

CITY OF ROCKPORT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

PREPARED BY
JACKY COCKERHAM
FINANCE DIRECTOR

City of Rockport, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2010

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Introductory Section



www.cityofrockport.com

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

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

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

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

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

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

March 16, 2011

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, 2010, is submitted. This report was prepared in accordance with generally accepted accounting principles on a basis consistent with the prior year. The preparation of the annual financial report and all financial information in the report is the responsibility of the City. The scope of the independent auditor's examination is to render an opinion on the financial information in the Annual Financial Report. Complete details concerning the City's fiscal year activities and related costs are presented in the enclosed narratives and financial statements.

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

INDEPENDENT AUDIT

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

MANAGEMENT RESPONSIBILITY

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

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

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

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

GOVERNING BODY

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

FINANCIAL ADMINISTRATION

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

CITY OF ROCKPORT AND ITS SERVICES

Services provided by the City under the general governmental functions include police, street maintenance, public improvements, planning and zoning, engineering,

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

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

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

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

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

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

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

BUDGETING

In accordance with the City Charter, on or before the first regular scheduled meeting in August, the City Manager submits to the City Council a proposed budget and

budget message for the fiscal year commencing the following October 1. The proposed budget shall contain the budget message prepared by the City Manager, detailed estimates of all revenue and expenditures, debt requirements, and a draft of the budget ordinance. The City Council shall review the proposed budget and make any appropriate changes prior to publishing the final budget.

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

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

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

GENERAL INFORMATION

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

ECONOMIC TRENDS

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

Property values in the City of Rockport increased from \$538,391,491 in 2000 to \$1,401,797,225 in 2010. This can be attributed to the annexation of several areas, increased property values, as well as, the increase in development within the City.

Permits for single family homes have dropped from approximately 66 annually to 57 in 2010, largely due to the economic conditions of the country. Rockport is made up largely of second homes, with the down turn in the market these home starts have declined. The population of Rockport has grown by 33% in the last ten (10) years going from 7,385 in 2000 to 9,846 in 2009 estimate done by the Census Bureau.

Sales tax revenues have increased from \$1,117,080 in 2000 to \$1,737,376 in 2010. This is an 56% increase in sales tax revenues over a ten (10) year period. Winter Texans and summer visitors have helped in the increase of sales tax.

The City has taken several steps in recent years to enhance the quality of life for the citizens of Rockport. In the past few years the City has purchased 50 acres of land to keep as green space and several acres behind the Memorial Park for expansion of that park in the future. The two phase Hike and Bike Trail that will be partially funded by a TxDOT grant has been planned for the Tule Park. A grant from Texas Department of Agriculture helped complete a project on Austin Street. The project converted the four lane boulevard to a two lane street with diagonal parking, which provides greater pedestrian and handicapped street crossing safety.

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

MAJOR INITIATIVES

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

- Bay Education Center –This building will be a education outreach facility located in Rockport and is a joint project with Mission-Aransas national Estuarine Research Reserve (NERR) and the City of Rockport. Along with the education facility the building will house the Rockport Beach Park administrative staff, and the City of Rockport will be responsible for the total operation and maintenance costs for the Center. This project was funded partially by the 2007 CO Construction bonds and through a grant received by the University of Texas Marine Sciences Institute from (NOAA) National Oceanic and Atmospheric Administration.

- Linden Street Area Wastewater Collection Line – Work began on a project that will install approximately 1320 linear feet of 24" sewer line, 800 linear feet of 8" sewer line, seven manholes, one duplex lift station, 29 linear feet of force main and related service lines. It will provide first time service for 23 households when complete. This project is funded through a Texas Community Development Block Grant Program.
- Drainage continues to be a major issue for the City of Rockport. Several minor and major drainage projects have been started this year. These projects will continue to be scheduled and propose to be completed in the next two budget years.
-

BUDGET AS COMPARED TO ACTUAL

General Government Fund Revenues – Budget as Compared to Actual

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

General Governmental Fund Expenditures – Budget as Compared to Actual

The proposed expenditures in the General Governmental Funds are budgeted based on historical demand for services and inflationary trends. For a detailed comparison of actual General Governmental fund Expenditures with budgeted amounts, see "Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – All 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, 2010.

PROPRIETARY FUNDS

The Proprietary Funds are those funds that are self-supporting. The Proprietary Funds of the City include the Utility Fund, Sanitation Fund, Natural Gas Fund, Community Aquatic Park Fund, and the Beach Park Fund. The Utility System Fund operates with revenues generated by the sale of water, wastewater services. The Natural

Gas Fund operates with revenues generated by the sale of natural gas sales. The Sanitation Fund is used to record all revenues and expenditures for the Solid Waste contract. The Community Aquatic Park Fund accounts for all revenues and expenditures for the community aquatic park. The Beach Park Fund accounts for all revenues and expenditures associated with the operation of the Rockport Beach Park.

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

AD VALOREM TAXES

State statutes require the value of the property as of January 1 of each year be used as the basis for calculating ad valorem tax for the ensuing fiscal year. The estimated adjusted taxable value of property in the City at January 1, 2009 was \$1,401,797,225 and was taxed at \$.298681 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$3,834,409.

Collections

Current taxes of \$3,866,253 or 98% of the adjusted tax roll were collected during fiscal year 2009-2010. 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 2009 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	2009	2008	2007	2006	2005
General Fund	.165133	.168320	.1605	.1629	.1808
G. O. Debt	.133548	.130680	.1185	.0814	.0741
Total	.298681	.299000	.2790	.2443	.2549

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rockport for its comprehensive annual financial report for the year ended September 30, 2009. This is the seventh year that the City has applied for and received this prestigious award. In order to

be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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, 2010 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, 2009

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.

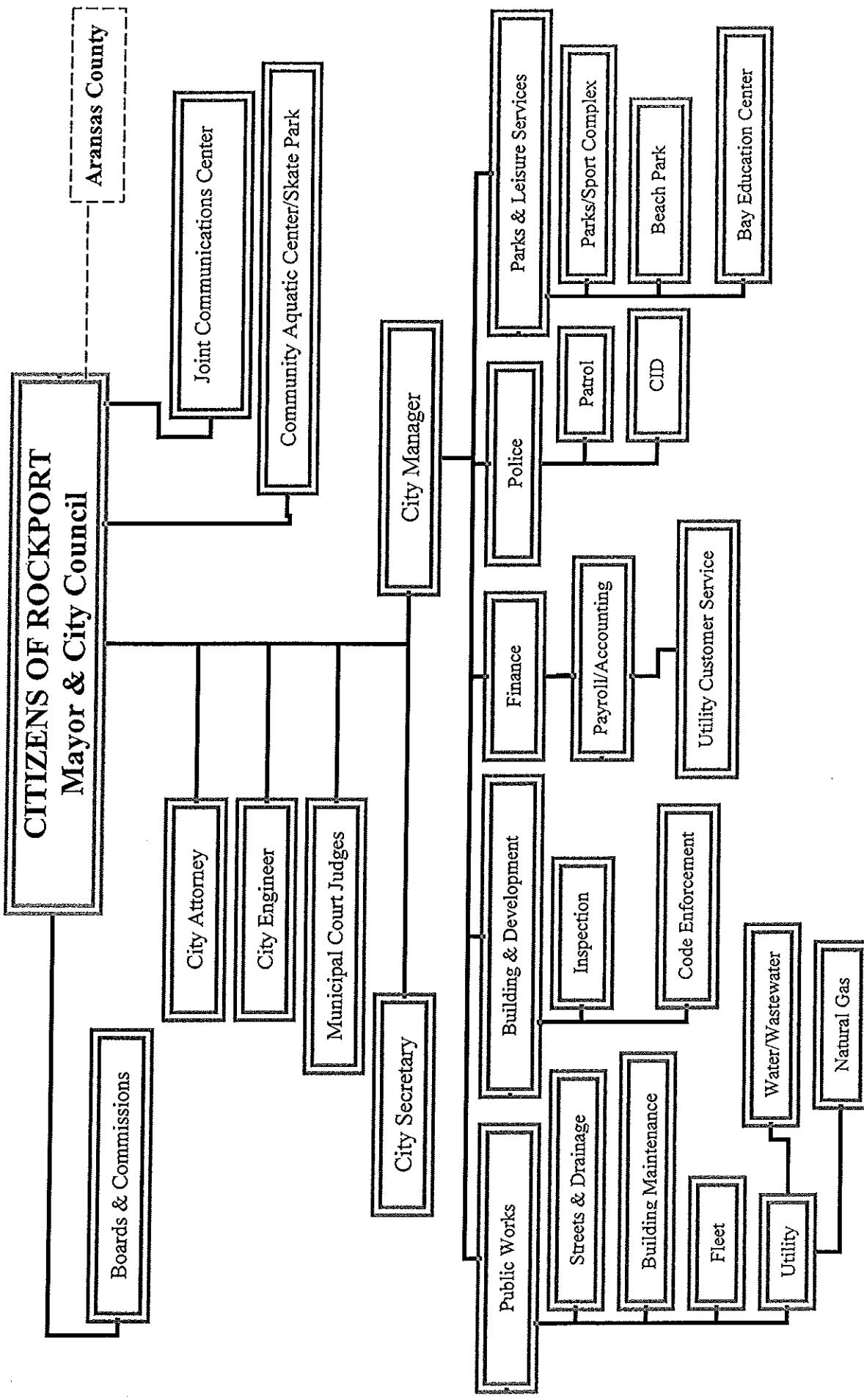



President

Jeffrey P. Ecker
Executive Director



ORGANIZATION CHART - 2010



CITY OF ROCKPORT, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2010

Elected Officials

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

Appointed Officials

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

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rockport, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011, on our consideration of City of Rockport, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,



Michael A. Arnold, PLLC

March 16, 2011

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Rockport's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the transmittal letter on page i and the City's financial statements, which begin on page 12.

Financial Highlights

- The assets of the City of Rockport exceeded its liabilities at the close of 2010 by \$32,828,617 (net assets). Of this amount, \$8,910,910 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,984,268 in 2010.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,511,318, a decrease of 7% in comparison with the prior year. Approximately \$4,551,121 (31%) of this total amount is available for spending at the government's discretion (unreserved fund balance).
- The General fund reported an unreserved fund balance of \$4,383,516 or, 80% of total general fund expenditures.
- The City's total long-term debt increased by \$9,392,184 (26.5%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rockport, assets exceeded liabilities by \$32,828,617 at the close of the most recent fiscal year.

\$23.3 million or 71%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire these assets which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to

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

Net Assets at September 30, 2010

Table 1

	Governmental Activities		Business Type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$5,893,479	\$ 5,909,500	\$6,464,616	\$5,840,984	\$12,358,095	\$11,750,484
Restricted Assets	9,405,803	10,844,791	9,438,947	1,773,929	18,844,750	12,128,702
Capital Assets, net of accumulated depreciation	<u>21,030,563</u>	<u>18,817,417</u>	<u>27,422,514</u>	<u>25,526,247</u>	<u>48,453,077</u>	<u>44,343,664</u>
Total Assets	36,329,845	35,571,708	43,326,077	33,141,160	79,655,922	68,712,868
Liabilities						
Current & Due Within One Year	1,454,451	1,780,029	2,652,968	2,338,126	4,107,419	4,118,115
Due in More Than One Year	<u>23,504,025</u>	<u>23,976,952</u>	<u>19,215,861</u>	<u>9,773,412</u>	<u>42,719,886</u>	<u>33,750,364</u>
Total Liabilities	24,958,476	25,756,981	21,868,829	12,111,538	46,827,305	26,968,519
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	6,821,463	4,913,873	16,563,623	15,244,499	23,385,086	20,158,372
Restricted for:						
Debt Service	347,272	414,299	185,349	186,750	532,621	601,049
Capital Projects						
Unrestricted	<u>4,202,634</u>	<u>4,486,555</u>	<u>4,708,276</u>	<u>5,598,373</u>	<u>8,910,910</u>	<u>10,084,928</u>
Total Net Assets	\$11,371,369	\$ 9,814,727	21,457,248	\$ 21,029,622	\$32,828,617	\$ 30,844,349

An additional portion of the City's net assets (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (84%) may be used to meet the government's ongoing obligations to citizens and creditors. It has been the practice of the City to finance major maintenance and rehabilitation of infrastructure or invest in new capital assets by issuance of long term debt and cautious and conservative draws on these unrestricted net assets. It is anticipated that this will continue to be our practice in the future.

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

Changes in Net Assets

Table 2

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Program revenues						
Charges for services	\$ 740,704	\$ 663,619	\$ 9,827,888	\$ 10,078,280	\$ 10,568,592	\$ 10,741,899
Operating grants and contributions	521,842	304,545	118,583	108,750	640,425	413,295
Capital grants and contributions	<u>1,111,885</u>	<u>384,894</u>	22,000	6,081	<u>1,133,885</u>	<u>390,975</u>
Total program revenues	2,374,431	1,353,058	9,968,471	10,193,111	12,342,902	11,546,169
General revenues						
Property taxes	3,996,835	3,876,478			-	3,996,835
Sales taxes	1,737,376	1,726,846			-	1,737,376
Franchise and other taxes	789,168	836,640			-	789,168
Occupancy taxes	477,688	467,038			-	477,688
Interest	122,596	297,450	72,781	66,396	152,430	363,846
Miscellaneous	<u>53,633</u>	<u>53,059</u>	<u>71,877</u>	-	<u>125,510</u>	<u>53,059</u>
Total revenues	7,177,296	8,610,569	144,658	10,259,507	7,279,007	18,870,076
Expenses						
General government	1,536,874	1,279,701			-	1,536,874
Public safety	3,107,677	2,987,967			-	3,107,677
Public Works	1,802,657	1,698,485			-	1,802,657
Culture and recreation	542,142	494,513			-	542,142
Tourism	480,483	522,996			-	480,483
Utilities		-	8,192,386	8,498,469	8,192,386	8,498,469
Sanitation		-	-	-	-	-
Beach Park		-	650,646	669,681	650,646	669,681
Community Aquatic Center		-	307,583	373,948	307,583	373,948
Interest and fiscal charges	<u>1,060,140</u>	<u>1,126,044</u>	-	-	<u>1,060,140</u>	<u>1,126,044</u>
Total expenses	8,529,973	8,109,706	9,150,615	9,542,098	17,680,588	17,651,804

Change in net assets

Increase(Decrease) before transfers	1,021,754	500,863	962,514	717,409	1,984,268	1,218,272
" , Transfers	534,888	908,268	(534,888)	(908,268)	-	-
Net assets at beginning of year	9,814,727	8,405,596	21,029,622	21,220,481	30,844,349	29,626,077
Net assets at end of year	<u>\$11,371,369</u>	<u>\$ 9,814,727</u>	<u>\$ 21,457,248</u>	<u>\$ 21,029,622</u>	<u>\$32,828,617</u>	<u>\$ 30,844,349</u>

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

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

As shown in Table 2 and the Exhibit A-2 of the Basic Financial Statements, the expenditures incurred in providing these services are netted against the program revenues received by the City for these services. Because the City is not a for-profit entity, the cost to deliver the services far exceeds the program revenues generated. This deficit of new expenditures, \$6,155,542, is overcome by the general revenues of taxes, investment earnings, miscellaneous income and transfers in totaling \$7,712,184. The overall change in Net Assets resulting from governmental activities at the end of the year was \$1,556,642.

Business-Type Activities. As shown in Table 2 and in the Statement of Activities, program revenues of the City's business-type activities were \$9,968,471 for the fiscal year ended September 30, 2010. Expenses for the City's business-type activities were \$9,150,615, resulting in net revenues of \$817,856. After the non-program expenses and revenues are added in, the total change in net assets for the business type activities was \$427,626 or (2%) of the prior year total.

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

expenditures. In future years this study will be expanded to include the natural gas revenue also.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$14,511,318, a decrease of \$1,211,469 compared to the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,383,516. This unreserved fund balance is the amount available without constraints from outside of the City to fund the City's normal operations. In order to illustrate the City's ability to withstand a major disaster such as a hurricane, it is worthwhile to measure the unreserved fund balance in terms of the number of days of operations it could sustain. For 2010, the daily cost of operation in the general fund was \$14,923 (total current expenditures of \$5,447,104 divided by 365 days in the year). The City of Rockport's unreserved general fund balance would be able to sustain 294 days in the event of disaster that interrupted normal revenue generation. The City of Rockport makes every effort to keep the unreserved fund balance at 180 days.

General Fund Budgetary Highlights.

During FY 2009-10, the General Fund budget was amended only one time.

Proprietary Funds. The proprietary funds ended 2010 with combined net assets totaling \$21,457,248. The proprietary funds include the Utility System Fund, Natural Gas Fund, Sanitation, Rockport Beach Park and the Community Aquatic & Skate Park. In this total, the new assets for each fund are: Water and Sewer Fund: \$2,695,498, Natural Gas Fund \$-0-, Rockport Beach Park \$-0- and the Community Aquatic & Skate Park \$-0-.

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

Proprietary Fund Budgetary Highlights.

During FY 2009-10, the Community Aquatic Park Fund was amended one time.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Rockport's investment in capital assets for its governmental and business type activities as of September 30, 2010 totals at \$48,453,082 (net of accumulated depreciation). This investment in capital assets includes, land, buildings and improvements, vehicles, furniture and equipment, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year was 9%.

Major capital asset events during 2010 include the following:

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

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

Long-Term Debt. The City of Rockport issued new bonded debt in 2009, and refunded three current issues that will result in savings to the City based on current interest rates. The Certificates of Obligation, Series 2009 will be used for construction, additions, renovation, and improvement to the City's Waterworks and Wastewater Systems.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2009-10 the elected and appointed officials considered many factors including the forces driving the economy in their budget

decisions. The housing starts, development, and raw land being turned into retail and housing can each be measured by the number of new water connections recorded. An increase in Hotel Occupancy Tax and sales tax indicate an increase in tourism. There has been an increase in registered voters since 2000, going from 5,987 in 2006 to 5,987 in 2010, equating to a 4% increase. The U. S. Census estimates the population for Rockport at 9846 in 2009, this up from 7,385 in the 2000 census.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

CITY OF ROCKPORT, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 4,009,283	\$ 5,585,233	\$ 9,594,516
Receivables (net of allowances for uncollectibles):			
Property taxes	135,295	--	135,295
Other taxes	307,479	--	307,479
Accounts	12,432	1,185,578	1,198,010
Special assessments	7,208	10,136	17,344
Intergovernmental	92,760	--	92,760
Other	61,130	--	61,130
Internal balances	813,419	(813,419)	--
Inventories	86,394	234,369	320,763
Prepaid items	24,282	--	24,282
Restricted assets:			
Cash and investments	9,405,803	9,438,947	18,844,750
Bond issuance costs	343,797	262,719	606,516
Capital assets:			
Land	4,856,512	214,954	5,071,466
Construction in progress	120,877	122,334	243,211
Buildings	4,715,196	1,728,904	6,444,100
Improvements other than buildings	977,006	3,361,402	4,338,408
Utility system	--	38,073,035	38,073,035
Machinery and equipment	2,651,653	2,104,011	4,755,664
Infrastructure	10,972,330	--	10,972,330
Accumulated depreciation	(3,263,011)	(18,182,126)	(21,445,137)
Total Assets	<u>36,329,845</u>	<u>43,326,077</u>	<u>79,655,922</u>
LIABILITIES			
Accounts payable	173,699	725,001	898,700
Accrued liabilities	43,848	19,610	63,458
Accrued interest payable	122,627	99,405	222,032
Customer Deposits	--	814,610	814,610
Noncurrent liabilities:			
Due within one year	1,114,277	994,342	2,108,619
Due in more than one year	<u>23,504,025</u>	<u>19,215,861</u>	<u>42,719,886</u>
Total Liabilities	<u>24,958,476</u>	<u>21,868,829</u>	<u>46,827,305</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,821,463	16,563,623	23,385,086
Restricted For:			
Debt Service	347,272	185,349	532,621
Unrestricted	4,202,634	4,708,276	8,910,910
Total Net Assets	<u>\$ 11,371,369</u>	<u>\$ 21,457,248</u>	<u>\$ 32,828,617</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,536,874	\$ 17,051	\$ --	\$ --
Public safety	3,107,677	536,995	521,842	183,249
Public works	1,802,657	157,742	--	--
Culture and recreation	542,142	28,916	--	928,636
Tourism	480,483	--	--	--
Interest and fiscal charges	1,060,140	--	--	--
Total governmental activities	8,529,973	740,704	521,842	1,111,885
Business-type Activities:				
Sanitation	--	17,267	--	--
Water & Sewer	6,572,267	7,354,531	--	22,000
Beach Park	650,646	381,096	45,000	--
Community Aquatic Center	307,583	109,049	73,583	--
Natural Gas	1,620,119	1,965,945	--	--
Total Business-type Activities	9,150,615	9,827,888	118,583	22,000
Total Primary Government	\$ 17,680,588	\$ 10,568,592	\$ 640,425	\$ 1,133,885

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
 Gain on Sale of Assets
 Transfers
 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning
 Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,519,823)	\$ (1,519,823)	
(1,865,591)	(1,865,591)	
(1,644,915)	(1,644,915)	
415,410	415,410	
(480,483)	(480,483)	
(1,060,140)	(1,060,140)	
<u>(6,155,542)</u>	<u>(6,155,542)</u>	
-- \$ 17,267	17,267	
-- 804,264	804,264	
-- (224,550)	(224,550)	
-- (124,951)	(124,951)	
-- 345,826	345,826	
<u>-- 817,856</u>	<u>817,856</u>	
<u>(6,155,542)</u>	<u>817,856</u>	<u>(5,337,686)</u>
2,212,019	--	2,212,019
1,784,816	--	1,784,816
1,737,376	--	1,737,376
789,168	--	789,168
477,688	--	477,688
122,596	72,781	195,377
53,633	--	53,633
-- 71,877	71,877	
534,888	(534,888)	--
<u>7,712,184</u>	<u>(390,230)</u>	<u>7,321,954</u>
1,556,642	427,626	1,984,268
9,814,727	21,029,622	30,844,349
<u>\$ 11,371,369</u>	<u>\$ 21,457,248</u>	<u>\$ 32,828,617</u>

CITY OF ROCKPORT, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	General Fund	Debt Service	Bay Education Center Construction
ASSETS			
Assets:			
Cash and cash equivalents	\$ 3,236,026	\$ 293,651	\$ --
Receivables (net of allowances for uncollectibles):			
Property taxes	81,674	53,621	--
Other taxes	193,392	--	--
Accounts	--	--	--
Special assessments	--	--	--
Intergovernmental	--	--	--
Other	61,130	--	--
Due from other funds	1,129,457	--	--
Inventories	43,857	--	--
Restricted assets:			
Cash and investments	--	--	--
Total Assets	\$ 4,745,536	\$ 347,272	\$ --
Liabilities:			
Accounts payable	\$ 145,167	\$ --	\$ 3,559
Accrued expenditures	37,916	--	--
Due to other funds	--	--	94,216
Deferred revenue	135,080	53,621	--
Total Liabilities	318,163	53,621	97,775
Fund balances:			
Reserved for inventories	43,857	--	--
Reserved for capital outlay	--	--	(97,775)
Reserved for special purpose programs	--	--	--
Reserved for fire protection	--	--	--
Reserved for law enforcement	--	--	--
Reserved for tourism	--	--	--
Reserved for public access television	--	--	--
Reserved for debt service	--	293,651	--
Unreserved:			
Designated for:			
Capital outlay	--	--	--
Undesignated	4,383,516	--	--
Undesignated reported in nonmajor special revenue funds	--	--	--
Total fund balances	4,427,373	293,651	(97,775)
Total Liabilities and Fund balances	\$ 4,745,536	\$ 347,272	\$ --

The accompanying notes are an integral part of this statement.

<u>2007 Certificate of Obligation</u>	<u>2005 Certificate of Obligation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ --	\$ 479,606	\$ 4,009,283
--	--	--	135,295
--	--	114,087	307,479
--	--	12,432	12,432
--	--	7,208	7,208
--	--	92,760	92,760
--	--	--	61,130
--	--	--	1,129,457
--	--	--	43,857
<u>6,424,254</u>	<u>2,981,549</u>	<u>--</u>	<u>9,405,803</u>
<u>\$ 6,424,254</u>	<u>\$ 2,981,549</u>	<u>\$ 706,093</u>	<u>\$ 15,204,704</u>
\$ --	\$ --	\$ 24,973	\$ 173,699
--	--	4,615	42,531
--	--	174,647	268,863
--	--	19,592	208,293
--	--	223,827	693,386
<u>6,424,254</u>	<u>2,981,549</u>	<u>--</u>	<u>43,857</u>
--	--	--	9,308,028
--	--	74,340	74,340
--	--	467	467
--	--	18,560	18,560
--	--	172,364	172,364
--	--	48,698	48,698
--	--	232	293,883
<u>6,424,254</u>	<u>2,981,549</u>	<u>235,527</u>	<u>235,527</u>
--	--	--	4,383,516
<u>6,424,254</u>	<u>2,981,549</u>	<u>(67,922)</u>	<u>(67,922)</u>
<u>\$ 6,424,254</u>	<u>\$ 2,981,549</u>	<u>\$ 482,266</u>	<u>\$ 14,511,318</u>
<u>\$ 6,424,254</u>	<u>\$ 2,981,549</u>	<u>\$ 706,093</u>	<u>\$ 15,204,704</u>

CITY OF ROCKPORT, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2010

Total fund balances - governmental funds balance sheet	\$ 14,511,318
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	21,014,859
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	133,201
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	34,031
Payables for bond principal which are not due in the current period are not reported in the funds.	(22,387,931)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,247,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(122,627)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(312,958)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	19,028
Bond issuance costs are not capitalized in the funds.	343,797
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	55,500
Utility surcharge receivables unavailable to pay for current period expenditures are deferred in the funds.	12,384
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	7,208
OPEB obligation is not reported in the funds.	(689,441)
Net assets of governmental activities - Statement of Net Assets	\$ <u>11,371,369</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, 2010

	General Fund	Debt Service	Bay Education Center Construction
Revenue:			
Taxes	\$ 4,727,002	\$ 1,781,531	\$ --
Licenses and permits	157,742	--	--
Intergovernmental	37,406	--	860,690
Charges for services	28,916	--	--
Fines	347,511	--	--
Interest	21,515	827	--
Miscellaneous	23,247	--	10,220
Total revenues	5,343,339	1,782,358	870,910
Expenditures:			
Current:			
General government	1,150,986	--	--
Public safety	2,081,625	--	--
Public works	1,600,542	--	--
Culture and recreation	424,860	--	--
Tourism	--	--	--
Capital outlay	189,091	--	1,326,020
Debt service:			
Principal	--	833,394	--
Interest and fiscal charges	--	1,059,110	--
Bond issuance cost	--	61,436	--
Total expenditures	5,447,104	1,953,940	1,326,020
Excess (deficiency) of revenues (under) expenditures	(103,765)	(171,582)	(455,110)
Other financing sources (uses):			
Transfers in	736,074	--	360,894
Transfers out	(653,413)	(1,800)	--
Issuance of certificates of obligation	--	2,191,330	--
Premium on bonds sold	--	67,067	--
Payment to refunding escrow agent	--	(2,155,327)	--
Total other financing sources (uses)	82,661	101,270	360,894
Net change in fund balance	(21,104)	(70,312)	(94,216)
Fund balance, beginning of year	4,448,477	363,963	(3,559)
Fund balance, end of year	\$ 4,427,373	\$ 293,651	\$ (97,775)

The accompanying notes are an integral part of this statement.

2007 Certificate of Obligation	2005 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 652,290	\$ 7,160,823
--	--	--	157,742
--	--	735,631	1,633,727
--	--	--	28,916
--	--	45,867	393,378
45,451	11,363	494	79,650
--	--	20,166	53,633
<u>45,451</u>	<u>11,363</u>	<u>1,454,448</u>	<u>9,507,869</u>
--	--	7,193	1,158,179
--	--	832,542	2,914,167
--	--	--	1,600,542
--	--	28,619	453,479
--	--	480,483	480,483
775,263	52,580	422,177	2,765,131
--	--	31,005	864,399
--	--	7,195	1,066,305
--	--	--	61,436
<u>775,263</u>	<u>52,580</u>	<u>1,809,214</u>	<u>11,364,121</u>
(729,812)	(41,217)	(354,766)	(1,856,252)
--	--	512,703	1,609,671
(360,894)	--	(51,851)	(1,067,958)
--	--	--	2,191,330
--	--	--	67,067
--	--	--	(2,155,327)
<u>(360,894)</u>	<u>--</u>	<u>460,852</u>	<u>644,783</u>
(1,090,706)	(41,217)	106,086	(1,211,469)
7,514,960	3,022,766	376,180	15,722,787
<u>\$ 6,424,254</u>	<u>\$ 2,981,549</u>	<u>\$ 482,266</u>	<u>\$ 14,511,318</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, 2010

Net change in fund balances - total governmental funds	\$ (1,211,469)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,765,131
The depreciation of capital assets used in governmental activities is not reported in the funds.	(551,113)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	307
Loss on bond refunding is not reported in the funds.	21,407
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,933,319
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	65,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(26,358)
Amortization of bond premiums is reported in the SOA but not in the funds.	24,196
(Increase) decrease in accrued interest from beginning of period to end of period.	8,327
The net revenue (expense) of internal service funds is reported with governmental activities.	37,224
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	8,726
Certain utility surcharge receivables are deferred in the funds. This is the change in these amounts this year.	605
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,148,384)
Bond premiums are reported in the funds but not in the SOA.	(67,067)
Bond issuance costs reported in funds, but not in SOA	61,436
Change in OPEB obligation is reported in SOA, but not in the funds.	<u>(364,645)</u>
Change in net assets of governmental activities - Statement of Activities	\$ <u>1,556,642</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2010

	Enterprise Fund	Enterprise Fund Natural
	Water & Sewer Fund	Gas Fund
ASSETS		
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,170,969	\$ 139,403
Receivables (net of allowances for uncollectibles):		
Accounts	619,900	196,173
Special assessments	10,136	--
Inventories	135,856	98,513
Prepaid items	--	--
Total current assets	<u>5,936,861</u>	<u>434,089</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	9,438,947	--
Accounts receivable - noncurrent	229,022	--
Bond issue costs	262,719	--
Capital assets:		
Land	110,654	--
Construction in progress	122,334	--
Buildings	273,253	--
Improvements other than buildings	--	--
Water system	18,468,757	--
Sewer system	17,751,278	--
Natural gas system	--	1,853,000
Machinery and equipment	1,915,357	--
Accumulated depreciation	(15,000,161)	(138,976)
Total noncurrent assets	<u>33,572,160</u>	<u>1,714,024</u>
Total Assets	<u>\$ 39,509,021</u>	<u>\$ 2,148,113</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 194,213	\$ 2,438
Accrued expenses	16,243	767
Due to other funds	--	--
Accrued interest payable	99,405	--
Customer deposits	752,443	45,853
Compensated absences	60,000	--
Bonds and certificates of obligation - current portion	934,342	--
Total current liabilities	<u>2,056,646</u>	<u>49,058</u>
Noncurrent liabilities:		
Bonds and certificates of obligation payable	19,178,147	--
Compensated absences	30,826	--
Total noncurrent liabilities	<u>19,208,973</u>	<u>--</u>
Total liabilities	<u>21,265,619</u>	<u>49,058</u>
NET ASSETS:		
Investment in Capital Assets, Net of Related Debt	12,782,581	1,714,024
Restricted for Debt Service	185,349	--
Unrestricted Net Assets	5,275,472	385,031
Total Net Assets	<u>\$ 18,243,402</u>	<u>\$ 2,099,055</u>

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
		Fleet Fund
\$ 274,861	\$ 5,585,233	\$ --
140,483	956,556	--
--	10,136	--
--	234,369	42,537
--	--	24,282
<u>415,344</u>	<u>6,786,294</u>	<u>66,819</u>
--	9,438,947	--
--	229,022	--
--	262,719	--
104,300	214,954	--
--	122,334	
1,455,651	1,728,904	--
3,361,402	3,361,402	--
--	18,468,757	--
--	17,751,278	--
--	1,853,000	--
188,654	2,104,011	17,448
(3,042,989)	(18,182,126)	(1,744)
<u>2,067,018</u>	<u>37,353,202</u>	<u>15,704</u>
<u>\$ 2,482,362</u>	<u>\$ 44,139,496</u>	<u>\$ 82,523</u>
\$ 528,350	\$ 725,001	\$ --
2,600	19,610	1,317
813,419	813,419	47,175
--	99,405	--
16,314	814,610	--
--	60,000	--
--	934,342	--
<u>1,360,683</u>	<u>3,466,387</u>	<u>48,492</u>
--	19,178,147	--
6,888	37,714	--
6,888	19,215,861	--
<u>1,367,571</u>	<u>22,682,248</u>	<u>48,492</u>
2,067,018	16,563,623	15,704
--	185,349	--
(952,227)	4,708,276	18,327
<u>\$ 1,114,791</u>	<u>\$ 21,457,248</u>	<u>\$ 34,031</u>

CITY OF ROCKPORT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Fund	Enterprise Fund
	Water & Sewer Fund	Natural Gas Fund
OPERATING REVENUES:		
Charges for services	\$ 7,354,531	\$ 1,965,945
Total Operating Revenues	<u>7,354,531</u>	<u>1,965,945</u>
OPERATING EXPENSES:		
Personal services	1,328,940	331,031
Contractual services	295,948	28,332
Maintenance	468,504	93,922
Supplies	2,854,694	1,091,209
Other	30,910	13,858
Amortization	18,650	--
Depreciation	730,710	61,767
Total Operating Expenses	<u>5,728,356</u>	<u>1,620,119</u>
Operating Income (Loss)	<u>1,626,175</u>	<u>345,826</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	72,781	--
Intergovernmental revenue	22,000	--
Gain on sale of assets	71,877	--
Interest expense	(843,911)	--
Total Non-operating Revenues (Expenses)	<u>(677,253)</u>	<u>--</u>
Net Income (Loss) before Operating Transfers	<u>948,922</u>	<u>345,826</u>
TRANSFERS:		
Interfund transfers in	168,338	--
Interfund transfers out	(702,093)	(200,519)
Change in Net Assets	<u>415,167</u>	<u>145,307</u>
Net Assets, beginning of year	17,828,235	1,953,748
Net Assets, end of year	<u>\$ 18,243,402</u>	<u>\$ 2,099,055</u>

The accompanying notes are an integral part of this statement.

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
		Fleet Fund
\$ 507,412	\$ 9,827,888	\$ 507,210
<u>507,412</u>	<u>9,827,888</u>	<u>507,210</u>
455,831	2,115,802	126,455
82,504	406,784	15,344
105,721	668,147	--
182,837	4,128,740	319,680
2,248	47,016	810
--	18,650	--
129,088	921,565	872
<u>958,229</u>	<u>8,306,704</u>	<u>463,161</u>
<u>(450,817)</u>	<u>1,521,184</u>	<u>44,049</u>
--	72,781	--
118,583	140,583	--
--	71,877	--
--	(843,911)	--
<u>118,583</u>	<u>(558,670)</u>	<u>--</u>
<u>(332,234)</u>	<u>962,514</u>	<u>44,049</u>
199,386	367,724	--
--	(902,612)	(6,825)
<u>(132,848)</u>	<u>427,626</u>	<u>37,224</u>
1,247,639	21,029,622	(3,193)
<u>\$ 1,114,791</u>	<u>\$ 21,457,248</u>	<u>\$ 34,031</u>

CITY OF ROCKPORT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Funds				Service Funds
	Water & Sewer	Natural Gas	Nonmajor Enter. Funds	Totals	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 7,295,821	\$ 1,935,922	\$ 674,017	\$ 9,905,760	\$ 507,210
Cash Received from Grants	--	--	--	--	--
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	--	46,494	46,494	(33,814)
Cash Payments to Employees for Services	(1,328,940)	(329,335)	(462,146)	(2,120,421)	(126,455)
Cash Payments to Other Suppliers for Goods and Services	(3,971,303)	(1,266,665)	(394,226)	(5,632,194)	(340,116)
Net Cash Provided (Used) by Operating Activities	<u>1,995,578</u>	<u>339,922</u>	<u>(135,861)</u>	<u>2,199,639</u>	<u>6,825</u>
Cash Flows from Non-capital Financing Activities:					
Operating Grants Received	--	--	118,583	118,583	--
Transfers From (To) Other Funds	(533,755)	(200,519)	199,386	(534,888)	(6,825)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(533,755)</u>	<u>(200,519)</u>	<u>317,969</u>	<u>(416,305)</u>	<u>(6,825)</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Issuance of Long-term Debt	11,979,538	--	--	11,979,538	--
Principal and Interest Paid	(2,508,412)	--	--	(2,508,412)	--
Acquisition or Construction of Capital Assets	(2,695,498)	--	--	(2,695,498)	--
Proceeds from sale of capital assets	71,877			71,877	--
Amounts paid for bond issuance	(389,437)	--	--	(389,437)	--
Contributed Capital	22,000	--	--	22,000	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>6,480,068</u>	<u>--</u>	<u>--</u>	<u>6,480,068</u>	<u>--</u>
Cash Flows from Investing Activities:					
Interest and Dividends on Investments	72,781	--	--	72,781	--
Net Cash Provided (Used) for Investing Activities	<u>72,781</u>	<u>--</u>	<u>--</u>	<u>72,781</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,014,672	139,403	182,108	8,336,183	--
Cash and Cash Equivalents at Beginning of Year	6,595,244	--	92,753	6,687,997	--
Cash and Cash Equivalents at End of Year	<u>\$ 14,609,916</u>	<u>\$ 139,403</u>	<u>\$ 274,861</u>	<u>\$ 15,024,180</u>	<u>--</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 1,626,175	\$ 345,826	\$ (449,735)	\$ 1,522,266	\$ 43,176
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation and Amortization	749,360	61,767	128,006	939,133	1,745
Provision for Uncollectible Accounts	--	--	--	--	--
Change in Assets and Liabilities:					
Decrease (Increase) in Receivables	(102,062)	(31,089)	1,289	(131,842)	--
Decrease (Increase) in Inventories	34,768	(36,984)	--	(2,216)	--
Decrease (Increase) in Prepaid Expenses	--	--	--	--	(4,640)
Increase (Decrease) in Accounts Payable	(335,647)	956	142,639	(192,052)	358
Increase (Decrease) in Payroll Deductions	--	--	--	--	--
Increase (Decrease) in Accrued Wages Payable	--	--	--	--	--
Increase (Decrease) in Interfund Payables	--	--	46,494	46,494	(33,814)
Increase (Decrease) in Customer Deposits	43,352	--	1,761	45,113	
Increase (Decrease) in Accrued Expenses	(20,368)	(574)	(6,315)	(27,257)	
Increase (Decrease) in Unearned Revenue	--	--	--	--	--
Total Adjustments	<u>369,403</u>	<u>(5,904)</u>	<u>313,874</u>	<u>677,373</u>	<u>(36,351)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,995,578</u>	<u>\$ 339,922</u>	<u>\$ (135,861)</u>	<u>\$ 2,199,639</u>	<u>\$ 6,825</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, 2010

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

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

The City reports the following major governmental funds:

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

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

Bay Education Center Construction Fund. This fund is used to account for resources used to construct the Bay Education Center.

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

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

The City reports the following major enterprise funds:

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

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

In addition, the City reports the following fund types:

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

b. Measurement Focus, Basis of Accounting

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 which disaggregates those balances.

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

f. Compensated Absences

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

g. Interfund Activity

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

h. Use of Estimates

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

4. Budgetary Data

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

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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.

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

5. Encumbrance Accounting

Encumbrance accounting is not used by the City.

B. Accounting Change

The City reported the operations of its Water & Sewer and Natural Gas operations together in a Utility Fund for the year ended September 30, 2009. Management decided to remove the Natural Gas operations from the Water and Sewer operations effective October 1, 2009. Accordingly, the Utility Fund has been broken into two separate funds as follows:

	Total	Water & Sewer Fund	Natural Gas Fund
Net Assets at October 1, 2009	\$ 19,781,983	\$ 17,828,235	\$ 1,953,748

C. 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:

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount	Remarks
City/County Dispatch Service Fund	\$ 67,922	Temporary funding shortage. To be replenished by General Fund.
General Capital Improvement Fund	24,594	Temporary funding shortage. To be replenished by General Fund.

CITY OF ROCKPORT, TEXAS
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Sanitation Fund	111,962	Temporary funding shortage. To be replenished by General Fund.
Beach Park Enterprise Fund	1,307	Temporary funding shortage. To be replenished by General Fund.

D. 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, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$217,514 and the bank balance was \$600,237. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010, 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.

<u>Investment or Investment Type</u>	<u>Maturity (Days)</u>	<u>Fair Value</u>
Certificate of Deposit	360	\$ 4,044,845
Certificate of Deposit	180	5,106,958
Government Investment Pools:		
TexPool	1	2,042,552
Texas Term Daily	1	11,196,070
Total Investments		\$ 22,390,425

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:

CITY OF ROCKPORT, TEXAS
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a. Credit Risk

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

At September 30, 2010, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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
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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.

E. Receivables

Receivables at September 30, 2010 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	\$ 128,380	\$ 74,595	\$ --	\$ 202,975
Other Taxes	193,392	--	114,087	307,479
Accounts	--	--	16,728	16,728
Special Assessments	--	--	7,208	7,208
Intergovernmental	--	--	92,760	92,760
Fines	55,500	--	--	55,500
Sundry	5,630	--	--	5,630
Gross	382,902	74,595	230,783	688,280
Less allowance for uncollectibles	(46,706)	(20,974)	(4,296)	(71,976)
Net Receivables	\$ 336,196	\$ 53,621	\$ 226,487	\$ 616,304

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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F. Capital Assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,590,123	\$ 266,389	\$ --	\$ 4,856,512
Construction in Progress	20,653	100,224	--	120,877
Total capital assets not being depreciated	<u>4,610,776</u>	<u>366,613</u>	<u>--</u>	<u>4,977,389</u>
Capital assets being depreciated:				
Infrastructure	10,431,051	541,279	--	10,972,330
Buildings	3,389,176	1,326,020	--	4,715,196
Improvements other than buildings	802,290	174,716	--	977,006
Machinery and equipment	2,295,150	356,503	--	2,651,653
Total capital assets being depreciated	<u>16,917,667</u>	<u>2,398,518</u>	<u>--</u>	<u>19,316,185</u>
Less accumulated depreciation for:				
Infrastructure	(405,707)	(187,071)	--	(592,778)
Buildings	(720,029)	(105,919)	--	(825,948)
Improvements other than buildings	(199,236)	(39,486)	--	(238,722)
Machinery and equipment	(1,386,055)	(219,508)	--	(1,605,563)
Total accumulated depreciation	<u>(2,711,027)</u>	<u>(551,984)</u>	<u>--</u>	<u>(3,263,011)</u>
Total capital assets being depreciated, net	<u>14,206,640</u>	<u>1,846,534</u>	<u>--</u>	<u>16,053,174</u>
Governmental activities capital assets, net	<u>\$ 18,817,416</u>	<u>\$ 2,213,147</u>	<u>\$ --</u>	<u>\$ 21,030,563</u>
 Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Construction in progress	--	122,334	--	122,334
Total capital assets not being depreciated	<u>214,954</u>	<u>122,334</u>	<u>--</u>	<u>337,288</u>
Capital assets being depreciated:				
Buildings	1,728,904	--	--	1,728,904
Improvements other than buildings	3,361,402	--	--	3,361,402
Infrastructure	35,397,036	2,675,999	--	38,073,035
Machinery and equipment	2,084,512	19,499	--	2,104,011
Total capital assets being depreciated	<u>42,571,854</u>	<u>2,695,498</u>	<u>--</u>	<u>45,267,352</u>
Less accumulated depreciation for:				
Buildings	(1,363,043)	(39,901)	--	(1,402,944)
Improvements other than buildings	(1,610,571)	(89,054)	--	(1,699,625)
Infrastructure	(12,740,706)	(679,631)	--	(13,420,337)
Machinery and equipment	(1,546,241)	(112,979)	--	(1,659,220)
Total accumulated depreciation	<u>(17,260,561)</u>	<u>(921,565)</u>	<u>--</u>	<u>(18,182,126)</u>
Total capital assets being depreciated, net	<u>25,311,293</u>	<u>1,773,933</u>	<u>--</u>	<u>27,085,226</u>
Business-type activities capital assets, net	<u>\$ 25,526,247</u>	<u>\$ 1,896,267</u>	<u>\$ --</u>	<u>\$ 27,422,514</u>

Depreciation was charged to functions as follows:

Government Activities:

General Government	\$ 22,776
Public Safety	193,510

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Public Works	247,036
Culture and Recreation	88,662
	<u>\$ 551,984</u>

Business-type Activities:

Water and Sewer	\$ 730,710
Natural Gas	61,767
Beach Park	62,964
Community Aquatic Center	66,124
	<u>\$ 921,565</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	(241,050)
Capitalized leases, net	<u>\$ 1,365,950</u>

G. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2010, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Beach Park Fund	\$ 571,588	Short-term loans
General Fund	City/County Dispatch Service	79,557	Short-term loans
General Fund	Community Aquatic Center	241,831	Short-term loans
General Fund	Stonegarden Fund	47,772	Short-term loans
General Fund	General Capital Impr Fund	47,318	Short-term loans
General Fund	Bay Education Fund	94,216	Short-term loans
General Fund	Fleet Fund	47,175	Short-term loans
	Total	<u>\$ 1,129,457</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, 2010, consisted of the following:

Transfers Out	Total	Transfers In			
		General Fund	Bay Education Const. Fund	Nonmajor Governmental	Water & Sewer
Natural Gas Fund	\$ 200,519	\$ 33,981			\$ 166,538
Water and Sewer Fund	702,093	702,093			
2007 C. O. Fund	360,894		360,894		
General Fund	653,413			505,878	
Debt Service Fund	1,800				1,800
Nonmajor Governmental	51,851				
Nonmajor Proprietary	6,825			6,825	
	<u>\$ 2,713,469</u>	<u>\$ 736,074</u>	<u>\$ 360,894</u>	<u>\$ 512,703</u>	<u>\$ 168,338</u>

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

CITY OF ROCKPORT, TEXAS
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The Bay Education Construction Fund received funds from the 2007 C.O. fund for reimbursement of construction costs.

Other transfers were made to supplement other funds operations.

H. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2010:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 9,405,803	\$ 9,253,598
Debt Service	--	185,349
	<u>\$ 9,405,803</u>	<u>\$ 9,438,947</u>

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, 2010:

	Interest Rate	General Long- Term Debt	Enterprise Fund Debt
Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2001	3.50-4.70%	\$ 1,358,110	\$ 1,741,891
Combination Tax and Revenue Certificates of Obligation, Series 2005	4.00-4.50%	5,074,216	3,710,784
Combination Tax and Revenue Certificates of Obligation, Series 2007	4.25-5.25%	13,743,354	2,826,646
General Obligation Refunding Bonds, Series 2009	3.00-4.00%	1,885,674	1,344,326
Combination Tax and Revenue Certificates of Obligation, Series 2009	3.00-4.50%	--	10,355,000
Total Bonded Debt		22,061,354	19,978,647
Unamortized bond premium		326,577	187,854
Unamortized Deferred Loss on Refunding		(19,028)	(54,012)
Capital leases payable		1,247,000	--
OPEB obligation		689,441	--
Compensated absences		312,958	97,714
Total Long-Term Debt		<u>\$ 24,618,302</u>	<u>\$ 20,210,203</u>

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of obligation	\$ 22,846,289	\$ --	\$ 2,670,609	\$ 20,175,680	\$ 667,481
General Obligation Bonds	--	2,148,384	262,710	1,885,674	245,196
Bond premium	283,706	67,067	24,196	326,577	23,979
Deferred loss on refunding	--	(21,407)	(2,379)	(19,028)	(2,379)
Capital leases	1,312,000	--	65,000	1,247,000	63,000
OPEB obligation	324,796	364,645	--	689,441	--
Compensated absences *	321,684	116,800	125,526	312,958	117,000
Total governmental activities	\$ 25,088,475	\$ 2,675,489	\$ 3,145,662	\$ 24,618,302	\$ 1,114,277
<u>Business-type activities:</u>					
Certificates of obligation	\$ 8,933,712	\$ 10,355,000	\$ 654,391	\$ 18,634,321	\$ 752,519
Revenue bonds	1,190,000	--	1,190,000	--	--
General Obligation Bonds	--	1,531,616	187,290	1,344,326	174,804
Bond premium	102,500	99,125	13,771	187,854	13,771
Deferred loss on refunding	--	(60,764)	(6,752)	(54,012)	(6,752)
Compensated absences *	121,634	74,880	98,800	97,714	60,000
Total business-type activities	\$ 10,347,846	\$ 11,999,857	\$ 2,137,500	\$ 20,210,203	\$ 994,342

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund
Compensated absences	Business-type	Water & Sewer Fund
OPEB Obligations	Governmental	General

3. Debt Service Requirements

Debt service requirements on bonded long-term debt at September 30, 2010, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 912,677	\$ 981,014	\$ 1,893,691
2012	1,006,238	943,981	1,950,219
2013	1,072,367	903,694	1,976,061
2014	1,114,905	861,101	1,976,006
2015	1,165,440	816,568	1,982,008
2016-2020	6,781,041	3,257,702	10,038,743
2021-2025	7,130,351	1,651,323	8,781,674
2026-2027	2,878,335	139,922	3,018,257
Totals	\$ 22,061,354	\$ 9,555,305	\$ 31,616,659

CITY OF ROCKPORT, TEXAS
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<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 927,323	\$ 795,238	\$ 1,722,561
2012	968,762	762,586	1,731,348
2013	1,012,633	728,390	1,741,023
2014	1,045,095	692,665	1,737,760
2015	1,089,561	655,421	1,744,982
2016-2020	5,658,959	2,626,058	8,285,017
2021-2025	5,594,649	1,434,785	7,029,434
2026-2029	3,681,665	293,386	3,975,051
Totals	\$ 19,978,647	\$ 7,988,529	\$ 27,967,176

4. Advance Refunding of Debt

In October 2009, the City issued \$3,680,000 of General Obligation Refunding Bonds to provide resources to advance refund \$2,133,920 of Governmental Bonds and \$1,521,080 of Business-type Bonds, with interest rates from 4.4-5.4%. Interest on the refunding bonds is 3.00-4.00%. The City used the net proceeds along with other resources to purchase U.S. government securities which were placed in an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, these bonds are considered defeased and the City has removed the liability for these bonds from its books. The outstanding principal of the defeased bonds is \$3,655,000 at September 30, 2010.

The advance refunding reduced total debt service payments over the next 10 years by approximately \$238,000. This results is an economic gain(difference between the present values of the debt service payments on the old and new debt) of approximately \$195,986.

There was no outstanding refunded debt at September 30, 2010.

5. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2010, as follows:

<u>Year Ending September 30:</u>	
2011	\$ 120,303
2012	120,820
2013	121,137
2014	120,222
2015	120,222
2016-2020	603,129
2021-2025	483,166
Total Minimum Rentals	\$ 1,688,999
 Less amount representing interest	 <u>(441,999)</u>
 Present value of minimum lease payments	 <u>\$ 1,247,000</u>
 Rental Expenditures in 2010	 <u>\$ 120,615</u>

The effective interest rate on capital leases is 4.394%.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

5. Continuing Disclosure

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

J. Commitments Under Noncapitalized Leases

The City had no material commitments under operating (noncapitalized) lease agreements at September 30, 2010.

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 2010, 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's provided pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, PO. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2009	Plan Year 2010
Employee deposit rate	7.00%	7.00%
Matching ratio(city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility express as age/years of service	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers

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70% of CPI Repeating

Contributions

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

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

Net Pension Obligation (NPO) at Beginning of Year	\$	—
Annual Pension Cost:		
Annual required contribution (ARC)	\$	625,336
Contributions Made	\$	625,336
NPO at End of Year	\$	—

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Acutuarial Valuation Date	12/31/07	12/31/08	12/31/09
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 years: closed period	29 years: closed period	28 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Investment Rate of Return	7.0%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

The funding status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	<u>12/31/09</u>
Actuarial Value of Assets	\$ 9,739,357
Actuarial Accrued Liability	\$ 14,196,937
Percentage Funded	68.6%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 4,457,580
Annual Covered Payroll	\$ 4,043,337
UAAL as a Percentage of Covered Payroll	110.2%

Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/07	\$ 625,336	100.00%	\$ --
09/30/08	566,212	100.00%	--
09/30/09	519,669	100.00%	--

Schedule of Funding Progress:

Actuarial Value Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
09/30/07	8,814,820	\$ 12,419,118	\$ 3,604,298	71.00%	\$ 3,238,173	111.3%
09/30/08	8,752,103	12,926,424	4,174,321	67.70%	3,861,196	108.1%
09/30/09	9,739,357	14,196,937	4,457,580	68.60%	4,043,337	110.2%

M. Health Care Coverage

During the year ended September 30, 2010, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$393 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2010, 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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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, 2010.

O. Post Employment Benefits other Than Pension Benefits

Normal Retirement Benefits

Health Care Benefit Eligibility Conditions:

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

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

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

Health Care Benefit Provided by the Plan

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

Early Retirement Benefits

Health Care Benefit Eligibility Conditions

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

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

Health Care Benefit Provided by Plan

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

Deferred Retirement Benefits

None.

Duty and Non-Duty Death in Service Retirement Benefits

None.

Duty Disabled Retirement Benefits

Health Care Benefit Eligibility Conditions

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

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

Health Care Benefit Provided by Plan
Member: Medical

Non-Duty Disabled Retirement Benefits

Health Care Benefit Eligibility Conditions

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

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

Health Care Benefit Provided by Plan
Member: Medical

Benefits for Spouses of Retired Employees

Benefits are paid by the retiree

Non-Medicare and Medicare-Eligible Provisions

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

Vision Coverage

Health Care Benefit Eligibility Conditions

Benefits are paid by retiree

Health Care Benefit Provided by Plan
Member: No

Dental Coverage

Health Care Benefit Eligibility Conditions

Benefits are paid by retiree

Health Care Benefit Provided by Plan
Member: No

Life Insurance Coverage

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

No dependent life is covered by the City of Rockport.

Retiree Opt-Out

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

N/A

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB and is required to have additional valuations every three years. The annual OPEB cost for the fiscal year ending September 30, 2010 was determined as follows:

Annual required contribution	\$455,220
Interest on OPEB obligation	13,259
Adjustment to ARC	(13,259)
Annual OPEB cost (expense end of year)	<u>\$455,220</u>
Net employer contributions (pay as you go)	(93,575)
Increase in net OPEB	<u>\$361,645</u>
Net OPEB obligation - as 09/30/09	<u>324,796</u>
Net OPEB obligation (asset)- as of 09/30/10	<u>\$686,441</u>

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

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

Year Ended September 30	Annual OPEB		Percentage of OPEB Cost Contributed	Net OPEB Obligation
	\$	Cost		
2008	\$	N/A	N/A	\$ N/A
2009		441,961	26.51%	324,796
2010		455,220	20.56%	686,441

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB statement No. 45 as of December 31, 2008, its most recent actuarial valuation is as follows:

Actuarial accrued liability (AAL)	\$ 4,968,631
Actuarial value of assets	—
Unfunded AAL(UAAL)	<u>\$ 4,968,631</u>
Funded ratio	—
Covered Payroll	\$ 4,043,337
UAAL as % of covered payroll	<u>122.88%</u>

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$4,698,631 at December 31, 2008.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Actuarial methods and assumptions

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

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

Actuarial Methods and Assumptions

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

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

P. Subsequent Events

In December, 2010, the City also issued General Obligation Refunding Bonds, Series 2010 in the amount of \$2,905,000.

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, 2010

EXHIBIT B-1

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 4,890,675	\$ 4,890,675	\$ 4,727,002	\$ (163,673)
Licenses and permits	112,200	112,200	157,742	45,542
Intergovernmental	32,880	32,880	37,406	4,526
Charges for services	17,000	34,900	28,916	(5,984)
Fines	321,400	321,400	347,511	26,111
Interest	80,000	80,000	21,515	(58,485)
Miscellaneous	6,038	4,538	23,247	18,709
Total revenues	5,460,193	5,476,593	5,343,339	(133,254)
Expenditures:				
Current:				
General government	889,809	1,233,890	1,150,986	82,904
Public safety	2,328,540	2,291,178	2,081,625	209,553
Public works	1,784,814	1,656,588	1,600,542	56,046
Culture and recreation	661,090	467,243	424,860	42,383
Capital outlay	481,860	384,410	189,091	195,319
Total expenditures	6,146,113	6,033,309	5,447,104	586,205
Excess (deficiency) of revenues (under) expenditures	(685,920)	(556,716)	(103,765)	452,951
Other financing sources (uses):				
Transfers in	988,222	716,889	736,074	19,185
Transfers out	(660,617)	(577,433)	(653,413)	(75,980)
Total other financing sources (uses)	327,605	139,456	82,661	56,795
Net change in fund balance	(358,315)	(417,260)	(21,104)	396,156
Fund balance, beginning of year	4,448,477	4,448,477	4,448,477	--
Fund balance, end of year	\$ 4,090,162	\$ 4,031,217	\$ 4,427,373	\$ 396,156

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, 2010

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
Cash and cash equivalents	\$ 219,533	\$ 260,073	\$ 479,606
Receivables (net of allowances for uncollectibles):			
Other taxes	114,087	--	114,087
Accounts	12,384	48	12,432
Special assessments	735	6,473	7,208
Intergovernmental	70,036	22,724	92,760
Total Assets	<u>\$ 416,775</u>	<u>\$ 289,318</u>	<u>\$ 706,093</u>
Liabilities:			
Accounts payable	\$ 24,973	\$ --	\$ 24,973
Accrued expenditures	4,615	--	4,615
Due to other funds	127,329	47,318	174,647
Deferred revenue	13,119	6,473	19,592
Total Liabilities	<u>170,036</u>	<u>53,791</u>	<u>223,827</u>
Reserved for special purpose programs	74,340	--	74,340
Reserved for fire protection	467	--	467
Reserved for law enforcement	18,560	--	18,560
Reserved for tourism	172,364	--	172,364
Reserved for public access television	48,698	--	48,698
Reserved for debt service	232	--	232
Designated for:			
Capital outlay	--	235,527	235,527
Undesignated reported in nonmajor special revenue funds	<u>(67,922)</u>	<u>--</u>	<u>(67,922)</u>
Total fund balances	<u>246,739</u>	<u>235,527</u>	<u>482,266</u>
Total Liabilities and Fund balances	<u>\$ 416,775</u>	<u>\$ 289,318</u>	<u>\$ 706,093</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 652,290	\$ --	\$ 652,290
Intergovernmental	667,685	67,946	735,631
Fines	45,867	--	45,867
Interest	--	494	494
Miscellaneous	2,623	17,543	20,166
Total revenues	1,368,465	85,983	1,454,448
Expenditures:			
Current:			
General government	7,193	--	7,193
Public safety	832,542	--	832,542
Culture and recreation	28,619	--	28,619
Tourism	480,483	--	480,483
Capital outlay	183,249	238,928	422,177
Debt service:			
Principal	31,005	--	31,005
Interest and fiscal charges	7,195	--	7,195
Total expenditures	1,570,286	238,928	1,809,214
Excess (deficiency) of revenues (under) expenditures	(201,821)	(152,945)	(354,766)
Other financing sources (uses):			
Transfers in	267,205	245,498	512,703
Transfers out	(51,851)	--	(51,851)
Total other financing sources (uses)	215,354	245,498	460,852
Net change in fund balance	13,533	92,553	106,086
Fund balance, beginning of year	233,206	142,974	376,180
Fund balance, end of year	\$ 246,739	\$ 235,527	\$ 482,266

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2010

	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
ASSETS				
Assets:				
Cash and cash equivalents	\$ 467	\$ --	\$ --	\$ 989
Receivables (net of allowances for uncollectibles):				
Other taxes	--	--	--	--
Accounts	12,384	--	--	--
Special assessments	--	--	--	--
Intergovernmental	--	47,772	--	--
Total Assets	<u>\$ 12,851</u>	<u>\$ 47,772</u>	<u>\$ --</u>	<u>\$ 989</u>
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ --
Accrued expenditures	--	--	--	--
Due to other funds	--	47,772	--	--
Deferred revenue	12,384	--	--	--
Total Liabilities	<u>12,384</u>	<u>47,772</u>	<u>--</u>	<u>--</u>
Reserved for special purpose programs	--	--	--	989
Reserved for fire protection	467	--	--	--
Reserved for law enforcement	--	--	--	--
Reserved for tourism	--	--	--	--
Reserved for public access television	--	--	--	--
Reserved for debt service	--	--	--	--
Undesignated reported in nonmajor special revenue funds	--	--	--	--
Total fund balances	<u>467</u>	<u>--</u>	<u>--</u>	<u>989</u>
Total Liabilities and Fund balances	<u>\$ 12,851</u>	<u>\$ 47,772</u>	<u>\$ --</u>	<u>\$ 989</u>

City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy	Key Allegro Property Impr. District	Child Safety
\$ --	\$ 48,698	\$ 58,277	\$ 232	\$ --
--	--	114,087	--	--
--	--	--	--	--
--	--	--	735	--
22,264	--	--	--	--
<u>\$ 22,264</u>	<u>\$ 48,698</u>	<u>\$ 172,364</u>	<u>\$ 967</u>	<u>\$ --</u>
\$ 6,014	\$ --	\$ --	\$ --	\$ --
4,615	--	--	--	--
79,557	--	--	--	--
--	--	--	735	--
<u>90,186</u>	<u>--</u>	<u>--</u>	<u>735</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	172,364	--	--
--	48,698	--	--	--
--	--	--	232	--
(67,922)	--	--	--	--
<u>(67,922)</u>	<u>48,698</u>	<u>172,364</u>	<u>232</u>	<u>--</u>
<u>\$ 22,264</u>	<u>\$ 48,698</u>	<u>\$ 172,364</u>	<u>\$ 967</u>	<u>\$ --</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2010

	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS			
Assets:			
Cash and cash equivalents	\$ 37,519	\$ 73,351	\$ 219,533
Receivables (net of allowances for uncollectibles):			
Other taxes	--	--	114,087
Accounts	--	--	12,384
Special assessments	--	--	735
Intergovernmental	--	--	70,036
Total Assets	<u>\$ 37,519</u>	<u>\$ 73,351</u>	<u>\$ 416,775</u>
Liabilities:			
Accounts payable	\$ 18,959	\$ --	\$ 24,973
Accrued expenditures	--	--	4,615
Due to other funds	--	--	127,329
Deferred revenue	--	--	13,119
Total Liabilities	<u>18,959</u>	<u>--</u>	<u>170,036</u>
Reserved for special purpose programs	--	73,351	74,340
Reserved for fire protection	--	--	467
Reserved for law enforcement	18,560	--	18,560
Reserved for tourism	--	--	172,364
Reserved for public access television	--	--	48,698
Reserved for debt service	--	--	232
Undesignated reported in nonmajor special revenue funds	--	--	(67,922)
Total fund balances	<u>18,560</u>	<u>73,351</u>	<u>246,739</u>
Total Liabilities and Fund balances	<u>\$ 37,519</u>	<u>\$ 73,351</u>	<u>\$ 416,775</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, 2010

	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
Revenue:				
Taxes	\$ 160,063	\$ --	\$ --	\$ --
Intergovernmental	--	384,450	--	--
Fines	--	--	--	989
Miscellaneous	--	--	1,200	--
Total revenues	160,063	384,450	1,200	989
 Expenditures:				
Current:				
General government	--	--	--	--
Public safety	121,566	201,201	--	--
Culture and recreation	--	--	28,619	--
Tourism	--	--	--	--
Capital outlay		183,249	--	--
Debt service:				
Principal	31,005	--	--	--
Interest and fiscal charges	7,195	--	--	--
Total expenditures	159,766	384,450	28,619	--
 Excess (deficiency) of revenues (under) expenditures	297	--	(27,419)	989
 Other financing sources (uses):				
Transfers in	--	--	27,419	--
Transfers out	--	--	--	--
Total other financing sources (uses)	--	--	27,419	--
 Net change in fund balance	297	--	--	989
 Fund balance, beginning of year	170	--	--	--
Fund balance, end of year	\$ 467	\$ --	\$ --	\$ 989

City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy	Key Allegro Property Impr. District	Child Safety
\$ -- 283,235	\$ 14,539	\$ 477,688	\$ --	\$ --
--	--	--	--	--
1,364	--	59	--	4,641
<u>284,599</u>	<u>14,539</u>	<u>477,747</u>	<u>--</u>	<u>4,641</u>
493,454	--	--	--	5,065
--	--	--	--	--
--	--	480,483	--	--
--	--	--	--	--
--	--	--	--	--
<u>493,454</u>	<u>--</u>	<u>480,483</u>	<u>--</u>	<u>5,065</u>
(208,855)	14,539	(2,736)	--	(424)
239,786	--	--	--	--
--	--	(51,851)	--	--
<u>239,786</u>	<u>--</u>	<u>(51,851)</u>	<u>--</u>	<u>--</u>
30,931	14,539	(54,587)	--	(424)
(98,853)	34,159	226,951	232	424
<u>\$ (67,922)</u>	<u>\$ 48,698</u>	<u>\$ 172,364</u>	<u>\$ 232</u>	<u>\$ --</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, 2010

	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenue:			
Taxes	\$ --	\$ --	\$ 652,290
Intergovernmental	--	--	667,685
Fines	24,175	16,062	45,867
Miscellaneous	--	--	2,623
Total revenues	24,175	16,062	1,368,465
Expenditures:			
Current:			
General government	--	7,193	7,193
Public safety	11,256	--	832,542
Culture and recreation	--	--	28,619
Tourism	--	--	480,483
Capital outlay	--	--	183,249
Debt service:			
Principal	--	--	31,005
Interest and fiscal charges	--	--	7,195
Total expenditures	11,256	7,193	1,570,286
Excess (deficiency) of revenues (under) expenditures	12,919	8,869	(201,821)
Other financing sources (uses):			
Transfers in	--	--	267,205
Transfers out	--	--	(51,851)
Total other financing sources (uses)	--	--	215,354
Net change in fund balance	12,919	8,869	13,533
Fund balance, beginning of year	5,641	64,482	233,206
Fund balance, end of year	\$ 18,560	\$ 73,351	\$ 246,739

CITY OF ROCKPORT, TEXAS
UTILITY BILL SURCHARGE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-5

	Budgeted Amounts			Varlance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
Revenue:					
Taxes	\$ 155,260	\$ 155,260	\$ 160,063	\$ 4,803	
Interest	500	500	--	(500)	
Total revenues	155,760	155,760	160,063	4,303	
Expenditures:					
Current:					
Public safety	105,439	105,439	121,566	(16,127)	
Debt service:					
Principal	30,311	30,311	31,005	(694)	
Interest and fiscal charges	12,406	12,406	7,195	5,211	
Total expenditures	148,156	148,156	159,766	(11,610)	
Excess (deficiency) of revenues (under) expenditures	7,604	7,604	297	(7,307)	
Other financing sources (uses):					
Transfers out	(7,605)	(7,605)	--	7,605	
Total other financing sources (uses)	(7,605)	(7,605)	--	(7,605)	
Net change in fund balance	(1)	(1)	297	298	
Fund balance, beginning of year	170	170	170	--	
Fund balance, end of year	\$ 169	\$ 169	\$ 467	\$ 298	

CITY OF ROCKPORT, TEXAS
CITY/COUNTY DISPATCH SERVICE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-6

	Budgeted Amounts			Varlance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Intergovernmental	\$ 298,819	\$ 298,819	\$ 283,235	\$ (15,584)
Miscellaneous	--	--	1,364	1,364
Total revenues	298,819	298,819	284,599	(14,220)
Expenditures:				
Current:				
Public safety	538,605	538,605	493,454	45,151
Total expenditures	538,605	538,605	493,454	45,151
Excess (deficiency) of revenues (under) expenditures	(239,786)	(239,786)	(208,855)	30,931
Other financing sources (uses):				
Transfers in	239,786	239,786	239,786	--
Total other financing sources (uses)	239,786	239,786	239,786	--
Net change in fund balance	--	--	30,931	30,931
Fund balance, beginning of year	(98,853)	(98,853)	(98,853)	--
Fund balance, end of year	\$ (98,853)	\$ (98,853)	\$ (67,922)	\$ 30,931

CITY OF ROCKPORT, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-7

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 518,507	\$ 518,507	\$ 477,688	\$ (40,819)
Miscellaneous	--	--	69	59
Total revenues	518,507	518,507	477,747	(40,760)
Expenditures:				
Current:				
Tourism	478,550	478,550	480,483	(1,933)
Total expenditures	478,550	478,550	480,483	(1,933)
Excess (deficiency) of revenues (under) expenditures	39,957	39,957	(2,736)	(42,693)
Other financing sources (uses):				
Transfers out	(51,851)	(51,851)	(51,851)	--
Total other financing sources (uses)	(51,851)	(51,851)	(51,851)	--
Net change in fund balance	(11,894)	(11,894)	(54,587)	(42,693)
Fund balance, beginning of year	226,951	226,951	226,951	--
Fund balance, end of year	\$ 215,057	\$ 215,057	\$ 172,364	\$ (42,693)

CITY OF ROCKPORT, TEXAS
MUNICIPAL COURT SECURITY & TECHNOLOGY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-8

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Fines	\$ 14,700	\$ 14,700	\$ 16,062	\$ 1,362
Total revenues	<u>14,700</u>	<u>14,700</u>	<u>16,062</u>	<u>1,362</u>
Expenditures:				
Current:				
General government	15,200	15,200	7,193	8,007
Total expenditures	<u>15,200</u>	<u>15,200</u>	<u>7,193</u>	<u>8,007</u>
Excess (deficiency) of revenues (under) expenditures	(500)	(500)	8,869	9,369
Other financing sources (uses):				
Total other financing sources (uses)	--	--	--	--
Net change in fund balance	(500)	(500)	8,869	9,369
Fund balance, beginning of year	64,482	64,482	64,482	--
Fund balance, end of year	<u>\$ 63,982</u>	<u>\$ 63,982</u>	<u>\$ 73,351</u>	<u>\$ 9,369</u>

CITY OF ROCKPORT, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-9

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 1,774,287	\$ 1,774,287	\$ 1,781,531	\$ 7,244
Interest	1,000	1,000	827	(173)
Total revenues	1,775,287	1,775,287	1,782,358	7,071
Expenditures:				
Current:				
Debt service:				
Principal	829,578	829,578	833,394	(3,816)
Interest and fiscal charges	1,064,726	1,064,726	1,059,110	5,616
Bond issuance cost	2,000	2,000	61,436	(59,436)
Total expenditures	1,896,304	1,896,304	1,953,940	(57,636)
Excess (deficiency) of revenues (under) expenditures	(121,017)	(121,017)	(171,582)	(50,565)
Other financing sources (uses):				
Transfers out	--	--	(1,800)	(1,800)
Issuance of certificates of obligation	9,425	9,425	2,191,330	(2,181,905)
Premium on bonds sold	--	--	67,067	(67,067)
Payment to refunding escrow agent	--	--	(2,155,327)	(2,155,327)
Total other financing sources (uses)	9,425	9,425	101,270	(91,845)
Net change in fund balance	(111,592)	(111,592)	(70,312)	41,280
Fund balance, beginning of year	363,963	363,963	363,963	--
Fund balance, end of year	\$ 252,371	\$ 252,371	\$ 293,651	\$ 41,280

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2010

	Flamingo/ Luuau Road Assessment	General Capital Improvement	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS				
Assets:				
Cash and cash equivalents	\$ 1,725	\$ --	\$ 258,348	\$ 260,073
Receivables (net of allowances for uncollectibles):				
Accounts	48	--	--	48
Special assessments	3,911	2,562	--	6,473
Intergovernmental	--	22,724	--	22,724
Total Assets	<u>\$ 5,684</u>	<u>\$ 25,286</u>	<u>\$ 258,348</u>	<u>\$ 289,318</u>
Liabilities:				
Due to other funds	\$ --	\$ 47,318	\$ --	\$ 47,318
Deferred revenue	3,911	2,562	--	6,473
Total Liabilities	<u>3,911</u>	<u>49,880</u>	<u>--</u>	<u>53,791</u>
Designated for:				
Capital outlay	1,773	(24,594)	258,348	235,527
Total fund balances	<u>1,773</u>	<u>(24,594)</u>	<u>258,348</u>	<u>235,527</u>
Total Liabilities and Fund balances	<u>\$ 5,684</u>	<u>\$ 25,286</u>	<u>\$ 258,348</u>	<u>\$ 289,318</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, 2010

	Flamingo/ Luau Road Assessment	General Capital Improvement	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenue:				
Intergovernmental	\$ --	\$ 67,946	\$ --	\$ 67,946
Interest	--	--	494	494
Miscellaneous	--	--	17,543	17,543
Total revenues	<u>--</u>	<u>67,946</u>	<u>18,037</u>	<u>85,983</u>
Expenditures:				
Current:				
Capital outlay	--	65,675	173,253	238,928
Total expenditures	<u>--</u>	<u>65,675</u>	<u>173,253</u>	<u>238,928</u>
Excess (deficiency) of revenues (under) expenditures	--	2,271	(155,216)	(152,945)
Other financing sources (uses):				
Transfers in	--	11,305	234,193	245,498
Total other financing sources (uses)	<u>--</u>	<u>11,305</u>	<u>234,193</u>	<u>245,498</u>
Net change in fund balance	--	13,576	78,977	92,553
Fund balance, beginning of year	1,773	(38,170)	179,371	142,974
Fund balance, end of year	<u>\$ 1,773</u>	<u>\$ (24,594)</u>	<u>\$ 258,348</u>	<u>\$ 235,527</u>

CITY OF ROCKPORT, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2010

	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	\$ 273,326	\$ 1,385	\$ 150	\$ 274,861
Receivables (net of allowances for uncollectibles):				
Accounts	140,241	--	242	140,483
Total current assets	<u>413,567</u>	<u>1,385</u>	<u>392</u>	<u>415,344</u>
Noncurrent assets:				
Capital assets:				
Land	--	--	104,300	104,300
Buildings	--	1,455,651	--	1,455,651
Improvements other than buildings	--	1,417,162	1,944,240	3,361,402
Machinery and equipment	--	175,492	13,162	188,654
Accumulated depreciation	--	(2,453,556)	(589,433)	(3,042,989)
Total noncurrent assets	<u>--</u>	<u>594,749</u>	<u>1,472,269</u>	<u>2,067,018</u>
Total Assets	<u>\$ 413,567</u>	<u>\$ 596,134</u>	<u>\$ 1,472,661</u>	<u>\$ 2,482,362</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 525,529	\$ 1,508	\$ 1,313	\$ 528,350
Accrued expenses	--	1,841	759	2,600
Due to other funds	--	571,588	241,831	813,419
Customer deposits	--	15,616	698	16,314
Total current liabilities	<u>525,529</u>	<u>590,553</u>	<u>244,601</u>	<u>1,360,683</u>
Noncurrent liabilities:				
Compensated absences	--	6,888	--	6,888
Total noncurrent liabilities	<u>--</u>	<u>6,888</u>	<u>--</u>	<u>6,888</u>
Total Liabilities	<u>525,529</u>	<u>597,441</u>	<u>244,601</u>	<u>1,367,571</u>
NET ASSETS:				
Investment in Capital Assets, Net of Related Debt	--	594,749	1,472,269	2,067,018
Unrestricted Net Assets	(111,962)	(596,056)	(244,209)	(952,227)
Total Net Assets	<u>\$ (111,962)</u>	<u>\$ (1,307)</u>	<u>\$ 1,228,060</u>	<u>\$ 1,114,791</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Sanitation Fund	Beach Park	Community Aquatic Center	
OPERATING REVENUES:				
Charges for services	\$ 17,267	\$ 381,096	\$ 109,049	\$ 507,412
Total Operating Revenues	<u>17,267</u>	<u>381,096</u>	<u>109,049</u>	<u>507,412</u>
OPERATING EXPENSES:				
Personal services	--	319,238	136,593	455,831
Contractual services	--	61,634	20,870	82,504
Maintenance	--	98,608	7,113	105,721
Supplies	--	106,846	75,991	182,837
Other	--	1,356	892	2,248
Depreciation	--	62,964	66,124	129,088
Total Operating Expenses	<u>--</u>	<u>650,646</u>	<u>307,583</u>	<u>958,229</u>
Operating Income (Loss)	<u>17,267</u>	<u>(269,550)</u>	<u>(198,534)</u>	<u>(450,817)</u>
NON-OPERATING REVENUES (EXPENSES):				
Intergovernmental revenue	--	45,000	73,583	118,583
Total Non-operating Revenues (Expenses)	<u>--</u>	<u>45,000</u>	<u>73,583</u>	<u>118,583</u>
Net Income (Loss) before Operating Transfers	<u>17,267</u>	<u>(224,550)</u>	<u>(124,951)</u>	<u>(332,234)</u>
TRANSFERS:				
Interfund transfers in	--	164,386	35,000	199,386
Interfund transfers out	--	--	--	--
Change in Net Assets	<u>17,267</u>	<u>(60,164)</u>	<u>(89,951)</u>	<u>(132,848)</u>
Net Assets, beginning of year	<u>(129,229)</u>	<u>58,857</u>	<u>1,318,011</u>	<u>1,247,639</u>
Net Assets, end of year	<u>\$ (111,962)</u>	<u>\$ (1,307)</u>	<u>\$ 1,228,060</u>	<u>\$ 1,114,791</u>

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Sanitation Fund	Beach Park	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 182,108	\$ 382,859	\$ 109,050	\$ 674,017
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	7,139	39,355	46,494
Cash Payments to Employees	--	(322,238)	(139,908)	(462,146)
Cash Payments to Suppliers for Goods and Services	--	(277,146)	(117,080)	(394,226)
Net Cash Provided (Used) by Operating Activities	<u>182,108</u>	<u>(209,386)</u>	<u>(108,583)</u>	<u>(135,861)</u>
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	--	45,000	73,583	118,583
Transfers From (To) Primary Government	--	--	--	--
Transfers From (To) Other Funds	--	164,386	35,000	199,386
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>209,386</u>	<u>108,583</u>	<u>317,969</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Issuance of Long-term Debt	--	--	--	--
Principal and Interest Paid	--	--	--	--
Acquisition or Construction of Capital Assets	--	--	--	--
Proceeds from Sale of Capital Assets	--	--	--	--
Contributed Capital	--	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:				
Purchase of Investment Securities	--	--	--	--
Proceeds from Sale and Maturities of Securities	--	--	--	--
Interest and Dividends on Investments	--	--	--	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>182,108</u>	<u>--</u>	<u>--</u>	<u>182,108</u>
Cash and Cash Equivalents at Beginning of Year	<u>91,218</u>	<u>1,385</u>	<u>150</u>	<u>92,753</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 273,326</u></u>	<u><u>\$ 1,385</u></u>	<u><u>\$ 150</u></u>	<u><u>\$ 274,861</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 17,267	\$ (268,468)	\$ (198,534)	\$ (449,735)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	--	61,882	66,124	128,006
Provision for Uncollectible Accounts	--	--	--	--
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	1,289	--	--	1,289
Decrease (Increase) in Inventories	--	--	--	--
Decrease (Increase) in Prepaid Expenses	--	--	--	--
Increase (Decrease) in Accounts Payable	163,552	(8,702)	(12,211)	142,639
Increase (Decrease) in Payroll Deductions	--	--	--	--
Increase (Decrease) in Accrued Wages Payable	--	7,139	39,355	46,494
Increase (Decrease) in Interfund Payables	--	1,763	(2)	1,761
Increase (Decrease) in Customer Deposits	--	(3,000)	(3,315)	(6,315)
Increase (Decrease) in Accrued Expenses	--	--	--	--
Increase (Decrease) in Unearned Revenue	--	--	--	--
Total Adjustments	<u>164,841</u>	<u>59,082</u>	<u>89,951</u>	<u>313,874</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 182,108</u></u>	<u><u>\$ (209,386)</u></u>	<u><u>\$ (108,583)</u></u>	<u><u>\$ (135,861)</u></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

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

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, 2010, which collectively comprise the City of Rockport, Texas's basic financial statements and have issued our report thereon dated March 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Michael A. Arnold, PLLC". The signature is fluid and cursive, with "Michael A. Arnold" on the top line and "PLLC" on the bottom line.

Michael A. Arnold, PLLC

March 16, 2011

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

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the City Council:

Compliance

We have audited City of Rockport, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Rockport, Texas's major federal programs for the year ended September 30, 2010. City of Rockport, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Rockport, Texas's management. Our responsibility is to express an opinion on City of Rockport, Texas's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Rockport, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Rockport, Texas's compliance with those requirements.

In our opinion, City of Rockport, Texas complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of City of Rockport, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Rockport, Texas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Rockport, Texas's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Respectfully submitted,



Michael A. Arnold, PLLC

March 16, 2011

CITY OF ROCKPORT, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
One or more material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

2. Federal Awards

Internal control over major programs:		
One or more material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.420	Coastal Zone Management Estuarine Research Reserves
97.067	Operation Stonegarden (OPSG)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF ROCKPORT, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A		

CITY OF ROCKPORT, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2010

N/A

CITY OF ROCKPORT, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT D-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF THE INTERIOR			
Passed Through Texas Department of Transportation:			
Hike and Bike Trail	15.614	CSJ 0916-38-004	\$ 67,946
Total U. S. Department of the Interior			<u>67,946</u>
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed Through Texas Department of Rural Affairs:			
ARRA Community Development Block Grant *	14.255	R729530	22,000
Total U. S. Department of Housing & Urban Development			<u>22,000</u>
U. S. DEPARTMENT OF COMMERCE			
Passed Through University of Texas at Austin Marine Science Institute:			
Coastal Zone Management Estuarine Research Reserves	11.420	09-3092	860,690
Total U. S. Department of Commerce			<u>860,690</u>
DEPARTMENT OF HOMELAND SECURITY			
Passed Through Texas Division of Emergency Management and Aransas County, Texas:			
Operation Stonegarden (OPSG) *	97.067	09-48007-01	384,450
Total Department of Homeland Security			<u>384,450</u>
DEPARTMENT OF HOMELAND SECURITY			
Passed Through Texas Department of Public Safety:			
Disaster Grants	97.036	DR-1791-TX	6,890
Total Department of Homeland Security			<u>6,890</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			
			\$ 1,341,976

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

CITY OF ROCKPORT, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Rockport, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

CITY OF ROCKPORT, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT PROGRAMS
For the Year Ended September 30, 2010

EXHIBIT D-2

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

	Budget	State		Match		Total
		Prior Years	Current Year	Prior Years	Current Year	
Revenues:						
Federal	\$300,000	\$ -	\$22,000	\$ -	\$ -	\$22,000
Local	60,000	-	-	-	-	-
Total revenues	360,000	-	22,000	-	-	22,000
Expenditures:						
Federal:						
Sewer Facilities	195,280	-	-	-	-	-
Rehab. Private Prop	46,794	-	-	-	-	-
Engineering	32,926	-	9,500	-	-	9,500
Administration	9,683	-	4,000	-	-	4,000
Activity Delivery	15,317		8,500			8,500
Local:						
Sewer Facilities	48,402	-	-	-	-	-
Rehab. Private Prop	11,598	-	-	-	-	-
Total expenditures	360,000	-	22,000	-	-	22,000
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

STATISTICAL SECTION

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

Contents	Page
Financial Trends	75
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	81
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	86
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	91
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	93
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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

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

TABLE E-1

	2004	2005	2006	2007	2008	2009	2010
Governmental Activities							
Invested in Capital Assets,							
Net of Related Debt	\$ 2,458,884	\$ 2,540,929	\$ 993,534	\$ 2,337,041	\$ 3,524,435	\$ 4,913,873	\$ 6,821,463
Restricted	685,243	507,082	403,643	565,763	397,985	414,299	247,272
Unrestricted	(300,615)	1,225,603	3,811,482	3,960,640	4,483,176	4,486,555	4,202,634
Total Governmental Activities Net Assets	\$ 2,843,512	\$ 4,273,614	\$ 5,208,659	\$ 6,863,444	\$ 8,405,596	\$ 9,814,727	\$ 11,271,369
 Business-type Activities							
Invested in Capital Assets,							
Net of Related Debt	\$ 12,128,297	\$ 13,301,770	\$ 13,861,718	\$ 14,728,064	\$ 14,887,246	\$ 15,244,499	\$ 16,563,623
Restricted	619,791	692,600	187,425	195,144	197,798	186,750	185,349
Unrestricted	4,335,955	4,078,290	5,103,927	5,397,009	6,135,437	5,598,373	4,708,276
Total Business-type Activities Net Assets	\$ 17,084,043	\$ 18,072,660	\$ 19,153,070	\$ 20,320,217	\$ 21,220,481	\$ 21,029,622	\$ 21,457,248
 Primary Government							
Invested in Capital Assets,							
Net of Related Debt	\$ 14,587,181	\$ 15,842,699	\$ 14,855,252	\$ 17,065,105	\$ 18,411,681	\$ 20,158,372	\$ 23,385,086
Restricted	1,305,034	1,199,682	591,068	760,907	595,783	601,049	532,621
Unrestricted	4,035,340	5,303,893	8,915,409	9,357,649	10,618,613	10,084,928	8,910,910
Total Primary Government Net Assets	\$ 19,927,555	\$ 22,346,274	\$ 24,361,729	\$ 27,183,661	\$ 29,626,077	\$ 30,844,349	\$ 32,828,617

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

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

TABLE E-2

		Fiscal Year						
		2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental Activities:								
General Government	\$ 905,631	\$ 963,466	\$ 932,925	\$ 971,839	\$ 1,055,722	\$ 1,279,701	\$ 1,536,874	
Public Safety	1,873,033	2,290,626	2,388,337	2,419,601	2,722,740	2,987,967	3,107,677	
Public Works	1,067,201	1,206,618	1,568,715	1,462,111	1,612,377	1,698,485	1,802,657	
Culture and Recreation	280,460	305,057	383,127	373,979	456,641	494,513	542,142	
Tourism	273,010	303,839	510,202	483,780	505,658	522,996	480,483	
Interest and Fiscal Charges	335,779	327,688	542,165	582,858	1,157,502	1,126,044	1,060,140	
Total Governmental Activities Expenses	\$ 4,735,114	\$ 5,397,294	\$ 6,325,471	\$ 6,294,168	\$ 7,510,640	\$ 8,109,706	\$ 8,529,973	
Business-type Activities								
Sanitation	—	—	—	—	—	—	—	
Water & Sewer	4,738,144	5,155,035	5,657,236	5,446,484	6,677,635	8,498,469	6,572,267	
Beach Park	416,128	460,107	487,793	547,752	635,462	669,681	650,646	
Community Aquatic Center	221,956	270,039	295,534	294,325	299,539	373,948	307,583	
Natural Gas System*	—	—	—	—	—	—	—	
Total Business-type Activities Expenses	\$ 5,376,228	\$ 5,885,181	\$ 6,440,563	\$ 6,288,561	\$ 7,612,636	\$ 9,542,098	\$ 1,620,119	
Total Primary Government Expenses	\$ 10,111,342	\$ 11,282,475	\$ 12,766,034	\$ 12,582,729	\$ 15,123,276	\$ 17,651,804	\$ 9,150,615	
Program Revenues								
Governmental Activities:								
Charges for Services:								
General Government	\$ 22,350	\$ 74,568	\$ 12,532	\$ 47,079	\$ 15,683	\$ 23,970	\$ 17,051	
Public Safety	400,382	393,625	436,159	496,827	487,146	500,843	536,995	
Public Works	200,348	356,756	236,243	231,245	257,689	138,806	157,742	
Culture and Recreation	—	—	3,293	1,191	38,376	—	28,916	
Tourism	—	—	—	—	—	—	—	
Interest and Fiscal Charges	—	—	—	—	—	—	—	
Operating Grants and Contributions	66,460	500,796	330,102	309,457	312,468	304,545	521,842	
Capital Grants and Contributions	167,900	—	—	20,000	—	384,894	1,111,885	
Total Governmental Activities Program Revenues	\$ 857,440	\$ 1,325,745	\$ 1,018,329	\$ 1,105,799	\$ 1,111,362	\$ 1,353,058	\$ 2,374,431	
Business-type Activities:								
Charges for Services:								
Sanitation	11,339	12,016	10,942	12,133	13,967	14,183	17,267	
Water & Sewer	5,949,225	6,524,568	6,803,901	6,552,677	7,824,558	9,561,756	7,354,531	
Beach Park	234,318	250,333	316,482	317,321	355,287	404,937	381,096	

Community Aquatic Center	69,681	99,239	117,835	99,906	89,073	97,404	109,049
Natural Gas System*	—	—	—	—	—	—	1,965,945
Operating Grants and Contributions	86,721	99,362	122,568	105,583	129,750	108,750	118,583
Capital Grants and Contributions	119,144	138,457	—	287,350	322,574	—	22,000
Total Business-type Activities	6,470,428	7,123,975	7,371,728	7,374,970	8,735,209	10,193,111	9,968,471
Program Revenues	\$ 7,327,868	\$ 8,449,720	\$ 8,390,057	\$ 8,480,769	\$ 9,846,571	\$ 11,546,169	\$ 12,342,902
Net (Expense)/Revenue	\$ (3,877,674)	\$ (4,071,549)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)	\$ (6,155,542)
Government Activities	1,094,200	1,238,794	931,165	1,086,409	1,122,573	651,013	817,856
Business-type Activities	\$ (2,783,474)	\$ (2,832,755)	\$ (4,375,977)	\$ (4,101,960)	\$ (5,276,705)	\$ (6,105,635)	\$ (5,337,686)
Total Primary Government	\$ (2,783,474)	\$ (2,832,755)	\$ (4,375,977)	\$ (4,101,960)	\$ (5,276,705)	\$ (6,105,635)	\$ (5,337,686)

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

* The City acquired a natural gas system in 2009. For 2009, operations were accounted for in the Water and Sewer Utility Fund. In 2010, the Natural Gas system was accounted for in a separate fund.

The City acquired a natural gas system in 2009. For 2009, operations were accounted for in the Water and Sewer Utility Fund. In 2010, the Natural Gas

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

TABLE E-3

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue							
Governmental Activities	\$ (3,877,674)	\$ (4,071,546)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)	\$ (6,155,542)
Business-type Activities	1,094,200	1,232,794	931,165	1,086,409	1,123,573	651,013	817,856
Total Primary Government Net Expense	\$ (2,783,474)	\$ (2,838,752)	\$ (4,375,977)	\$ (4,101,960)	\$ (5,275,705)	\$ (6,105,635)	\$ (5,337,686)
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes							
Property Taxes	\$ 2,096,150	\$ 2,194,213	\$ 2,455,597	\$ 2,793,748	\$ 3,471,324	\$ 3,876,478	\$ 3,996,835
Franchise Taxes and other taxes	567,342	585,662	692,098	746,414	776,959	836,640	789,168
Sales Taxes	1,400,557	1,624,226	1,718,155	1,714,042	1,842,730	1,726,846	1,737,376
Occupancy Taxes	438,785	503,819	514,322	533,215	540,624	467,038	477,688
Unrestricted Grants and Contributions	2,695	—	—	—	—	—	—
Investment Earnings	44,674	136,628	472,166	649,602	702,769	297,450	122,596
Miscellaneous	28,936	71,348	97,718	61,002	46,437	53,059	53,633
Transfers	385,311	385,757	292,131	345,131	560,587	908,268	534,888
Total Governmental Activities	\$ 4,964,450	\$ 5,501,653	\$ 6,242,187	\$ 6,843,154	\$ 7,941,430	\$ 8,165,779	\$ 7,712,184
Business-type Activities:							
Investment Earnings	45,474	141,580	441,376	425,869	337,278	66,396	72,781
Miscellaneous	—	—	—	—	—	—	71,877
Transfers	(385,311)	(385,757)	(292,131)	(345,131)	(560,587)	(908,268)	(534,888)
Total Business-type Activities	\$ (339,837)	\$ (244,177)	\$ 149,245	\$ 80,738	\$ (223,309)	\$ (841,872)	\$ (390,230)
Total Primary Government	\$ 4,624,613	\$ 5,257,476	\$ 6,391,432	\$ 6,923,892	\$ 7,718,121	\$ 7,323,907	\$ 7,321,954
Change in Net Assets							
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131	\$ 1,556,642
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)	427,626
Total Primary Government	\$ 1,841,139	\$ 2,418,724	\$ 2,015,455	\$ 2,821,932	\$ 2,442,416	\$ 1,218,272	\$ 1,984,268

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

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

TABLE E-4

		Fiscal Year								
		2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved		\$ 65,389	\$ 65,951	\$ 71,446	\$ 73,038	\$ 117,786	\$ 78,368	\$ 79,030	\$ 92,008	\$ 56,886
Unreserved		1,841,488	2,187,290	2,570,357	2,837,274	3,309,348	3,319,856	3,646,678	4,072,410	4,391,591
Total General Fund		<u>\$ 1,906,877</u>	<u>\$ 2,253,241</u>	<u>\$ 2,641,803</u>	<u>\$ 2,910,312</u>	<u>\$ 3,427,134</u>	<u>\$ 3,398,224</u>	<u>\$ 3,725,708</u>	<u>\$ 4,164,418</u>	<u>\$ 4,448,477</u>
All Other Governmental Funds										
Reserved		\$ —	\$ —	\$ 1,219,931	\$ 810,021	\$ 1,026,199	\$ 6,748,469	\$ 20,169,543	\$ 17,895,405	\$ 10,866,266
Unreserved, Reported In:										
Special Revenue Funds		360,863	167,872	148,143	193,165	(27,738)	(36,713)	(56,515)	(79,786)	(98,853)
Capital Projects Funds		1,534,477	2,855,686	1,197,163	826,238	541,504	369,337	416,177	351,700	142,974
Debt Service Funds		173,341	240,336	—	—	—	—	—	—	363,963
Total All Other Governmental Funds		<u>\$ 2,068,681</u>	<u>\$ 3,263,894</u>	<u>\$ 2,655,237</u>	<u>\$ 1,829,424</u>	<u>\$ 1,539,965</u>	<u>\$ 7,081,093</u>	<u>\$ 20,529,205</u>	<u>\$ 17,449,319</u>	<u>\$ 11,274,350</u>
Total All Funds										

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

TABLE E-5

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Revenues						
Taxes	\$ 4,191,986	\$ 4,190,041	\$ 4,334,880	\$ 4,652,207	\$ 5,037,361	\$ 5,469,894
Licenses, Fees and Permits	130,556	135,329	127,411	189,154	162,694	5,927,580
Intergovernmental	741,501	32,839	14,250	223,011	500,796	179,454
Charges for Services	—	—	38,337	22,350	62,530	307,960
Fines	313,503	312,393	282,322	283,341	270,303	21,976
Investment Earnings	272,820	151,666	95,293	44,674	136,628	302,134
Special Assessments	82,909	55,648	20,016	14,394	12,777	4,455
Other Revenues	1,029,336	74,672	181,471	28,936	264,486	4,602
Total Revenues	<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	629,583	667,263	774,491	868,958	881,978	908,290
Public Safety	1,464,735	1,420,531	1,524,115	1,801,959	2,146,537	2,229,055
Public Works	963,407	943,672	1,143,208	1,003,901	1,126,343	1,473,824
Culture and Recreation	191,552	238,589	228,301	256,095	277,234	341,482
Public Health and Welfare	3,000	—	—	—	—	—
Tourism	247,998	308,030	256,172	273,010	303,839	510,202
Capital Outlay	3,824,370	1,369,732	1,172,731	3,033,285	1,175,909	1,042,111
Debt Service	345,520	384,008	352,713	334,695	341,219	476,053
Interest	231,534	242,757	259,577	335,779	352,911	516,672
Principal	<u>7,901,699</u>	<u>5,574,582</u>	<u>5,711,308</u>	<u>7,907,682</u>	<u>6,605,970</u>	<u>7,497,689</u>
Total Expenditures						
Excess of Revenues						
Over (Under) Expenditures	(1,139,088)	(621,994)	(617,328)	(2,449,615)	(158,395)	(561,842)
Other Financing Sources (Uses)						
Bonds Issued	—	3,022,183	—	—	5,902,724	14,420,203
Capital Leases	—	—	1,607,000	—	—	—
Payments to Escrow Agent	—	(1,067,447)	—	—	—	—
Bond Issue Costs	—	(65,574)	—	—	—	—
Transfers In	1,047,995	826,060	510,023	615,853	762,945	(120,795)
Transfers Out	(833,672)	(643,810)	(202,790)	(230,542)	(377,188)	(425,421)
Total Other Financing Sources (Uses)	214,323	2,071,412	307,233	1,992,311	385,757	14,546,380
Net Change in Fund Balances	<u>\$ (924,765)</u>	<u>\$ 1,449,418</u>	<u>\$ (310,095)</u>	<u>\$ (457,304)</u>	<u>\$ 227,352</u>	<u>\$ 13,775,596</u>
Debt Service As A Percentage Of Noncapital Expenditures	14.2%	14.9%	13.5%	13.8%	12.8%	15.4%
	14.9%	13.5%	13.8%	12.8%	15.4%	14.9%
	21.8%	22.6%	23.2%	22.6%	21.8%	23.2%

CITY OF ROCKPORT, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Occupancy Tax	Other Taxes	Total
2001	\$ 1,775,343	\$ 1,152,537	\$ 621,616	\$ 320,043	\$ 135,610	\$ 4,005,149
2002	1,890,537	1,227,505	560,747	365,720	145,532	4,190,041
2003	1,992,595	1,273,567	497,834	388,259	182,625	4,334,880
2004	2,114,864	1,400,557	567,342	421,125	148,319	4,652,207
2005	2,190,191	1,624,226	560,227	503,819	158,898	5,037,361
2006	2,451,332	1,718,155	657,696	472,166	170,545	5,469,894
2007	2,793,123	1,714,042	712,156	533,215	175,044	5,927,580
2008	3,455,073	1,842,730	753,400	540,624	164,319	6,756,146
2009	3,837,024	1,726,846	803,466	467,038	180,616	7,014,990
2010	3,996,528	1,737,375	731,583	477,688	217,649	7,160,823
Percent Change 2001-2010	125.1%	50.7%	17.7%	49.3%	60.5%	78.8%

TABLE E-7

CITY OF ROCKPORT, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 UNAUDITED

Fiscal Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2001	\$ 538,391,491	0.3300	\$ 538,391,491	100.000%
2002	611,641,940	0.3039	611,641,940	100.000%
2003	694,686,410	0.2836	694,686,410	100.000%
2004	783,984,771	0.2650	783,984,771	100.000%
2005	850,188,337	0.2557	850,188,337	100.000%
2006	955,490,048	0.2549	954,164,770	99.861%
2007	1,144,148,087	0.2443	1,134,573,954	99.163%
2008	1,287,712,948	0.2790	1,216,113,588	94.440%
2009	1,361,604,141	0.2990	1,285,461,385	94.408%
2010	1,397,961,945	0.2987	1,321,626,417	94.540%

Source: Aransas County Appraisal District

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

TABLE E-8

Fiscal Year	Basic Rate	City Direct Rates			Overlapping Rates		
		General Obligation Debt Service		Total Direct Rate	Aransas County		Aransas County Navigation District
		\$	\$	\$	\$	\$	\$
2001	\$ 0.2345	\$ 0.0955	\$ 0.3300	\$ 0.3460	\$ 0.0446	\$ 0.0446	1.4900
2002	0.2197	0.0842	0.3039	0.3185	0.0410	0.0410	1.6120
2003	0.2044	0.0792	0.2836	0.3185	0.0355	0.0355	1.6065
2004	0.1963	0.0687	0.2650	0.3478	0.0320	0.0320	1.5700
2005	0.1949	0.0608	0.2557	0.3387	0.0499	0.0499	1.5173
2006	0.1808	0.0741	0.2549	0.3241	0.0499	0.0499	1.5184
2007	0.1629	0.0814	0.2443	0.2784	0.0398	0.0398	1.3963
2008	0.1605	0.1185	0.2790	0.2632	0.0545	0.0545	1.0849
2009	0.1683	0.1307	0.2990	0.3049	0.0524	0.0524	1.0849
2010	0.1651	0.1335	0.2987	0.3397	0.0547	0.0547	1.0949

Source: Aransas County Tax Assessor

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

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Real Estate Bus Tr	\$ 7,793,250	1	0.5897%	\$ --	--	--
Oaks at Bentwater, LP	7,636,390	2	0.5778%	--	--	--
Rockport Harborfront, LP	7,471,537	3	0.5653%	--	--	--
H.E. Butt Grocery	6,772,654	4	0.5124%	3,562,055	2	0.6563%
Wal-Mart Stores East #440	6,148,582	5	0.4652%	2,633,729	4	0.4853%
AEP Texas Central	5,632,330	6	0.4262%	2,802,100	3	0.5163%
EOG Resources, Inc.	5,362,820	7	0.4058%	--	--	--
Heritage Hotels Rockport LP	4,332,210	8	0.3278%	--	--	--
Royal Marina Holdings, LLC	4,003,747	9	0.3029%	--	--	--
Crowley, Christopher	3,892,849	10	0.2945%	--	--	--
Southwestern Bell Telephone	--	--	--	3,668,980	1	0.6760%
Bracht Lumber Co., Inc.	--	--	--	2,527,210	5	0.4656%
Bass, Perry R Inc.	--	--	--	2,520,891	6	0.4645%
Summit Care Texas LP	--	--	--	2,167,620	7	0.3994%
Rockport Country Club	--	--	--	2,127,640	8	0.3920%
Rockport Properties, LTD	--	--	--	2,090,060	9	0.3851%
Grocers Supply Co., Inc	--	--	--	1,989,790	10	0.3666%
Total	\$ 59,046,369		4.4677%	\$ 26,090,075		4.8071%

Source: Aransas County Appraisal District

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

TABLE E-10

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	Percentage of Levy
		Amount	Percentage of Levy			
2001	\$ 1,773,941	\$ 1,691,380	95.35%	\$ 77,299	\$ 1,768,679	99.70%
2002	1,856,869	1,825,080	98.29%	26,527	1,851,607	99.72%
2003	1,968,507	1,924,473	97.76%	36,388	1,960,861	99.61%
2004	2,079,426	2,043,298	98.26%	27,732	2,071,030	99.60%
2005	2,173,619	2,136,929	98.31%	27,358	2,164,287	99.57%
2006	2,432,166	2,392,879	98.38%	28,054	2,420,933	99.54%
2007	2,771,764	2,729,705	98.48%	28,915	2,758,620	99.53%
2008	3,444,641	3,392,957	98.50%	37,331	3,430,288	99.58%
2009	3,842,178	3,771,806	98.17%	45,634	3,817,440	99.36%
2010	3,947,447	3,866,254	97.94%	—	3,866,254	97.94%

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

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

TABLE E-11

Fiscal Year	Governmental Activities			Business-types Activities			Percent of Personal Income	Per Capita
	General Bonded Debt		Capital Leases	Revenue Bonds	General Bonded Debt	Primary Government		
	General Bonded Debt	Capital Leases	Revenue Bonds	General Bonded Debt	Primary Government			
2001	\$ 4,407,352	\$ —	\$ 2,195,000	\$ 2,562,648	\$ 9,165,000	\$ —	\$ 1,197	
2002	6,087,429	—	2,085,000	4,462,572	12,635,001	—	1,619	
2003	5,734,716	—	1,970,000	4,304,759	12,009,475	—	1,539	
2004	5,145,547	1,607,000	1,850,000	3,884,454	12,487,001	—	1,474	
2005	4,806,458	1,552,000	1,725,000	3,448,543	11,532,001	—	1,362	
2006	10,163,405	1,495,000	1,600,000	7,281,596	20,540,001	9.11%	2,272	
2007	23,883,894	1,436,000	1,470,000	9,731,107	36,521,001	14.33%	4,039	
2008	23,449,572	1,375,000	1,335,000	9,245,429	35,405,001	13.66%	3,756	
2009	22,846,289	1,312,000	1,190,000	8,933,712	34,282,001	10.40%	3,495	
2010	22,061,354	1,247,000	—	19,978,647	43,287,001	13.13%	4,413	

CITY OF ROCKPORT, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property(1)	Per Capita(2)
	General Bonded Debt	Debt Service Fund	Net Bonded Debt		
2001	\$ 4,407,352	\$ 173,341	\$ 4,234,011	0.69%	\$ 553
2002	6,087,429	240,336	5,847,093	0.84%	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	5,083,482	0.60%	535
2006	10,163,405	259,152	9,904,253	1.04%	1,095
2007	23,886,894	542,935	23,343,959	2.06%	2,520
2008	23,449,572	365,215	23,084,357	1.90%	2,449
2009	22,846,289	363,963	22,482,326	1.75%	2,292
2010	22,061,354	293,651	22,355,005	1.69%	2,462

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

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

CITY OF ROCKPORT, TEXAS
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Aransas County Independent School District	\$ 2,450,000	62.070%	\$ 1,520,715
Aransas County	15,572,673	56.800%	8,845,278
Aransas County Navigation District	1,115,000	56.800%	<u>633,320</u>
Subtotal, Overlapping Debt			10,999,313
City Direct Debt			<u>22,061,354</u>
Total Direct and Overlapping Debt			<u>\$ 33,060,667</u>

Information obtained from entities audited financial statements.

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

TABLE E-14

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Maximum available tax revenues for all purposes including debt service	\$ 13,459,787	\$ 15,291,049	\$ 17,367,160	\$ 19,599,619	\$ 21,254,708	\$ 23,887,251
Actual amount expended for general obligation debt	<u>577,054</u>	<u>626,765</u>	<u>352,173</u>	<u>680,474</u>	<u>694,130</u>	<u>922,725</u>
Excess	<u>12,882,733</u>	<u>14,664,284</u>	<u>17,014,987</u>	<u>18,919,145</u>	<u>20,560,578</u>	<u>22,964,526</u>

Legal Debt Margin Calculation for the Current Fiscal Year	
Assessed Value	\$ 1,321,626,417
Maximum tax rate per \$100 assessed valuation	<u>2.50</u>
Maximum available tax revenues for all purposes including debt service	<u>33,040,660</u>
Actual amount expended for general obligation debt service	<u>\$ 1,930,704</u>

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

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

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

TABLE E-15

Fiscal Year	Utility Service Charges	Water and Sewer Revenue Bonds			
		Less: Operating Expenses(1)	Available Revenue	Net Services Requirements(2)	Coverage
2001	\$ 4,952,605	\$ 3,262,919	\$ 1,689,686	\$ 201,395	8.39
2002	5,100,452	3,443,421	1,657,031	202,578	8.18
2003	5,311,757	3,467,662	1,844,095	203,470	9.06
2004	5,949,225	3,817,976	2,131,249	204,063	10.44
2005	6,524,568	4,238,296	2,286,272	204,345	11.19
2006	6,803,901	4,566,109	2,237,792	204,408	10.95
2007	6,552,677	4,377,782	2,174,895	199,243	10.92
2008	7,824,558	5,482,597	2,341,961	198,742	11.78
2009	9,561,756	7,257,707	2,304,049	201,372	11.44
2010	9,320,476	6,555,998	2,764,478	—	N/A

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

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

TABLE E-16

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population(1)	7,657	7,805	7,805	8,469	8,469	9,041	9,264	9,425	9,810	9,810
Personal Income(3)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 24,940	\$ 27,504	\$ 33,602	\$ 33,602
Per Capita Personal Income (in thousands)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 225,843	\$ 254,797	\$ 259,225	\$ 329,636	\$ 329,636
Median Age(3)	—	—	—	—	—	42.7	42.7	42.7	42.7	46.0
Education Level in Years of Schooling	—	—	—	—	—	—	—	—	—	—
School Enrollment	3,337	3,345	3,349	3,331	3,126	3,079	3,014	3,241	3,331	2,916
Unemployment(2)	6.5%	7.0%	7.4%	8.3%	5.5%	4.8%	4.2%	4.8%	6.9%	7.4%

Data Sources:

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

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Aransas County ISD	521	1	--	--	--	--
Wal-Mart	250	2	--	--	--	--
H.E.B.	185	3	--	--	--	--
Aransas County	175	4	--	--	--	--
City of Rockport	130	5	--	--	--	--
State of Texas	107	6	--	--	--	--
Gulf Poine Plaza	93	7	--	--	--	--
Rockport Coastal Care Center	75	8	--	--	--	--
 Total	 1,536		 --	 --	 --	 --

Source: Rockport Fulton Chamber of Commerce

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

TABLE E-18

Function/Program	Full-Time-Equivalent Employees as of Year End									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Municipal Court	-	-	-	-	5	5	5	5	5	5
City Secretary	-	-	-	-	2	3	3	3	3	3
City Manager	-	-	-	-	1	1	1	1	1	1
Information/Technology	-	-	-	-	1	1	1	1	1	1
Finance	-	-	-	-	2	2	2	2	2	2
Police										
Officers	-	-	-	-	19	22	22	22	22	21
Civilians	-	-	-	-	7	13	14	14	14	14
Public Works										
Building and Development	-	-	-	-	5	5	5	5	5	5
Street and Drainage	-	-	-	-	6	6	8	8	8	9
Building Maintenance	-	-	-	-	1	1	1	1	1	1
Fleet	-	-	-	-	2	2	2	2	2	3
Parks and Recreation	-	-	-	-	13	22	25	27	27	27
Utilities:										
Water	-	-	-	-	11	14	15	15	15	15
Wastewater	-	-	-	-	4	4	6	6	6	7
Natural Gas	-	-	-	-	-	-	-	-	7	7
Customer Service	-	-	-	-	4	4	5	5	4	4
Total	-	-	-	-	83	105	115	117	123	124

Source: City Budget

Information was not collected prior to 2004

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

TABLE E-19

Function/Program	Fiscal Year						2009	2010
	2001	2002	2003	2004	2005	2006		
General Government								
Building Permits Issued	406	391	437	475	463	475	494	490
Building Inspections Conducted	866	584	618	720	735	644	520	520
Police								
Physical Arrests	735	867	885	996	892	829	833	833
Traffic Violations	3,052	3,670	4,039	2,960	2,625	3,460	3,337	3,337
Fire	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Refuse Collection	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Public Works								
Street Resurfacing (miles)	7.22	8.34	11.40	9.89	9.03	20.63	9.15	9.15
Potholes Repaired	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Library	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water								
New Connections	167	154	179	228	238	297	288	203
Water Main Breaks	32	20	20	19	25	19	37	10
Average Daily Consumption	2,353,000	2,492,000	2,516,000	2,746,000	2,240,000	2,837,000	2,568,000	2,948,000
Peak Daily Consumption	3,819,000	3,883,000	5,589,000	3,787,000	4,580,000	4,979,000	3,867,000	4,634,000
Storage Capacity	(1)	(1)	(1)	(1)	(1)	7,100,000	7,100,000	7,100,000
Wastewater								
Average Daily Sewage Treatment (millions of gallons)	1.43	1.48	1.46	1.50	1.25	1.36	1.58	1.30
Transit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

⁽¹⁾Information is not available.

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

TABLE E-20

Function/Program	Fiscal Year						2009	2010
	2001	2002	2003	2004	2005	2006		
Police Stations	1	1	1	1	1	1	1	1
Patrol Units	2	2	2	2	2	2	12	12
Fire Stations	—	—	—	—	12	12	2	2
Other Public Works	—	—	82	83	83	77	77	77
Streets (miles)	—	—	—	—	—	—	—	—
Parks and Recreation	—	—	—	—	—	—	—	—
Acreage	200	200	200	200	200	200	200	200
Parks	10	10	10	10	10	10	10	10
Swimming Pools	—	—	—	1	1	1	10	10
Community Centers	—	—	—	1	1	1	1	1
Water	—	—	—	—	—	—	—	—
Water Mains (miles)	96	96	96	96	96	96	160	163
Storage Capacity (thousands of gallons)	—	—	5,100	5,100	5,100	7,100	7,100	7,100
Wastewater	—	—	—	—	—	—	—	—
Sanitary Sewers (miles)	—	—	62	62	62	64	64	67
Storm Sewers (miles)	—	—	31	31	31	31	31	31
Treatment Capacity (thousands of gallons)	—	—	2.50	2.50	2.50	2.50	2.50	2.50

Sources: Various city departments

CITY OF ROCKPORT, TEXAS
INSURANCE IN FORCE
SEPTEMBER 30, 2010
UNAUDITED

TABLE E-21

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #9131	Real and Personal Property, \$14,795,315 Mobile Equipment, \$759,975 Errors & Omissions, \$2,000,000 occurrence, \$4,000,000 annual aggregate Law Enforcement Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate General Liability, \$2,000,000 occurrence, \$4,000,000 annual aggregate Auto Liability, \$1,000,000 occurrence, \$25,000 Medical Auto Physical Damage, coverage varies per vehicle Workers Compensation, limit statutory Public Employee Dishonesty, \$50,000 Forgery or Alteration, \$10,000 Theft, Disappearance & Destruction, \$10,000 Computer Fraud, \$10,000 Boiler & Machinery, \$100,000 Flood-City Hall and contents, \$500,000	October 1, 2011
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	August 12, 2011 November 29, 2011 March 6, 2012
Fidelity National Insurance Co. 421150039772 421150263872 421150263870 422510086756 421150263871 421150576270	Flood-Beach Park Maintenance, \$36,600 Flood-Pavillion North Bath House, \$66,600 Flood-Pavillion West, Saltwater Pool, \$66,600 Flood-Pavillion East with Concession, \$66,600 Flood-Pavillion South Bath House \$66,600 Flood-Bay Education Center	August 16, 2010 March 21, 2011 March 21, 2011 May 21, 2011 March 21, 2011 September 4, 2011
Texas Windstorm Insurance Assoc. 26742909	Windstorm and Hail, \$15,496,574	August 27, 2011

CITY OF ROCKPORT, TEXAS
 SELECTED UTILITY FUND DATA
 LAST TEN FISCAL YEARS
 SEPTEMBER 30, 2010
 UNAUDITED

TABLE E-22

Fiscal Year Ended September 30,	Water Connections	Sewer Connections	Gallons of Water Consumed
2001	7,617	3,756	777,939,800
2002	7,776	3,808	822,894,200
2003	7,938	3,872	769,984,600
2004	8,161	3,986	797,799,100
2005	8,396	4,129	879,564,100
2006	8,747	4,276	916,721,400
2007	9,025	4,356	842,145,700
2008	9,173	4,433	882,252,300
2009	9,410	4,526	1,073,168,400
2010	9,516	4,567	1,014,375,581

CITY OF ROCKPORT, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2010

	Enterprise Fund	Enterprise Fund Natural
	Water & Sewer Fund	Gas Fund
ASSETS		
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,170,969	\$ 139,403
Receivables (net of allowances for uncollectibles):		
Accounts	619,900	196,173
Special assessments	10,136	--
Inventories	135,856	98,513
Prepaid items	--	--
Total current assets	<u>5,936,861</u>	<u>434,089</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	9,438,947	--
Accounts receivable - noncurrent	229,022	--
Bond issue costs	262,719	--
Capital assets:		
Land	110,654	--
Construction in progress	122,334	--
Buildings	273,253	--
Improvements other than buildings	--	--
Water system	18,468,757	--
Sewer system	17,751,278	--
Natural gas system	--	1,853,000
Machinery and equipment	1,915,357	--
Accumulated depreciation	(15,000,161)	(138,976)
Total noncurrent assets	<u>33,572,160</u>	<u>1,714,024</u>
Total Assets	<u>\$ 39,509,021</u>	<u>\$ 2,148,113</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 194,213	\$ 2,438
Accrued expenses	16,243	767
Due to other funds	--	--
Accrued interest payable	99,405	--
Customer deposits	752,443	45,853
Compensated absences	60,000	--
Bonds and certificates of obligation - current portion	934,342	--
Total current liabilities	<u>2,056,646</u>	<u>49,058</u>
Noncurrent liabilities:		
Bonds and certificates of obligation payable	19,178,147	--
Compensated absences	30,826	--
Total noncurrent liabilities	<u>19,208,973</u>	<u>--</u>
Total liabilities	<u>21,265,619</u>	<u>49,058</u>
NET ASSETS:		
Investment in Capital Assets, Net of Related Debt	12,782,581	1,714,024
Restricted for Debt Service	185,349	--
Unrestricted Net Assets	5,275,472	385,031
Total Net Assets	<u>\$ 18,243,402</u>	<u>\$ 2,099,055</u>

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
		Fleet Fund
\$ 274,861	\$ 5,585,233	\$ --
140,483	956,556	--
--	10,136	--
--	234,369	42,537
--	--	24,282
<u>415,344</u>	<u>6,786,294</u>	<u>66,819</u>
--	9,438,947	--
--	229,022	--
--	262,719	--
104,300	214,954	--
--	122,334	
1,455,651	1,728,904	--
3,361,402	3,361,402	--
--	18,468,757	--
--	17,751,278	--
--	1,853,000	--
188,654	2,104,011	17,448
(3,042,989)	(18,182,126)	(1,744)
<u>2,067,018</u>	<u>37,353,202</u>	<u>15,704</u>
<u>\$ 2,482,362</u>	<u>\$ 44,139,496</u>	<u>\$ 82,523</u>
\$ 528,350	\$ 725,001	\$ --
2,600	19,610	1,317
813,419	813,419	47,175
--	99,405	--
16,314	814,610	--
--	60,000	--
--	934,342	--
<u>1,360,683</u>	<u>3,466,387</u>	<u>48,492</u>
--	19,178,147	--
6,888	37,714	--
6,888	19,215,861	--
<u>1,367,571</u>	<u>22,682,248</u>	<u>48,492</u>
2,067,018	16,563,623	15,704
--	185,349	--
(952,227)	4,708,276	18,327
<u>\$ 1,114,791</u>	<u>\$ 21,457,248</u>	<u>\$ 34,031</u>