

City of Rockport, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2015

Prepared by

Patty Howard, Finance Director

City of Rockport, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2015

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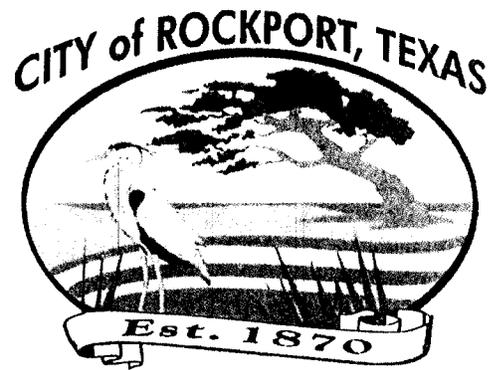
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Introductory Section



March 17, 2016

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, 2015, 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 budgeted 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 . More recently, in 2014 Rockport was ranked seventh and eighth, respectively, in *Budget Travel's* America's Coolest Small Towns listing and *Where to Retire's* Top 8 Places to Retire. In 2015 CNN listed Rockport number 11 on its list of America's Best Little Beach Towns while *USA Today* placed it number five on their 10 Best Coastal Small Towns and *Texas Highways* put Rockport number six on its recommendation of "Texas Top 40" travel destinations.

Property values in the City of Rockport increased from \$538,391,491 in 2000 to \$1,493,022,236 in 2015. 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 72 in 2015, 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 \$2,363,626 in 2015. 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:

- South Rockport Regional Drainage GLO 100% Grant Phase 2– The City of Rockport received a \$987,102.00 grant from General Land Office (GLO) for purchasing and upgrading existing storm water sewer system including storm sewer pipe ranging in size from twenty-four inches to forty-two inches, concrete box culverts ranging in size from four feet to eight feet wide, road and driveway culverts, junction boxes, End Slope Treatments (EST), and concrete headwalls. In addition, the City of Rockport will perform repairs to city streets and state highways, adjust impacted waterlines, and perform site work associated with the construction. Construction will take place at the following locations: 1st, 2nd, & 3rd streets from Bronte street (SH35) to Kossuth Street.. Fuqua and Bronte streets, from King street to 3rd street; King, Lamar, and Corpus Christi streets from Kossuth street to Bronte Street and Verne street from King street to 3rd street .Proposed improvements will significantly increase the capacity of the storm sewer system and reduce flooding.
- **Texas Parks & Wildlife Department Recreation Grant**
\$72,000 grant with a \$21,600 match Paid from Parks & Leisure Services Budget
The project is located within Memorial Park, the largest and most used city-owned park, with 100 acres comprised primarily of native coastal live oak forest habitat. Approximately 30 acres of the park remain undeveloped. The 9-foot wide, 6 mile long, heavily used asphalt hike & bike trail winds through 52 acres of the park, and consists of four connected loops constructed in three phases from 1988 to 2004. There are two trailheads. One begins at the park entrance where there is parking, ADA compliant restrooms with chilled water fountain, and picnic sites. The first two trail loops are located within the original 32 acres of the park. Further to the west, into the park's first 20-acre addition, two trail loops were added, along with a second trailhead parking area with ADA compliant restrooms, picnic sites, and a stand-alone drinking fountain. The first two trail loops are lighted, but the second two loops in the west section are not.

BUDGET AS COMPARED TO ACTUAL

General Government Fund Revenues – Budget as Compared to Actual

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

General Governmental Fund Expenditures – Budget as Compared to Actual

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

FIDUCIARY FUNDS

The City had no fiduciary funds at September 30, 2015.

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, 2015 was \$1,165,944,929 and was taxed at \$.335179 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$4,617,226.

Collections

Current taxes of \$4,598,070 representing 99.44% of the adjusted tax roll were collected during fiscal year 2014-2015. 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.

	2009	2010	2011	2012	2013	2014
General Fund	.165133	.157307	.158338	.172497	.185090	.205279
G.O. Debt	<u>.133548</u>	<u>.152701</u>	<u>.150552</u>	<u>.153327</u>	<u>.142638</u>	<u>.129900</u>
Total	.298681	.310008	.308890	.325824	.327728	.335179

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, 2014. This is the twelfth 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, 2015 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**

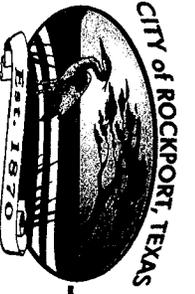
Presented to

**City of Rockport
Texas**

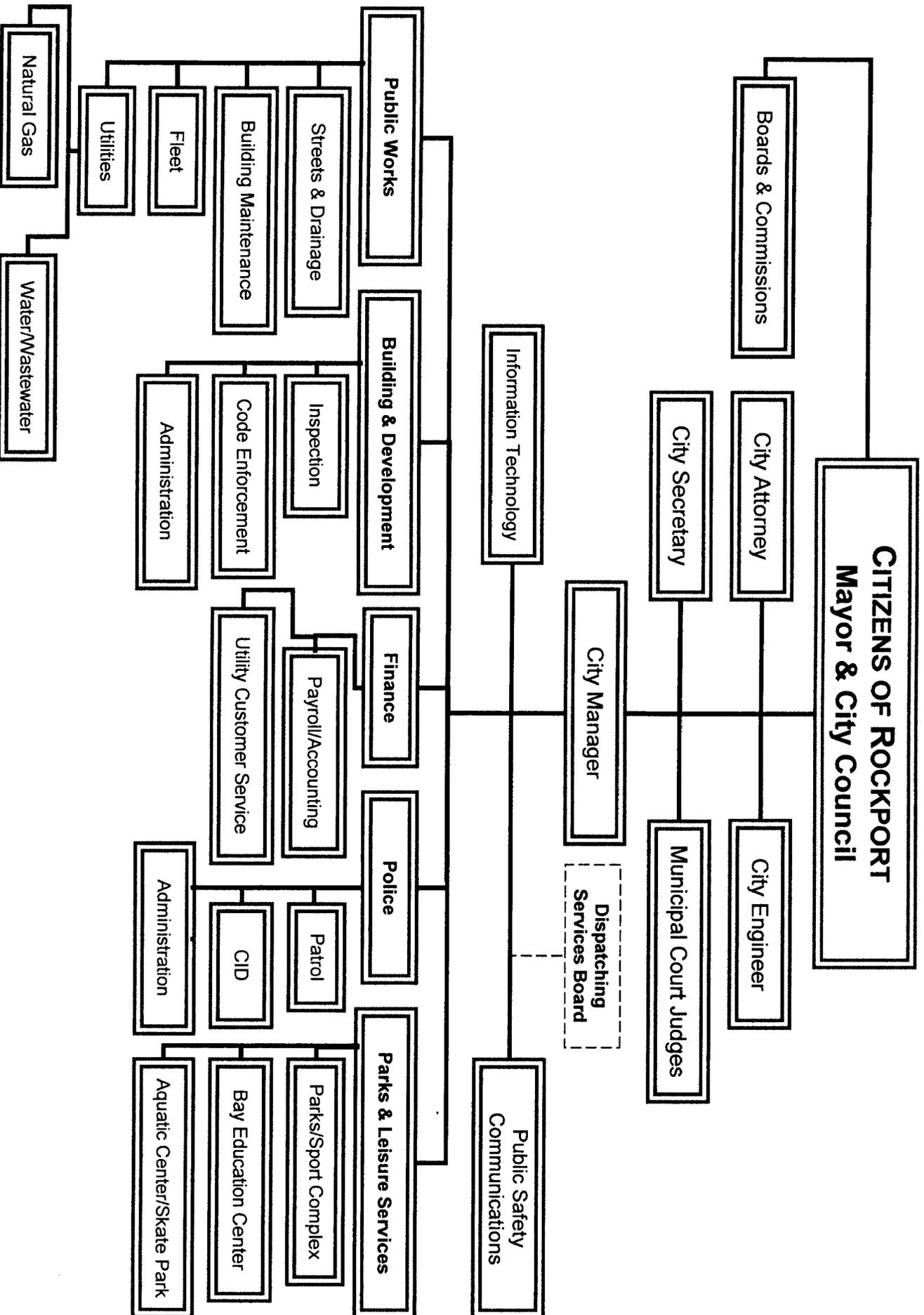
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO



City of Rockport Organization Chart



CITY OF ROCKPORT, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2015

Elected Officials

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

Appointed Officials

<u>Name</u>	<u>Position</u>
Kevin Carruth	City Manager
Teresa Valdez	City Secretary
Patty Howard	Finance Director
Mike Donoho	Public Works Director/Building & Development Director
Tim Jayroe	Chief of Police
Tom Staley	Parks and Leisure Services Director

Financial Section

MICHAEL A. ARNOLD, PLLC
CERTIFIED PUBLIC ACCOUNTANT
501 E. MARKET
ROCKPORT, TX 78382

Phone: 361-729-3545
830-228-4402
Fax: 866-576-3913

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 the City of Rockport, Texas ("the City") as of and for the year ended September 30, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2015, City of Rockport, Texas adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. 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 Discussion and Analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions 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 statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016 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,

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

Michael A. Arnold, PLLC

Rockport, TX
March 17, 2016

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Rockport's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2015. 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 2015 by \$40,119,161 (net assets). Of this amount, \$4,068,020 (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 \$2,536,671 in 2015.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,437,930, a decrease of 4.3% in comparison with the prior year. Approximately \$3,080,818 (24.8%) of this total amount is available for spending at the government's discretion.
- The General fund reported an unassigned fund balance of \$3,191,300 or, 47.1% of total general fund expenditures.
- The City's total long-term debt increased by \$390,711 (2%) 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 13 through 15 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 16 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 44 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 47 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 \$40,119,161 at the close of the most recent fiscal year.

\$61.9 million or 71.5%, 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, 2015

Table 1

	Governmental Activities		Business Type Activities		Total Government	
	2014	2015	2014	2015	2014	2015
Assets						
Current and Other Assets	\$ 5,880,655	6,485,860	\$ 4,897,447	\$ 8,257,592	\$ 10,778,102	\$14,743,452
Restricted Assets	7,046,943	6,975,115	7,587,807	2,990,988	14,634,750	9,966,103
Capital Assets, net of accumulated depreciation	24,859,317	26,587,166	34,117,818	35,302,105	58,977,135	61,889,271
Total Assets	37,786,915	40,048,141	46,603,072	46,550,685	84,389,987	86,598,826
Deferred Outflow of Resources	\$ 537,914	1,730,078	\$ 428,876	723,173	\$ 966,790	2,453,251
Total Assets and Deferred	\$38,745,503	41,778,219	\$47,043,182	47,273,858	\$ 85,788,685	\$89,052,077
Liabilities						
Current & Due Within One Year	2,603,114	3,182,202	3,490,459	3,389,680	6,093,573	6,571,882
Due in More Than One Year	20,495,391	22,785,166	19,260,414	19,503,519	39,755,805	42,288,685
Total Liabilities	23,098,505	25,967,368	22,750,873	22,893,199	45,849,378	48,860,567
Deferred Inflow Resources	-	-	96,467	72,349	96,467	72,349
Total Liabilities and Deferred	23,098,505	25,967,368	22,847,696	22,965,548	45,936,831	48,932,916
Net Assets						
Invested in Capital Assets, Net of Related Debt	13,739,958	15,375,317	22,172,890	19,971,005	35,912,848	35,346,322
Restricted for:						
Debt Service	591,101	523,884	182,073	180,935	773,174	704,819
Capital Projects	-	-	-	-	-	-
Unrestricted	1,325,309	(88,350)	1,840,523	4,156,370	3,165,832	4,068,020
Total Net Assets	\$15,656,368	15,810,851	\$24,195,486	24,308,310	\$39,851,854	\$40,119,161

An additional portion of the City's net assets (1.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (10.2%) 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	
	2014	2015	2014	2015	2014	2015
Program revenues						
Charges for services	\$ 986,491	\$1,011,088	\$ 11,791,143	\$11,823,583	\$12,777,634	\$12,834,671
Operating grants and contributions	234,191	180,099	51,250	51,417	285,441	231,516
Capital grants and contributions	<u>699,802</u>	<u>205,900</u>	<u>-</u>	<u>210,577</u>	<u>699,802</u>	<u>416,477</u>
Total program revenues	1,920,484	1,397,087	\$ 11,842,393	\$12,085,577	\$13,762,877	13,482,664
General revenues						
Property taxes	4,546,433	4,685,492	-	-	4,546,433	4,685,492
Sales taxes	2,231,798	2,390,992	-	-	2,231,798	2,390,992
Franchise and other taxes	803,439	836,325	-	-	803,439	836,325
Occupancy taxes	839,931	876,738	-	-	839,931	876,738
Interest	42,240	31,568	11,848	9,242	54,088	40,810
Miscellaneous	<u>173,247</u>	<u>95,614</u>	<u>-</u>	<u>-</u>	<u>173,247</u>	<u>95,614</u>
Total revenues	8,637,088	8,916,729	11,848	9,242	8,648,936	8,925,971
Expenses						
General government	1,464,770	1,744,282	-	-	1,464,770	1,744,282
Public safety	4,035,843	4,210,447	-	-	4,035,843	4,210,447
Public Works	1,576,188	1,765,828	-	-	1,576,188	1,765,828
Culture and recreation	961,048	1,110,379	-	-	961,048	1,110,379
Tourism	640,589	569,140	-	-	640,589	569,140

Environmental	-	-	-	-	-	-
Water and Sewer	-	-	7,672,619	7,904,121	7,672,619	7,904,121
Sanitation	-	-	-	-	-	-
Beach Park	-	-	-	-	-	-
Community Aquatic Center	-	-	397,675	399,748	397,675	399,748
Natural Gas	-	-	397,675	1,644,781	397,675	1,644,781
Interest and fiscal charges	<u>755,689</u>	<u>526,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>526,297</u>
Total expense	<u>9,434,127</u>	<u>9,926,373</u>	<u>9,914,769</u>	<u>9,948,650</u>	<u>19,348,896</u>	<u>19,875,023</u>

Change in net assets

Increase(Decrease) before transfers	1,123,445	387,443	1,939,472	2,151,358	3,062,917	2,538,801
Loss on disposition of assets	-	-	-	-	-	-
Transfers	804,938	947,241	(836,081)	(949,371)	(31,143)	(2,130)
Prior Period Adj	-	<u>(1,198,425)</u>	<u>-</u>	<u>(1,276,503)</u>	<u>-</u>	<u>(2,474,928)</u>
Net assets at beginning of year	<u>\$13,727,985</u>	<u>\$15,674,592</u>	<u>23,092,095</u>	<u>24,382,826</u>	<u>36,820,080</u>	<u>40,057,418</u>
Net assets at end of year	<u>\$15,656,368</u>	<u>\$15,810,851</u>	<u>\$24,195,486</u>	<u>\$24,308,310</u>	<u>\$39,851,854</u>	<u>40,119,161</u>

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

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

As shown in Table 2 and the Exhibit A-2 of the Basic Financial Statements, the expenses incurred in providing these services are netted against the program revenues received by the City for these services. Because the City is not a for-profit entity, the cost to deliver the services far exceeds the program revenues generated. This deficit of new expenditures, \$8,529,286, is overcome by the general revenues of taxes, investment earnings, miscellaneous income and transfers in totaling \$9,863,970. The overall change in Net Assets resulting from governmental activities at the end of the year was \$1,334,684.

Business-Type Activities. As shown in Table 2 and in the Statement of Activities, program revenues of the City's business-type activities were \$12,085,577 for the fiscal year ended September 30, 2015. Expenses for the City's business-type activities were \$9,948,650, resulting in net revenues of \$2,136,927. After the non-program expenses, \$949,371 and revenues, \$9,242 are added in, the total change in net assets for the business type activities was \$1,201,987.

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 4.87% this year, with no pass through increase 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 11.15%. 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 not increased this year. 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 \$12,437,930, a decrease of \$508,562 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 \$3,191,300. 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 2015, the daily cost of operation in the general fund was \$18,703 (total current expenditures of \$6,826,571 divided by 365 days in the year). The City of Rockport's unassigned general fund balance would be able to sustain 171 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 2014-15, the General Fund budget was not amended.

Proprietary Funds. The proprietary funds ended 2015 with combined net assets totaling \$24,085,667. 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 2014-15, the proprietary finds were not amended.

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, 2015 totals at \$63,905,700 (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 8.4%.

Major capital asset events during 2015 include the following:

- South Rockport Regional Drainage GLO 100% Grant– The City of Rockport received a \$1,000,000.00 grant from General Land Office (GLO) for purchasing and upgrading existing storm water sewer system including storm sewer pipe ranging in size from twenty-four inches to forty-two inches, concrete box culverts ranging in size from four feet to eight feet wide, road and driveway culverts, junction boxes, End Slope Treatments (EST), and concrete headwalls. In addition, the City of Rockport will perform repairs to city streets and state highways, adjust impacted waterlines, and perform site work associated with the construction. Construction will take place at the following locations: 1st street from Bronte street (SH35) to S. Ann street; Intersection of 2nd street and Bronte street (SH 35); Intersection of E. 5th street and S. Mathis street; Intersection of E. 5th street and S. Pearl street. Proposed improvements will significantly increase the capacity of the storm sewer system and reduce flooding.
- South Side Wastewater system Improvement – Construction of a sewer collection system off-site force main began in December, 2012 and has been completed. Cost of the project was \$1,284,530 and was paid from 2007 Construction bond funds. The city constructed the sewer collection system off-site force main which included the existing lift stations, other than the Islands of Rockport Lift Station which the Developer constructed upon approval by the city. The city also constructed all force mains from the Islands of Rockport Lift Station to the existing lift station on First Street and gravity collection lines. To recover some of the costs associated with the project, the City intends to collect pro rata fees from developers who request sewer service from the city and must connect to the sewer collection system off-site force main in order to obtain such service. This project greatly increases the ability to receive sewer service on the south part of Rockport.

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

Long-Term Debt. The City of Rockport issued \$3,610,000 in new Combination Tax and Revenue Certificates of Obligation, Series 2014 on June 24, 2014. The proceeds from the sale of the certificates will be used for the purpose of paying the City's combined waterworks and sewer system (including but not limited to rehabilitation of water tanks), the City's gas system (including but not limited to the construction and equipping of a condensed natural gas fueling facility and funding a distribution integrity management program line replacement), to pay all or a portion of the legal, fiscal and engineering fees in connection with the Projects, and to pay costs of issuance of the Certificates.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2015-16 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, 2015

EXHIBIT A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 5,302,268	\$ 6,847,417	\$ 12,149,685
Receivables (net of allowances for uncollectibles):			
Property taxes	120,176	--	120,176
Other taxes	438,813	--	438,813
Accounts	124,332	1,294,000	1,418,332
Special assessments	7,208	4,136	11,344
Intergovernmental	297,808	--	297,808
Internal balances	105,309	(105,309)	--
Inventories	89,946	217,348	307,294
Restricted assets:			
Cash and investments	6,975,115	2,990,988	9,966,103
Capital assets:			
Land	6,417,352	214,953	6,632,305
Construction in progress	326,777	--	326,777
Buildings	4,882,854	4,237,938	9,120,792
Improvements other than buildings	1,884,604	1,944,240	3,828,844
Utility system	--	47,456,446	47,456,446
Machinery and equipment	4,065,949	2,326,332	6,392,281
Infrastructure	15,608,918	--	15,608,918
Accumulated depreciation	(6,599,288)	(20,877,804)	(27,477,092)
Total Assets	<u>40,048,141</u>	<u>46,550,685</u>	<u>86,598,826</u>
Deferred Outflows of Resources			
Deferred Loss on Bond Refunding	1,427,102	458,034	1,885,136
Deferred Outflows related to pensions	302,976	265,139	568,115
Total Deferred Outflows of Resources	<u>1,730,078</u>	<u>723,173</u>	<u>2,453,251</u>
LIABILITIES			
Accounts payable	714,784	869,572	1,584,356
Accrued liabilities	112,454	51,129	163,583
Accrued interest payable	112,601	81,412	194,013
Retainage payable	20,590	--	20,590
Payable from restricted assets	--	1,644	1,644
Customer Deposits	--	1,180,830	1,180,830
Noncurrent liabilities:			
Due within one year	2,221,773	1,205,093	3,426,866
Due in more than one year	22,785,166	19,503,519	42,288,685
Total Liabilities	<u>25,967,368</u>	<u>22,893,199</u>	<u>48,860,567</u>
Deferred Inflow of Resources			
Deferred Gain on Bond Refunding	--	72,349	72,349
Total Deferred Inflow of Resources	<u>--</u>	<u>72,349</u>	<u>72,349</u>
NET POSITION:			
Net Investment in Capital Assets	15,375,317	19,971,005	35,346,322
Restricted For:			
Debt Service	523,884	180,935	704,819
Unrestricted	(88,350)	4,156,370	4,068,020
Total Net Position	<u>\$ 15,810,851</u>	<u>\$ 24,308,310</u>	<u>\$ 40,119,161</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,744,282	\$ 34,169	\$ --	\$ --
Public safety	4,210,447	760,746	180,099	--
Public works	1,765,828	216,173	--	205,900
Culture and recreation	1,110,379	--	--	--
Tourism	569,140	--	--	--
Interest and fiscal charges	526,297	--	--	--
Total governmental activities	<u>9,926,373</u>	<u>1,011,088</u>	<u>180,099</u>	<u>205,900</u>
Business-type Activities:				
Sanitation	--	19,260	--	--
Water & Sewer	7,904,121	9,480,727	--	210,577
Community Aquatic Center	399,748	180,357	51,417	--
Natural Gas	1,644,781	2,143,239	--	--
Total Business-type Activities	<u>9,948,650</u>	<u>11,823,583</u>	<u>51,417</u>	<u>210,577</u>
Total Primary Government	<u>\$ 19,875,023</u>	<u>\$ 12,834,671</u>	<u>\$ 231,516</u>	<u>\$ 416,477</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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,710,113)		\$ (1,710,113)
(3,269,602)		(3,269,602)
(1,343,755)		(1,343,755)
(1,110,379)		(1,110,379)
(569,140)		(569,140)
(526,297)		(526,297)
<u>(8,529,286)</u>		<u>(8,529,286)</u>
--	\$ 19,260	19,260
--	1,787,183	1,787,183
--	(167,974)	(167,974)
--	498,458	498,458
<u>--</u>	<u>2,136,927</u>	<u>2,136,927</u>
<u>(8,529,286)</u>	<u>2,136,927</u>	<u>(6,392,359)</u>
2,867,643	--	2,867,643
1,817,849	--	1,817,849
2,390,992	--	2,390,992
836,325	--	836,325
876,738	--	876,738
31,568	9,242	40,810
93,484	--	93,484
949,371	(949,371)	--
<u>9,863,970</u>	<u>(940,129)</u>	<u>8,923,841</u>
1,334,684	1,201,987	2,536,671
15,674,592	24,382,826	40,057,418
(1,198,425)	(1,276,503)	(2,474,928)
<u>\$ 15,810,851</u>	<u>\$ 24,308,310</u>	<u>\$ 40,119,161</u>

CITY OF ROCKPORT, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Debt Service</u>
ASSETS		
Assets:		
Cash and investments	\$ 2,764,236	\$ 472,852
Receivables (net of allowances for uncollectibles):		
Property taxes	69,144	51,032
Other taxes	185,174	--
Accounts	31,865	--
Special assessments	--	--
Intergovernmental	--	--
Due from other funds	639,854	--
Inventories	29,078	--
Restricted assets:		
Cash and investments	--	--
Total Assets	<u>3,719,351</u>	<u>523,884</u>
Liabilities:		
Accounts payable	\$ 336,036	\$ --
Accrued expenditures	93,793	--
Retainage payable	--	--
Due to other funds	--	--
Total Liabilities	<u>429,829</u>	<u>--</u>
Deferred Outflows of Resources		
Unavailable property taxes	69,144	51,032
Unavailable special assessments	--	--
Unavailable taxes - Utility Surcharge	--	--
Total Deferred Inflows of Resources	<u>69,144</u>	<u>51,032</u>
Total Liabilities and Deferred Inflows of Resources	<u>498,973</u>	<u>51,032</u>
Fund balances:		
Nonspendable	29,078	--
Restricted	--	472,852
Committed	--	--
Assigned	--	--
Unassigned	3,191,300	--
Total fund balances	<u>3,220,378</u>	<u>472,852</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,719,351</u>	<u>\$ 523,884</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

2007 Certificate of Obligation	2015 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 2,065,180	\$ 5,302,268
--	--	--	120,176
--	--	253,639	438,813
--	--	17,467	49,332
--	--	7,208	7,208
--	--	297,808	297,808
--	--	--	639,854
--	--	--	29,078
<u>3,993,265</u>	<u>485,415</u>	<u>2,496,435</u>	<u>6,975,115</u>
<u>3,993,265</u>	<u>485,415</u>	<u>5,137,737</u>	<u>13,859,652</u>
\$ --	\$ --	\$ 378,748	\$ 714,784
--	--	14,896	108,689
--	--	20,590	20,590
--	--	432,856	432,856
<u>--</u>	<u>--</u>	<u>847,090</u>	<u>1,276,919</u>
--	--	--	120,176
--	--	7,208	7,208
--	--	17,419	17,419
<u>--</u>	<u>--</u>	<u>24,627</u>	<u>144,803</u>
--	--	--	--
<u>--</u>	<u>--</u>	<u>871,717</u>	<u>1,421,722</u>
--	--	--	29,078
3,993,265	485,415	3,820,485	8,772,017
--	--	36,015	36,015
--	--	520,002	520,002
--	--	(110,482)	3,080,818
<u>3,993,265</u>	<u>485,415</u>	<u>4,266,020</u>	<u>12,437,930</u>
<u>\$ 3,993,265</u>	<u>\$ 485,415</u>	<u>\$ 5,137,737</u>	<u>\$ 13,859,652</u>

CITY OF ROCKPORT, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total fund balances - governmental funds balance sheet	\$ 12,437,930
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.	26,580,187
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	120,176
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	(37,607)
Payables for bond principal which are not due in the current period are not reported in the funds.	(20,156,287)
Payables for capital leases which are not due in the current period are not reported in the funds.	(884,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(112,601)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(363,304)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	1,427,102
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	75,000
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	(1,841,707)
Utility bill taxes unavailable to pay for current period expenditures are deferred in the funds.	17,419
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	7,208
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(1,761,641)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>302,976</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 15,810,851</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Debt Service
Revenue:		
Taxes	\$ 6,085,636	\$ 1,830,114
Licenses and permits	216,173	--
Intergovernmental	--	--
Charges for services	78,261	--
Fines	193,607	--
Interest	18,517	439
Miscellaneous	86,879	6,556
Total revenues	<u>6,679,073</u>	<u>1,837,109</u>
Expenditures:		
Current:		
General government	1,436,246	--
Public safety	3,023,812	--
Public works	1,316,545	--
Culture and recreation	868,253	--
Tourism	--	--
Capital outlay	181,715	--
Debt service:		
Principal	--	1,431,847
Interest and fiscal charges	--	531,506
Bond issuance cost	--	108,599
Total expenditures	<u>6,826,571</u>	<u>2,071,952</u>
Excess (deficiency) of revenues (under) expenditures	(147,498)	(234,843)
Other financing sources (uses):		
Transfers in	1,008,088	69,069
Transfers out	(709,324)	--
Issuance of certificates of obligation	--	5,605,950
Premium on bonds sold	--	527,982
Payment to refunding escrow agent	--	(6,023,410)
Total other financing sources (uses)	<u>298,764</u>	<u>179,591</u>
Net change in fund balance	151,266	(55,252)
Fund balance, beginning of year	3,069,112	528,104
Fund balance, end of year	<u>\$ 3,220,378</u>	<u>\$ 472,852</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

2007 Certificate of Obligation	2015 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 1,085,768	\$ 9,001,518
--	--	--	216,173
--	--	700,062	700,062
--	--	--	78,261
--	--	19,376	212,983
7,480	--	5,132	31,568
--	--	2,179	95,614
<u>7,480</u>	<u>--</u>	<u>1,812,517</u>	<u>10,336,179</u>
--	--	27,087	1,463,333
--	--	956,868	3,980,680
--	--	2,503	1,319,048
--	--	70,941	939,194
--	--	569,140	569,140
443,280	1,514,585	368,229	2,507,809
--	--	33,072	1,464,919
--	--	2,952	534,458
--	--	--	108,599
<u>443,280</u>	<u>1,514,585</u>	<u>2,030,792</u>	<u>12,887,180</u>
(435,800)	(1,514,585)	(218,275)	(2,551,001)
--	--	624,710	1,701,867
--	--	(43,502)	(752,826)
--	1,950,000	--	7,555,950
--	50,000	--	577,982
--	--	--	(6,023,410)
<u>--</u>	<u>2,000,000</u>	<u>581,208</u>	<u>3,059,563</u>
(435,800)	485,415	362,933	508,562
4,429,065	--	3,903,087	11,929,368
<u>\$ 3,993,265</u>	<u>\$ 485,415</u>	<u>\$ 4,266,020</u>	<u>\$ 12,437,930</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, 2015**

Net change in fund balances - total governmental funds	\$ 508,562
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,507,809
The depreciation of capital assets used in governmental activities is not reported in the funds.	(778,782)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(23,026)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	7,410,329
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	78,000
Refunding Losses and similar items are amortized in the SOA but not in the funds.	(120,032)
(Increase) decrease in accrued interest from beginning of period to end of period.	(47,074)
The net revenue (expense) of internal service funds is reported with governmental activities.	(90,738)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(17,280)
Certain utility bill tax receivables are deferred in the funds. This is the change in these amounts this year.	663
Change in OPEB liability is not reported in the funds.	(243,681)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(7,555,950)
Bond premiums are reported in the funds but not in the SOA.	(577,982)
Amortization of bond premiums are reported in the funds but not in the SOA.	283,866
	<u>1,334,684</u>
Change in net position of governmental activities - Statement of Activities	\$ <u>1,334,684</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKPORT, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT A-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 6,011,829	\$ 6,011,829	\$ 6,085,636	\$ 73,807
Licenses and permits	195,350	195,350	216,173	20,823
Charges for services	290,000	290,000	78,261	(211,739)
Fines	301,500	301,500	193,607	(107,893)
Interest	14,000	14,000	18,517	4,517
Miscellaneous	74,000	74,000	86,879	12,879
Total revenues	<u>6,886,679</u>	<u>6,886,679</u>	<u>6,679,073</u>	<u>(207,606)</u>
Expenditures:				
Current:				
General government	1,446,225	1,446,225	1,436,246	9,979
Public safety	3,130,673	3,130,673	3,023,812	106,861
Public works	1,496,856	1,496,856	1,316,545	180,311
Culture and recreation	786,149	786,149	868,253	(82,104)
Capital outlay	270,423	270,423	181,715	88,708
Total expenditures	<u>7,130,326</u>	<u>7,130,326</u>	<u>6,826,571</u>	<u>303,755</u>
Excess (deficiency) of revenues (under) expenditures	(243,647)	(243,647)	(147,498)	96,149
Other financing sources (uses):				
Transfers in	1,161,366	1,161,366	1,008,088	(153,278)
Transfers out	(881,810)	(881,810)	(709,324)	172,486
Total other financing sources (uses)	<u>279,556</u>	<u>279,556</u>	<u>298,764</u>	<u>(19,208)</u>
Net change in fund balance	35,909	35,909	151,266	115,357
Fund balance, beginning of year	3,069,112	3,069,112	3,069,112	--
Fund balance, end of year	<u>\$ 3,105,021</u>	<u>\$ 3,105,021</u>	<u>\$ 3,220,378</u>	<u>\$ 115,357</u>

CITY OF ROCKPORT, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2015

	Enterprise Fund	Enterprise Fund
	Water & Sewer Fund	Natural Gas Fund
ASSETS		
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,498,471	\$ 1,224,331
Receivables (net of allowances for uncollectibles):		
Accounts	888,094	142,090
Special assessments	4,136	--
Inventories	167,876	49,472
Total current assets	<u>6,558,577</u>	<u>1,415,893</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	1,794,066	1,196,922
Accounts receivable - noncurrent	48,151	--
Capital assets:		
Land	110,653	--
Buildings	4,237,938	--
Improvements other than buildings	--	--
Water system	24,036,085	--
Sewer system	19,126,105	--
Natural gas system	--	4,294,256
Machinery and equipment	2,300,749	--
Accumulated depreciation	(19,472,040)	(486,680)
Total noncurrent assets	<u>32,181,707</u>	<u>5,004,498</u>
Total Assets	<u>38,740,284</u>	<u>6,420,391</u>
Deferred Outflows of Resources		
Deferred Loss on Bond Refunding	458,034	--
Deferred Outflows related to Pensions	265,139	--
Total Deferred Outflows of Resources	<u>\$ 723,173</u>	<u>\$ --</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 548,322	\$ 26,914
Accrued expenses	35,673	11,530
Due to other funds	104,953	--
Accrued interest payable	81,412	--
Customer deposits	1,180,132	--
Payable from restricted assets	--	1,644
Compensated absences	10,000	--
Bonds and certificates of obligation - current portion	1,077,859	117,234
Total current liabilities	<u>3,038,351</u>	<u>157,322</u>
Noncurrent liabilities:		
Bonds and certificates of obligation payable	14,255,855	3,152,526
Net pension obligation	1,541,642	--
Compensated absences	106,378	11,531
Total noncurrent liabilities	<u>15,903,875</u>	<u>3,164,057</u>
Total liabilities	<u>19,377,813</u>	<u>3,321,379</u>
Deferred Inflows of Resources		
Deferred Gain on Bond Refunding	72,349	--
Total Deferred Inflows of Resources	<u>72,349</u>	<u>--</u>
NET ASSETS:		
Net Investment in Capital Assets	17,081,228	1,734,738
Restricted net assets	180,935	--
Unrestricted Net Assets	2,751,132	1,364,274
Total Net Assets	<u>\$ 20,013,295</u>	<u>\$ 3,099,012</u>

EXHIBIT A-8

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund Fleet Fund
\$ 124,615	\$ 6,847,417	\$ --
215,665	1,245,849	--
--	4,136	--
--	217,348	60,868
<u>340,280</u>	<u>8,314,750</u>	<u>60,868</u>
--	2,990,988	--
--	48,151	--
104,300	214,953	--
--	4,237,938	--
1,944,240	1,944,240	--
--	24,036,085	--
--	19,126,105	--
--	4,294,256	--
25,583	2,326,332	17,448
(919,084)	(20,877,804)	(10,469)
<u>1,155,039</u>	<u>38,341,244</u>	<u>6,979</u>
<u>1,495,319</u>	<u>46,655,994</u>	<u>67,847</u>
--	458,034	--
--	265,139	--
<u>\$ --</u>	<u>\$ 723,173</u>	<u>\$ --</u>
\$ 294,336	\$ 869,572	\$ --
3,926	51,129	3,765
356	105,309	101,689
--	81,412	--
698	1,180,830	--
--	1,644	--
--	10,000	--
--	1,195,093	--
<u>299,316</u>	<u>3,494,989</u>	<u>105,454</u>
--	17,408,381	--
--	1,541,642	--
--	117,909	--
--	19,067,932	--
<u>299,316</u>	<u>22,998,508</u>	<u>105,454</u>
--	72,349	--
--	72,349	--
1,155,039	19,971,005	--
--	180,935	--
40,964	4,156,370	(37,607)
<u>\$ 1,196,003</u>	<u>\$ 24,308,310</u>	<u>\$ (37,607)</u>

CITY OF ROCKPORT, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund	Enterprise Fund
	Water & Sewer Fund	Natural Gas Fund
OPERATING REVENUES:		
Charges for services	\$ 9,480,727	\$ 2,143,239
Total Operating Revenues	<u>9,480,727</u>	<u>2,143,239</u>
OPERATING EXPENSES:		
Personal services	1,742,914	436,585
Contractual services	501,454	50,711
Maintenance	461,781	147,220
Supplies	3,545,636	771,271
Other	45,082	30,580
Depreciation	948,335	98,222
Total Operating Expenses	<u>7,245,202</u>	<u>1,534,589</u>
Operating Income (Loss)	<u>2,235,525</u>	<u>608,650</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	10,302	4,129
Intergovernmental revenue	--	--
Interest expense	(658,919)	(110,192)
Total Non-operating Revenues (Expenses)	<u>(648,617)</u>	<u>(106,063)</u>
Net Income (Loss) before Operating Transfers	<u>1,586,908</u>	<u>502,587</u>
Capital Contributions	210,577	--
TRANSFERS:		
Interfund transfers in	387,331	--
Interfund transfers out	(1,054,850)	(387,328)
Change in Net Assets	<u>1,129,966</u>	<u>115,259</u>
Net Assets, beginning of year	<u>20,159,832</u>	<u>2,761,110</u>
Prior Period Adjustment	(1,276,503)	--
Net Assets, end of year	<u>\$ 20,013,295</u>	<u>\$ 2,876,369</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-9

Nonmajor Enterprise Funds	Total Enterprise Funds	Nonmajor Internal Service Fund Fleet Fund
\$ 199,617	\$ 11,823,583	\$ 405,533
<u>199,617</u>	<u>11,823,583</u>	<u>405,533</u>
189,086	2,368,585	174,590
33,296	585,461	21,698
27,220	636,221	4,797
82,674	4,399,581	291,346
1,875	77,537	295
65,597	1,112,154	1,745
<u>399,748</u>	<u>9,179,539</u>	<u>494,471</u>
<u>(200,131)</u>	<u>2,644,044</u>	<u>(88,938)</u>
--	14,431	--
51,417	51,417	--
--	(769,111)	--
<u>51,417</u>	<u>(703,263)</u>	<u>--</u>
<u>(148,714)</u>	<u>1,940,781</u>	<u>(88,938)</u>
--	210,577	--
105,476	492,807	--
--	(1,442,178)	(1,800)
<u>(43,238)</u>	<u>1,201,987</u>	<u>(90,738)</u>
1,239,241	24,160,183	53,131
--	(1,276,503)	--
<u>\$ 1,196,003</u>	<u>\$ 24,085,667</u>	<u>\$ (37,607)</u>

CITY OF ROCKPORT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Funds				Service Funds
	Water & Sewer	Natural Gas	Nonmajor Enter. Funds	Totals	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 9,622,311	\$ 2,140,814	2,510,937	\$ 14,274,062	\$ 504,135
Cash Receipts (Payments) for					
Operating Transactions with Other Funds	--	--	--	--	--
Cash Payments to Employees for Services	(1,729,356)	(431,999)	(187,095)	(2,348,450)	(160,486)
Cash Payments to Other Suppliers for Goods and Services	(4,725,954)	(1,056,074)	(2,600,435)	(8,382,463)	(379,708)
Net Cash Provided (Used) by Operating Activities	<u>3,167,001</u>	<u>652,741</u>	<u>(276,593)</u>	<u>3,543,149</u>	<u>(36,059)</u>
Cash Flows from Non-capital Financing Activities:					
Operating Grants Received	--	--	51,417	51,417	--
Transfers From Other Funds	387,331	--	105,476	492,807	34,432
Transfers To Other Funds	(1,054,850)	(387,328)	--	(1,442,178)	(2,500)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(667,519)</u>	<u>(387,328)</u>	<u>156,893</u>	<u>(897,954)</u>	<u>31,932</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Issuance of Long-term Debt	1,565,283	--	--	1,565,283	--
Principal and Interest Paid	(3,319,367)	--	--	(3,319,367)	--
Acquisition or Construction of Capital Assets	(980,542)	(1,330,415)	(5,895)	(2,316,852)	--
Proceeds from sale of capital assets	--	--	--	--	--
Amounts paid for bond issuance	--	--	--	--	--
Contributed Capital	210,577	--	--	210,577	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,524,049)</u>	<u>(1,330,415)</u>	<u>(5,895)</u>	<u>(3,860,359)</u>	<u>--</u>
Cash Flows from Investing Activities:					
Maturing of Investments	--	--	--	--	--
Interest and Dividends on Investments	10,302	4,129	--	14,431	--
Net Cash Provided (Used) for Investing Activities	<u>10,302</u>	<u>4,129</u>	<u>--</u>	<u>14,431</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,265)	(1,060,873)	(125,595)	(1,200,733)	(4,127)
Cash and Cash Equivalents at Beginning of Year	7,306,202	3,482,126	250,210	11,038,538	4,127
Cash and Cash Equivalents at End of Year	<u>\$ 7,291,937</u>	<u>\$ 2,421,253</u>	<u>124,615</u>	<u>\$ 9,837,805</u>	<u>\$ --</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 2,235,758	\$ 608,650	(201,112)	\$ 2,643,296	\$ (36,115)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	948,102	98,222	66,578	1,112,902	1,745
Provision for Uncollectible Accounts	--	--	--	--	--
Change in Assets and Liabilities:					
Decrease (Increase) in Receivables	58,789	(2,425)	(10,889)	45,475	--
Decrease (Increase) in Inventories	(98,548)	(7,067)	--	(105,615)	(10,944)
Decrease (Increase) in Prepaid Expenses	--	--	--	--	--
Increase (Decrease) in Accounts Payable	(77,383)	(49,225)	(133,161)	(259,769)	9,773
Increase (Decrease) in Payroll Deductions	--	--	--	--	--
Increase (Decrease) in Accrued Wages Payable	5,908	7,765	--	13,673	--
Increase (Decrease) in Interfund Payables	--	--	--	--	--
Increase (Decrease) in Customer Deposits	86,725	--	--	86,725	--
Increase (Decrease) in Accrued Expenses	7,650	(3,179)	1,991	6,462	(518)
Increase (Decrease) in Unearned Revenue	--	--	--	--	--
Total Adjustments	<u>931,243</u>	<u>44,091</u>	<u>(75,481)</u>	<u>899,853</u>	<u>(1,689)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,167,001</u>	<u>\$ 652,741</u>	<u>(276,593)</u>	<u>\$ 3,543,149</u>	<u>\$ (36,059)</u>
Summary of cash and cash equivalents:					
Cash and cash equivalents - operating	\$ 5,498,471	\$ 1,224,331	124,615	\$ 6,847,417	--
Cash and cash equivalents - restricted	1,793,466	1,196,922	--	2,990,388	--
	<u>\$ 7,291,937</u>	<u>\$ 2,421,253</u>	<u>124,615</u>	<u>\$ 9,837,805</u>	<u>\$ --</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, 2015

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 position 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.

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

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FOR THE YEAR ENDED SEPTEMBER 30, 2015

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.

2015 Certificate of Obligation Fund. This fund is used to account for the proceeds and related expenditures of the 2015 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.

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.

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

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

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

CITY OF ROCKPORT, TEXAS
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d. Capital Assets

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

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

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

e. Receivable and Payable Balances

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

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

f. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to or deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

g. Interfund Activity

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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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.

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.

5. Budgetary Data

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

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

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

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

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

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6. Encumbrance Accounting

Encumbrance is not used by the City.

7. Change in Accounting Policies

In June, 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions," which is effective for fiscal years beginning after June 15, 2014. The City has implemented the provisions of this Statement for the year ended September 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and new 10-year, pension-related charts as required supplementary information. Also, for the first time the City is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its proportionate shares of the collective (TMRS) pension expense, collective (TMRS) deferred outflows of resources and deferred inflows of resources related to pensions and collective (TMRS) net pension liability.

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 Position of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Stone Garden Grant	\$ (28,313)	Temporary Shortage to be replenished by General Fund
Bay Education Center	(773)	Temporary Shortage to be replenished by General Fund
City County Dispatch	(47,133)	Temporary Shortage to be replenished by General Fund
Fleet Fund	(37,607)	Temporary Shortage to be replenished by General Fund

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$22,073,026 and the bank balance was \$22,420,569. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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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 investments at September 30, 2015 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Fair Value</u>
TexPool	N/A	\$ 7,547	\$ 7,547
Texas Term	N/A	34,615	34,615
Certificates of Deposit	2 years	2,940,000	2,940,000
		--	--
Total Investments		<u>\$ 2,982,162</u>	<u>\$ 2,982,162</u>

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

At September 30, 2015, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

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

b. Custodial Credit Risk

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

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

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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.

D. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bond construction funds	\$ 6,975,115	\$ 2,809,453
Debt service	--	180,935
	<u>\$ 6,975,115</u>	<u>\$ 2,990,388</u>

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FOR THE YEAR ENDED SEPTEMBER 30, 2015

E. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,902,767	\$ 1,514,585	\$ --	\$ 6,417,352
Construction in progress	120,877	205,900	--	326,777
Total capital assets not being depreciated	<u>5,023,644</u>	<u>1,720,485</u>	<u>--</u>	<u>6,744,129</u>
Capital assets being depreciated:				
Infrastructure	15,023,833	585,085	--	15,608,918
Buildings and improvements	4,842,944	39,910	--	4,882,854
Improvements other than buildings	1,884,604	--	--	1,884,604
Machinery and equipment	3,903,620	162,329	--	4,065,949
Total capital assets being depreciated	<u>25,655,001</u>	<u>787,324</u>	<u>--</u>	<u>26,442,325</u>
Less accumulated depreciation for:				
Infrastructure	(1,510,712)	(302,124)	--	(1,812,836)
Buildings and improvements	(1,323,016)	(125,332)	--	(1,448,348)
Improvements other than buildings	(526,355)	(85,645)	--	(612,000)
Machinery and equipment	(2,458,678)	(266,681)	--	(2,725,359)
Total accumulated depreciation	<u>(5,818,761)</u>	<u>(779,782)</u>	<u>--</u>	<u>(6,598,543)</u>
Total capital assets being depreciated, net	<u>19,836,240</u>	<u>7,542</u>	<u>--</u>	<u>19,843,782</u>
Governmental activities capital assets, net	<u>\$ 24,859,884</u>	<u>\$ 1,728,027</u>	<u>\$ --</u>	<u>\$ 26,587,911</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Construction in progress	1,095,682	--	1,095,682	--
Total capital assets not being depreciated	<u>1,310,636</u>	<u>--</u>	<u>1,095,682</u>	<u>214,954</u>
Capital assets being depreciated:				
Buildings and improvements	4,237,938	--	--	4,237,938
Improvements other than buildings	1,944,240	--	--	1,944,240
Utility System	44,185,696	3,270,750	--	47,456,446
Machinery and Equipment	2,205,398	120,935	--	2,326,333
Total capital assets being depreciated	<u>52,573,272</u>	<u>3,391,685</u>	<u>--</u>	<u>55,964,957</u>
Less accumulated depreciation for:				
Buildings and improvements	(467,748)	(107,281)	--	(575,029)
Improvements other than buildings	(840,420)	(64,808)	--	(905,228)
Utility System	(16,536,291)	(840,819)	--	(17,377,110)
Machinery and Equipment	(1,921,618)	(98,819)	--	(2,020,437)
Total accumulated depreciation	<u>(19,766,077)</u>	<u>(1,111,727)</u>	<u>--</u>	<u>(20,877,804)</u>
Total capital assets being depreciated, net	<u>32,807,195</u>	<u>2,279,958</u>	<u>--</u>	<u>35,087,153</u>
Business-type activities capital assets, net	<u>\$ 34,117,831</u>	<u>\$ 2,279,958</u>	<u>\$ 1,095,682</u>	<u>\$ 35,302,107</u>

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Depreciation was charged to functions as follows:

Governmental activities	
General Government	\$ 37,268
Public Safety	212,487
Public Works	357,842
Culture and recreation	171,185
	<u>\$ 778,782</u>
Business Activities	
Water and Sewer	\$ 947,948
Natural Gas	98,222
Community Pool	65,557
	<u>\$ 1,111,727</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2015, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 432,856	Short-term loans
General Fund	Water and Sewer Fund	104,953	Short-term loans
General Fund	Nonmajor enterprise funds	356	Short-term loans
General Fund	Internal service fund	101,689	Short-term loans
	Total	<u>\$ 639,854</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2015, consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>				
	<u>Total</u>	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Proprietary</u>	<u>Water & Sewer</u>
Natural Gas Fund	\$ 387,328	\$	\$	\$	\$ 387,328
Water and Sewer Fund	1,055,130	1,008,088		21,475	
General Fund	494,728		389,252	105,476	
Nonmajor Governmental	64,364		20,862		
Internal Service Fund	2,500		2,500		
	<u>\$ 2,004,050</u>	<u>\$ 1,008,088</u>	<u>\$ 412,614</u>	<u>\$ 126,951</u>	<u>\$ 387,328</u>

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, 2015.

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FOR THE YEAR ENDED SEPTEMBER 30, 2015

H. 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, 2015:

	<u>Interest Rate</u>	<u>General Long- Term Debt</u>	<u>Enterprise Fund Debt</u>
Combination Tax and Revenue Certificates of Obligation, Series 2007	4.25-5.25%	\$ 1,786,107	13,893
General Obligation Refunding Bonds, Series 2009	3.00-4.00%	577,962	412,038
Combination Tax and Revenue Certificates of Obligation, Series 2009	3.00-4.50%	--	8,285,000
General Refunding Bonds, Series 2010	2.00-4.00%	921,472	918,528
General Refunding Bonds, Series 2012	1.00-3.00%	3,861,256	2,823,744
General Obligation Refunding Bonds, Series 2014	2.00-4.25%	4,408,793	906,739
Combination Tax and Revenue Certificates of Obligation, Series 2014	2.00-3.00%	--	3,490,000
General Obligation Refunding Bonds, Series 2015	2.00-3.50%	5,432,854	1,472,146
Combination Tax and Revenue Certificates of Obligation, Series 2014	2.00%	<u>1,950,000</u>	<u>--</u>
Total Bonded Debt		18,938,444	18,322,088
Unamortized bond premium		1,217,948	748,641
Capital leases payable		884,000	--
OPEB obligation payable		1,841,707	--
Pension obligation payable		1,761,641	1,541,642
Compensated absences		<u>363,604</u>	<u>111,677</u>
Total Long-Term Debt		<u>\$ 25,007,344</u>	<u>\$ 20,724,048</u>

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonded debt	\$ 18,182,597	\$ 7,555,950	\$ 6,800,103	\$ 18,938,444	1,585,937
Bond premium	985,650	577,982	345,684	1,217,948	283,866
Capital leases	962,000	--	78,000	884,000	82,000
Pension obligation	--	1,761,641	--	1,761,641	--
OPEB obligation	1,598,027	431,591	187,911	1,841,707	300,000
Compensated absences *	346,024	69,030	51,450	363,604	70,000
Total governmental activities	\$ 22,074,298	\$ 10,396,194	\$ 7,463,148	\$ 25,007,344	\$ 2,321,803
Business-type activities:					
Bonded debt	\$ 19,532,935	\$ 1,519,050	\$ 2,730,429	\$ 18,321,556	1,124,063
Bond premium	692,734	143,068	87,161	748,641	69,030
Pension obligation	--	1,541,642	--	1,541,642	--
Compensated absences *	123,438	13,735	9,194	127,979	12,000
Total business-type activities	\$ 20,349,107	\$ 3,217,495	\$ 2,826,784	\$ 20,739,818	\$ 1,205,093

* 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
OPEB obligations	Governmental	General
Pension obligation	Governmental	General
Compensated absences	Business-type	Water and Sewer
Pension obligation	Business-type	Water and Sewer

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2015, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 1,585,937	\$ 615,761	\$ 2,201,698
2017	1,611,771	566,641	2,178,412
2018	1,444,408	520,596	1,965,004
2019	1,429,173	479,138	1,908,311
2020	1,403,928	438,891	1,842,819
2021-2025	7,468,366	1,474,677	8,943,043
2026-2030	3,369,861	277,085	3,646,946
2031-2034	625,000	63,906	688,906
Totals	\$ 18,938,444	\$ 4,436,695	\$ 23,375,139

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 1,124,063	\$ 670,668	\$ 1,794,731
2017	1,108,229	629,274	1,737,503
2018	1,310,592	585,832	1,896,424
2019	1,310,827	543,240	1,854,067

CITY OF ROCKPORT, TEXAS
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2020	1,311,072	500,838	1,811,910
2021-2025	6,511,634	1,804,608	8,316,242
2026-2030	4,685,139	600,083	5,285,222
2031-2034	960,000	83,726	1,043,726
Totals	<u>\$ 18,321,556</u>	<u>\$ 5,418,269</u>	<u>\$ 23,739,825</u>

3. Advance Refunding of Debt

In February 2015, the City issued \$7,125,000 of General Obligation Refunding Bonds to defease \$6,880,000 of Combination Tax and Revenue C.O.'s Series 2007. \$5,413,184 of the refunded debt was serviced by the Debt Service Fund and \$1,466,816 was debt of the Water and Sewer Enterprise Fund.

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, 2015, \$6,880,000 of bonds outstanding were considered defeased.

The present value of the debt savings was \$567,369.

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2015, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
Combination Tax and Revenue CO, Series 2007	<u>\$ 6,880,000</u>
Total	<u>6,880,000</u>

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2015, as follows:

<u>Year Ending September 30:</u>	
2016	\$ 120,911
2017	120,414
2018	120,661
2019	120,680
2020	120,463
2021-2024	483,166
Total Minimum Rentals	<u>1,086,295</u>
Less amount representing interest	<u>(202,295)</u>
	<u>\$ 884,000</u>
Rental Expenditures in 2015	<u>\$ 120,162</u>

The effective interest rate on capital leases is 4.390%.

CITY OF ROCKPORT, TEXAS
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Included in the governmental activities capital assets listed above are the following capitalized leased assets:

Buildings	\$ 1,607,000
Less accumulated amortization	(441,925)
Capitalized leases, net	<u>\$ 1,165,075</u>

I. Fund Balances

Fund balances consisted of the following at September 30, 2015:

Nonspendable:	
General Fund - inventories	\$ 29,078
Restricted:	
Debt Service Fund - retirement of debt	472,852
2007 Certificate of obligation fund - construction	3,993,265
2015 Certificate of obligation - construction	485,415
Utility bill surcharge fund - fire protection	90,842
Contribution fund - specified by donor	3,880
Public Access TV - public access tv	139,177
Hotel/Motel Occupancy - tourism	979,311
Key Allegro PID - debt	232
Border Star	11,054
Child Safety	781
Forfeiture fund - law enforcement	10,817
Municipal Court fund - security and technology	87,956
Bay Education Center Construction - construction	20,557
2005 Certificate of Obligation fund - construction	2,496,435
Total Restricted	<u>8,792,574</u>
Committed:	
Border Star Grant - law enforcement	
Flamingo/Luau Assessment - construction	1,752
Total Committed	<u>1,752</u>
Assigned:	
General Capital improvement fund - capital outlay	178,100
Vehicle and Equipment Replacement - capital outlay	321,345
Total Assigned	<u>499,445</u>
Unassigned:	
General fund	3,191,300
Stonegarden grant	(28,313)
Bay Education center	(773)
City/county dispatch	(47,133)
Total Unassigned	<u>3,115,081</u>
Total Fund Balances	<u>\$ 12,437,930</u>

J. Commitments Under Noncapitalized Leases

The City had no material commitments under noncapitalized leases for the year ended September 30, 2015.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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 2015, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

L. Pension Plan

1. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

The plan provisions are adopted by the governing body of the City, within the options available in statutes

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

governing TMRS. Plan provisions for the City were as follows (as of December 2013):

Deposit rate	7%
Matching Ration (City to Employee)	2 - 1
A member is vested after	10 years

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

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	43
Active employees	118
Total covered employees	<u>216</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.26% and 16.16% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$831,456, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity

CITY OF ROCKPORT, TEXAS
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purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability	Increase (Decrease)		
	\$ Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 23,420,794	\$ 20,117,511	\$ 3,303,283
Changes for the year			
Service cost	740,391	--	740,391
Interest	1,625,684	--	1,625,684
Change of benefit terms	--	--	--
Difference between expected and actual experience	(29,335)	--	(29,335)
Changes of assumptions	--	--	--
Contributions - employer	--	777,084	(777,084)
Contributions - employee	--	339,762	(339,762)
Net investment income	--	1,150,850	(1,150,850)
Benefit payments, including			

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refunds of employee contributions	(1,133,860)	(1,133,860)	--
Administrative expense	--	(12,015)	12,015
Other changes	--	(988)	988
Net changes	\$ 1,202,880	\$ 1,120,833	\$ 82,047
Balance at 12/31/2014	\$ 24,623,674	\$ 21,238,344	\$ 3,385,330

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
City's net pension liability	\$ 6,811,724	\$ 3,385,330	\$ 579,940

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$675,667.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ --	\$ (22,437)
Changes in actuarial assumptions	\$ --	\$ --
Difference between projected and actual investment earnings	\$ 205,901	\$ --
Contributions subsequent to the measurement date	\$ 610,353	
Total	\$ 816,254	\$ (22,437)

\$610,353 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31:	
2016	\$ 44,577
2017	44,577
2018	44,577
2019	49,733
2020	--
Thereafter	--

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

M. 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

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
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CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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

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, 2015 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, 2014 was determined as follows:

CITY OF ROCKPORT, TEXAS
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Annual required contribution	\$ 426,305
Interest on OPEB obligation	71,911
Adjustment to ARC	<u>(66,625)</u>
	431,591
Employer contributions	<u>(187,911)</u>
Increase OPEB obligation, beginning of year	243,680
Net OPEB obligation, beginning of year	<u>1,598,027</u>
 Net OPEB obligation, end of year	 <u>\$ 1,841,707</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
2012	\$ 366,401	46.10%	\$ 1,239,418
2013	377,393	57.30%	1,436,824
2014	431,591	47.40%	1,598,027

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, 2014, it's most recent actuarial valuation is as follows:

Actuarial accrued liability (AAL)	\$ 4,646,230
Actuarial value of assets	--
Unfunded AAL(UAAL)	\$ 4,646,230
 Funded ratio	 --
 Covered Payroll	 \$ 5,136,730
 UAAL as % of covered payroll	 90.45%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$4,646,230 at December 31, 2014.

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 re designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets. Significant methods and assumptions were as follows:

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Actuarial Methods and Assumptions

Measurement date	December 31, 2014
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Amortization period	30 years, open amortization
Inflation rate	4.0% per annum
Medical trend	7.25% initial rate, declining to an ultimate rate of 5.25% after 10 years
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.

Following is a summary of the City's net OPEB Obligation as of September 30, 2015

	Employer Annual Req. Contribution	Net Employer Contribution	Interest on NOO	ARC Adj	OPEB Cost	NOO Balance
<u>Fiscal Year Ended:</u>						
September 30, 2012						1,239,418
September 30, 2013	366,401	168,995	10,992	10,992	366,401	1,436,824
September 30, 2014	377,393	216,190	11,332	11,332	377,393	1,598,027
September 30, 2015	426,305	187,911	71,911	66,625	431,591	1,841,707

Amortization Factor was not used for 2013 and 2015. A factor of 23.98540 was used for 2015.

The ARC for the fiscal year ending September 30, 2015 is from the Actuarial Valuation as of December 31, 2014.

N. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2015.

O. Subsequent Events

No events occurred subsequent to September 30, 2015 that are required to be disclosed in the financial statements.

CITY OF ROCKPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

P. Prior Period Adjustment

A prior period adjustment was made to restate the City's beginning net assets as follows:

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business Activities</u>
Net assets, beginning of year, as previously reported	\$ 39,834,775	\$ 15,674,592	\$ 24,160,183
Prior period adjustment, record net pension obligation at September 30, 2014	<u>(2,474,928)</u>	<u>(1,198,425)</u>	<u>(1,276,503)</u>
Net assets, beginning of year as restated	<u>\$ 37,359,847</u>	<u>\$ 14,476,167</u>	<u>\$ 22,883,680</u>

Required Supplementary Information

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

CITY OF ROCKPORT, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TMRS

LAST TEN FISCAL YEARS *

For Fiscal Year Ended December 31,	<u>2014</u>
Total pension liability	
Service Costs	\$ 740,391
Interest (on the total pension liability)	1,625,684
Difference between expected and actual experience	(29,335)
Benefit payments, including refunds of employee contributions	<u>(1,133,860)</u>
Net Change in pension liability	1,202,880
Total pension liability - beginning	<u>23,420,794</u>
Total pension liability - ending	<u>\$ 24,623,674</u>
Plan fiduciary net position	
Contributions - employer	777,084
Contributions - employees	339,762
Net Investment Income	1,150,850
Benefit payments, including refunds of employee contributions	(1,133,860)
Administrative expense	(12,015)
Other	<u>(988)</u>
Net change in plan fiduciary net position	1,120,833
Plan fiduciary net position - beginning	<u>20,117,511</u>
Plan fiduciary net position - ending	<u>\$ 21,238,344</u>
NET PENSION LIABILITY	<u>\$ 3,385,330</u>
Plan fiduciary net position as a percentage of the total pension liability	86.25%
Covered - employee payroll	4,853,742
Net pension liability as a percentage of covered employee payroll	69.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF ROCKPORT, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TMRS
LAST TEN FISCAL YEARS *

	<u>'2015</u>
Contractually required contribution	\$ 831,456
Contributions in relation to the contractually required contribution	<u>831,456</u>
Contribution deficiency (excess)	\$ <u> --</u>
City's covered-employee payroll	\$ 5,136,730
Contributions as a percentage of covered-employee payroll	16.19%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

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, 2015

EXHIBIT C-1

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
Cash and investments	\$ 1,280,983	\$ 784,197	\$ 2,065,180
Receivables (net of allowances for uncollectibles):			
Other taxes	253,639	--	253,639
Accounts	17,419	48	17,467
Special assessments	735	6,473	7,208
Intergovernmental	91,908	205,900	297,808
Restricted assets:			
Cash and investments	--	2,496,435	2,496,435
Total Assets	<u>1,644,684</u>	<u>3,493,053</u>	<u>5,137,737</u>
Liabilities:			
Accounts payable	\$ 192,388	\$ 186,360	\$ 378,748
Accrued expenditures	14,896	--	14,896
Retainage payable	--	20,590	20,590
Due to other funds	171,415	261,441	432,856
Total Liabilities	<u>378,699</u>	<u>468,391</u>	<u>847,090</u>
Deferred Outflows of Resources			
Unavailable special assessments	735	6,473	7,208
Unavailable taxes - Utility Surcharge	17,419	--	17,419
Total Deferred Inflows of Resources	<u>18,154</u>	<u>6,473</u>	<u>24,627</u>
Total Liabilities and Deferred Inflows of Resources			
	<u>396,853</u>	<u>474,864</u>	<u>871,717</u>
Fund balances:			
Restricted	1,324,050	2,496,435	3,820,485
Committed	34,263	1,752	36,015
Assigned		520,002	520,002
Unassigned	(110,482)	--	(110,482)
Total fund balances	<u>1,247,831</u>	<u>3,018,189</u>	<u>4,266,020</u>
Total Liabilities, Deferred Inflows and Fund Balances			
	<u>\$ 1,644,684</u>	<u>\$ 3,493,053</u>	<u>\$ 5,137,737</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 1,085,768	\$ --	\$ 1,085,768
Intergovernmental	494,162	205,900	700,062
Fines	19,376	--	19,376
Interest	--	5,132	5,132
Miscellaneous	2,179	--	2,179
Total revenues	<u>1,601,485</u>	<u>211,032</u>	<u>1,812,517</u>
Expenditures:			
Current:			
General government	27,087	--	27,087
Public safety	956,868	--	956,868
Public works	--	2,503	2,503
Culture and recreation	70,941	--	70,941
Tourism	569,140	--	569,140
Capital outlay	--	368,229	368,229
Debt service:			
Principal	33,072	--	33,072
Interest and fiscal charges	2,952	--	2,952
Total expenditures	<u>1,660,060</u>	<u>370,732</u>	<u>2,030,792</u>
Excess (deficiency) of revenues (under) expenditures	(58,575)	(159,700)	(218,275)
Other financing sources (uses):			
Transfers in	389,252	235,458	624,710
Transfers out	(43,502)	--	(43,502)
Total other financing sources (uses)	<u>345,750</u>	<u>235,458</u>	<u>581,208</u>
Net change in fund balance	287,175	75,758	362,933
Fund balance, beginning of year	960,656	2,942,431	3,903,087
Fund balance, end of year	<u>\$ 1,247,831</u>	<u>\$ 3,018,189</u>	<u>\$ 4,266,020</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015

ASSETS	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
Assets:				
Cash and investments	\$ 221,742	\$ (40)	\$ 45,532	\$ --
Receivables (net of allowances for uncollectibles):				
Other taxes	--	--	--	--
Accounts	17,419	--	--	--
Special assessments	--	--	--	--
Intergovernmental	--	44,289	--	--
Total Assets	<u>239,161</u>	<u>44,249</u>	<u>45,532</u>	<u>--</u>
Liabilities:				
Accounts payable	\$ 130,900	\$ 4,107	\$ 2,055	\$ --
Accrued expenditures	--	--	--	--
Due to other funds	--	68,455	44,250	--
Total Liabilities	<u>130,900</u>	<u>72,562</u>	<u>46,305</u>	<u>--</u>
Deferred Outflows of Resources				
Unavailable special assessments	--	--	--	--
Unavailable taxes - Utility Surcharge	17,419	--	--	--
Total Deferred Inflows of Resources	<u>17,419</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Liabilities and Deferred Inflows of Resources	<u>148,319</u>	<u>72,562</u>	<u>46,305</u>	<u>--</u>
Fund balances:				
Restricted	90,842	--	--	--
Unassigned	--	(28,313)	(773)	--
Total fund balances	<u>90,842</u>	<u>(28,313)</u>	<u>(773)</u>	<u>--</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 239,161</u>	<u>\$ 44,249</u>	<u>\$ 45,532</u>	<u>\$ --</u>

<u>Contribution Fund</u>	<u>City/County Dispatch Service</u>	<u>Public Access TV</u>	<u>Hotel/Motel Occupancy</u>	<u>Key Allegro Property Impr. District</u>
\$ 3,880	\$ --	\$ 139,177	\$ 735,038	\$ 232
--	--	--	253,639	--
--	--	--	--	--
--	47,619	--	--	735
<u>3,880</u>	<u>47,619</u>	<u>139,177</u>	<u>988,677</u>	<u>967</u>
\$ --	\$ 21,146	\$ --	\$ 9,366	\$ --
--	14,896	--	--	--
--	58,710	--	--	--
<u>--</u>	<u>94,752</u>	<u>--</u>	<u>9,366</u>	<u>--</u>
--	--	--	--	735
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>735</u>
--	94,752	--	9,366	735
3,880	--	139,177	979,311	232
--	(47,133)	--	--	--
<u>3,880</u>	<u>(47,133)</u>	<u>139,177</u>	<u>979,311</u>	<u>232</u>
<u>\$ 3,880</u>	<u>\$ 47,619</u>	<u>\$ 139,177</u>	<u>\$ 988,677</u>	<u>\$ 967</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015

ASSETS	Border Star Grant	Child Safety
Assets:		
Cash and investments	\$ 15,846	\$ 781
Receivables (net of allowances for uncollectibles):		
Other taxes	--	--
Accounts	--	--
Special assessments	--	--
Intergovernmental	--	--
Total Assets	15,846	781
Liabilities:		
Accounts payable	\$ 4,792	\$ --
Accrued expenditures	--	--
Due to other funds	--	--
Total Liabilities	4,792	--
Deferred Outflows of Resources		
Unavailable special assessments	--	--
Unavailable taxes - Utility Surcharge	--	--
Total Deferred Inflows of Resources	--	--
Total Liabilities and Deferred Inflows of Resources	4,792	--
Fund balances:		
Restricted	11,054	781
Unassigned	--	--
Total fund balances	11,054	781
Total Liabilities, Deferred Inflows and Fund Balances	\$ 15,846	\$ 781

<u>Forfeiture</u>	<u>Municipal Court Security & Tech. Fund</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 27,654	\$ 91,141	\$ 1,280,983
--	--	253,639
--	--	17,419
--	--	735
--	--	91,908
<u>27,654</u>	<u>91,141</u>	<u>1,644,684</u>
\$ 16,837	\$ 3,185	\$ 192,388
--	--	14,896
--	--	171,415
<u>16,837</u>	<u>3,185</u>	<u>378,699</u>
--	--	735
--	--	17,419
--	--	<u>18,154</u>
<u>16,837</u>	<u>3,185</u>	<u>396,853</u>
10,817	87,956	1,324,050
--	--	--
<u>10,817</u>	<u>87,956</u>	<u>1,247,831</u>
<u>\$ 27,654</u>	<u>\$ 91,141</u>	<u>\$ 1,644,684</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, 2015

	Utility Bill Surcharge	Stonegarden Grant	Bay Education Center	Juvenile Case Manager
Revenue:				
Taxes	\$ 188,945	\$ --	\$ --	\$ --
Intergovernmental	--	137,447	--	--
Fines	--	--	--	7,196
Miscellaneous	--	--	--	--
Total revenues	<u>188,945</u>	<u>137,447</u>	<u>--</u>	<u>7,196</u>
Expenditures:				
Current:				
General government	--	--	--	14,570
Public safety	130,900	101,750	--	--
Culture and recreation	--	--	70,941	--
Tourism	--	--	--	--
Debt service:				
Principal	33,072	--	--	--
Interest and fiscal charges	2,952	--	--	--
Total expenditures	<u>166,924</u>	<u>101,750</u>	<u>70,941</u>	<u>14,570</u>
Excess (deficiency) of revenues (under) expenditures	22,021	35,697	(70,941)	(7,374)
Other financing sources (uses):				
Transfers in	--	--	70,941	7,374
Transfers out	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>70,941</u>	<u>7,374</u>
Net change in fund balance	22,021	35,697	--	--
Fund balance, beginning of year	68,821	(64,010)	(773)	--
Fund balance, end of year	<u>\$ 90,842</u>	<u>\$ (28,313)</u>	<u>\$ (773)</u>	<u>\$ --</u>

Contribution Fund	City/County Dispatch Service	Public Access TV	Hotel/Motel Occupancy	Key Allegro Property Impr. District
\$ --	\$ --	\$ 20,085	\$ 876,738	\$ --
--	314,063	--	--	--
--	--	--	--	--
1,800	4	--	375	--
<u>1,800</u>	<u>314,067</u>	<u>20,085</u>	<u>877,113</u>	<u>--</u>
--	--	--	--	--
--	660,868	--	--	--
--	--	--	--	--
--	--	--	569,140	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>660,868</u>	<u>--</u>	<u>569,140</u>	<u>--</u>
1,800	(346,801)	20,085	307,973	--
--	310,937	--	--	--
--	--	--	(43,502)	--
<u>--</u>	<u>310,937</u>	<u>--</u>	<u>(43,502)</u>	<u>--</u>
1,800	(35,864)	20,085	264,471	--
2,080	(11,269)	119,092	714,840	232
<u>\$ 3,880</u>	<u>\$ (47,133)</u>	<u>\$ 139,177</u>	<u>\$ 979,311</u>	<u>\$ 232</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, 2015

	Border Star Grant	Child Safety
Revenue:		
Taxes	\$ --	\$ --
Intergovernmental	42,652	--
Fines	--	2,117
Miscellaneous	--	--
Total revenues	<u>42,652</u>	<u>2,117</u>
Expenditures:		
Current:		
General government	--	--
Public safety	41,986	1,336
Culture and recreation	--	--
Tourism	--	--
Debt service:		
Principal	--	--
Interest and fiscal charges	--	--
Total expenditures	<u>41,986</u>	<u>1,336</u>
Excess (deficiency) of revenues (under) expenditures	666	781
Other financing sources (uses):		
Transfers in	--	--
Transfers out	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balance	666	781
Fund balance, beginning of year	10,388	--
Fund balance, end of year	<u>\$ 11,054</u>	<u>\$ 781</u>

<u>Forfeiture</u>	<u>Municipal Court Security & Tech. Fund</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-2)</u>
\$ --	\$ --	\$ 1,085,768
--	--	494,162
1,351	8,712	19,376
--	--	2,179
<u>1,351</u>	<u>8,712</u>	<u>1,601,485</u>
--	12,517	27,087
20,028	--	956,868
--	--	70,941
--	--	569,140
--	--	33,072
--	--	2,952
<u>20,028</u>	<u>12,517</u>	<u>1,660,060</u>
(18,677)	(3,805)	(58,575)
--	--	389,252
--	--	(43,502)
<u>--</u>	<u>--</u>	<u>345,750</u>
(18,677)	(3,805)	287,175
29,494	91,761	960,656
<u>\$ 10,817</u>	<u>\$ 87,956</u>	<u>\$ 1,247,831</u>

CITY OF ROCKPORT, TEXAS
 UTILITY BILL SURCHARGE
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 167,490	\$ 167,490	\$ 188,945	\$ 21,455
Total revenues	<u>167,490</u>	<u>167,490</u>	<u>188,945</u>	<u>21,455</u>
Expenditures:				
Current:				
Public safety	123,525	123,525	130,900	(7,375)
Debt service:				
Principal	30,661	30,661	33,072	(2,411)
Interest and fiscal charges	4,859	4,859	2,952	1,907
Total expenditures	<u>159,045</u>	<u>159,045</u>	<u>166,924</u>	<u>(7,879)</u>
Excess (deficiency) of revenues (under) expenditures	8,445	8,445	22,021	13,576
Other financing sources (uses):				
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>
Net change in fund balance	70	70	22,021	21,951
Fund balance, beginning of year	68,821	68,821	68,821	--
Fund balance, end of year	<u>\$ 68,891</u>	<u>\$ 68,891</u>	<u>\$ 90,842</u>	<u>\$ 21,951</u>

CITY OF ROCKPORT, TEXAS
 CITY/COUNTY DISPATCH SERVICE
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 293,067	\$ 293,067	\$ 314,063	\$ 20,996
Miscellaneous	--	--	4	4
Total revenues	<u>293,067</u>	<u>293,067</u>	<u>314,067</u>	<u>21,000</u>
Expenditures:				
Current:				
Public safety	<u>598,095</u>	<u>598,095</u>	<u>660,868</u>	<u>(62,773)</u>
Total expenditures	<u>598,095</u>	<u>598,095</u>	<u>660,868</u>	<u>(62,773)</u>
Excess (deficiency) of revenues (under) expenditures	(305,028)	(305,028)	(346,801)	(41,773)
Other financing sources (uses):				
Transfers in	<u>305,028</u>	<u>305,028</u>	<u>310,937</u>	<u>5,909</u>
Total other financing sources (uses)	<u>305,028</u>	<u>305,028</u>	<u>310,937</u>	<u>(5,909)</u>
Net change in fund balance	--	--	(35,864)	(35,864)
Fund balance, beginning of year	(11,269)	(11,269)	(11,269)	--
Fund balance, end of year	<u>\$ (11,269)</u>	<u>\$ (11,269)</u>	<u>\$ (47,133)</u>	<u>\$ (35,864)</u>

CITY OF ROCKPORT, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 695,000	\$ 695,000	\$ 876,738	\$ 181,738
Miscellaneous	--	--	375	375
Total revenues	<u>695,000</u>	<u>695,000</u>	<u>877,113</u>	<u>182,113</u>
Expenditures:				
Current:				
Tourism	618,000	618,000	569,140	48,860
Total expenditures	<u>618,000</u>	<u>618,000</u>	<u>569,140</u>	<u>48,860</u>
Excess (deficiency) of revenues (under) expenditures	77,000	77,000	307,973	230,973
Other financing sources (uses):				
Transfers out	(43,502)	(43,502)	(43,502)	--
Total other financing sources (uses)	<u>(43,502)</u>	<u>(43,502)</u>	<u>(43,502)</u>	<u>--</u>
Net change in fund balance	33,498	33,498	264,471	230,973
Fund balance, beginning of year	714,840	714,840	714,840	--
Fund balance, end of year	<u>\$ 748,338</u>	<u>\$ 748,338</u>	<u>\$ 979,311</u>	<u>\$ 230,973</u>

CITY OF ROCKPORT, TEXAS
MUNICIPAL COURT SECURITY & TECHNOLOGY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines	\$ 16,000	\$ 16,000	\$ 8,712	\$ (7,288)
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>8,712</u>	<u>(7,288)</u>
Expenditures:				
Current:				
General government	1,800	1,800	12,517	(10,717)
Total expenditures	<u>1,800</u>	<u>1,800</u>	<u>12,517</u>	<u>(10,717)</u>
Excess (deficiency) of revenues (under) expenditures	14,200	14,200	(3,805)	(18,005)
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	14,200	14,200	(3,805)	(18,005)
Fund balance, beginning of year	91,761	91,761	91,761	--
Fund balance, end of year	<u>\$ 105,961</u>	<u>\$ 105,961</u>	<u>\$ 87,956</u>	<u>\$ (18,005)</u>

CITY OF ROCKPORT, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 1,823,029	\$ 1,823,029	\$ 1,830,114	\$ 7,085
Interest	659	659	439	(220)
Miscellaneous	--	--	6,556	6,556
Total revenues	<u>1,823,688</u>	<u>1,823,688</u>	<u>1,837,109</u>	<u>13,421</u>
Expenditures:				
Current:				
Debt service:				
Principal	1,323,666	1,323,666	1,431,847	(108,181)
Interest and fiscal charges	540,900	540,900	531,506	9,394
Bond issuance cost	2,200	2,200	108,599	(106,399)
Total expenditures	<u>1,866,766</u>	<u>1,866,766</u>	<u>2,071,952</u>	<u>(205,186)</u>
Excess (deficiency) of revenues (under) expenditures	(43,078)	(43,078)	(234,843)	(191,765)
Other financing sources (uses):				
Transfers in	42,893	42,893	69,069	26,176
Issuance of certificates of obligation	--	--	5,605,950	(5,605,950)
Premium on bonds sold	--	--	527,982	(527,982)
Payment to refunding escrow agent	--	--	(6,023,410)	(6,023,410)
Total other financing sources (uses)	<u>42,893</u>	<u>42,893</u>	<u>179,591</u>	<u>(136,698)</u>
Net change in fund balance	(185)	(185)	(55,252)	(55,067)
Fund balance, beginning of year	528,104	528,104	528,104	--
Fund balance, end of year	<u>\$ 527,919</u>	<u>\$ 527,919</u>	<u>\$ 472,852</u>	<u>\$ (55,067)</u>

CITY OF ROCKPORT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2015

	<u>Flamingo/ Luau Road Assessment</u>	<u>General Capital Improvement</u>
ASSETS		
Assets:		
Cash and investments	\$ 1,704	\$ 440,591
Receivables (net of allowances for uncollectibles):		
Accounts	48	--
Special assessments	3,911	2,562
Intergovernmental	--	205,900
Restricted assets:		
Cash and investments	--	--
Total Assets	<u>5,663</u>	<u>649,053</u>
Liabilities:		
Accounts payable	\$ --	\$ 186,360
Retainage payable	--	20,590
Due to other funds	--	261,441
Total Liabilities	<u>--</u>	<u>468,391</u>
Deferred Outflows of Resources		
Unavailable special assessments	3,911	2,562
Total Deferred Inflows of Resources	<u>3,911</u>	<u>2,562</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,911</u>	<u>470,953</u>
Fund balances:		
Restricted	--	--
Committed	1,752	--
Assigned	--	178,100
Total fund balances	<u>1,752</u>	<u>178,100</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 5,663</u>	<u>\$ 649,053</u>

EXHIBIT C-10

<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 C-1)</u>
\$ 20,557	\$ 321,345	\$ --	\$ 784,197
--	--	--	48
--	--	--	6,473
--	--	--	205,900
--	--	2,496,435	2,496,435
<u>20,557</u>	<u>321,345</u>	<u>2,496,435</u>	<u>3,493,053</u>
\$ --	\$ --	\$ --	\$ 186,360
--	--	--	20,590
--	--	--	261,441
--	--	--	<u>468,391</u>
--	--	--	6,473
--	--	--	<u>6,473</u>
--	--	--	474,864
--	--	2,496,435	2,496,435
--	--	--	1,752
20,557	321,345	--	520,002
<u>20,557</u>	<u>321,345</u>	<u>2,496,435</u>	<u>3,018,189</u>
<u>\$ 20,557</u>	<u>\$ 321,345</u>	<u>\$ 2,496,435</u>	<u>\$ 3,493,053</u>

CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Flamingo/ Luau Road Assessment	General Capital Improvement
Revenue:		
Intergovernmental	\$ --	\$ 205,900
Interest	--	--
Total revenues	<u> --</u>	<u> 205,900</u>
Expenditures:		
Current:		
Public works	--	2,503
Capital outlay	--	205,900
Total expenditures	<u> --</u>	<u> 208,403</u>
Excess (deficiency) of revenues (under) expenditures	--	(2,503)
Other financing sources (uses):		
Transfers in	--	2,503
Total other financing sources (uses)	<u> --</u>	<u> 2,503</u>
Net change in fund balance	--	--
Fund balance, beginning of year	1,752	178,100
Fund balance, end of year	<u>\$ 1,752</u>	<u>\$ 178,100</u>

EXHIBIT C-11

Bay Education Center Construction	Vehicle and Equipment Replacement	2005 Certificate of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 205,900
<u> --</u>	165	4,967	5,132
<u> --</u>	<u>165</u>	<u>4,967</u>	<u>211,032</u>
--	--	--	2,503
<u> --</u>	162,329	<u> --</u>	<u>368,229</u>
<u> --</u>	<u>162,329</u>	<u> --</u>	<u>370,732</u>
--	(162,164)	4,967	(159,700)
<u> --</u>	232,955	<u> --</u>	<u>235,458</u>
<u> --</u>	<u>232,955</u>	<u> --</u>	<u>235,458</u>
--	70,791	4,967	75,758
20,557	250,554	2,491,468	2,942,431
<u>\$ 20,557</u>	<u>\$ 321,345</u>	<u>\$ 2,496,435</u>	<u>\$ 3,018,189</u>

CITY OF ROCKPORT, TEXAS
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2015

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Sanitation Fund	Community Aquatic Center	
ASSETS			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 122,084	\$ 2,531	\$ 124,615
Receivables (net of allowances for uncollectibles):			
Accounts	215,421	244	215,665
Total current assets	<u>337,505</u>	<u>2,775</u>	<u>340,280</u>
Noncurrent assets:			
Capital assets:			
Land	--	104,300	104,300
Improvements other than buildings	--	1,944,240	1,944,240
Machinery and equipment	--	25,583	25,583
Accumulated depreciation	--	(919,084)	(919,084)
Total noncurrent assets	<u>--</u>	<u>1,155,039</u>	<u>1,155,039</u>
Total Assets	<u>337,505</u>	<u>1,157,814</u>	<u>1,495,319</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 287,758	\$ 6,578	\$ 294,336
Accrued expenses	--	3,926	3,926
Due to other funds	--	356	356
Customer deposits	--	698	698
Total current liabilities	<u>287,758</u>	<u>11,558</u>	<u>299,316</u>
Noncurrent liabilities:			
Total liabilities	<u>287,758</u>	<u>11,558</u>	<u>299,316</u>
NET ASSETS:			
Net Investment in Capital Assets	--	1,154,058	1,154,058
Unrestricted Net Assets	49,747	(7,802)	41,945
Total Net Assets	<u>\$ 49,747</u>	<u>\$ 1,146,256</u>	<u>\$ 1,196,003</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, 2015

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-9)
	Sanitation Fund	Community Aquatic Center	
OPERATING REVENUES:			
Charges for services	\$ 19,260	\$ 180,357	\$ 199,617
Total Operating Revenues	<u>19,260</u>	<u>180,357</u>	<u>199,617</u>
OPERATING EXPENSES:			
Personal services	--	189,086	189,086
Contractual services	--	33,296	33,296
Maintenance	--	27,220	27,220
Supplies	--	82,674	82,674
Other	--	1,875	1,875
Depreciation	--	65,597	65,597
Total Operating Expenses	<u>--</u>	<u>399,748</u>	<u>399,748</u>
Operating Income (Loss)	<u>19,260</u>	<u>(219,391)</u>	<u>(200,131)</u>
NON-OPERATING REVENUES (EXPENSES):			
Intergovernmental revenue	--	51,417	51,417
Total Non-operating Revenues (Expenses)	<u>--</u>	<u>51,417</u>	<u>51,417</u>
Net Income (Loss) before Operating Transfers	<u>19,260</u>	<u>(167,974)</u>	<u>(148,714)</u>
TRANSFERS:			
Interfund transfers in	--	105,476	105,476
Interfund transfers out	--	--	--
Change in Net Assets	<u>19,260</u>	<u>(62,498)</u>	<u>(43,238)</u>
Net Assets, beginning of year	30,487	1,208,754	1,239,241
Net Assets, end of year	<u>\$ 49,747</u>	<u>\$ 1,146,256</u>	<u>\$ 1,196,003</u>

CITY OF ROCKPORT, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Sanitation Fund	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-10)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 2,330,610	\$ 180,327	\$ 2,510,937
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	--	--
Cash Payments to Employees	--	(187,095)	(187,095)
Cash Payments to Suppliers for Goods and Services	(2,456,762)	(143,673)	(2,600,435)
Net Cash Provided (Used) by Operating Activities	<u>(126,152)</u>	<u>(150,441)</u>	<u>(276,593)</u>
Cash Flows from Non-capital Financing Activities:			
Operating Grants Received	--	51,417	51,417
Transfers From Other Funds	--	105,476	105,476
Transfers To Other Funds	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>156,893</u>	<u>156,893</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of assets	--	--	--
Purchase of equipment	--	(5,895)	(5,895)
Net Cash Provided by Capital & Related Financing Activities	<u>--</u>	<u>(5,895)</u>	<u>(5,895)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(126,152)	557	(125,595)
Cash and Cash Equivalents at Beginning of Year	248,236	1,974	250,210
Cash and Cash Equivalents at End of Year	<u>\$ 122,084</u>	<u>\$ 2,531</u>	<u>\$ 124,615</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 19,260	\$ (220,372)	\$ (201,112)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	--	66,578	66,578
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(10,859)	(30)	(10,889)
Increase (Decrease) in Accounts Payable	(134,553)	1,392	(133,161)
Increase (Decrease) in Interfund Payables	--	--	--
Increase (Decrease) in Customer Deposits	--	--	--
Increase (Decrease) in Accrued Expenses	--	1,991	1,991
Total Adjustments	<u>(145,412)</u>	<u>69,931</u>	<u>(75,481)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (126,152)</u>	<u>\$ (150,441)</u>	<u>\$ (276,593)</u>

Other Supplementary Information

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

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CERTIFIED PUBLIC ACCOUNTANT
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ROCKPORT, TX 78382

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Fax: 866-576-3913

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, 2015, 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 March 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Rockport, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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,

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

Michael A. Arnold, PLLC

Rockport, TX
March 17, 2016

MICHAEL A. ARNOLD, PLLC
CERTIFIED PUBLIC ACCOUNTANT
501 E. MARKET
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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 the 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 the City of Rockport, Texas's major federal programs for the year ended September 30, 2015. 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 the 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 the City of Rockport, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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, TX
March 17, 2016

CITY OF ROCKPORT, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.067	Operation Stonegarden (OPSG)

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

Auditee qualified as low-risk auditee? X 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, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NONE		

CITY OF ROCKPORT, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2015

N/A

CITY OF ROCKPORT, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT D-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Aransas County, Texas:			
Operation Stonegarden (OPSG)	97.067	EMW-2014-SS-00	\$ 150,496
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>150,496</u>
<u>U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Passed Through Texas Department of Agriculture:			
Community Development Block Grant *	14.228	713411	210,577
Passed Through Teras General Land Office:			
Community Development Block Grant *	14.228	DRS220250	205,900
Total U. S. Department of Housing & Urban Development			<u>416,477</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 566,973</u>

* 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, 2015

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.

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	85
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	89
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	95
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	101
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	103
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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

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

TABLE E-1

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Invested in Capital Assets,										
Net of Related Debt										
Restricted	\$ 993,534	\$ 2,337,041	\$ 3,524,435	\$ 4,913,873	\$ 6,821,463	\$ 7,539,674	\$ 9,313,304	\$ 12,137,914	\$ 13,719,863	\$ 15,375,317
Unrestricted	403,643	565,763	397,985	414,299	247,272	407,389	408,684	451,153	591,401	523,884
Total Governmental	<u>3,811,482</u>	<u>3,960,640</u>	<u>4,483,176</u>	<u>4,486,555</u>	<u>4,202,634</u>	<u>3,373,599</u>	<u>2,444,508</u>	<u>1,154,271</u>	<u>1,363,328</u>	<u>(88,350)</u>
Activities Net Assets	<u>\$ 5,208,659</u>	<u>\$ 6,863,444</u>	<u>\$ 8,405,596</u>	<u>\$ 9,814,727</u>	<u>\$ 11,271,369</u>	<u>\$ 11,320,662</u>	<u>\$ 12,166,496</u>	<u>\$ 13,743,338</u>	<u>\$ 15,674,592</u>	<u>\$ 15,810,851</u>
Business-type Activities										
Invested in Capital Assets,										
Net of Related Debt										
Restricted	\$ 13,861,718	\$ 14,728,064	\$ 14,887,246	\$ 15,244,499	\$ 16,563,623	\$ 17,287,725	\$ 17,967,353	\$ 16,147,439	\$ 22,172,890	\$ 19,971,005
Unrestricted	187,425	195,144	197,798	186,750	185,349	184,655	183,991	183,366	182,073	180,935
Total Business-type	<u>5,103,927</u>	<u>5,397,009</u>	<u>6,135,437</u>	<u>5,598,373</u>	<u>4,708,276</u>	<u>5,245,674</u>	<u>4,377,731</u>	<u>6,761,292</u>	<u>1,816,298</u>	<u>4,156,370</u>
Activities Net Assets	<u>\$ 19,153,070</u>	<u>\$ 20,320,217</u>	<u>\$ 21,220,481</u>	<u>\$ 21,029,622</u>	<u>\$ 21,457,248</u>	<u>\$ 22,718,054</u>	<u>\$ 22,529,075</u>	<u>\$ 23,092,097</u>	<u>\$ 24,171,261</u>	<u>\$ 24,308,310</u>
Primary Government										
Net investment in										
capital assets										
Restricted	\$ 14,855,252	\$ 17,065,105	\$ 18,411,681	\$ 20,158,372	\$ 23,385,086	\$ 24,827,399	\$ 27,280,657	\$ 28,285,353	\$ 35,912,848	\$ 35,346,322
Unrestricted	591,068	760,907	595,783	601,049	532,621	592,044	592,675	634,519	773,474	704,819
Total Primary	<u>8,915,409</u>	<u>9,357,649</u>	<u>10,618,613</u>	<u>10,084,928</u>	<u>8,910,910</u>	<u>8,619,273</u>	<u>6,822,239</u>	<u>7,915,563</u>	<u>3,179,626</u>	<u>4,068,020</u>
Government Net Assets	<u>\$ 24,361,729</u>	<u>\$ 27,183,661</u>	<u>\$ 29,626,077</u>	<u>\$ 30,844,349</u>	<u>\$ 32,828,617</u>	<u>\$ 34,038,716</u>	<u>\$ 34,695,571</u>	<u>\$ 36,835,435</u>	<u>\$ 39,865,948</u>	<u>\$ 40,119,161</u>

CITY OF ROCKPORT, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

TABLE E-2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	\$ 932,925	\$ 971,839	\$ 1,055,722	\$ 1,279,701	\$ 1,536,874	\$ 1,646,376	\$ 1,615,599	\$ 1,534,488	\$ 1,464,770	\$ 1,744,282
Public Safety	2,388,337	2,419,601	2,722,740	2,987,967	3,107,677	3,439,538	3,531,426	3,390,096	4,035,843	4,210,447
Public Works	1,568,715	1,462,111	1,612,377	1,698,485	1,802,657	1,528,189	1,563,014	1,563,687	1,576,188	1,765,828
Culture and Recreation	383,127	373,979	456,641	494,513	542,142	734,248	788,105	914,460	961,048	1,110,379
Tourism	510,202	483,780	505,658	522,996	480,483	476,810	464,438	536,505	640,589	569,140
Environmental	--	--	--	--	--	--	55,129	--	--	--
Interest and Fiscal Charges	542,165	582,858	1,157,502	1,126,044	1,060,140	999,535	996,263	908,935	769,851	526,297
Total Governmental										
Activities Expenses	\$ 6,325,471	\$ 6,294,168	\$ 7,510,640	\$ 8,109,706	\$ 8,529,973	\$ 8,824,696	\$ 9,013,974	\$ 8,848,171	\$ 9,448,289	\$ 9,926,373
Business-type Activities										
Sanitation	--	--	--	--	--	--	--	--	--	--
Water & Sewer	5,657,236	5,446,484	6,677,635	8,498,469	6,572,267	7,636,247	7,589,175	7,840,317	7,699,148	7,904,121
Beach Park	487,793	547,752	635,462	669,681	650,646	662,288	315,789	--	--	--
Community Aquatic Center	295,534	294,325	299,539	373,948	307,583	306,478	314,698	333,267	397,675	399,748
Natural Gas System*	--	--	--	--	1,620,119	1,415,532	1,163,782	1,256,075	1,844,475	1,644,781
Total Business-type Activities Expenses	6,440,563	6,288,561	7,612,636	9,542,098	9,150,615	10,020,545	9,383,444	9,429,659	9,941,298	9,948,650
Total Primary Government Expenses	\$ 12,766,034	\$ 12,582,729	\$ 15,123,276	\$ 17,651,804	\$ 17,680,588	\$ 18,845,241	\$ 18,397,418	\$ 18,277,830	\$ 19,389,587	\$ 19,875,023
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 12,532	\$ 47,079	\$ 15,683	\$ 23,970	\$ 17,051	\$ 17,953	\$ 18,267	\$ 13,289	\$ 16,624	\$ 34,169
Public Safety	436,159	496,827	487,146	500,843	536,995	507,255	494,629	393,762	727,069	760,746
Public Works	236,243	231,245	257,689	138,806	157,742	177,694	182,984	215,265	242,798	216,173
Culture and Recreation	3,293	1,191	38,376	--	28,916	948	19,687	--	--	--
Tourism	--	--	--	--	--	--	--	--	--	--
Interest and Fiscal Charges	--	--	--	--	--	--	--	--	--	--
Operating Grants and Contributions	330,102	309,457	312,468	304,545	521,842	575,942	455,997	366,214	234,191	180,099
Capital Grants and Contributions	--	20,000	--	384,894	1,111,885	79,300	634,417	739,309	699,802	205,900
Total Governmental										
Activities Program Revenues	\$ 1,018,329	\$ 1,105,799	\$ 1,111,362	\$ 1,353,058	\$ 2,374,431	\$ 1,359,092	\$ 1,805,981	\$ 1,727,839	\$ 1,920,484	\$ 1,397,087
Business-type Activities:										
Charges for Services:										
Sanitation	10,942	12,133	13,967	14,183	17,267	17,039	14,873	16,686	16,994	19,260
Water & Sewer	6,803,901	6,552,677	7,824,558	9,561,756	7,354,531	8,377,063	8,455,811	8,907,527	9,219,874	9,480,727
Beach Park	316,482	317,321	355,287	404,937	381,096	425,924	128,376	--	--	--
Community Aquatic Center	117,835	99,906	89,073	97,404	109,049	114,642	138,830	133,706	165,231	180,357
Natural Gas System*	--	--	--	--	1,965,945	1,725,602	1,449,133	1,740,465	2,389,044	2,143,239
Operating Grants and Contributions	122,568	105,583	129,750	108,750	118,583	183,750	62,000	42,000	51,250	51,417
Capital Grants and Contributions	--	287,350	322,574	6,081	22,000	267,941	3,500	256,450	--	210,577
Total Business-type										
Activities Program Revenues	7,371,728	7,374,970	8,735,209	10,193,111	9,968,471	11,111,961	10,252,523	11,096,834	11,842,393	12,085,577
Total Primary Government										
Program Revenues	\$ 8,390,057	\$ 8,480,769	\$ 9,846,571	\$ 11,546,169	\$ 12,342,902	\$ 12,471,053	\$ 12,058,504	\$ 12,824,673	\$ 13,762,877	\$ 13,482,664
Net (Expense)/Revenue										
Governmental Activities	\$ (5,307,142)	\$ (5,188,369)	\$ (6,399,278)	\$ (6,756,648)	\$ (6,155,542)	\$ (7,465,604)	\$ (7,207,993)	\$ (7,120,332)	\$ (7,527,805)	\$ (8,529,286)
Business-type Activities	931,165	1,086,409	1,122,573	651,013	817,856	1,091,416	869,079	1,667,175	1,901,095	2,136,927
Total Primary Government Net Expense	\$ (4,375,977)	\$ (4,101,960)	\$ (5,276,705)	\$ (6,105,635)	\$ (5,337,686)	\$ (6,374,188)	\$ (6,338,914)	\$ (5,453,157)	\$ (5,626,710)	\$ (6,392,359)

* 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 E-3

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental Activities	\$ (5,307,142)\$	(5,188,369)\$	(6,399,278)\$	(6,756,648)\$	(6,155,542)\$	(7,465,604)\$	(7,207,993)\$	(7,120,332)\$	(7,527,805)\$	(8,529,286)
Business-type Activities	931,165	1,086,409	1,123,573	651,013	817,856	1,091,416	869,079	1,667,175	1,901,095	2,136,927
Total Primary Government Net Expense	\$ (4,375,977)\$	(4,101,960)\$	(5,275,705)\$	(6,105,635)\$	(5,337,686)\$	(6,374,188)\$	(6,338,914)\$	(5,453,157)\$	(5,626,710)\$	(6,392,359)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	\$ 2,455,597 \$	2,793,748 \$	3,471,324 \$	3,876,478 \$	3,996,835 \$	4,024,879 \$	4,159,989 \$	4,379,318 \$	4,534,427 \$	4,685,492
Franchise Taxes and other taxes	692,098	746,414	776,959	836,640	789,168	807,931	795,072	860,734	803,439	867,893
Sales Taxes	1,718,155	1,714,042	1,842,730	1,726,846	1,737,376	1,799,286	1,929,948	2,051,342	2,231,798	2,390,992
Occupancy Taxes	514,322	533,215	540,624	467,038	477,688	647,278	662,330	698,934	839,931	876,738
Unrestricted Grants and Contributions	--	--	--	--	--	--	--	--	--	--
Investment Earnings	472,166	649,602	702,769	297,450	122,596	50,110	31,763	48,287	42,240	31,568
Miscellaneous	97,718	61,002	46,437	53,059	53,633	59,003	78,699	54,618	173,247	93,484
Transfers	292,131	345,131	560,587	908,268	534,888	26,410	616,350	849,138	833,977	949,371
Total Governmental Activities	\$ 6,242,187 \$	6,843,154 \$	7,941,430 \$	8,165,779 \$	7,712,184 \$	7,414,897 \$	8,274,151 \$	8,942,371 \$	9,459,059 \$	9,895,538
Business-type Activities:										
Investment Earnings	441,376	425,869	337,278	66,396	72,781	46,943	21,108	16,076	11,848	9,242
Miscellaneous	--	--	--	--	71,877	--	--	--	--	--
Gain(Loss) on asset disposition	--	--	--	--	--	--	(462,816)	--	--	--
Transfers	(292,131)	(345,131)	(560,587)	(908,268)	(534,888)	(26,410)	(616,350)	(849,138)	(833,977)	(949,371)
Total Business-type Activities	149,245	80,738	(223,309)	(841,872)	(390,230)	20,533	(1,058,058)	(833,062)	(822,129)	(940,129)
Total Primary Government	\$ 6,391,432 \$	6,923,892 \$	7,718,121 \$	7,323,907 \$	7,321,954 \$	7,435,430 \$	7,216,093 \$	8,109,309 \$	8,636,930 \$	8,955,409
Change in Net Assets										
Governmental Activities	\$ 935,045 \$	1,654,785 \$	1,542,152 \$	1,409,131 \$	1,556,642 \$	(50,707)\$	1,066,158 \$	1,822,039 \$	1,931,254 \$	1,366,252
Business-type Activities	1,080,410	1,167,147	900,264	(190,859)	427,626	1,111,949	(188,979)	834,113	1,078,966	1,196,798
Total Primary Government	\$ 2,015,455 \$	2,821,932 \$	2,442,416 \$	1,218,272 \$	1,984,268 \$	1,061,242 \$	877,179 \$	2,656,152 \$	3,010,220 \$	2,563,050

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

TABLE C-4

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	\$ 78,368	\$ 79,030	\$ 92,008	\$ 56,886	\$ 43,857	\$ 56,427	\$ 31,221	\$ 27,250	\$ 58,047	\$ 29,078
Unassigned	3,319,856	3,646,678	4,072,410	4,391,591	4,383,516	3,534,604	3,099,834	2,821,064	3,011,065	3,191,300
Total General Fund	\$ 3,398,224	\$ 3,725,708	\$ 4,164,418	\$ 4,448,477	\$ 4,427,373	\$ 3,591,031	\$ 3,131,055	\$ 2,848,314	\$ 3,069,112	\$ 3,220,378
All Other Governmental Funds										
Nonspendable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Restricted	7,117,806	20,585,720	17,895,405	11,230,229	9,916,340	9,523,625	9,234,662	9,429,485	8,495,513	8,772,017
Committed	(36,713)	(56,515)	(797,786)	(98,853)	(67,922)	(134,170)	(253,917)	(28,713)	12,140	36,015
Assigned	--	--	--	142,974	235,527	333,670	217,194	372,949	428,654	520,002
Unassigned	--	--	--	--	--	--	--	--	(76,051)	(110,482)
Total All Other Governmental Funds	\$ 7,081,093	\$ 20,529,205	\$ 17,097,619	\$ 11,274,350	\$ 10,083,945	\$ 9,723,125	\$ 9,197,939	\$ 9,773,721	\$ 8,860,256	\$ 9,217,552

CITY OF ROCKPORT, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

TABLE E-5

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 5,469,894	\$ 5,927,580	\$ 6,759,146	\$ 7,014,990	\$ 7,160,823	\$ 7,440,695	\$ 7,718,487	\$ 8,174,665	\$ 8,602,188	\$ 9,001,518
Licenses, Fees and Permits	169,497	179,770	179,454	127,810	157,742	177,694	182,984	201,950	218,504	216,173
Intergovernmental	330,102	307,960	312,468	689,439	1,633,727	655,242	1,090,414	1,113,479	1,312,278	700,062
Charges for Services	21,976	33,342	116,431	19,265	28,916	948	19,687	13,315	24,294	78,261
Fines	302,134	359,838	349,821	361,139	393,378	329,567	333,335	215,253	254,785	212,983
Investment Earnings	492,582	553,544	702,769	297,450	79,650	42,175	31,763	35,878	35,291	31,568
Special Assessments	4,455	4,602	3,489	711	--	--	--	--	--	--
Other Revenues	145,207	133,476	46,437	53,059	53,633	59,003	78,699	54,618	99,294	95,614
Total Revenues	6,935,847	7,500,112	8,470,015	8,563,863	9,507,869	8,705,324	9,455,369	9,809,158	10,546,634	10,336,179
Expenditures										
General Government	908,290	934,602	1,045,219	1,137,890	1,158,179	1,274,439	1,345,717	1,289,805	1,345,263	1,463,333
Public Safety	2,229,055	2,256,783	2,534,311	2,684,287	2,914,167	3,234,665	3,287,236	3,144,331	3,724,061	3,980,680
Public Works	1,473,824	1,327,317	1,454,671	1,410,462	1,600,542	1,321,318	1,257,527	1,196,966	1,176,409	1,319,048
Culture and Recreation	341,482	329,821	408,354	398,058	453,479	631,897	659,021	763,424	814,379	939,194
Tourism	510,202	483,780	505,658	522,996	480,483	476,810	464,438	536,505	640,589	569,140
Environmental	--	--	--	--	--	--	55,129	--	--	--
Capital Outlay	1,042,111	2,004,996	3,340,589	8,084,491	2,765,131	1,019,504	1,905,975	1,406,620	2,342,359	2,507,809
Debt Service	--	--	--	--	--	--	--	--	--	--
Interest and bond costs	476,053	438,512	495,322	666,283	864,399	1,018,895	1,095,667	916,926	775,232	643,057
Principal	516,672	495,085	1,159,854	1,135,664	1,127,741	1,007,674	987,971	1,212,065	1,334,871	1,464,919
Total Expenditures	7,497,689	8,270,896	10,943,978	16,040,131	11,364,121	9,985,202	11,058,681	10,466,642	12,153,163	12,887,180
Excess of Revenues										
Over (Under) Expenditures	(561,842)	(770,784)	(2,473,963)	(7,476,268)	(1,856,252)	(1,279,878)	(1,603,312)	(657,484)	(1,606,529)	(2,551,001)
Other Financing Sources (Uses)										
Bonds Issued	5,902,724	14,420,203	--	--	2,258,397	1,524,701	--	4,295,369	5,074,269	8,133,932
Capital Leases	--	--	--	--	--	--	--	--	--	--
Payments to Escrow Agent	--	--	--	--	(2,155,327)	(1,475,220)	--	(4,195,782)	(4,962,452)	(6,023,410)
Bond issue costs	(120,795)	(218,954)	(10,000)	--	--	--	--	--	--	--
Transfers In	962,140	923,114	1,089,136	1,796,614	1,609,671	1,566,570	1,596,511	1,687,402	1,596,487	1,701,867
Transfers Out	(425,421)	(577,983)	(528,549)	(896,296)	(1,067,958)	(1,533,335)	(978,361)	(836,464)	(794,442)	(752,826)
Total Other Financing Sources (Uses)	6,318,648	14,546,380	550,587	900,318	644,783	82,716	618,150	950,525	913,862	3,059,563
Net Change in Fund Balances	\$ 5,756,806	\$ 13,775,596	\$ (1,923,376)	\$ (6,575,950)	\$ (1,211,469)	\$ (1,197,162)	\$ (985,162)	\$ 293,041	\$ (692,667)	\$ 508,562
Debt Service As A Percentage Of Noncapital Expenditures	15.4%	14.9%	21.8%	22.6%	23.2%	22.6%	22.8%	23.5%	21.5%	20.3%

TABLE E-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
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
2014	4,453,504	2,231,798	803,439	839,931	** 199,923	8,602,188
2015	4,685,492	2,390,992	836,325	876,738	211,971	9,001,518
Percent Change 2006-2015	91.1%	39.2%	27.2%	85.7%	24.3%	64.6%

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

TABLE E-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					
2006	2005	\$ *	\$	\$	\$	\$	\$	0.2549	\$ 955,490,048	100.000%	
2007	2006	*						0.2443	1,144,148,087	100.000%	
2008	2007	1,136,460,421	152,848,104	12,948,250	45,556,584	5,743,745	(65,552,301)	0.2790	1,288,004,803	100.000%	
2009	2008	1,184,302,272	163,509,633	13,764,610	44,527,321	6,071,625	(50,471,909)	0.2990	1,361,703,552	100.000%	
2010	2009	1,208,687,146	169,416,739	12,804,120	44,808,234	5,722,815	(41,194,373)	0.2987	1,400,244,681	100.000%	
2011	2010	1,397,619,312	163,711,921	12,819,730	43,894,297	5,006,615	(35,648,632)	0.3100	1,587,403,243	100.000%	
2012	2011	1,207,519,961	176,446,050	13,221,090	38,887,032	7,882,595	(35,090,371)	0.3089	1,408,866,357	100.000%	
2013	2012	1,209,214,142	175,017,442	13,164,960	40,033,361	8,259,105	(34,395,054)	0.3258	1,411,293,956	100.000%	
2014	2013	1,227,156,427	177,726,064	13,413,250	44,619,583	8,310,645	(36,338,354)	0.3277	1,434,887,615	100.000%	
2015	2014	1,257,623,793	192,355,262	5,196,870	41,739,328	8,325,446	(36,705,716)	0.3352	1,468,534,983	100.000%	

Source: Aransas County Appraisal District
 * Information is not available

CITY OF ROCKPORT, TEXAS

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
UNAUDITED**

TABLE E-8

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Aransas County	Aransas County Navigation District	Aransas County ISD
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
2014	0.1851	0.1426	0.3277	0.3753	0.0551	1.1605
2015	0.2053	0.1299	0.3352	0.3847	0.5251	1.1561

Source: Aransas County Tax Assessor

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

TABLE E-9

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Oaks at Bentwater, LP	\$ 9,558,460	1	0.65%	\$ --	--	--
Wal-Mart Real Estate Bus Tr	7,000,000	2	0.48%	8,011,330	2	0.84%
Rockport Harborfront, LP	6,807,140	3	0.46%	4,972,742	4	0.52%
H E Butt Grocery	6,512,590	4	0.44%	9,154,230	1	0.96%
Lokseva, Inc	5,726,590	5	0.39%	--	--	--
C H Marina and Drystack LP	5,721,508	6	0.39%	--	--	--
Wal-Mart Stores East #440	5,452,540	7	0.37%	7,540,872	3	0.79%
Heritage Hotels Rockport LP	5,420,080	8	0.37%	3,317,830	6	0.35%
AEP Texas Central Comp	4,783,920	9	0.33%	3,692,520	5	0.39%
Sabra Texas Properties II IP	3,643,890	10	0.25%	--	--	--
Southwestern Bell Telephone	--	--	--	3,169,460	7	0.33%
ByPass Oaks LP	--	--	--	3,169,460	8	0.33%
Southbound Trust	--	--	--	2,615,810	9	0.27%
Perry, Scott Jr.	--	--	--	2,481,950	10	0.26%
Total	\$ 60,626,718		4.13%	\$ 48,126,204		5.04%

Source: Aransas County Appraisal District

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

TABLE E-10

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 2,432,166	\$ 2,392,879	98.38%	\$ 35,129	\$ 2,428,008	99.83%
2007	2,771,764	2,729,705	98.48%	34,038	2,763,743	99.71%
2008	3,444,641	3,392,957	98.50%	43,932	3,436,889	99.77%
2009	3,842,178	3,771,806	98.17%	59,999	3,831,805	99.73%
2010	3,947,447	3,866,254	97.94%	67,388	3,933,642	99.65%
2011	3,999,750	3,928,989	98.23%	55,273	3,984,262	99.61%
2012	4,113,275	4,047,717	98.41%	47,859	4,095,576	99.57%
2013	4,334,917	4,274,298	98.60%	40,088	4,314,386	99.53%
2014	4,446,634	4,385,623	98.63%	26,928	4,412,551	99.23%
2015	4,652,135	4,591,402	98.69%			

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

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

TABLE E-11

Fiscal Year	Governmental Activities		Business-types Activities		Total Primary Government	Percent of Personal Income	Per Capita
	General Bonded Debt	Capital Leases	Revenue Bonds	General Bonded Debt			
2005	\$ 10,163,405	\$ 1,495,000	\$ 1,600,000	\$ 7,281,596	\$ 20,540,001	\$ 9.11%	\$ 2,272
2007	23,883,894	1,436,000	1,470,000	9,731,107	36,521,001	14.33%	4,039
2008	23,449,572	1,375,000	1,335,000	9,245,429	35,405,001	13.66%	3,756
2009	22,846,289	1,312,000	1,190,000	8,933,712	34,282,001	10.40%	3,495
2010	22,061,354	1,247,000	--	19,978,647	43,287,001	13.13%	4,413
2011	21,311,775	1,180,000	--	18,853,275	41,345,050	12.54%	4,419
2012	20,286,108	1,110,000	--	17,893,954	39,290,062	11.92%	4,199
2013	19,297,219	1,037,000	--	17,893,954	36,265,000	11.00%	3,876
2014	18,166,302	962,000	--	19,532,935	38,661,237	11.73%	4,132
2015	18,938,444	884,000	--	18,321,556	38,144,000	11.57%	4,077

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

TABLE E-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		
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	36,265,000	451,153	36,716,153	2.68%	3,924
2014	38,661,237	528,104	38,133,133	2.66%	4,075
2015	38,144,000	472,852	37,671,148	2.63%	4,026

(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 E-13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Aransas County Independent School District	\$ 34,889,925	65.030%	\$ 22,688,918
Aransas County	17,880,651	49.990%	8,938,537
Aransas County Navigation District	4,720,000	49.990%	<u>2,359,528</u>
Subtotal, Overlapping Debt			33,986,984
City Direct Debt			<u>38,144,000</u>
Total Direct and Overlapping Debt			<u>\$ 72,130,984</u>

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

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Maximum available tax revenues for all purposes including debt service	\$ 23,887,251	\$ 28,364,349	\$ 30,402,840	\$ 32,136,535	\$ 33,040,660	\$ 34,193,454	\$ 32,699,909	\$ 35,273,627	\$ 37,699,237	35,872,190
Actual amount expended for general obligation debt	922,725	933,597	1,655,176	1,679,650	1,930,704	1,949,434	2,083,638	2,040,581	2,061,064	2,107,976
Excess	22,964,526	27,430,752	28,747,664	30,456,885	31,109,956	32,244,020	30,616,271	33,233,046	35,638,173	33,764,214

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 1,434,887,615
Maximum tax rate per \$100 assessed valuation	<u>2.50</u>
Maximum available tax revenues for all purposes including debt service	<u>35,872,190</u>
Actual amount expended for general obligation debt service	\$ <u>2,107,976</u>

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

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

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

TABLE E-15

Fiscal Year	Water and Sewer Revenue Bonds					Coverage
	Utility Service Charges	Less: Operating Expenses(1)	Net Available Revenue	Debt Services Requirements(2)		
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
2014	9,219,874	6,112,976	3,106,898	--		N/A
2015	11,618,026	6,336,116	5,281,910	--		N/A

(1) Exclusive of depreciation and interest

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

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

TABLE E-16

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Population(1)	9,041	9,264	9,425	9,810	9,810	9,357	9,357	9,357	9,357	9,357
Personal Income(3)	\$ 27,504	\$ 27,504	\$ 27,504	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950	\$ 24,950
Per Capita Personal Income (in thousands)	\$ 248,664	\$ 254,797	\$ 259,225	\$ 244,760	\$ 244,760	\$ 233,457	\$ 233,457	\$ 233,457	\$ 233,457	\$ 233,457
Median Age(3)	42.7	42.7	42.7	42.7	46.0	46.0	49.0	49.0	49.0	49.0
Education Level in Years of Schooling	--	--	--	--	--	--	--	--	--	--
School Enrollment	3,079	3,014	3,241	3,331	2,916	2,848	3,331	3,331	3,331	3,331
Unemployment(2)	4.8%	4.2%	4.8%	6.9%	7.4%	7.4%	7.4%	7.4%	6.2%	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 E-17

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Aransas County ISD	496	1	--	521	1	--
Wal-Mart	232	2	--	250	2	--
Wood Group Production Ser	225	3				
H.E.B.	180	4		185	3	
Aransas County	178	5		175	4	
City of Rockport	139	6	--	130	5	--
State of Texas	107	7	--	107	6	--
Rockport Coastal Care Center	80	8		75	8	
Gulf Poine Plaza	73	9	--	93	7	--
Oak Crest Nursing Center	70	10				
Total	<u>1,780</u>		<u>--</u>	<u>1,536</u>		<u>--</u>

Source: Rockport Fulton Chamber of Commerce

Omitted information is not available.

CITY OF ROCKPORT, TEXAS

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

TABLE E-18

Full-Time-Equivalent Employees as of Year End

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Municipal Court	5	5	5	5	5	5	5	3	3	3
City Secretary	3	3	3	3	3	3	3	3	3	3
City Manager	1	1	1	1	1	1	1	1	1	1
Information/Technology	1	1	1	1	1	1	1	1	1	2
Finance	2	2	2	2	2	2	2	2	2	2
Police										
Officers	22	22	22	22	21	25	27	27	27	28
Civilians	14	14	14	14	14	14	13	13	12	15
Public Works										
Building and Development	5	5	5	5	5	5	5	5	5	6
Street and Drainage	8	8	8	8	9	10	11	7	7	7
Building Maintenance	1	1	1	1	1	1	1	1	1	1
Fleet	2	2	2	2	3	3	2	2	2	2
Parks and Recreation	25	27	27	27	27	27	28	13	13	9
Utilities:										
Water	15	15	15	15	15	15	16	17	17	18
Wastewater	6	6	6	6	7	7	6	6	6	10
Environmental	--	--	--	--	1	1	1	1	1	2
Natural Gas	--	--	7	7	6	6	6	6	6	8
Customer Service	5	5	4	4	4	6	6	6	6	5
Total	115	117	123	123	125	132	134	114	113	122

Source: City Budget

CITY OF ROCKPORT, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

TABLE E-19

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Building Permits Issued	475	475	490	162	209	209	342	460	250	158
Building Inspections Conducted	644	644	520	233	177	177	278	278	308	295
Police										
Physical Arrests	829	829	833	833	833	833	833	598	879	1,133
Traffic Violations	3,460	3,460	3,337	3,337	3,677	4,025	4,025	1,286	2,029	1,756
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)	20.63	20.63	9.15	9.15	9.15	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	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	297	297	203	143	267	48	73	150	150	150
Water Main Breaks	19	19	10	10	10	10	10	10	10	10
Average Daily Consumption	2,837,000	2,837,000	2,948,000	2,948,000	2,630,137	2,818,759	2,765,108	2,514,460	2,454,545	2,776,959
Peak Daily Consumption	4,979,000	4,979,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000	4,634,000
Storage Capacity	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	8,100,000	8,100,000	8,100,000	8,100,000
Wastewater										
Average Daily Sewage Treatment (millions of gallons)	1.36	1.36	1.30	1.30	1.30	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

CITY OF ROCKPORT, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

TABLE E-20

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	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	77	77	77	77	77	77	87	87	87
Parks and Recreation										
Acreage	200	200	200	200	200	200	200	150	150	150
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	--	--	--
Water										
Water Mains (miles)	96	96	160	163	163	163	163	163	163	163
Storage Capacity (thousands of gallons)	7,100	7,100	7,100	7,100	7,100	7,100	8,100	8,100	8,100	8,100
Wastewater										
Sanitary Sewers (miles)	62	64	64	67	67	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