

CITY OF ROCKDALE, TEXAS

**Audited Financial Statements
Independent Auditor's Report And
Supplemental Schedules
For the Year Ended
September, 30, 2017**

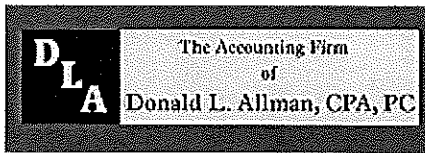
CITY OF ROCKDALE, TEXAS

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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
City of Rockdale, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockdale, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Rockdale, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockdale, Texas, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 57-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockdale, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018, on our consideration of the City of Rockdale, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rockdale, Texas' internal control over financial reporting and compliance.

Donald L. Allman, CPA, PC



Georgetown, TX
May 14, 2018

Management's Discussion and Analysis

As management of the City of Rockdale Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2017.

FINANCIAL HIGHLIGHTS

- The net position of the City decreased by \$(470,780) in the 2017 fiscal year for government-wide financial statements. As part of this \$(470,780) total decrease in net position, the net position of general fund activities decreased by \$(501,821) and the proprietary fund increased by \$31,041.
- The City's total net position of governmental fund activities decreased by \$ (1,046,114) in the 2017 fiscal year resulting in an ending net position of \$3,943,007.
- Property tax and Sales Tax revenues increased substantially in fiscal year 2017, indicating economic growth for the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The city's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds – not the City as a whole.

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the 2016 Combined Tax/Rev CO Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary Funds – The City maintains one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Utility (Water, Sewer, and Sanitation) activities.

A proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund, which is considered to be a major fund of the City.

The proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary Fund – The fiduciary fund is used to account for resources held for the benefit of parties outside of the City. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs.

The fiduciary fund financial statements can be found on pages 28-29 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-56 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which includes a budgetary comparison schedule for the City's General Fund and pension benefits information. Required supplementary information can be found on pages 58-64 of this report.

The combining fund financial statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining fund financial statements can be found on pages 66-69 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City assets exceeded liabilities by \$11,994,123 at the close of the fiscal year.

The City's net position (19.9%) reflects its net investment in capital assets (e.g. land, building, machinery, infrastructure, and equipment). The City uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net position (34.7%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position (45.4%) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City reported a positive net position balance in the governmental activities and a positive net position balance in the business-type activities.

STATEMENT OF NET POSITION As of September 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,282,235	\$ 5,284,859	\$ 6,012,643	\$ 3,331,274	\$ 10,294,878	\$ 8,616,133
Capital assets, net	3,711,769	3,291,965	13,439,891	13,822,719	17,151,660	17,114,684
Total Assets	7,994,004	8,576,824	19,452,534	17,153,993	27,446,538	25,730,817
Deferred Outflows of Resources	54,876	145,780	19,888	52,832	74,764	198,612
Long-term liabilities	3,042,570	3,263,360	10,742,677	8,631,502	13,785,247	11,894,862
Other liabilities	386,253	463,028	1,182,854	1,029,758	1,569,107	1,492,786
Total Liabilities	3,428,823	3,726,388	11,925,531	9,661,260	15,354,354	13,387,648
Deferred Inflows of Resources	126,853	56,428	45,972	20,450	172,825	76,878
Net investment in capital assets	446,774	604,548	1,940,645	4,827,071	2,387,419	5,431,619
Restricted	3,060,239	3,665,410	1,105,184	943,704	4,165,423	4,609,114
Unrestricted	986,191	669,830	4,455,090	1,754,340	5,441,281	2,424,170
Total Net Position	\$ 4,493,204	\$ 4,939,788	\$ 7,500,919	\$ 7,525,115	\$ 11,994,123	\$ 12,464,903

Current and other assets of governmental activities decreased by \$(1,002,624) or 19%.

Current and other assets of business-type activities increased by \$2,681,369 or 80%.

Long-term liabilities for governmental activities decreased from the prior year by \$(220,790) or 7%.

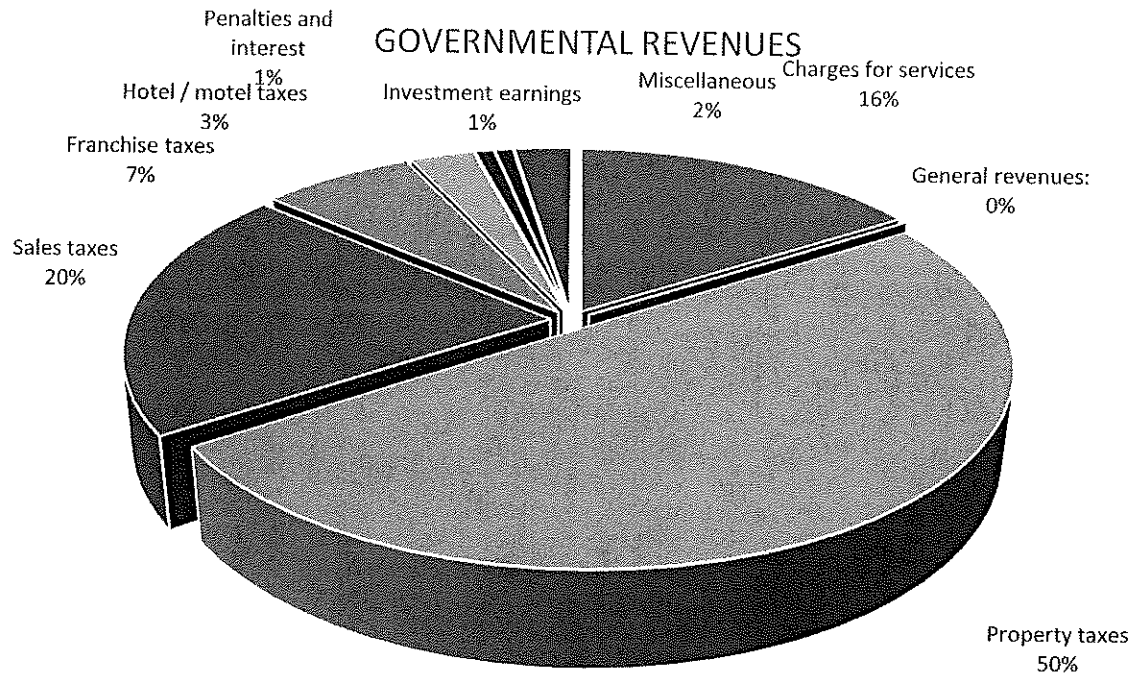
Long-term liabilities for business-type activities increased from the prior year by \$2,111,175 or 24%.

Net position of the City, which relates to governmental and business-type activities, decreased by \$(470,780). Key elements of the increase are as follows:

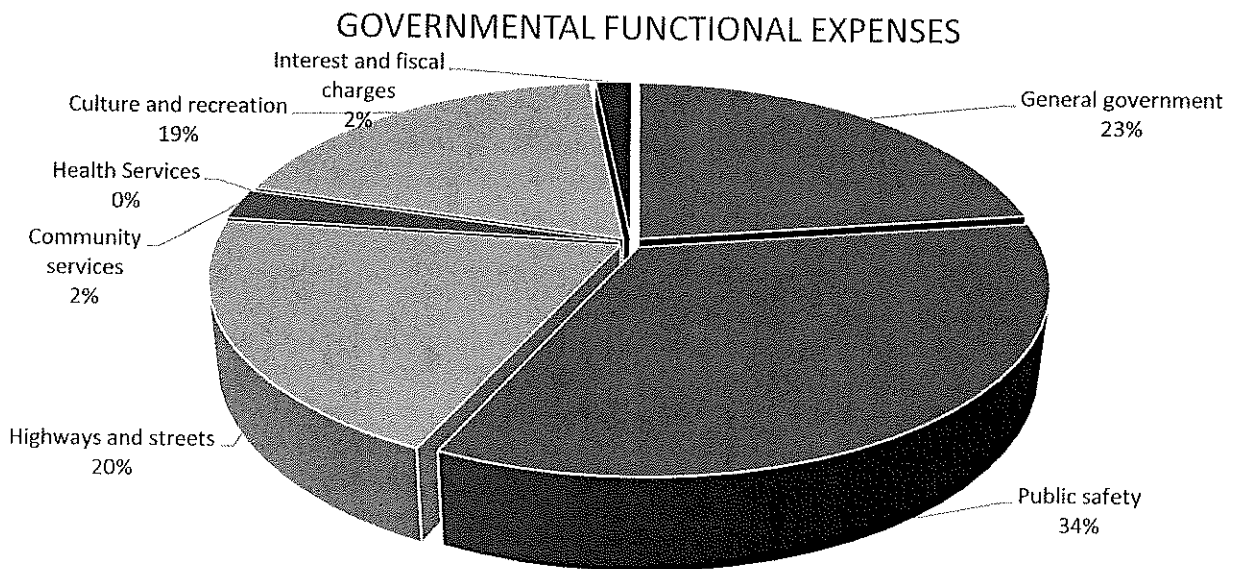
CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2017

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	608,339	876,685	2,760,199	2,807,391	3,368,538	3,684,076
General revenues:						
Property taxes	\$ 1,920,399	\$ 1,598,653	\$ -	\$ -	\$ 1,920,399	\$ 1,598,653
Sales taxes	790,240	725,968	-	-	790,240	725,968
Franchise taxes	266,413	286,893	-	-	266,413	286,893
Hotel / motel taxes	109,820	141,332	-	-	109,820	141,332
Penalties and interest	32,985	26,676	-	-	32,985	26,676
Investment earnings	30,579	17,700	35,724	17,254	66,303	34,954
Miscellaneous	98,918	85,301	-	-	98,918	85,301
Total Revenues	3,857,693	3,759,208	2,795,923	2,824,645	6,653,616	6,583,853
Expenses						
General government	1,111,873	792,214	63,621	-	1,175,494	792,214
Public safety	1,429,979	1,680,272	-	-	1,429,979	1,680,272
Highways and streets	842,980	615,377	-	-	842,980	615,377
Community services	107,705	106,175	-	-	107,705	106,175
Health Services	-	-	-	-	-	-
Culture and recreation	795,884	689,400	-	-	795,884	689,400
Interest and fiscal charges	71,093	77,602	322,755	343,789	393,848	421,391
Utility	-	-	2,378,506	2,278,244	2,378,506	2,278,244
Total Expenses	4,359,514	3,961,040	2,764,882	2,622,033	7,124,396	6,583,073
Increase (Decrease) in Net Position Before Transfers	(501,821)	(201,832)	31,041	202,612	(470,780)	780
Transfers in (out)	55,237	-	(55,237)	-	-	-
Change in Net Position	(446,584)	(201,832)	(24,196)	202,612	(470,780)	780
Net Position, Beginning	4,939,788	5,141,620	7,525,115	7,322,503	12,464,903	12,464,123
Net Position, Ending	\$ 4,493,204	\$ 4,939,788	\$ 7,500,919	\$ 7,525,115	\$ 11,994,123	\$ 12,464,903

Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.



For the fiscal year ended September 30, 2017, revenue from governmental activities totaled \$3,857,693, the largest portion of which related to property taxes (50%).



For the fiscal year ended September 30, 2017, expenses from governmental activities totaled \$ 4,359,514 , the largest portion of which related to public safety (34%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of September 30, 2017, the City's governmental funds reported a combined ending fund balance of \$ 3,943,007 , which is a decrease of \$(1,046,114) from last year's total of \$ 4,989,121 . Approximately 15% of the total fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 85% of fund balance is restricted to indicate that it is not available for new spending because it has already been determined that these monies will be used for special projects, capital projects and debt service. Lastly, the remaining 0.2% of fund balance is Nonspendable to indicate that these amounts are not available for appropriation.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$581,781. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents approximately 12% of total General Fund expenditures.

During the current fiscal year, the fund balance of the City's General Fund decreased by\$(763,839).

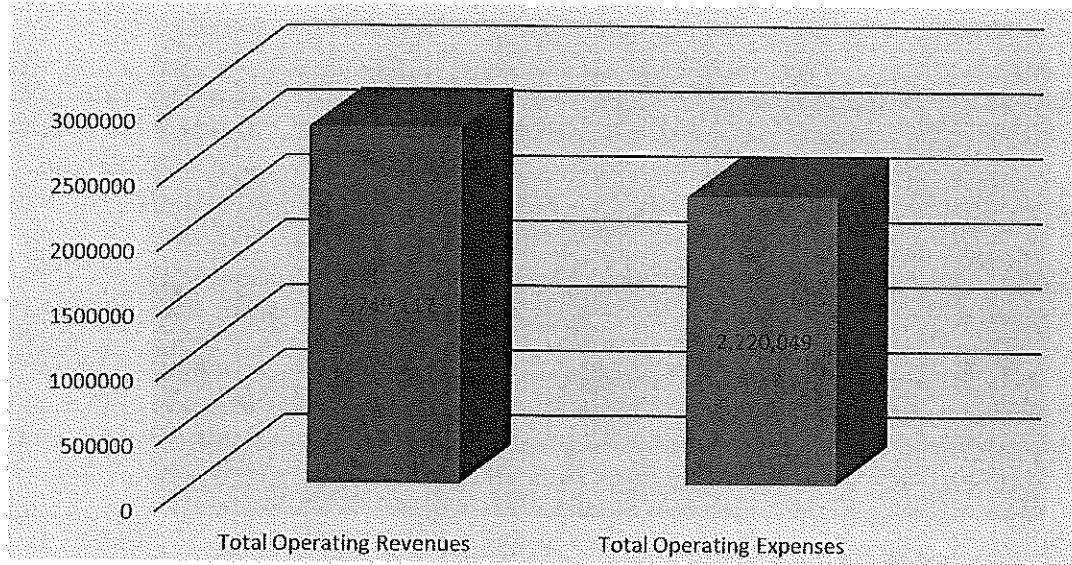
The 2017 Comb. Tax/Rev. CO fund reported an ending fund balance of \$ \$2,643,987, due to the issuance of the Combination Tax and Revenue certificates of obligation, Series 2015, in the amount of \$3,000,000. As of September 30, 2017, the majority of the proceeds have not been spent.

Proprietary Fund – The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position in the Utility Fund at the end of the year was \$4,455,090.

During the 2017 fiscal year, the Utility Fund has an increase in net position of \$31,041. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

BUSINESS-TYPE ACTIVITIES

Operating Expenses & Revenues



GENERAL FUND BUDGETARY HIGHLIGHTS

Each year the City spends a significant amount of time developing the annual budget. Staff analyzes both prior year actual results and the needs for the upcoming year in order to determine the final budget. Throughout the year, the budget is also amended to reflect changes in expectations for revenues and expenditures based on actual results during the year. The original and the final budget figures reflect the differences between the two budgets.

For the 2017 fiscal year, actual revenues were \$ 17,206 more than budgeted. Actual expenditures were \$339,627 more than budgeted. The budget projected a decrease in fund balance of \$ 51,020 while the final actual result was a decrease of \$763,839 for the year ended September 30, 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities of September 30, 2017, amounts to 17,151,660. This investment in capital assets, includes land, construction in progress, buildings and improvements, equipment and infrastructure. The City’s investment in capital assets for the current year increased by approximately 0.07%. This decrease can be attributed to an increase in depreciation expense.

SCHEDULE OF CAPITAL ASSETS (Net of Accumulated Depreciation) 30-Sep-17

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Non-Depreciable Assets						
Land	\$ 410,111	\$ 410,111	\$ 50,506	\$ 50,506	\$ 460,617	\$ 460,617
Construction in progress			90,867	-	90,867	-
Depreciable Capital Assets						
Buildings and improvements	928,264	925,015	192,143	202,083	1,120,407	1,127,098
Equipment	690,237	732,952	1,115,936	1,088,472	1,806,173	1,821,424
Infrastructure	1,683,157	1,223,887	11,990,439	12,481,658	13,673,596	13,705,545
Totals	3,711,769	3,291,965	13,439,891	13,822,719	17,151,660	17,114,684

Additional information on the City’s capital assets can be found in Note 9 in the notes to financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt outstanding of \$14,764,241. The City’s total long-term debt increased by \$3,362,689 during the current fiscal year. This increase during the 2017 fiscal year is mainly attributable to new loans.

SCHEDULE OF LONG-TERM DEBT 30-Sep-17

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation debt	\$ 2,345,000	\$ 2,512,244	\$ -	\$ -	\$ 2,345,000	\$ 2,512,244
Capital leases	133,741	175,173	21,323	27,892	155,064	203,065
Revenue debt and notes	-	-	11,205,000	8,967,756	11,205,000	8,967,756
Net pension liability	743,759	729,535	269,538	264,383	1,013,297	993,918
Compensated absences	42,495	42,495	3,385	3,385	45,880	45,880
Totals	\$ 3,264,995	\$ 3,459,447	\$ 11,499,246	\$ 9,263,416	\$ 14,764,241	\$ 12,722,863

Additional information on the City’s long-term debt can be found in Notes 10 and Note 11 in the notes to financial statements.

GENERAL FUND HIGHLIGHTS

- Fund balance in the General Fund decreased to \$588,235. It is intended that, if needed, the use of available fund balance will avoid the need to raise taxes in the near future.

ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGET AND RATES

The economic conditions facing the City of Rockdale improved slightly in the 2017 fiscal year. Property taxes were \$321,746 more in 2017 than in 2016.

No changes were made in staff that would affect the City's financial accounting or reporting for the fiscal year ending September 30, 2017. The City Council continues to have a conservative approach to finances and to keep tax rates competitive with surrounding communities.

For the 2017 fiscal year, the tax rate was increased from \$.79 to \$.91 per \$100 valuation to pay for increased costs of operations. The water fees and wastewater fees were not increased for the 2017 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Rockdale, Texas' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Rockdale, Texas, P.O. Box 586, Texas 76567.

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BASIC FINANCIAL STATEMENTS

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CITY OF ROCKDALE, TEXAS
STATEMENT OF NET POSITION

Exhibit A-1

September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Municipal Development District
<u>Assets</u>				
Cash and cash equivalents	\$ 4,031,260	\$ 4,950,939	\$ 8,982,199	\$ 1,785,753
Receivables, net	267,990	1,038,235	1,306,225	27,073
Internal balances	(23,469)	23,469	-	-
Inventory	6,454	-	6,454	-
Capital assets, not being depreciated	410,111	141,373	551,484	608,845
Capital assets, net of accumulated depreciation	3,301,658	13,298,518	16,600,176	134,746
Total Assets	7,994,004	19,452,534	27,446,538	2,556,417
<u>Deferred Outflows of Resources</u>				
Deferred Outflows	54,876	19,888	74,764	
Total Deferred Outflows of Resources	54,876	19,888	74,764	
<u>Liabilities</u>				
Accounts payable and other current liabilities	163,828	198,004	361,832	126,129
Deposits	-	228,281	228,281	
Accrued interest payable	-	-	-	
Long-term liabilities due within one year	222,425	756,569	978,994	125,722
Long-term liabilities due in more than one year	3,042,570	10,742,677	13,785,247	1,757,089
Total Liabilities	3,428,823	11,925,531	15,354,354	2,008,940
<u>Deferred Inflows of Resources</u>				
Deferred inflows	126,853	45,972	172,825	
Total Deferred Inflows of Resources	126,853	45,972	172,825	
<u>Net Position</u>				
Net investment in capital assets	446,774	1,940,645	2,387,419	520,756
Restricted for:				
Debt service	194,805	1,105,184	1,299,989	26,721
Capital projects	2,349,454	-	2,349,454	-
Economic development	-	-	-	-
Special Revenue Funds	515,980	-	515,980	-
Unrestricted	986,191	4,455,090	5,441,281	-
Total Net Position	\$ 4,493,204	\$ 7,500,919	\$ 11,994,123	\$ 547,477

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September, 2017

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
					Primary Government		Component Un
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Totals
Primary Government							
Governmental Activities							
General government	\$ 1,111,873	\$ 489,202	\$ -	\$ -	\$ (622,671)	\$ -	\$ -
Public safety	1,429,979	70,675	5,090	-	(1,354,214)	-	-
Highways and streets	842,980	-	-	-	(842,980)	-	-
Community services	107,705	25,000	-	-	(82,705)	-	-
Health services	-	-	-	-	-	-	-
Culture and recreation	795,884	16,139	2,233	-	(777,512)	-	-
Interest on long-term debt	393,848	-	-	-	(71,093)	(322,755)	-
Total Governmental Activities	4,682,269	601,016	7,323	-	(3,751,175)	(322,755)	-
Business-Type Activities							
Utility fund	2,442,127	2,760,199	-	-	-	318,072	318,072
Total business-Type Activities	2,442,127	2,760,199	-	-	-	318,072	318,072
Total Primary Government	\$ 7,124,396	\$ 3,361,215	\$ 7,323	\$ -	(3,751,175)	(4,683)	(3,755,858)
Component Unit							
Municipal Development District	594,015	-	-	-	-	-	(594,015)
Total Component Unit	594,015	-	-	-	-	-	(594,015)
General Revenues:							
Taxes							
Property taxes				\$ 1,920,399	\$ -	\$ 1,920,399	\$ -
Sales taxes				790,240	-	790,240	370,844
Hotel / motel taxes				109,820	-	109,820	-
Franchise taxes				266,413	-	266,413	-
Penalties and interest				32,985	-	32,985	-
Investment earnings				30,579	35,724	66,303	22,344
Miscellaneous				98,918	-	98,918	95
Transfers				55,237	(55,237)	-	-
Total General Revenues and Transfers				3,304,591	(19,513)	3,285,078	393,283
Change in Net Position				(446,584)	(24,196)	(470,780)	(200,732)
Net Position, Beginning							
Net Position, Ending				4,939,788	7,525,115	12,464,903	748,209
				\$ 4,493,204	\$ 7,500,919	\$ 11,994,123	\$ 547,477

See Notes to Financial Statements

**CITY OF ROCKDALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017**

Exhibit A-3

	General Fund	2016 Comb Tax/Rev CO Fund	Other Governmental Funds	Totals Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 722,884	\$ 2,643,987	\$ 664,389	\$ 4,031,260
Receivables, net:				
Property taxes	160,619	-	-	160,619
Sales taxes	72,967	-	-	72,967
Fines	34,404	-	-	34,404
Other	-	-	-	-
Due from other funds	(50,242)	-	50,242	-
Inventory	6,454	-	-	6,454
Total Assets	<u>947,086</u>	<u>2,643,987</u>	<u>714,631</u>	<u>4,305,704</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	89,988	-	1,157	91,145
Wages and salaries payable	73,840	-	-	73,840
Due to other funds	-	-	2,689	2,689
Total Liabilities	<u>163,828</u>	<u>-</u>	<u>3,846</u>	<u>167,674</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenues, property taxes	160,619	-	-	160,619
Unavailable revenues, fines	34,404	-	-	34,404
Total Deferred Inflows of Resources	<u>195,023</u>	<u>-</u>	<u>-</u>	<u>195,023</u>
<u>Fund Balances</u>				
Nonspendable	6,454	-	-	6,454
Restricted	-	2,643,987	710,785	3,354,772
Unassigned	581,781	-	-	581,781
Total Fund Balances	<u>588,235</u>	<u>2,643,987</u>	<u>710,785</u>	<u>3,943,007</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 947,086</u>	<u>\$ 2,643,987</u>	<u>\$ 714,631</u>	<u>\$ 4,305,704</u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	3,711,769
Property taxes receivable are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	160,619
Some liabilities, including bonds payable, interest payable, notes payable, premiums on bonds/other refunding charges, net pension liability and accrued compensated absences are not reported as liabilities in the governmental funds.	(3,264,995)
Deferred outflows and inflows of resources pertaining to actuarial pension differences between expected and actual economic experience (\$54,876), projected and actual investment earnings (\$19,379) and pension contributions made subsequent to the measurement date (\$17,345) are not financial resources, and therefore, are not reported in the funds.	(91,600)
Court fines receivable are unavailable to pay for current period expenditures and are therefore deferred in the governmental funds.	34,404
Net Position of Governmental Activities	<u>\$ 4,493,204</u>

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-4

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

	General	2016 Comb Tax/Rev CO Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 1,363,853	\$ -	\$ 477,461	\$ 1,841,314
Sales	790,240	-	-	790,240
Hotel/motel	-	-	109,820	109,820
Franchise	266,413	-	-	266,413
Penalties and interest	32,985	-	-	32,985
Licenses and permits	26,124	-	-	26,124
Fines and forfeitures	192,493	-	13,006	205,499
Charges for services	137,393	-	353,051	490,444
Contributions and donations	-	-	12,265	12,265
Investment earnings	12,134	29,611	8,486	50,231
Other	51,678	-	2,747	54,425
Total Revenues	2,873,313	29,611	976,836	3,879,760
Expenditures				
Current:				
General/government	811,792	2,539	98,530	912,861
Public safety	997,635	-	331,484	1,329,119
Highways and streets	633,024	-	66,607	699,631
Community services	106,455	-	-	106,455
Health services	-	-	-	-
Culture and recreation	697,848	-	6,922	704,770
Capital Outlay	390,398	283,085	223,407	896,890
Debt Service:				
Principal retirement	-	-	196,087	196,087
Interest and fiscal charges	-	-	77,602	77,602
Debt issuance costs	-	-	-	-
Total Expenditures	3,637,152	285,624	1,000,639	4,923,415
(Deficiency) of Revenues				
(Under) Expenditures	(763,839)	(256,013)	(23,803)	(1,043,655)
Other Financing Sources				
Capital leases	-	-	-	-
Debt issuance costs	-	-	-	-
Transfers in	-	53,545	(56,004)	(2,459)
Total Other Financing Sources	-	53,545	(56,004)	(2,459)
Net Change in Fund Balances	(763,839)	(202,468)	(79,807)	(1,046,114)
Fund Balances - Beginning	1,352,074	2,846,455	790,592	4,989,121
Fund Balances - Ending	\$ 588,235	\$ 2,643,987	\$ 710,785	\$ 3,943,007

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**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, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$(1,046,114)
--	---------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (803,115) exceed depreciation (\$383,311) in the current period.	419,804
--	---------

Pension Expense is not included in Governmental Funds	(175,553)
---	-----------

Interfund transfers are not included in government wide financial statements.	67,518
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This represents the net change in property taxes receivable on the accrual basis of accounting.	91,674
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The issuance in long-term debt (e.g., bonds, leases, certificates of obligation) provides

current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these differences in the treatment of long-term debt and related items, and consists of and principal repayment on capital leases, notes payable and bonds (\$256,674).	196,087
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Change in Net Position of Governmental Activities	\$ (446,584)
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See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2017

Exhibit A-6

	Business-Type Activities Utility Fund
<u>Assets</u>	
<u>Current Assets:</u>	
Cash & cash equivalents	\$ 4,950,939
Accounts receivable, net	1,038,235
Due from other funds	23,469
Total Current Assets	6,012,643
<u>Noncurrent assets</u>	
Capital assets:	
Construction in progress	90,867
Land	50,506
Buildings and improvements	361,053
Equipment	1,478,379
Infrastructure	19,927,481
Less accumulated depreciation	(8,468,395)
Total Noncurrent Assets	13,439,891
Total Assets	19,452,534
<u>Deferred Outflows of Resources</u>	
Deferred outflows	19,888
Total Deferred Outflows of Resources	19,888
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable	198,004
Wages and salaries payable	-
Customer deposits	228,281
Unearned revenue	-
Accrued interest payable	-
Capital leases payable	6,569
Bonds payable	750,000
Total Current Liabilities	1,182,854
<u>Noncurrent Liabilities</u>	
Capital leases payable	14,754
Compensated absences	3,385
Net pension liability	269,538
Bonds payable	10,455,000
Total Noncurrent Liabilities	10,742,677
Total Liabilities	11,925,531
<u>Deferred Inflows of Resources</u>	
Deferred inflows	45,972
Total Deferred Inflows of Resources	45,972
<u>Net Position</u>	
Net investment in capital assets	1,940,645
Restricted	1,105,184
Unrestricted	4,455,090
Total Net Position	\$ 7,500,919

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-7

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year ended September 30, 2017

	Business-Type Activities Utility Fund
<u>Operating Revenues</u>	
Charges for services:	
Water	1,110,830
Sewage	956,935
Sanitation	342,585
NW water tower	156,888
Other	181,879
Total Operating Revenues	2,749,117
<u>Operating Expenses</u>	
Personnel services - salaries and wages	535,580
Personnel services - employee benefits	119,415
Purchased professional and technical services	52,931
Purchased property services	314,749
Other operating expenses	626,062
Supplies	44,110
Depreciation	590,823
Total Operating Expenses	2,283,670
Operating Income	465,447
<u>Non-Operating Revenues (Expenses)</u>	
Investment earnings	35,724
Interest expense	(322,755)
Other non-operating expenses	-
Total Non-Operating Revenues (Expenses)	(287,031)
Income Before Transfers	178,416
Transfers in	-
Transfers (out)	-
Change in Net Position	178,416
Net Position, Beginning	7,322,503
Net Position, Ending	\$ 7,500,919
See Notes to Financial Statements	

CITY OF ROCKDALE, TEXAS

Exhibit A-8 (Page 1 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year ended September 30, 2017

	Business-type Activities
	Utility Fund
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 2,728,858
Disbursed for goods and services to suppliers	(1,029,300)
Disbursed for personnel services	(535,580)
Other revenues	-
Net Cash Provided by Operating Activities	<u>1,163,978</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Transfers from other funds	-
Transfers (to) other funds	-
Net Cash Provided (Used) by noncapital Financing Activities	<u>-</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Principal payments on bonds, notes and capital leases	(756,569)
Proceeds from capital debt	2,835,000
Interest and fiscal charges	(322,755)
Acquisition and construction of capital assets	(304,268)
Net Cash (Used) by Capital and Related Financing Activities	<u>1,451,408</u>
<u>Cash Flows From Investing Activities</u>	
Interest Received	35,724
Net Cash Provided by Investing Activities	<u>35,724</u>
Net Increase in Cash and Cash Equivalents	2,651,110
Cash and Cash Equivalents, Beginning	<u>2,299,829</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,950,939</u>

See Notes to Financial Statements.

CITY OF ROCKDALE, TEXAS

Exhibit A-8 (Page 2 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended September 30, 2016

	<u>Business-Type Activities Utility Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating income (loss)	<u>\$ 465,447</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	590,823
(Increase) decrease in accounts receivable	(20,259)
Increase (decrease) in accounts payable	<u>127,967</u>
Total adjustments	698,531
Net Cash Provided by Operating Activities	\$ 1,163,978

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUND

Exhibit A-9

September 30, 2017

	<u>Firemen's Pension Trust Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 194,749
Total Assets	\$ 194,749
<u>Liabilities</u>	
Net pension obligation	\$ 194,749
Total Liabilities	\$ 194,749

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-10

STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION

September 30, 2017

	<u>Firemen's Pension Trust Fund</u>
<u>Additions</u>	
Investment earnings	\$ 2,111
Other revenue	<u>9,622</u>
Total Additions	<u>11,733</u>
<u>Deductions</u>	
Pension payouts	<u>4,908</u>
Total Deductions	<u>4,908</u>
Change in Net Position	6,825
Total Net Position - Beginning	<u>187,924</u>
Total Net Position - Ending	<u>\$ 194,749</u>

See Notes to Financial Statements.

**CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS**

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rockdale (the “City”) is a municipal corporation operating under the applicable laws and regulations of the State of Texas as a home-rule municipal corporation. It has a Council-Manager form of government with the mayor and six council members elected by registered voters of the City. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified public Accountants; and it complies with the requirements of the appropriate version of Texas’ uniform accounting requirements and the requirements of contracts and grants of agencies from which it receives funds.

The City has implemented GASB Statement No. 62 (GASB 62) Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued prior to December 1, 1989, into the GASB Codification as long as they do not conflict or contradict GASB literature.

A. Reporting Entity

The Mayor and Council are elected by the public and they have the authority to make decisions, appoint administrators and managers, and significantly influence operations. They also have the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “the Financial Reporting Entity,” as amended by GASB Statements No. 39 and No. 61.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by U.S. generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government’s operations, and as a result, data from these units are combined with data of the primary government. The City had no such blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the primary government-wide statements to emphasize that they are legally separate from the primary government. The Municipal Development District is considered to be a discretely presented component unit included within the reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A Reporting Entity (Continued)

The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations, for which the primary government is financially accountable; and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Government-wide & Fund Financial Statements

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Financial Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes, sales taxes, franchise taxes and other taxes. Tax revenues and revenues received from the State are recognized under the “susceptible to accrual” concept, that is, when they are both measurable and available. The City considers them “available” if they will be collected within 60 days of the end of the fiscal year. Fines and other 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognized revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Proprietary Fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Major Governmental Funds

The City reports the following major governmental funds.

General Fund

The *General Fund* is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. It is the largest of the City’s funds and receives a greater variety and number of taxes and other general revenues than any other fund. The general fund’s resources also financial a wider range of activities than any other fund.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation (Continued)

Major Governmental Funds (Continued)

General Fund (Continued)

Functions financed by the general fund include administration, airport, library, streets, fire department, community service parks, emergency medical services, municipal court, and police department.

2015 Combination Tax and Revenue Certificates of Obligation Fund

This fund accounts for the proceeds of a 2015 bond offering by the City for infrastructure improvements.

The City reports the following major proprietary fund:

Utility Fund

The *Utility Fund* accounts for the activities related to providing a source of water, its purification and distribution to customers, to providing sanitary collection, treatment and disposal of sewage and industrial wastewater and solids, and providing sanitation services on a user charge basis.

Additionally, the City reports the following fund types:

Governmental Funds:

Special Revenue Funds

The *Special Revenue Funds* accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

Volunteer Firemen's Pension Trust Fund

The *Volunteer Firemen Pension Trust Fund* accounts for the payment of retirement benefits to volunteer firemen.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

E. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

F. Inventories

The City reports inventories at the lower of cost (first-in, first-out) or market for proprietary funds and at cost for governmental funds.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventories (Continued)

Inventory acquisitions are recorded in inventory accounts initially and charged as expenditures when used. Special reporting treatments are applied to governmental fund inventories to indicate that they do not represent “available spendable resources,” even though they are a component of net current assets.

G. Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Water and sewer systems	5-40 years
Infrastructure	4-40 years
Equipment	5 years

H. Compensated Employee Absences

It is the City’s policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave may be accumulated at the rate of 80 hours for each continuous year of employment for full-time employees with 1 to 7 years of service. For employees with 8 to 15 years of service, 120 hours accumulate each year. For employees with 16 or more years of service, 160 hours accumulate each year. Limits exist on the amount of vacation leave which may be carried over from year to year. At the anniversary date, an employee may carry forward vacation leave not to exceed 80 hours. Sick leave credits accrue to all employees at the rate of 96 hours for each full year of continuous service. Employees are not paid for accumulated sick leave upon termination; therefore, no liability is accrued.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources consist of differences between projected and actual investment earnings related to pensions and pension contributions made subsequent to the actuarial measurement date.

J. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unavailable revenues (property tax revenues) and differences between expected and actual economic experiences related to pensions. There were deferred inflows reported on the financial statements and notes to the financial statements for the fiscal year ended September 30, 2016 for property taxes and court fees.

K. Pensions

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

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt-service expenditures.

M. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position (Continued)

Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governmental units.

N. Fund Balances

The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The City classifies governmental fund balances in the governmental fund financial statements as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that neither considered restricted or committed. Fund Balance may be assigned by the City Council.

Unassigned – includes positive fund balances within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

At September 30, 2016, the City does not have any committed or assigned fund balances.

The City requires restricted/committed amounts to be spend first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, and expenses during the reported periods. Final amounts could differ from those estimates.

P. Date of Management's Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through February 5, 2018, the date that the financial statements were available to be issued.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between the total fund balance of governmental funds and the net position of governmental activities, as reported in the government-wide statement of net position. One element of that reconciliation explains that “Some liabilities, including bonds payable, interest payable, notes payable, net pension liability and accrued compensated absences are not reported as liabilities in the governmental funds.”

The details of this \$ 3,459,447 difference are as follows:

Notes payable	\$ -
Bonds payable	2,512,244
Capital leases	175,173
Accrued interest payable	-
Net pension liability	729,535
Compensated absences payable	<u>42,495</u>
Net adjustment to reduce the total of fund balances of governmental funds to arrive at net position of governmental activities	<u>\$ 3,459,447</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and the change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of the \$275,071 difference by which capital outlay exceeded depreciation expense are as follows:

Capital outlay	\$ 632,694
Depreciation expense	<u>(357,623)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 275,071</u>

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

The Council adopts and “appropriated budget” for the General Fund, the Debt Service Fund and the Capital Projects Fund.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements.

1. No later than 60 days and no sooner than 120 days prior to September 30 the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Meetings of the Council are then called for the purpose of adopting the proposed budget – two readings are required. At least ten days public notice of the meeting must be given.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council and in accordance with State laws. Amendments can be presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end. Because the City has a policy of careful budgetary control, one amendment was necessary during the year.
4. Each budget is controlled by City Management at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

The City’s funds are required to be deposited and invested under the terms of a depository contract pursuant to state statutes. 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. The City’s deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the City’s agent in the City’s name.

B. Investments

The Public Funds Investment Act (“PFIA”) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, the PFIA requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 4 – DEPOSITS & INVESTMENTS (Continued)

B. Investments (Continued)

Statutes authorize the City to invest in (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, (10) and common trust funds.

Council has adopted a written investment policy regarding the investment of its funds as defined by the PFIA. The investments of the City are in compliance with the Council's investment policy. The City's investment policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: in the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City is not exposed to custodial credit risk for its deposits that are either covered by depository insurance and / or are collateralized.
- b. Custodial Credit Risk for Investments; The City's investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The City's investments in the bonds of U.S. agencies were rated AAA by Standard & Poors and Firth Ratings, and Aaa by Moody's Investors Service.
- c. Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City invests operating funds primarily in local government investment pools or other investments similar to money market funds, and by structuring the investment portfolio so that investments mature to meet cash requirement.
- d. Concentration of Credit Risk – This is the risk of loss attributed to , the magnitude of a government's investment in a single issuer. The City excess funds were in a local bank covered by FDIC or collateralized by pledged securities.
- e. Foreign Currency Risk for Investments – The city does not have any investments denominated in a foreign currency.

C. Cash and Cash Equivalents

The City's cash and cash equivalents consist of cash on hand and demand deposits. The City's cash and cash equivalents at September 30, 2017, are shown below.

	Book Balance	Fair Value
Cash and cash equivalents	\$ 8,982,199	\$ 8,982,199
Total Cash and Cash Equivalents	<u>\$ 8,982,199</u>	<u>\$ 8,982,199</u>

Investments

As of September 30, 2017, the City did not hold any investments.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 5 – 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 located in the City in conformity with Subtitle E, Texas property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the City's fiscal year.

The county-wide Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100 percent of its appraised value. The value of property within the Appraisal District must be reviewed at least every five years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Debt Service Funds are based on 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.

Property taxes receivable, as of September 30, 2017, consists of the following:

Tax Year	General Fund
2016	\$ 160,619
2015	-
2014	-
2013	-
2012	-
2011 and prior	-
Totals	160,619

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 6 – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds, including the applicable allowances for uncollectible amounts, are as follows:

	<u>General</u> <u>Fund</u>	<u>Utility</u> <u>Fund</u>	<u>Totals</u>
Net Receivables			
Taxes	\$ 233,586	\$ -	\$ 233,586
Accounts	-	1,038,235	1,038,235
Fines	34,404	-	34,404
Other	-	-	-
Totals	<u>\$ 267,990</u>	<u>\$ 1,038,235</u>	<u>1,306,225</u>

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	<u>Unavailable</u>
General Fund:	
Delinquent property taxes receivable	\$ 160,619
Fines	34,404
Total General Fund	<u>\$ 195,023</u>

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers are used to move revenues from the fund with collection authorization to other funds to finance various programs and projects of the City. For the year ending September 30, 2017, interfund transfers were as follows:

	<u>Transfers In</u>			
	<u>General</u>	<u>2015 Comb.</u>	<u>Other</u>	
<u>Transfers Out</u>	<u>Fund</u>	<u>Tax/Rev.CO</u>	<u>Governmental</u>	<u>Totals</u>
Utility Fund	\$ -	\$ 53,545	\$ (56,004)	\$ (2,459)
Totals	<u>\$ -</u>	<u>\$ 53,545</u>	<u>\$ (56,004)</u>	<u>\$ (2,459)</u>

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 7 – INTERFUND TRANSFERS (Continued)

During the 2017 fiscal year, the transfers to the General Fund from the various funds were made to reimburse the General Fund for various services as well as to assist with the overall operational expenditures incurred by the General Fund.

NOTE 8 – INTERFUND RECEIVABLES/PAYABLES

The interfund receivables and payables generally represent short-term loans to cover temporary cash flows and reimbursements for various funds. As of September 30, 2017, interfund receivables/payables were as follows:

	Due From Other Funds		Totals
	Utility Fund	Other Governmental Funds	
Due to Other Funds			
General Fund	\$ 23,469	\$ (23,469)	\$ -
Other Governmental Funds	-	-	-
Totals	\$ 23,469	\$ (23,469)	\$ -

NOTE 9 – CAPITAL ASSETS

On the following page is a summary of changes in capital assets for the year ended September 30, 2017.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 9 – CAPITAL ASSETS (Continued)

	Balances Oct. 1, 2016	Additions	Retirements	Balances Sept. 30, 2017
Government Activities:				
Capital assets not being depreciated:				
Land	\$ 410,111	\$ -	\$ -	\$ 410,111
Construction in Progress	-	-	-	-
Total capital assets not being depreciated:	<u>410,111</u>	<u>-</u>	<u>-</u>	<u>410,111</u>
Capital assets being depreciated:				
Buildings and improvements	2,031,921	56,024	-	2,087,945
Equipment	2,614,530	99,557	-	2,714,087
Infrastructure	5,079,441	647,534	-	5,726,975
Total capital assets being depreciated	<u>9,725,892</u>	<u>803,115</u>	<u>-</u>	<u>10,529,007</u>
Less: Accumulated Depreciation for:				
Buildings and improvements	(1,106,906)	(52,775)	-	(1,159,681)
Equipment	(1,881,578)	(142,272)	-	(2,023,850)
Infrastructure	(3,855,554)	(188,264)	-	(4,043,818)
Total Accumulated Depreciation	<u>(6,844,038)</u>	<u>(383,311)</u>	<u>-</u>	<u>(7,227,349)</u>
Total capital assets being depreciated, net	<u>2,881,854</u>	<u>419,804</u>	<u>-</u>	<u>3,301,658</u>
Governmental activities capital assets, net	<u>\$ 3,291,965</u>	<u>\$ 419,804</u>	<u>\$ -</u>	<u>\$ 3,711,769</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 50,506	\$ -	\$ -	\$ 50,506
Construction in progress	-	90,867	-	90,867
Total capital assets not being depreciated:	<u>\$ 50,506</u>	<u>\$ 90,867</u>	<u>\$ -</u>	<u>\$ 141,373</u>
Capital assets being depreciated:				
Buildings and improvements	361,053	-	-	361,053
Equipment	1,428,885	49,494	-	1,478,379
Infrastructure	19,859,847	67,634	-	19,927,481
Total capital assets being depreciated	<u>21,649,785</u>	<u>117,128</u>	<u>-</u>	<u>21,766,913</u>
Less: Accumulated Depreciation				
Buildings and improvements	(158,970)	(9,940)	-	(168,910)
Equipment	(340,413)	(22,030)	-	(362,443)
Infrastructure	(7,378,189)	(558,853)	-	(7,937,042)
Total Accumulated Depreciation	<u>(7,877,572)</u>	<u>(590,823)</u>	<u>-</u>	<u>(8,468,395)</u>
Total capital assets being depreciated, net	<u>13,772,213</u>	<u>(473,695)</u>	<u>-</u>	<u>13,298,518</u>
Business-Type activities capital assets, net	<u>\$ 13,822,719</u>	<u>\$ (382,828)</u>	<u>\$ -</u>	<u>\$ 13,439,891</u>

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 9 – CAPITAL ASSETS (Continued)

Depreciation was charged to functions of the primary government as follows:

Governmental Activities:	
General government	\$ 38,587
Public safety	100,860
Highways and streets	151,500
Community services	1,250
Culture and recreation	91,114
Total Depreciation Expense-Governmental Activities	<u>\$ 383,311</u>
Business-Type Activities:	
Utility	<u>\$ 590,823</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 590,823</u>

NOTE 10 - LEASES

Capital Lease

The City has entered into lease agreements for the acquisition of a tractor/shredder, Copsync software, street sweeper, backhoe, Chevy pickup and three other trucks. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through a capital lease are as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Asset:		
Vehicles, machinery & equipment	\$ 227,957	\$ 40,829
Less: accumulated depreciation	(94,216)	(17,020)
Total	<u>\$ 133,741</u>	<u>\$ 23,809</u>

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 10 – LEASES (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017.

Year Ended September 30,	Governmental Activities		Business-Type Activities		Totals
	Principal	Interest	Principal	Interest	
2018	42,425	4,188	6,831	851	54,295
2019	34,126	2,828	7,104	578	44,636
2020	34,964	1,707	7,388	295	44,354
2021	22,226	-	-	-	22,226
Totals	\$ 133,741	\$ 8,723	\$ 21,323	\$ 1,724	\$ 165,511

NOTE 11 – LONG-TERM DEBT

General Obligation Bonds and Certificates of Obligation

The City issued certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for both governmental and business-type activities.

During the 2015 fiscal year, the City issued the Combination Tax and Revenue Certificates of Obligation Series 2015, in the amount of \$3,000,000, for the purchase of materials, supplies, equipment, and machinery for public works and public safety purposes.

A summary of governmental activities general obligation bonds and certificates of obligation outstanding as of September 30, 2017, follows:

	Interest Rates	Original Issue Amount	Beginning Balances Outstanding	Issued	Retired	Ending Balances Outstanding
Governmental Activities						
Series 2006 CO Bonds	4.73%	2,900,000	886,900	-	66,900	820,000
Series 2008 Refunding Bonds	4.36%	580,000	330,000	-	40,000	290,000
Series 2009 Tax Notes	2.35-4.15%	500,000	-	-	-	-
Series 2011 Tax/Rev CO Bonds	3.32%	2,075,000	305,344	-	20,344	285,000
Series 2015 Tax/Rev CO Bonds	3.35%	1,000,000	990,000	-	40,000	950,000
			\$ 2,512,244	\$ -	\$ 167,244	\$ 2,345,000

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 11 – LONG-TERM DEBT (Continued)

The annual debt service requirements for all governmental activities general obligation bonds and certificates of obligation outstanding as of September 30, 2017, are as follows:

Year ended Sept. 30,	Governmental Activities	
	Principal	Interest
2018	180,000	88,540
2019	190,000	81,222
2020	195,000	73,522
2021	205,000	65,678
2022	215,000	57,358
2023-2025	610,000	127,166
2026-2030	635,000	124,176
2031-2032	115,000	14,235
Totals	\$ 2,345,000	\$ 631,897

A summary of business-type activities long-term debt outstanding as of September 30, 2017, follows:

Business-Type Activities	Interest Rate	Original Issue Amount	Beginning Balances Outstanding	Issued	Retired	Ending Balances Outstanding
Series 2005 Comb CO Bonds	2.8-4.05%	\$ 6,300,000	\$ 3,755,000	\$ -	\$ 3,755,000	\$ -
Series 2006 CO Bonds	4.73%	2,900,000	923,100	-	78,100	845,000
Note Payable to TxDOT	4.00%	1,000,000	-	-	-	-
Series 2011 Tax/Rev CO Bonds	3.32%	1,624,056	1,474,656	-	69,656	1,405,000
Series 2012 CO Bonds	0.9-3.35%	525,000	400,000	-	30,000	370,000
Series 2013 CO Bonds	3.14%	525,000	435,000	-	30,000	405,000
Series 2015 CO Bonds	3.35%	2,000,000	1,980,000	-	45,000	1,935,000
Series 2016 Tax/Rev CO Bonds	2.23%	2,940,000		2,835,000	-	2,835,000
Series 2016 GO Bonds	1.76%	3,860,000		3,410,000		3,410,000
Totals			\$ 8,967,756	\$6,245,000	\$ 4,007,756	\$ 11,205,000

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 11 – LONG-TERM DEBT (Continued)

The annual requirements to amortize all business-type activities general obligation bonds and certificates of obligation outstanding as of September 30, 2017, are as follows:

Year Ended Sept 30,	Business-Type Activities	
	Principal	Interest
2018	750,000	288,526
2019	765,000	270,554
2020	785,000	252,134
2021	800,000	233,034
2022	820,000	213,374
2023-2025	2,645,000	534,014
2026-2030	3,515,000	461,222
2031-2032	1,125,000	39,220
Totals	11,205,000	2,292,078

The following is a summary of changes in the City's total governmental and business-type long-term liabilities as of September 30, 2017.

	Balances Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Certificates of obligation	\$ 2,512,244	\$ -	\$ (167,244)	\$ 2,345,000	\$ 180,000
Tax notes	-	-	-	-	-
Capital leases	175,173	-	(41,432)	133,741	42,425
Net pension liability	729,535	14,224	-	743,759	-
Compensated absences	42,495	-	-	42,495	-
Total Governmental Activities	\$ 3,459,447	\$ 14,224	\$ (208,676)	\$ 3,264,995	\$ 222,425
Business-Type Activities:					
Certificates of obligation	\$ 8,967,756	\$ 6,245,000	\$(4,007,756)	\$ 11,205,000	\$ 750,000
Notes payable	-	-	-	-	-
Capital leases	27,892	-	(6,569)	21,323	6,569
Net pension liability	264,383	5,155	-	269,538	-
Compensated absences	3,385	-	-	3,385	-
Total Business-Type Activities	\$ 9,263,416	\$ 6,250,155	\$(4,014,325)	\$ 11,499,246	\$ 756,569

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due:

For governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 12 – FUND BALANCES

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”). GASB 54 defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following five fund balance categories:

Nonspendable:

To indicate amounts associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:

To indicate amounts that have been legally separated for a specific purpose; such as, grants, capital acquisition from bond proceeds and long-term debt.

Committed:

This indicates amounts that require Council action to be used for a specific purpose; such as, construction improvements not funded by bond proceeds. Formal action by City Council, which consists of majority approval of an ordinance, to commit funds must occur prior to fiscal year-end and can only be modified or removed by the same formal action. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned:

This indicates amounts that do not require Council approval but are intended to be used for a specific purpose, as determined by an official or body to which the Council has delegated authority; such as, the Finance Director or City Manager. Council has, by resolution, authorized the Finance Director or City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. These amounts do not meet the criteria to be classified as restricted or committed.

Unassigned:

This indicates residual amounts in the General Fund that are available to finance operating expenditures. In other funds, this classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 12 – FUND BALANCES (Continued)

Fund balances for all major and nonmajor governmental funds as of September 30, 2017, were distributed as follows:

	General	2015 Tax/Rev CO	Other Governmental	
	Fund	Fund	Funds	Totals
Nonspendable:				
Inventory	\$ 6,454	\$ -	\$ -	\$ 6,454
Subtotal	6,454	-	-	6,454
Restricted for:				
Special projects	-	-	531,400	531,400
Capital projects	-	2,846,455	66,503	2,912,958
Debt service	-	-	1,164,756	1,164,756
Subtotal	-	2,846,455	1,762,659	4,609,114
Unassigned	1,345,620	-	-	1,345,620
Totals	\$ 1,352,074	\$ 2,846,455	\$ 1,762,659	\$ 5,961,188

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The City does not currently have any such policies.

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions adopted by the City are as follows:

Employee deposit rate	5%
Municipal current matching ratio	2-1
Updated service credit:	
Rate (%)	100
Year effective	2004R*
Increased benefits to retirees:	
Rate (%)	70
Year effective	2004R*
Military service credit effective date	
Buyback effective date	
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	7-01
Supplemental death benefits	Employees, Retirees
Statutory maximum (%)	11.5%

Annually repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms.

At September 30, 2016 valuation and measurement date, the following employees were covered by the benefit terms.

	2016
Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	29
Active employees	47
Total	98

Contributions

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

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Employees for the City of Rockdale, Texas, were required to contribute 5.0 of their annual gross earnings during the fiscal year. The contribution rates for the City of Rockdale, Texas, were 10.35% and 10.2% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$180,429, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2016, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the 2016, valuations were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006, through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal ("EAN") actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total Pension Liability.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/15	\$ 4,632,748	\$ 3,638,830	\$ 993,918
Changes for the year:			
Service cost	225,413	-	225,413
Interest	316,100	-	316,100
Change of benefit terms	-	-	-
Difference between expected and actual experience	(4,999)	-	(4,999)
Changes in assumptions	-	-	-
Contributions - employer	-	180,429	(180,429)
Contributions - employee	-	93,532	(93,532)
Net investment income	-	246,101	(246,101)
Benefit payments, including refunds of employer contri	(124,976)	(124,976)	-
Administrative expense	-	(2,777)	2,777
Other changes	-	(150)	150
Net changes	\$ 411,538	\$ 392,159	\$ 19,379
Balance at 12/31/16	\$ 5,044,286	\$ 4,030,989	\$ 1,013,297

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1 % Decrease in Discount Rate (5.75 %)	Discount Rate (6.75 %)	1 % Increase in Discount Rate (7.75 %)
City's net pension liability	\$ 1,715,322	\$ 1,013,297	\$ 438,017

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$239,174.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (148,239)
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	-	(24,586)
Contributions subsequent to the measurement date	74,764	-
Totals	\$ 74,764	\$ (172,825)

\$ 74,764 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2017	35,524
2018	48,806
2019	46,914
2020	(96)
2021	-
Thereafter	-
	<u>\$ 131,148</u>

Supplemental Death Benefits Fund

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers.

The city's contributions to the TMRS SDBF for the fiscal years ending September 30, 2016, 2015 and 2014 were \$888, \$873, and \$648 respectively, which equaled the required contributions for each year.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. The City's risk management program includes coverage for property, general liability, automobile liability, public officials' liability and employee dishonesty bonds. The City participates in the Texas Municipal League (TML) Joint Self-Insurance Fund, which is a public entity risk pool. The premiums paid to TML result in the transfer of risk to the pool.

NOTE 15 – FIREMEN'S RELIEF AND RETIREMENT FUND

Volunteer firemen for the City participate in the Firemen's Relief and Retirement Fund (Firemen's Pension Trust), a single employer defined benefit plan. The plan its contribution obligations and its benefit provisions were established by State Legislation. Members can retire at age 55 and above with 20 or more years of service and are fully vested at that time. In addition to retirement benefits, the plan also provides death and disability benefits. Each person who is a member of the retirement system as a current volunteer fire fighter is required to contribute annual dues of \$5 which may be paid by the City. The City is responsible for all additional contributions to meet the benefit requirements of the plan.

The funding policy has been for the City to make the contribution necessary to meet current benefit payments. No actuarial valuation has been performed to determine the pension benefit obligation or to determine contribution requirements for the purpose of amortizing any unfunded actuarial accrued liability. Benefit payments made from the pension trust during the year amounted to \$3,400.

NOTE 16 – LITIGATION

Counsel for the City is not aware of and is unable to predict at this time the possibility of future litigation. Management feels that the City's insurance coverage is sufficient to cover possible liability resulting from litigation exposure and adverse decisions.

NOTE 17 – HEALTH CARE COVERAGE

During the year ended September 30, 2017, employees of the City were covered by a health insurance plan (the "Plan"). The city paid premiums of \$219,624 to the Plan. Employees, at their option, authorized payroll withholding 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, and terms of coverage and premium costs are included in the contractual provisions.

CITY OF ROCKDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Exhibit A-11

NOTE 18 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

In the current fiscal year, the City implemented the following new standards:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (“ASB 68”), replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and Amendment of GASB 68* (“GASB 71”), requires employer contributions made between the measurement date, which is the date used to determine an employer’s net pension liability (“NPL”), and the employer’s fiscal year end be reported as a deferred outflow of resources (“DOOR”).

CITY OF ROCKDALE, TEXAS

Exhibit B-1

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2017**

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
<u>Revenues</u>				
Taxes:				
Property	\$ 1,199,772	\$ 1,199,772	\$ 1,363,853	\$ 164,081
Sales	775,000	775,000	790,240	15,240
Franchise	266,300	266,300	266,413	113
Penalties and interest	21,000	21,000	32,985	11,985
Licenses and permits	7,000	7,000	26,124	19,124
Fines	375,850	375,850	192,493	(183,357)
Charges for services	168,750	168,750	137,393	(31,357)
Investment earnings	15,000	15,000	12,134	(2,866)
Other	27,435	27,435	51,678	24,243
Total Revenues	<u>2,856,107</u>	<u>2,856,107</u>	<u>2,873,313</u>	<u>17,206</u>
<u>Expenditures</u>				
Current:				
General government	389,868	389,868	811,792	(421,924)
Public safety	1,407,589	1,407,589	997,635	409,954
Highways and streets	442,477	442,477	633,024	(190,547)
Community services	69,548	69,548	106,455	(36,907)
Health services	-	-	-	-
Culture and recreation	597,645	597,645	697,848	(100,203)
Capital outlay	-	-	390,398	(390,398)
Debt Service:				
Principal retirement	-	-	-	-
Total Expenditures	<u>2,907,127</u>	<u>2,907,127</u>	<u>3,637,152</u>	<u>(730,025)</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(51,020)</u>	<u>(51,020)</u>	<u>(763,839)</u>	<u>(712,819)</u>
<u>Other Financing Sources (Uses)</u>				
Capital leases			-	-
Transfers in	65,721	65,721	-	(65,721)
Transfers (out)	(7,522)	(7,522)	-	7,522
Total Other Financing Sources (Uses)	<u>58,199</u>	<u>58,199</u>	<u>-</u>	<u>(58,199)</u>
Net Change in Fund Balance	<u>7,179</u>	<u>7,179</u>	<u>(763,839)</u>	<u>(771,018)</u>
Fund Balance - Beginning	<u>1,352,074</u>	<u>1,352,074</u>	<u>1,352,074</u>	
Fund Balance - Ending	<u>\$ 1,359,253</u>	<u>\$ 1,359,253</u>	<u>\$ 588,235</u>	<u>\$ (771,018)</u>

CITY OF ROCKDALE, TEXAS

Exhibit B-1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2016

A. Budgets and Budgetary Accounting

City Council adopts an appropriated budget for the General Fund, Debt Service Fund and the Capital Projects Fund. The following procedures are followed in establishing the budgetary date reflected in the general purpose financial statements:

1. No later than 60 days and no sooner than 120 days prior to September 30, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Meetings of City Council are then called for the purpose of adopting the proposed budget – two meetings are required. At least 10 days public notice of the meeting must be given.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council and in accordance with State laws. Amendments can be presented to the Council at its regular meetings. Each amendment must have Council Approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council and are not made after fiscal year-end. Because the City has a policy of careful budgetary control, there were no amendments during the current fiscal year.

B. Budgetary Legal Compliance

For the year ending September 30, 2017, the City complied with budgetary restrictions at all departmental levels except the following:

Fund/Department	Budget	Actual	Variance
General Fund:			
General government	389,868	811,792	(421,924)
Highways and streets	442,477	633,024	(190,547)
Community Services	69,548	106,455	(36,907)
Culture & recreation	597,645	697,848	(100,203)

CITY OF ROCKDALE, TEXAS

Exhibit B-3

**TEXAS MUNICIPAL RETIREMENT SYSTEM – SCHEDULE OF CHANGES
IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Years***

	2016	2015	2014	2013
Total Pension Liability				
Service cost	\$ 225,413	\$ 209,927	N/A	N/A
Interest (on the total pension liability)	316,100	302,987	N/A	N/A
Changes of benefit terms	-	-	N/A	N/A
Difference between expected and actual experience	(4,999)	(73,377)	N/A	N/A
Change of assumptions	-	32,009	N/A	N/A
Benefit payments, including refunds of employee contributions	(124,976)	(124,432)	N/A	N/A
Net Change in Total Pension Liability	411,538	347,114	N/A	N/A
Total Pension Liability - Beginning	4,632,748	4,285,634	N/A	N/A
Total Pension Liability - Ending (a)	\$ 5,044,286	\$4,632,748	N/A	N/A
Plan Fiduciary Net Position				
Contributions - employer	\$ 180,429	177,803	N/A	N/A
Contributions - employee	93,532	89,330	N/A	N/A
Net investment income	246,101	5,158	N/A	N/A
Benefit payments, including refunds of employee contributions	(124,976)	(124,432)	N/A	N/A
Administrative expense	(2,777)	(3,141)	N/A	N/A
Other	(150)	(155)	N/A	N/A
Net Change in Plan Fiduciary Net Position	392,159	144,563	N/A	N/A
Plan Fiduciary Net Position - Beginning	3,638,830	3,494,267	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	\$ 4,030,989	3,638,830	N/A	N/A
Net Pension Liability - Ending (a) - (b)	\$ 1,013,297	993,918	N/A	N/A
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.91%	78.55%	N/A	N/A
Covered Employee Payroll	1,870,649	1,786,609	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	54.17%	55.63%	N/A	N/A

Notes to Schedule: N/A

GASB 68 requires ten years of data to be provided in this schedule, however, only one year is currently

**TEXAS MUNICIPAL RETIREMENT SYSTEM – SCHEDULE OF CHANGES
IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Years***

	2011	2010	2009	2008	2007	2006
Total Pension Liability						
Service cost	N/A	N/A	N/A	N/A	N/A	N/A
Interest (on the total pension liability)	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	N/A	N/A	N/A	N/A	N/A	N/A
Difference between expected and actual experience	N/A	N/A	N/A	N/A	N/A	N/A
Change of assumptions	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - Beginning	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - Ending (a)	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position						
Contributions - employer	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - employee	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	N/A	N/A	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability - Ending (a) - (b)	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule: N/A

GASB 68 requires ten years of data to be provided in this schedule, however, only one year is currently available

CITY OF ROCKDALE, TEXAS

Exhibit B-4

**TEXAS MUNICIPAL RETIREMENT SYSTEM – SCHEDULE OF
EMPLOYER CONTRIBUTIONS
Last Ten Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contributions	\$ 180,429	\$ 177,803	N/A	N/A
Contributions in Relation to the Actuarially Determined Contributions	<u>\$ 180,429</u>	177,803	N/A	N/A
Contribution Deficiency (Excess)	-	-	N/A	N/A
Covered Employee Payroll	1,870,649	1,786,609	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	9.65%	9.95%	N/A	N/A

GASB 68 requires ten years of data to be provided in this schedule, however, only one year is currently available

CITY OF ROCKDALE, TEXAS

Exhibit B-4

**TEXAS MUNICIPAL RETIREMENT SYSTEM – SCHEDULE OF
EMPLOYER CONTRIBUTIONS
Last Ten Years (Continued)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially Determined Contributions	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Actuarially Determined Contributions	N/A	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	N/A	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A

GASB 68 requires ten years of data to be provided in this schedule, however, only one year is currently available

CITY OF ROCKDALE, TEXAS

Exhibit B-5

**TEXAS MUNICIPAL RETIREMENT SYSTEM – NOTES TO THE
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

29 Years

Asset Valuation Method

10 Year smoothed market; 15% soft corridor

Inflation

2.5%

Salary Increases

3.50% to 10.50% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014

Mortality

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes

There were no benefit changes during the year.

**NON-MAJOR GOVERNMENTAL FUND COMBINING
STATEMENTS – GOVERNMENTAL FUNDS**

CITY OF ROCKDALE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTL FUNDS

Exhibit C-1

	<u>Special Revenue Funds</u>						
	Lucy Hill Memorial Fund	Police Department Special	Police Officer of The Year	FEMA Grant	Police Department Training	Veterans Park	Municipal Court
<u>Assets</u>							
Cash and cash equivalents	\$3,198	\$ 3,932	\$ 3,091	\$ 149	\$ 6,291	\$ 3,896	\$288,110
Due from other funds	-	-	-	-	-	-	338
Total Assets	<u>3,198</u>	<u>3,932</u>	<u>3,091</u>	<u>149</u>	<u>6,291</u>	<u>3,896</u>	<u>288,448</u>
<u>Liabilities & Fund Balances</u>							
Liabilities							
Accounts payable	-	-	97	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>97</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>							
Restricted	<u>3,198</u>	<u>3,932</u>	<u>2,994</u>	<u>149</u>	<u>6,291</u>	<u>3,896</u>	<u>288,448</u>
Total Fund Balances	<u>3,198</u>	<u>3,932</u>	<u>2,994</u>	<u>149</u>	<u>6,291</u>	<u>3,896</u>	<u>288,448</u>
Total Liabilities and Fund Balances	<u>\$3,198</u>	<u>\$ 3,932</u>	<u>\$ 3,091</u>	<u>\$ 149</u>	<u>\$ 6,291</u>	<u>\$ 3,896</u>	<u>\$288,448</u>

CITY OF ROCKDALE, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)

			Totals	Capital		Totals
			Nonmajor	Debt Service	Projects	Totals
			Special	Fund	Fund	Nonmajor
	Hotel/Motel		Revenue	Debt	2009	Governmental
	Tax	Airport	Funds	Service	Tax Notes	Funds
<u>Assets</u>						
Cash and cash equivalents	\$ 229,157	\$ 1,526	\$ 489,020	\$ 175,369	\$ -	\$ 664,389
Due from other funds	-	-	30,806	19,436	-	50,242
Total Assets	229,157	1,526	519,826	194,805	-	714,631
<u>Liabilities & Fund Balances</u>						
Liabilities						
Accounts payable	-	1,157	1,157	-	-	1,157
Due to other funds	-	2,689	2,689	-	-	2,689
Total Liabilities	-	3,846	3,846	-	-	3,846
<u>Fund Balances</u>						
Restricted	229,157	(2,320)	515,980	194,805	-	710,785
Total Fund Balances	229,157	(2,320)	515,980	194,805	-	710,785
Total Liabilities and Fund Balances	\$ 229,157	\$ 1,526	\$ 519,826	\$ 194,805	\$ -	\$ 714,631

CITY OF ROCKDALE, TEXAS

Exhibit C-2

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue Funds						
	Lucy Hill Memorial Fund	Police Department Special	Police Officer of The Year	FEMA Grant	Police Department Training	Veterans Park	Municipal Court
<u>Revenues</u>							
Taxes							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/Motel	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	212,446
Fines and forfeitures	-	-	-	-	-	-	-
Investment earnings	28	41	42	483	73	41	2,723
Contributions and donations	2,233	40	5,050	-	-	80	-
Other	-	1,044	-	-	1,211	-	-
Total Revenues	2,261	1,125	5,092	483	1,284	121	215,169
<u>Expenditures</u>							
Current:							
General government	-	-	-	-	-	-	198,762
Public safety	-	700	7,092	-	1,338	-	-
Highways and streets	-	-	-	56,176	-	-	-
Culture and recreation	660	-	-	-	-	-	-
Capital Outlay							
Debt Service:							
Principal payments	-	-	-	-	-	-	-
Interest an fiscal charges	-	-	-	-	-	-	-
Total Expenditures	660	700	7,092	56,176	1,338	-	198,762
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	1,601	425	(2,000)	(55,693)	(54)	121	16,407
<u>Other Financing Sources</u>							
Transfers in	-	-	-	55,842	-	-	-
Total Other Financing Source:	-	-	-	55,842	-	-	-
Net Change in Fund Balance	1,601	425	(2,000)	149	(54)	121	16,407
Fund Balances, Beginning of Year	1,597	3,507	4,994	-	6,345	3,775	272,041
Fund Balances, End of Year	\$ 3,198	\$ 3,932	\$ 2,994	\$ 149	\$ 6,291	\$ 3,896	\$288,448

CITY OF ROCKDALE, TEXAS

Exhibit C-2

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)**

			Totals	Capital		
			Nonmajor	Debt Service	Projects	Totals
			Special	Fund	Fund	Nonmajor
	Hotel/Motel		Revenue	Debt	2009	Governmental
	Tax	Airport	Funds	Service	Tax Notes	Funds
Revenues						
Taxes						
Property	\$ -	\$ -	\$ -	\$ 477,461	\$ -	\$ 477,461
Hotel/Motel	109,820	-	109,820	-	-	109,820
Charges for services	-	22,485	353,051	-	-	353,051
Fines and forfeitures	-	-	13,006	-	-	13,006
Investment earnings	2,815	90	4,782	3,600	104	8,486
Contributions and donations	-	-	12,265	-	-	12,265
Other	-	-	2,747	-	-	2,747
Total Revenues	112,635	22,575	495,671	481,061	104	976,836
Expenditures						
Current:						
General government	64,414	34,116	98,530	-	-	98,530
Public safety	-	-	331,484	-	-	331,484
Highways and streets	-	-	-	-	66,607	66,607
Culture and recreation	-	-	6,922	-	-	6,922
Capital Outlay	52,100			171,307		223,407
Debt Service:						
Principal payments	-	-	-	196,087	-	196,087
Interest an fiscal charges	-	-	-	77,602	-	77,602
Total Expenditures	116,514	34,116	436,936	444,996	66,607	1,000,639
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(3,879)	(11,541)	58,735	36,065	(66,503)	(23,803)
Other Financing Sources						
Transfers in	-	-	-	(33,949)	-	(33,949)
Total Other Financing Source:	-	-	-	(33,949)	-	(33,949)
Net Change in Fund Balance	(3,879)	(11,541)	58,735	2,116	(66,503)	(5,652)
Fund Balances, Beginning of Year	233,036	9,221	531,400	192,689	66,503	790,592
Fund Balances, End of Year	\$ 229,157	\$ (2,320)	\$ 590,135	\$ 194,805	\$ -	\$ 784,940

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Mayor & City Council
City of Rockdale, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockdale, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Rockdale, Texas' basic financial statements, and have issued our report thereon dated February 5, 2018.

Internal Control over Financial Reporting

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

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

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


Compliance and Other Matters

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

Purpose of this Report

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

Donald L. Allman, CPA, PC


Georgetown, TX
May 14, 2018

