600	187,425	195,144	197,798
Unrestricted	4,335,955	4,078,290	5,103,927	5,397,009	6,135,437
Total Business-type Activities Net Assets	<u>\$ 17,084,043</u>	<u>\$ 18,072,660</u>	<u>\$ 19,153,070</u>	<u>\$ 20,320,217</u>	<u>\$ 21,220,481</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
Restricted	1,305,034	1,199,682	591,068	760,907	595,783
Unrestricted	4,035,340	5,303,893	8,915,409	9,357,649	10,618,613
Total Primary Government Net Assets	<u>\$ 19,927,555</u>	<u>\$ 22,346,274</u>	<u>\$ 24,361,729</u>	<u>\$ 27,183,661</u>	<u>\$ 29,626,077</u>

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

TABLE E-2

CITY OF ROCKPORT, TEXAS

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

LAST FOUR FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental Activities:					
General Government	\$ 905,631	\$ 963,466	\$ 932,925	\$ 971,839	\$ 1,055,722
Public Safety	1,873,033	2,290,626	2,388,337	2,419,601	2,722,740
Public Works	1,067,201	1,206,618	1,568,715	1,462,111	1,612,377
Culture and Recreation	280,460	305,057	383,127	373,979	456,641
Tourism	273,010	303,839	510,202	483,780	505,658
Interest and Fiscal Charges	335,779	327,688	542,165	582,858	1,157,502
Total Governmental Activities Expenses	<u>4,735,114</u>	<u>5,397,294</u>	<u>6,325,471</u>	<u>6,294,168</u>	<u>7,510,640</u>
Business-type Activities					
Sanitation	--	--	--	--	--
Water and Sewer	4,738,144	5,155,035	5,657,236	5,446,484	6,677,635
Beach park	416,128	460,107	487,793	547,752	634,462
Community Aquatic Center	221,956	270,039	295,534	294,325	299,539
Total Business-type Activities Expenses	<u>5,376,228</u>	<u>5,885,181</u>	<u>6,440,563</u>	<u>6,288,561</u>	<u>7,611,636</u>
Total Primary Government Expenses	<u>\$ 10,111,342</u>	<u>\$ 11,282,475</u>	<u>\$ 12,766,034</u>	<u>\$ 12,582,729</u>	<u>\$ 15,122,276</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 22,350	\$ 74,568	\$ 12,532	\$ 47,079	\$ 15,683
Public Safety	400,382	393,625	436,159	496,827	487,146
Public Works	200,348	356,756	236,243	231,245	257,689
Culture and Recreation	--	--	3,293	1,191	38,376
Tourism	--	--	--	--	--
Interest and Fiscal Charges	--	--	--	--	--
Operating Grants and Contributions	66,460	500,796	330,102	309,457	312,468
Capital Grants and Contributions	167,900	--	--	20,000	--
Total Governmental Activities Program Revenues	<u>857,440</u>	<u>1,325,745</u>	<u>1,018,329</u>	<u>1,105,799</u>	<u>1,111,362</u>
Business-type Activities:					
Charges for Services:					
Sanitation	11,339	12,016	10,942	12,133	13,967
Water and Sewer	5,949,225	6,524,568	6,803,901	6,552,677	7,824,558
Beach park	234,318	250,333	316,482	317,321	355,287
Community Aquatic Center	69,681	99,239	117,835	99,906	89,073
Operating Grants and Contributions	86,721	93,362	122,568	105,583	129,750
Capital Grants and Contributions	119,144	138,457	--	287,350	322,574
Total Business-type Activities Program Revenues	<u>6,470,428</u>	<u>7,117,975</u>	<u>7,371,728</u>	<u>7,374,970</u>	<u>8,735,209</u>
Total Primary Government Program Revenues	<u>\$ 7,327,868</u>	<u>\$ 8,443,720</u>	<u>\$ 8,390,057</u>	<u>\$ 8,480,769</u>	<u>\$ 9,846,571</u>

Net (Expense)/Revenue

Governmental Activities	\$ (3,877,674)	\$ (4,071,549)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)
Business-type Activities	1,094,200	1,232,794	931,165	1,086,409	1,123,573
Total Primary Government Net Expense	<u>\$ (2,783,474)</u>	<u>\$ (2,838,755)</u>	<u>\$ (4,375,977)</u>	<u>\$ (4,101,960)</u>	<u>\$ (5,275,705)</u>

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

CITY OF ROCKPORT, TEXAS**GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS**

LAST THREE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

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

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

TABLE E-4

CITY OF ROCKPORT, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 280,047	\$ 275,156	\$ 65,389	\$ 65,951	\$ 71,446	\$ 73,038	\$ 117,786	\$ 78,368	\$ 79,030	\$ 92,008
Unreserved	1,360,969	1,596,822	1,841,488	2,187,290	2,570,357	2,837,274	3,309,348	3,319,856	3,646,678	4,072,410
Total General Fund	<u>\$ 1,641,016</u>	<u>\$ 1,871,978</u>	<u>\$ 1,906,877</u>	<u>\$ 2,253,241</u>	<u>\$ 2,641,803</u>	<u>\$ 2,910,312</u>	<u>\$ 3,427,134</u>	<u>\$ 3,398,224</u>	<u>\$ 3,725,708</u>	<u>\$ 4,164,418</u>
All Other Governmental Funds										
Reserved	\$ --	\$ --	\$ --	\$ --	\$ 1,219,931	\$ 810,021	\$ 1,026,199	\$ 6,748,469	\$ 20,169,543	\$ 17,895,405
Unreserved, Reported In:										
Special Revenue Funds	283,248	321,781	360,863	167,872	148,143	193,165	(27,738)	(36,713)	(56,515)	(79,786)
Capital Projects Funds	4,434,349	2,765,596	1,534,477	2,855,686	1,197,163	826,238	541,504	369,337	416,177	351,700
Debt Service Funds	150,233	164,449	173,341	240,336	--	--	--	--	--	--
Total All Other Governmental Funds	<u>\$ 4,867,830</u>	<u>\$ 3,251,826</u>	<u>\$ 2,068,681</u>	<u>\$ 3,263,894</u>	<u>\$ 2,565,237</u>	<u>\$ 1,829,424</u>	<u>\$ 1,539,965</u>	<u>\$ 7,081,093</u>	<u>\$ 20,529,205</u>	<u>\$ 18,167,319</u>

TABLE E-5

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 3,492,947	\$ 3,837,857	\$ 4,191,986	\$ 4,190,041	\$ 4,334,880	\$ 4,652,207	\$ 5,037,361	\$ 5,469,894	\$ 5,927,580	\$ 6,759,146
Licenses, Fees and Permits	120,624	126,308	130,556	135,329	127,411	189,154	162,694	169,497	179,770	179,454
Intergovernmental	102,270	109,167	741,501	32,839	14,250	223,011	500,796	330,102	307,960	312,468
Charges for Services	--	--	--	--	38,337	22,350	62,530	21,976	33,342	116,431
Fines	177,768	193,321	313,503	312,393	282,322	283,341	270,303	302,134	359,838	349,821
Investment Earnings	296,167	390,734	272,820	151,666	95,293	44,674	136,628	492,582	553,544	702,769
Special Assessments	9,833	4,300	82,909	55,648	20,016	14,394	12,777	4,455	4,602	3,489
Other Revenues	82,285	301,826	1,029,336	74,672	181,471	28,936	264,486	145,207	133,476	46,437
Total Revenues	4,281,894	4,963,513	6,762,611	4,952,588	5,093,980	5,458,067	6,447,575	6,935,847	7,500,112	8,470,015
Expenditures										
General Government	559,119	550,735	629,583	667,263	774,491	868,958	881,978	908,290	934,602	1,045,219
Public Safety	1,264,062	1,298,116	1,464,735	1,420,531	1,524,115	1,801,959	2,146,537	2,229,055	2,256,783	2,534,311
Public Works	837,707	873,643	963,407	943,672	1,143,208	1,003,901	1,126,343	1,473,824	1,327,317	1,454,671
Culture and Recreation	222,736	202,421	191,552	238,589	228,301	256,095	277,234	341,482	329,821	408,354
Public Health and Welfare	3,000	3,000	3,000	--	--	--	--	--	--	--
Tourism	244,155	266,596	247,998	308,030	256,172	273,010	303,839	510,202	483,780	505,658
Capital Outlay	1,496,230	2,848,299	3,824,370	1,369,732	1,172,731	3,033,285	1,175,909	1,042,111	2,004,996	3,340,589
Debt Service										
Principal	220,800	259,192	345,520	384,008	352,713	344,695	341,219	476,053	438,512	495,322
Interest	209,816	245,893	231,534	242,757	259,577	335,779	352,911	516,672	495,085	1,159,854
Total Expenditures	5,057,625	6,547,895	7,901,699	5,574,582	5,711,308	7,917,682	6,605,970	7,497,689	8,270,896	10,943,978
Excess of Revenues										
Over (Under) Expenditures	(775,731)	(1,584,382)	(1,139,088)	(621,994)	(617,328)	(2,459,615)	(158,395)	(561,842)	(770,784)	(2,473,963)
Other Financing Sources (Uses)										
Bonds Issued	896,921	--	--	3,022,183	--	--	--	5,902,724	14,420,203	--
Capital leases	--	--	--	--	--	1,607,000	--	--	--	--
Payment to refunding escrow	--	--	--	(1,067,447)	--	--	--	--	--	--
Bond issue costs	--	--	--	(65,574)	--	--	--	(120,795)	(218,954)	(10,000)
Sale of fixed assets	100,000	--	--	--	--	--	--	--	--	--
Transfers In	2,136,515	810,631	1,047,995	826,060	510,023	615,853	762,945	962,140	923,114	1,089,136
Transfers Out	(2,007,218)	(611,291)	(833,672)	(643,810)	(202,790)	(230,542)	(377,188)	(425,421)	(577,983)	(528,549)
Total Other Financing	1,126,218	199,340	214,323	2,071,412	307,233	1,992,311	385,757	6,318,648	14,546,380	550,587
Sources (Uses)	1,126,218	199,340	214,323	2,071,412	307,233	1,992,311	385,757	6,318,648	14,546,380	550,587
Net Change in Fund Balances	\$ 350,487	\$ (1,385,042)	\$ (924,765)	\$ 1,449,418	\$ (310,095)	\$ (467,304)	\$ 227,362	\$ 5,756,806	\$ 13,775,596	\$ (1,923,376)
Debt Service As A Percentage										
Of Noncapital Expenditures	12.1%	13.7%	14.2%	14.9%	13.5%	13.9%	12.8%	15.4%	14.9%	21.8%

CITY OF ROCKPORT, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Occupancy Tax	Other Taxes	Total
1999	\$ 1,511,575	\$ 1,089,634	\$ 447,477	\$ 310,716	\$ 133,545	\$ 3,492,947
2000	1,612,626	1,117,080	637,483	331,326	139,342	3,837,857
2001	1,775,343	1,152,537	621,616	320,043	135,610	4,005,149
2002	1,890,537	1,227,505	560,747	365,720	145,532	4,190,041
2003	1,992,595	1,273,567	497,834	388,259	182,625	4,334,880
2004	2,114,864	1,400,557	567,342	421,125	148,319	4,652,207
2005	2,190,191	1,624,226	560,227	503,819	158,898	5,037,361
2006	2,451,332	1,718,155	657,696	472,166	170,545	5,469,894
2007	2,793,123	1,714,042	712,156	533,215	175,044	5,927,580
2008	3,455,073	1,842,730	753,400	540,624	164,319	6,756,146
Percent Change 1999-2008	128.6%	69.1%	68.4%	74.0%	23.0%	93.4%

CITY OF ROCKPORT, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
1999	\$ 438,180,772	\$ 0.3375	\$ 438,180,772	100.000%
2000	475,816,897	0.3375	475,816,897	100.000%
2001	538,391,491	0.3300	538,391,491	100.000%
2002	611,641,940	0.3039	611,641,940	100.000%
2003	694,686,410	0.2836	694,686,410	100.000%
2004	783,984,771	0.2650	783,984,771	100.000%
2005	850,188,337	0.2557	850,188,337	100.000%
2006	955,490,048	0.2549	954,164,770	99.861%
2007	1,144,148,087	0.2443	1,134,573,954	99.163%
2008	1,287,712,948	0.2790	1,216,113,588	94.440%

Source: Aransas County Appraisal District

CITY OF ROCKPORT, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Aransas County	Aransas County Navigation District	Aransas County ISD
1999	\$ 0.2520	\$ 0.0855	\$ 0.3375	\$ 0.3700	\$ 0.0446	\$ 1.5500
2000	0.2446	0.0929	0.3375	0.3630	0.0446	1.5350
2001	0.2345	0.0955	0.3300	0.3460	0.0446	1.4900
2002	0.2197	0.0842	0.3039	0.3185	0.0410	1.6120
2003	0.2044	0.0792	0.2836	0.3185	0.0355	1.6065
2004	0.1963	0.0687	0.2650	0.3478	0.0320	1.5700
2005	0.1949	0.0608	0.2557	0.3387	0.0499	1.5173
2006	0.1808	0.0741	0.2549	0.3241	0.4990	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

Source: Aransas County Tax Assessor

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Real Estate Bus Tr	\$ 8,229,920	1	0.78%	\$ --	--	
Rockport Harborfront LP	7,435,705	2	0.70%	--	--	
H E Butt Grocery	7,088,149	3	0.67%	3,280,591	2	0.72%
Wal-Mart Stores East #440	6,372,020	4	0.60%	2,505,474	6	0.55%
AEP Texas Central	4,282,750	5	0.40%	2,816,500	4	0.62%
EOG Resources, Inc.	4,136,650	6	0.39%			
Laguna Partners, Ltd.	3,911,860	7	0.37%			--
United Building Centers	3,911,473	8	0.37%			--
Crowley, Christopher, J	3,871,489	9	0.37%			
Heritage Hotels Rockport LP	3,496,950	10	0.33%	--	-	
Southwestern Bell Telephone				3,707,940	1	0.82%
Rockport Partners				2,915,810	3	0.64%
Rockbay Properties LTD				2,593,370	5	0.57%
Bracht Lumber Co., Inc.				2,488,970	7	0.54%
Lower, Erik C. & Gloria				2,444,070	8	0.54%
Exxon USA				2,524,800	9	0.56%
Rockport Country Club Memb.				2,155,000	10	0.48%
Total	\$ 52,736,966		4.98%	\$ 27,432,525		6.04%

Source: Aransas County Appraisal District

TABLE E-10

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 1,478,860	\$ 1,441,830	97.50%	\$ 32,545	\$ 1,474,375	99.70%
2000	1,605,882	1,587,610	98.86%	12,612	1,600,222	99.65%
2001	1,773,941	1,691,380	95.35%	76,564	1,767,944	99.66%
2002	1,856,869	1,825,080	98.29%	25,707	1,850,787	99.67%
2003	1,968,507	1,924,473	97.76%	35,359	1,959,832	99.56%
2004	2,079,426	2,043,298	98.26%	26,495	2,069,793	99.54%
2005	2,173,619	2,136,929	98.31%	24,747	2,161,676	99.45%
2006	2,432,166	2,392,879	98.38%	23,585	2,416,464	99.35%
2007	2,771,764	2,729,705	98.48%	23,473	2,753,178	99.33%
2008	3,444,641	3,392,957	98.50%	--	3,392,957	98.50%

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

TABLE E-11

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

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Bonded Debt	Capital Leases	Revenue Bonds	General Bonded Debt			
1999	\$ 5,012,064	\$	\$ 2,350,000	\$ 3,292,936	\$ 10,655,000		\$ 1,573
2000	4,752,872	--	2,300,000	2,902,128	9,955,000		1,357
2001	4,407,352	--	2,195,000	2,562,648	9,165,000		1,197
2002	6,087,429		2,085,000	4,462,572	12,635,001		1,619
2003	5,734,716	--	1,970,000	4,304,759	12,009,475	--	1,539
2004	5,145,547	1,607,000	1,850,000	3,884,454	12,487,001	--	1,474
2005	4,806,458	1,552,000	1,725,000	3,448,543	11,532,001	--	1,362
2006	10,163,405	1,495,000	1,600,000	7,281,596	20,540,001	9.11%	2,272
2007	23,883,894	1,436,000	1,470,000	9,731,107	36,521,001	16.20%	4,039
2008	23,449,572	1,375,000	1,335,000	9,245,429	35,405,001	13.90%	3,756

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		
1999	\$ 5,012,064	\$ 150,233	\$ 4,861,831	1.11%	\$ 718
2000	4,752,872	164,449	4,588,423	0.96%	625
2001	4,407,352	173,341	4,234,011	0.79%	553
2002	6,087,429	240,336	5,847,093	0.96%	749
2003	5,734,716	250,259	5,484,457	0.79%	703
2004	5,145,547	271,850	4,873,697	0.62%	575
2005	4,806,458	277,024	4,529,434	0.53%	535
2006	10,163,405	259,152	9,904,253	1.04%	1,095
2007	23,883,894	542,935	23,340,959	2.06%	2,520
2008	23,449,572	365,215	23,084,357	1.90%	2,449

(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	\$ 12,895,000	63.820%	\$ 8,229,589
Aransas County	12,450,507	49.490%	6,161,756
Aransas County Navigation District	6,225,000	49.490%	3,080,753
Subtotal, Overlapping Debt			17,472,097
City Direct Debt			23,449,572
Total Direct and Overlapping Debt			\$ 40,921,669

Information obtained from entities audited financial statements.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Maximum available tax revenues for all purposes including debt service	\$ 10,954,519	\$ 11,895,422	\$ 13,459,787	\$ 15,291,049	\$ 17,367,160	\$ 19,599,619	\$ 21,254,708	\$ 23,887,251	\$ 28,364,349	\$ 30,402,840
Actual amount expended for general obligation debt	430,616	505,085	577,054	626,765	352,173	680,474	694,130	992,725	933,597	1,655,176
Excess	\$ 10,523,903	\$ 11,390,337	\$ 12,882,733	\$ 14,664,284	\$ 17,014,987	\$ 18,919,145	\$ 20,560,578	\$ 22,894,526	\$ 27,430,752	\$ 28,747,664

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 1,216,113,588
Maximum tax rate per \$100 assessed valuation	2.50
Maximum available tax revenues for all purposes including debt service	\$ <u>30,402,840</u>
Actual amount expended for general obligation debt service	\$ <u>1,665,176</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 of assessed valuation.

TABLE E-15

CITY OF ROCKPORT, TEXAS

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Water and Sewer System Revenue Bonds				Coverage
	Utility Service Charges	Less: Operating Expenses(1)	Net Available Revenue	Debt Service Requirements(2)	
1999	\$ 3,960,108	\$ 2,939,174	\$ 1,020,934	\$ 277,998	3.67
2000	4,980,709	3,270,599	1,710,110	278,289	6.15
2001	4,952,605	3,262,919	1,689,686	201,395	8.39
2002	5,100,452	3,443,421	1,657,031	202,578	8.18
2003	5,311,757	3,467,662	1,844,095	203,470	9.06
2004	5,949,225	3,817,976	2,131,249	204,063	10.44
2005	6,524,568	4,238,296	2,286,272	204,345	11.19
2006	6,803,901	4,566,109	2,237,792	204,408	10.95
2007	6,552,677	4,377,782	2,174,895	199,243	10.92
2008	7,824,558	5,482,597	2,341,961	198,742	11.78

(1) Exclusive of depreciation and interest.

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

TABLE E-16

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population (1)	6,772	7,338	7,657	7,805	7,805	8,469	8,469	9,041	9,264	9,425
Personal Income (3)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 24,940	\$ 27,504	\$ 27,504
Per Capita Personal Income (in thousands)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 225,483	\$ 254,797	\$ 259,225
Median Age(3)								42.7	42.7	42.7
Education Level in Years of Formal Schooling	--		--	--	-	--	--	-	--	--
School Enrollment	3,480	3,360	3,337	3,345	3,349	3,331	3,126	3,079	3,014	3,241
Unemployment (2)	5.9%	6.0%	6.5%	7.0%	7.4%	8.3%	5.5%	4.8%	4.2%	480.0%

Data Sources:

(1) City of Rockport

(2) Texas Workforce Commission

(3) Rockport-Fulton Chamber of Commerce

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

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Aransas County ISD	521	1	--		--	--
Wal-Mart	250	2	--	--	--	--
HEB	185	3	--	--	--	--
Aransas County	175	4	--	--	--	--
City of Rockport	130	5	--	--	--	--
State of Texas	107	6	--	--	--	--
Gulf Pointe Plaza	93	7	--	--	--	--
Rockport Coastal Care	75	8	--	--	--	--
			--	--	--	--
			--	--	--	--
			--	--	--	--
			--	--	--	--
Total	<u>1,536</u>		<u>--</u>	<u>--</u>		<u>--</u>

Source: Rockport-Fulton Chamber of Commerce

Total City Employment is not available from any source. Also, 1999 Information is not available.

CITY OF ROCKPORT, TEXAS

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

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Full-Time-Equivalent Employees as of Year End									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Municipal Court						5	5	5	5	5
City Secretary						2	3	3	3	3
City Manager						1	1	1	1	1
Information/Technology						1	1	1	1	1
Finance			--			2	2	2	2	2
Police										
Officers	--	--	--		--	19	22	22	22	22
Civilians	--	--	--		--	7	13	14	14	14
Public Works										
Building and Development	--	--	--		--	5	5	5	5	5
Street and Drainage	--	--	--		--	6	6	8	8	8
Building Maintenance	--	--	--		--	1	1	1	1	1
Fleet						2	2	2	2	2
Parks and Recreation						13	22	25	27	27
Water and Sewer										
Water	--	--	--	--	--	11	14	15	15	15
Wastewater	--	--	--	--	--	4	4	6	6	6
Natural Gas	--	--	--	--	--	--	--	--	--	7
Customer Service	--	--	--	--	--	4	4	5	5	4
Total	--	--	--	--	--	83	105	115	117	123

Source: City Budget

Information was not collected prior to 2004.

TABLE E-19

CITY OF ROCKPORT, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Building Permits Issued	667	561	406	391	437	475	463	475	494	490
Building Inspections Conducted	622	512	866	584	618	720	735	644	520	520
Police										
Physical Arrests	675	652	735	867	885	996	892	826	833	833
Traffic Violations	2,687	2,767	3,052	3,670	4,039	2,960	2,625	3,460	3,337	3,337
Fire	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Refuse Collection	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Public Works										
Street Resurfacing (miles)	9.86	12.65	7.22	8.34	11.40	9.89	9.03	20.63	9.15	9.15
Potholes Repaired	(1)	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	188	900	167	154	179	228	238	297	288	203
Water Main Breaks	(1)	19	32	20	20	19	25	19	37	10
Average Daily Consumption	2,349,000	250,000	2,353,000	2,492,000	2,516,000	2,746,000	2,240,000	2,837,000	2,568,000	2,948,000
Peak Daily Consumption	3,281,000	4,397,000	3,819,000	3,883,000	5,589,000	3,787,000	4,580,000	4,979,000	3,867,000	4,634,000
Storage Capacity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	7,100,000	7,100,000	7,100,000
Wastewater										
Average Daily Sewage Treatment (millions of gallons)	1.29	1.22	1.43	1.48	1.46	1.50	1.25	1.36	1.58	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.

TABLE E-20

CITY OF ROCKPORT, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	--	--	--	--	--	--	12	12	12	12
Fire Stations	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)					82	83	83	83	77	77
Parks and Recreation										
Acreage	200	200	200	200	200	200	200	200	200	200
Parks	10	10	10	10	10	10	10	10	10	10
Swimming Pools	--	--	--	--	--	1	1	1	1	1
Community Centers	--	--	--	--	--	1	1	1	1	1
Water										
Water Mains (miles)	96	96	96	96	96	96	96	96	160	163
Fire Hydrants	--	--	--	--	--	--	--	--	--	--
Storage Capacity (thousands of gallons)				--	5,100	5,100	5,100	7,100	7,100	7,100
Wastewater										
Sanitary Sewers (miles)	--	--	--	--	62	62	62	62	64	64
Storm Sewers (miles)	--	--	--	--	31	31	31	31	31	31
Treatment Capacity (thousands of gallons)	--	--	--	--	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, 2008
UNAUDITED
TABLE E-21

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #9131	Real and Personal Property, \$14,795,315 Mobile Equipment, \$759,975 Errors & Omissions, \$2,000,000 occurrence, \$4,000,000 annual aggregate Law Enforcement Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate General Liability, \$2,000,000 occurrence, \$4,000,000 annual aggregate Auto Liability, \$1,000,000 occurrence, \$25,000 Medical Auto Physical Damage, coverage varies per vehicle Workers Compensation, limit statutory Public Employee Dishonesty, \$50,000 Forgery or Alteration, \$10,000 Theft, Disappearance & Destruction, \$10,000 Computer Fraud, \$10,000 Boiler & Machinery, \$100,000	October 1, 2008
Texas Municipal League 61BSBAN2111 61BSBAI4945 61BSBBO5668	Public Official Bond, Tax Collector, \$50,000 Public Official Bond, City Manger, \$50,000 Public Official Bond, Finance Director, \$50,000	October 1, 2009 November 29, 2009 March 6, 2009
Fidelity National Insurance Co. 422510150138 422510145056 422510086755 422510086753 422510086756 422510086754	Flood-City Hall and contents, \$500,000 Flood-Beach Park Maintenance, \$36,600 Flood-Pavillion North Bath House, \$66,600 Flood-Pavillion West, Saltwater Pool, \$66,600 Flood-Pavillion East with Concession, \$66,600 Flood-Pavillion South Bath House \$66,600	August 19, 2009 August 16, 2009 March 21, 2009 March 21, 2009 May 21, 2009 March 21, 2009
Texas Windstorm Insurance Assc. 26742906	Windstorm and Hail, \$10,039,475	August 27, 2009

CITY OF ROCKPORT, TEXAS**SELECTED UTILITY FUND DATA****LAST TEN FISCAL YEARS****SEPTEMBER 30, 2008****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>
1999	6,743	3,365	720,046,400
2000	6,918	3,690	732,594,400
2001	7,617	3,756	777,939,800
2002	7,776	3,808	822,894,200
2003	7,938	3,872	769,984,600
2004	8,161	3,986	797,799,100
2005	8,396	4,129	879,564,100
2006	8,747	4,276	916,721,400
2007	9,025	4,356	842,145,700
2008	9,173	4,433	882,252,300