

CITY OF ROCKPORT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2006

PREPARED BY

JACKY COCKERHAM
FINANCE DIRECTOR

City of Rockport, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2006

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Introductory Section



www.cityofrockport.com

Administrative Offices

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

City Hall Annex

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

Public Safety Center

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

Public Works Service Center

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

Rockport Beach Park

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

Community Aquatic Park

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

January 29, 2007

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, 2006, is submitted. This report was prepared in accordance with generally accepted accounting principles on a basis consistent with the prior year. The preparation of the annual financial report and all financial information in the report is the responsibility of the City. The scope of the independent auditor's examination is to render an opinion on the financial information in the Annual Financial Report. Complete details concerning the City's fiscal year activities and related costs are presented in the enclosed narratives and financial statements.

ORGANIZATION OF THE REPORT

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

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

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

INDEPENDENT AUDIT

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

MANAGEMENT RESPONSIBILITY

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

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

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

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

GOVERNING BODY

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

FINANCIAL ADMINISTRATION

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

CITY OF ROCKPORT AND ITS SERVICES

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

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

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

The City of Rockport and Aransas County combined Homeland Security grants to purchase state-of-the-art software and hardware. With the new software and hardware, dispatching and report writing can be accomplished on computer by touch screen. The same keystrokes used to dispatch and report will follow the offender from the incident through the Detention Center and court system, eliminating separate report writing at each of the process.

Additional Interlocal Agreements between the City of Rockport and Aransas County have been eliminated the duplication of services, and help reduce costs for both entities. These include Animal Control Services, Jail and Detention Services, Road Construction and

Maintenance within the city limits of Rockport, Septic System Inspections, Sanitation Services and Tax Collection.

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

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

BUDGETING

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

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

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

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

GENERAL INFORMATION

The City of Rockport is the county seat for Aransas County and is located 30 miles northeast of Corpus Christi. There are approximately 13.37 square miles of land within the City's corporate boundary.

ECONOMIC TRENDS

Ranked in *The 100 Best Small Art Towns of America*, and recognized among the top retirement spots in the nation by *America's Best Places to Retire*, Rockport is a wonderful place to live and visit alike. In 2004, *Money* recognized Rockport as one of the best places to live on the coast.

Property values in the City of Rockport increased from \$310,385,919 in 1995 to \$954,924,250 in 2005. This can be attributed to the annexation of several areas, increased property values, as well as, the increase in development within the City.

Development in Rockport has continued to increase over the last ten (10) years. H.E.B. Food Store opened a super store in the summer of 2002. A Blockbusters Video, as well as, a seventy-eight room Hotel called the Lighthouse Inn on the waterfront was built in 2003. Wal-Mart opened a new super store in October of 2004. Two banks and an all night pharmacy were opened in 2005. Starbuck's was opened in 2005 and Sonic relocated across from Little Bay.

Permits for single family homes continue to be issued at a rate of approximately 120 each year. The population of Rockport has grown by 91% in the last ten (10) years going from 4,753 in 1990 to 9,041 in 2005 estimate done by the Census Bureau. Whistler's Cove and La Buena Vida are new subdivisions being developed, with several more in the planning stages.

Sales tax revenues have increased from \$862,271 in 1996 to \$1,705,215 in 2006. This is a 98% increase in sales tax revenues over a ten (10) year period. Winter Texans and summer visitors have helped in the increase of sales tax.

The City has taken several steps in recent years to enhance the quality of life for the citizens of Rockport. Several of the area parks have been upgraded and expanded, as well as, the planning of a two phase Hike and Bike Trail that will be partially funded by TxDOT grants totaling over \$700,000. A grant from Texas Department of Agriculture (Texas Yes) helped complete a beautification project on Austin Street. Large pots and planting were placed in the median, as well as, signs being located at the entrance of the Rockport Historic District. Another grant from the Coastal Bend Bay & Estuaries Program was used to improve the habitats in the nature park. Floating biospheres were placed in the lake and the vegetation planted on these biospheres will increase cover and provide food for the fish and other wildlife in the park.

Rockport Beach has the privilege of being designated as Texas' first Blue Wave Beach. The existing 800' fishing pier was completely redone. 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:

- Construction of 2.0 MG Ground Storage Tank to increase capacity of the City's distribution system.
This project was completed in 2006
- Installation of approximately 19,000 LF of 24" water line to increase the amount of water delivered from San Patricio Municipal Water District to FM 188 pump station to insure adequate supply for growth of Rockport and Aransas County.
This project was completed in 2006
- Construction of lift station and force main to increase capacity of existing system to provide sanitary sewer to the north end of the peninsula.
This project will be completed in the FY 2006-2007
- Sanitary Sewer Improvements to Old Rockport consisted of replacement of 50+ year old wastewater collection. The existing vetrified clay pipe was replaced with 8" PVC.
- Tule Drainage was improved with the construction of a concrete lined ditch from FM 2165 to Tule Ditch to eliminate future flooding of the Rockport Country Club area and provide drainage on the west side of FM 2165.
- The City of Rockport was awarded a Texas Community Development Grant to provide first time water service and fire protection to 72 homes in the Linden Street area.

BUDGET AS COMPARED TO ACTUAL

General Government Fund Revenues – Budget as Compared to Actual

The General Government Fund Revenues are budgeted based on historical information and the current economic climate of the City. For a detailed comparison of actual General Governmental Fund revenues with budget amounts, see “Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – All Governmental Fund Types and Governmental Expendable Trust Funds: in the financial section of this report (Exhibit A-2).

General Governmental Fund Expenditures – Budget as Compared to Actual

The proposed expenditures in the General Governmental Funds are budgeted based on historical demand for services and inflationary trends. For a detailed comparison of actual General Governmental fund Expenditures with budgeted amounts, see “Combined State or Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – All Government Fund Types and Governmental Expendable Trust Funds” in the financial section of this report (Exhibit A-3).

FIDUCIARY FUNDS

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

PROPRIETARY FUNDS

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

The operating expenditures are those incurred by the delivery of those services. A more complete discussion of the financial operations of this fund can be found in Notes A and L. 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 G in Notes to the Financial Statements and Exhibits G-1 to G-3.

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, 2005 was \$954,924,250 and was taxed at \$.2549 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$2,176,211. The City council set the tax rate .0008 cents lower than the previous year, this limiting the adjusted tax roll to an increase of only \$197,118 or 4.6% of 2004.

Collections

Current taxes of \$2,385,539 representing 98.4% of the adjusted tax roll were collected during fiscal year 2005-2006. 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 2005 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

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

CASH MANAGEMENT

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

while protecting principal and liquidity. The total amount of interest earned across funds in 2005-2006 was \$910,021.

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, 2005. This is the second 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.

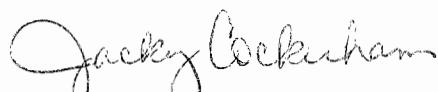
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Programs' requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2006 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,



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, 2005

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.

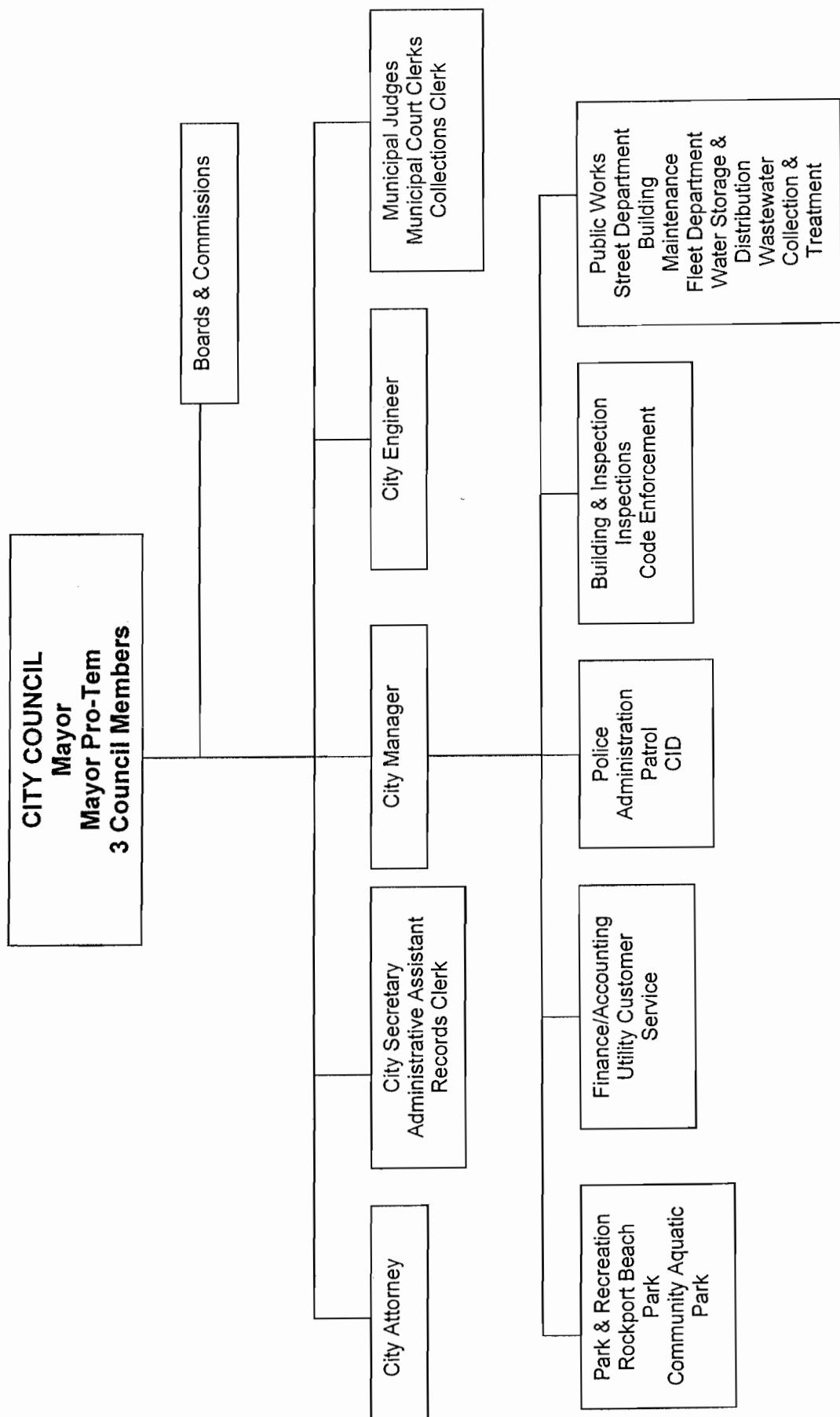


President

Executive Director

CITY OF ROCKPORT

Organization Chart



CITY OF ROCKPORT, TEXAS**LIST OF PRINCIPAL OFFICIALS**

SEPTEMBER 30, 2006

Elected Officials

Name	Office
Todd W. Pearson	Mayor
George Marriott	Mayor Pro-Tem
Jerry Beattie	Council Member
Leo Villa	Council Member
Frank Reilly	Council Member

Appointed Officials

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

Financial Section

Michael A. Arnold, PLLC

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

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545
FAX (361) 790-9692

Independent Auditor's Report on Financial Statements

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

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of and for the year ended September 30, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2007, 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 fluid and cursive, with "Michael A." on the first line and "Arnold, PLLC" on the second line.

Michael A. Arnold, PLLC

January 29, 2007

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, 2006. Please read it in conjunction with the transmittal letter on page i and the City's financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$2,015,455 as a result of this year's operations. Governmental activities contributed \$935,045 with the balance of \$1,080,410 resulting from business-type activities.

Entity Wide

Total assets, were \$47,514,722 at September 30, 2006, increasing 31% over September 30, 2005. Total liabilities, were \$23,152,993 at September 30, 2006, an increase of 66% over September 30, 2005. These increase were due to the 2005 Certificate of Obligation issue.

Total net assets of the City, were \$24,361,729 at September 30, 2006, and increase of \$2,015,455, or 9% compared to September 30, 2005. Of these assets, 61% are invested in capital assets or restricted with the remaining 39% unrestricted.

Total net expenses over program revenue were \$4,375,977 compared to \$2,838,755 net expenses at September 30, 2005, or a 54% increase.

Governmental Activities

On a governmental-wide basis for governmental activities, the City had expenses net of program revenue of \$5,307,142 at September 30, 2006 compared to \$4,071,549 at September 30, 2005, representing a increase of 30% from prior year.

General revenues and transfers totaled \$6,242,187 at September 30, 2006, resulting in an increase in net assets of \$935,045. This compares to September 30, 2005 totals of \$5,501,653 in general revenues and transfers with a net asset increase of \$1,430,104.

Governmental activities net assets increased by 22%, from \$4,273,614 at September 30, 2005 to \$5,208,659 at September 30, 2006.

Business-Type Activities

On a governmental-wide basis for business-type activities, program revenue net of expenses was \$1,080,410 for fiscal year ended September 30, 2006 compared to \$988,617 for 2005; a 9% increase

Net assets grew from \$18,072,600 in 2005 to \$19,153,070 as of September 30, 2006, or 6%.

General Fund Performance

At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$3,319,856 or 63% of the General Fund expenditures. This compares to an unreserved, undesignated fund balance of \$3,309,348 or 72% of expenditures for fiscal year ended September 30, 2006.

Revenues of \$5,035,825 for fiscal year ended September 30, 2006 increased by 1% from prior year revenues of \$5,014,746.

General Fund expenditures were \$5,282,875 for the current year, compared to \$4,614,497 for fiscal year ended September 30, 2005, or a 15% increase.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the central concerns in assessing any City's finances is summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 6. The analysis includes a condensed summary of the government-wide financial statements – The Statement of Net Assets and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including all assets and liabilities using the accrual basis of accounting. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

These government-wide financial statements report both net assets and changes thereto. Net assets are reported in the Statement of Net Assets. The City's net assets, which is the

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds commences on page 22. The fund financial statements are presented on pages 46 through 64. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Community Aquatic Park Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose – governmental and proprietary. Each category uses a different accounting approach.

Governmental funds – Most of the City's basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other financial assets that can readily be converted to cash. This approach provides a detailed short-term perspective of the City's general government operations and the basic services it provides. This view of the City's operations provides information that helps to determine the extent to which financial resources are available to spend in the near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

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

THE CITY AS A WHOLE

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

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	11.0	5.5	9.3	7.1	18.1	12.6
Capital Assets	6.7	5.9	20.5	17.8	27.2	23.7
Total Assets	17.7	11.4	29.8	24.9	45.3	36.3
Long-term debt outstanding	12.0	6.6	9.1	5.3	21.1	11.9
Other liabilities	.5	.5	1.6	1.5	2.1	2.0
Total liabilities	12.5	7.1	10.7	6.8	23.2	13.9
Net assets:						
Invested in capital assets,						
Net of debt	1.0	2.6	13.9	13.3	14.9	15.9
Restricted	.4	.5	.1	.7	.5	1.2
Unrestricted (deficit)	3.8	1.2	5.1	4.1	8.9	5.3
Total net assets	5.2	4.3	19.1	18.1	24.3	22.4

Net assets of the City's governmental activities increased \$935,045. This increase is primarily due to budgeting expenditures based upon a conservative estimate of revenues, strong performance of revenues and control over expenditures – all of which will be discussed in greater detail below.

The net assets of the City's business-type activities increased \$1,080,410.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	.7	.8	7.3	6.9	8.0	7.7
Federal grants	.2	.2		.1	.2	.3
State grants	.1	.3	.1	.1	.2	.4
General revenues:						
Property taxes	2.4	2.2			2.4	2.2
Sales tax	1.7	1.6			1.7	1.6
Other taxes	1.2	1.1			1.2	1.1
Federal entitlements						
Other general revenues	.7	.2	.4	.2	1.1	.4
Total revenues	7.0	6.4	7.8	7.3	14.8	13.7
Program expenses						
General government	1.0	1.0			1.0	1.0
Public safety	2.4	2.3			2.4	2.3
Public works	1.5	1.2			1.5	1.2
Tourism	.5	.3			.5	.3
Culture and recreation	.4	.3			.4	.3
Interest on long-term debt	.5	.3			.5	.3
Water and Sewer			5.7	5.1	5.7	5.1
Sanitation						
Beach Park			.5	.5	.5	.5
Community Aquatic Park			.3	.3	.3	.3
Total expenses	6.3	5.4	6.5	5.9	12.8	11.3
Excess (deficiency)						
Before						

special items						
And transfers	.7	1.0	1.3	1.4	2.0	2.4
Transfers	.3	.4	-.3	-.4	-	-
Increase (decrease)						
In net assets	1.0	1.4	1.0	1.0	2.0	2.4

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

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$7.0 million. Expenses came in at \$6.3 million.

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

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

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Public Safety	2.4	2.3	1.7	1.7
General Government	.9	1.0	.9	.9
Public Works	1.5	1.2	1.3	.6
Culture and Recreation	.4	.3	.4	.3
Total	5.2	4.8	4.3	3.5

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$7.8 million. Expenses came in at \$6.5 million, leaving \$1.3 million as an increase to net

assets before transfers. An additional net \$.3 million in transfers to governmental activities was provided, resulting in an all-inclusive increase to net assets amounting to \$1.0 million.

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

THE CITY'S FUNDS

As a result of this year's operation, governmental funds (as reflected in the balance sheet on page 22) combined fund balance increased to \$10.5 million, an increase of \$5.5 million from last year. The increase came about largely from the proceeds of the 2005 Certificate of Obligation issue. The largest increase in revenues came from taxes, which amount to \$5.3 million. This year sales tax increased \$.1 million, 6% over last year. Although the tax rate was lower than last year, current property taxes increased \$.1 million due to an increase in values.

General Fund - A Detailed Discussion

Revenues and Transfers-In

The following table presents a summary of total governmental funds' revenues and operation transfers-in for the years ended September 30, 2006 and 2005.

Table 4
Revenues and Transfers-In

Revenues and Transfers- In	2006 Amount	% of Total	2005 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$5,469,894	69	\$5,037,361	\$432,533	8
Licenses & Permits	169,497	2	162,694	6,803	4
Intergovernmental	330,102	4	500,796	-170,694	-34
Charges for services	21,976		62,530	-40,554	-65
Fines and Forfeitures	302,134	4	270,303	31,831	12
Interest	492,582	6	136,628	355,954	265
Miscellaneous	149,662	3	277,263	-127,601	-46
Operating transfers-in	962,140	12	762,945	199,195	26
Total	\$7,897,987		\$7,210,520	\$687,467	9

Of the total increase, interest represent the largest growth at 265%.

Taxes

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

Sales Tax

Sales tax collections, which experienced an increase of \$93,930 over 2005, are reported in the General Fund.

Ad Valorem (Property) Tax

The general citywide property tax including collections of the current levy, that of prior years', and penalty and interest increased 4%.

Growth in Taxable Assessed Value

Although the overall rate was reduced for this fiscal year taxable assessed values as adjusted for changes throughout each fiscal year, increased by \$103,975,000 or 12% over last year.

Collection Rate

This year's collection rate of current property taxes on the current adjusted tax levy amounted to 98.4% compared to 98.3% last year.

These factors resulted in revenues from current taxes reflecting an increase of \$255,950 over 2005 collections.

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

The I&S portion of the tax rate, which is accounted for in the Debt Service Fund, increased from \$0.0608 in fiscal year 2004-05 to \$0.0741 in fiscal year 2005-06, an increase of \$0.0133. This increase is due to the debt service payments increasing for the 2005 Combination tax and Revenue Certificates of Obligation. Therefore, the current tax revenues in the Debt Service Fund experienced a \$187,499 increase. The resulting M&O portion of the tax rate, which is accounted for in the General Fund, decreased from \$0.1949 in fiscal year 2004-05 to \$0.1808 in fiscal year 2005-06. Current year tax revenues in the General Fund increased \$68,451.

Other Taxes

This year reported franchise taxes, as a whole, increased \$97,469 from the prior year. The tax paid by the electric companies increased \$65,145.

Hotel Taxes

Fiscal year 2005-06 decreased over prior year collections by \$31,653.

Intergovernmental

The decrease in intergovernmental revenues, amounting to \$170,694 is principally due to the City drawing on more grant programs in 2005 than 2006.

Interest

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

Transfers-In

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

The following table presents a summary of governmental funds' expenditures, operating transfers-out and other financing uses for the years ended September 30, 2006 and 2005.

Table 5
Expenditures and Transfers-Out

Expenditures and Transfers- Out	2006 Amount	Percent of Total	2005 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
General government	908,290	11	\$881,978	26,312	3
Public safety	2,229,055	27	2,146,537	82,518	4
Public Works	1,473,824	18	1,126,343	347,481	31
Recreation & Tourism	851,684	10	581,073	270,611	47
Capital Outlay	1,042,111	12	1,175,909	-133,798	-12
Debt Service:					
Principal	476,053	6	394,089	81,964	21
Interest and Fiscal Charges	637,467	8	300,041	337,426	113
Operating transfers-out and other financing uses	670,009	8	377,188	292,911	78
Total	\$8,288,493	100	\$6,983,158	1,305,425	19

General Government

General government expenditures were substantially unchanged from 2005.

Public Safety

The increase in public safety is primarily attributable to departmental increases within the General Fund and City/County Dispatch Services Fund.

Public Works

Street Department

Personnel costs for the 2006 year in the Street Department increased \$72,225 over 2005 expenditures.

Building and Operation Maintenance Department

Expenditures were virtually unchanged from 2005 in this department.

Fleet Operations and Maintenance Department

The \$73,090 increase in expenses can be attributed to the increased cost of purchasing fuel.

Debt Service

Principal, Interest and fiscal charges were expended from the General Fund for 2006. The payment was for a project at the Rockport Beach Park, which was previously funded by Hotel Occupancy Tax.

Transfers-Out

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

Fund Balance

Combined fund balance for all of the governmental fund types increased \$5,512,218, from a balance of \$4,967,099 in the prior year to \$10,479,317 as of the current fiscal year end.

Table 6
Comparison of Fund Balances

	2006	2005	Change
Combined Fund Balance	\$10,479,317	\$4,967,099	\$5,512,218

General Fund

Revenues, other sources and transfers-in generated \$6,935,847, \$5,902,724 and \$962,140 respectively, aggregating \$13,800,711. Expenditures and transfers-out amounted to \$7,618,484 and \$670,099, respectively, aggregating \$8,288,583. The resulting effect on fund balance represented an increase of \$5,512,218. There were no significant budgetary variances between the final budget and actual.

Special Revenue Funds

Combined fund balance of the special revenue funds decreased from \$509,759 in the prior year to \$342,403 - a decrease of \$167,356. The decrease occurred primarily due to increased expenditures in the Hotel/Motel Occupancy Tax Fund and Key Allegro PID.

Debt Service Fund

The fund balance of the debt service fund decreased from \$277,024 in the prior year to \$259,152 a decrease of \$17,872.

Capital Project Funds

Combined fund balance of the capital projects funds increased \$6,179,538, principally due to the 2005 Certificate issue.

PROPRIETARY FUNDS – a Detailed Discussion

Utility System Fund

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

General Comments

This year's results, both water and wastewater revenues exceeded prior year and surpassed budget expectations. An increase on the cost of water purchased from San

Patrício Water District was passed on to the customers attributing to the increased revenues. Revenues were up largely due to the increased consumption, which is largely due to the growth in the customer base.

Consumption

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

Table 7
Consumption

Fiscal Year	03-04	04-05	% Increase/ Decrease	05-06	% Increase/ Decrease
Total Consumption	797,802,100	879,564,100	10.2	916,721,400	4.2

Rates

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

Growth in Customer Base

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

Table 8
Growth in Customer Base

Fiscal Year	03-04	04-05	% Increase/ Decrease	05-06	% Increase/ Decrease
Total Meter Connections	8309	8492	2.2	8747	2.9

Water Sales

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

Connect & Reconnect Fees

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

Expenses

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

Bond coverage Ratio

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

Sanitation Fund

This is a "pass through" fund. All revenues collected for garbage collection are reported and the corresponding expenditures for franchise fees, administrative fees and reserves for bad debt are deducted and the balance is sent to the solid waste contractor, per the contract.

Rockport Beach Park

Revenues for the Rockport Beach Park totaled \$316,482, which is \$66,149 over revenues for 2005. Expenditures for the same period were \$487,793 a total of \$27,686 over 2005. Capital Improvements at the Beach Park account for \$133,498.

Community Aquatic Park

The Community Aquatic Park is funded with revenue from admissions, passes, rentals, instructional classes and concessions. The City of Rockport, Aransas County and Aransas County ISD help fund the park. The City of Rockport and Aransas County contribute \$25,000 each for park operations. Aransas County ISD's contribution is "in-kind" with a pool manager's salary of \$35,721. Revenues increased \$18,596 over 2005 amounts, and expenditures were \$25,495 less than 2005 figures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$27,069,352 in capital assets. For more detailed information on capital assets refer to the notes to the financial statement on page 36.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$693,508	\$693,508	\$214,954	\$214,954	\$908,462	\$908,462
Buildings and improvements	2,766,122	2,799,824	2,566,610	2,621,094	5,332,732	5,420,918
Equipment	759,918	762,393	237,824	271,345	997,742	1,033,738
Infrastructure	2,371,923	1,604,938	17,458,493	14,704,944	19,830,416	16,309,882
Totals	\$6,591,471	\$5,860,663	\$20,477,881	\$17,897,818	\$27,069,352	\$22,673,000

Debt Administration

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

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

Type of Debt Issued

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

Bond Ratings

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

Bonds Outstanding

At the end of the fiscal year, the City had \$19,980,000 in bonds outstanding – as shown in Table 10.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation bonds (backed by the City)	10.2	4.8	7.3	3.5	17.5	8.3
Revenue bonds (backed by specific tax and fee revenues)			1.6	1.7	1.6	1.7
Totals	10.2	4.8	8.9	5.2	19.1	10.0

Revenue Bond Coverage

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

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

At September 30, 2006 both sinking fund balances were sufficient to satisfy the City's ordinance requirements. For more detailed information on the long-term debts refer to the notes to the financial statements on page 40.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2005-06 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 5,702 in 2004 to 5,760 in 2005, equating to a 1.0% increase. The U. S. Census estimates the population for Rockport at 9,041 in 2005 this up from 7,385 in the 2000 census.

In October 2005, the City issued Certificates of Obligation in the amount of \$10,000,000 for municipal utility and street and drainage improvements.

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, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,125,848	\$ 6,018,499	\$ 10,144,347
Receivables (net of allowances for uncollectibles):			
Property taxes	76,564	--	76,564
Other taxes	302,847	--	302,847
Accounts	11,486	650,921	662,407
Special assessments	15,531	10,136	25,667
Intergovernmental	38,331	--	38,331
Other	29,587	--	29,587
Internal balances	205,506	(205,506)	--
Inventories	74,939	77,020	151,959
Deferred charges	3,429	--	3,429
Restricted assets:			
Cash and cash equivalents	6,110,646	2,592,330	8,702,976
Bond issuance costs	112,584	194,672	307,256
Capital assets:			
Land	693,508	214,954	908,462
Buildings	2,905,502	1,721,753	4,627,255
Improvements other than buildings	484,089	3,318,843	3,802,932
Water and sewer system	--	28,289,578	28,289,578
Machinery and equipment	1,706,286	1,531,617	3,237,903
Infrastructure	2,449,468	--	2,449,468
Accumulated depreciation	(1,647,382)	(14,598,864)	(16,246,246)
Total Assets	<u>17,698,769</u>	<u>29,815,953</u>	<u>47,514,722</u>
LIABILITIES			
Accounts payable	285,983	852,152	1,138,135
Accrued liabilities	98,381	32,833	131,214
Accrued interest payable	50,178	49,000	99,178
Customer Deposits	--	634,107	634,107
Noncurrent liabilities:			
Due within one year	455,760	597,094	1,052,854
Due in more than one year	11,599,808	8,497,697	20,097,505
Total Liabilities	<u>12,490,110</u>	<u>10,662,883</u>	<u>23,152,993</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	993,534	13,861,718	14,855,252
Restricted For:			
Debt Service	297,903	187,425	485,328
Capital Projects	105,740	--	105,740
Unrestricted	3,811,482	5,103,927	8,915,409
Total Net Assets	<u>\$ 5,208,659</u>	<u>\$ 19,153,070</u>	<u>\$ 24,361,729</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Expenses	Program Revenues		Operating Grants and Contributions
		Charges for Services		
Governmental Activities				
General government	\$ 932,925	\$ 12,532	\$ 24,811	
Public safety	2,388,337	436,159	274,881	
Public works	1,568,715	236,243	30,410	
Culture and recreation	383,127	3,293	--	
Tourism	510,202	--	--	
Interest and fiscal charges	542,165	--	--	
Total governmental activities	<u>6,325,471</u>	<u>688,227</u>	<u>330,102</u>	
Business-type Activities:				
Sanitation	--	10,942	--	
Water and Sewer	5,657,236	6,803,901	14,834	
Beach Park	487,793	316,482	45,000	
Community Aquatic Center	295,534	117,835	62,734	
Total Business-type Activities	<u>6,440,563</u>	<u>7,249,160</u>	<u>122,568</u>	
Total Primary Government	<u>\$ 12,766,034</u>	<u>\$ 7,937,387</u>	<u>\$ 452,670</u>	

General Revenues:

Property Taxes, Levied for General Purposes
 Property Taxes, Levied for Debt Services

Sales Taxes

Franchise Taxes and Other Taxes

Occupancy Taxes

Unrestricted Investment Earnings

Other Revenues

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (895,582)	\$ (895,582)	
(1,677,297)	(1,677,297)	
(1,302,062)	(1,302,062)	
(379,834)	(379,834)	
(510,202)	(510,202)	
(542,165)	(542,165)	
<u>(5,307,142)</u>	<u>(5,307,142)</u>	
-- \$ 10,942	10,942	
-- 1,161,499	1,161,499	
-- (126,311)	(126,311)	
-- (114,965)	(114,965)	
-- 931,165	931,165	
<u>(5,307,142)</u>	<u>931,165</u>	<u>(4,375,977)</u>
1,742,720	--	1,742,720
712,877	--	712,877
1,718,155	--	1,718,155
692,098	--	692,098
472,166	--	472,166
514,322	441,376	955,698
97,718	--	97,718
292,131	(292,131)	--
<u>6,242,187</u>	<u>149,245</u>	<u>6,391,432</u>
<u>935,045</u>	<u>1,080,410</u>	<u>2,015,455</u>
<u>4,273,614</u>	<u>18,072,660</u>	<u>22,346,274</u>
<u>\$ 5,208,659</u>	<u>\$ 19,153,070</u>	<u>\$ 24,361,729</u>

CITY OF ROCKPORT, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2006

	General Fund	Debt Service
ASSETS		
Assets:		
Cash and cash equivalents	\$ 3,149,761	\$ 258,957
Receivables (net of allowances for uncollectibles):		
Property taxes	55,685	20,879
Other taxes	158,565	--
Accounts	--	--
Special assessments	--	--
Intergovernmental	--	--
Other	29,587	--
Due from other funds	353,377	195
Inventories	74,939	--
Deferred charges	3,429	--
Restricted assets:		
Cash and cash equivalents	--	--
Total Assets	<u>\$ 3,825,343</u>	<u>\$ 280,031</u>
Liabilities:		
Accounts payable	\$ 167,523	\$ --
Accrued expenses	86,261	--
Due to other funds	90,150	--
Deferred revenue	83,185	20,879
Total Liabilities	<u>427,119</u>	<u>20,879</u>
Fund balances:		
Reserved for inventories	74,939	--
Reserved for capital outlay	--	--
Reserved for prepaid items	3,429	--
Reserved for special purpose programs	--	--
Reserved for fire protection	--	--
Reserved for law enforcement	--	--
Reserved for tourism	--	--
Reserved for debt service	--	259,152
Unreserved:		
Designated for:		
General contingencies	1,100,981	--
Capital outlay	--	--
Undesignated	2,218,875	--
Undesignated reported in nonmajor special revenue funds	--	--
Total fund balances	<u>3,398,224</u>	<u>259,152</u>
Total Liabilities and Fund balances	<u>\$ 3,825,343</u>	<u>\$ 280,031</u>

The accompanying notes are an integral part of this statement.

2005 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 717,130	\$ 4,125,848
--	--	76,564
--	144,282	302,847
--	11,486	11,486
--	15,531	15,531
--	38,331	38,331
--	--	29,587
--	--	353,572
--	--	74,939
--	--	3,429
<u>6,004,461</u>	<u>106,185</u>	<u>6,110,646</u>
<u>\$ 6,004,461</u>	<u>\$ 1,032,945</u>	<u>\$ 11,142,780</u>
\$ --	\$ 118,460	\$ 285,983
--	12,120	98,381
--	57,916	148,066
--	26,969	131,033
<u>--</u>	<u>215,465</u>	<u>663,463</u>
<u>6,004,461</u>	<u>105,740</u>	<u>6,110,201</u>
--	--	3,429
--	31,764	31,764
--	189	189
--	4,877	4,877
--	342,286	342,286
--	--	259,152
--	--	74,939
--	--	31,764
--	--	189
--	--	4,877
--	--	342,286
--	--	259,152
--	--	1,100,981
--	369,337	369,337
--	--	2,218,875
<u>--</u>	<u>(36,713)</u>	<u>(36,713)</u>
<u>6,004,461</u>	<u>817,480</u>	<u>10,479,317</u>
<u>\$ 6,004,461</u>	<u>\$ 1,032,945</u>	<u>\$ 11,142,780</u>

CITY OF ROCKPORT, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

Total fund balances - governmental funds balance sheet	\$ 10,479,317
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.	6,591,471
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	76,564
Payables for bond principal which are not due in the current period are not reported in the funds.	(10,263,140)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,495,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(50,178)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(297,428)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	112,584
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	27,500
Utility receivables unavailable to pay for current period expenditures are deferred in the funds.	11,438
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	15,531
Net assets of governmental activities - statement of net assets	\$ <u>5,208,659</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, 2006

	General Fund	Debt Service
Revenue:		
Taxes	\$ 4,151,207	\$ 710,378
Licenses and permits	169,497	--
Intergovernmental	76,108	--
Charges for services	21,976	--
Fines	284,421	--
Special assessments	--	--
Interest	187,409	21,299
Miscellaneous	145,207	--
Total revenues	<u>5,035,825</u>	<u>731,677</u>
 Expenditures:		
Current:		
General government	904,296	--
Public safety	1,667,790	--
Public works	1,472,329	--
Culture and recreation	341,482	--
Tourism	--	--
Capital outlay	<u>730,883</u>	--
Debt service:		
Principal	83,744	367,509
Interest and fiscal charges	82,351	416,996
Bond issuance cost	--	2,286
Total expenditures	<u>5,282,875</u>	<u>786,791</u>
 Excess (deficiency) of revenues (under) expenditures	(247,050)	(55,114)
 Other financing sources (uses):		
Transfers in	594,889	15,502
Transfers out	(376,749)	--
Proceeds from certificates of obligation	--	21,740
Premium on bonds sold	--	--
Total other financing sources (uses)	<u>218,140</u>	<u>37,242</u>
 Net change in fund balance	(28,910)	(17,872)
 Fund balance, beginning of year	3,427,134	277,024
Fund balance, end of year	<u>\$ 3,398,224</u>	<u>\$ 259,152</u>

The accompanying notes are an integral part of this statement.

2005 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 608,309	\$ 5,469,894
--	--	169,497
--	253,994	330,102
--	--	21,976
--	17,713	302,134
--	4,455	4,455
242,255	41,619	492,582
--	--	145,207
<u>242,255</u>	<u>926,090</u>	<u>6,935,847</u>
 269	 3,725	 908,290
--	561,265	2,229,055
--	1,495	1,473,824
--	--	341,482
--	510,202	510,202
--	311,228	1,042,111
 --	 24,800	 476,053
--	17,325	516,672
<u>118,509</u>	<u>--</u>	<u>120,795</u>
<u>118,778</u>	<u>1,430,040</u>	<u>7,618,484</u>
 123,477	 (503,950)	 (682,637)
 --	 351,749	 962,140
--	(293,260)	(670,009)
<u>5,776,000</u>	<u>--</u>	<u>5,797,740</u>
<u>104,984</u>	<u>--</u>	<u>104,984</u>
<u>5,880,984</u>	<u>58,489</u>	<u>6,194,855</u>
 6,004,461	 (445,461)	 5,512,218
 --	 1,262,941	 4,967,099
<u>\$ 6,004,461</u>	<u>\$ 817,480</u>	<u>\$ 10,479,317</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, 2006

Net change in fund balances - total governmental funds	\$ 5,512,218
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,034,781
The depreciation of capital assets used in governmental activities is not reported in the funds.	(303,973)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	4,265
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	6,533
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	476,053
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(5,925)
Amortization of bond premium is not reported in the funds.	5,249
(Increase) decrease in accrued interest from beginning of period to end of period	(22,531)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(9,150)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(5,776,000)
Bond premiums are reported in the funds but not in the SOA.	(104,984)
Bond issuance costs are reported in the funds but not in the SOA.	118,509
Change in net assets of governmental activities - statement of activities	\$ 935,045

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

SEPTEMBER 30, 2006

	Enterprise Fund		Nonmajor Enterprise Funds	Total Enterprise Funds		
	Water and Sewer					
ASSETS						
Assets:						
Current assets:						
Cash and cash equivalents	\$ 5,874,589		\$ 143,910	\$ 6,018,499		
Receivables (net of allowances for uncollectibles):						
Accounts	536,587		114,334	650,921		
Special assessments	10,136		--	10,136		
Due from other funds	250		90,150	90,400		
Inventories	77,020		--	77,020		
Total current assets	<u>6,498,582</u>		<u>348,394</u>	<u>6,846,976</u>		
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	2,592,330		--	2,592,330		
Bond issue costs	194,672		--	194,672		
Capital assets (net, where applicable, of accumulated depreciation)	17,890,495		2,587,386	20,477,881		
Total noncurrent assets	<u>20,677,497</u>		<u>2,587,386</u>	<u>23,264,883</u>		
Total Assets	<u>\$ 27,176,079</u>		<u>\$ 2,935,780</u>	<u>\$ 30,111,859</u>		
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 520,391		\$ 331,761	\$ 852,152		
Accrued expenses	27,795		5,038	32,833		
Due to other funds	--		295,906	295,906		
Accrued interest payable	49,000		--	49,000		
Customer deposits	620,391		13,716	634,107		
Compensated absences	4,000		--	4,000		
Bonds and certificates of obligation - current portion	593,094		--	593,094		
Total current liabilities	<u>1,814,671</u>		<u>646,421</u>	<u>2,461,092</u>		
Noncurrent liabilities:						
Bonds and certificates of obligation payable	8,378,974		--	8,378,974		
Compensated absences	112,021		6,702	118,723		
Total noncurrent liabilities	<u>8,490,995</u>		<u>6,702</u>	<u>8,497,697</u>		
Total liabilities	<u>10,305,666</u>		<u>653,123</u>	<u>10,958,789</u>		
NET ASSETS:						
Investment in Capital Assets, Net of Related Debt	16,870,413		2,372,622	19,243,035		
Restricted for Debt Service	187,425		--	187,425		
Unrestricted Net Assets	16,682,988		2,372,622	19,055,610		
Total Net Assets	<u>\$ 16,870,413</u>		<u>\$ 2,282,657</u>	<u>\$ 19,153,070</u>		

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
	Water and Sewer		
OPERATING REVENUES:			
Charges for services	\$ 6,803,901	\$ 445,259	\$ 7,249,160
Total Operating Revenues	<u>6,803,901</u>	<u>445,259</u>	<u>7,249,160</u>
OPERATING EXPENSES:			
Personal services	998,521	304,155	1,302,676
Contractual services	322,858	79,757	402,615
Maintenance	391,334	53,338	444,672
Supplies	2,814,492	174,249	2,988,741
Other	17,230	--	17,230
Amortization	21,674	--	21,674
Depreciation	713,303	171,828	885,131
Total Operating Expenses	<u>5,279,412</u>	<u>783,327</u>	<u>6,062,739</u>
Operating Income (Loss)	<u>1,524,489</u>	<u>(338,068)</u>	<u>1,186,421</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	440,724	652	441,376
Intergovernmental revenue	14,834	107,734	122,568
Interest expense	(377,824)	--	(377,824)
Total Non-operating Revenues (Expenses)	<u>77,734</u>	<u>108,386</u>	<u>186,120</u>
Net Income (Loss) before Operating Transfers	<u>1,602,223</u>	<u>(229,682)</u>	<u>1,372,541</u>
TRANSFERS:			
Interfund transfers in	122,720	73,672	196,392
Interfund transfers out	(488,523)	--	(488,523)
Change in Net Assets	<u>1,236,420</u>	<u>(156,010)</u>	<u>1,080,410</u>
Net Assets, beginning of year	<u>15,633,993</u>	<u>2,438,667</u>	<u>18,072,660</u>
Net Assets, end of year	<u>\$ 16,870,413</u>	<u>\$ 2,282,657</u>	<u>\$ 19,153,070</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, 2006

	Enterprise Funds		
	Water & Sewer	Other Funds	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 6,829,336	\$ 1,770,978	8,600,314
Cash Receipts (Payments) for Operating Transactions with Other Funds	113,184	122,235	235,419
Cash Payments to Employees for Services	(997,949)	(303,195)	(1,301,144)
Cash Payments to Other Suppliers for Goods and Services	(3,588,191)	(1,609,228)	(5,197,419)
Net Cash Provided (Used) by Operating Activities	<u>2,356,380</u>	<u>(19,210)</u>	<u>2,337,170</u>
Cash Flows from Non-capital Financing Activities:			
Operating Grants Received	14,834	107,734	122,568
Transfers From Other Funds	122,720	73,672	196,392
Transfers To Other Funds	(488,523)	--	(488,523)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(350,969)</u>	<u>181,406</u>	<u>(169,563)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on bonds payable	(515,947)	--	(515,947)
Interest paid on bonds payable	(361,219)	--	(361,219)
Acquisition or Construction of Capital Assets	(3,417,177)	(133,498)	(3,550,675)
Proceeds from certificate of obligation issue	4,214,109	--	4,214,109
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(80,234)</u>	<u>(133,498)</u>	<u>(213,732)</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	440,724	652	441,376
Net Cash Provided (Used) for Investing Activities	<u>440,724</u>	<u>652</u>	<u>441,376</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,365,901	29,350	2,395,251
Cash and Cash Equivalents at Beginning of Year	6,101,018	114,560	6,215,578
Cash and Cash Equivalents at End of Year	<u>\$ 8,466,919</u>	<u>\$ 143,910</u>	<u>\$ 8,610,829</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 1,524,489	\$ (338,068)	1,186,421
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and amortization	734,977	171,828	906,805
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(12,962)	(11,918)	(24,880)
Decrease (Increase) in Inventories	(6,732)	--	(6,732)
Decrease (Increase) in Interfund Receivables	113,184	21,919	135,103
Increase (Decrease) in Accounts Payable	(35,545)	36,710	1,165
Increase (Decrease) in Customer Deposits	38,397	(957)	37,440
Increase (Decrease) in Interfund Payables	--	100,316	100,316
Increase (Decrease) in Accrued Expenses	572	960	1,532
Total Adjustments	<u>831,891</u>	<u>318,858</u>	<u>1,150,749</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,356,380</u>	<u>\$ (19,210)</u>	<u>\$ 2,337,170</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

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.

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

The City reports the following major enterprise funds:

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

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

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

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

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989.

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

which disaggregates those balances.

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

f. 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.

g. 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.

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:

CITY OF ROCKPORT, TEXAS

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FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

2. Budgeted expenditures exceed appropriations for the following funds:

<u>Fund</u>	<u>Expenditures over Budget</u>
Utility Bill Surcharge	\$ 21,026
City/County Dispatch Service Fund	25,141
Hotel/Motel Occupancy Tax Fund	71,227
Municipal Court Security and Tech. Fund	3,725

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
City/County Dispatch Service Fund	\$ 36,713	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, 2006, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$365,339 and the bank balance was \$138,876. The City's cash deposits at September 30, 2006 and during the year ended September 30, 2006, 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, 2006

The City's investments at September 30, 2006 consisted of the following:

Investment or Investment Type	Maturity (Days)	Fair Value
TexPool	1	\$ 18,481,984
Total Investments		\$ 18,481,984

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

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.

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.

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

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.

TexPool is rated AAAm by Standards & Poor's.

D. Receivables

Receivables at September 30, 2006 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Governmental Activities

	General	Debt Service	Nonmajor Governmental	Total
Property taxes	\$ 97,127	\$ 35,167	\$ --	\$ 132,294
Other Taxes	158,565	--	144,282	302,847
Accounts	--	--	14,855	14,855
Special Assessments	--	--	15,531	15,531
Intergovernmental	--	--	38,331	38,331
Fines	27,500	--	--	27,500
Sundry	2,087	--	--	2,087
Gross	285,279	35,167	212,999	533,445
Less allowance for uncollectibles	(41,442)	(14,288)	(3,369)	(59,099)
Net Receivables	\$ 243,837	\$ 20,879	\$ 209,630	\$ 474,346

Business-type Activities

	Water and Sewer	Nonmajor Business Types	Total
Accounts	\$ 699,480	\$ 142,346	\$ 841,826
Special Assessments	10,136	--	10,136
Gross	709,616	142,346	851,962

CITY OF ROCKPORT, TEXAS
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Less allowance for uncollectibles	<u>(162,893)</u>	<u>(28,012)</u>	<u>(190,905)</u>
Net Receivables	<u>\$ 546,723</u>	<u>\$ 114,334</u>	<u>\$ 661,057</u>

E. Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 693,508	\$ --	\$ --	\$ 693,508
Total capital assets not being depreciated	<u>693,508</u>	<u>--</u>	<u>--</u>	<u>693,508</u>
Capital assets being depreciated:				
Infrastructure	1,641,573	807,895	--	2,449,468
Buildings	2,905,502	--	--	2,905,502
Improvements other than buildings	427,924	56,165	--	484,089
Machinery and equipment	1,535,565	170,721	--	1,706,286
Total capital assets being depreciated	<u>6,510,564</u>	<u>1,034,781</u>	<u>--</u>	<u>7,545,345</u>
Less accumulated depreciation for:				
Infrastructure	(36,635)	(40,910)	--	(77,545)
Buildings	(411,200)	(72,106)	--	(483,306)
Improvements other than buildings	(122,402)	(17,761)	--	(140,163)
Machinery and equipment	(773,172)	(173,196)	--	(946,368)
Total accumulated depreciation	<u>(1,343,409)</u>	<u>(303,973)</u>	<u>--</u>	<u>(1,647,382)</u>
Total capital assets being depreciated, net	<u>5,167,155</u>	<u>730,808</u>	<u>--</u>	<u>5,897,963</u>
Governmental activities capital assets, net	<u>\$ 5,860,663</u>	<u>\$ 730,808</u>	<u>\$ --</u>	<u>\$ 6,591,471</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Total capital assets not being depreciated	<u>214,954</u>	<u>--</u>	<u>--</u>	<u>214,954</u>
Capital assets being depreciated:				
Buildings	1,709,700	12,053	--	1,721,753
Improvements other than buildings	3,207,391	111,452	--	3,318,843
Water and sewer system	24,891,934	3,397,644	--	28,289,578
Machinery and equipment	1,502,091	29,526	--	1,531,617
Total capital assets being depreciated	<u>31,311,116</u>	<u>3,550,675</u>	<u>--</u>	<u>34,861,791</u>
Less accumulated depreciation for:				
Buildings	(1,056,691)	(87,195)	--	(1,143,886)
Improvements other than buildings	(1,239,306)	(90,794)	--	(1,330,100)
Water and sewer system	(10,186,990)	(644,095)	--	(10,831,085)
Machinery and equipment	(1,230,746)	(63,047)	--	(1,293,793)
Total accumulated depreciation	<u>(13,713,733)</u>	<u>(885,131)</u>	<u>--</u>	<u>(14,598,864)</u>
Total capital assets being depreciated, net	<u>17,597,383</u>	<u>2,665,544</u>	<u>--</u>	<u>20,262,927</u>
Business-type activities capital assets, net	<u>\$ 17,812,337</u>	<u>\$ 2,665,544</u>	<u>\$ --</u>	<u>\$ 20,477,881</u>

Depreciation was charged to functions as follows:

CITY OF ROCKPORT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2006

Governmental Activities:	
General Government	\$ 15,485
Public Safety	151,952
Public Works	94,891
Culture and recreation	41,645
Total	<u>\$ 303,973</u>

Business-type Activities:	
Water and Sewer	\$ 713,303
Beach Park	106,233
Community Aquatic Center	65,595
Total	<u>\$ 885,131</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	(80,350)
Capitalized leases, net	<u>\$ 1,526,650</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2006, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Beach Park Fund	\$ 272,504	Short-term loans
General Fund	City/County Dispatch Service	57,471	Short-term loans
General Fund	Community Aquatic Center	23,402	Short-term loans
Sanitaltion Fund	General Fund	90,150	Short-term loans
Water and Sewer	2001 Certificate of Obliation	250	Short-term loans
Debt Service Fund	2001 Certificate of Obliation	195	Short-term loans
	Total	<u>\$ 443,972</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, 2006, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Vehicle & Equip Replacement	\$ 164,894	Supplement other funds sources
General fund	City/County Dispatch Service	186,855	Supplement other funds sources
General fund	Community Aquatic Center	25,000	Supplement other funds sources
Utility Bill Surcharge	General Fund	7,607	Supplement other funds sources
Key Allegro PID	General Fund	64,990	Supplement other funds sources
Flamingo/Luau Road	General Fund	49,271	Supplement other funds sources
Hotel/Occupancy Tax	Beach Park	48,672	Convention Center
2001 Certificate fund	Water and Sewer	122,720	Capital outlay
Water and Sewer	General Fund	473,021	Administrative Charges
Water and Sewer	Debt Service Fund	15,502	Supplement other funds sources
	Total	<u>\$ 1,158,532</u>	

CITY OF ROCKPORT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2006

G. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2006:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 6,110,646	\$ 2,404,905
Debt Service	--	187,425
	<u>\$ 6,110,646</u>	<u>\$ 2,592,330</u>

H. Short-Term Debt Activity

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

I. Long-Term Obligations

1. Long-Term Obligation Activity

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

Long-term debt consisted of the following at September 30, 2006:

	Interest Rate	General Long-Term Debt	Enterprise Fund Debt
Utility System Revenues Bonds, Series 1996	2.55-4.70%	\$ --	\$ 1,600,000
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1998	3.75-4.80%	1,990,000	--
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1999	4.80-5.50%	721,280	398,720
Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2001	3.50-4.70%	1,710,781	2,194,220
General Obligation Refunding Bonds, Series 2001	3.00-3.75%	--	490,000
Combination Tax and Revenue Certificates of Obligation, Series 2005	4.00-4.50%	5,741,344	4,198,656
Total Bonded Debt		10,163,405	8,881,596
Deferred gain on advanced refunding		--	17,536
Unamortized bond premium		99,735	72,936
Capital leases payable		1,495,000	--

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

Compensated absences	297,428	122,723
Total Long-Term Debt	\$ 12,055,568	\$ 9,094,791

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, 2006, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 4,649,434	\$ 5,776,000	\$ (262,029)	\$ 10,163,405	379,511
General obligation bonds	157,024	--	(157,024)	--	--
Bond Premium	--	104,984	(5,249)	99,735	5,249
Capital leases	1,552,000	--	(57,000)	1,495,000	59,000
Compensated absences *	288,278	22,423	(13,273)	297,428	12,000
Total governmental activities	\$ 6,646,736	\$ 5,903,407	\$ (494,575)	\$ 12,055,568	\$ 455,760
Business-type activities:					
Certificates of obligation	\$ 2,785,567	\$ 4,224,000	\$ (217,971)	\$ 6,791,596	210,489
General obligation bonds	662,976	--	(172,976)	490,000	240,000
Revenue bonds	1,725,000	--	(125,000)	1,600,000	130,000
Deferred gain on defeasance	26,302	--	(8,766)	17,536	8,766
Bond premium	--	76,775	(3,839)	72,936	3,839
Compensated absences *	114,106	10,738	(2,121)	122,723	4,000
Total business-type activities	\$ 5,313,951	\$ 4,311,513	\$ (530,673)	\$ 9,094,791	\$ 597,094

* 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
Claims and judgments	Governmental	General
Compensated absences	Business-type	Water and Sewer
Claims and judgments	Business-type	Water and Sewer

3. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2006, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 379,511	\$ 432,578	\$ 812,089
2008	409,440	416,086	825,526
2009	499,607	396,727	896,334
2010	518,681	375,043	893,724
2011	520,722	352,818	873,540
2012-2016	2,971,485	1,498,998	4,470,483
2017-2021	2,911,671	710,359	3,622,030
2022-2026	1,952,288	223,892	2,176,180
Totals	\$ 10,163,405	\$ 4,406,501	\$ 14,569,906

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2007	\$ 580,489	\$ 369,745	\$ 950,234
2008	615,560	346,424	961,984
2009	435,393	324,798	760,191
2010	451,319	305,956	757,275
2011	474,278	286,120	760,398
2012-2016	2,708,516	1,096,820	3,805,336
2017-2021	2,188,329	550,607	2,738,936
2022-2026	1,427,712	163,733	1,591,445
Totals	<u>\$ 8,881,596</u>	<u>\$ 3,444,203</u>	<u>\$ 12,325,799</u>

4. Advance Refunding of Debt

There was no outstanding refunded debt at September 30, 2006.

5. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2006, as follows:

<u>Year Ending September 30:</u>	
2007	\$ 120,926
2008	120,821
2009	120,658
2010	120,614
2011	120,303
2012-2016	603,248
2017-2021	603,202
2022-2026	362,181
Total Minimum Rentals	<u>2,171,953</u>
Less amount representing interest	<u>(676,953)</u>
Present value of minimum lease payments	<u>\$ 1,495,000</u>
Rental Expenditures in 2006	<u>\$ 120,686</u>

The effective interest rate on capital leases is 4.394%.

6. 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, 2006.

CITY OF ROCKPORT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2006

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 2006, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

L. Pension Plan

1. Plan Description

The City provided pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer public retirement system.

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

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

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

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

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City

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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, 2005 valuation is effective for rates beginning January 2007). A summary of actuarial assumptions is as follows:

Acutuarial Valuation Date	12/31/05
Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Inflation Rate	3.5%
Cost of Living Adjustments	None

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/05</u>
Actuarial Value of Assets	\$ 7,691,826
Actuarial Accrued Liability	\$ 9,940,382
Percentage Funded	77.38%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 2,248,556
Annual Covered Payroll	\$ 2,892,132
UAAL as a Percentage of Covered Payroll	77.70%
Net Pension Obligation (NPO) at Beginning of Year	\$ --
Annual Pension Cost:	
Annual required contribution (ARC)	\$ 425,573
Contributions Made	\$ 425,573
NPO at End of Year	\$ --

The City of Rockport is one of 811 municipalities having their benefit plan administered by TMRS. Each of the 811 municipalities has an annual, individual actuarial valuation performed. All assumptions for the 12-31-04 valuations are contained in the 2004 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
09/30/04	\$ 354,208	100.00%	\$ --
09/30/05	408,457	100.00%	--
09/30/06	425,573	100.00%	--

CITY OF ROCKPORT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

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
12/31/03	\$ 6,373,483	\$ 8,487,186	\$ 2,113,703	75.1%	\$ 2,347,985	90.0%
12/31/04	6,785,879	8,685,089	1,899,210	78.1%	2,606,199	72.9%
12/31/05	7,691,826	9,940,382	2,248,556	77.4%	2,892,132	77.7%

M. Health Care Coverage

During the year ended September 30, 2006, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$368 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable October 1, 2006, and terms of coverage and premium costs are included in the contractual provisions.

N. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2006.

Required Supplementary Information

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

CITY OF ROCKPORT, TEXAS
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
Revenue:					
Taxes	\$ 4,088,382	\$ 4,088,382	\$ 4,151,207	\$ 62,825	
Licenses and permits	167,225	167,225	169,497	2,272	
Intergovernmental	246,400	248,600	76,108	(172,492)	
Charges for services	20,000	20,000	21,976	1,976	
Fines	301,300	301,300	284,421	(16,879)	
Interest	65,000	65,000	187,409	122,409	
Miscellaneous	17,200	15,000	145,207	130,207	
Total revenues	<u>4,905,507</u>	<u>4,905,507</u>	<u>5,035,825</u>	<u>130,318</u>	
Expenditures:					
Current:					
General government	948,770	948,620	904,296	44,324	
Public safety	1,890,077	1,618,614	1,667,790	(49,176)	
Public works	1,579,587	1,342,063	1,472,329	(130,266)	
Culture and recreation	476,482	375,725	341,482	34,243	
Capital outlay	5,914,300	5,929,713	730,883	5,198,830	
Debt service:					
Principal	83,744	83,744	83,744	--	
Interest and fiscal charges	82,339	82,339	82,351	(12)	
Total expenditures	<u>10,975,299</u>	<u>10,380,818</u>	<u>5,282,875</u>	<u>5,097,943</u>	
Excess (deficiency) of revenues (under) expenditures	(6,069,792)	(5,475,311)	(247,050)	5,228,261	
Other financing sources (uses):					
Transfers in	5,364,178	5,091,421	594,889	(4,496,532)	
Transfers out	(219,053)	(541,028)	(376,749)	164,279	
Total other financing sources (uses)	<u>5,145,125</u>	<u>4,550,393</u>	<u>218,140</u>	<u>4,332,253</u>	
Net change in fund balance	(924,667)	(924,918)	(28,910)	896,008	
Fund balance, beginning of year	3,427,134	3,427,134	3,427,134	--	
Fund balance, end of year	<u>\$ 2,502,467</u>	<u>\$ 2,502,216</u>	<u>\$ 3,398,224</u>	<u>\$ 896,008</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, 2006

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
Cash and cash equivalents	\$ 347,841	\$ 369,289	\$ 717,130
Receivables (net of allowances for uncollectibles):			
Other taxes	144,282	--	144,282
Accounts	11,438	48	11,486
Special assessments	887	14,644	15,531
Intergovernmental	38,331	--	38,331
Restricted assets:			
Cash and cash equivalents	--	106,185	106,185
Total Assets	<u>\$ 542,779</u>	<u>\$ 490,166</u>	<u>\$ 1,032,945</u>
Liabilities:			
Accounts payable	\$ 118,460	\$ --	\$ 118,460
Accrued expenses	12,120	--	12,120
Due to other funds	57,471	445	57,916
Deferred revenue	12,325	14,644	26,969
Total Liabilities	<u>200,376</u>	<u>15,089</u>	<u>215,465</u>
Reserved for capital outlay	--	105,740	105,740
Reserved for special purpose programs	31,764	--	31,764
Reserved for fire protection	189	--	189
Reserved for law enforcement	4,877	--	4,877
Reserved for tourism	342,286	--	342,286
Designated for:			
Capital outlay	--	369,337	369,337
Undesignated reported in nonmajor special revenue funds	(36,713)	--	(36,713)
Total fund balances	<u>342,403</u>	<u>475,077</u>	<u>817,480</u>
Total Liabilities and Fund balances	<u>\$ 542,779</u>	<u>\$ 490,166</u>	<u>\$ 1,032,945</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 608,309	\$ --	\$ 608,309
Intergovernmental	253,994	--	253,994
Fines	17,713	--	17,713
Special assessments	719	3,736	4,455
Interest	3,640	37,979	41,619
Total revenues	<u>884,375</u>	<u>41,715</u>	<u>926,090</u>
Expenditures:			
Current:			
General government	3,725	--	3,725
Public safety	561,265	--	561,265
Public works	--	1,495	1,495
Tourism	510,202	--	510,202
Capital outlay	--	311,228	311,228
Debt service:			
Principal	24,800	--	24,800
Interest and fiscal charges	17,325	--	17,325
Total expenditures	<u>1,117,317</u>	<u>312,723</u>	<u>1,430,040</u>
Excess (deficiency) of revenues (under) expenditures	(232,942)	(271,008)	(503,950)
Other financing sources (uses):			
Transfers in	186,855	164,894	351,749
Transfers out	(121,269)	(171,991)	(293,260)
Total other financing sources (uses)	<u>65,586</u>	<u>(7,097)</u>	<u>58,489</u>
Net change in fund balance	(167,356)	(278,105)	(445,461)
Fund balance, beginning of year	509,759	753,182	1,262,941
Fund balance, end of year	<u>\$ 342,403</u>	<u>\$ 475,077</u>	<u>\$ 817,480</u>

CITY OF ROCKPORT, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2006

	Utility Bill Surcharge	City/County Dispatch Service	Hotel/Motel Occupancy
ASSETS			
Assets:			
Cash and cash equivalents	\$ 102,590	\$ --	\$ 202,011
Receivables (net of allowances for uncollectibles):			
Other taxes	--	--	144,282
Accounts	11,438	--	--
Special assessments	--	--	--
Intergovernmental	--	38,331	--
Total Assets	<u>\$ 114,028</u>	<u>\$ 38,331</u>	<u>\$ 346,293</u>
Liabilities:			
Accounts payable	\$ 102,401	\$ 5,453	\$ 4,007
Accrued expenses	--	12,120	--
Due to other funds	--	57,471	--
Deferred revenue	11,438	--	--
Total Liabilities	<u>113,839</u>	<u>75,044</u>	<u>4,007</u>
Reserved for special purpose programs	--	--	--
Reserved for fire protection	189	--	--
Reserved for law enforcement	--	--	--
Reserved for tourism	--	--	342,286
Undesignated reported in nonmajor special revenue funds	--	(36,713)	--
Total fund balances	<u>189</u>	<u>(36,713)</u>	<u>342,286</u>
Total Liabilities and Fund balances	<u>\$ 114,028</u>	<u>\$ 38,331</u>	<u>\$ 346,293</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ 1,739	\$ 9,740	\$ 31,761	\$ 347,841
--	--	--	--	144,282
--	--	--	--	11,438
887	--	--	--	887
--	--	--	--	38,331
<u>\$ 887</u>	<u>\$ 1,739</u>	<u>\$ 9,740</u>	<u>\$ 31,761</u>	<u>\$ 542,779</u>
\$ --	\$ 1,736	\$ 4,863	\$ --	\$ 118,460
--	--	--	--	12,120
--	--	--	--	57,471
887	--	--	--	12,325
<u>887</u>	<u>1,736</u>	<u>4,863</u>	<u>--</u>	<u>200,376</u>
--	3	--	31,761	31,764
--	--	--	--	189
--	--	4,877	--	4,877
--	--	--	--	342,286
--	--	--	--	(36,713)
--	<u>3</u>	<u>4,877</u>	<u>31,761</u>	<u>342,403</u>
<u>\$ 887</u>	<u>\$ 1,739</u>	<u>\$ 9,740</u>	<u>\$ 31,761</u>	<u>\$ 542,779</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, 2006

	Utility Bill Surcharge	City/County Dispatch Service	Hotel/Motel Occupancy
Revenue:			
Taxes	\$ 136,143	\$ --	\$ 472,166
Intergovernmental	--	253,994	--
Fines	--	--	--
Special assessments	--	--	--
Interest	607	--	1,556
Total revenues	<u>136,750</u>	<u>253,994</u>	<u>473,722</u>
Expenditures:			
Current:			
General government	--	--	--
Public safety	102,401	449,824	--
Tourism	--	--	510,202
Debt service:			
Principal	24,800	--	--
Interest and fiscal charges	17,325	--	--
Total expenditures	<u>144,526</u>	<u>449,824</u>	<u>510,202</u>
Excess (deficiency) of revenues (under) expenditures	(7,776)	(195,830)	(36,480)
Other financing sources (uses):			
Transfers in	--	186,855	--
Transfers out	(7,607)	--	(48,672)
Total other financing sources (uses)	<u>(7,607)</u>	<u>186,855</u>	<u>(48,672)</u>
Net change in fund balance	(15,383)	(8,975)	(85,152)
Fund balance, beginning of year	15,572	(27,738)	427,438
Fund balance, end of year	<u>\$ 189</u>	<u>\$ (36,713)</u>	<u>\$ 342,286</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ --	\$ 608,309
--	--	--	--	253,994
--	3,426	1,755	12,532	17,713
719	--	--	--	719
1,280	9	--	188	3,640
<u>1,999</u>	<u>3,435</u>	<u>1,755</u>	<u>12,720</u>	<u>884,375</u>
--	--	--	3,725	3,725
--	3,432	5,608	--	561,265
--	--	--	--	510,202
--	--	--	--	24,800
--	--	--	--	17,325
--	<u>3,432</u>	<u>5,608</u>	<u>3,725</u>	<u>1,117,317</u>
1,999	3	(3,853)	8,995	(232,942)
--	--	--	--	186,855
(64,990)	--	--	--	(121,269)
<u>(64,990)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>65,586</u>
(62,991)	3	(3,853)	8,995	(167,356)
<u>62,991</u>	<u>--</u>	<u>8,730</u>	<u>22,766</u>	<u>509,759</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,877</u>	<u>\$ 31,761</u>	<u>\$ 342,403</u>

CITY OF ROCKPORT, TEXAS
 UTILITY BILL SURCHARGE
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-5

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 130,000	\$ 130,000	\$ 136,143	\$ 6,143
Interest	--	--	607	607
Total revenues	<u>130,000</u>	<u>130,000</u>	<u>136,750</u>	<u>6,750</u>
Expenditures:				
Current:				
Public safety	81,375	81,375	102,401	(21,026)
Debt service:				
Principal	24,800	24,800	24,800	--
Interest and fiscal charges	17,325	17,325	17,325	--
Total expenditures	<u>123,500</u>	<u>123,500</u>	<u>144,526</u>	<u>(21,026)</u>
Excess (deficiency) of revenues (under) expenditures	6,500	6,500	(7,776)	(14,276)
Other financing sources (uses):				
Total other financing sources (uses)	<u>(6,500)</u>	<u>(6,500)</u>	<u>(7,607)</u>	<u>1,107</u>
Net change in fund balance	--	--	(15,383)	(15,383)
Fund balance, beginning of year	15,572	15,572	15,572	--
Fund balance, end of year	<u>\$ 15,572</u>	<u>\$ 15,572</u>	<u>\$ 189</u>	<u>\$ (15,383)</u>

CITY OF ROCKPORT, TEXAS
 CITY/COUNTY DISPATCH SERVICE
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-6

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Intergovernmental	\$ 236,166	\$ 236,166	\$ 253,994	\$ 17,828
Total revenues	<u>236,166</u>	<u>236,166</u>	<u>253,994</u>	<u>17,828</u>
Expenditures:				
Current:				
Public safety	424,683	424,683	449,824	(25,141)
Total expenditures	<u>424,683</u>	<u>424,683</u>	<u>449,824</u>	<u>(25,141)</u>
Excess (deficiency) of revenues (under) expenditures	(188,517)	(188,517)	(195,830)	(7,313)
Other financing sources (uses):				
Transfers in	188,517	188,517	186,855	(1,662)
Total other financing sources (uses)	<u>188,517</u>	<u>188,517</u>	<u>186,855</u>	<u>1,662</u>
Net change in fund balance	--	--	(8,975)	(8,975)
Fund balance, beginning of year	(27,738)	(27,738)	(27,738)	--
Fund balance, end of year	<u>(27,738)</u>	<u>\$ (27,738)</u>	<u>\$ (36,713)</u>	<u>\$ (8,975)</u>

CITY OF ROCKPORT, TEXAS
 HOTEL/MOTEL OCCUPANCY TAX FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-7

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 493,500	\$ 493,500	\$ 472,166	\$ (21,334)
Interest	--	--	1,556	1,556
Total revenues	<u>493,500</u>	<u>493,500</u>	<u>473,722</u>	<u>(19,778)</u>
Expenditures:				
Current:				
Tourism	438,975	438,975	510,202	(71,227)
Total expenditures	<u>438,975</u>	<u>438,975</u>	<u>510,202</u>	<u>(71,227)</u>
Excess (deficiency) of revenues (under) expenditures	54,525	54,525	(36,480)	(91,005)
Other financing sources (uses):				
Transfers out	(49,350)	(49,350)	(48,672)	678
Total other financing sources (uses)	<u>(49,350)</u>	<u>(49,350)</u>	<u>(48,672)</u>	<u>(678)</u>
Net change in fund balance	5,175	5,175	(85,152)	(90,327)
Fund balance, beginning of year	427,438	427,438	427,438	--
Fund balance, end of year	<u>\$ 432,613</u>	<u>\$ 432,613</u>	<u>\$ 342,286</u>	<u>\$ (90,327)</u>

CITY OF ROCKPORT, TEXAS

EXHIBIT C-8

MUNICIPAL COURT SECURITY & TECHNOLOGY FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Fines	\$ 14,700	\$ 14,700	\$ 12,532	\$ (2,168)
Interest	--	--	188	188
Total revenues	<u>14,700</u>	<u>14,700</u>	<u>12,720</u>	<u>(1,980)</u>
Expenditures:				
Current:				
General government	--	--	3,725	(3,725)
Total expenditures	--	--	3,725	(3,725)
Excess (deficiency) of revenues (under) expenditures	14,700	14,700	8,995	(5,705)
Other financing sources (uses):				
Total other financing sources (uses)	--	--	--	--
Net change in fund balance	14,700	14,700	8,995	(5,705)
Fund balance, beginning of year	22,766	22,766	22,766	--
Fund balance, end of year	<u>\$ 37,466</u>	<u>\$ 37,466</u>	<u>\$ 31,761</u>	<u>\$ (5,705)</u>

CITY OF ROCKPORT, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-9

	Budgeted Amounts			Variance with Final Budget	
	Original		Final	Actual	
	\$		\$	\$	\$
Revenue:					
Taxes	\$ 725,005		\$ 725,005	\$ 710,378	\$ (14,627)
Interest	--		--	21,299	21,299
Total revenues	<u>725,005</u>		<u>725,005</u>	<u>731,677</u>	<u>6,672</u>
Expenditures:					
Current:					
Debt service:					
Principal	367,509		367,509	367,509	--
Interest and fiscal charges	419,572		419,572	416,996	2,576
Bond issuance cost	975		975	2,286	(1,311)
Total expenditures	<u>788,056</u>		<u>788,056</u>	<u>786,791</u>	<u>1,265</u>
Excess (deficiency) of revenues (under) expenditures	(63,051)		(63,051)	(55,114)	7,937
Other financing sources (uses):					
Transfers in	--		--	15,502	15,502
Proceeds from certificates of obligation	--		--	21,740	(21,740)
Total other financing sources (uses)	<u>--</u>		<u>--</u>	<u>37,242</u>	<u>(37,242)</u>
Net change in fund balance	(63,051)		(63,051)	(17,872)	45,179
Fund balance, beginning of year	277,024		277,024	277,024	--
Fund balance, end of year	<u>\$ 213,973</u>		<u>\$ 213,973</u>	<u>\$ 259,152</u>	<u>\$ 45,179</u>

CITY OF ROCKPORT, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2006

	Flamingo/ Luau Road Assessment	General Capital Improvement
ASSETS		
Assets:		
Cash and cash equivalents	\$ 135,661	\$ 1
Receivables (net of allowances for uncollectibles):		
Accounts	48	--
Special assessments	12,082	2,562
Restricted assets:		
Cash and cash equivalents	--	--
Total Assets	<u>\$ 147,791</u>	<u>\$ 2,563</u>
Liabilities:		
Due to other funds	\$ --	\$ --
Deferred revenue	12,082	2,562
Total Liabilities	<u>12,082</u>	<u>2,562</u>
Reserved for capital outlay	--	--
Designated for:		
Capital outlay	135,709	1
Total fund balances	<u>135,709</u>	<u>1</u>
Total Liabilities and Fund balances	<u>\$ 147,791</u>	<u>\$ 2,563</u>

<u>2001 Certificate of Obligation</u>	<u>Vehicle and Equipment Replacement</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
\$ --	\$ 233,627	\$ 369,289
--	--	48
--	--	14,644
<u>\$ 106,185</u>	<u>\$ --</u>	<u>106,185</u>
<u>\$ 106,185</u>	<u>\$ 233,627</u>	<u>\$ 490,166</u>
<u>\$ 445</u>	<u>\$ --</u>	<u>445</u>
<u>--</u>	<u>--</u>	<u>14,644</u>
<u>445</u>	<u>--</u>	<u>15,089</u>
105,740	--	105,740
--	233,627	369,337
<u>105,740</u>	<u>233,627</u>	<u>475,077</u>
<u>\$ 106,185</u>	<u>\$ 233,627</u>	<u>\$ 490,166</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Flamingo/ Luau Road Assessment	General Capital Improvement
Revenue:		
Special assessments	\$ 3,736	\$ --
Interest	6,288	4,898
Total revenues	<u>10,024</u>	<u>4,898</u>
Expenditures:		
Current:		
Public works	--	--
Capital outlay	--	167,863
Total expenditures	<u>--</u>	<u>167,863</u>
Excess (deficiency) of revenues (under) expenditures	10,024	(162,965)
Other financing sources (uses):		
Transfers in	--	--
Transfers out	(49,271)	--
Total other financing sources (uses)	<u>(49,271)</u>	<u>--</u>
Net change in fund balance	(39,247)	(162,965)
Fund balance, beginning of year	174,956	162,966
Fund balance, end of year	<u>\$ 135,709</u>	<u>\$ 1</u>

2001 Certificate of Obligation	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -- 16,782 16,782	\$ -- 10,011 10,011	\$ 3,736 37,979 41,715
-- -- --	1,495 143,365 144,860	1,495 311,228 312,723
16,782	(134,849)	(271,008)
-- (122,720) (122,720)	164,894 -- 164,894	164,894 (171,991) (7,097)
(105,938)	30,045	(278,105)
211,678	203,582	753,182
\$ 105,740	\$ 233,627	\$ 475,077

CITY OF ROCKPORT, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2006

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
	Sanitation Fund	Beach Park	Community Aquatic Center	
ASSETS				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 143,305	\$ 455	\$ 150	\$ 143,910
Receivables (net of allowances for uncollectibles):				
Accounts	113,912	356	66	114,334
Due from other funds	90,150	--	--	90,150
Total current assets	<u>347,367</u>	<u>811</u>	<u>216</u>	<u>348,394</u>
Noncurrent assets:				
Capital assets (net, where applicable, of accumulated depreciation)	--	856,177	1,731,209	2,587,386
Total noncurrent assets	<u>--</u>	<u>856,177</u>	<u>1,731,209</u>	<u>2,587,386</u>
Total Assets	\$ 347,367	\$ 856,988	\$ 1,731,425	\$ 2,935,780
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 312,418	\$ 15,860	\$ 3,483	\$ 331,761
Accrued expenses	--	2,222	2,816	5,038
Due to other funds	--	272,504	23,402	295,906
Customer deposits	--	13,018	698	13,716
Total current liabilities	<u>312,418</u>	<u>303,604</u>	<u>30,399</u>	<u>646,421</u>
Noncurrent liabilities:				
Compensated absences	--	6,702	--	6,702
Total noncurrent liabilities	<u>--</u>	<u>6,702</u>	<u>--</u>	<u>6,702</u>
Total liabilities	<u>312,418</u>	<u>310,306</u>	<u>30,399</u>	<u>653,123</u>
NET ASSETS:				
Investment in Capital Assets, Net of Related Debt	34,949	546,682	1,790,991	2,372,622
Unrestricted Net Assets	34,949	546,682	1,790,991	2,372,622
Total Net Assets	\$ 34,949	\$ 546,682	\$ 1,701,026	\$ 2,282,657

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Fund Sanitation Fund	Enterprise Fund Beach Park	Enterprise Fund Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-8)
OPERATING REVENUES:				
Charges for services	\$ 10,942	\$ 316,482	\$ 117,835	\$ 445,259
Total Operating Revenues	<u>10,942</u>	<u>316,482</u>	<u>117,835</u>	<u>445,259</u>
OPERATING EXPENSES:				
Personal services	--	203,587	100,568	304,155
Contractual services	--	47,394	32,363	79,757
Maintenance	--	41,893	11,445	53,338
Supplies	--	88,686	85,563	174,249
Depreciation	--	106,233	65,595	171,828
Total Operating Expenses	<u>--</u>	<u>487,793</u>	<u>295,534</u>	<u>783,327</u>
Operating Income (Loss)	<u>10,942</u>	<u>(171,311)</u>	<u>(177,699)</u>	<u>(338,068)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	652	--	--	652
Intergovernmental revenue	--	45,000	62,734	107,734
Total Non-operating Revenues (Expenses)	<u>652</u>	<u>45,000</u>	<u>62,734</u>	<u>108,386</u>
Net Income (Loss) before Operating Transfers	<u>11,594</u>	<u>(126,311)</u>	<u>(114,965)</u>	<u>(229,682)</u>
TRANSFERS:				
Interfund transfers in	--	48,672	25,000	73,672
Interfund transfers out	--	--	--	--
Change in Net Assets	<u>11,594</u>	<u>(77,639)</u>	<u>(89,965)</u>	<u>(156,010)</u>
Net Assets, beginning of year	23,355	624,321	1,790,991	2,438,667
Net Assets, end of year	<u>\$ 34,949</u>	<u>\$ 546,682</u>	<u>\$ 1,701,026</u>	<u>\$ 2,282,657</u>

CITY OF ROCKPORT, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Sanitation	Beach Park	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,337,493	\$ 315,514	\$ 117,971	\$ 1,770,978
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	100,316	21,919	122,235
Cash Payments to Employees	--	(202,627)	(100,568)	(303,195)
Cash Payments to Suppliers for Goods and Services	(1,308,995)	(173,177)	(127,056)	(1,609,228)
Net Cash Provided (Used) by Operating Activities	<u>28,498</u>	<u>40,026</u>	<u>(87,734)</u>	<u>(19,210)</u>
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	--	45,000	62,734	107,734
Transfers From (To) Other Funds	--	48,672	25,000	73,672
Net Cash Provided (Used) by Non-capital Financing Activities	--	<u>93,672</u>	<u>87,734</u>	<u>181,406</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition or Construction of Capital Assets	--	(133,498)	--	(133,498)
Net Cash Provided (Used) for Capital and Related Financing Activities	--	<u>(133,498)</u>	<u>--</u>	<u>(133,498)</u>
Cash Flows from Investing Activities:				
Interest on Investments	652	--	--	652
Net Cash Provided by Investing Activities	<u>652</u>	<u>--</u>	<u>--</u>	<u>652</u>
Net Increase (Decrease) in Cash and Cash Equivalents	29,150	200	--	29,350
Cash and Cash Equivalents at Beginning of Year	114,155	255	150	114,560
Cash and Cash Equivalents at End of Year	<u>\$ 143,305</u>	<u>\$ 455</u>	<u>\$ 150</u>	<u>\$ 143,910</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 10,942	\$ (171,311)	\$ (177,699)	\$ (338,068)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	--	106,233	65,595	171,828
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(12,043)	(10)	135	(11,918)
Decrease (Increase) in Interfund Receivables	--	--	21,919	21,919
Increase (Decrease) in Accounts Payable	29,599	4,796	2,315	36,710
Increase (Decrease) in Customer Deposits	--	(958)	1	(957)
Increase (Decrease) in Interfund Payables	--	100,316	--	100,316
Increase (Decrease) in Accrued Expenses	--	960	--	960
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,498</u>	<u>\$ 40,026</u>	<u>\$ (87,734)</u>	<u>\$ (19,210)</u>

Other Supplementary Information

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

Michael A. Arnold, PLLC

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ROCKPORT, TEXAS 78381-1266

CERTIFIED PUBLIC ACCOUNTANT

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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, 2006, which collectively comprise the City of Rockport, Texas's basic financial statements and have issued our report thereon dated January 29, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

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

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

Respectfully submitted,



Michael A. Arnold, PLLC

January 29, 2007

CITY OF ROCKPORT, TEXAS**EXHIBIT D-1****SCHEDULE OF GRANT REVENUES AND EXPENSES - BUDGET AND ACTUAL****COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM***For the year ending September 30, 2006***Federal Financial Assistance**

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

Pass-through Grantor: Texas Office of Rural Community Affairs

CFDA Number: 14.228

Project Number 725739

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

	Budget	Federal		Match		Total
		Prior Years	Current Year	Prior Years	Current Year	
Revenues:						
Federal	\$300,000	\$ -	\$12,650	\$ -	\$ -	\$12,650
Match	65,000	-	-	-	-	-
Total revenues	365,000	-	12,650	-	-	12,650
Expenditures:						
Federal:						
Water Facilities	198,656	-	-	-	-	-
Rehabilitation of Private Properties	41,044					
Engineering	35,000	-	-	-	-	-
Administration	25,300	-	12,650	-	-	12,650
Match:						
Water Facilities	65,000	-	-	-	-	-
Total expenditures	365,000	-	12,650	-	-	12,650
Excess of revenues over expenditures						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Statistical Section

CITY OF ROCKPORT, TEXAS

NET ASSETS BY COMPONENT

LAST THREE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2004	2005	2006
Governmental Activities			
Invested in Capital Assets,			
Net of Related Debt	\$ 2,458,884	\$ 2,540,929	\$ 993,534
Restricted	685,243	507,082	403,643
Unrestricted	(300,615)	1,225,603	3,811,482
Total Governmental Activities Net Assets	<u>\$ 2,843,512</u>	<u>\$ 4,273,614</u>	<u>\$ 5,208,659</u>
Business-type Activities			
Invested in Capital Assets,			
Net of Related Debt	\$ 12,128,297	\$ 13,301,770	\$ 13,861,718
Restricted	619,791	692,600	187,425
Unrestricted	4,335,955	4,078,290	5,103,927
Total Business-type Activities Net Assets	<u>\$ 17,084,043</u>	<u>\$ 18,072,660</u>	<u>\$ 19,153,070</u>
Primary Government			
Invested in Capital Assets,			
Net of Related Debt	\$ 14,587,181	\$ 15,842,699	\$ 14,855,252
Restricted	1,305,034	1,199,682	591,068
Unrestricted	4,035,340	5,303,893	8,915,409
Total Primary Government Net Assets	<u>\$ 19,927,555</u>	<u>\$ 22,346,274</u>	<u>\$ 24,361,729</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 THREE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2004	2005	2006
Expenses			
Governmental Activities:			
General Government	\$ 905,631	\$ 963,466	\$ 932,925
Public Safety	1,873,033	2,290,626	2,388,337
Public Works	1,067,201	1,206,618	1,568,715
Culture and Recreation	280,460	305,057	383,127
Tourism	273,010	303,839	510,202
Interest and Fiscal Charges	335,779	327,688	542,165
Total Governmental Activities Expenses	4,735,114	5,397,294	6,325,471
Business-type Activities			
Sanitation	--	--	--
Water and Sewer	4,738,144	5,155,035	5,657,236
Beach park	416,128	460,107	487,793
Community Aquatic Center	221,956	270,039	295,534
Total Business-type Activities Expenses	5,376,228	5,885,181	6,440,563
Total Primary Government Expenses	\$ 10,111,342	\$ 11,282,475	\$ 12,766,034
Program Revenues			
Governmental Activities:			
Charges for Services:			
General Government	\$ 22,350	\$ 74,568	\$ 12,532
Public Safety	400,382	393,625	436,159
Public Works	200,348	356,756	236,243
Culture and Recreation	--	--	3,293
Tourism	--	--	--
Interest and Fiscal Charges	--	--	--
Operating Grants and Contributions	66,460	500,796	330,102
Capital Grants and Contributions	167,900	--	--
Total Governmental Activities Program Revenues	857,440	1,325,745	1,018,329
Business-type Activities:			
Charges for Services:			
Sanitation	11,339	12,016	10,942
Water and Sewer	5,949,225	6,524,568	6,803,901
Beach park	234,318	250,333	316,482
Community Aquatic Center	69,681	99,239	117,835
Operating Grants and Contributions	86,721	93,362	122,568
Capital Grants and Contributions	119,144	138,457	--
Total Business-type Activities Program Revenues	6,470,428	7,117,975	7,371,728
Total Primary Government Program Revenues	\$ 7,327,868	\$ 8,443,720	\$ 8,390,057
Net (Expense)/Revenue			
Governmental Activities	\$ (3,877,674)	\$ (4,071,549)	\$ (5,307,142)
Business-type Activities	1,094,200	1,232,794	931,165
Total Primary Government Net Expense	\$ (2,783,474)	\$ (2,838,755)	\$ (4,375,977)

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)

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

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)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	Fiscal Year									
General Fund										
Reserved	\$ 262,741	\$ 273,052	\$ 280,047	\$ 275,156	\$ 65,389	\$ 65,951	\$ 71,446	\$ 73,038	\$ 117,786	\$ 78,368
Unreserved	2,479,893	2,612,059	1,360,969	1,596,822	1,841,488	2,187,290	2,570,357	2,837,274	3,309,348	3,319,856
Total General Fund	\$ 2,742,634	\$ 2,885,111	\$ 1,641,016	\$ 1,877,978	\$ 1,906,877	\$ 2,253,241	\$ 2,641,803	\$ 2,910,312	\$ 3,427,134	\$ 3,398,224
All Other Governmental Funds										
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,219,931	\$ 810,021
Unreserved, Reported in:										
Special Revenue Funds	209,936	255,098	283,248	321,781	360,863	167,872	148,143	193,165	(27,738)	(36,713)
Capital Projects Funds	669,824	2,858,343	4,434,349	2,765,596	1,534,477	2,855,686	1,197,163	826,238	541,504	36,337
Debt Service Funds	95,967	122,956	150,233	164,449	173,341	240,336	--	--	--	--
Total All Other Governmental Funds	\$ 975,727	\$ 3,236,397	\$ 4,867,830	\$ 3,251,826	\$ 2,068,681	\$ 3,263,894	\$ 2,565,237	\$ 1,829,424	\$ 1,539,965	\$ 6,748,093

TABLE E-5

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 2,856,575	\$ 3,123,405	\$ 3,492,947	\$ 3,837,857	\$ 4,191,986	\$ 4,190,041	\$ 4,334,880	\$ 4,652,207	\$ 5,037,361	\$ 5,469,894
Licenses, Fees and Permits	93,904	106,814	120,624	126,308	130,556	135,329	127,411	189,154	162,694	169,497
Intergovernmental	127,366	104,384	102,270	109,167	741,501	32,839	14,250	223,011	500,796	330,102
Charges for Services	80,000	80,000	—	—	—	—	38,337	22,350	62,530	21,976
Fines	179,714	167,006	177,768	193,321	313,503	312,393	282,322	283,341	270,303	302,134
Investment Earnings	178,318	208,597	296,167	390,734	272,820	51,666	95,293	44,674	136,628	492,582
Special Assessments	8,896	9,013	9,833	4,300	82,909	55,648	20,016	14,394	12,777	4,455
Other Revenues	30,004	39,710	82,285	301,826	1,029,336	74,672	181,471	28,936	264,486	145,207
Total Revenues	<u>3,554,777</u>	<u>3,838,929</u>	<u>4,281,894</u>	<u>4,963,513</u>	<u>6,762,611</u>	<u>4,952,588</u>	<u>5,093,980</u>	<u>5,458,067</u>	<u>6,447,575</u>	<u>6,935,847</u>
Expenditures										
General Government	451,141	463,314	559,119	550,735	629,583	667,263	774,491	868,958	881,978	908,290
Public Safety	1,105,436	1,176,312	1,264,062	1,298,116	1,464,735	1,420,531	1,524,115	1,801,959	2,146,537	2,229,055
Public Works	752,294	739,126	837,707	873,564	963,407	943,672	1,143,208	1,003,901	1,126,343	1,473,824
Culture and Recreation	116,026	142,210	222,736	202,421	191,552	238,589	228,301	256,095	277,234	341,482
Public Health and Welfare	2,000	3,000	3,000	3,000	—	—	—	—	—	—
Tourism	197,026	225,313	244,155	266,596	247,998	308,030	256,172	273,010	303,839	510,202
Capital Outlay	379,482	1,065,830	1,496,230	2,848,299	3,824,370	1,369,732	1,172,731	3,033,285	1,175,909	1,042,111
Debt Service	171,584	189,216	220,800	259,192	345,520	384,008	352,713	344,695	341,219	476,053
Principal	124,321	111,675	209,816	245,893	231,534	242,757	259,577	335,779	352,911	516,672
Interest	—	—	—	—	—	—	—	—	—	—
Total Expenditures	<u>3,299,310</u>	<u>4,115,996</u>	<u>5,057,625</u>	<u>6,547,895</u>	<u>7,901,699</u>	<u>5,574,582</u>	<u>5,711,308</u>	<u>7,917,682</u>	<u>6,605,970</u>	<u>7,497,689</u>
Excess of Revenues Over (Under) Expenditures	255,467	(277,067)	(775,731)	(1,584,382)	(1,139,088)	(621,994)	(617,328)	(2,459,615)	(158,395)	(561,842)
Other Financing Sources (Uses)										
Bonds Issued	—	2,445,088	896,921	—	—	3,022,183	—	—	—	5,902,724
Capital leases	—	—	—	—	—	(1,067,447)	—	1,607,000	—	—
Payment to refunding escrow	—	—	—	—	—	(65,574)	—	—	—	(120,795)
Bond issue costs	—	—	—	—	—	—	—	—	—	—
Sale of fixed assets	—	—	100,000	—	—	—	—	—	—	—
Transfers In	258,721	318,710	2,136,515	810,631	1,047,995	826,060	510,023	615,853	762,945	962,140
Transfers Out	(20,451)	(83,584)	(2,007,218)	(611,291)	(833,672)	(643,810)	(202,790)	(230,542)	(377,188)	(425,421)
Total Other Financing Sources (Uses)	<u>238,270</u>	<u>2,680,214</u>	<u>1,126,218</u>	<u>199,340</u>	<u>214,323</u>	<u>2,071,412</u>	<u>307,233</u>	<u>1,992,311</u>	<u>385,757</u>	<u>6,318,648</u>
Net Change in Fund Balances	<u>\$ 493,737</u>	<u>\$ 2,403,147</u>	<u>\$ 350,487</u>	<u>\$ (1,385,042)</u>	<u>\$ (924,765)</u>	<u>\$ 1,449,418</u>	<u>\$ (310,095)</u>	<u>\$ (467,304)</u>	<u>\$ 227,362</u>	<u>\$ 5,756,806</u>
Debt Service As A Percentage Of Noncapital Expenditures	10.1%	9.9%	12.1%	13.7%	14.2%	14.9%	13.5%	13.9%	12.8%	15.4%

CITY OF ROCKPORT, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Occupancy Tax	Other Taxes	Total
1997	\$ 1,289,567	\$ 915,004	\$ 364,762	\$ 205,030	\$ 82,212	\$ 2,856,575
1998	1,450,961	992,976	342,653	245,611	91,204	3,123,405
1999	1,511,575	1,089,634	447,477	310,716	133,545	3,492,947
2000	1,612,626	1,117,080	637,483	331,326	139,342	3,837,857
2001	1,775,343	1,152,537	621,616	320,043	135,610	4,005,149
2002	1,890,537	1,227,505	560,747	365,720	145,532	4,190,041
2003	1,992,595	1,273,567	497,834	388,259	182,625	4,334,880
2004	2,114,864	1,400,557	567,342	421,125	148,319	4,652,207
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
Percent Change 1997-2006	90.1%	87.8%	80.3%	130.3%	107.4%	91.5%

TABLE E-7

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

Fiscal Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value		Taxable Assessed Value as a Percentage of Actual Taxable Value
			\$	\$	
1997	\$ 368,975,528	0.3475	\$ 368,975,528		100.000%
1998	409,262,772	0.3475	409,262,772		100.000%
1999	438,180,772	0.3375	438,180,772		100.000%
2000	475,816,897	0.3375	475,816,897		100.000%
2001	538,391,491	0.3300	538,391,491		100.000%
2002	611,641,940	0.3039	611,641,940		100.000%
2003	694,686,410	0.2836	694,686,410		100.000%
2004	783,984,771	0.2650	783,984,771		100.000%
2005	850,188,337	0.2557	850,188,337		100.000%
2006	955,490,048	0.2549	850,188,337		100.000%

Source: Aransas County Appraisal District

TABLE E-8

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service		Total Direct Rate	Aransas County Navigation District	
		Aransas County	Aransas County ISD		Aransas County Navigation District	Aransas County ISD
1997	\$ 0.2675	\$ 0.0800	\$ 0.3475	\$ 0.3850	\$ 0.0478	\$ 1.4518
1998	0.2745	0.0730	0.3475	0.3804	0.0472	1.4323
1999	0.2520	0.0855	0.3375	0.3700	0.0446	1.5500
2000	0.2446	0.0929	0.3375	0.3630	0.0446	1.5350
2001	0.2345	0.0955	0.3300	0.3460	0.0446	1.4900
2002	0.2197	0.0842	0.3039	0.3185	0.0410	1.6120
2003	0.2044	0.0792	0.2836	0.3185	0.0355	1.6065
2004	0.1963	0.0687	0.2650	0.3478	0.0499	1.5700
2005	0.1949	0.0608	0.2557	0.3420	0.0499	1.5173
2006	0.1808	0.0741	0.2549	0.3244	0.0398	1.5184

Source: Aransas County Tax Assessor

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

Taxpayer	2006			1997			Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank		
H E Butt Grocery	\$ 9,154,230	1	0.96%	\$ 3,152,294	3		0.74%
Wal-Mart Real Estate Bus Tr	8,011,330	2	0.84%	--	--		--
Wal-Mart Stores East #440	7,540,872	3	0.79%	2,702,065	6		6.38%
Rockport Harborfront LP	4,972,742	4	0.52%	--	--		--
AEP Texas Central	3,692,520	5	0.39%	2,561,640	7		0.60%
Heritage Hotels Rockport LP	3,317,830	6	0.35%	--	--		--
Southwestern Bell Telephone	3,169,460	7	0.33%	3,981,160	2		0.94%
Bypass Oaks, LTD	3,169,460	8	0.33%	--	--		--
Southbound Trust	2,615,810	9	0.27%	--	--		--
Petty, Scott Jr	2,481,950	10	0.26%	--	--		--
Exxon USA	--	--	--	4,146,990	1		0.98%
Rockport Partners	--	--	--	2,974,320	4		0.70%
Rockbay Properties LTD	--	--	--	2,703,510	5		0.64%
Bracht Lumber Co., Inc.	--	--	--	2,524,800	8		0.60%
Rockport Country Club Memb.	--	--	--	2,111,620	9		0.50%
Summitt Care Corp	--	--	--	1,848,930	10		0.44%
Total	\$ 48,126,204		5.04%	\$ 28,707,329			12.52%

Source: Aransas County Appraisal District

TABLE E-10

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

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
1997	\$ 1,282,190	\$ 1,243,056	96.95%	\$ 35,965	\$ 1,279,021	99.75%
1998	1,422,188	1,386,510	97.49%	32,589	1,419,099	99.78%
1999	1,478,860	1,441,830	97.50%	32,413	1,474,243	99.69%
2000	1,605,882	1,587,610	98.86%	12,353	1,599,963	99.63%
2001	1,773,941	1,691,380	95.35%	75,965	1,767,345	99.63%
2002	1,856,869	1,825,080	98.29%	24,831	1,849,911	99.63%
2003	1,968,507	1,924,473	97.76%	33,566	1,958,039	99.47%
2004	2,079,426	2,043,298	98.26%	22,551	2,065,849	99.35%
2005	2,173,619	2,136,929	98.31%	17,832	2,154,761	99.13%
2006	2,432,166	2,392,879	98.38%	--	2,392,879	98.38%

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

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

TABLE E-11

Fiscal Year	Governmental Activities			Business-type Activities			Percentage of Personal Income	Per Capita
	General Bonded Debt		Capital Leases	Revenue Bonds		General Bonded Debt		
	General Bonded Debt	Capital Leases		Revenue Bonds		General Bonded Debt		
1997	\$ 1,988,280	\$ --		\$ 2,450,000	\$ 3,426,720	\$ 7,865,000	--	\$ 1,227
1998	4,299,064	--		2,400,000	3,125,936	9,825,000	--	1,492
1999	5,012,064	--		2,350,000	3,292,936	10,655,000	--	1,573
2000	4,752,872	--		2,300,000	2,902,128	9,955,000	--	1,357
2001	4,407,352	--		2,195,000	2,562,648	9,165,000	--	1,197
2002	6,087,429	--		2,085,000	4,462,572	12,635,001	--	1,619
2003	5,734,716	--		1,970,000	4,304,759	12,009,475	--	1,539
2004	5,145,547	1,607,000		1,850,000	3,884,454	12,487,001	--	1,474
2005	4,806,458	1,552,000		1,725,000	3,448,543	11,532,001	--	1,362
2006	10,163,405	1,495,000		1,600,000	7,281,596	20,540,001	9.11%	2,272

CITY OF ROCKPORT, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

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		
1997	\$ 1,988,280	\$ 95,967	\$ 1,892,313	0.51%	\$ 295
1998	4,299,064	122,956	4,176,108	1.02%	634
1999	5,012,064	150,233	4,861,831	1.11%	718
2000	4,752,872	164,449	4,588,423	0.96%	625
2001	4,407,352	173,341	4,234,011	0.79%	553
2002	6,087,429	240,336	5,847,093	0.96%	749
2003	5,734,716	250,259	5,484,457	0.79%	703
2004	5,145,547	271,850	4,873,697	0.62%	575
2005	4,806,458	277,024	4,529,434	0.53%	535
2006	10,163,405	259,152	9,904,253	1.04%	1,095

(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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Aransas County Independent School District	\$ 10,940,000	63.820%	\$ 6,981,908
Aransas County	10,600,000	49.490%	5,245,940
Aransas County Navigation District	--	49.000%	--
Subtotal, Overlapping Debt			12,227,848
City Direct Debt			10,163,405
Total Direct and Overlapping Debt			\$ 22,391,253

Information obtained from entities audited financial statements.

TABLE E-14

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Maximum available tax revenues										
for all purposes	\$ 9,224,388	\$ 10,231,569	\$ 10,954,519	\$ 11,895,422	\$ 13,459,787	\$ 15,291,049	\$ 17,367,160	\$ 19,599,619	\$ 21,254,708	\$ 23,887,251
including debt service										
Actual amount expended for general obligation debt	295,905	300,891	430,616	505,085	577,054	626,765	352,173	680,474	694,130	992,725
Excess	\$ 8,928,483	\$ 9,930,678	\$ 10,523,903	\$ 11,390,337	\$ 12,882,733	\$ 14,664,284	\$ 17,014,987	\$ 18,919,145	20,560,578	22,894,526
Legal Debt Margin Calculation for the Current Fiscal Year										
Assessed Value									\$ 955,490,048	
Maximum tax rate per \$100 assessed valuation									2.50	
Maximum available tax revenues for all purposes including debt service								\$ <u>23,887,251</u>		
Actual amount expended for general obligation debt service								\$ <u>992,725</u>		
								\$ <u>992,725</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.

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

TABLE E-15

Fiscal Year	Water and Sewer System Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses(1)	Net Available Revenue	Debt Service Requirements(2)	Coverage	
1997	\$ 3,085,124	\$ 2,107,421	\$ 977,703	\$ 281,198	3.48	
1998	3,403,596	2,387,695	1,020,901	282,018	3.62	
1999	3,960,108	2,939,174	1,020,934	277,998	3.67	
2000	4,980,709	3,270,599	1,710,110	278,289	6.15	
2001	4,952,605	3,262,919	1,689,686	201,395	8.39	
2002	5,100,452	3,443,421	1,657,031	202,578	8.18	
2003	5,311,757	3,467,662	1,844,095	203,470	9.06	
2004	5,949,225	3,817,976	2,131,249	204,063	10.44	
2005	6,524,568	4,238,296	2,286,272	204,345	11.19	
2006	6,803,901	4,566,109	2,237,792	204,408	10.95	

(1) Exclusive of depreciation and interest.

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

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

TABLE E-16

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Population (1)	6,412	6,584	6,772	7,338	7,657	7,805	7,805	8,469	8,469	9,041
Personal Income (3)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 24,940
Per Capita Personal Income (in thousands)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 225,483
Median Age(3)	--	--	--	--	--	--	--	--	--	42.7
Education Level in Years of Formal Schooling	--	--	--	--	--	--	--	--	--	--
School Enrollment	3,530	3,468	3,480	3,360	3,337	3,345	3,349	3,331	3,126	3,331
Unemployment (2)	6.6%	6.0%	5.8%	6.0%	5.9%	6.5%	6.5%	6.5%	6.5%	6.5%

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

Employer	2006			1997			Percentage of Total City Employment
	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>		--	--	--	--	--

Source: Rockport-Fulton Chamber of Commerce

Total City Employment is not available from any source. Also, 1997 Information is not available.

TABLE E-18

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

Function/Program	Full-Time-Equivalent Employees as of Year End					
	1997	1998	1999	2000	2001	2002
General Government	-	-	-	-	-	-
Municipal Court	-	-	-	-	-	-
City Secretary	-	-	-	-	-	-
City Manager	-	-	-	-	-	-
Information/Technology	-	-	-	-	-	-
Finance	-	-	-	-	-	-
Police	-	-	-	-	-	-
Officers	-	-	-	-	-	-
Civilians	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Building and Development	-	-	-	-	-	-
Street and Drainage	-	-	-	-	-	-
Building Maintenance	-	-	-	-	-	-
Fleet	-	-	-	-	-	-
Police	-	-	-	-	-	-
Officers	-	-	-	-	-	-
Civilians	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-
Water and Sewer	-	-	-	-	-	-
Water	-	-	-	-	-	-
Wastewater	-	-	-	-	-	-
Customer Service	-	-	-	-	-	-
Total	-	-	-	-	-	-

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

Function/Program	Fiscal Year						2006
	1997	1998	1999	2000	2001	2002	
General Government							
Building Permits Issued	670	1,266	667	561	406	391	475
Building Inspections Conducted	618	1,207	622	512	866	584	735
Police							
Physical Arrests	798	590	675	652	735	867	996
Traffic Violations	3,590	2,024	2,687	2,767	3,052	3,670	4,039
Fire	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
Other Public Works							
Street Resurfacing (miles)	N/A	8.51	9.86	12.65	7.22	8.34	11.40
Potholes Repaired	(1)	(1)	(1)	5,000	5,000	5,000	5,000
Library	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water							
New Connections	162	172	188	900	167	154	179
Water Main Breaks	(1)	(1)	(1)	19	32	20	20
Average Daily Consumption	2,093,000	2,315,000	2,349,000	250,000	2,353,000	2,492,000	2,516,000
Peak Daily Consumption	3,688,000	3,910,000	3,281,000	4,397,000	3,819,000	3,883,000	5,589,000
Wastewater							
Average Daily Sewage Treatment (millions of gallons)	(1)	1.33	1.29	1.22	1.43	1.48	1.46
Transit	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Information is not available.

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

TABLE E-20

Function/Program	1997	1998	1999	2000	Fiscal Year							
	2001	2002	2003	2004	2005	2006						
Police												
Stations	1	1	1	1	1	1	1	1	1	1	1	1
Patrol Units	--	--	--	--	--	--	--	--	--	12	12	12
Fire Stations	--	2	2	2	2	2	2	2	2	2	2	2
Other Public Works	--	--	--	--	--	--	--	82	83	83	83	83
Streets (miles)	--	--	--	--	--	--	--	82	83	83	83	83
Parks and Recreation												
Acreage	200	200	200	200	200	200	200	200	200	200	200	200
Parks	10	10	10	10	10	10	10	10	10	10	10	10
Swimming Pools	--	--	--	--	--	--	--	--	--	1	1	1
Community Centers	--	--	--	--	--	--	--	--	--	1	1	1
Water												
Water Mains (miles)	96	96	96	96	96	96	96	96	96	96	96	96
Fire Hydrants	--	--	--	--	--	--	--	--	--	5,100	5,100	5,100
Storage Capacity (thousands of gallons)	--	--	--	--	--	--	--	--	--	5,100	5,100	5,100
Wastewater												
Sanitary Sewers (miles)	--	--	--	--	--	--	--	--	--	62	62	62
Storm Sewers (miles)	--	--	--	--	--	--	--	--	--	31	31	31
Treatment Capacity (thousands of gallons)	--	--	--	--	--	--	--	--	--	2.50	2.50	2.50

Sources: Various city departments

CITY OF ROCKPORT, TEXAS*INSURANCE IN FORCE**SEPTEMBER 30, 2006**UNAUDITED***TABLE E-21**

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #9131	Real and Personal Property, \$11,580,080 Mobile Equipment, \$589,430 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, 2006
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, 2006 November 29, 2006 March 6, 2007
Fidelity National Insurance Co. 422510150138 422510145056 422510086755 422510086753 422510086756 422510086754	Flood-City Hall and contents, \$500,000 Flood-Beach Park Maintenance, \$36,600 Flood-Pavillion North Bath House, \$60,500 Flood-Pavillion West, Saltwater Pool, \$60,500 Flood-Pavillion East with Concession, \$60,500 Flood-Pavillion South Bath House \$60,500	August 19, 2007 August 16, 2007 March 21, 2007 March 21, 2007 May 21, 2007 March 21, 2007
Texas Windstorm Insurance Assoc. 26742900	Windstorm and Hail, \$8,002,475	August 27, 2007

CITY OF ROCKPORT, TEXAS
SELECTED WATER AND SEWER FUND DATA
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2006
UNAUDITED

Fiscal Year Ended September 30,	Water Connections	Sewer Connections	Gallons of Water Consumed
1997	6,412	3,194	698,147,000
1998	6,556	3,300	762,713,800
1999	6,743	3,365	720,046,400
2000	6,918	3,690	732,594,400
2001	7,617	3,756	777,939,800
2002	7,776	3,808	822,894,200
2003	7,938	3,872	769,984,600
2004	8,161	3,986	797,799,100
2005	8,396	4,129	879,564,100
2006	8,747	4,276	916,721,400