

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2010

CITY OF ROCKPORT

SPENCER COUNTY, INDIANA



FILED
08/15/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Harold Goffinet	01-01-08 to 08-03-10
	(Vacant)	08-04-10 to 08-22-10
	Debra Collins	08-23-10 to 09-15-10
	(Vacant)	09-16-10 to 09-29-10
Mayor	Elizabeth Naef	09-30-10 to 12-31-11
	Nedra Groves	01-01-08 to 07-12-10
	Ferman Yearby III	07-13-10 to 08-02-10
President of the City Council	Harold Goffinet	08-03-10 to 12-31-11
	Ferman Yearby III	01-01-10 to 12-31-11
President of the Board of Public Works	Nedra Groves	01-01-10 to 07-12-10
	Ferman Yearby III	07-13-10 to 08-02-10
	Harold Goffinet	08-03-10 to 12-31-11
Superintendent of Water Utility	Don Woolen	01-01-10 to 12-31-11
Superintendent of Wastewater Utility	Luke Boultinghouse	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF ROCKPORT, SPENCER COUNTY, INDIANA

We have audited the accompanying financial statement(s) of the City of Rockport (City), for the year ended December 31, 2010. These financial statement(s) are the responsibility of the City's management. Our responsibility is to express opinions on these financial statement(s) 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 statement(s) are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement(s). 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 opinion(s).

As discussed in Note 1, the City prepares its financial statement(s) on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement(s) referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 20, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement(s). The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

statement(s). Such information has been subjected to the auditing procedures applied in the audit of the financial statement(s) and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement(s) taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement(s) and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 20, 2011



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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

TO: THE OFFICIALS OF THE CITY OF ROCKPORT, SPENCER COUNTY, INDIANA

We have audited the financial statement(s) of the City of Rockport (City), for the year ended December 31, 2010, and have issued our report thereon dated July 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement(s) 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 the City's management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 20, 2011

FINANCIAL STATEMENT(S)

CITY OF ROCKPORT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 481,196	\$ 577,814	\$ 504,123	\$ 554,887
Misc Deduction	(707)	-	6	(713)
First State Police Squad	-	-	4,520	(4,520)
Lincoln Pioneer Village	-	109,104	76,552	32,552
Pol. Comm. Found. Donation	-	500	-	500
Ordinance Violation Fee	-	3,914	-	3,914
Nedra Groves Memorial	-	1,046	852	194
Motor Vehicle Highway	155,347	108,764	129,044	135,067
Local Road & Street	2,747	11,750	7,947	6,550
Donation	50,047	-	104	49,943
Sanitation	20,827	59,685	53,509	27,003
Park & Recreation	33,885	129,814	118,170	45,529
Donation	3,187	-	-	3,187
Cedit/Economic Dev Income	380,487	130,121	217,313	293,295
Canine Fund	33	-	-	33
William Natcher Bridge Fund	439,555	75,000	68,224	446,331
LECE	1,581	1,251	862	1,970
Cemetary Perpetual Care	1,915	15	-	1,930
School Traffic	13,997	4,710	2,967	15,740
Sanitation Reserve	84,097	9,267	-	93,364
CCI	15,337	12,412	3,700	24,049
Capital Improvement Fund	81,568	-	33,640	47,928
Rainy/ Other	54,725	13,113	-	67,838
Payroll	15,924	375,509	375,499	15,934
Payroll Perf Withholding	(4,287)	9,957	7,018	(1,348)
Payroll Federal Withholding	(4,978)	35,383	33,737	(3,332)
Payroll State Withholding	(287)	16,373	16,752	(666)
Payroll County Withholding	(144)	3,782	3,872	(234)
Payroll Insurance	1,439	27,572	24,383	4,628
Payroll Medicare Withholding	(317)	13,994	13,791	(114)
Payroll Withholding Fica	2,230	59,875	59,985	2,120
Sewer Operating	317,407	642,757	572,719	387,445
Sewer Bond & Interest 2000	183,347	259,284	253,530	189,101
Sewer Deposits	14,548	4,980	4,625	14,903
Cash Change	50	-	-	50
Debt Service 2000/Revenue Bonds	192,497	-	-	192,497
AK Bond 1997	301,480	80,786	78,030	304,236
Debt Service Reserve 1997 AK Steel	34,944	17,472	-	52,416
Storm Water Construction	-	693,298	666,534	26,764
Sewer Extension & Replacement	642	50,000	19,238	31,404
Water Utility Operating	1,252,208	414,904	384,976	1,282,136
Water Bond & Interest	104,466	203,418	235,963	71,921
Water Meter Deposit	13,608	4,675	4,500	13,783
Cash Change	50	-	-	50
Water Extension & Replacement	192	-	-	192
Water Debt Service Reserve	<u>287,842</u>	<u>-</u>	<u>-</u>	<u>287,842</u>
Totals	<u>\$ 4,532,685</u>	<u>\$ 4,162,299</u>	<u>\$ 3,976,685</u>	<u>\$ 4,718,299</u>

The notes to the financial statement(s) are an integral part of this statement.

CITY OF ROCKPORT, SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF ROCKPORT, SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF ROCKPORT, SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF ROCKPORT, SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF ROCKPORT, SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Rockport's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF ROCKPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General Fund	Misc Deduction	First State Police Squad	Lincoln Pioneer Village	Pol. Comm. Found. Donation	Ordinance Violation Fee
Cash and investments - beginning	\$ 481,196	\$ (707)	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	330,239	-	-	19	-	-
Licenses and permits	5,110	-	-	-	-	-
Intergovernmental	71,125	-	-	-	-	-
Charges for services	10,646	-	-	109,085	-	-
Fines and forfeits	126,940	-	-	-	-	3,914
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	33,754	-	-	-	500	-
Total receipts	<u>577,814</u>	<u>-</u>	<u>-</u>	<u>109,104</u>	<u>500</u>	<u>3,914</u>
Disbursements:						
Personal services	279,395	-	-	28,618	-	-
Supplies	18,292	-	-	3,797	-	-
Other services and charges	58,925	6	-	40,392	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	5,798	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	141,713	-	4,520	3,745	-	-
Total disbursements	<u>504,123</u>	<u>6</u>	<u>4,520</u>	<u>76,552</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>73,691</u>	<u>(6)</u>	<u>(4,520)</u>	<u>32,552</u>	<u>500</u>	<u>3,914</u>
Cash and investments - ending	<u>\$ 554,887</u>	<u>\$ (713)</u>	<u>\$ (4,520)</u>	<u>\$ 32,552</u>	<u>\$ 500</u>	<u>\$ 3,914</u>

CITY OF ROCKPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Nedra Groves Memorial	Motor Vehicle Highway	Local Road & Street	Donation	Sanitation	Park & Recreation
Cash and investments - beginning	\$ -	\$ 155,347	\$ 2,747	\$ 50,047	\$ 20,827	\$ 33,885
Receipts:						
Taxes	-	60,805	-	-	-	107,567
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	47,202	11,750	-	-	427
Charges for services	-	-	-	-	59,685	16,583
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	1,046	757	-	-	-	5,237
Total receipts	<u>1,046</u>	<u>108,764</u>	<u>11,750</u>	<u>-</u>	<u>59,685</u>	<u>129,814</u>
Disbursements:						
Personal services	-	84,515	-	-	18,111	50,330
Supplies	-	12,428	-	-	1,391	8,890
Other services and charges	-	32,101	5,957	104	25,007	57,726
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	1,990	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	852	-	-	-	9,000	1,224
Total disbursements	<u>852</u>	<u>129,044</u>	<u>7,947</u>	<u>104</u>	<u>53,509</u>	<u>118,170</u>
Excess (deficiency) of receipts over disbursements	<u>194</u>	<u>(20,280)</u>	<u>3,803</u>	<u>(104)</u>	<u>6,176</u>	<u>11,644</u>
Cash and investments - ending	<u>\$ 194</u>	<u>\$ 135,067</u>	<u>\$ 6,550</u>	<u>\$ 49,943</u>	<u>\$ 27,003</u>	<u>\$ 45,529</u>

CITY OF ROCKPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Donation	Cedit/Economic Dev Income	Canine Fund	William Natcher Bridge Fund	Lece	Cemetary Perpetual Care
Cash and investments - beginning	\$ 3,187	\$ 380,487	\$ 33	\$ 439,555	\$ 1,581	\$ 1,915
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	720	-
Intergovernmental	-	130,121	-	-	-	-
Charges for services	-	-	-	-	183	-
Fines and forfeits	-	-	-	-	247	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	75,000	101	15
Total receipts	-	130,121	-	75,000	1,251	15
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	68,224	453	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	217,313	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	409	-
Total disbursements	-	217,313	-	68,224	862	-
Excess (deficiency) of receipts over disbursements	-	(87,192)	-	6,776	389	15
Cash and investments - ending	\$ 3,187	\$ 293,295	\$ 33	\$ 446,331	\$ 1,970	\$ 1,930

CITY OF ROCKPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	School Traffic	Sanitation Reserve	Cci	Capital Improvement Fund	Rainy Other	Payroll
Cash and investments - beginning	\$ 13,997	\$ 84,097	\$ 15,337	\$ 81,568	\$ 54,725	\$ 15,924
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	12,412	-	-	-
Charges for services	4,710	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	9,267	-	-	13,113	375,509
Total receipts	<u>4,710</u>	<u>9,267</u>	<u>12,412</u>	<u>-</u>	<u>13,113</u>	<u>375,509</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	100	-	-	-	-	-
Other services and charges	-	-	-	33,640	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	3,700	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	2,867	-	-	-	-	375,499
Total disbursements	<u>2,967</u>	<u>-</u>	<u>3,700</u>	<u>33,640</u>	<u>-</u>	<u>375,499</u>
Excess (deficiency) of receipts over disbursements	<u>1,743</u>	<u>9,267</u>	<u>8,712</u>	<u>(33,640)</u>	<u>13,113</u>	<u>10</u>
Cash and investments - ending	<u>\$ 15,740</u>	<u>\$ 93,364</u>	<u>\$ 24,049</u>	<u>\$ 47,928</u>	<u>\$ 67,838</u>	<u>\$ 15,934</u>

CITY OF ROCKPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll Perf <u>Withholding</u>	Payroll Federal <u>Withholding</u>	Payroll State <u>Withholding</u>	Payroll County <u>Withholding</u>	Payroll Insurance	Payroll Medicare <u>Withholding</u>
Cash and investments - beginning	\$ (4,287)	\$ (4,978)	\$ (287)	\$ (144)	\$ 1,439	\$ (317)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	9,957	35,383	16,373	3,782	27,572	13,994
Total receipts	<u>9,957</u>	<u>35,383</u>	<u>16,373</u>	<u>3,782</u>	<u>27,572</u>	<u>13,994</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	7,018	33,737	16,752	3,872	24,383	13,791
Total disbursements	<u>7,018</u>	<u>33,737</u>	<u>16,752</u>	<u>3,872</u>	<u>24,383</u>	<u>13,791</u>
Excess (deficiency) of receipts over disbursements	<u>2,939</u>	<u>1,646</u>	<u>(379)</u>	<u>(90)</u>	<u>3,189</u>	<u>203</u>
Cash and investments - ending	<u>\$ (1,348)</u>	<u>\$ (3,332)</u>	<u>\$ (666)</u>	<u>\$ (234)</u>	<u>\$ 4,628</u>	<u>\$ (114)</u>

CITY OF ROCKPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll Withholding Fica	Sewer Operating	Sewer Bond & Interest 2000	Sewer Deposits	Cash Change	Debt Service 2000/Revenue Bonds
Cash and investments - beginning	\$ 2,230	\$ 317,407	\$ 183,347	\$ 14,548	\$ 50	\$ 192,497
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	606,148	-	-	-	-
Penalties	-	13,026	-	-	-	-
Other receipts	59,875	23,583	259,284	4,980	-	-
Total receipts	<u>59,875</u>	<u>642,757</u>	<u>259,284</u>	<u>4,980</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	253,530	-	-	-
Capital outlay	-	58,338	-	-	-	-
Utility operating expenses	-	305,900	-	4,625	-	-
Other disbursements	59,985	208,481	-	-	-	-
Total disbursements	<u>59,985</u>	<u>572,719</u>	<u>253,530</u>	<u>4,625</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(110)</u>	<u>70,038</u>	<u>5,754</u>	<u>355</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,120</u>	<u>\$ 387,445</u>	<u>\$ 189,101</u>	<u>\$ 14,903</u>	<u>\$ 50</u>	<u>\$ 192,497</u>

CITY OF ROCKPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Ak Bond 1997	Debt Service Reserve 1997 Ak Steel	Storm Water Construction	Sewer Extension & Replacement	Water Utility Operating	Water Bond & Interest
Cash and investments - beginning	\$ 301,480	\$ 34,944	\$ -	\$ 642	\$ 1,252,208	\$ 104,466
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	405,285	-
Penalties	-	-	-	-	2,686	-
Other receipts	80,786	17,472	693,298	50,000	6,933	203,418
Total receipts	<u>80,786</u>	<u>17,472</u>	<u>693,298</u>	<u>50,000</u>	<u>414,904</u>	<u>203,418</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	78,030	-	-	-	-	95,963
Capital outlay	-	-	666,534	-	4,578	-
Utility operating expenses	-	-	-	-	200,472	-
Other disbursements	-	-	-	19,238	179,926	140,000
Total disbursements	<u>78,030</u>	<u>-</u>	<u>666,534</u>	<u>19,238</u>	<u>384,976</u>	<u>235,963</u>
Excess (deficiency) of receipts over disbursements	<u>2,756</u>	<u>17,472</u>	<u>26,764</u>	<u>30,762</u>	<u>29,928</u>	<u>(32,545)</u>
Cash and investments - ending	<u>\$ 304,236</u>	<u>\$ 52,416</u>	<u>\$ 26,764</u>	<u>\$ 31,404</u>	<u>\$ 1,282,136</u>	<u>\$ 71,921</u>

CITY OF ROCKPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Meter Deposit	Cash Change	Water Extension & Replacement	Water Debt Service Reserve	Totals
Cash and investments - beginning	\$ 13,608	\$ 50	\$ 192	\$ 287,842	\$ 4,532,685
Receipts:					
Taxes	-	-	-	-	498,630
Licenses and permits	-	-	-	-	5,830
Intergovernmental	-	-	-	-	273,037
Charges for services	-	-	-	-	200,892
Fines and forfeits	-	-	-	-	131,101
Utility fees	-	-	-	-	1,011,433
Penalties	-	-	-	-	15,712
Other receipts	4,675	-	-	-	2,025,664
Total receipts	4,675	-	-	-	4,162,299
Disbursements:					
Personal services	-	-	-	-	460,969
Supplies	-	-	-	-	44,898
Other services and charges	-	-	-	-	322,535
Debt service - principal and interest	-	-	-	-	427,523
Capital outlay	-	-	-	-	958,251
Utility operating expenses	4,500	-	-	-	515,497
Other disbursements	-	-	-	-	1,247,012
Total disbursements	4,500	-	-	-	3,976,685
Excess (deficiency) of receipts over disbursements	175	-	-	-	185,614
Cash and investments - ending	\$ 13,783	\$ 50	\$ 192	\$ 287,842	\$ 4,718,299

CITY OF ROCKPORT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
River Bluff Project	\$ 510,000	\$ 57,655
Total governmental activities debt	<u>\$ 510,000</u>	<u>\$ 57,655</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Revenue Bonds of 2000	\$ 1,080,000	\$ 116,320
Refunding Revenue Bonds of 2005	<u>1,300,000</u>	<u>120,115</u>
Total Water Utility	<u>2,380,000</u>	<u>236,435</u>
Wastewater Utility:		
Revenue bonds:		
Revenue Bonds of 1997	480,000	79,320
Revenue Bonds of 2000	2,250,000	240,250
Revenue Bonds of 2001	<u>122,803</u>	<u>13,053</u>
Total Wastewater Utility	<u>2,852,803</u>	<u>332,623</u>
Total business-type activities debt	<u>\$ 5,232,803</u>	<u>\$ 569,058</u>

CITY OF ROCKPORT
AUDIT RESULT(S) AND COMMENT(S)

PRESCRIBED FORMS

The prescribed or approved General Form 350, Register of Investments form, was not in use.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Applies to City and Utilities)

The City and Utilities have begun recording capital asset additions, but disposals are not being recorded. In addition, records are incomplete so that information does not clearly identify specific assets or accurate details. Some listed assets do not meet the threshold level prescribed in the ordinance. No inventory has been taken for verification of recorded assets. When the City disposes of a capital asset, the cost of the asset and the related accumulated depreciation should also be recorded in the records as deletions. A similar comment was included in the prior report.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX (Applies to Water Utility)

The Rockport Water Utility did not pay Utility Receipts Tax estimates on time to the Indiana Department of Revenue during the audit period, which may result in penalties and interest being applied. The annual utility receipts tax return, Form URT for 2010 was not presented for audit. A similar comment was included in the prior report.

All questions concerning the preparation of this form should be directed to the Indiana Department of Revenue, Indiana Government Center North, Indianapolis, Indiana 46204, telephone number (317) 615-2662.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

An annual report for 2010 was not filed timely or accurately.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CITY OF ROCKPORT
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases, amounts payable to Indiana Department of Revenue were not made timely.

Penalties and interest totaling \$198.27 were paid to the Indiana Department of Revenue on March 17, 2011, for the period of December 2010.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES

The Misc Deduction Fund, First State Police Squad Fund, Payroll Perf Withholding Fund, Payroll Federal Withholding Fund, Payroll State Withholding Fund, Payroll County Withholding Fund, and Payroll Medicare Withholding Fund were overdrawn in 2010.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

The City has an ordinance concerning salary. However, the City did not follow this ordinance for all employees.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF ROCKPORT, SPENCER COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Rockport (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program(s) for the year ended December 31, 2010. The City's major federal program(s) are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program(s) is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program(s) for the year ended December 31, 2010.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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

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

This report is intended solely for the information and use of the City's management, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 20, 2011

CITY OF ROCKPORT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants/State's Program Community Focus Fund	14.228	DR2-09-022	\$ <u>693,298</u>
Total federal awards expended			\$ <u><u>693,298</u></u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF ROCKPORT
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Rockport (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF ROCKPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/States Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF ROCKPORT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF ROCKPORT
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2011, with Elizabeth Naef, Clerk-Treasurer; Ferman Yearby III, President of the City Council; Bob Mack, Council member; and Harold Goffinet, Mayor and former Clerk-Treasurer. The officials concurred with our audit findings.

A separate telephone exit was held with Connie Hargis, Council member.