

CITY OF ROCKPORT, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

City of Rockport, Texas  
 Comprehensive Annual Financial Report  
 For The Year Ended September 30, 2005

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## Introductory Section



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

**Administrative Offices**

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

**City Hall Annex**

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

**Public Safety Center**

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

**Public Works Service Center**

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

**Rockport Beach Park**

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

**Community Aquatic  
Park**

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

January 31, 2006

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, 2005, is submitted. This report was prepared in accordance with generally accepted accounting principles on a basis consistent with the prior year. The preparation of the annual financial report and all financial information in the report is the responsibility of the City. The scope of the independent auditor's examination is to render an opinion on the financial information in the Annual Financial Report. Complete details concerning the City's fiscal year activities and related costs are presented in the enclosed narratives and financial statements.

**ORGANIZATION OF THE REPORT**

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

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

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

## **INDEPENDENT AUDIT**

The Charter of the City of Rockport requires that the City Council appoint certified public accountants, who will be responsible to the Council, to perform an independent audit of all funds and group of accounts of the City on an annual basis. The firm of Michael A. Arnold, PLLC was selected by the Council to perform this function. Generally accepted auditing standards and the standards set forth in the General Accounting Office's 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, flood plane management, building, plumbing, electrical inspections and general and administrative services. A private firm provides solid waste collection and disposal services under a contract with the City. In addition, water and sewer, beach park, and the community aquatic park services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt.

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

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

The Aransas County and City of Rockport Public Safety Center, a joint law enforcement office building housing the Rockport Police Department and the Aransas county Sheriff's Office was completed this year. Created by an Interlocal Agreement, the venture is a 50/50 split between the City of Rockport and Aransas County for all maintenance and expenses related to the Public Safety Center.



## **BUDGETING**

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

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

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

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

## **GENERAL INFORMATION**

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

## **ECONOMIC TRENDS**

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

Property values in the City of Rockport increased from \$303,842,895 in 1994 to \$851,079,944 in 2004. This can be attributed to the annexation of several areas, increased property values, as well as, the increase in development within the City.

Development in Rockport has continued to increase over the last ten (10) years. H.E.B. Food Store opened a super store in the summer of 2002. A Blockbusters Video, as well as, a seventy-eight room Hotel on the waterfront was built in 2003. Wal-Mart opened a new super store in October of 2004. Two banks and an all night pharmacy were opened in 2005. Starbuck's has started construction on Highway 35, as well as, Sonic's construction for relocation near Little Bay.

Permits for single family homes continue to be issued at a rate of approximately 68 each year. The population of Rockport has grown by 61% in the last ten (10) years going from 4,753 in 1990 to 7,658 in 2000. Whistler's Cove and La Buena Vida are new subdivisions being developed, with several more in the planning stages.

Sales tax revenues have increased from \$794,181 in 1995 to \$1,609,417 in 2005. This is a 102% increase in sales tax revenues over a ten (10) year period. Winter Texans and summer visitors have helped in the increase of sales tax.

The City has taken several steps in recent years to enhance the quality of life for the citizens of Rockport. Several of the area parks have been upgraded and expanded, as well as, the planning of a two phase Hike and Bike Trail that will be partially funded by TxDOT grants totaling over \$700,000. In 2000 a grant was received from Coastal Coordination Council totaling \$150,000 for a ten (10) acre addition to Memorial Park which included a pond.

Rockport Beach has the privilege of being designated as Texas' first Blue Wave Beach. Improvements to the Saltwater and Beachfront Pavilions were done this year with funds from a Coastal Management Program (CMP) grant. The existing fishing dock and bulkhead were completely redone. This project was funded by a grant from Texas Parks and Wildlife. The Navigation District received a General Land Office (GLO) Grant in 2004 for the renourishment of the Beach Park. This project was completed in 2004.

### **MAJOR INITIATIVES**

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

- Comprehensive Traffic Plan begun last year was completed in 2005. The plan labeled all streets according to category (arterial, collector or local). Final report is in preparation.

- Completion of the Master Drainage Plan in Areas 2, 3 and 5 (South Rockport Drainage).  
This project was completed in late 2005.
- Texas Department of Transportation (TxDOT) project to provide a continuous center turn lane on State Highway 35 Business.  
This project is complete and includes upgrades to the Drainage system.
- Hike/Bike Trail Phase 1 and Phase 2 building a trail along Tule Creek to Enterprise and along Live Oak Street from Enterprise to Cornwall.  
These projects are in the design phase and waiting for contracts with TxDOT to be approved.
- Drainage improvement from FM 2165 to the Tule Ditch will improve drainage in the southwest portion of the Rockport Country Club Estates subdivision.  
Easements have been obtained and bid opening is scheduled for October 2005.
- Skate Park facility near the Community Aquatic Park.  
This project is complete.
- Transmission Line Protection will provide a line extension to allow 24 customers access to water without tapping directly into the transmission line.  
This project is complete.
- Little Bay Shores and Linden Street Wastewater Main Replacement.  
This project is complete.
- North Area Lift Station rehabilitation and upgrade.  
A bid opening is tentatively scheduled for October 2005.

### **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 the individual fund statements in the accompanying report.

#### 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 the individual fund statements in the accompanying report.

### **FIDUCIARY FUNDS**

The City had no fiduciary funds at September 30, 2005.

### **PROPRIETARY FUNDS**

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

The operating expenditures are those incurred by the delivery of those services. A more complete discussion of the financial operations of these funds can be found in Note A.

### **CAPITAL ASSETS**

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

### **AD VALOREM TAXES**

State statutes require the value of the property as of January 1 of each year be used as the basis for calculating ad valorem tax for the ensuing fiscal year. The estimated adjusted taxable value of property in the City at January 1, 2005 was \$851,079,944 and was taxed at \$.2557 per one hundred dollars of assessed value resulting in an adjusted tax roll (taxes receivable) of \$2,176,211. The City council set the tax rate .0093 cents lower than the previous year, this limiting the adjusted tax roll to an increase of only \$197,118 or 4.6% of 2004.

## Collections

Current taxes of \$2,135,356 representing 98.3% of the adjusted tax roll were collected during fiscal year 2005. The collection rate was comparable to the year end. Current tax collections have exceeded 97% in each of the last ten years.

## Allocation of Ad Valorem Taxes

The revenue to be received from current tax collections is distributed between the General Fund and the Debt Service Fund according to the rates for allocation set when the budget ordinances are adopted. Allocation of property tax revenues by purpose for fiscal year 2005 and the preceding four years is given in the following table. The amounts in the table are per one hundred dollars of assessed value.

	2005	2004	2003	2002	2001
General Fund	.1808	.1949	.1963	.2044	.2197
G. O. Debt	.0741	.0608	.0687	.0792	.0842
Total	.2549	.2557	.2650	.2836	.3039

## **CASH MANAGEMENT**

The City has a policy of investing idle cash in the various funds in time deposits. Interest rates on time deposits are governed by the City's depository contract, which is awarded for three-year periods to the best bidder according to the City Charter. The current depository contract was awarded to Well Fargo Bank, Rockport Branch, Rockport, Texas on May 1, 2003. The contract provides payment of interest at commercial posted rates. The contract further provides the City may make deposits outside of the depository bank. The City has chosen to invest its idle cash in TexPool when the interest rates available at TexPool are higher than the depository bank. TexPool was created under the Public Funds Investment Act to provide local governments investment opportunities while protecting principal and liquidity. The total amount of interest earned across funds in 2005 was \$267,330 compared to \$90,148 in 2004.

## **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, 2004. This is the second year that the City has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized basic financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2004. The budget for October 1, 2005 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

### **ACKNOWLEDGMENTS**

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

Respectfully submitted,



Jacky Cockerham  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockport,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Perry*

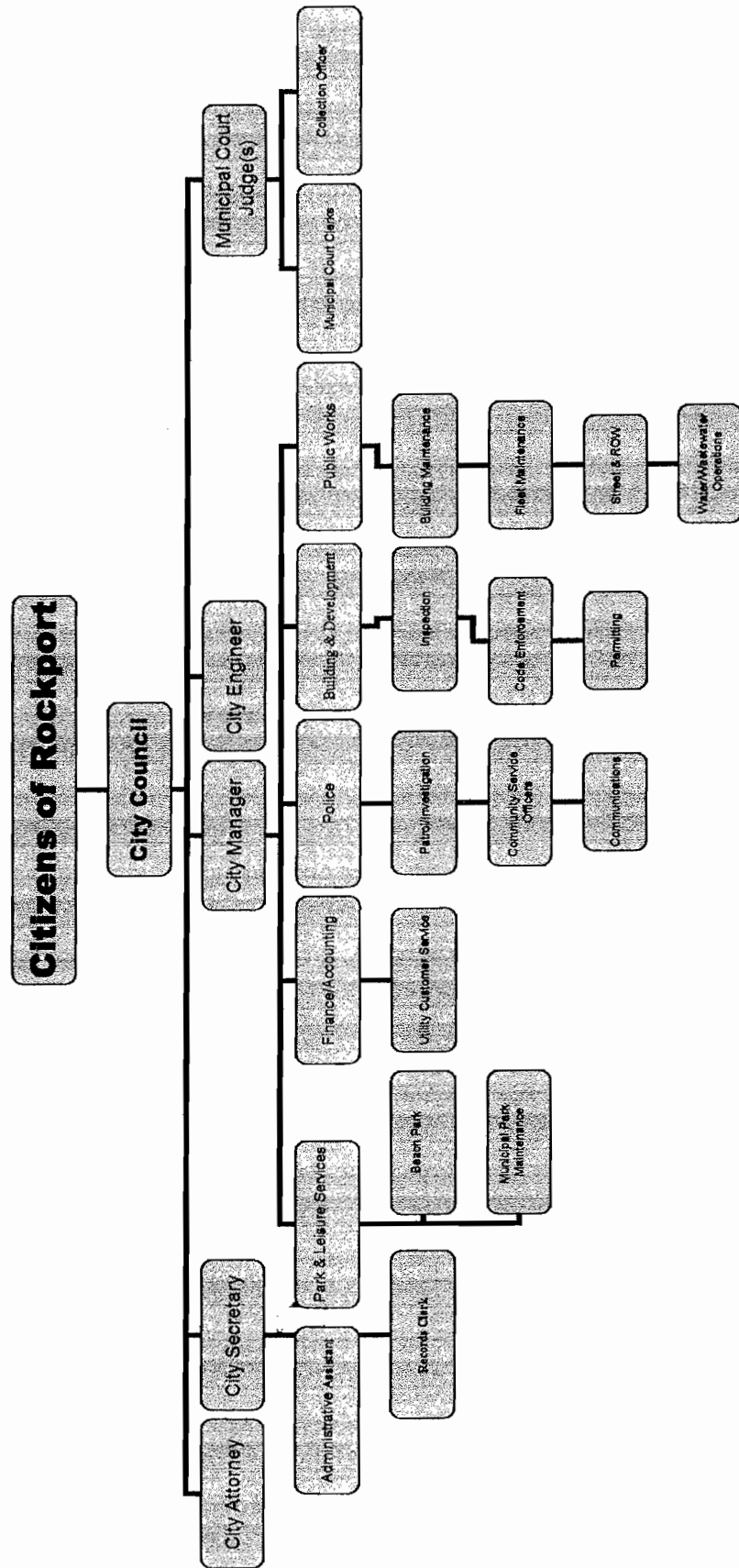
President

*Jeffrey R. Emer*

Executive Director

# City of Rockport

## ORGANIZATION CHART





# CITY OF ROCKPORT, TEXAS

## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2005

### Elected Officials

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

### Appointed Officials

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

## Financial Section

# **Michael A. Arnold, PLLC**

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

CERTIFIED PUBLIC ACCOUNTANT

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

## **Independent Auditor's Report on Financial Statements**

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

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rockport, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated January 30, 2006, on our consideration of City of Rockport, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be read in conjunction with this report in considering the results of our audit.

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

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

Respectfully submitted,

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

Michael A. Arnold, PLLC

January 30, 2006

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the City of Rockport's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2005. Please read it in conjunction with the transmittal letter on page i and the City's financial statements, which begin on page 19.

### FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$2,418,721 as a result of this year's operations. Governmental activities contributed \$1,430,104 with the balance of \$988,617 resulting from business-type activities.

#### *Entity Wide*

Total assets, were \$36,266,630 at September 30, 2005, increasing 7% over September 30, 2004. Total liabilities were \$13,920,356 at September 30, 2005, a decrease of 4% from September 30, 2004.

Total net assets of the City were \$36,266,630 at September 30, 2005, and increase of \$2,418,721, or 7% compared to September 30, 2004. Of these assets, 63% are invested in capital assets or restricted with the remaining 37% unrestricted.

Total net expenses over program revenue were \$2,697,175 compared to \$2,783,474 net expenses at September 30, 2004, or a 3% decrease.

#### *Governmental Activities*

On a governmental-wide basis for governmental activities, the City had expenses net of program revenue of \$4,071,549 at September 30, 2005 compared to \$3,877,674 at September 30, 2004, representing an increase of 5% from prior year.

General revenues and transfers totaled \$5,501,653 at September 30, 2005, resulting in an increase in net assets of \$1,430,104. This compares to September 30, 2004 totals of \$4,964,450 in general revenues and transfers with a net asset increase of \$537,203.

Governmental activities net assets increased by 50%, from \$2,843,509 at September 30, 2004 to \$4,273,614 at September 30, 2004.

#### *Business-Type Activities*

On a governmental-wide basis for business-type activities, program revenue net of expenses was \$988,617 for fiscal year ended September 30, 2005 compared to \$754,363 for 2004; a 31% increase.

Net assets grew from \$17,084,043 in 2004 to \$18,072,660 as of September 30, 2005, or 5%.

#### *General Fund Performance*

At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$2,237,656, or 48% of the General Fund expenditures. This compares to an unreserved, undesignated fund balance of \$3,427,134, or 74% of expenditures for fiscal year ended September 30, 2005.

Revenues of \$5,014,746 for fiscal year ended September 30, 2005 increased by 22% from prior year revenues of \$4,100,056.

General Fund expenditures were \$4,614,497 for the current year, compared to \$4,065,316 for fiscal year ended September 30, 2004, or a 14% increase.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 19 and 20) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 44. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **Reporting the City as a Whole**

#### **The Statement of Net Assets and the Statement of Activities**

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

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

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

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

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

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

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

Our analysis of the City's major funds commences on page 21. The fund financial statements are presented on pages 44 through 62. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Community Aquatic Park Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose – governmental and proprietary. Each category uses a different accounting approach.

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

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

## THE CITY AS A WHOLE

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

**Table 1**  
**Net Assets**  
**(in Millions)**

	Governmental Activities		Business type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Current and other assets</b>	5.5	5.2	7.1	6.3	12.6	11.5
<b>Capital Assets</b>	5.9	5.0	17.8	17.9	23.7	22.9
<b>Total Assets</b>	11.4	10.2	24.9	24.2	36.3	34.4
<b>Long-term debt outstanding</b>	6.6	6.9	5.3	5.9	11.9	12.8
<b>Other liabilities</b>	.5	.5	1.5	1.2	2.0	1.7
<b>Total liabilities</b>	7.1	7.4	6.8	7.1	13.9	14.5
<b>Net assets:</b>						
<b>Invested in capital assets,</b>						
<b>Net of debt</b>	2.6	2.5	13.3	12.1	15.9	14.6
<b>Restricted</b>	.5	.6	.7	.6	1.2	1.2
<b>Unrestricted (deficit)</b>	1.2	(.3)	4.1	4.4	5.3	4.1
<b>Total net assets</b>	4.3	2.8	18.1	17.1	22.4	19.9

Net assets of the City's governmental activities increased \$1,430,104. This increase is primarily due to budgeting expenditures based upon a conservative estimate of revenues, strong performance of revenues and control over expenditures – all of which will be discussed in greater detail below.

The net assets of the City's business-type activities increased \$988,617.



**Table 2**  
**Changes in Net Assets**  
**(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
<b>Program revenues:</b>						
<b>Charges for services</b>	.8	.6	6.9	6.3	7.7	6.9
<b>Federal grants</b>	.2	.2	.1	.1	.3	.3
<b>Other grants</b>	.3	.2	.1	.1	.4	.2
<b>General revenues:</b>						
<b>Property taxes</b>	2.2	2.1			2.2	2.1
<b>Sales tax</b>	1.6	1.4			1.6	1.4
<b>Other taxes</b>	1.1	.8			1.1	.8
<b>Federal entitlements</b>						
<b>Other general revenues</b>	.2	.1	.2		.4	.1
<b>Total revenues</b>	6.4	5.4	7.3	6.5	13.7	11.9
<b>Program expenses</b>						
<b>General government</b>	1.0	.9			1.0	.9
<b>Public safety</b>	2.3	1.9			2.3	1.9
<b>Public works</b>	1.2	1.1			1.2	1.1
<b>Health and welfare</b>	.3	.2			.3	.2
<b>Culture and recreation</b>	.3	.3			.3	.3
<b>Interest on long-term debt</b>	.3	.3			.3	.3
<b>Water and Sewer</b>			5.1	4.8	5.1	4.8
<b>Sanitation</b>						
<b>Beach Park</b>			.5	.4	.5	.4
<b>Community Aquatic Park</b>			.3	.2	.3	.2
<b>Total expenses</b>	5.4	4.7	5.9	5.4	11.3	10.1
<b>Excess (deficiency)</b>						
<b>Before special items</b>						
<b>And transfers</b>	1.0	.7	1.4	1.1	2.4	1.8
<b>Transfers</b>	.4	.4	-.4	-.4	-	-
<b>Increase (decrease)</b>						
<b>In net assets</b>	1.4	1.0	1.0	.7	2.4	1.8

Total revenues generated from both governmental and business-type activities this year amounted to 13.7 million.

**Governmental Activities**

Total revenues generated from governmental activities this year amounted to \$6.4 million. Expenses came in at \$5.4 million.

The cost of all governmental activities this year was \$4.7 million. However, as shown on the Statement of Activities on pages 20 and 21, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$5.1 million. \$0.8 million to finance these programs was paid by those who directly benefited from them, bond funds, construction funds and by other governments that subsidized certain programs with grants.

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

**Table 3  
Governmental Activities  
(in Millions)**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
<b>Public Safety</b>	2.3	1.9	1.7	1.3
<b>General Government</b>	1.0	.9	.9	.9
<b>Public Works</b>	1.2	1.1	.6	.9
<b>Culture and Recreation</b>	.3	.3	.3	.3
<b>Total</b>	<b>4.8</b>	<b>4.2</b>	<b>3.5</b>	<b>3.4</b>

**Business-type Activities**

Total revenues generated from business-type activities this year amounted to \$7.3 million. Expenses came in at \$5.9 million, leaving \$1.4 million as an increase to net assets before transfers. An additional net \$0.4 million in transfers to governmental activities was provided, resulting in an all-inclusive increase to net assets amounting to \$1.0 million.

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

**THE CITY’S FUNDS**

As a result of this year’s operation, governmental funds (as reflected in the balance sheet on page 22 increased combined fund balance to \$5.0 million, a decrease of \$0.2 million

from last year. The decrease came about largely from the General Fund. The largest increase in revenues came from taxes, which amount to \$5.0 million. This year sales tax increased \$.2 million, 14% over last year. Although the tax rate was lower than last year, current property taxes increased \$.1 million due to an increase in values.

### General Fund - A Detailed Discussion

#### Revenues and Transfers-In

The following table presents a summary of total governmental funds' revenues and operation transfers-in for the years ended September 30, 2005 and 2004.

**Table 4  
Revenues and Transfers-In**

Revenues and Transfers- In	2005 Amount	% of Total	2004 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$5,037,361	70	\$4,652,207	\$385,154	8
Licenses & Permits	162,694	2	189,154	-26,460	-14
Intergovernmental	500,796	7	223,011	277,785	124
Charges for services	62,530	1	22,350	40,180	180
Fines and Forfeitures	270,303	4	283,341	-13,038	-5
Interest	136,628	2	44,674	49,333	110
Miscellaneous	277,263	3	43,330	91,954	212
Operating transfers-in	762,945	11	615,853	147,092	24
<b>Total</b>	<b>\$7,210,520</b>	<b>100</b>	<b>\$6,073,920</b>	<b>\$1,136,600</b>	<b>19</b>

Of the total increase, miscellaneous represent the largest growth at 212%.

#### *Taxes*

The substantial increase in taxes is primarily attributable to sales tax receipts. Of the total increase in taxes as a whole, it represents \$223,669 or 58%. The significance of its contribution to this year's increase in total taxes is due to its size in relation to other taxes as well as the 15.9% increase that it experienced this year. Less significant in impact on this year's increase, although important, total property taxes contributed \$75,327.

#### *Sales Tax*

Sales tax collections, which experienced an increase of \$223,669 over 2004, are reported in the General Fund.

### *Ad Valorem (Property) Tax*

The general citywide property tax including collections of the current levy, that of prior years, and penalty and interest increased 10.0%.

### *Growth in Taxable Assessed Value*

Although the overall rate was reduced for this fiscal year taxable assessed values as adjusted for changes throughout each fiscal year, increased by \$103,844,306 or 12.2% over last year. Of that amount, \$24,313,763 represented new improvements, leaving \$79,530,543 attributable to a 9.4% increase in property existing in the prior year, which resulted from the Appraisal District's revaluation.

### *Collection Rate*

This year's collection rate of current property taxes on the current adjusted tax levy amounted to 98.3% compared to 98% last year.

These factors resulted in revenues from current taxes reflecting an increase of \$98,336 over 2004 collections

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

The I&S portion of the tax rate, which is accounted for in the Debt Service Fund, increased from \$0.0687 in fiscal year 2003-04 to \$0.0608 in fiscal year 2004-05 a decrease of \$0.0079. This decrease is due to the increase in assessed valuation. Therefore, the current tax revenues in the Debt Service Fund experienced a \$25,920 decrease. The resulting M&O portion of the tax rate, which is accounted for in the General Fund, decreased from \$0.1963 in fiscal year 2003-04 to \$0.1949 in fiscal year 2004-05. Current year tax revenues in the General Fund increased \$104,280.

### *Other Taxes*

This year reported franchise taxes as a whole decreased \$7,115 from the prior year. The tax paid by the electric companies increased \$5,769. The amount from telecommunication companies was reported at \$549 under the prior year.

### *Hotel Taxes*

Fiscal year 2004-05 increased over prior year collections by \$54,725.

## ***Intergovernmental***

The increase in intergovernmental revenues, amounting to \$500,796 is principally due to the City drawing on grant programs and inter-local agreements with Aransas County, Texas.

### *Interest*

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

### *Miscellaneous*

Miscellaneous revenues totaling \$264,486 largely consist of insurance claims, engineering reimbursements, fuel reimbursements and donations.

### *Transfers-In*

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

The following table presents a summary of governmental funds' expenditures, operating transfers-out and other financing uses for the years ended September 30, 2005 and 2004.

**Table 5**  
**Expenditures and Transfers-Out**

Expenditures and Transfers- Out	2005 Amount	Percent of Total	2004 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
General government	\$881,978	13	\$ 868,958	13,020	1
Public safety	2,146,537	31	1,801,959	344,578	19
Public Works	1,126,343	16	1,003,901	122,442	12
Recreation & Tourism	581,073	8	529,105	51,968	10
Capital Outlay	1,175,909	17	3,033,285	-1,857,376	-61
Debt Service:					
Principal	394,089	6	344,695	49,394	14
Interest and Fiscal Charges	300,041	4	335,779	-35,738	-11
Operating transfers-out and other financing uses	377,188	5	230,542	146,646	64
Total	\$6,983,158	100	\$8,148,224	-1,165,066	-14

### ***General Government***

General government expenditures decreased by \$1.2 million over the prior year. This increase is primarily due to a decrease in capital outlay due to substantial completion of street and drainage projects in 2004.

### ***Public Safety***

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

#### **Police Department**

The Police Department contributed increases to the General Fund, amounting to \$77,004.

### ***Public Works***

#### **Street Department**

Expenditures for the 2005 year in the Street Department increased \$144,264 over 2004 expenditures. Increases were due primarily to departmental increases.

#### **Building and Operation Maintenance Department**

Expenditures were virtually unchanged from 2004 in this department.

#### **Fleet Operations and Maintenance Department**

The \$42,242 increase in expenses can be attributed to the 3% pay increase for employees in this department and the increased cost of purchasing fuel.

### ***Culture and Recreation***

#### **Parks and Leisure Services Department**

Expenses for the Parks and Leisure Services Department increased by \$12,404 for fiscal year 2005.

### ***Debt Service***

Principal, Interest and fiscal charges were expended from the General Fund for 2005. The payment was for a project at the Rockport Beach Park, which was previously funded by Hotel Occupancy Tax.

### ***Transfers-Out***

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

## **Fund Balance**

Combined fund balance for all of the governmental fund types increased \$227,362, from a balance of \$4,739,737 in the prior year to \$4,967,099 as of the current fiscal year end.

### ***General Fund***

Revenues and transfers-in generated \$5,014,746 and \$452,259 respectively, aggregating \$5,467,005. Expenditures and transfers-out amounted to \$4,614,497 and \$335,686, respectively, aggregating \$4,950,183. The resulting effect on fund balance represented an increase of \$516,822. There were no significant budgetary variances between the final budget and actual.

### ***Special Revenue Funds***

Combined fund balance of the special revenue funds increased from \$335,993 in the prior year to \$509,759 - a increase of \$173,766. The increase occurred primarily in the Hotel/Motel Occupancy Tax Fund.

### ***Debt Service Fund***

The fund balance of the debt service fund increased from \$271,850 in the prior year to \$277,024 an increase of \$5,174.

### ***Capital Project Funds***

Combined fund balance of the capital projects funds decreased \$468,399, principally due to spending down the resources of the General Capital Improvement Project Fund, leaving a fund balance at September 30, 2005 of \$753,182.

## **PROPRIETARY FUNDS – a Detailed Discussion**

### ***Utility System Fund***

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

### ***General Comments***

This year's results, both water and wastewater revenues exceeded prior year and surpassed budget expectations. An increase on the cost of water purchased from San Patricio Water District was passed on to the customers attributing to the increased

revenues. Revenues were up largely due to the increased consumption, which is largely due to the growth in the customer base.

*Consumption*

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

**Table 6  
Consumption**

<b>Fiscal Year</b>	<b>02-03</b>	<b>03-04</b>	<b>% Increase/ Decrease</b>	<b>04-05</b>	<b>% Increase/ Decrease</b>
<b>Total Consumption</b>	<b>777,065,300</b>	<b>797,802,100</b>	<b>2.7</b>	<b>879,564,100</b>	<b>10.2</b>

*Rates*

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

*Growth in Customer Base*

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

**Table 7  
Growth in Customer Base**

<b>Fiscal Year</b>	<b>02-03</b>	<b>03-04</b>	<b>% Increase/ Decrease</b>	<b>04-05</b>	<b>% Increase/ Decrease</b>
<b>Total Meter Connections</b>	<b>8047</b>	<b>8309</b>	<b>3.3</b>	<b>8492</b>	<b>2.2</b>

*Water Sales*

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

*Connect & Reconnect Fees*

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



### *Expenses*

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

### *Bond coverage Ratio*

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

### ***Sanitation Fund***

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

### ***Rockport Beach Park***

Revenues for the Rockport Beach Park totaled \$413,790, which is \$35,328 over revenues for 2004. Expenditures for the same period were \$460,107 a total of \$43,979 over 2004. Capital Improvements at the Beach Park account for \$172,332. Capital Improvements include repairs to the boat dock and bulkhead both funded by grants from Texas Parks and Wildlife.

### ***Community Aquatic Park***

The Community Aquatic Park is funded with revenue from admissions, passes, rentals, instructional classes and concessions. The City of Rockport, Aransas County and Aransas County ISD help fund the park. The City of Rockport and Aransas County contribute \$25,000 each for park operations. Aransas County ISD's contribution is "in-kind" with a pool manager's salary of \$35,721. Revenues increased \$36,189 over 2004 amounts, and expenditures were \$48,083 over 2004 figures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year, the City had \$23,673,000 in capital assets. For more detailed information on capital assets refer to the notes to the financial statement on page 36.

**Table 8  
Capital Assets at Year-end  
(Net of Depreciation,)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$693,508	\$693,508	\$214,954	\$214,954	\$908,462	\$908,462
Buildings and improvements	2,799,824	2,715,385	2,621,094	2,623,802	5,420,918	5,339,187
Equipment	762,393	562,147	271,345	328,163	1,033,738	890,310
Infrastructure	1,604,938	1,000,852	14,704,944	14,730,899	16,309,882	15,731,751
<b>Totals</b>	<b>\$5,860,663</b>	<b>\$4,971,892</b>	<b>\$17,812,337</b>	<b>\$17,897,818</b>	<b>\$23,673,000</b>	<b>\$22,869,710</b>

*Debt Administration*

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

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

*Type of Debt Issued*

The types of debt the City has issued are revenue bonds, general obligation refunding bonds, and combination tax and revenue certificates of obligation. At September 30, 2005, the City had no bonds of any type approved that had not been issued.

*Bond Ratings*

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

*Bonds Outstanding*

At the end of the fiscal year, the City had \$9,980,000 in bonds outstanding – as shown in Table 9.

**Table 9  
Outstanding Debt at Year-end  
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004

General obligation bonds & Certificates of Obligation (backed by the City)	4.8	5.1	3.5	3.9	8.3	9.0
Revenue bonds (backed by specific tax and fee revenues)			1.7	1.8	1.7	1.8
Totals	4.8	5.1	5.2	5.7	10.0	10.8

### Revenue Bond Coverage

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

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

At September 30, 2005 both sinking fund balances were sufficient to satisfy the City's ordinance requirements. For more detailed information on the long-term debts refer to the notes to the financial statements on page 39.

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

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

During the budget process for fiscal year 2005-06 the elected and appointed officials considered many factors including the forces driving the economy in their budget decisions. The increased housing starts, increased development, and raw land being turned into retail and housing can each be measured by the number of new water connections recorded. An increase in Hotel Occupancy Tax and sales tax indicate an increase in tourism. There has been an increase in registered voters since 2000, going from 5,702 in 2004 to 5,760 in 2005, equating to a 1.0% increase. The U. S. Census estimates the population for Rockport at 8,694 in 2004 this up from 7,385 in the 2000 census.

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

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

## Basic Financial Statements

**CITY OF ROCKPORT, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2005**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,638,594	\$ 6,034,678	\$ 10,673,272
Receivables ( net of allowances for uncollectibles):			
Property taxes	72,299	--	72,299
Other taxes	304,297	--	304,297
Accounts	11,072	625,086	636,158
Special assessments	19,412	11,091	30,503
Intergovernmental	34,687	--	34,687
Other	18,453	--	18,453
Internal balances	(29,913)	29,913	--
Inventories	103,744	70,288	174,032
Deferred charges	14,042	--	14,042
Restricted assets:			
Cash and cash equivalents	325,307	180,900	506,207
Bond issuance costs	--	129,680	129,680
Capital assets:			
Land	693,508	214,954	908,462
Buildings	2,905,502	1,816,336	4,721,838
Improvements other than buildings	427,924	3,207,391	3,635,315
Water and sewer system	--	24,891,934	24,891,934
Machinery and equipment	1,535,565	1,395,455	2,931,020
Infrastructure	1,641,573	--	1,641,573
Accumulated depreciation	(1,343,409)	(13,713,733)	(15,057,142)
Total Assets	<u>11,372,657</u>	<u>24,893,973</u>	<u>36,266,630</u>
<b>LIABILITIES</b>			
Accounts payable	322,023	850,499	1,172,522
Accrued liabilities	102,637	32,749	135,386
Accrued interest payable	27,647	27,447	55,094
Customer Deposits	--	596,667	596,667
Noncurrent liabilities:			
Due within one year	448,997	511,069	960,066
Due in more than one year	6,197,739	4,802,882	11,000,621
Total Liabilities	<u>7,099,043</u>	<u>6,821,313</u>	<u>13,920,356</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,540,929	13,301,770	15,842,699
Restricted For:			
Debt Service	295,404	180,900	476,304
Capital Projects	211,678	511,700	723,378
Unrestricted	1,225,603	4,078,290	5,303,893
<b>Total Net Assets</b>	<u>\$ 4,273,614</u>	<u>\$ 18,072,660</u>	<u>\$ 22,346,274</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 963,466	\$ 74,568	\$ --	\$ --
Public safety	2,290,626	393,625	205,693	--
Public works	1,206,618	356,756	295,103	--
Culture and recreation	305,057	--	--	--
Tourism	303,839	--	--	--
Interest and fiscal charges	327,688	--	--	--
<b>Total governmental activities</b>	<u>5,397,294</u>	<u>824,949</u>	<u>500,796</u>	<u>--</u>
<b>Business-type Activities:</b>				
Sanitation	--	12,016	--	--
Water and Sewer	5,155,035	6,524,568	--	--
Beach Park	460,107	250,333	25,000	138,457
Community Aquatic Center	270,039	99,239	68,362	--
<b>Total Business-type Activities</b>	<u>5,885,181</u>	<u>6,886,156</u>	<u>93,362</u>	<u>138,457</u>
<b>Total Primary Government</b>	<u>\$ 11,282,475</u>	<u>\$ 7,711,105</u>	<u>\$ 594,158</u>	<u>\$ 138,457</u>

General Revenues:

- Property Taxes, Levied for General Puposos
- Property Taxes, Levied for Debt Services
- Sales Taxes
- Franchise Taxes and Other Taxes
- Occupancy Taxes
- Unrestricted Investment Earnings
- Other Revenues

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (888,898)		\$ (888,898)
(1,691,308)		(1,691,308)
(554,759)		(554,759)
(305,057)		(305,057)
(303,839)		(303,839)
(327,688)		(327,688)
<u>(4,071,549)</u>		<u>(4,071,549)</u>
--	\$ 12,016	12,016
--	1,369,533	1,369,533
--	(46,317)	(46,317)
--	(102,438)	(102,438)
--	1,232,794	1,232,794
<u>(4,071,549)</u>	<u>1,232,794</u>	<u>(2,838,755)</u>
1,674,018	--	1,674,018
520,195	--	520,195
1,624,226	--	1,624,226
585,662	--	585,662
503,819	--	503,819
136,628	141,580	278,208
71,348	--	71,348
385,757	(385,757)	--
<u>5,501,653</u>	<u>(244,177)</u>	<u>5,257,476</u>
<u>1,430,104</u>	<u>988,617</u>	<u>2,418,721</u>
2,843,510	17,084,043	19,927,553
<u>\$ 4,273,614</u>	<u>\$ 18,072,660</u>	<u>\$ 22,346,274</u>



**CITY OF ROCKPORT, TEXAS**  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 3,339,659	\$ 1,298,935	\$ 4,638,594
Receivables ( net of allowances for uncollectibles):			
Property taxes	53,919	18,380	72,299
Other taxes	142,654	161,643	304,297
Accounts	--	11,072	11,072
Special assessments	--	19,412	19,412
Intergovernmental	--	34,687	34,687
Other	18,453	--	18,453
Due from other funds	216,941	195	217,136
Inventories	103,744	--	103,744
Deferred charges	14,042	--	14,042
Restricted assets:			
Cash and cash equivalents	--	325,307	325,307
<b>Total Assets</b>	<b>\$ 3,889,412</b>	<b>\$ 1,869,631</b>	<b>\$ 5,759,043</b>
<b>Liabilities:</b>			
Accounts payable	\$ 210,520	\$ 111,503	\$ 322,023
Accrued expenses	90,189	12,448	102,637
Due to other funds	90,150	156,899	247,049
Deferred revenue	71,419	48,816	120,235
<b>Total Liabilities</b>	<b>462,278</b>	<b>329,666</b>	<b>791,944</b>
<b>Fund balances:</b>			
Reserved for inventories	103,744	--	103,744
Reserved for capital outlay	--	211,678	211,678
Reserved for prepaid items	14,042	--	14,042
Reserved for special purpose programs	--	22,766	22,766
Reserved for fire protection	--	15,572	15,572
Reserved for law enforcement	--	8,730	8,730
Reserved for tourism	--	427,438	427,438
Reserved for debt service	--	340,015	340,015
Unreserved:			
Designated for:			
General contingencies	1,071,692	--	1,071,692
Capital outlay	--	541,504	541,504
Undesignated	2,237,656	--	2,237,656
Undesignated, reported in nonmajor			
Special revenue funds	--	(27,738)	(27,738)
<b>Total fund balances</b>	<b>3,427,134</b>	<b>1,539,965</b>	<b>4,967,099</b>
<b>Total Liabilities and Fund balances</b>	<b>\$ 3,889,412</b>	<b>\$ 1,869,631</b>	<b>\$ 5,759,043</b>

**CITY OF ROCKPORT, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005

Total fund balances - governmental funds balance sheet	\$ 4,967,099
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	5,860,663
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	72,299
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,806,458)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,552,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(27,647)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(288,278)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	<u>47,936</u>
Net assets of governmental activities - statement of net assets	<u>\$ 4,273,614</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, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>			
Taxes	\$ 3,880,079	\$ 1,157,282	\$ 5,037,361
Licenses and permits	162,694	--	162,694
Intergovernmental	295,103	205,693	500,796
Charges for services	62,530	--	62,530
Fines	249,695	20,608	270,303
Special assessments	--	12,777	12,777
Interest	100,159	36,469	136,628
Miscellaneous	264,486	--	264,486
Total revenues	<u>5,014,746</u>	<u>1,432,829</u>	<u>6,447,575</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	879,989	1,989	881,978
Public safety	1,662,556	483,981	2,146,537
Public works	1,122,733	3,610	1,126,343
Culture and recreation	277,096	138	277,234
Tourism	--	303,839	303,839
Capital outlay	520,246	655,663	1,175,909
<b>Debt service:</b>			
Principal	66,886	327,203	394,089
Interest and fiscal charges	84,991	215,050	300,041
Total expenditures	<u>4,614,497</u>	<u>1,991,473</u>	<u>6,605,970</u>
Excess (deficiency) of revenues (under) expenditures	400,249	(558,644)	(158,395)
<b>Other financing sources (uses):</b>			
Transfers in	452,259	310,686	762,945
Transfers out	(335,686)	(41,502)	(377,188)
Total other financing sources (uses)	<u>116,573</u>	<u>269,184</u>	<u>385,757</u>
Net change in fund balance	516,822	(289,460)	227,362
Fund balance, beginning of year	2,910,312	1,829,425	4,739,737
Fund balance, end of year	<u>\$ 3,427,134</u>	<u>\$ 1,539,965</u>	<u>\$ 4,967,099</u>

The accompanying notes are an integral part of this statement.

**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, 2005

Net change in fund balances - total governmental funds	\$ 227,362
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,140,920
The depreciation of capital assets used in governmental activities is not reported in the funds.	(252,148)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	4,022
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(9,956)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	339,089
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	55,000
(Increase) decrease in accrued interest from beginning of period to end of period	(27,647)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>(46,538)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 1,430,104</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**

## STATEMENT OF NET ASSETS

## ENTERPRISE FUNDS

SEPTEMBER 30, 2005

	Enterprise Fund		Total Enterprise Funds
	Water and Sewer	Nonmajor Enterprise Funds	
<b>ASSETS</b>			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,920,118	\$ 114,560	\$ 6,034,678
Receivables ( net of allowances for uncollectibles):			
Accounts	522,670	102,416	625,086
Special assessments	11,091	--	11,091
Due from other funds	113,434	90,150	203,584
Inventories	70,288	--	70,288
Total current assets	<u>6,637,601</u>	<u>307,126</u>	<u>6,944,727</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	180,900	--	180,900
Bond issue costs	129,680	--	129,680
Capital assets ( net, where applicable, of accumulated depreciation)	15,186,621	2,625,716	17,812,337
Total noncurrent assets	<u>15,497,201</u>	<u>2,625,716</u>	<u>18,122,917</u>
Total Assets	<u>\$ 22,134,802</u>	<u>\$ 2,932,842</u>	<u>\$ 25,067,644</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 555,936	\$ 294,563	\$ 850,499
Accrued expenses	54,670	5,526	60,196
Due to other funds	--	173,671	173,671
Accrued interest payable			
Customer deposits	581,994	14,673	596,667
Compensated absences	6,700	--	6,700
Bonds and certificates of obligation - current portion	504,369	--	504,369
Accrued interest	27,447	--	27,447
Total current liabilities	<u>1,731,116</u>	<u>488,433</u>	<u>2,219,549</u>
Noncurrent liabilities:			
Bonds and certificates of obligation payable	4,695,473	--	4,695,473
Compensated absences	101,667	5,742	107,409
Total noncurrent liabilities	<u>4,797,140</u>	<u>5,742</u>	<u>4,802,882</u>
Total liabilities	<u>6,500,809</u>	<u>494,175</u>	<u>6,994,984</u>
<b>NET ASSETS:</b>			
Investment in Capital Assets, Net of Related Debt	10,676,054	2,625,716	13,301,770
Restricted for Debt Service	180,900	--	180,900
Restricted for Capital Improvements	511,700	--	511,700
Unrestricted Net Assets	4,265,339	(187,049)	4,078,290
Total Net Assets	<u>\$ 15,633,993</u>	<u>\$ 2,438,667</u>	<u>\$ 18,072,660</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Enterprise Fund		Nonmajor Enterprise Funds	Total Enterprise Funds
	Water and Sewer			
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 6,524,568	\$	361,588	\$ 6,886,156
Total Operating Revenues	<u>6,524,568</u>	<u>\$</u>	<u>361,588</u>	<u>\$ 6,886,156</u>
<b>OPERATING EXPENSES:</b>				
Personal services	896,808	294,082	1,190,890	
Contractual services	237,713	74,025	311,738	
Maintenance	390,431	54,422	444,853	
Supplies	2,639,838	146,579	2,786,417	
Other	55,028	--	55,028	
Amortization	18,478	--	18,478	
Depreciation	696,887	161,038	857,925	
Total Operating Expenses	<u>4,935,183</u>	<u>730,146</u>	<u>5,665,329</u>	
Operating Income (Loss)	<u>1,589,385</u>	<u>(368,558)</u>	<u>1,220,827</u>	
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	141,580	--	141,580	
Intergovernmental revenue	--	93,362	93,362	
Interest expense	(219,852)	--	(219,852)	
Total Non-operating Revenues (Expenses)	<u>(78,272)</u>	<u>93,362</u>	<u>15,090</u>	
Net Income (Loss) before Operating Transfers	<u>1,511,113</u>	<u>(275,196)</u>	<u>1,235,917</u>	
Capital Contributions	--	138,457	138,457	
<b>TRANSFERS:</b>				
Interfund transfers in	4,702	61,800	66,502	
Interfund transfers out	(452,259)	--	(452,259)	
Change in Net Assets	<u>1,063,556</u>	<u>(74,939)</u>	<u>988,617</u>	
Net Assets, beginning of year	<u>14,570,437</u>	<u>2,513,606</u>	<u>17,084,043</u>	
Net Assets, end of year	<u>\$ 15,633,993</u>	<u>\$ 2,438,667</u>	<u>\$ 18,072,660</u>	

The accompanying notes are an integral part of this statement.

**CITY OF ROCKPORT, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Enterprise Funds		
	Water & Sewer	Other Funds	Totals
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 6,604,340	\$ 1,609,890	\$ 8,214,230
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	(105,095)	5,984	(99,111)
Cash Payments to Employees for Services	(877,913)	(291,885)	(1,169,798)
Cash Payments to Other Suppliers for Goods and Services	(3,071,840)	(1,494,830)	(4,566,670)
Net Cash Provided (Used) by Operating Activities	<u>2,549,492</u>	<u>(170,841)</u>	<u>2,378,651</u>
<b>Cash Flows from Non-capital Financing Activities:</b>			
Operating Grants Received	--	93,362	93,362
Transfers From Other Funds	4,702	61,800	66,502
Transfers To Other Funds	(452,259)	--	(452,259)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(447,557)</u>	<u>155,162</u>	<u>(292,395)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal paid on bonds payable	(560,911)	--	(560,911)
Interest paid on bonds payable	(231,117)		
Acquisition or Construction of Capital Assets	(661,659)	(172,332)	(833,991)
Capital Grants	--	215,868	215,868
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,453,687)</u>	<u>43,536</u>	<u>(1,410,151)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest and Dividends on Investments	141,580	--	141,580
Net Cash Provided (Used) for Investing Activities	<u>141,580</u>	<u>--</u>	<u>141,580</u>
Net Increase (Decrease) in Cash and Cash Equivalents	789,828	27,857	817,685
Cash and Cash Equivalents at Beginning of Year	5,311,190	86,703	5,397,893
Cash and Cash Equivalents at End of Year	<u>\$ 6,101,018</u>	<u>\$ 114,560</u>	<u>\$ 6,215,578</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ 1,589,385	\$ (368,558)	\$ 1,220,827
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and amortization	715,365	161,038	876,403
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	48,963	(1,325)	47,638
Decrease (Increase) in Inventories	(9,566)	--	(9,566)
Decrease (Increase) in Interfund Receivables	--	1,483	1,483
Increase (Decrease) in Accounts Payable	260,736	27,465	288,201
Increase (Decrease) in Customer Deposits	30,809	2,358	33,167
Increase (Decrease) in Interfund Payables	(105,095)	4,501	(100,594)
Increase (Decrease) in Accrued Expenses	18,895	2,197	21,092
Total Adjustments	<u>960,107</u>	<u>197,717</u>	<u>1,157,824</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,549,492</u>	<u>\$ (170,841)</u>	<u>\$ 2,378,651</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, 2005

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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



**CITY OF ROCKPORT, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include administrative, cost of sales and services and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

The City reports the following major enterprise funds:

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City 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

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

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

e. Receivable and Payable Balances

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

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

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g. Interfund Activity

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

h. Use of Estimates

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

4. Budgetary Data

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

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

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

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

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

**CITY OF ROCKPORT, TEXAS**  
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2. Budgeted expenditures exceed appropriations for the following funds:

<u>Fund</u>	<u>Expenditures over Budget</u>
Utility Bill Surcharge	\$ 7,648
Municipal Court Security and Tech. Fund	1,971
Forfeiture Fund	380

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
City/County Dispatch Service	\$ 27,738	Temporary funding shortage. To be replenished by General Fund.

**C. Deposits and Investments**

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

Cash Deposits:

At September 30, 2005, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$905,875 and the bank balance was \$1,019,729. The City's cash deposits at September 30, 2005 and during the year ended September 30, 2005, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments consisted of the following at September 30, 2005:

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<u>Investment or Investment Type</u>	<u>Weighted Average Maturity(Years)</u>	<u>Fair Value</u>
TexPool	.16	\$ 10,273,604
Total Investments		\$ <u>10,273,604</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.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

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Public Funds Investment Pools

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

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

D. Receivables

Receivables at September 30, 2005 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer	Nonmajor Governmental	Nonmajor Business Types	Total
Taxes	\$ 234,795	\$ --	\$ 198,403	\$ --	\$ 433,198
Accounts	--	685,563	11,072	130,428	827,063
Special Assessments	--	11,091	19,412	--	30,503
Intergovernmental	--	--	34,687	--	34,687
Fines	17,500	--	--	--	17,500
Sundry	953	--	--	--	953
Gross	253,248	696,654	263,574	130,428	1,343,904
Less allowance for uncollectibles	(38,222)	(162,893)	(18,380)	(28,012)	(247,507)
Net Receivables	\$ 215,026	\$ 533,761	\$ 245,194	\$ 102,416	\$ 1,096,397

E. Capital Assets

Capital asset activity for the period ended September 30, 2005, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 693,508	\$ --	\$ --	\$ 693,508
Total capital assets not being depreciated	693,508	--	--	693,508
Capital assets being depreciated:				
Infrastructure	1,010,961	630,612	--	1,641,573
Buildings	2,905,502	--	--	2,905,502

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Improvements other than buildings	260,608	167,316	--	427,924
Machinery and equipment	1,192,573	342,992	--	1,535,565
Total capital assets being depreciated	<u>5,369,644</u>	<u>1,140,920</u>	<u>--</u>	<u>6,510,564</u>
Less accumulated depreciation for:				
Infrastructure	(10,109)	(26,526)	--	(36,635)
Buildings	(339,094)	(72,106)	--	(411,200)
Improvements other than buildings	(111,632)	(10,770)	--	(122,402)
Machinery and equipment	(630,426)	(142,746)	--	(773,172)
Total accumulated depreciation	<u>(1,091,261)</u>	<u>(252,148)</u>	<u>--</u>	<u>(1,343,409)</u>
Total capital assets being depreciated, net	<u>4,278,383</u>	<u>888,772</u>	<u>--</u>	<u>5,167,155</u>
Governmental activities capital assets, net	<u>\$ 4,971,891</u>	<u>\$ 888,772</u>	<u>\$ --</u>	<u>\$ 5,860,663</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 214,954	\$ --	\$ --	\$ 214,954
Total capital assets not being depreciated	<u>214,954</u>	<u>--</u>	<u>--</u>	<u>214,954</u>
Capital assets being depreciated:				
Buildings	1,709,700	--	--	1,709,700
Improvements other than buildings	3,042,562	164,829	--	3,207,391
Water and sewer system	24,309,860	582,074	--	24,891,934
Machinery and equipment	1,476,550	25,541	--	1,502,091
Total capital assets being depreciated	<u>30,538,672</u>	<u>772,444</u>	<u>--</u>	<u>31,311,116</u>
Less accumulated depreciation for:				
Buildings	(972,865)	(83,826)	--	(1,056,691)
Improvements other than buildings	(1,155,595)	(83,711)	--	(1,239,306)
Water and sewer system	(9,578,961)	(608,029)	--	(10,186,990)
Machinery and equipment	(1,148,387)	(82,359)	--	(1,230,746)
Total accumulated depreciation	<u>(12,855,808)</u>	<u>(857,925)</u>	<u>--</u>	<u>(13,713,733)</u>
Total capital assets being depreciated, net	<u>17,682,864</u>	<u>(85,481)</u>	<u>--</u>	<u>17,597,383</u>
Business-type activities capital assets, net	<u>\$ 17,897,818</u>	<u>\$ (85,481)</u>	<u>\$ --</u>	<u>\$ 17,812,337</u>

Depreciation was charged to functions as follows:

<b>Governmental activities:</b>	
General Government	\$ 15,485
Public Safety	128,565
Public Works	80,275
Culture and Recreation	27,823
Total governmental activities	<u>\$ 252,148</u>
<b>Business-type activities:</b>	
Water and Sewer	\$ 696,887
Beach Park	65,595
Community Aquatic Center	95,443
Total business-type activities	<u>\$ 857,925</u>

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Capital Leases

Included in the governmental activities capital assets listed above are the following capitalized leased assets:

Buildings	\$ 1,607,000
Less accumulated amortization	(40,175)
Capitalized leases, net	<u>\$ 1,566,825</u>

F. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2005:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 325,307	\$ --
Debt Service	--	180,900
	<u>\$ 325,307</u>	<u>\$ 180,900</u>

G. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2005, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Beach Park Fund	\$ 172,188	Short-term loans
General Fund	City/County Dispatch Service	43,270	Short-term loans
General Fund	Community Aquatic Center	1,483	Short-term loans
Sanitation Fund	General Fund	90,150	Short-term loans
Water and Sewer	2001 Certificate Capital Projects	113,629	Short-term loans
	Total	<u>\$ 420,720</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, 2005, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Vehicle & Equip Replacement	\$ 151,347	Supplement other funds sources
General Fund	City/County Dispatch Service	159,339	Supplement other funds sources
General fund	Community Aquatic Center	25,000	Supplement other funds sources
Water and Sewer	General Fund	452,259	Administrative Charges
Debt Service	Water and Sewer	4,702	Debt Service
	Total	<u>\$ 829,447</u>	

H. Short-Term Debt Activity

The City accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. The City had no short-term debt activity for the year ended September 30, 2005.



**CITY OF ROCKPORT, TEXAS**  
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I. Long-Term Obligations

1. Long-Term Obligation Activity

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

Long-term debt consisted of the following at September 30, 2005:

	Interest Rate	General Long- Term Debt	Enterprise Fund Debt
Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 1995	4.70-6.50%	\$ --	\$ 100,000
Utility System Revenues Bonds, Series 1996	2.55-4.70%	--	1,725,000
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1998	3.75-4.80%	2,125,000	--
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation, Series 1999	4.80-5.50%	756,700	418,300
Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2001	3.50-4.70%	1,767,734	2,267,267
General Obligation Refunding Bonds, Series 2001	3.00-3.75%	157,024	662,976
Total Bonded Debt		4,806,458	5,173,543
Deferred gain on advanced refunding		--	26,300
Capital leases payable		1,552,000	--
Compensated absences		288,278	114,108
Total Long-Term Debt		<u>\$ 6,646,736</u>	<u>\$ 5,313,951</u>

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2005, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of obligation	\$ 4,810,569	\$ --	\$ 161,135	\$ 4,649,434	227,373
General obligation bonds	334,978	--	177,954	157,024	157,024
Capital leases	1,607,000	--	55,000	1,552,000	57,000
Compensated absences *	241,740	54,057	7,519	288,278	7,600
Total governmental activities	<u>\$ 6,994,287</u>	<u>\$ 54,057</u>	<u>\$ 401,608</u>	<u>\$ 6,646,736</u>	<u>\$ 448,997</u>

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Business-type activities:

Certificates of obligation	\$ 2,979,432	\$ --	\$ 193,865	\$ 2,785,567	192,627
General obligation bonds	905,022	--	242,046	662,976	172,976
Revenue bonds	1,850,000	--	125,000	1,725,000	130,000
Deferred gain on defeasance	35,068	--	8,766	26,302	8,766
Compensated absences *	100,780	19,983	6,657	114,106	6,700
Total business-type activities	<u>\$ 5,870,302</u>	<u>\$ 19,983</u>	<u>\$ 576,334</u>	<u>\$ 5,313,951</u>	<u>\$ 511,069</u>

\* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General Fund
Claims and judgments	Governmental	General Fund
Compensated absences	Business-type	Water and Sewer Fund
Claims and judgments	Business-type	Water and Sewer Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2005, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 384,397	\$ 221,178	\$ 605,575
2007	266,879	199,054	465,933
2008	279,480	187,414	466,894
2009	291,671	174,813	466,484
2010	302,081	161,620	463,701
2011-2015	1,591,610	600,769	2,192,379
2016-2020	1,534,815	194,782	1,729,597
2021-2025	155,525	3,770	159,295
Totals	<u>\$ 4,806,458</u>	<u>\$ 1,743,400</u>	<u>\$ 6,549,858</u>

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 495,603	\$ 206,403	\$ 702,006
2007	503,121	194,685	697,806
2008	520,520	179,196	699,716
2009	273,330	167,405	440,735
2010	292,919	149,881	442,800
2011-2015	1,673,390	536,144	2,209,534
2016-2020	1,215,186	176,518	1,391,704
2021-2025	199,474	4,837	204,311
Totals	<u>\$ 5,173,543</u>	<u>\$ 1,615,069</u>	<u>\$ 6,788,612</u>

3. Advance Refunding of Debt

There was no outstanding refunded debt at September 30, 2005.

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4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2005, as follows:

<u>Year Ending September 30:</u>	
2006	\$ 120,686
2007	120,926
2008	120,821
2009	120,658
2010	120,614
2011-2015	602,626
2016-2020	603,128
2021-2025	483,165
Total Minimum Rentals	<u>2,292,624</u>
Less amount representing interest	<u>(740,624)</u>
Rental Expenditures in 2005	<u>\$ 120,346</u>

The effective interest rate on capital leases is 4.394%.

5. Continuing Disclosure

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

J. Commitments Under Noncapitalized Leases

The City has no material commitments under operating (noncapitalized) lease agreements at September 30, 2005.

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 2005, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

L. Pension Plan

1. Plan Description

The City provided pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 801 administered by TMRS, an agent multiple-employer public retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed

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

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

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

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

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25 year amortization rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2004 valuation is effective for rates beginning January 2006). A summary of actuarial assumptions is as follows:

Actuarial Valuation Date	12/31/04
Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Inflation Rate	3.5%
Cost of Living Adjustments	None

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**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/04
Actuarial Value of Assets	\$ 6,785,879
Actuarial Accrued Liability	\$ 8,685,089
Percentage Funded	78.1%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 1,899,210
Annual Covered Payroll	\$ 2,606,199
UAAL as a Percentage of Covered Payroll	72.90%
Net Pension Obligation (NPO) at Beginning of Year	\$ --
Annual Pension Cost:	
Annual required contribution (ARC)	\$ 408,457
Contributions Made	\$ 408,457
NPO at End of Year	\$ --

The City of Rockport is one of 801 municipalities having their benefit plan administered by TMRS. Each of the 801 municipalities has an annual, individual actuarial valuation performed. All assumptions for the 12-31-04 valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, TX 78714-9153.

3. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/03	\$ 332,797	100.00%	\$ --
09/30/04	354,208	100.00%	--
09/30/05	408,457	100.00%	--

4. Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/02	\$ 5,602,953	\$ 7,513,691	\$ 1,910,738	74.6%	\$ 2,236,641	85.4%
12/31/03	6,373,483	8,487,186	2,113,703	75.1%	2,347,985	90.0%
12/31/04	6,785,879	8,685,089	1,899,210	78.1%	2,606,199	72.9%

**CITY OF ROCKPORT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

M. Health Care Coverage

During the year ended September 30, 2005, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$348 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable October 1, 2005, and terms of coverage and premium costs are included in the contractual provisions.

N. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2005.

O. Subsequent Events

In October 2005, the City issued 2005 Combination Tax and Revenue Certificates of Obligation in the amount of \$10,000,000 for municipal utility and street and drainage improvements. Interest on the certificates ranges from 4.00% to 4.50%. The certificates mature in February 2026. The city estimates that approximately 57.8% of the debt will be repaid from the general debt service fund and approximately 42.2% will be repaid from the water and sewer enterprise fund.

## Required Supplementary Information

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

**CITY OF ROCKPORT, TEXAS**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 3,784,565	\$ 3,784,565	\$ 3,880,079	\$ 95,514
Licenses and permits	159,700	159,700	162,694	2,994
Intergovernmental	21,000	21,000	295,103	274,103
Charges for services	9,000	9,000	62,530	53,530
Fines	301,300	301,300	249,695	(51,605)
Interest	33,000	33,000	100,159	67,159
Miscellaneous	17,800	17,800	264,486	246,686
Total revenues	<u>4,326,365</u>	<u>4,326,365</u>	<u>5,014,746</u>	<u>688,381</u>
Expenditures:				
Current:				
General government	904,410	937,909	879,989	57,920
Public safety	1,514,497	1,514,497	1,662,556	(148,059)
Public works	1,194,513	1,192,641	1,122,733	69,908
Culture and recreation	297,191	297,191	277,096	20,095
Capital outlay	1,212,512	1,176,912	520,246	656,666
Debt service:				
Principal	11,886	11,886	66,886	(55,000)
Interest and fiscal charges	19,645	19,645	84,991	(65,346)
Total expenditures	<u>5,154,654</u>	<u>5,150,681</u>	<u>4,614,497</u>	<u>536,184</u>
Excess (deficiency) of revenues (under) expenditures	(828,289)	(824,316)	400,249	1,224,565
Other financing sources (uses):				
Transfers in	673,659	452,259	452,259	--
Transfers out	(509,825)	(290,955)	(335,686)	(44,731)
Total other financing sources (uses)	<u>163,834</u>	<u>161,304</u>	<u>116,573</u>	<u>44,731</u>
Net change in fund balance	(664,455)	(663,012)	516,822	1,179,834
Fund balance, beginning of year	2,910,312	2,910,312	2,910,312	--
Fund balance, end of year	<u>\$ 2,245,857</u>	<u>\$ 2,247,300</u>	<u>\$ 3,427,134</u>	<u>\$ 1,179,834</u>



## Combining Statements and Budget Comparisons as Supplementary Information

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

**CITY OF ROCKPORT, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2005

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Assets:				
Cash and cash equivalents	\$ 480,650	\$ 276,829	\$ 541,456	\$ 1,298,935
Receivables ( net of allowances for uncollectibles):				
Property taxes	--	18,380	--	18,380
Other taxes	161,643	--	--	161,643
Accounts	11,024	--	48	11,072
Special assessments	1,573	--	17,839	19,412
Intergovernmental	34,687	--	--	34,687
Due from other funds	--	195	--	195
Restricted assets:				
Cash and cash equivalents	--	--	325,307	325,307
<b>Total Assets</b>	<b>\$ 689,577</b>	<b>\$ 295,404</b>	<b>\$ 884,650</b>	<b>\$ 1,869,631</b>
Liabilities:				
Accounts payable	\$ 111,503	\$ --	\$ --	\$ 111,503
Accrued expenses	12,448	--	--	12,448
Due to other funds	43,270	--	113,629	156,899
Deferred revenue	12,597	18,380	17,839	48,816
<b>Total Liabilities</b>	<b>179,818</b>	<b>18,380</b>	<b>131,468</b>	<b>329,666</b>
Fund balances:				
Reserved for capital outlay	--	--	211,678	211,678
Reserved for special purpose programs	22,766	--	--	22,766
Reserved for fire protection	15,572	--	--	15,572
Reserved for law enforcement	8,730	--	--	8,730
Reserved for tourism	427,438	--	--	427,438
Reserved for debt service	62,991	277,024	--	340,015
Unreserved:				
Designated for:				
Capital outlay	--	--	541,504	541,504
Undesignated	(27,738)	--	--	(27,738)
<b>Total fund balances</b>	<b>509,759</b>	<b>277,024</b>	<b>753,182</b>	<b>1,539,965</b>
<b>Total Liabilities and Fund balances</b>	<b>\$ 689,577</b>	<b>\$ 295,404</b>	<b>\$ 884,650</b>	<b>\$ 1,869,631</b>

## CITY OF ROCKPORT, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:				
Taxes	\$ 637,282	\$ 520,000	\$ --	\$ 1,157,282
Intergovernmental	205,693	--	--	205,693
Fines	20,608	--	--	20,608
Special assessments	2,282	--	10,495	12,777
Interest	1,516	2,891	32,062	36,469
Total revenues	<u>867,381</u>	<u>522,891</u>	<u>42,557</u>	<u>1,432,829</u>
Expenditures:				
Current:				
General government	1,971	--	18	1,989
Public safety	481,107	--	2,874	483,981
Public works	--	--	3,610	3,610
Culture and recreation	--	--	138	138
Tourism	303,839	--	--	303,839
Capital outlay	--	--	655,663	655,663
Debt service:				
Principal	11,022	316,181	--	327,203
Interest and fiscal charges	18,216	196,834	--	215,050
Total expenditures	<u>816,155</u>	<u>513,015</u>	<u>662,303</u>	<u>1,991,473</u>
Excess (deficiency) of revenues (under) expenditures	51,226	9,876	(619,746)	(558,644)
Other financing sources (uses):				
Transfers in	159,339	--	151,347	310,686
Transfers out	(36,800)	(4,702)	--	(41,502)
Total other financing sources (uses)	<u>122,539</u>	<u>(4,702)</u>	<u>151,347</u>	<u>269,184</u>
Net change in fund balance	173,765	5,174	(468,399)	(289,460)
Fund balance, beginning of year	335,994	271,850	1,221,581	1,829,425
Fund balance, end of year	<u>\$ 509,759</u>	<u>\$ 277,024</u>	<u>\$ 753,182</u>	<u>\$ 1,539,965</u>

**CITY OF ROCKPORT, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2005

	<u>Utility Bill Surcharge</u>	<u>City/County Dispatch Service</u>	<u>Hotel/Motel Occupancy</u>
<b>ASSETS</b>			
Assets:			
Cash and cash equivalents	\$ 111,982	\$ --	\$ 267,795
Receivables ( net of allowances for uncollectibles):			
Other taxes	--	--	161,643
Accounts	11,024	--	--
Special assessments	--	--	--
Intergovernmental	--	34,687	--
Total Assets	<u>\$ 123,006</u>	<u>\$ 34,687</u>	<u>\$ 429,438</u>
Liabilities:			
Accounts payable	\$ 96,410	\$ 6,707	\$ 2,000
Accrued expenses	--	12,448	--
Due to other funds	--	43,270	--
Deferred revenue	11,024	--	--
Total Liabilities	<u>107,434</u>	<u>62,425</u>	<u>2,000</u>
Fund balances:			
Reserved for special purpose programs	--	--	--
Reserved for fire protection	15,572	--	--
Reserved for law enforcement	--	--	--
Reserved for tourism	--	--	427,438
Reserved for debt service	--	--	--
Unreserved:			
Undesignated	--	(27,738)	--
Total fund balances	<u>15,572</u>	<u>(27,738)</u>	<u>427,438</u>
Total Liabilities and Fund balances	<u>\$ 123,006</u>	<u>\$ 34,687</u>	<u>\$ 429,438</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 62,991	\$ 155	\$ 14,961	\$ 22,766	\$ 480,650
--	--	--	--	161,643
--	--	--	--	11,024
1,573	--	--	--	1,573
--	--	--	--	34,687
<u>\$ 64,564</u>	<u>\$ 155</u>	<u>\$ 14,961</u>	<u>\$ 22,766</u>	<u>\$ 689,577</u>
\$ --	\$ 155	\$ 6,231	\$ --	\$ 111,503
--	--	--	--	12,448
--	--	--	--	43,270
1,573	--	--	--	12,597
<u>1,573</u>	<u>155</u>	<u>6,231</u>	<u>--</u>	<u>179,818</u>
--	--	--	22,766	22,766
--	--	--	--	15,572
--	--	8,730	--	8,730
--	--	--	--	427,438
62,991	--	--	--	62,991
--	--	--	--	(27,738)
<u>62,991</u>	<u>--</u>	<u>8,730</u>	<u>22,766</u>	<u>509,759</u>
<u>\$ 64,564</u>	<u>\$ 155</u>	<u>\$ 14,961</u>	<u>\$ 22,766</u>	<u>\$ 689,577</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, 2005**

	Utility Bill Surcharge	City/County Dispatch Service	Hotel/Motel Occupancy
Revenue:			
Taxes	\$ 133,463	\$ --	\$ 503,819
Intergovernmental	--	205,693	--
Fines	--	--	--
Special assessments	--	--	--
Interest	--	--	--
Total revenues	<u>133,463</u>	<u>205,693</u>	<u>503,819</u>
Expenditures:			
Current:			
General government	--	--	--
Public safety	96,410	382,514	--
Tourism	--	--	303,839
Debt service:			
Principal	11,022	--	--
Interest and fiscal charges	18,216	--	--
Total expenditures	<u>125,648</u>	<u>382,514</u>	<u>303,839</u>
Excess (deficiency) of revenues (under) expenditures	7,815	(176,821)	199,980
Other financing sources (uses):			
Transfers in	--	159,339	--
Transfers out	--	--	(36,800)
Total other financing sources (uses)	<u>--</u>	<u>159,339</u>	<u>(36,800)</u>
Net change in fund balance	7,815	(17,482)	163,180
Fund balance, beginning of year	7,757	(10,256)	264,258
Fund balance, end of year	<u>\$ 15,572</u>	<u>\$ (27,738)</u>	<u>\$ 427,438</u>

Key Allegro Property Impr. District	Child Safety	Forfeiture	Municipal Court Security & Tech. Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ --	\$ 637,282
--	--	--	--	205,693
--	1,103	7,467	12,038	20,608
2,282	--	--	--	2,282
1,516	--	--	--	1,516
<u>3,798</u>	<u>1,103</u>	<u>7,467</u>	<u>12,038</u>	<u>867,381</u>
--	--	--	1,971	1,971
--	1,103	1,080	--	481,107
--	--	--	--	303,839
--	--	--	--	11,022
--	--	--	--	18,216
<u>--</u>	<u>1,103</u>	<u>1,080</u>	<u>1,971</u>	<u>816,155</u>
3,798	--	6,387	10,067	51,226
--	--	--	--	159,339
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(36,800)</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>122,539</u>
3,798	--	6,387	10,067	173,765
59,193	--	2,343	12,699	335,994
<u>\$ 62,991</u>	<u>\$ --</u>	<u>\$ 8,730</u>	<u>\$ 22,766</u>	<u>\$ 509,759</u>

**CITY OF ROCKPORT, TEXAS**  
 UTILITY BILL SURCHARGE  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 118,000	\$ 118,000	\$ 133,463	\$ 15,463
Total revenues	<u>118,000</u>	<u>118,000</u>	<u>133,463</u>	<u>15,463</u>
Expenditures:				
Current:				
Public safety	88,762	88,762	96,410	(7,648)
Debt service:				
Principal	11,022	11,022	11,022	--
Interest and fiscal charges	18,216	18,216	18,216	--
Total expenditures	<u>118,000</u>	<u>118,000</u>	<u>125,648</u>	<u>(7,648)</u>
Excess (deficiency) of revenues (under) expenditures	--	--	7,815	7,815
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	--	--	7,815	7,815
Fund balance, beginning of year	7,757	7,757	7,757	--
Fund balance, end of year	<u>\$ 7,757</u>	<u>\$ 7,757</u>	<u>\$ 15,572</u>	<u>\$ 7,815</u>



**CITY OF ROCKPORT, TEXAS**  
HOTEL/MOTEL OCCUPANCY TAX FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 368,500	\$ 368,500	\$ 503,819	\$ 135,319
Total revenues	<u>368,500</u>	<u>368,500</u>	<u>503,819</u>	<u>135,319</u>
Expenditures:				
Current:				
Tourism	322,000	322,000	303,839	18,161
Total expenditures	<u>322,000</u>	<u>322,000</u>	<u>303,839</u>	<u>18,161</u>
Excess (deficiency) of revenues (under) expenditures	46,500	46,500	199,980	153,480
Other financing sources (uses):				
Transfers out	(36,800)	(36,800)	(36,800)	--
Total other financing sources (uses)	<u>(36,800)</u>	<u>(36,800)</u>	<u>(36,800)</u>	<u>--</u>
Net change in fund balance	9,700	9,700	163,180	153,480
Fund balance, beginning of year	264,258	264,258	264,258	--
Fund balance, end of year	<u>\$ 273,958</u>	<u>\$ 273,958</u>	<u>\$ 427,438</u>	<u>\$ 153,480</u>

**CITY OF ROCKPORT, TEXAS**  
**FORFEITURE**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**EXHIBIT C-7**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines	\$ --	\$ --	\$ 7,467	\$ 7,467
Total revenues	<u>--</u>	<u>--</u>	<u>7,467</u>	<u>7,467</u>
Expenditures:				
Current:				
Public safety	700	700	1,080	(380)
Total expenditures	<u>700</u>	<u>700</u>	<u>1,080</u>	<u>(380)</u>
Excess (deficiency) of revenues (under) expenditures	(700)	(700)	6,387	7,087
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	(700)	(700)	6,387	7,087
Fund balance, beginning of year	2,343	2,343	2,343	--
Fund balance, end of year	<u>\$ 1,643</u>	<u>\$ 1,643</u>	<u>\$ 8,730</u>	<u>\$ 7,087</u>

**CITY OF ROCKPORT, TEXAS**  
MUNICIPAL COURT SECURITY & TECHNOLOGY FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines	\$ 14,700	\$ 14,700	\$ 12,038	\$ (2,662)
Total revenues	<u>14,700</u>	<u>14,700</u>	<u>12,038</u>	<u>(2,662)</u>
Expenditures:				
Current:				
General government	--	--	1,971	(1,971)
Total expenditures	<u>--</u>	<u>--</u>	<u>1,971</u>	<u>(1,971)</u>
Excess (deficiency) of revenues (under) expenditures	14,700	14,700	10,067	(4,633)
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	14,700	14,700	10,067	(4,633)
Fund balance, beginning of year	12,699	12,699	12,699	--
Fund balance, end of year	<u>\$ 27,399</u>	<u>\$ 27,399</u>	<u>\$ 22,766</u>	<u>\$ (4,633)</u>

**CITY OF ROCKPORT, TEXAS**  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 534,788	\$ 523,034	\$ 520,000	\$ (3,034)
Interest	1,000	2,891	2,891	--
Total revenues	<u>535,788</u>	<u>525,925</u>	<u>522,891</u>	<u>(3,034)</u>
Expenditures:				
Current:				
Debt service:				
Principal	318,311	318,311	316,181	2,130
Interest and fiscal charges	199,452	199,406	196,834	2,572
Total expenditures	<u>517,763</u>	<u>517,717</u>	<u>513,015</u>	<u>4,702</u>
Excess (deficiency) of revenues (under) expenditures	18,025	8,208	9,876	1,668
Other financing sources (uses):				
Transfers out	--	--	(4,702)	(4,702)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>(4,702)</u>	<u>4,702</u>
Net change in fund balance	18,025	8,208	5,174	(3,034)
Fund balance, beginning of year	271,850	271,850	271,850	--
Fund balance, end of year	<u>\$ 289,875</u>	<u>\$ 280,058</u>	<u>\$ 277,024</u>	<u>\$ (3,034)</u>

**CITY OF ROCKPORT, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2005

	<u>Flamingo/ Luau Road Assessment</u>	<u>General Capital Improvement</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 174,908	\$ 162,966
Receivables ( net of allowances for uncollectibles):		
Accounts	48	--
Special assessments	15,277	2,562
Restricted assets:		
Cash and cash equivalents	--	--
Total Assets	<u>\$ 190,233</u>	<u>\$ 165,528</u>
Liabilities:		
Due to other funds	\$ --	\$ --
Deferred revenue	15,277	2,562
Total Liabilities	<u>15,277</u>	<u>2,562</u>
Fund balances:		
Reserved for capital outlay	--	--
Designated for:		
Capital outlay	174,956	162,966
Total fund balances	<u>174,956</u>	<u>162,966</u>
Total Liabilities and Fund balances	<u>\$ 190,233</u>	<u>\$ 165,528</u>

<u>2001 Certificate of Obligation</u>	<u>Vehicle and Equipment Replacement</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
\$ --	\$ 203,582	\$ 541,456
--	--	48
--	--	17,839
325,307	--	325,307
<u>\$ 325,307</u>	<u>\$ 203,582</u>	<u>\$ 884,650</u>
\$ 113,629	\$ --	\$ 113,629
--	--	17,839
<u>113,629</u>	<u>--</u>	<u>131,468</u>
211,678	--	211,678
--	203,582	541,504
<u>211,678</u>	<u>203,582</u>	<u>753,182</u>
<u>\$ 325,307</u>	<u>\$ 203,582</u>	<u>\$ 884,650</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, 2005

	Flamingo/ Luau Road Assessment	General Capital Improvement
Revenue:		
Special assessments	\$ 10,495	\$ --
Interest	4,354	8,817
Total revenues	<u>14,849</u>	<u>8,817</u>
Expenditures:		
Current:		
General government	18	--
Public safety	--	--
Public works	--	--
Culture and recreation	--	--
Capital outlay	--	377,352
Total expenditures	<u>18</u>	<u>377,352</u>
Excess (deficiency) of revenues (under) expenditures	14,831	(368,535)
Other financing sources (uses):		
Transfers in	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balance	14,831	(368,535)
Fund balance, beginning of year	160,125	531,501
Fund balance, end of year	<u>\$ 174,956</u>	<u>\$ 162,966</u>

Community Pool Construction	2001 Certificate of Obligation	Vehicle and Equipment Replacement	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 10,495
--	14,883	4,008	32,062
--	14,883	4,008	42,557
--	--	--	18
--	--	2,874	2,874
--	--	3,610	3,610
138	--	--	138
--	198,410	79,901	655,663
138	198,410	86,385	662,303
(138)	(183,527)	(82,377)	(619,746)
--	--	151,347	151,347
--	--	151,347	151,347
(138)	(183,527)	68,970	(468,399)
138	395,205	134,612	1,221,581
\$ --	\$ 211,678	\$ 203,582	\$ 753,182



**CITY OF ROCKPORT, TEXAS**  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 SEPTEMBER 30, 2005

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
	Sanitation Fund	Beach Park	Community Aquatic Center	
<b>ASSETS</b>				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 114,155	\$ 255	\$ 150	\$ 114,560
Receivables ( net of allowances for uncollectibles):				
Accounts	101,869	346	201	102,416
Due from other funds	90,150	--	--	90,150
Total current assets	<u>306,174</u>	<u>601</u>	<u>351</u>	<u>307,126</u>
Noncurrent assets:				
Capital assets ( net, where applicable, of accumulated depreciation)	--	828,912	1,796,804	2,625,716
Total noncurrent assets	<u>--</u>	<u>828,912</u>	<u>1,796,804</u>	<u>2,625,716</u>
<b>Total Assets</b>	<u>\$ 306,174</u>	<u>\$ 829,513</u>	<u>\$ 1,797,155</u>	<u>\$ 2,932,842</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 282,819	\$ 10,034	\$ 1,710	\$ 294,563
Accrued expenses	--	3,252	2,274	5,526
Due to other funds	--	172,188	1,483	173,671
Accrued interest payable				
Customer deposits	--	13,976	697	14,673
Total current liabilities	<u>282,819</u>	<u>199,450</u>	<u>6,164</u>	<u>488,433</u>
Noncurrent liabilities:				
Compensated absences	--	5,742	--	5,742
Total noncurrent liabilities	<u>--</u>	<u>5,742</u>	<u>--</u>	<u>5,742</u>
Total liabilities	<u>282,819</u>	<u>205,192</u>	<u>6,164</u>	<u>494,175</u>
<b>NET ASSETS:</b>				
Investment in Capital Assets, Net of Related Debt	--	828,912	1,796,804	2,625,716
Unrestricted Net Assets	23,355	(204,591)	(5,813)	(187,049)
<b>Total Net Assets</b>	<u>\$ 23,355</u>	<u>\$ 624,321</u>	<u>\$ 1,790,991</u>	<u>\$ 2,438,667</u>

**CITY OF ROCKPORT, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Sanitation Fund	Beach Park	Community Aquatic Center	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 12,016	\$ 250,333	\$ 99,239	\$ 361,588
Total Operating Revenues	<u>12,016</u>	<u>250,333</u>	<u>99,239</u>	<u>361,588</u>
<b>OPERATING EXPENSES:</b>				
Personal services	--	202,719	91,363	294,082
Contractual services	--	45,521	28,504	74,025
Maintenance	--	32,292	22,130	54,422
Supplies	--	84,132	62,447	146,579
Depreciation	--	95,443	65,595	161,038
Total Operating Expenses	<u>--</u>	<u>460,107</u>	<u>270,039</u>	<u>730,146</u>
Operating Income (Loss)	<u>12,016</u>	<u>(209,774)</u>	<u>(170,800)</u>	<u>(368,558)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Intergovernmental revenue	--	25,000	68,362	93,362
Total Non-operating Revenues (Expenses)	<u>--</u>	<u>25,000</u>	<u>68,362</u>	<u>93,362</u>
Net Income (Loss) before Operating Transfers	<u>12,016</u>	<u>(184,774)</u>	<u>(102,438)</u>	<u>(275,196)</u>
Capital Contributions	--	138,457	--	138,457
<b>TRANSFERS:</b>				
Interfund transfers in	--	36,800	25,000	61,800
Interfund transfers out	--	--	--	--
Change in Net Assets	<u>12,016</u>	<u>(9,517)</u>	<u>(77,438)</u>	<u>(74,939)</u>
Net Assets, beginning of year	11,339	633,838	1,868,429	2,513,606
Net Assets, end of year	<u>\$ 23,355</u>	<u>\$ 624,321</u>	<u>\$ 1,790,991</u>	<u>\$ 2,438,667</u>

**CITY OF ROCKPORT, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Sanitation	Beach Park	Community Aquatic Center	Total Nonmajor Enterprise Funds (See Exhibit A-9)
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 1,258,161	\$ 252,692	\$ 99,037	\$ 1,609,890
Cash Receipts (Payments) for Operating Transactions with Other Funds	--	4,501	1,483	5,984
Cash Payments to Employees	--	(201,259)	(90,626)	(291,885)
Cash Payments to Suppliers for Goods and Services	(1,220,856)	(161,270)	(112,704)	(1,494,830)
Net Cash Provided (Used) by Operating Activities	<u>37,305</u>	<u>(105,336)</u>	<u>(102,810)</u>	<u>(170,841)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>				
Operating Grants Received	--	25,000	68,362	93,362
Transfers From (To) Other Funds	--	36,800	25,000	61,800
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>61,800</u>	<u>93,362</u>	<u>155,162</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital grants	--	215,868	--	215,868
Acquisition or Construction of Capital Assets	--	(172,332)	--	(172,332)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>43,536</u>	<u>--</u>	<u>43,536</u>
Net Increase (Decrease) in Cash and Cash Equivalents	37,305	--	(9,448)	27,857
Cash and Cash Equivalents at Beginning of Year	76,850	255	9,598	86,703
Cash and Cash Equivalents at End of Year	<u>\$ 114,155</u>	<u>\$ 255</u>	<u>\$ 150</u>	<u>\$ 114,560</u>

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

Operating Income (Loss)	\$ 12,016	\$ (209,774)	\$ (170,800)	\$ (368,558)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	--	95,443	65,595	161,038
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(1,124)	--	(201)	(1,325)
Decrease (Increase) in Interfund Receivables	--	--	1,483	1,483
Increase (Decrease) in Accounts Payable	26,413	675	377	27,465
Increase (Decrease) in Customer Deposits	--	2,359	(1)	2,358
Increase (Decrease) in Interfund Payables	--	4,501	--	4,501
Increase (Decrease) in Accrued Expenses	--	1,460	737	2,197
Net Cash Provided (Used) by Operating Activities	<u>\$ 37,305</u>	<u>\$ (105,336)</u>	<u>\$ (102,810)</u>	<u>\$ (170,841)</u>

## Other Supplementary Information

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

# **Michael A. Arnold, PLLC**

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ROCKPORT, TEXAS 78381-1266

CERTIFIED PUBLIC ACCOUNTANT

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

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

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

Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rockport, Texas as of and for the year ended September 30, 2005, which collectively comprise the City of Rockport, Texas's basic financial statements and have issued our report thereon dated January 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

#### Compliance and Other Matters

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

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

Respectfully submitted,

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

January 30, 2006

Statistical Section

**CITY OF ROCKPORT, TEXAS**

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Tourism</u>	<u>Interest &amp; Fiscal Charges</u>
2004	\$ 905,631	\$ 1,873,033	\$ 1,067,201	\$ 280,460	\$ 273,010	\$ 335,779
2005	963,466	2,290,626	1,206,618	305,057	303,839	327,688

Note: The City of Rockport first applied GASB Statement No. 34 in fiscal year 2004; therefore, government-wide information for years prior to fiscal year 2004 is not available.

(1) Includes general, special revenue, debt service and capital projects funds.



TABLE E-1

Total
4,735,114
5,397,294

**CITY OF ROCKPORT, TEXAS**

## GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

UNAUDITED

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Property Taxes</u>
2004	\$ 623,080	\$ 66,460	\$ 167,900	\$ 2,096,150
2005	824,949	500,796	—	2,194,213

Note: The City of Rockport first applied GASB Statement No. 34 in fiscal year 2004; therefore, government-wide information for years prior to fiscal year 2004 is not available.

(1) Includes general, special revenue, debt service and capital projects funds.

<u>Other Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
\$ 2,406,684	\$ 44,674	\$ 31,631	\$ 5,436,579
2,713,707	136,628	71,348	6,441,641

**CITY OF ROCKPORT, TEXAS**

## GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

LAST TEN FISCAL YEARS

UNAUDITED

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Public Health and Welfare</u>	<u>Tourism</u>	<u>Capital Outlay</u>
1996	\$ 379,490	\$ 1,037,513	\$ 712,453	\$ 111,572	\$ 2,000	\$ 189,317	\$ 231,163
1997	451,141	1,105,436	752,294	116,026	3,000	197,026	379,482
1998	463,314	1,176,312	739,126	142,210	3,000	225,313	1,065,830
1999	559,119	1,264,062	837,707	222,736	3,000	244,155	1,496,230
2000	550,735	1,298,116	873,643	202,421	3,000	266,596	2,848,299
2001	629,583	1,464,735	963,407	191,552	3,000	247,998	3,824,370
2002	667,263	1,420,531	943,672	238,589	--	308,030	1,369,732
2003	774,491	1,524,115	1,143,208	228,301	--	256,172	1,172,731
2004	868,958	1,801,959	1,003,901	256,095	--	273,010	3,033,285
2005	881,978	2,146,537	1,126,343	277,234	--	303,839	1,175,909

(1) Includes general, special revenue, debt service and capital projects funds.

	Debt Service	Total
\$	290,096	\$ 2,953,604
	295,905	3,300,310
	300,891	4,115,996
	430,616	5,057,625
	505,085	6,547,895
	577,054	7,901,699
	626,765	5,574,582
	612,290	5,711,308
	680,474	7,917,682
	694,130	6,605,970

**CITY OF ROCKPORT, TEXAS**

## GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

## LAST TEN FISCAL YEARS

## UNAUDITED

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- governmental</u>	<u>Charges for Services</u>
1996	\$ 2,683,288	\$ 68,740	\$ 34,618	\$ 80,000
1997	2,856,575	93,904	127,366	80,000
1998	3,123,405	106,814	104,384	80,000
1999	3,492,947	120,624	102,270	--
2000	3,837,857	126,308	109,167	--
2001	4,005,149	130,556	741,501	--
2002	4,190,041	150,105	32,839	--
2003	4,334,880	127,411	14,250	38,337
2004	4,652,207	189,154	223,011	22,350
2005	5,037,361	162,694	500,796	62,530

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(2) Includes private donations of \$999,828 for construction of a community swimming pool.

<u>Fines</u>	<u>Interest</u>	<u>Special Assessments</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 165,932	\$ 156,530	\$ 16,228	\$ 26,767	\$ 3,232,103
179,714	178,318	8,896	30,004	3,554,777
167,006	208,597	9,013	39,710	3,838,929
177,768	296,167	9,833	82,285	4,281,894
193,321	390,734	4,300	301,826	4,963,513
313,503	272,820	82,909	1,029,336 (2)	6,575,774
312,393	151,666	55,648	74,672	4,967,364
282,322	95,293	20,016	181,471	5,093,980
283,341	44,674	14,394	28,936	5,458,067
270,303	136,628	12,777	264,486	6,447,575

**CITY OF ROCKPORT, TEXAS**  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED

**TABLE E-5**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Hotel/Motel Occupancy Tax</u>	<u>Other Taxes</u>	<u>Total</u>
1996	\$ 1,206,149	\$ 862,271	\$ 335,687	\$ 194,457	\$ 84,724	\$ 2,683,288
1997	1,289,567	915,004	364,762	205,030	82,212	2,856,575
1998	1,450,961	992,976	342,653	245,611	91,204	3,123,405
1999	1,511,575	1,089,634	447,477	310,716	133,545	3,492,947
2000	1,612,626	1,117,080	637,483	331,326	139,342	3,837,857
2001	1,775,343	1,152,537	621,616	320,043	135,610	4,005,149
2002	1,890,537	1,227,505	560,747	365,720	145,532	4,190,041
2003	1,992,595	1,273,567	497,834	388,259	182,625	4,334,880
2004	2,114,864	1,400,557	567,342	421,125	148,319	4,652,207
2005	2,190,191	1,624,226	560,227	503,819	158,898	5,037,361

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.



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

**TABLE E-6**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1996	\$ 1,213,149	\$ 1,178,935	97.2%	\$ 31,734	\$ 1,210,669	99.8%	\$ 2,480	0.2%
1997	1,282,190	1,243,056	96.9%	35,796	1,278,852	99.7%	3,338	0.3%
1998	1,422,188	1,386,510	97.5%	32,327	1,418,837	99.8%	3,351	0.2%
1999	1,478,860	1,441,830	97.5%	32,193	1,474,023	99.7%	4,837	0.3%
2000	1,605,882	1,587,610	98.9%	12,142	1,599,752	99.6%	6,130	0.4%
2001	1,733,941	1,691,380	97.5%	35,832	1,727,212	99.6%	6,729	0.4%
2002	1,856,869	1,825,080	98.3%	22,892	1,847,972	99.5%	8,897	0.5%
2003	1,968,507	1,924,473	97.8%	31,007	1,955,480	99.3%	13,027	0.7%
2004	2,079,426	2,043,298	98.3%	15,866	2,059,164	99.0%	20,262	1.0%
2005	2,173,619	2,136,929	98.3%	--	2,136,929	98.3%	36,690	1.7%

**CITY OF ROCKPORT, TEXAS**

ASSESSSED AND ESTIMATED ACTUAL VALUE OF PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

TABLE E-7

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed Value To Total Estimated Actual Value</u>
1996	\$ 344,742,671	\$ 344,742,671	\$ 100.00%
1997	368,975,528	368,975,528	100.00%
1998	409,262,772	409,262,772	100.00%
1999	438,180,772	438,180,772	100.00%
2000	475,816,897	475,816,897	100.00%
2001	538,391,491	538,391,491	100.00%
2002	611,641,940	611,641,940	100.00%
2003	694,686,410	694,686,410	100.00%
2004	783,984,771	783,984,771	100.00%
2005	850,188,837	850,188,837	100.00%

Source: Aransas County Appraisal District

**CITY OF ROCKPORT, TEXAS**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
UNAUDITED

TABLE E-8

<u>Fiscal Year</u>	<u>City of Rockport</u>	<u>Aransas County</u>	<u>Aransas County Navigation District</u>	<u>Aransas County Independent School District</u>
1995	\$ 0.3519	\$ 0.3990	\$ 0.0478	\$ 1.5058
1997	0.3475	0.3850	0.0478	1.4518
1998	0.3475	0.3804	0.0472	1.4323
1999	0.3375	0.3700	0.0446	1.5500
2000	0.3375	0.3630	0.0446	1.5350
2001	0.3300	0.3460	0.0446	1.4900
2002	0.3039	0.3185	0.0410	1.6120
2003	0.2836	0.3185	0.0355	1.6065
2004	0.2650	0.3478	0.0499	1.5700
2005	0.2557	0.3420	0.0499	1.5173

Source: Aransas County Tax Collector

**CITY OF ROCKPORT, TEXAS**  
**PRINCIPAL TAXPAYERS**  
**SEPTEMBER 30, 2005**

**TABLE E-9**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
1	H E Butt Grocery	Grocery Store	\$ 9,301,259	1.0942%
2	Rockport Harborfront LP	Real Estate Development	4,974,642	0.5852%
3	AEP Texas Central Co.	Electric Utility	3,501,660	0.4119%
4	Heritage Hotels Rockport LP	Hotel	3,329,770	0.3917%
5	Southwestern Bell Telephone	Telephone Utility	2,975,860	0.3501%
6	Bracht Lumber Co., Inc.	Lumber Yard	2,649,261	0.3117%
7	Wal-Mart Stores East Inc.#440	Discount Store	2,538,004	0.2986%
8	Rockbay Properties, LTD	Real Estate Development	2,509,850	0.2953%
9	Sea Mist, Ltd.	Real Estate Development	2,402,440	0.2826%
10	White Marlin of Rockport, LP	Healthcare Services	2,301,300	0.2707%
	Totals		\$ <u>36,484,046</u>	<u>4.2919%</u>

**CITY OF ROCKPORT, TEXAS**  
**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

**TABLE E-10**

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessments Collected</u>
1996	\$ 577,262	\$ 16,228
1997	--	260,551
1998	--	69,859
1999	--	73,046
2000	--	69,084
2001	148,536	135,113
2002	--	71,980
2003	--	35,919
2004	--	22,950
2005	--	12,777

**CITY OF ROCKPORT, TEXAS**  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2005  
UNAUDITED

TABLE E-11

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 more than 5,000 population, the maximum tax rate for all puposes is \$2.50 per \$100 of assessed valuation.

Taxable Assessed Value - 2004 Roll	\$ 850,188,837
Maximum tax rate per \$100 assessed valuation	<u>2.50</u>
Maximum available tax revenues for all purposes, including debt service	<u>\$ 21,254,721</u>
Actual amount expended for general obligation debt service for the year ended September 30, 2005	<u>573,784</u>

**CITY OF ROCKPORT, TEXAS**

**TABLE E-12**

RATIO OF NET GENERAL OBLIGATION BONDED DEBT  
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Estimated Population	Assessed Value (1)	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996	6,250	\$ 344,742,671	\$ 2,159,864	\$ 86,383	\$ 2,073,481	0.60%	\$ 332
1997	6,412	368,975,528	1,988,280	95,967	1,892,313	0.51%	295
1998	6,584	409,262,772	4,299,064	122,956	4,176,108	1.02%	634
1999	6,772	438,180,772	5,012,064	150,233	4,861,831	1.11%	718
2000	7,338	475,816,897	4,752,872	164,449	4,588,423	0.96%	625
2001	7,657	538,391,491	4,407,352	173,341	4,234,011	0.79%	553
2002	7,805	611,641,940	6,087,429	240,336	5,847,093	0.96%	749
2003	7,805	694,686,410	5,734,716	250,259	5,484,457	0.79%	703
2004	8,469	783,984,771	5,145,547	271,850	4,873,697	0.62%	575
2005	8,469	850,188,837	4,806,458	277,025	4,529,433	0.53%	535

(1) The Assessed Value is 100% of the Appraised or Market Value.

**CITY OF ROCKPORT, TEXAS**

TABLE E-13

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
 FOR GENERAL OBLIGATION BONDED DEBT (1)  
 TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
 LAST TEN FISCAL YEARS  
 UNAUDITED

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures (3)	Ratio of Debt Service to General Governmental Expenditures
1996	\$ 153,952	\$ 136,144	\$ 290,096	\$ 2,953,604	9.8%
1997	171,584	124,321	295,905	3,299,310	9.0%
1998	189,216	111,675	300,891	4,115,996	7.3%
1999	220,800	209,816	430,616	5,057,625	8.5%
2000	259,193	245,892	505,085	6,547,895	7.7%
2001	345,521	384,008	729,529	7,901,699	9.2%
2002	384,008	242,757	626,765	5,574,582	11.2%
2003	352,713	259,577	612,290	5,819,387	10.5%
2004	344,695	247,471	592,166	5,230,739	11.3%
2005	339,089	233,765	572,854	5,943,667	9.6%

(1) General obligation bonds reported in the enterprise funds have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes general, special revenue and debt service funds.



**CITY OF ROCKPORT, TEXAS**

TABLE E-14

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
 GENERAL OBLIGATION BONDS  
 SEPTEMBER 30, 2005  
 UNAUDITED

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Direct:			
City of Rockport, Texas	\$ 4,806,458	100.00%	\$ 4,806,458
Overlapping:			
Aransas County ISD	11,525,000	63.82%	7,355,255
Aransas County Navigation District #1	--	49.00%	--
Aransas County	11,005,000	49.49%	5,446,375
			\$ <u>17,608,088</u>
Total direct and overlapping Debt Per Capita			\$ <u>2,079</u>

Information obtained from entities audited financial statements.

**CITY OF ROCKPORT, TEXAS**

REVENUE BOND COVERAGE

WATER AND SEWER DEBT

LAST TEN FISCAL YEARS

UNAUDITED

TABLE E-15

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	(2) Revenue Bond Debt Service Requirements	Coverage	(3) Total Bonded Debt Service Requirements	Coverage
1996	\$ 3,020,618	\$ 1,929,869	\$ 1,090,749	\$ 131,265	8.31	\$ 438,729	\$ 2.49
1997	3,085,124	2,107,421	977,703	281,198	3.48	626,714	1.56
1998	3,408,596	2,387,695	1,020,901	282,018	3.62	623,696	1.64
1999	3,960,108	2,939,174	1,020,934	277,998	3.67	652,064	1.57
2000	4,980,709	3,270,599	1,710,110	278,289	6.15	698,806	2.45
2001	4,952,605	3,262,919	1,689,686	201,395	8.39	688,933	2.45
2002	5,100,452	3,443,421	1,657,031	202,578	8.18	794,594	2.09
2003	5,311,757	3,467,662	1,844,095	203,470	9.06	785,559	2.35
2004	5,949,225	3,817,976	2,131,249	204,063	10.44	789,626	2.70
2005	6,524,568	4,238,296	2,286,272	204,345	11.19	792,027	2.89

(1) Total operating expenses exclusive of depreciation.

(2) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the water and sewer authority fund or debt defeasance transactions.

(3) Includes all bonded debt of the water and sewer fund.

**CITY OF ROCKPORT, TEXAS**

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

TABLE E-16

Fiscal Year	(1) Population	Per Capita Income	Median Age	Education Level In Years Of Formal Schooling	(3) School Enrollment	(2) Unemployment Rate
1996	6,250	\$ (a)	(a)	(a)	3,419	4.8%
1997	6,412	(a)	(a)	(a)	3,530	6.6%
1998	6,584	(a)	(a)	(a)	3,468	6.0%
1999	6,772	(a)	(a)	(a)	3,480	5.8%
2000	7,338	(a)	(a)	(a)	3,360	6.0%
2001	7,657	(a)	(a)	(a)	3,337	5.9%
2002	7,805	(a)	(a)	(a)	3,345	6.5%
2003	7,805	(a)	(a)	(a)	3,349	6.5%
2004	8,469	(a)	(a)	(a)	3,331	6.5%
2005	8,469	(a)	(a)	(a)	3,126	6.5%

Data Sources:

(1) City of Rockport

(2) Texas Workforce Commission

(3) Texas Education Agency

(a) Information Not Available

**CITY OF ROCKPORT, TEXAS**  
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS  
LAST TEN FISCAL YEARS  
UNAUDITED

TABLE E-17

<u>Fiscal Year</u>	<u>Property Value(1)</u>	<u>Total Building Permits</u>	<u>Bank Deposits</u>
1996	\$ 344,742,671	\$ 14,550,681	\$ (a)
1997	368,975,528	16,469,977	(a)
1998	409,262,772	21,500,592	(a)
1999	438,180,772	27,572,863	(a)
2000	475,816,897	26,355,252	(a)
2001	538,391,491	25,577,427	(a)
2002	611,641,940	22,951,784	(a)
2003	694,686,410	29,042,016	(a)
2004	783,984,771	36,833,008	(a)
2005	850,188,837	34,017,760	(a)

(1) Estimated actual value from Table 5

(a) Information Not Available

**CITY OF ROCKPORT, TEXAS**

MISCELLANEOUS STATISTICS

SEPTEMBER 30, 2005

UNAUDITED

TABLE E-18

Date of Incorporation	May 29, 1871
Form of Government	Council-Manger
Number of employees	76
Area in square miles	13.37
City of Rockport, Texas	
Miles of streets	83
Culture and Recreation:	
Community centers	1
Parks	10
Park acreage	200
Swimming pools	1
Tennis courts	1
Fire Protection:	
Number of stations	2
Number of fire personnel and officers:	
Volunteers	125
Police Protection:	
Number of stations	1
Number of police personnel and officers	26
Number patrol units	12
Sewerage System:	
Miles of sanitary sewers	62
Miles of storm sewers	31
Number of treatment plants	1
Number of service connections	4,019
Daily average treatment in gallons	1.25million
Maximum daily capacity of treatment plant in gallons	2.5 mgd
Water System:	
Miles of water mains	96
Number of service connections	8,212
Daily average consumption in gallons	2,740,000
Maximum daily capacity of storage in gallons	5,100,000
Facilities and services not included in the primary government:	
Education:	
Number of schools	6
Number of instructors	251

**CITY OF ROCKPORT, TEXAS**

INSURANCE IN FORCE  
 SEPTEMBER 30, 2005  
 UNAUDITED

TABLE E-19

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #9131	Real and Personal Property, \$11,533,480 Mobile Equipment, \$599,430 Errors & Omissions, \$2,000,000 occurrence, \$4,000,000 annual aggregate Law Enforcement Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate General Liability, \$2,000,000 occurrence, \$4,000,000 annual aggregate Auto Liability, \$1,000,000 occurrence, \$25,000 Medical Auto Physical Damage, coverage varies per vehicle Workers Compensation, limit statutory Public Employee Dishonesty, \$50,000 Forgery or Alteration, \$10,000 Theft, Disappearance & Destruction, \$10,000 Computer Fraud, \$10,000 Boiler & Machinery, \$100,000	October 1, 2005
Texas Municipal League 61BSBAN2111 61BSBAI4945 61BSBBO5668	Public Official Bond, Tax Collector, \$50,000 Public Official Bond, City Manger, \$50,000 Public Official Bond, Finance Director, \$50,000	October 1, 2005 November 29, 2005 March 6, 2006
Fidelity National Insurance Co. 422510150138 422510145056 9901895498 9901895496 9901895499 9901895497	Flood-City Hall and contents, \$600,900 Flood-Beach Park Maintenance, \$33,300 Flood-Pavillion North Bath House, \$60,500 Flood-Pavillion West, Saltwater Pool, \$60,500 Flood-Pavillion East with Concession, \$60,500 Flood-Pavillion South Bath House \$60,500	August 19, 2006 August 16, 2006 March 21, 2006 March 21, 2006 March 21, 2006 March 21, 2006
Texas Windstorm Insurance Assc. 26742900	Windstorm and Hail, \$6,799,827	September 11, 2005
XL Lloyds Inc. Co. ICL4266101043601	Windstorm and Hail, \$2,488,292	August 27, 2006

**CITY OF ROCKPORT, TEXAS**  
*SELECTED WATER AND SEWER FUND DATA*  
*LAST TEN FISCAL YEARS*  
*SEPTEMBER 30, 2005*  
*UNAUDITED*

**TABLE E-20**

<u>Fiscal Year Ended September 30,</u>	<u>Water Connections</u>	<u>Sewer Connections</u>	<u>Gallons of Water Consumed</u>
1996	6,191	3,009	746,836,400
1997	6,412	3,194	698,147,000
1998	6,556	3,300	762,713,800
1999	6,743	3,365	720,046,400
2000	6,918	3,690	732,594,400
2001	7,617	3,756	777,939,800
2002	7,776	3,808	822,894,200
2003	7,938	3,872	769,984,600
2004	8,161	3,986	797,799,100
2005	8,396	4,129	879,564,100