

# *City of Rockport, Texas*

*COMPREHENSIVE ANNUAL FINANCIAL REPORT*

*For the Year Ended September 30, 2013*

*Prepared by*

*Patty Howard, Finance Director*

City of Rockport, Texas  
 Comprehensive Annual Financial Report  
 For The Year Ended September 30, 2013

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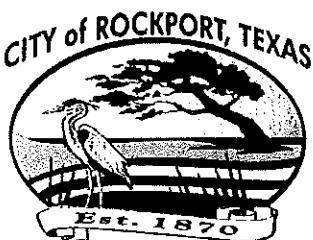
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## Introductory Section



[www.cityofrockport.com](http://www.cityofrockport.com)

**CITY HALL**  
622 E. Market Street  
Rockport, TX 78382

**Mayor & City Council**  
City Manager  
City Secretary  
Finance Office  
Municipal Court  
**Utility Customer Service**  
Phone: 361-729-2213  
Fax: 361-790-5966 &  
361-790-1165

**SERVICE CENTER**  
2751 SH 35 Bypass  
Rockport, TX 78382  
**Building Department**  
Building, Inspections,  
Permits & Code Enforcement  
Phone: 361-790-1125  
Fax: 361-729-6476  
Inspection Request Line:  
361-790-1177  
**Public Works Department**  
Building Maintenance  
Environmental  
Fleet Maintenance  
Natural Gas  
Streets & Drainage  
Water & Wastewater Utility  
Fax: 361-729-7672

**BAY EDUCATION CENTER**  
**Parks Department**  
Administration  
121 Seabreeze  
Rockport, TX 78382  
Phone: 361-727-2158  
or  
361-790-1136  
Fax: 361-727-9393  
**Community Aquatic Park**  
and Skate Park  
2001 Stadium Drive  
Rockport, TX 78382  
Phone: 361-727-9989

**PUBLIC SAFETY CENTER**  
**Police Department**  
714 E. Concho Street  
Rockport, TX 78382  
Administration  
Communications  
**Criminal Investigation Division**  
Patrol Division  
Phone: 361-729-1111  
Fax: 361-790-3461

February 7, 2014

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, 2013, is submitted. This report was prepared in accordance with generally accepted accounting principles on a basis consistent with the prior year. The preparation of the annual financial report and all financial information in the report is the responsibility of the City. The scope of the independent auditor's examination is to render an opinion on the financial information in the Annual Financial Report. Complete details concerning the City's fiscal year activities and related costs are presented in the enclosed narratives and financial statements.

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

#### INDEPENDENT AUDIT

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

## MANAGEMENT RESPONSIBILITY

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

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

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

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

## GOVERNING BODY

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

## FINANCIAL ADMINISTRATION

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

## CITY OF ROCKPORT AND ITS SERVICES

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

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

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

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

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

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

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

## BUDGETING

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

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

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

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

## GENERAL INFORMATION

The City of Rockport is the county seat for Aransas County and is located 30 miles northeast of Corpus Christi. There are approximately 15.0 square miles of land within the City's corporate boundary.

## ECONOMIC TRENDS

Ranked in *The 100 Best Small Art Towns of America*, and recognized among the top retirement spots in the nation by *America's Best Places to Retire*, Rockport is a wonderful place to live and visit alike. *Gulfscapes Magazine's* "2011 Readers Choice Best Gulf Coast Towns" listed Rockport number four in the top ten. In 2009 Rockport was hailed as a coastal dream town by *Coastal Living Magazine*. *Better Homes and Gardens* in its April 2007 issue listed Rockport-Fulton the number five destination as a "long weekend hotspot" for spring migration bird watching. *Texas Meetings and Events* list Rockport-Fulton as a great Gulf Coast getaway for a business meeting, board meeting, etc. The Today in America television show, hosted by Terry Bradshaw featured Rockport and Fulton as one of the "Best Places to Live and Visit." The segment can be found at [http://www.youtube.com/watch?v=Pu6\\_cqu2QaY](http://www.youtube.com/watch?v=Pu6_cqu2QaY).

Property values in the City of Rockport increased from \$538,391,491 in 2000 to \$1,436,351,959 in 2013. This can be attributed to the annexation of several areas, increased property values, as well as, the increase in development within the City.

Permits for single family homes have increased from approximately 66 annually to 78 in 2013, largely due to the economic conditions of the country realizing a slight improvement. Rockport is made up largely of second homes, with the slight growth in the market these home starts have increased. The population of Rockport has grown by 27% in the last ten (10) years going from 7,385 in the U.S. Census Bureau 2000 Census to 9357 as of 2011.

Sales tax revenues have increased from \$1,117,080 in 2000 to \$2,039,088 in 2013. This is an 83% increase in sales tax revenues over a twelve (12) 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 Hike and Bike Trail that was partially funded by a TxDOT grant has been completed and very well utilized for the Tule Park. A grant from Texas Department of Agriculture (Texas Yes) helped complete a beautification project on Austin Street. The project converted the four lane boulevard to a two lane street with diagonal parking, which provides greater pedestrian and handicapped street crossing safety.

## **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:

- Anoxic Tank – In response to a study showing that nitrates were contributing to lower water quality in Little Bay, construction was begun on a \$785,000 anoxic tank at the wastewater treatment plant. The anoxic tank is designed to remove significant amounts of nitrates from the plant's effluent, which flows down the Tule Creek and into Little Bay. The tank is substantially complete and is fully operational as of the end of September, 2012.
- Public Service Center – Construction of a new \$3,750,000 Public Service Center began in 2011 and is complete, including construction of out buildings. Public Works and Building and Development relocated to the facility in January, 2013. Although not submitted as a LEED project, there are many LEED features incorporated into the design. These design features are expected to result in superior energy efficiency and lower operating and maintenance costs. Located at one of the highest points on Live Oak peninsula, the facility was also designed to serve as a base of operations in the event of a catastrophic event. In an emergency it can sleep and feed over 100 responders, has an electrical generator to serve the entire building, provide water and sewer service, and can also serve as a back-up communications center.
- Tule Hike and Bike Trail – In June 1999 the City was awarded a \$648,023 Statewide Transportation Enhancement Program grant from the Texas Department of Transportation for construction of the one-mile long Tule Hike and Bike Trail. Delayed primarily by right-of-way acquisition issues and mandated changes in design criteria, the project began construction in January, 2012 and was completed by the end of November, 2012. This is a significant addition to the City's park facilities and will link Memorial Park to Highway 35 business and ultimately to the trails planned by Aransas Pathways.
- Water Tower – Construction of \$2,045,000 water tower was completed and operational in April, 2012. The tower is located adjacent to the Public Service Center and adds one million gallon in storage and also will provide the Public Service Center with a water source in the event the facility has to be used as an emergency operations center and the distribution system is offline.

## **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 B-1).

### **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 Balance – Budget (GAAP Basis) and Actual – All Government Fund Types and Governmental Expendable Trust Funds” in the financial section of this report (Exhibit B-1).

## **FIDUCIARY FUNDS**

The City had no fiduciary funds at September 30, 2013.

## **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, and Community Aquatic Park Fund. The Utility System Fund operates with revenues generated by the sale of water and wastewater services. The Natural Gas Fund operates with revenues generated by the sale of natural gas. 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 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, 2012 was \$1,411,293,956 and was taxed at \$.325824 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$4,301,404.

### Collections

Current taxes of \$4,275,421 representing 99.3% of the adjusted tax roll were collected during fiscal year 2012-2013. 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 2012 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	2007	2008	2009	2010	2011	2012
General Fund	.1605	.168320	.165133	.157307	.158338	.172497
G. O. Debt	.1185	.130680	.133548	.152701	.150552	.153327
Total	.2790	.299000	.298681	.310008	.308890	.325824

## AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2012. This is the tenth year that the City has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized basic financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of

Achievement Programs' requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget since October 1, 2002. The budget for October 1, 2013 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

#### ACKNOWLEDGMENTS

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

Respectfully submitted,



Patty Howard  
Director of Finance



Government Finance Officers Association

**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

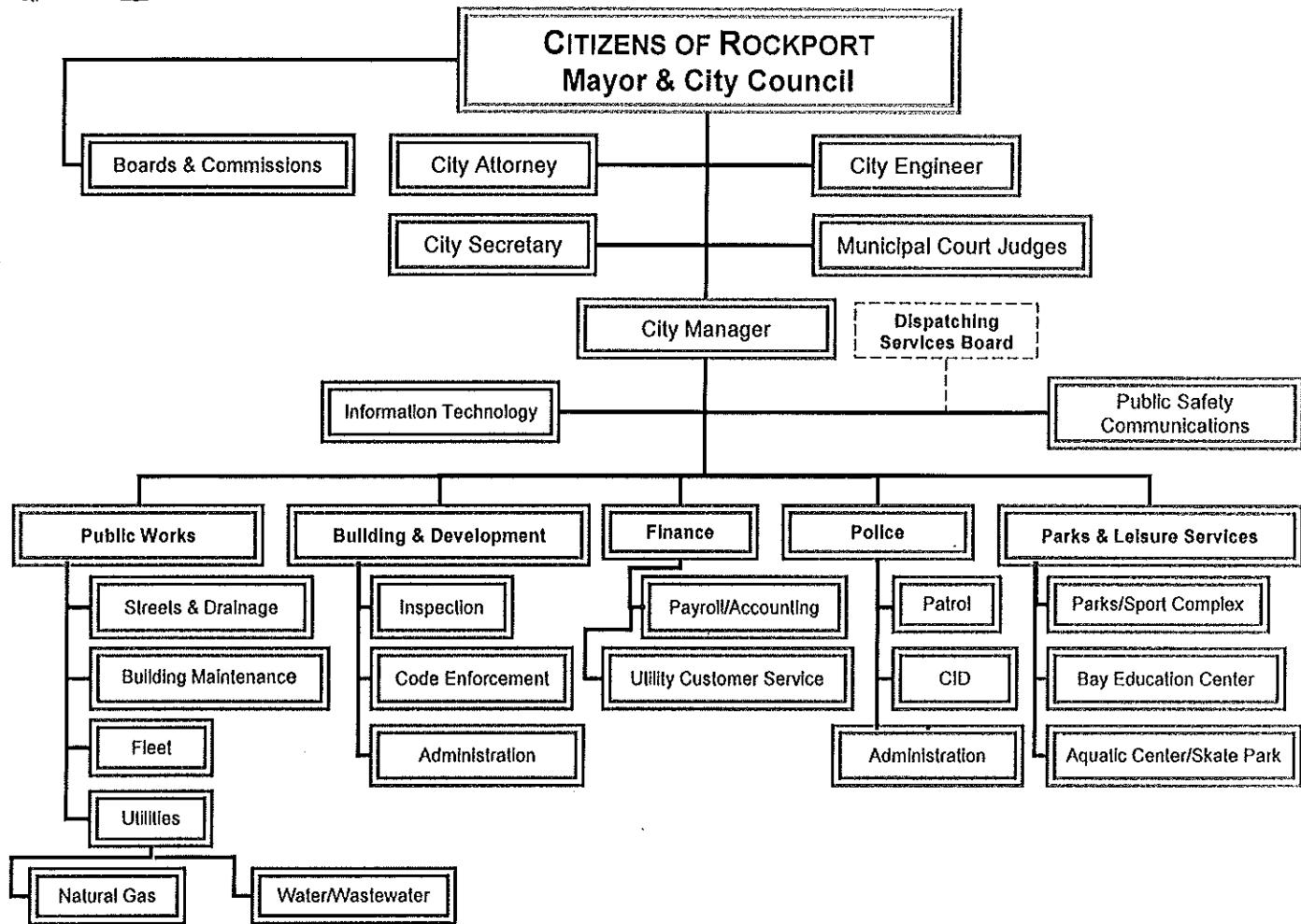
**September 30, 2012**

A handwritten signature in black ink, appearing to read 'Jeffrey P. Evans'.

Executive Director/CEO



## City of Rockport Organization Chart



**CITY OF ROCKPORT, TEXAS**  
**LIST OF PRINCIPAL OFFICIALS**  
**SEPTEMBER 30, 2013**

**Elected Officials**

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<b>Name</b>	<b>Office</b>
Charles J. Wax	Mayor
Patrick R. (Pat) Rios	Mayor Pro-Tem
J.D. Villa	Council Member
James Russell (Rusty) Day, Jr.	Council Member
Adelaide H. Marlatt	Council Member

**Appointed Officials**

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<b>Name</b>	<b>Position</b>
Kevin Carruth	City Manager
Teresa Valdez	City Secretary
Patty Howard	Finance Director
Mike Donojo	Director of Utilities
Tim Jayroe	Chief of Police
Mike Henry	Building and Development Director
Tom Staley	Parks and Leisure Services Director

## Financial Section

# *Michael A. Arnold, PLLC*

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

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

## **Report on the Financial Statements**

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 ("the City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budget comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note A to the financial statements, in 2013, City of Rockport, Texas adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2013, City of Rockport, Texas adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's 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.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockport, Texas's basic financial statements, not required parts of the basic financial statements. The 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014 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* in considering City of Rockport, Texas's internal control over financial reporting and compliance.

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 first line and "PLLC" on the second line to the right.

Michael A. Arnold, PLLC

Rockport, Texas

February 7, 2014

## **Management's Discussion and Analysis**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2013. Please read it in conjunction with the transmittal letter on page i and the City's financial statements, which begin on page 13.

### **Financial Highlights**

- The assets of the City of Rockport exceeded its liabilities at the close of 2013 by \$36,835,435 (net assets). Of this amount, \$7,915,563 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,656,152 in 2013. At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,622,035, an increase of 2.4% in comparison with the prior year. Approximately \$2,821,064 (22.4%) of this total amount is available for spending at the government's discretion.
- The General fund reported an unassigned fund balance of \$2,821,064 or, 45.6% of total general fund expenditures.
- The City's total long-term debt decreased by \$1,472,399 (3.6%) 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) notes to financial statements, and 3) combining and individual funds. 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, and the Community Aquatic and Skate Park.

The government-wide financial statements can be found on pages 13 and 14 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 thirteen 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 16 through 22 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, Natural Gas System, 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, Natural Gas System, 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 23 through 27 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 28 through 46 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 48 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 \$36,835,435 at the close of the most recent fiscal year.

\$23.3 million or 63.3%, 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, 2013

Table 1

	Governmental Activities		Business Type Activities		Total Government	
	2012	2013	2012	2013	2012	2013
<b>Assets</b>						
Current and Other Assets	\$ 5,220,144	\$ 5,172,754	\$ 6,459,517	\$7,029,865	\$ 11,679,661	\$12,202,619
Restricted Assets	8,206,961	8,134,648	3,130,015	1,624,446	11,336,976	9,759,094
Capital Assets, net of accumulated depreciation	22,645,126	23,300,485	33,187,491	33,701,551	55,832,617	57,002,036
<b>Total Assets</b>	<b>36,072,231</b>	<b>36,607,887</b>	<b>\$42,777,023</b>	<b>\$42,355,862</b>	<b>\$ 78,849,254</b>	<b>\$78,963,749</b>
Deferred Outflow of Resources	-	518,371	-	290,206	-	808,577
<b>Total Assets and Deferred</b>	<b>36,072,231</b>	<b>37,126,258</b>	<b>\$42,777,023</b>	<b>\$42,646,068</b>	<b>\$ 78,849,254</b>	<b>\$79,772,326</b>
<b>Liabilities</b>						
Current & Due Within One Year	2,207,055	2,279,449	3,130,937	3,208,829	5,337,992	5,488,278
Due in More Than One Year	21,698,680	21,103,471	17,117,009	16,248,675	38,814,689	37,352,146
<b>Total Liabilities</b>	<b>23,905,735</b>	<b>23,382,920</b>	<b>20,247,946</b>	<b>19,457,504</b>	<b>44,153,681</b>	<b>42,840,427</b>
Deferred Inflow Resources	-	-	-	96,467	-	96,467
<b>Total Liabilities and Deferred</b>	<b>23,905,735</b>	<b>23,382,920</b>	<b>20,247,946</b>	<b>19,553,971</b>	<b>44,153,681</b>	<b>42,936,894</b>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	9,313,304	12,137,914	17,967,353	16,147,439	27,280,657	28,285,353
Restricted for:						
Debt Service	408,684	451,153	183,991	183,366	592,675	634,519
Capital Projects						
Unrestricted	2,444,508	1,154,271	4,377,731	6,761,292	6,822,239	7,915,563
<b>Total Net Assets</b>	<b>\$12,166,496</b>	<b>\$13,743,338</b>	<b>\$22,529,075</b>	<b>\$23,092,097</b>	<b>\$34,695,571</b>	<b>\$36,835,435</b>

An additional portion of the City's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (98%) 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	
	2012	2013	2012	2013	2012	2013
<b>Program revenues</b>						
Charges for services	\$ 715,567	\$622,316	\$ 10,187,023	10,798,384	\$10,902,590	\$ 11,420,700
Operating grants and contributions	455,997	366,214	62,000	42,000	517,997	408,214
Capital grants and contributions	634,417	739,309	3,500	256,450	637,917	995,759
Total program revenues	1,805,981	1,727,839	\$ 10,252,523	11,096,834	\$12,058,504	12,824,673
<b>General revenues</b>						
Property taxes	4,159,989	4,379,318	-	-	4,159,989	4,379,318
Sales taxes	1,929,948	2,051,342	-	-	1,929,948	2,051,342
Franchise and other taxes	795,072	860,734	-	-	795,072	860,734
Occupancy taxes	662,330	698,934	-	-	662,330	698,934
Interest	31,763	48,287	21,108	16,076	52,871	64,363
Miscellaneous	78,699	54,618	-	-	78,699	54,618
Total revenues	9,463,782	8,093,233	\$10,273,631	16,076	19,737,413	8,109,309
<b>Expenses</b>						
General government	1,615,599	1,534,488	-	-	1,615,599	1,534,488
Public safety	3,531,426	3,390,096	-	-	3,531,426	3,390,096
Public Works	1,563,014	1,563,687	-	-	1,563,014	1,563,687
Culture and recreation	788,105	914,460	-	-	788,105	914,460
Tourism	464,438	536,505	-	-	464,438	536,505

In the Utility System Fund, the City has little control over the costs of the two products: water and natural gas delivered to the City's customers. Water is purchased from the San Patricio Municipal Water District, and natural gas is purchased from two sources, South Cross Energy and Gulf Coast Gas Gathering. Water rates were increased by 5.25% this year, 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 5.25%. 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. Natural Gas rates were increased by 24.% this year. The additional funds generated by this increase will be used for the CNG Fueling Station, and for Distribution Integrity Management Program required by the Texas Railroad Commission. 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. This study includes 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 \$12,622,035, an increase of \$293,041 compared to the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,821,064. This 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 2013, the daily cost of operation in the general fund was \$15,336 (total current expenditures of \$5,597,810 divided by 365 days in the year). The City of Rockport's unassigned general fund balance would be able to sustain 184 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 2012-13, the General Fund budget was not amended.

**Proprietary Funds.** The proprietary funds ended 2013 with combined net assets totaling \$23,090,097. The proprietary funds include the Utility System Fund, Natural Gas Fund, Sanitation, and the Community Aquatic & Skate Park. The Water and Sewer Fund and the Natural Gas Fund are the only major funds in this group.

### **Proprietary Fund Budgetary Highlights.**

During FY 2012-13, the proprietary funds were not amended at all.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City of Rockport's investment in capital assets for its governmental and business type activities as of September 30, 2013 totals at \$57,002,036 (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 2%.

Major capital asset events during 2013 include the following:

- Anoxic Tank – In response to a study showing that nitrates were contributing to lower water quality in Little Bay, construction was begun on a \$785,000 anoxic tank at the wastewater treatment plant. The anoxic tank is designed to remove significant amounts of nitrates from the plant's effluent, which flows down the Tule Creek and into Little Bay. The tank is substantially complete and is fully operational as of the end of September, 2013.
- Public Service Center – Construction of a new \$3,750,000 Public Service Center began in 2011 and is complete, including construction of out buildings. Public Works and Building and Development relocated to the facility in January, 2013. Although not submitted as a LEED project, there are many LEED features incorporated into the design. These design features are expected to result in superior energy efficiency and lower operating and maintenance costs. Located at one of the highest points on Live Oak peninsula, the facility was also designed to serve as a base of operations in the event of a catastrophic event. In an emergency it can sleep and feed over 100 responders, has an electrical generator to serve the entire building, provide water and sewer service, and can also serve as a back-up communications center.

Tule Hike and Bike Trail – In June 1999 the City was awarded a \$648,023 Statewide Transportation Enhancement Program grant from the Texas Department

of Transportation for construction of the one-mile long Tule Hike and Bike Trail. Delayed primarily by right-of-way acquisition issues and mandated changes in design criteria, the project began construction in January, 2012 and was completed by the end of November, 2012. This is a significant addition to the City's park facilities and will link Memorial Park to Highway 35 business and ultimately to the trails planned by Aransas Pathways.

- Water Tower – Construction of \$2,045,000 water tower was completed and operational in April, 2012. The tower is located adjacent to the Public Service Center and adds one million gallon in storage and also will provide the Public Service Center with a water source in the event the facility has to be used as an emergency operations center and the distribution system is offline.

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 did not issue any new debt in 2013.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

During the budget process for fiscal year 2013-14 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 6186 in 2010, equating to a 4% increase. The population for Rockport is 9,357 as of 2011 which is up from 8,766 in the 2010 U. S. 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 POSITION**  
**SEPTEMBER 30, 2013**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 3,892,910	\$ 5,715,333	\$ 9,608,243
Receivables ( net of allowances for uncollectibles):			
Property taxes	152,563	--	152,563
Other taxes	463,707	--	463,707
Accounts	92,737	1,158,422	1,251,159
Special assessments	7,208	4,136	11,344
Intergovernmental	490,419	--	490,419
Internal balances	--	--	--
Inventories	73,210	151,974	225,184
Restricted assets:			
Cash and investments	8,134,648	1,624,446	9,759,094
Capital assets:			
Land	4,902,767	214,953	5,117,720
Construction in progress	120,877	--	120,877
Buildings	4,842,944	4,192,187	9,035,131
Improvements other than buildings	1,884,604	1,944,240	3,828,844
Utility system	--	43,990,077	43,990,077
Machinery and equipment	3,664,282	2,100,097	5,764,379
Infrastructure	12,972,056	--	12,972,056
Accumulated depreciation	(5,087,045)	(18,740,003)	(23,827,048)
Total Assets	<u>36,607,887</u>	<u>42,355,862</u>	<u>78,963,749</u>
Deferred Outflows of Resources			
Deferred Loss on Bond Refunding	518,371	290,206	808,577
Total Deferred Outflows of Resources	<u>518,371</u>	<u>290,206</u>	<u>808,577</u>
Total Assets and Deferred Outflow of Resources	<u>37,126,258</u>	<u>42,646,068</u>	<u>79,772,326</u>
<b>LIABILITIES</b>			
Accounts payable	310,165	923,192	1,233,357
Accrued liabilities	77,827	52,402	130,229
Accrued interest payable	99,605	78,871	178,476
Payable from restricted assets	--	3,273	3,273
Customer Deposits	--	995,998	995,998
Noncurrent liabilities:			
Due within one year	1,461,852	1,155,093	2,616,945
Due in more than one year	21,433,471	16,248,675	37,682,146
Total Liabilities	<u>23,382,920</u>	<u>19,457,504</u>	<u>42,840,424</u>
Deferred Inflow of Resources			
Deferred Gain on Bond Refunding	--	96,467	96,467
Total Deferred Inflow of Resources	<u>--</u>	<u>96,467</u>	<u>96,467</u>
Total Liabilities and Deferred Inflow of Resources	<u>23,382,920</u>	<u>19,553,971</u>	<u>42,936,891</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,137,914	16,147,439	28,285,353
Restricted For:			
Debt Service	451,153	183,366	634,519
Unrestricted	1,154,271	6,761,292	7,915,563
Total Net Position	<u>\$ 13,743,338</u>	<u>\$ 23,092,097</u>	<u>\$ 36,835,435</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 1,534,488	\$ 13,289	\$ --	\$ --
Public safety	3,390,096	393,762	354,341	98,201
Public works	1,563,687	215,265	--	354,574
Culture and recreation	914,460	--	11,873	286,534
Tourism	536,505	--	--	--
Interest and fiscal charges	908,935	--	--	--
Total governmental activities	<u>8,848,171</u>	<u>622,316</u>	<u>366,214</u>	<u>739,309</u>
<b>Business-type Activities:</b>				
Sanitation	--	16,686	--	--
Water & Sewer	7,840,317	8,907,527	--	256,450
Community Aquatic Center	333,267	133,706	42,000	--
Natural Gas	1,256,075	1,740,465	--	--
Total Business-type Activities	<u>9,429,659</u>	<u>10,798,384</u>	<u>42,000</u>	<u>256,450</u>
Total Primary Government	<u>\$ 18,277,830</u>	<u>\$ 11,420,700</u>	<u>\$ 408,214</u>	<u>\$ 995,759</u>

**General Revenues:**

- Property Taxes, Levied for General Purposes
- Property Taxes, Levied for Debt Services
- Sales Taxes
- Franchise Taxes and Other Taxes
- Occupancy Taxes
- Unrestricted Investment Earnings
- Other Revenues
- Transfers
  - Total General Revenues and Transfers
  - Change in Net Assets
- Net Assets - Beginning
- Prior Period Adjustment
- Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

	Governmental Activities	Business-type Activities	Total
\$	(1,521,199)	\$ (1,521,199)	
	(2,543,792)	(2,543,792)	
	(993,848)	(993,848)	
	(616,053)	(616,053)	
	(536,505)	(536,505)	
	(908,935)	(908,935)	
	<u>(7,120,332)</u>	<u>(7,120,332)</u>	
--	\$ 16,686	16,686	
--	1,323,660	1,323,660	
--	(157,561)	(157,561)	
--	484,390	484,390	
--	<u>1,667,175</u>	<u>1,667,175</u>	
	<u>(7,120,332)</u>	<u>1,667,175</u>	<u>(5,453,157)</u>
	2,319,849	--	2,319,849
	2,059,469	--	2,059,469
	2,051,342	--	2,051,342
	860,734	--	860,734
	698,934	--	698,934
	48,287	16,076	64,363
	54,618	--	54,618
	849,138	(849,138)	--
	<u>8,942,371</u>	<u>(833,062)</u>	<u>8,109,309</u>
	1,822,039	834,113	2,656,152
	12,167,414	22,610,606	34,778,020
	(246,115)	(352,622)	(598,737)
\$	<u>13,743,338</u>	<u>\$ 23,092,097</u>	<u>\$ 36,835,435</u>

**CITY OF ROCKPORT, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2013**

	General Fund	Debt Service
<b>ASSETS</b>		
Assets:		
Cash and investments	\$ 2,432,532	\$ 451,153
Receivables ( net of allowances for uncollectibles):		
Property taxes	85,908	66,655
Other taxes	239,032	--
Accounts	1,929	--
Special assessments	--	--
Intergovernmental	--	--
Due from other funds	354,559	--
Inventories	27,250	--
Restricted assets:		
Cash and investments	--	--
Total Assets	<u>3,141,210</u>	<u>517,808</u>
 <b>Liabilities:</b>		
Accounts payable	\$ 145,630	\$ --
Accrued expenditures	61,358	--
Due to other funds	--	--
Total Liabilities	<u>206,988</u>	<u>--</u>
Deferred Outflows of Resources		
Unavailable property taxes	85,908	66,655
Unavailable special assessments	--	--
Unavailable taxes - Utility Surcharge	--	--
Total Deferred Outflows of Resources	<u>85,908</u>	<u>66,655</u>
Total Liabilities and Deferred Outflows of Resources	<u>292,896</u>	<u>66,655</u>
 <b>Fund balances:</b>		
Nonspendable	27,250	--
Restricted	--	451,153
Committed	--	--
Assigned	--	--
Unassigned	2,821,064	--
Total fund balances	<u>2,848,314</u>	<u>451,153</u>
Total Liabilities and Fund balances	<u>\$ 5,989,524</u>	<u>\$ 517,808</u>

The accompanying notes are an integral part of this statement.

2007 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,005,098	\$ 3,888,783
--	--	152,563
--	224,675	463,707
--	15,808	17,737
--	7,208	7,208
--	490,419	490,419
--	--	354,559
--	--	27,250
<u>5,649,416</u>	<u>2,485,232</u>	<u>8,134,648</u>
<u>5,649,416</u>	<u>4,228,440</u>	<u>13,536,874</u>
\$ --	\$ 164,535	\$ 310,165
--	13,226	74,584
--	354,559	354,559
--	<u>532,320</u>	<u>739,308</u>
--	--	152,563
--	7,208	7,208
--	15,760	15,760
--	<u>22,968</u>	<u>175,531</u>
--	<u>555,288</u>	<u>914,839</u>
--	(40,670)	(13,420)
<u>5,649,416</u>	<u>3,330,400</u>	<u>9,430,969</u>
--	10,473	10,473
--	372,949	372,949
--	--	2,821,064
<u>5,649,416</u>	<u>3,673,152</u>	<u>12,622,035</u>
<u>\$ 5,649,416</u>	<u>\$ 4,228,440</u>	<u>\$ 13,536,874</u>

**CITY OF ROCKPORT, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2013

Total fund balances - governmental funds balance sheet	\$ 12,622,035
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	23,290,016
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	152,563
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	57,313
Payables for bond principal which are not due in the current period are not reported in the funds.	(19,816,873)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,037,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(99,605)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(344,386)
Pension obligation payable is not reported in the funds.	(260,240)
Deferred Loss on refunding bonds is not reported in the funds.	518,371
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	75,000
OBEP Obligation is not reported in the funds.	(1,436,824)
Certain taxes receivable are unavailable to pay for current period expenditures are deferred in the funds.	15,760
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	7,208
Net position of governmental activities - Statement of Net Position	\$ 13,743,338

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, 2013**

	General Fund	Debt Service
<b>Revenue:</b>		
Taxes	\$ 5,216,392	\$ 2,060,151
Licenses and permits	201,950	--
Intergovernmental	85,024	--
Charges for services	13,315	--
Fines	197,874	--
Interest	14,540	646
Miscellaneous	40,034	--
<b>Total revenues</b>	<b>5,769,129</b>	<b>2,060,797</b>
<b>Expenditures:</b>		
<b>Current:</b>		
General government	1,275,666	--
Public safety	2,408,306	--
Public works	1,196,966	--
Culture and recreation	716,872	--
Tourism	--	--
<b>Capital outlay</b>	<b>590,582</b>	--
<b>Debt service:</b>		
Principal	--	1,181,404
Interest and fiscal charges	--	824,889
Bond issuance cost	--	87,178
<b>Total expenditures</b>	<b>6,188,392</b>	<b>2,093,471</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>(419,263)</b>	<b>(32,674)</b>
<b>Other financing sources (uses):</b>		
Transfers in	930,093	42,893
Transfers out	(793,571)	--
Issuance of certificates of obligation	--	3,973,888
Premium on bonds sold	--	309,072
Interest on bonds sold	--	12,409
Payment to refunding escrow agent	--	(4,195,782)
<b>Total other financing sources (uses)</b>	<b>136,522</b>	<b>142,480</b>
<b>Net change in fund balance</b>	<b>(282,741)</b>	<b>109,806</b>
<b>Fund balance, beginning of year</b>	<b>\$ 3,131,055</b>	<b>\$ 341,347</b>
<b>Fund balance, end of year</b>	<b>\$ 2,848,314</b>	<b>\$ 451,153</b>

The accompanying notes are an integral part of this statement.

2007 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 898,122	\$ 8,174,665
--	--	201,950
--	1,028,455	1,113,479
--	--	13,315
--	17,379	215,253
15,311	5,381	35,878
--	14,584	54,618
<u>15,311</u>	<u>1,963,921</u>	<u>9,809,158</u>
--	14,139	1,289,805
--	736,025	3,144,331
--	--	1,196,966
--	46,552	763,424
--	536,505	536,505
92,780	723,258	1,406,620
--	30,661	1,212,065
--	4,859	829,748
--	--	87,178
<u>92,780</u>	<u>2,091,999</u>	<u>10,466,642</u>
(77,469)	(128,078)	(657,484)
--	714,416	1,687,402
--	(42,893)	(836,464)
--	--	3,973,888
--	--	309,072
--	--	12,409
--	--	(4,195,782)
--	<u>671,523</u>	<u>950,525</u>
(77,469)	543,445	293,041
<u>5,726,885</u>	<u>3,129,707</u>	<u>12,328,994</u>
<u>\$ 5,649,416</u>	<u>\$ 3,673,152</u>	<u>\$ 12,622,035</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, 2013

Net change in fund balances - total governmental funds \$ 293,041

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

Capital outlays are not reported as expenses in the SOA.	1,406,620
The depreciation of capital assets used in governmental activities is not reported in the funds.	(750,434)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1,417)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	5,334,847
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	73,000
Deferred loss of refunding bonds are amortized in the SOA but not in the funds.	(53,481)
Change in OBEP is not reported in the funds.	(197,406)
(Increase) decrease in accrued interest from beginning of period to end of period.	12,556
The net revenue (expense) of internal service funds is reported with governmental activities.	(47,599)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(8,737)
Certain receivables are deferred in the funds. This is the change in these amounts this year.	922
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(3,973,888)
Bond premiums are reported in the funds but not in the SOA.	(309,072)
Amortization of Bond Premiums are recorded in SOA, but not in the funds.	48,916
Change in net pension obligation is not reported in the funds.	<u>(5,829)</u>

Change in net position of governmental activities - Statement of Activities \$ 1,822,039

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**
**EXHIBIT A-7**
**GENERAL FUND**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
<b>Revenue:</b>					
Taxes	\$ 5,025,415	\$ 5,025,415	\$ 5,216,392	\$ 190,977	
Licenses and permits	146,800	146,800	201,950	55,150	
Intergovernmental	8,000	9,000	85,024	76,024	
Charges for services	15,500	15,500	13,315	(2,185)	
Fines	341,500	341,500	197,874	(143,626)	
Interest	13,000	13,000	14,540	1,540	
Miscellaneous	21,000	20,000	40,034	20,034	
<b>Total revenues</b>	<b>5,571,215</b>	<b>5,571,215</b>	<b>5,769,129</b>	<b>197,914</b>	
<b>Expenditures:</b>					
Current:					
General government	1,312,185	1,312,690	1,275,666	37,024	
Public safety	2,447,626	2,447,626	2,408,306	39,320	
Public works	1,422,507	1,422,507	1,196,966	225,541	
Culture and recreation	712,644	712,644	716,872	(4,228)	
Capital outlay	223,100	223,100	590,582	(367,482)	
<b>Total expenditures</b>	<b>6,118,062</b>	<b>6,118,567</b>	<b>6,188,392</b>	<b>(69,825)</b>	
Excess (deficiency) of revenues (under) expenditures	(546,847)	(547,352)	(419,263)	128,089	
Other financing sources (uses):					
Transfers in	1,074,992	1,059,782	930,093	(129,689)	
Transfers out	(619,793)	(619,793)	(793,571)	(173,778)	
<b>Total other financing sources (uses)</b>	<b>455,199</b>	<b>439,989</b>	<b>136,522</b>	<b>303,467</b>	
<b>Net change in fund balance</b>	<b>(91,648)</b>	<b>(107,363)</b>	<b>(282,741)</b>	<b>(175,378)</b>	
<b>Fund balance, beginning of year</b>	<b>3,131,055</b>	<b>3,131,055</b>	<b>3,131,055</b>	<b>--</b>	
<b>Fund balance, end of year</b>	<b>\$ 3,039,407</b>	<b>\$ 3,023,692</b>	<b>\$ 2,848,314</b>	<b>\$ (175,378)</b>	

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2013**

	<u>Enterprise Fund</u>	<u>Enterprise Fund</u>
	<u>Water &amp; Sewer Fund</u>	<u>Natural Gas Fund</u>
<b>ASSETS</b>		
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,659,504	\$ 708,995
Investments	100,000	--
Receivables ( net of allowances for uncollectibles):		
Accounts	743,169	113,334
Special assessments	4,136	--
Inventories	90,116	61,858
Total current assets	<u>5,596,925</u>	<u>884,187</u>
<b>Noncurrent assets:</b>		
<b>Restricted assets:</b>		
Cash and cash equivalents	1,624,446	--
Accounts receivable - noncurrent	118,661	--
<b>Capital assets:</b>		
Land	110,653	--
Buildings	4,192,187	--
Improvements other than buildings	--	--
Water system	23,719,194	--
Sewer system	18,381,673	--
Natural gas system	--	1,889,210
Machinery and equipment	2,086,935	--
Accumulated depreciation	<u>(17,627,098)</u>	<u>(325,484)</u>
Total noncurrent assets	<u>32,606,651</u>	<u>1,563,726</u>
Total Assets	<u>38,203,576</u>	<u>2,447,913</u>
<b>Deferred Outflows of Resources</b>		
Deferred Loss on Bond Refunding	290,206	--
Total Deferred Outflows of Resources	<u>\$ 290,206</u>	<u>\$ --</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 445,542	\$ 58,132
Accrued expenses	45,057	4,973
Accrued interest payable	78,871	--
Customer deposits	995,300	--
Payable from restricted assets	3,273	--
Compensated absences	80,000	--
Bonds and certificates of obligation - current portion	1,075,093	--
Total current liabilities	<u>2,723,136</u>	<u>63,105</u>
<b>Noncurrent liabilities:</b>		
Bonds and certificates of obligation payable	16,240,797	--
Compensated absences	3,609	4,269
Total noncurrent liabilities	<u>16,244,406</u>	<u>4,269</u>
Total liabilities	<u>18,967,542</u>	<u>67,374</u>
<b>Deferred Inflows of Resources</b>		
Deferred Gain on Bond Refunding	96,467	--
Total Deferred Inflows of Resources	<u>96,467</u>	<u>--</u>
<b>NET ASSETS:</b>		
Investment in Capital Assets, Net of Related Debt	13,309,432	1,563,726
Restricted for Debt Service	183,366	--
Unrestricted Net Assets	5,936,975	816,813
Total Net Assets	<u>\$ 19,429,773</u>	<u>\$ 2,380,539</u>

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
		Fleet Fund
\$ 246,834	\$ 5,615,333	\$ 4,127
--	100,000	--
183,258	1,039,761	--
--	4,136	--
--	151,974	--
<u>430,092</u>	<u>6,911,204</u>	<u>45,960</u>
		<u>50,087</u>
--	1,624,446	--
--	118,661	--
104,300	214,953	--
--	4,192,187	--
1,944,240	1,944,240	--
--	23,719,194	--
--	18,381,673	--
--	1,889,210	--
13,162	2,100,097	17,448
(787,421)	(18,740,003)	(6,979)
<u>1,274,281</u>	<u>35,444,658</u>	<u>10,469</u>
<u>1,704,373</u>	<u>42,355,862</u>	<u>60,556</u>
\$ --	\$ 290,206	\$ --
\$ 419,518	\$ 923,192	\$ --
2,372	52,402	3,243
--	78,871	--
698	995,998	--
--	3,273	--
--	80,000	--
--	1,075,093	--
<u>422,588</u>	<u>3,208,829</u>	<u>3,243</u>
--	16,240,797	--
--	7,878	--
--	16,248,675	--
<u>422,588</u>	<u>19,457,504</u>	<u>3,243</u>
--	96,467	--
--	96,467	--
1,274,281	16,147,439	--
--	183,366	
7,504	6,761,292	57,313
<u>\$ 1,281,785</u>	<u>\$ 23,092,097</u>	<u>\$ 57,313</u>

**CITY OF ROCKPORT, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>Enterprise Fund</b>	<b>Enterprise Fund</b>
	<b>Water &amp; Sewer Fund</b>	<b>Natural Gas Fund</b>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 8,907,527	\$ 1,740,465
Total Operating Revenues	<u>8,907,527</u>	<u>1,740,465</u>
<b>OPERATING EXPENSES:</b>		
Personal services	1,579,447	277,409
Contractual services	392,569	24,189
Maintenance	500,542	132,265
Supplies	3,702,403	750,352
Other	35,511	8,886
Depreciation	969,332	62,974
Total Operating Expenses	<u>7,179,804</u>	<u>1,256,075</u>
Operating Income (Loss)	<u>1,727,723</u>	<u>484,390</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	15,602	474
Intergovernmental revenue	--	--
Interest expense	(660,513)	--
Total Non-operating Revenues (Expenses)	<u>(644,911)</u>	<u>474</u>
Net Income (Loss) before Operating Transfers	<u>1,082,812</u>	<u>484,864</u>
Capital Contributions	256,450	--
<b>TRANSFERS:</b>		
Interfund transfers in	150,000	--
Interfund transfers out	(915,409)	(164,684)
Change in Net Assets	<u>573,853</u>	<u>320,180</u>
Net Assets, beginning of year	19,112,342	2,156,559
Prior Period Adjustment	(256,422)	(96,200)
Net Assets, end of year	<u>\$ 19,429,773</u>	<u>\$ 2,380,539</u>

The accompanying notes are an integral part of this statement.

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund
		Fleet Fund
\$ 150,392	\$ 10,798,384	\$ 535,340
150,392	10,798,384	535,340
144,873	2,001,729	134,515
21,851	438,609	19,034
13,207	646,014	29,128
87,261	4,540,016	396,705
335	44,732	12
65,740	1,098,046	1,745
333,267	8,769,146	581,139
(182,875)	2,029,238	(45,799)
--	16,076	--
42,000	42,000	--
--	(660,513)	--
42,000	(602,437)	--
(140,875)	1,426,801	(45,799)
--	256,450	--
80,955	230,955	--
--	(1,080,093)	(1,800)
(59,920)	834,113	(47,599)
1,341,705	22,610,606	104,912
--	(352,622)	--
\$ 1,281,785	\$ 23,092,097	\$ 57,313

**CITY OF ROCKPORT, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Enterprise Funds					
	Water & Sewer	Natural Gas	Nonmajor Enter. Funds	Totals	Service Funds	
<b>Cash Flows from Operating Activities:</b>						
Cash Received from Customers	\$ 8,961,910	\$ 1,912,562	\$ 148,335	\$ 11,022,807	\$ 535,340	
Cash Receipts (Payments) for Operating Transactions with Other Funds	---	---	---	---	---	
Cash Payments to Employees for Services	(1,581,051)	(275,747)	(144,873)	(2,001,671)	(134,515)	
Cash Payments to Other Suppliers for Goods and Services	(4,704,030)	(884,773)	(112,645)	(5,701,448)	(444,401)	
Net Cash Provided (Used) by Operating Activities	<u>2,676,829</u>	<u>752,042</u>	<u>(109,183)</u>	<u>3,319,688</u>	<u>(43,576)</u>	
<b>Cash Flows from Non-capital Financing Activities:</b>						
Operating Grants Received	---	---	42,000	42,000	---	
Transfers From Other Funds	150,000	---	63,215	213,215	---	
Transfers To Other Funds	(915,409)	(164,684)	---	(1,080,093)	(1,800)	
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(765,409)</u>	<u>(164,684)</u>	<u>105,215</u>	<u>(824,878)</u>	<u>(1,800)</u>	
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from Issuance of Long-term Debt	2,847,307	---	---	2,847,307	---	
Principal and Interest Paid	(4,375,543)	---	---	(4,375,543)	---	
Acquisition or Construction of Capital Assets	(1,575,986)	(36,210)	---	(1,612,196)	---	
Proceeds from sale of capital assets	---	---	---	---	---	
Amounts paid for bond issuance	---	---	---	---	---	
Contributed Capital	256,450	---	---	256,450	---	
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,847,772)</u>	<u>(36,210)</u>	<u>---</u>	<u>(2,883,982)</u>	<u>---</u>	
<b>Cash Flows from Investing Activities:</b>						
Purchase of Investments	---	---	---	---	---	
Interest and Dividends on Investments	15,602	474	---	16,076	---	
Net Cash Provided (Used) for Investing Activities	<u>15,602</u>	<u>474</u>	<u>---</u>	<u>16,076</u>	<u>---</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(920,750)</u>	<u>551,622</u>	<u>(3,968)</u>	<u>(373,096)</u>	<u>(45,376)</u>	
Cash and Cash Equivalents at Beginning of Year	7,204,700	349,773	250,802	7,805,275	49,503	
Cash and Cash Equivalents at End of Year	<u>\$ 6,283,950</u>	<u>\$ 901,395</u>	<u>\$ 246,834</u>	<u>\$ 7,432,179</u>	<u>\$ 4,127</u>	
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>						
Operating Income (Loss)	\$ 1,727,723	\$ 484,390	\$ (182,875)	\$ 2,029,238	\$ (45,799)	
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation and Amortization	969,332	62,974	65,740	1,098,046	1,745	
Provision for Uncollectible Accounts	---	---	---	---	---	
Change in Assets and Liabilities:						
Decrease (Increase) in Receivables	(25,808)	172,097	(13,447)	132,842	---	
Decrease (Increase) in Inventories	(9,116)	(18,440)	---	(27,556)	(1,022)	
Decrease (Increase) in Prepaid Expenses	---	---	---	---	---	
Increase (Decrease) in Accounts Payable	(63,889)	49,359	3,222	(11,308)	---	
Increase (Decrease) in Payroll Deductions	---	---	---	---	---	
Increase (Decrease) in Accrued Wages Payable	24,874	1,810	---	26,684	---	
Increase (Decrease) in Interfund Payables	---	---	17,740	17,740	---	
Increase (Decrease) in Customer Deposits	80,191	---	---	80,191	---	
Increase (Decrease) in Accrued Expenses	(26,478)	(148)	437	(26,189)	1,500	
Increase (Decrease) in Unearned Revenue	---	---	---	---	---	
Total Adjustments	<u>949,106</u>	<u>267,652</u>	<u>73,692</u>	<u>1,290,450</u>	<u>478</u>	
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,676,829</u>	<u>\$ 752,042</u>	<u>\$ (109,183)</u>	<u>\$ 3,319,688</u>	<u>\$ (43,576)</u>	
<b>Summary of cash and cash equivalents:</b>						
Cash and cash equivalents - operating	\$ 4,659,504	\$ 708,995	\$ 246,834	\$ 5,615,333	\$ 4,127	
Cash and cash equivalents - restricted	1,624,446	---	---	1,624,446	---	
	<u>\$ 6,283,950</u>	<u>\$ 708,995</u>	<u>\$ 246,834</u>	<u>\$ 7,239,779</u>	<u>\$ 4,127</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, 2013**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

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

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

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

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

In addition, the City reports the following fund types:

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

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

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

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

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

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

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

**3. Financial Statement Amounts**

**a. Cash and Cash Equivalents**

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

**b. Property Taxes**

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

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

**c. Inventories and Prepaid Items**

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

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

**d. Capital Assets**

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

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threshold of \$5,000 is used.

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

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

e. **Receivable and Payable Balances**

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

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

f. **Deferred Outflows and Inflows of Resources**

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

g. **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.

h. **Interfund Activity**

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

i. **Fund Balances - Governmental Funds**

For the year ended September 30, 2012, the City adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." Fund balances are now classified as described below:

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

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

**4. Budgetary Data**

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

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

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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. The budget is adopted at the level of total revenues and expenditures by fund. All budget appropriations lapse at year end.

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

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

**5. Encumbrance Accounting**

Encumbrance accounting is not used by the City.

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
City County Dispatch	\$ 39,800	Temporary shortage.
Bay Education Center	870	Temporary shortage.

Both deficits will be replenished by General Fund.

**3. Budgets**

The City over expended budgeted amounts in the following funds:

General Fund	\$ 66,478
Utility Bill Surcharge	2,875
City County Dispatch	6,373
Hotel Motel Occupancy Tax	10,755
Municipal Court Security and Tech	1,003
Debt Service Fund	30,863

**C. Deposits and Investments**

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

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**Cash Deposits:**

At September 30, 2013, the carrying amount of the City's deposits (cash, certificates' of deposit, and interest-bearing savings accounts) included in temporary investments was \$19,325,226 and the bank balance was \$19,835,616. The total deposits were covered by Federal Depository Insurance (FDIC) or by collateral held in 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.

The City's investment at September 30, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Fair Value</u>
TexPool	N/A	\$ 7,541	\$ 7,541
Texas Term Daily	N/A	34,570	34,570
Certificates of Deposit	2 years	2,000,000	2,000,000
<b>Total Investments</b>		<b>\$ 2,042,111</b>	<b>\$ 2,042,111</b>

The Certificates of Deposit are included in cash deposits listed above.

**a. Credit Risk**

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

At September 30, 2013, 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

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**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**

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

**e. Foreign Currency Risk**

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

**Investment Accounting Policy**

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

**Public Funds Investment Pools**

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

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

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**D. Receivables**

Receivables at September 30, 2013 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	\$ 145,070	\$ 99,995	\$ --	\$ 245,065
Other Taxes	239,032	--	228,971	468,003
Accounts	1,929	--	15,808	17,737
Fines	75,000	--	--	75,000
Special Assessments	--	--	7,208	7,208
Intergovernmental	--	--	490,419	490,419
Sundry	--	--	--	--
Gross	461,031	99,995	742,406	1,303,432
Less allowance for uncollectibles	(59,162)	(33,340)	(4,296)	(96,798)
<b>Net Receivables</b>	<b>\$ 401,869</b>	<b>\$ 66,655</b>	<b>\$ 738,110</b>	<b>\$ 1,206,634</b>

**E. Capital Assets**

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,902,767	\$ --	\$ --	\$ 4,902,767
Construction in progress	120,877	--	--	120,877
<b>Total capital assets not being depreciated</b>	<b>5,023,644</b>	<b>--</b>	<b>--</b>	<b>5,023,644</b>
Capital assets being depreciated:				
Infrastructure	12,206,219	765,838	--	12,972,057
Buildings and improvements	4,771,680	71,264	--	4,842,944
Improvements other than buildings	1,599,888	284,716	--	1,884,604
Machinery and Equipment	3,379,479	284,803	--	3,664,282
<b>Total capital assets being depreciated</b>	<b>21,957,266</b>	<b>1,406,621</b>	<b>--</b>	<b>23,363,887</b>
Less accumulated depreciation for:				
Infrastructure	(1,004,581)	(232,502)	--	(1,237,083)
Buildings and improvements	(1,072,352)	(125,332)	--	(1,197,684)
Improvements other than buildings	(354,681)	(86,029)	--	(440,710)
Machinery and Equipment	(1,903,252)	(308,316)	--	(2,211,568)
<b>Total accumulated depreciation</b>	<b>(4,334,866)</b>	<b>(752,179)</b>	<b>--</b>	<b>(5,087,045)</b>
<b>Total capital assets being depreciated, net</b>	<b>17,622,400</b>	<b>654,442</b>	<b>--</b>	<b>18,276,842</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 22,646,044</b>	<b>\$ 654,442</b>	<b>\$ --</b>	<b>\$ 23,300,486</b>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><u>Business-type activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>214,954</u>	<u>--</u>	<u>--</u>	<u>214,954</u>
Capital assets being depreciated:				
Buildings and improvements	3,661,586	530,601	--	4,192,187
Improvements other than buildings	1,944,240	--	--	1,944,240
Utility System	42,908,568	1,081,506	--	43,990,074
Machinery and Equipment	2,100,098	--	--	2,100,098
Total capital assets being depreciated	<u>50,614,492</u>	<u>1,612,107</u>	<u>--</u>	<u>52,226,599</u>
Less accumulated depreciation for:				
Buildings and improvements	(254,330)	(106,137)	--	(360,467)
Improvements other than buildings	(711,304)	(64,808)	--	(776,112)
Utility System	(14,937,101)	(810,701)	--	(15,747,802)
Machinery and Equipment	(1,739,222)	(116,400)	--	(1,855,622)
Total accumulated depreciation	<u>(17,641,957)</u>	<u>(1,098,046)</u>	<u>--</u>	<u>(18,740,003)</u>
Total capital assets being depreciated, net	<u>32,972,535</u>	<u>514,061</u>	<u>--</u>	<u>33,486,596</u>
Business-type activities capital assets, net	\$ <u>33,187,489</u>	\$ <u>514,061</u>	\$ <u>--</u>	\$ <u>33,701,550</u>

Depreciation was charged to functions as follows:

**Governmental activities:**

General Government	\$ 32,711
Public Safety	245,765
Public Works	322,667
Culture and Recreation	<u>151,036</u>
	<u>\$ 752,179</u>

**Business-type activities:**

Water and Sewer System	\$ 969,332
Natural Gas System	62,974
Community Aquatic Center	<u>65,740</u>
	<u>\$ 1,098,046</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	(361,575)
Capitalized leases, net	<u>\$ 1,245,425</u>

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**F. Interfund Balances and Activity**

**1. Due To and From Other Funds**

Balances due to and due from other funds at September 30, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 354,559	Short-term loans
General Fund	Other Enterprise Fund	--	Short-term loans
	Total	\$ 354,559	

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, 2013, consisted of the following:

Transfers Out	Transfers In				
	Total	General Fund	Nonmajor Governmental	Nonmajor Proprietary	Water & Sewer
Natural Gas Fund	\$ 164,684	\$ 915,409	\$ --	\$ --	\$ 164,684
Water and Sewer Fund	915,409	915,409			
General Fund	775,831		712,616	63,215	
Nonmajor Governmental	42,893				
Internal Service Fund	1,800				1,800
	\$ 1,900,617	\$ 915,409	\$ 712,616	\$ 63,215	\$ 166,484

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

Other transfers were made to supplement other funds operations.

**G. Short-Term Debt Activity**

The City had no short-term debt activity for the year ended September 30, 2013.

**H. Restricted Assets**

Cash and cash equivalents were restricted for the following purposes at September 30, 2013:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 8,134,648	\$ 1,440,455
Debt Service	--	183,991
	\$ 8,134,648	\$ 1,624,446

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**I. Long-Term Obligations**

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

Long-term debt consisted of the following at September 30, 2013:

	Interest Rate	General Long-Term Debt	Enterprise Fund Debt
Combination Tax and Revenue Certificates of Obligation, Series 2005	4.00-4.50%	531,392	388,608
Combination Tax and Revenue Certificates of Obligation, Series 2007	4.25-5.25%	12,532,413	2,577,587
General Obligation Refunding Bonds, Series 2009	3.00-4.00%	1,126,734	803,266
Combination Tax and Revenue Certificates of Obligation, Series 2009	3.00-4.50%	--	9,150,000
General Refunding Bonds, Series 2010	2.00-4.00%	1,181,888	1,178,112
General Refunding Bonds, Series 2012	1.00-3.00%	3,924,792	2,870,208
<b>Total Bonded Debt</b>		<b>19,297,219</b>	<b>16,967,781</b>
Unamortized bond premium		519,654	348,109
Capital leases payable		1,037,000	--
OPEB obligation payable		1,436,824	--
Pension obligation payable		260,240	--
Compensated absences		344,386	87,878
<b>Total Long-Term Debt</b>		<b>\$ 22,895,323</b>	<b>\$ 17,403,768</b>

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 17,594,949	--	\$ 4,531,144	\$ 13,063,805	736,832
General obligation bonds	2,691,159	3,973,888	431,633	6,233,414	428,020
Bond premium	327,739	309,072	117,157	519,654	54,000
Capital leases	1,110,000	--	73,000	1,037,000	73,000
Pension obligation	254,411	5,829	--	260,240	30,000
OPEB obligation	1,239,418	366,401	168,995	1,436,824	--
Compensated absences *	335,649	157,440	148,703	344,386	140,000
<b>Total governmental activities</b>	<b>\$ 23,553,325</b>	<b>\$ 4,812,630</b>	<b>\$ 5,470,632</b>	<b>\$ 22,895,323</b>	<b>\$ 1,461,852</b>

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Business-type activities:**

Certificates of obligation	\$ 15,605,051	\$ --	\$ 3,073,856	\$ 12,531,195	288,168
General obligation bonds	2,288,903	2,906,112	758,429	4,436,586	766,980
Bond premium	209,707	226,025	87,623	348,109	19,945
Compensated absences *	114,504	85,120	111,746	87,878	80,000
Total business-type activities	<u>\$ 18,218,165</u>	<u>\$ 3,217,257</u>	<u>\$ 4,031,654</u>	<u>\$ 17,403,768</u>	<u>\$ 1,155,093</u>

\* Other long-term liabilities

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

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

**2. Debt Service Requirements**

Debt service requirements on long-term debt at September 30, 2013, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 1,164,852	\$ 796,843	\$ 1,961,695
2015	1,213,823	753,052	1,966,875
2016	1,412,611	706,153	2,118,764
2017	1,386,931	656,453	2,043,384
2018	1,389,579	605,172	1,994,751
2019-2023	6,899,748	2,174,996	9,074,744
2024-2027	5,829,675	558,546	6,388,221
Totals	<u>\$ 19,297,219</u>	<u>\$ 6,251,215</u>	<u>\$ 25,548,434</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2014	\$ 1,055,148	\$ 630,971	\$ 1,686,119
2015	1,096,177	595,968	1,692,145
2016	1,132,389	560,993	1,693,382
2017	1,118,069	523,980	1,642,049
2018	1,120,421	483,753	1,604,174
2019-2023	5,500,252	1,789,984	7,290,236
2024-2028	5,180,325	685,665	5,865,990
2029	765,000	17,214	782,214
Totals	<u>\$ 16,967,781</u>	<u>\$ 5,288,528</u>	<u>\$ 22,256,309</u>

**3. Advance Refunding of Debt**

In October 2012, the City issued \$6,880,000 of General Obligation Refunding Bonds to defease \$6,620,000 of Combination Tax and Revenue C.O.'s Series 2005. \$3,823,712 of the refunded debt was serviced by the Debt Service Fund and \$2,796,288 was debt of the Water and Sewer Enterprise Fund.

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

The proceeds from the refunding bonds have been deposited in irrevocable trusts which, together with interest earnings on those deposits, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded. The trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2013, \$6,620,000 of bonds outstanding were considered defeased.

The present value of the debt savings was \$598,090, \$345,457 was attributable to Governmental Activities and \$252,633 to the Water and Sewer Enterprise Fund.

**4 Capital Leases**

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2013, as follows:

<u>Year Ending September 30,</u>	
2014	\$ 120,222
2015	120,162
2016	120,911
2017	120,414
2018	120,661
2019-2023	603,285
2024	121,024
Total Minimum Rentals	<u>1,326,679</u>
Less amount representing interest	<u>(289,679)</u>
Present value of minimum lease payments	\$ <u>1,037,000</u>
Rental Expenditures in 2013	\$ <u>121,137</u>

The effective interest rate on capital leases is 4.39%.

**J. Commitments Under Noncapitalized Leases**

The City had no material commitments under operating (noncapitalized) lease agreements at September 30, 2013.

**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 2013, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsurance through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**L. Pension Plan**

**1. Plan Description**

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

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

	Plan Year 2012	Plan Year 2013
Employee deposit rate	7.00%	7.00%
Matching ratio(city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility express as age/years of service	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating	70% of CPI Repeating

**2 Contributions**

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

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

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Annual Pension Cost:	
Annual required contribution (ARC)	\$ 677,179
Interest on Net Pension Obligation	17,624
Adjustment to ARC	<u>(15,646)</u>
Annual Pension Cost	679,157
Contributions Made	<u>(673,328)</u>
Increase in net pension	5,829
NPO at beginning of year	<u>254,411</u>
NPO at End of Year	\$ 260,240

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Acutuarial Valuation Date	12/31/10	12/31/11	12/31/12
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	27.3 years: closed period	26.4 years: closed period	25.4 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.0%
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, 2013**

**3 Funding Status and Funding Progress:**

The funding status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	<u>12/31/12</u>
Actuarial Value of Assets	\$ 17,585,134
Actuarial Accrued Liability	\$ 21,103,497
Percentage Funded	83.3%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 3,518,363
Annual Covered Payroll	\$ 4,654,360
UAAL as a Percentage of Covered Payroll	75.6%

**Trend Information for the Plan:**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/11	\$ 784,961	85.13%	\$ 116,741
09/30/11	719,061	95.50%	147,073
09/30/12	679,157	99.43%	260,240

**Schedule of Funding Progress:**

Actuarial Value Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/10	14,763,503	\$ 18,263,261	\$ 3,499,758	80.84%	\$ 4,372,266	80.0%
12/31/11	16,183,038	19,865,789	3,682,751	81.46%	4,476,201	82.3%
12/31/12	17,585,134	21,103,497	3,518,363	83.33%	4,654,360	75.6%

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

The death benefit for active members provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**M. Health Care Coverage**

During the year ended September 30, 2013, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$413 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2013, and terms of coverage and premium costs are included in the contractual provisions.

**N. Post Employment Benefits Other Than Pensions**

**Health Care Benefit Eligibility Conditions:**

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

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**

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Health Care Benefit Eligibility Conditions**

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

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

**Health Care Benefit Provided by Plan**

Member: Medical

**Non-Duty Disabled Retirement Benefits**

**Health Care Benefit Eligibility Conditions**

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

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

Benefits are paid by retiree

**Dental Coverage**

Benefits are paid by retiree

**Life Insurance Coverage**

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

No dependent life is covered by the City of Rockport.

**Retiree Opt-Out**

N/A

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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 OPEB actuarial valuation performed for the fiscal year beginning October 1, 2011 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, 2013 was determined as follows:

Annual required contribution	\$ 366,401
Interest on OPEB obligation	10,992
Adjustment to ARC	(10,992)
Annual OPEB cost (expense end of year)	<u>366,401</u>
Net employer contributions (pay as you go)	(168,995)
Increase in net OPEB	<u>197,406</u>
Net OPEB obligation - as 09/30/12	<u>1,239,418</u>
Net OPEB obligation (asset)- as of 09/30/13	<u>\$ 1,436,824</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 Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 468,876	29.76%	\$ 1,018,943
2012	355,729	39.18%	1,239,418
2013	366,401	46.12%	1,436,824

**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, 2012, its most recent actuarial valuation is as follows:

Actuarial accrued liability (AAL)	\$ 3,722,633
Actuarial value of assets	--
Unfunded AAL(UAAL)	\$ 3,722,633
Funded ratio	--
Covered Payroll	\$ 4,654,360
UAAL as % of covered payroll	79.98%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$3,722,633 at December 31, 2012.

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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**

Measurement date	December 31, 2011
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Amortization period	30 years, open
Inflation rate	3.0% per annum
Medical Inflation	8.5% initial rate, 4.5% ultimate rate,
Payroll Growth rate	3% annually

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

**O. Commitments and Contingencies**

**1. Contingencies**

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

**2. Litigation**

No reportable litigation was pending against the City at September 30, 2013.

**P. Subsequent Events**

No events occurred subsequent to September 30, 2013 that require disclosure in the financial statements.

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Q. Prior Period Adjustment

Adjustment to Beginning Net Position

Due to the early implementation of GASB 65, as discussed in Note A, most issuance costs for debt are no longer capitalized and amortized but rather expensed as incurred. This statement, then, requires the removal of deferred charges for issuance costs previously capitalized and reduces the beginning net position in the amount of \$431,697.

Prior Period Adjustments were made as follows:

General Government Activities Fund:

Write off Bond costs in accordance with GASB 65	\$ 246,115
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Business Type Activities Fund

Water and Sewer Fund

Write off bond costs in accordance with GASB 65	<u>256,422</u>
---	----------------

Total GASB 65	<u>502,537</u>
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Natural Gas Utility fund

Correction of prior period amount, reversal entry not posted	<u>96,200</u>
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\$ <u>598,737</u>
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## 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, 2013**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>			
<b>Assets:</b>			
Cash and investments	\$ 738,472	\$ 266,626	\$ 1,005,098
Receivables ( net of allowances for uncollectibles):			
Other taxes	224,675	--	224,675
Accounts	15,760	48	15,808
Special assessments	735	6,473	7,208
Intergovernmental	20,472	469,947	490,419
Restricted assets:			
Cash and investments	--	2,485,232	2,485,232
Total Assets	<u>1,000,114</u>	<u>3,228,326</u>	<u>4,228,440</u>
<b>Liabilities:</b>			
Accounts payable	\$ 128,873	\$ 35,662	\$ 164,535
Accrued expenditures	13,226	--	13,226
Due to other funds	48,879	305,680	354,559
Total Liabilities	<u>190,978</u>	<u>341,342</u>	<u>532,320</u>
<b>Deferred Outflows of Resources</b>			
Unavailable special assessments	735	6,473	7,208
Unavailable taxes - Utility Surcharge	15,760	--	15,760
Total Deferred Outflows of Resources	<u>16,495</u>	<u>6,473</u>	<u>22,968</u>
Total Liabilities and Deferred Outflows of Resources	<u>207,473</u>	<u>347,815</u>	<u>555,288</u>
<b>Fund balances:</b>			
Nonspendable - deficit	(40,670)	--	(40,670)
Restricted	824,611	2,505,789	3,330,400
Committed	8,700	1,773	10,473
Assigned	--	372,949	372,949
Total fund balances	<u>792,641</u>	<u>2,880,511</u>	<u>3,673,152</u>
Total Liabilities and Fund balances	<u>\$ 1,000,114</u>	<u>\$ 3,228,326</u>	<u>\$ 4,228,440</u>

**CITY OF ROCKPORT, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenue:</b>			
Taxes	\$ 898,122	\$ --	\$ 898,122
Intergovernmental	387,347	641,108	1,028,455
Fines	17,379	--	17,379
Interest	--	5,381	5,381
Miscellaneous	14,584	--	14,584
<b>Total revenues</b>	<b>1,317,432</b>	<b>646,489</b>	<b>1,963,921</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	14,139	--	14,139
Public safety	736,025	--	736,025
Culture and recreation	46,552	--	46,552
Tourism	536,505	--	536,505
<b>Capital outlay</b>	<b>--</b>	<b>723,258</b>	<b>723,258</b>
<b>Debt service:</b>			
Principal	30,661	--	30,661
Interest and fiscal charges	4,859	--	4,859
<b>Total expenditures</b>	<b>1,368,741</b>	<b>723,258</b>	<b>2,091,999</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>(51,309)</b>	<b>(76,769)</b>	<b>(128,078)</b>
<b>Other financing sources (uses):</b>			
Transfers in	476,736	237,680	714,416
Transfers out	(42,893)	--	(42,893)
<b>Total other financing sources (uses)</b>	<b>433,843</b>	<b>237,680</b>	<b>671,523</b>
<b>Net change in fund balance</b>	<b>382,534</b>	<b>160,911</b>	<b>543,445</b>
<b>Fund balance, beginning of year</b>	<b>410,107</b>	<b>2,719,600</b>	<b>3,129,707</b>
<b>Fund balance, end of year</b>	<b>\$ 792,641</b>	<b>\$ 2,880,511</b>	<b>\$ 3,673,152</b>

**CITY OF ROCKPORT, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2013**

	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
<b>ASSETS</b>				
Assets:				
Cash and investments	\$ 176,251	\$ 10,533	\$ --	\$ --
Receivables ( net of allowances for uncollectibles):				
Other taxes	--	--	--	--
Accounts	15,760	--	--	--
Special assessments	--	--	--	--
Intergovernmental	--	2,174	--	--
Total Assets	<u>192,011</u>	<u>12,707</u>	<u>--</u>	<u>--</u>
Liabilities:				
Accounts payable	\$ 126,400	\$ --	\$ 870	\$ --
Accrued expenditures	--	--	--	--
Due to other funds	--	4,007	--	--
Total Liabilities	<u>126,400</u>	<u>4,007</u>	<u>870</u>	<u>--</u>
Deferred Outflows of Resources				
Unavailable special assessments	--	--	--	--
Unavailable taxes - Utility Surcharge	15,760	--	--	--
Total Deferred Outflows of Resources	<u>15,760</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Liabilities and Deferred Outflows of Resources	<u>142,160</u>	<u>4,007</u>	<u>870</u>	<u>--</u>
Fund balances:				
Nonspendable deficit	--	--	(870)	--
Restricted	49,851	--	--	--
Committed	--	8,700	--	--
Total fund balances	<u>49,851</u>	<u>8,700</u>	<u>(870)</u>	<u>--</u>
Total Liabilities and Fund balances	<u>\$ 192,011</u>	<u>\$ 12,707</u>	<u>\$ --</u>	<u>\$ --</u>

Contribution Fund	City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy	Key Allegro Property Impr. District
\$ 280	\$ --	\$ 101,146	\$ 333,384	\$ 232
--	--	--	224,675	--
--	--	--	--	--
--	--	--	--	735
--	18,298	--	--	--
<u>280</u>	<u>18,298</u>	<u>101,146</u>	<u>558,059</u>	<u>967</u>
 \$ --	 \$ --	 \$ --	 \$ --	 \$ --
--	13,226	--	--	--
--	44,872	--	--	--
--	<u>58,098</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	735
--	--	--	--	--
--	--	--	--	735
--	<u>58,098</u>	<u>--</u>	<u>--</u>	<u>735</u>
 --	 (39,800)	 --	 --	 --
280	--	101,146	558,059	232
--	--	--	--	--
<u>280</u>	<u>(39,800)</u>	<u>101,146</u>	<u>558,059</u>	<u>232</u>
 \$ 280	 \$ 18,298	 \$ 101,146	 \$ 558,059	 \$ 967

**CITY OF ROCKPORT, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2013**

	Border Star Grant	Child Safety
<b>ASSETS</b>		
Assets:		
Cash and investments	\$ 10,388	\$ 25
Receivables ( net of allowances for uncollectibles):		
Other taxes	--	--
Accounts	--	--
Special assessments	--	--
Intergovernmental	--	--
Total Assets	<u>10,388</u>	<u>25</u>
Liabilities:		
Accounts payable	\$ --	\$ --
Accrued expenditures	--	--
Due to other funds	--	--
Total Liabilities	<u>--</u>	<u>--</u>
Deferred Outflows of Resources		
Unavailable special assessments	--	--
Unavailable taxes - Utility Surcharge	--	--
Total Deferred Outflows of Resources	<u>--</u>	<u>--</u>
Total Liabilities and Deferred Outflows of Resources	<u>--</u>	<u>--</u>
Fund balances:		
Nonspendable deficit	--	--
Restricted	10,388	25
Committed	--	--
Total fund balances	<u>10,388</u>	<u>25</u>
Total Liabilities and Fund balances	<u>\$ 10,388</u>	<u>\$ 25</u>

Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
\$ 15,052	\$ 91,181	\$ 738,472
--	--	224,675
--	--	15,760
--	--	735
--	--	20,472
<u>15,052</u>	<u>91,181</u>	<u>1,000,114</u>
 \$ 1,528	 \$ 75	 \$ 128,873
--	--	13,226
--	--	48,879
<u>1,528</u>	<u>75</u>	<u>190,978</u>
 --	 --	 735
--	--	15,760
--	--	16,495
 <u>1,528</u>	 <u>75</u>	 <u>207,473</u>
 --	 --	 (40,670)
13,524	91,106	824,611
--	--	8,700
<u>13,524</u>	<u>91,106</u>	<u>792,641</u>
 <u>\$ 15,052</u>	 <u>\$ 91,181</u>	 <u>\$ 1,000,114</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, 2013

	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
Revenue:				
Taxes	\$ 182,920	\$ --	\$ --	\$ --
Intergovernmental	--	98,201	--	--
Fines	--	--	--	5,072
Miscellaneous	--	--	35	--
Total revenues	<u>182,920</u>	<u>98,201</u>	<u>35</u>	<u>5,072</u>
Expenditures:				
Current:				
General government	--	--	--	9,936
Public safety	126,400	12,884	--	--
Culture and recreation	--	--	46,552	--
Tourism	--	--	--	--
Debt service:				
Principal	30,661	--	--	--
Interest and fiscal charges	4,859	--	--	--
Total expenditures	<u>161,920</u>	<u>12,884</u>	<u>46,552</u>	<u>9,936</u>
Excess (deficiency) of revenues (under) expenditures	21,000	85,317	(46,517)	(4,864)
Other financing sources (uses):				
Transfers in	--	--	45,435	6,348
Transfers out	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>45,435</u>	<u>6,348</u>
Net change in fund balance	21,000	85,317	(1,082)	1,484
Fund balance, beginning of year	28,851	(76,617)	212	(1,484)
Fund balance, end of year	<u>\$ 49,851</u>	<u>\$ 8,700</u>	<u>\$ (870)</u>	<u>\$ --</u>

**CITY OF ROCKPORT, TEXAS**  
**UTILITY BILL SURCHARGE**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT B-5**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenue:</b>				
Taxes	\$ 167,490	\$ 167,490	\$ 182,920	\$ 15,430
Total revenues	<u>167,490</u>	<u>167,490</u>	<u>182,920</u>	<u>15,430</u>
<b>Expenditures:</b>				
Current:				
Public safety	123,525	123,525	126,400	(2,875)
Debt service:				
Principal	30,661	30,661	30,661	--
Interest and fiscal charges	4,859	4,859	4,859	--
Total expenditures	<u>159,045</u>	<u>159,045</u>	<u>161,920</u>	<u>(2,875)</u>
Excess (deficiency) of revenues (under) expenditures	8,445	8,445	21,000	12,555
<b>Other financing sources (uses):</b>				
Transfers out	(8,375)	(8,375)	--	8,375
Total other financing sources (uses)	<u>(8,375)</u>	<u>(8,375)</u>	<u>--</u>	<u>(8,375)</u>
<b>Net change in fund balance</b>	<b>70</b>	<b>70</b>	<b>21,000</b>	<b>20,930</b>
<b>Fund balance, beginning of year</b>	<b>24,852</b>	<b>24,852</b>	<b>28,851</b>	<b>3,999</b>
<b>Fund balance, end of year</b>	<b>\$ 24,922</b>	<b>\$ 24,922</b>	<b>\$ 49,851</b>	<b>\$ 24,929</b>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
**CITY/COUNTY DISPATCH SERVICE**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT B-6**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenue:</b>				
Intergovernmental	\$ 278,306	\$ 278,306	\$ 255,236	\$ (23,070)
Miscellaneous	--	--	13,400	13,400
<b>Total revenues</b>	<b>278,306</b>	<b>278,306</b>	<b>268,636</b>	<b>(9,670)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	550,204	550,204	556,577	(6,373)
<b>Total expenditures</b>	<b>550,204</b>	<b>550,204</b>	<b>556,577</b>	<b>(6,373)</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>(271,898)</b>	<b>(271,898)</b>	<b>(287,941)</b>	<b>(16,043)</b>
<b>Other financing sources (uses):</b>				
Transfers in	271,898	271,898	424,953	153,055
<b>Total other financing sources (uses)</b>	<b>271,898</b>	<b>271,898</b>	<b>424,953</b>	<b>(153,055)</b>
<b>Net change in fund balance</b>	--	--	137,012	137,012
<b>Fund balance, beginning of year</b>	<b>(176,812)</b>	<b>(176,812)</b>	<b>(176,812)</b>	<b>--</b>
<b>Fund balance, end of year</b>	<b>\$ (176,812)</b>	<b>\$ (176,812)</b>	<b>\$ (39,800)</b>	<b>\$ 137,012</b>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
**HOTEL/MOTEL OCCUPANCY TAX FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT B-7**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenue:</b>				
Taxes	\$ 565,000	\$ 565,000	\$ 698,934	\$ 133,934
Miscellaneous	--	--	899	899
<b>Total revenues</b>	<b>565,000</b>	<b>565,000</b>	<b>699,833</b>	<b>134,833</b>
<b>Expenditures:</b>				
Current:				
Tourism	525,750	525,750	536,505	(10,755)
<b>Total expenditures</b>	<b>525,750</b>	<b>525,750</b>	<b>536,505</b>	<b>(10,755)</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>39,250</b>	<b>39,250</b>	<b>163,328</b>	<b>124,078</b>
<b>Other financing sources (uses):</b>				
Transfers out	(42,893)	(42,893)	(42,893)	--
<b>Total other financing sources (uses)</b>	<b>(42,893)</b>	<b>(42,893)</b>	<b>(42,893)</b>	<b>--</b>
<b>Net change in fund balance</b>	<b>(3,643)</b>	<b>(3,643)</b>	<b>120,435</b>	<b>124,078</b>
<b>Fund balance, beginning of year</b>	<b>437,624</b>	<b>437,624</b>	<b>437,624</b>	<b>--</b>
<b>Fund balance, end of year</b>	<b>\$ 433,981</b>	<b>\$ 433,981</b>	<b>\$ 558,059</b>	<b>\$ 124,078</b>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
**MUNICIPAL COURT SECURITY & TECHNOLOGY FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT B-8**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Fines	\$ 16,000	\$ 16,000	\$ 8,217	\$ (7,783)
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>8,217</u>	<u>(7,783)</u>
Expenditures:				
Current:				
General government	3,200	3,200	4,203	(1,003)
Total expenditures	<u>3,200</u>	<u>3,200</u>	<u>4,203</u>	<u>(1,003)</u>
Excess (deficiency) of revenues (under) expenditures	12,800	12,800	4,014	(8,786)
Other financing sources (uses):				
Total other financing sources (uses)	--	--	--	--
Net change in fund balance	12,800	12,800	4,014	(8,786)
Fund balance, beginning of year	87,092	87,092	87,092	--
Fund balance, end of year	<u>\$ 99,892</u>	<u>\$ 99,892</u>	<u>\$ 91,106</u>	<u>\$ (8,786)</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT B-9**

	(GAAP Basis) Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 2,057,299	\$ 2,057,299	\$ 2,060,151	\$ 2,852
Interest	1,000	1,000	646	(354)
Total revenues	<u>2,058,299</u>	<u>2,058,299</u>	<u>2,060,797</u>	<u>2,498</u>
Expenditures:				
Current:				
Debt service:				
Principal	1,083,083	1,083,083	1,181,404	(98,321)
Interest and fiscal charges	979,525	979,525	824,889	154,636
Bond issuance cost	--	--	87,178	(87,178)
Total expenditures	<u>2,062,608</u>	<u>2,062,608</u>	<u>2,093,471</u>	<u>(30,863)</u>
Excess (deficiency) of revenues (under) expenditures	(4,309)	(4,309)	(32,674)	(28,365)
Other financing sources (uses):				
Transfers in	42,893	42,893	42,893	--
Issuance of certificates of obligation	--	--	3,973,888	(3,973,888)
Premium on bonds sold	--	--	309,072	(309,072)
Interest on bonds sold	--	--	12,409	(12,409)
Payment to refunding escrow agent	--	--	(4,195,782)	(4,195,782)
Total other financing sources (uses)	<u>42,893</u>	<u>42,893</u>	<u>142,480</u>	<u>(99,587)</u>
Net change in fund balance	38,584	38,584	109,806	71,222
Fund balance, beginning of year	341,347	341,347	341,347	--
Fund balance, end of year	<u>\$ 379,931</u>	<u>\$ 379,931</u>	<u>\$ 451,153</u>	<u>\$ 71,222</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2013**

	<u>Flamingo/ Luau Road Assessment</u>	<u>General Capital Improvement</u>
<b>ASSETS</b>		
Assets:		
Cash and Investments	\$ 1,725	\$ --
Receivables ( net of allowances for uncollectibles):		
Accounts	48	--
Special assessments	3,911	2,562
Intergovernmental	--	469,947
Restricted assets:		
Cash and investments	--	--
Total Assets	<u>5,684</u>	<u>472,509</u>
Liabilities:		
Accounts payable	\$ --	\$ --
Due to other funds	--	305,680
Total Liabilities	<u>--</u>	<u>305,680</u>
Deferred Outflows of Resources		
Unavailable special assessments	3,911	2,562
Total Deferred Outflows of Resources	<u>3,911</u>	<u>2,562</u>
Total Liabilities and Deferred Outflows of Resources	<u>3,911</u>	<u>308,242</u>
Fund balances:		
Restricted	--	--
Committed	1,773	--
Assigned	--	164,267
Total fund balances	<u>1,773</u>	<u>164,267</u>
Total Liabilities and Fund balances	<u>\$ 5,684</u>	<u>\$ 472,509</u>

<u>Bay Education Center Construction</u>	<u>Vehicle and Equipment Replacement</u>	<u>2005 Certificate of Obligation</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit B-1)</u>
\$ 20,557	\$ 244,344	\$ --	\$ 266,626
--	--	--	48
--	--	--	6,473
--	--	--	469,947
--	--	2,485,232	2,485,232
<u>20,557</u>	<u>244,344</u>	<u>2,485,232</u>	<u>3,228,326</u>
 \$ --	 \$ 35,662	 \$ --	 \$ 35,662
<u>--</u>	<u>--</u>	<u>--</u>	<u>305,680</u>
<u>--</u>	<u>35,662</u>	<u>--</u>	<u>341,342</u>
 --	 --	 --	 6,473
<u>--</u>	<u>--</u>	<u>--</u>	<u>6,473</u>
 --	 35,662	 --	 347,815
 20,557	 --	 2,485,232	 2,505,789
<u>--</u>	<u>--</u>	<u>--</u>	<u>1,773</u>
<u>--</u>	<u>208,682</u>	<u>--</u>	<u>372,949</u>
<u>20,557</u>	<u>208,682</u>	<u>2,485,232</u>	<u>2,880,511</u>
 \$ 20,557	 \$ 244,344	 \$ 2,485,232	 \$ 3,228,326

**CITY OF ROCKPORT, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECTS FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Flamingo/ Luau Road Assessment	General Capital Improvement
Revenue:		
Intergovernmental Interest	\$      --	\$      641,108
Total revenues	<u>--</u>	<u>--</u>
	<u>--</u>	<u>641,108</u>
Expenditures:		
Current:		
Capital outlay	--	482,864
Total expenditures	<u>--</u>	<u>482,864</u>
	<u>--</u>	<u>158,244</u>
Other financing sources (uses):		
Transfers in	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
	<u>--</u>	<u>158,244</u>
Net change in fund balance		
Fund balance, beginning of year	1,773	6,023
Fund balance, end of year	<u>\$ 1,773</u>	<u>\$ 164,267</u>

Bay Education Center Construction	Vehicle and Equipment Replacement	2005 Certificate of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
\$ --	\$ --	\$ --	\$ 641,108
--	225	5,156	5,381
--	225	5,156	646,489
--	240,394	--	723,258
--	240,394	--	723,258
--	(240,169)	5,156	(76,769)
--	237,680	--	237,680
--	237,680	--	237,680
--	(2,489)	5,156	160,911
20,557	211,171	2,480,076	2,719,600
\$ 20,557	\$ 208,682	\$ 2,485,232	\$ 2,880,511

**CITY OF ROCKPORT, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2013**

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Sanitation Fund	Community Aquatic Center	
<b>ASSETS</b>			
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 246,584	\$ 250	\$ 246,834
Receivables ( net of allowances for uncollectibles):			
Accounts	183,016	242	183,258
Total current assets	<u>429,600</u>	<u>492</u>	<u>430,092</u>
Noncurrent assets:			
Capital assets:			
Land	--	104,300	104,300
Improvements other than buildings	--	1,944,240	1,944,240
Machinery and equipment	--	13,162	13,162
Accumulated depreciation	--	(787,421)	(787,421)
Total noncurrent assets	<u>--</u>	<u>1,274,281</u>	<u>1,274,281</u>
Total Assets	<u>429,600</u>	<u>1,274,773</u>	<u>1,704,373</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 416,107	\$ 3,411	\$ 419,518
Accrued expenses	--	2,372	2,372
Customer deposits	--	698	698
Total current liabilities	<u>416,107</u>	<u>6,481</u>	<u>422,588</u>
Noncurrent liabilities:			
Total liabilities	<u>416,107</u>	<u>6,481</u>	<u>422,588</u>
<b>NET ASSETS:</b>			
Investment in Capital Assets, Net of Related Debt	--	1,274,773	1,274,773
Unrestricted Net Assets	13,493	(5,989)	7,504
Total Net Assets	<u>\$ 13,493</u>	<u>\$ 1,268,292</u>	<u>\$ 1,281,785</u>

**CITY OF ROCKPORT, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FUND NET POSITION

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-9)
	Sanitation Fund	Community Aquatic Center	
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 16,686	\$ 133,706	\$ 150,392
Total Operating Revenues	<u>16,686</u>	<u>133,706</u>	<u>150,392</u>
<b>OPERATING EXPENSES:</b>			
Personal services	--	144,873	144,873
Contractual services	--	21,851	21,851
Maintenance	--	13,207	13,207
Supplies	--	87,261	87,261
Other	--	335	335
Depreciation	--	65,740	65,740
Total Operating Expenses	<u>--</u>	<u>333,267</u>	<u>333,267</u>
Operating Income (Loss)	<u>16,686</u>	<u>(199,561)</u>	<u>(182,875)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Intergovernmental revenue	--	42,000	42,000
Total Non-operating Revenues (Expenses)	<u>--</u>	<u>42,000</u>	<u>42,000</u>
Net Income (Loss) before Operating Transfers	<u>16,686</u>	<u>(157,561)</u>	<u>(140,875)</u>
<b>TRANSFERS:</b>			
Interfund transfers in	--	80,955	80,955
Interfund transfers out	--	--	--
Change in Net Assets	<u>16,686</u>	<u>(76,606)</u>	<u>(59,920)</u>
Net Assets, beginning of year	(3,193)	1,344,898	1,341,705
Net Assets, end of year	<u>13,493</u>	<u>1,268,292</u>	<u>1,281,785</u>

**CITY OF ROCKPORT, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Sanitation Fund	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-10)
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 14,629	\$ 133,706	\$ 148,335
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	--	--
Cash Payments to Employees	--	(144,873)	(144,873)
Cash Payments to Suppliers for Goods and Services	--	(112,645)	(112,645)
Net Cash Provided (Used) by Operating Activities	<u>14,629</u>	<u>(123,812)</u>	<u>(109,183)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>			
Operating Grants Received	--	42,000	42,000
Transfers From Other Funds	--	63,215	63,215
Transfers To Other Funds	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>105,215</u>	<u>105,215</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from sale of assets	--	--	--
Net Cash Provided by Capital & Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,629	(18,597)	(3,968)
Cash and Cash Equivalents at Beginning of Year	231,955	18,847	250,802
Cash and Cash Equivalents at End of Year	<u>\$ 246,584</u>	<u>\$ 250</u>	<u>\$ 246,834</u>

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

Operating Income (Loss)	\$ 16,686	\$ (199,561)	\$ (182,875)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>			
Depreciation	--	65,740	65,740
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(13,447)	--	(13,447)
Increase (Decrease) in Accounts Payable	11,390	(8,168)	3,222
Increase (Decrease) in Interfund Payables	--	17,740	17,740
Increase (Decrease) in Customer Deposits	--	--	--
Increase (Decrease) in Accrued Expenses	--	437	437
Total Adjustments	<u>(2,057)</u>	<u>75,749</u>	<u>73,692</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,629</u>	<u>\$ (123,812)</u>	<u>\$ (109,183)</u>

# STATISTICAL SECTION

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

Contents	Page
Financial Trends	70-75
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	76-79
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	80-83
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	84-89
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.	

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 TEN FISCAL YEARS  
(ACCURRAL BASIS OF ACCOUNTING)  
UNAUDITED

TABLE C-1

		Fiscal Year				
		2004	2005	2006	2007	2008
Governmental Activities						
Invested in Capital Assets						
Net of Related Debt	\$ 2,458,884	\$ 2,540,929	\$ 993,534	\$ 2,337,041	\$ 3,524,435	\$ 4,913,873
Restricted	685,243	507,082	403,643	565,763	397,985	414,299
Unrestricted	(300,615)	1,225,603	3,811,482	3,960,640	4,483,176	4,486,555
Total Governmental Activities Net Assets	\$ 2,843,512	\$ 4,273,614	\$ 5,208,659	\$ 6,863,444	\$ 8,405,596	\$ 9,814,727
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
Restricted	619,791	692,600	187,425	195,144	197,798	186,750
Unrestricted	4,355,965	4,078,290	5,103,927	5,397,009	6,135,437	5,598,373
Total Business-type Activities Net Assets	\$ 17,084,043	\$ 18,072,560	\$ 19,153,070	\$ 20,320,217	\$ 21,220,481	\$ 21,029,622
Primary Government						
Invested in Capital Assets						
Net of Related Debt	\$ 14,587,181	\$ 15,842,699	\$ 14,855,252	\$ 17,065,105	\$ 18,411,881	\$ 20,156,372
Restricted	1,305,034	1,199,682	591,068	760,907	595,783	601,049
Unrestricted	4,035,340	5,303,353	8,915,409	9,357,649	10,618,613	10,084,928
Total Primary Government Net Assets	\$ 19,927,555	\$ 22,346,274	\$ 24,361,729	\$ 27,183,661	\$ 29,626,077	\$ 30,844,349

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

TABLE C-2

		Fiscal Year					
		2004	2005	2006	2007	2008	2009
<b>Expenses</b>							
Governmental Activities:							
General Government	\$ 905,631	\$ 963,466	\$ 932,925	\$ 971,839	\$ 1,055,722	\$ 1,279,701	\$ 1,535,874
Public Safety	1,873,033	2,290,626	2,388,337	2,419,601	2,722,740	2,987,567	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	483,750	505,658	522,996	480,483
Environmental	—	—	—	—	—	—	—
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	\$ 4,725,114	\$ 5,357,294	\$ 6,325,471	\$ 6,294,158	\$ 7,510,640	\$ 8,109,706	\$ 8,829,973
Business-type Activities							
Sanitation	—	—	—	—	—	—	—
Water & Sewer	4,758,144	5,155,035	5,657,236	5,446,484	6,677,635	8,498,489	6,572,267
Beach Park	416,128	460,107	487,793	547,752	633,681	659,646	662,288
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	\$ 5,376,226	\$ 5,885,181	\$ 6,440,563	\$ 6,288,561	\$ 7,612,656	\$ 9,542,998	\$ 1,620,119
Total Primary Government Expenses	\$ 10,111,342	\$ 11,232,475	\$ 12,766,034	\$ 12,582,729	\$ 15,123,276	\$ 17,651,304	\$ 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	383,625	496,159	496,827	487,146	500,843	536,935
Public Works	200,348	365,756	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	50,796	330,102	309,457	312,468	304,545	521,842
Capital Grants and Contributions	167,900	—	—	20,000	—	384,834	1,111,885
Total Governmental Activities Program Revenues	\$ 857,440	\$ 1,325,745	\$ 1,018,329	\$ 1,105,799	\$ 1,111,322	\$ 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	425,924
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	6,081	22,000
Total Business-type Activities Program Revenues	\$ 6,470,428	\$ 7,123,975	\$ 7,371,728	\$ 7,374,970	\$ 8,735,299	\$ 10,193,111	\$ 9,968,471
Total Primary Government Program Revenues	\$ 7,327,868	\$ 8,449,720	\$ 8,390,057	\$ 8,480,769	\$ 9,346,571	\$ 11,546,169	\$ 12,342,902
Net (Expense)/Revenue							
Governmental Activities	\$ (3,877,674)	\$ (4,071,549)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)	\$ (7,465,562)
Business-type Activities	\$ 1,094,200	\$ 1,238,794	\$ 931,165	\$ 1,086,409	\$ 1,122,573	\$ 61,013	\$ 817,856
Total Primary Government Net Expense	\$ 12,783,474	\$ (2,832,755)	\$ (4,335,977)	\$ (4,101,960)	\$ (5,276,705)	\$ (6,105,635)	\$ (6,337,686)

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.

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

TABLE C-3

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>Net (Expense)/Revenue</b>						
Governmental Activities	\$ (3,877,674)	\$ (4,071,546)	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)
Business-type Activities	1,094,200	1,232,794	931,165	1,086,409	1,123,573	651,013
<b>Total Primary Government</b>	<b>\$ (2,783,474)</b>	<b>\$ (2,838,752)</b>	<b>\$ (4,375,977)</b>	<b>\$ (4,101,950)</b>	<b>\$ (5,275,705)</b>	<b>\$ (6,105,555)</b>
<b>General Revenues and Other Changes in Net Assets</b>						
<b>Governmental Activities:</b>						
Taxes						
Property Taxes	\$ 2,096,150	\$ 2,194,213	\$ 2,455,597	\$ 2,793,748	\$ 3,471,324	\$ 3,876,478
Franchise Taxes and other taxes	567,342	585,662	692,088	746,414	776,959	836,640
Sales Taxes	1,400,557	1,624,226	1,718,155	1,714,042	1,842,730	1,726,846
Occupancy Taxes	438,785	503,819	514,322	533,215	540,624	467,038
Unrestricted Grants and Contributions	2,695	—	—	—	—	—
Investment Earnings	44,674	136,628	472,168	649,802	702,769	297,450
Miscellaneous	28,936	71,348	97,718	61,002	46,437	53,059
Transfers	385,311	385,757	292,131	345,131	560,587	908,268
<b>Total Governmental Activities</b>	<b>\$ 4,964,450</b>	<b>\$ 5,501,663</b>	<b>\$ 6,242,187</b>	<b>\$ 6,843,154</b>	<b>\$ 7,941,430</b>	<b>\$ 8,165,779</b>
Business-type Activities:						
Investment Earnings	45,474	141,580	441,376	425,869	337,278	66,396
Miscellaneous	—	—	—	—	—	72,781
Gain/(Loss) on asset disposition	—	—	—	—	71,877	—
Transfers	(386,311)	(385,757)	(244,177)	(292,131)	(345,131)	(560,587)
<b>Total Business-type Activities</b>	<b>\$ (386,311)</b>	<b>\$ (385,757)</b>	<b>\$ (244,177)</b>	<b>\$ (292,131)</b>	<b>\$ (345,131)</b>	<b>\$ (560,587)</b>
<b>Total Primary Government</b>	<b>\$ 4,624,613</b>	<b>\$ 5,257,476</b>	<b>\$ 6,239,432</b>	<b>\$ 6,923,892</b>	<b>\$ 7,718,121</b>	<b>\$ 7,321,907</b>
<b>Change in Net Assets</b>						
Governmental Activities	\$ 1,086,776	\$ 1,430,107	\$ 935,045	\$ 1,654,785	\$ 1,542,152	\$ 1,409,131
Business-type Activities	754,363	988,617	1,080,410	1,167,147	900,264	(190,859)
<b>Total Primary Government</b>	<b>\$ 1,841,139</b>	<b>\$ 2,418,724</b>	<b>\$ 2,075,455</b>	<b>\$ 2,821,932</b>	<b>\$ 2,442,416</b>	<b>\$ 1,218,272</b>

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

TABLE C-4

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

TABLE C-5

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	
<b>UNAUDITED</b>								
<b>Revenues</b>								
Taxes	\$ 4,652,207	\$ 5,037,361	\$ 5,469,894	\$ 5,927,580	\$ 6,759,146	\$ 7,014,990	\$ 7,160,823	\$ 7,440,695
Licenses, Fees and Permits	189,154	162,694	169,497	179,770	179,454	127,810	157,742	177,694
Intergovernmental	223,011	500,796	330,102	307,960	312,468	689,439	1,633,727	655,242
Charges for Services	22,350	62,530	21,976	33,342	116,431	19,265	28,916	948
Fines	283,341	270,303	302,134	389,838	349,821	361,139	393,378	329,567
Investment Earnings	44,674	136,628	492,582	553,544	702,769	287,450	79,650	42,175
Special Assessments	14,394	12,777	4,455	4,602	3,489	711	—	—
Other Revenues	28,936	264,486	145,207	133,476	46,437	53,059	53,633	59,003
Total Revenues	<u>5,458,067</u>	<u>6,447,575</u>	<u>6,935,847</u>	<u>7,500,112</u>	<u>8,470,075</u>	<u>8,563,863</u>	<u>9,507,869</u>	<u>9,455,369</u>
<b>Expenditures</b>								
General Government	868,958	881,978	908,290	934,602	1,045,219	1,137,890	1,158,179	1,274,439
Public Safety	1,301,959	2,146,537	2,229,055	2,256,783	2,534,311	2,684,287	2,914,167	3,234,665
Public Works	1,003,901	1,126,343	1,473,824	1,327,317	1,454,671	1,410,462	1,600,542	1,321,318
Culture and Recreation	256,095	277,234	341,482	329,821	408,354	368,058	453,479	631,897
Tourism	273,010	303,839	510,202	483,780	505,658	522,996	480,483	476,810
Environmental	—	—	—	—	—	—	—	—
Capital Outlay	3,033,285	1,175,909	1,042,111	2,004,996	3,340,589	8,084,491	2,765,131	1,019,504
Debt Service	334,695	341,219	476,053	438,512	495,322	666,283	864,399	1,018,895
Interest and bond costs	335,779	352,911	516,672	495,085	1,159,854	1,135,664	1,127,741	1,007,674
Principal	<u>7,907,682</u>	<u>6,605,970</u>	<u>7,497,689</u>	<u>8,270,896</u>	<u>10,943,978</u>	<u>16,040,131</u>	<u>11,364,121</u>	<u>9,985,202</u>
Total Expenditures								
Excess of Revenues Over (Under) Expenditures	(2,449,615)	(158,395)	(561,842)	(770,784)	(2,473,963)	(7,476,268)	(1,856,252)	(1,279,878)
Excess of Revenues Over (Under) Expenditures	(1,607,000)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Other Financing Sources (Uses)								
Bonds Issued	—	5,902,724	14,420,203	—	—	—	2,258,397	1,524,701
Capital Leases	—	—	—	—	—	—	—	—
Payments to Escrow Agent	—	(120,795)	(218,954)	(10,000)	—	(2,155,327)	(1,475,220)	—
Bond issue costs	615,853	762,945	962,140	923,114	1,089,136	1,796,614	1,609,671	1,566,570
Transfers In	(230,542)	(377,188)	(425,421)	(577,983)	(528,549)	(836,296)	(1,067,958)	(1,533,335)
Transfers Out	—	—	—	—	—	—	—	—
Total Other Financing Sources (Uses)	1,992,311	385,757	6,318,648	14,546,380	550,587	900,318	644,783	82,716
Net Change in Fund Balances	<u>\$ (457,304)</u>	<u>\$ 227,362</u>	<u>\$ 5,756,806</u>	<u>\$ 13,775,596</u>	<u>\$ (1,923,376)</u>	<u>\$ (6,575,950)</u>	<u>\$ (1,211,469)</u>	<u>\$ (985,162)</u>
Debt Service As A Percentage Of Noncapital Expenditures	13.8%	12.8%	15.4%	14.9%	21.8%	22.6%	23.2%	22.8%
								23.5%
								9,809,158

TABLE C-6

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

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Occupancy Tax	Other Taxes	Total
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
2011	4,011,625	1,799,286	801,629	647,278	180,877	7,440,695
2012	4,152,465	1,929,948	795,072	662,330	178,672	7,718,487
2013	4,380,000	2,051,342	844,466	698,934	199,923	8,174,665
Percent Change 2004-2013	107.1%	46.5%	48.8%	66.0%	34.8%	75.7%

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

TABLE C-7

Fiscal Year	Roll Year	Real Property			Personal Property			Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
		Residential Property	Commercial and Industrial Property	Rural-Underdev. Property	Business	Other						
2004	2003	\$ * \$	\$	\$	\$	\$	\$	\$ 783,984,771	\$ 0.2650	\$ 783,984,771	100.0000%	
2005	2004	* *						\$ 850,188,337	0.2557	\$ 850,188,337	100.0000%	
2006	2005	* *						\$ 955,490,048	0.2549	\$ 955,490,048	100.0000%	
2007	2006	* *						\$ 1,144,148,087	0.2443	\$ 1,144,148,087	100.0000%	
2008	2007	1,136,460,421	152,843,104	12,948,250	45,556,584	5,743,745	(65,552,301)	1,283,004,803	0.2790	1,288,004,803	100.0000%	
2009	2008	1,184,302,272	163,509,633	13,784,610	44,527,321	6,071,625	(50,471,909)	1,361,703,552	0.2990	1,361,703,552	100.0000%	
2010	2009	1,208,687,146	169,416,739	12,804,120	44,808,234	5,722,815	(41,194,373)	1,400,244,681	0.2987	1,400,244,681	100.0000%	
2011	2010	1,397,619,312	163,711,921	12,819,730	43,894,297	5,006,615	(35,648,632)	1,587,403,243	0.3100	1,587,403,243	100.0000%	
2012	2011	1,207,519,961	176,446,050	13,221,090	38,887,032	7,882,595	(35,090,371)	1,408,866,357	0.3089	1,408,866,357	100.0000%	
2013	2012	* *						\$ 1,441,253,000	0.3258	\$ 1,441,253,000	100.0000%	

Source: Aransas County Appraisal District

\* Information is not available

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

TABLE C-8

Fiscal Year	Basic Rate	City Direct Rates			Overlapping Rates		
		General Obligation Debt Service		Total Direct Rate	Aransas County Navigation District		Aransas County ISD
		Aransas County	Aransas County	Aransas County	Aransas County	Aransas County	Aransas County
2004	\$ 0.1963	\$ 0.0687	\$ 0.2650	\$ 0.3478	\$ 0.0320	\$ 1.5700	
2005	0.1949	0.0608	0.2557	0.3387	0.0499	1.5173	
2006	0.1808	0.0741	0.2549	0.3241	0.0499	1.5184	
2007	0.1629	0.0814	0.2443	0.2784	0.0398	1.3963	
2008	0.1605	0.1185	0.2790	0.2632	0.0545	1.0849	
2009	0.1683	0.1307	0.2990	0.3049	0.0524	1.0849	
2010	0.1651	0.1335	0.2987	0.3397	0.0547	1.0949	
2011	0.1573	0.1527	0.3100	0.3598	0.0547	1.0917	
2012	0.1583	0.1506	0.3089	0.3703	0.0558	1.1324	
2013	0.1725	0.1533	0.3258	0.3811	0.0558	1.1594	

Source: Aransas County Tax Assessor

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

TABLE C-9

Taxpayer	2013			2004			Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank		
Oaks at Bentwater, LP	\$ 7,663,730	1	0.5848%	\$ --	--	--	--
Wal-Mart Real Estate Bus Tr	7,132,010	2	0.5443%	--	--	--	--
Rockport Harborfront, LP	6,962,895	3	0.5314%	4,974,642	2	0.0639%	
H E Butt Grocery	6,378,066	4	0.4867%	9,301,259	1	0.1195%	
C H Marina and Drystack LP	5,725,958	5	0.4370%	--	--	--	
Lokseva, Inc	5,513,770	6	0.4208%	--	--	--	
Wal-Mart Stores East #440	5,431,319	7	0.4145%	2,538,004	7	0.0326%	
Heritage Hotels Rockport LP	4,665,180	8	0.3560%	3,329,770	4	0.0428%	
Crowley, Christopher	3,675,250	9	0.2805%	--	--	--	
AEP Texas Central Comp	3,465,570	10	0.2645%	3,501,660	3	0.0450%	
Southwestern Bell Telephone	--	--	--	2,975,860	5	0.0382%	
Bracht Lumber Co., Inc.	--	--	--	2,649,261	6	0.0340%	
Rockbay Properties LTD	--	--	--	2,509,850	8	0.0322%	
Sea Mist, LTD	--	--	--	2,402,440	9	0.0309%	
White Marlin of Rockport LP	--	--	--	2,301,300	9	0.0296%	
 Total	 \$ 56,613,748		 4.3203%	 \$ 36,484,046		 0.4687%	

Source: Aransas County Appraisal District

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

TABLE C-10

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 2,079,429	\$ 2,043,298	98.26%	\$ 28,083	\$ 2,071,381	99.61%
2005	2,173,619	2,136,929	98.31%	28,064	2,164,993	99.60%
2006	2,432,166	2,392,879	98.38%	29,369	2,422,248	99.59%
2007	2,771,764	2,729,705	98.48%	30,727	2,760,432	99.59%
2008	3,444,641	3,392,957	98.50%	41,021	3,433,978	99.69%
2009	3,842,178	3,771,806	98.17%	53,002	3,824,808	99.55%
2010	3,947,447	3,866,254	97.94%	58,027	3,924,281	99.41%
2011	3,999,750	3,928,989	98.23%	44,897	3,973,886	99.35%
2012	4,113,275	4,047,717	98.41%	31,551	4,079,268	99.17%
2013	4,334,917	4,274,298	98.60%			

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 C-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			
2004	\$ 5,145,547	\$ 1,607,000	\$ 1,850,000	\$ 3,884,454	\$ 12,487,001	\$ —	9.11%	\$ 1,474
2005	4,806,458	1,552,000	1,725,000	3,448,543	11,532,001	—	—	1,362
2006	10,163,405	1,495,000	1,600,000	7,281,596	20,540,001	—	—	2,272
2007	23,883,894	1,436,000	1,470,000	9,731,107	36,521,001	14.33%	4,039	4,039
2008	23,449,572	1,375,000	1,335,000	9,245,429	35,405,001	13.66%	3,756	3,756
2009	22,846,289	1,312,000	1,190,000	8,933,712	34,282,001	10.40%	3,495	3,495
2010	22,061,354	1,247,000	—	19,978,647	43,287,001	13.13%	4,413	4,413
2011	21,311,775	1,180,000	—	18,853,275	41,345,050	12.54%	4,419	4,419
2012	20,286,108	1,110,000	—	17,893,954	39,290,062	11.92%	4,199	4,199
2013	19,297,219	1,037,000	—	17,893,954	36,265,000	11.00%	3,876	3,876

**CITY OF ROCKPORT, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

TABLE C-12

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property(1)	Per Capita(2)
	General Bonded Debt	Debt Service Funds	Net Bonded Debt		
2004	\$ 12,487,001	\$ 271,850	\$ 12,215,151	1.56%	\$ 1,442
2005	11,532,001	277,024	11,809,025	1.39%	1,394
2006	20,540,001	259,152	20,280,849	2.13%	2,243
2007	36,521,001	542,935	35,978,066	3.17%	3,884
2008	35,405,001	365,215	35,039,786	2.88%	3,718
2009	34,282,001	363,963	33,918,038	2.64%	3,457
2010	43,287,001	293,651	43,580,652	3.30%	4,442
2011	41,345,050	344,532	41,689,582	3.05%	4,455
2012	39,290,062	525,338	39,815,400	2.91%	4,255
2013	36265000	451153	36,716,153	2.68%	3,924

(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**

TABLE C-13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt Repaid With Property Taxes</b>			
Aransas County Independent School District	\$ 32,275,000	58.490%	\$ 18,877,648
Aransas County	22,463,005	56.800%	12,758,987
Aransas County Navigation District	5,180,000	47.680%	2,469,824
<b>Subtotal, Overlapping Debt</b>			<b>34,106,458</b>
<b>City Direct Debt</b>			<b>19,297,219</b>
<b>Total Direct and Overlapping Debt</b>			<b>\$ 53,403,677</b>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.  
The percentage of overlapping debt applicable is estimated by the percent of area of each government that is within the boundaries of the City.

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

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

TABLE C-14

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Maximum available tax revenues for all purposes including debt service</b>	\$ 19,599,619	\$ 21,254,708	\$ 23,887,251	\$ 28,364,349	\$ 30,402,840	\$ 32,136,535	\$ 33,040,660	\$ 34,193,454	\$ 32,699,909	\$ 35,273,627
<b>Actual amount expended for general obligation debt</b>	<u>680,474</u>	<u>694,130</u>	<u>922,725</u>	<u>933,597</u>	<u>1,655,176</u>	<u>1,679,650</u>	<u>1,930,704</u>	<u>1,949,434</u>	<u>2,083,638</u>	<u>2,040,581</u>
<b>Excess</b>	<u>18,919,145</u>	<u>20,560,578</u>	<u>22,964,526</u>	<u>27,430,752</u>	<u>28,747,664</u>	<u>30,456,885</u>	<u>31,109,956</u>	<u>32,244,020</u>	<u>30,616,271</u>	<u>33,233,046</u>

**Legal Debt Margin Calculation for the Current Fiscal Year**

<b>Assessed Value</b>	\$ 1,410,945,098
Maximum tax rate per \$100 assessed valuation	<u>2.50</u>
Maximum available tax revenues for all purposes including debt service	<u>35,273,627</u>
Actual amount expended for general obligation debt service	<u>\$ 2,040,581</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 C-16

Fiscal Year	Utility Service Charges	Water and Sewer Revenue Bonds			
		Less: Operating Expenses(1)	Net Available Revenue	Debt Requirements(2)	Coverage
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
2011	10,102,665	7,421,348	2,681,317	—	N/A
2012	9,904,944	7,094,829	2,810,115	—	N/A
2013	8,907,527	6,210,472	2,697,055	—	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 C-16

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Population(1)	8,469	8,469	9,041	9,264	9,425	9,810	9,810	9,357	9,357	9,357
Personal Income(3)	\$ -	\$ 27,504	\$ 27,504	\$ 27,504	\$ 27,504	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950
Per Capita Personal Income (in thousands)	\$ -	\$ 232,931	\$ 248,664	\$ 254,797	\$ 259,225	\$ 244,760	\$ 244,760	\$ 233,457	\$ 233,457	\$ 233,457
Median Age(3)	-	-	42.7	42.7	42.7	46.0	46.0	49.0	49.0	49.0
Education Level in Years of Schooling	-	-	-	-	-	-	-	-	-	-
School Enrollment	3,331	3,126	3,079	3,014	3,241	3,331	2,916	2,848	3,331	3,331
Unemployment(2)	8.3%	5.5%	4.8%	4.2%	4.8%	6.9%	7.4%	7.4%	7.4%	6.2%

Data Sources:

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

Omitted information is not available.

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

TABLE C-17

Employer	2013			2004			Percentage of Total City Employment
	Employees	Rank	Percentage of Total City Employment	Employees	Rank		
Aransas County ISD	496	1	--	--	--	--	--
Wal-Mart	232	2	--	--	--	--	--
Wood Group Production Ser	225	3					
H.E.B.	180	4					
Aransas County	178	5					
City of Rockport	139	6	--	--	--	--	--
State of Texas	107	7	--	--	--	--	--
Rockport Coastal Care Center	80	8					
Gulf Polne Plaza	73	9	--	--	--	--	--
Oak Crest Nursing Center	70	10					
<b>Total</b>	<b>1,780</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

Source: Rockport Fulton Chamber of Commerce

Omitted information is not available.

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

TABLE C-18

Function/Program	Full-Time-Equivalent Employees as of Year End					
	2004	2005	2006	2007	2008	2009
General Government	5	5	5	5	5	5
Municipal Court	2	3	3	3	3	3
City Secretary	1	1	1	1	1	1
City Manager	1	1	1	1	1	1
Information/Technology	2	2	2	2	2	2
Finance						
Police Officers	19	22	22	22	21	25
Civilians	7	13	14	14	14	14
Public Works						
Building and Development	5	5	5	5	5	5
Street and Drainage	6	6	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
Environmental	—	—	—	—	—	1
Natural Gas	—	—	—	—	7	6
Customer Service	4	4	5	5	4	4
Total	83	105	115	117	123	125
Source: City Budget						
						134
						114

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

TABLE C-19

Function/Program	Fiscal Year						2011	2012	2013
	2004	2005	2006	2007	2008	2009			
General Government									
Building Permits Issued	475	463	475	475	490	162	209	342	460
Building Inspections Conducted	720	735	644	644	520	233	177	278	278
Police									
Physical Arrests	996	892	829	829	833	833	833	833	598
Traffic Violations	2,960	2,625	3,460	3,460	3,337	3,337	3,677	4,025	1,286
Fire									
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Refuse Collection									
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Public Works									
Street Resurfacing (miles)	9.89	9.03	20.63	20.63	9.15	9.15	9.15	9.15	9.15
Potholes Repaired	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Library									
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water									
New Connections	228	238	297	297	203	143	267	48	73
Water Main Breaks	19	25	19	19	10	10	10	10	10
Average Daily Consumption									
2,746,000	2,240,000	2,837,000	2,837,000	2,948,000	2,630,137	2,818,759	2,765,108	2,776,959	
Peak Daily Consumption									
3,787,000	4,580,000	4,979,000	4,979,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000
Storage Capacity									
(1)	(1)	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	8,100,000	8,100,000
Wastewater									
Average Daily Sewage Treatment (millions of gallons)	1.50	1.25	1.36	1.36	1.30	1.30	1.30	1.30	1.30
Transit									
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>(1)</sup> Information is not available.

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

TABLE C-20

Function/Program	Fiscal Year						2010	2011	2012	2013
	2004	2005	2006	2007	2008	2009				
Police										
Stations	1	1	1	1	1	1			1	1
Patrol Units	—	12	12	12	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	83	83	83	77	77	77	77	77	77	87
Parks and Recreation										
Acreage	200	200	200	200	200	200	200	200	200	200
Parks	10	10	10	10	10	10	10	10	10	10
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	—
Water										
Water Mains (miles)	96	96	96	96	160	163	163	163	163	163
Storage Capacity (thousands of gallons)	5,100	5,100	7,100	7,100	7,100	7,100	7,100	7,100	8,100	8,100
Wastewater										
Sanitary Sewers (miles)	62	62	62	64	64	67	67	67	67	67
Storm Sewers (miles)	31	31	31	31	31	31	31	31	31	31
Treatment Capacity (thousands of gallons)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50

Sources: Various city departments

**CITY OF ROCKPORT, TEXAS**  
 INSURANCE IN FORCE  
 SEPTEMBER 30, 2013  
 UNAUDITED

**TABLE C-21**

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #9131	Real and Personal Property, \$24,585,450 Mobile Equipment, \$938,876 Errors & Omissions, \$2,000,000 occurrence, \$4,000,000 annual aggregate Law Enforcement Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate General Liability, \$2,000,000 occurrence, \$4,000,000 annual aggregate Auto Liability, \$1,000,000 occurrence, \$25,000 Medical Auto Physical Damage, coverage varies per vehicle Workers Compensation, limit statutory Public Employee Dishonesty, \$50,000 occurrence Forgery or Alteration, \$10,000 occurrence Theft, Disappearance & Destruction, \$10,000 occurrence Computer Fraud, \$10,000 occurrence Boiler & Machinery, \$100,000 Flood-City Hall and contents, \$500,000 Fine Arts, 37,400	October 1, 2014
Harford Casualty Insurance Company 61BSBAN2111 61BSBGE5563 61BSBGG2972	Public Official Bond, Tax Collector, \$50,000 Public Official Bond, City Manger, \$50,000 Public Official Bond, Finance Director, \$50,000	October 1, 2014 Janurary 9, 2015 March 1, 2015
Fidelity National Insurance Co. 421150576270	Flood-Bay Education Center, \$500,000/\$467,000	September 4, 2014
Texas Windstorm Insurance Assoc. 26742911	Windstorm and Hail, \$14,820,677	August 27, 2014

**CITY OF ROCKPORT, TEXAS**  
 SELECTED UTILITY FUND DATA  
 LAST TEN FISCAL YEARS  
 SEPTEMBER 30, 2013  
 UNAUDITED

TABLE C-22

Fiscal Year Ended September 30,	Water Connections	Sewer Connections	Gallons of Water Consumed
2004	8,161	3,986	797,799,100
2005	8,396	4,129	879,564,100
2006	8,747	4,276	916,721,400
2007	9,025	4,356	842,145,700
2008	9,173	4,433	882,252,300
2009	9,410	4,526	1,073,168,400
2010	9,516	4,567	1,014,375,581
2011	9,612	4,615	1,028,847,000
2012	9,742	4,688	1,009,264,400
2013	9,806	4,580	962,344,800

## **SINGLE AUDIT SECTION**

# *Michael A. Arnold, PLLC*

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Independent Auditor's 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise City of Rockport, Texas's basic financial statements, and have issued our report thereon dated February 7, 2014.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Rockport, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Rockport, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Rockport, Texas's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Rockport, Texas's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Michael A. Arnold, PLLC

Rockport, Texas  
February 7, 2014

# *Michael A. Arnold, PLLC*

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## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Members of the City Council:

### **Report on Compliance for Each Major Federal Program**

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, 2013. 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.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Rockport, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Rockport, Texas's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, City of Rockport, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2013.

## Report on Internal Control Over Compliance

Management of City of Rockport, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Rockport, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Michael A. Arnold, PLLC

Rockport, Texas  
February 7, 2014

**CITY OF ROCKPORT, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued:	<u>Unmodified</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>Unmodified</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>
14.228	Community Development Block Grant

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, 2013**

<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, 2013**

N/A

**CITY OF ROCKPORT, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT D-1**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U.S DEPARTMENT OF HOMELAND SECURITY</u></b>			
Passed Through Aransas County, Texas: Operation Stonegarden(OPSG)	97.067	11-SR-48007-01	\$ 2,174
Total U.S Department of Homeland Security			<u>2,174</u>
<b><u>U. S. DEPARTMENT OF THE INTERIOR</u></b>			
Passed Through Texas Department of Transportation: Coastal Wetlands Planning, Protection and Resoration Act	15.614	CSJ 0916-38-004	169,034
Total U. S. Department of the Interior			<u>169,034</u>
<b><u>U. S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
Passed Through Texas General Land Office: Community Development Block Grant *	14.228	12-282-000-5630/Drs210/	466,901
Passed Through Texas Department of Housing and Community Affairs: Home Investment Partnerships Program	14.239	1001612	2,127
Total U. S. Department of Housing & Urban Development			<u>469,028</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 640,236</u></b>

\* 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, 2013**

#### **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.