

CITY OF ROCKDALE, TEXAS

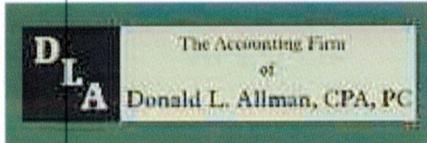
**Audited Financial Statements
Independent Auditor's Report And
Supplemental Schedules
For the Year Ended
September, 30, 2020**

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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, 2020, 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, 2020, 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 March 2, 2021, 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
March 2, 2021

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, 2020.

FINANCIAL HIGHLIGHTS

- The net position of the City increased by \$1,353,872 in the 2020 fiscal year for government-wide financial statements. As part of this \$1,353,872 total increase in net position, the net position of general fund activities increased by \$761,927 and the proprietary fund increased by \$541,945.,
- The City's total net position of governmental fund activities increased by \$731,367 in the 2020 fiscal year resulting in an ending net position of \$2,180,580.
- Proprietary Fund revenues increased substantially in fiscal year 2020, indicating economic growth for the City. General Fund expenses decreased dramatically in fiscal year 2020, indicating better fiscal management of resources.

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 \$13,982,102 at the close of the fiscal year.

The City's net position (78%) 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 (17.2%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position (4.8%) 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, 2020

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,439,902	\$ 1,819,815	\$ 29,599,872	\$ 3,399,214	\$ 32,039,774	\$ 5,219,029
Capital assets, net	10,409,418	6,807,796	12,289,478	15,737,866	22,698,896	22,545,662
Total Assets	12,849,320	8,627,611	41,889,350	19,137,080	54,738,670	27,764,691
Deferred Outflows of Resources	229,964	279,565	79,496	96,030	309,460	375,595
Long-term liabilities	5,458,207	2,707,579	32,131,069	10,145,871	37,589,276	12,853,450
Other liabilities	483,227	432,726	1,570,951	1,321,887	2,054,178	1,754,613
Total Liabilities	5,941,434	3,140,305	33,702,020	11,467,758	39,643,454	14,608,063
Deferred Inflows of Resources	1,051,198	672,828	371,376	231,165	1,422,574	903,993
Net investment in capital assets	5,137,142	3,870,253	5,772,927	4,744,607	10,910,069	8,614,860
Restricted	980,427	912,337	1,424,808	1,887,711	2,405,235	2,800,048
Unrestricted	(30,917)	311,453	697,715	901,869	666,798	1,213,322
Total Net Position	\$ 6,086,652	\$ 5,094,043	\$ 7,895,450	\$ 7,534,187	\$ 13,982,102	\$ 12,628,230

Current and other assets of governmental activities increased by \$620,087 or 34.1%.

Current and other assets of business-type activities increased by \$26,200,658 or 770.79%, due to restricted cash from Bonds.

Capital Assets were adjusted \$3,625,000 due to reclassifying capital assets from Proprietary Fund to the General Fund.

Long-term liabilities for governmental activities increased \$3,625,000 from the prior year by reclassifying Bonds from the Proprietary Fund to the General Fund.

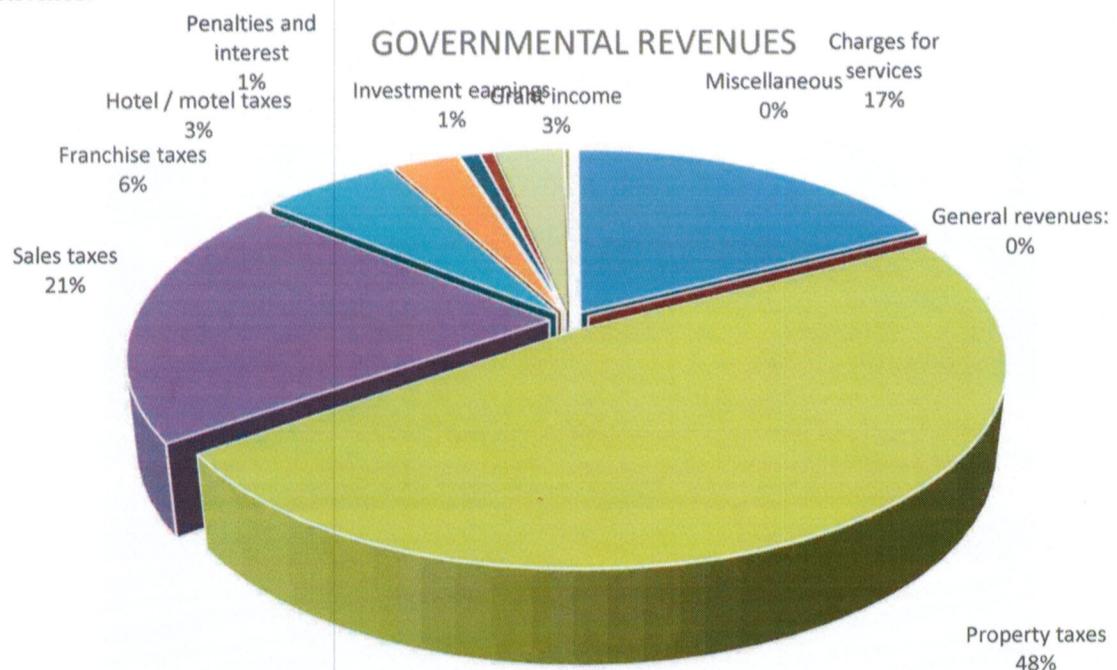
Long-term liabilities for business-type activities increased \$26,540,000 due to new Bonds issued

Net position of the City, which relates to governmental and business-type activities, increased by \$1,353,872. Key elements of the increase are as follows:

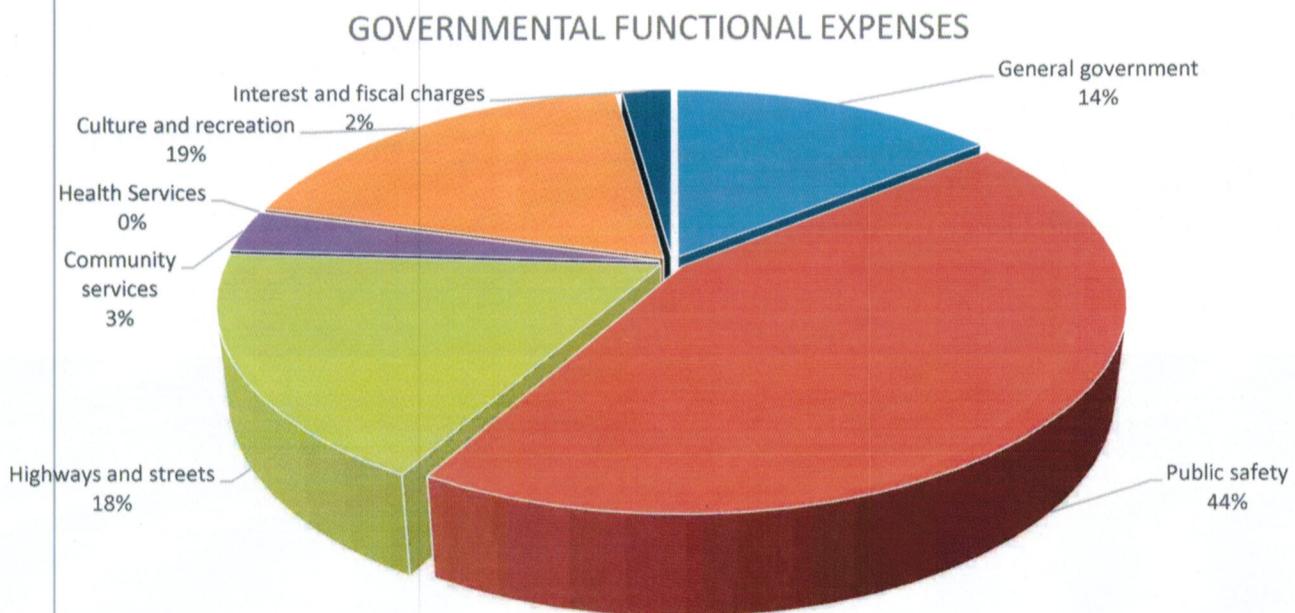
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	741,210	954,196	3,353,040	2,812,408	4,094,250	3,766,604
General revenues:						
Property taxes	\$ 2,034,961	\$ 2,068,062	\$ -	\$ -	\$ 2,034,961	\$ 2,068,062
Sales taxes	870,328	812,383	-	-	870,328	812,383
Franchise taxes	266,393	289,079	-	-	266,393	289,079
Hotel / motel taxes	128,196	152,079	-	-	128,196	152,079
Penalties and interest	37,766	34,405	-	-	37,766	34,405
Investment earnings	26,884	90,815	19,233	91,594	46,117	182,409
Grant income	130,473					
Miscellaneous	8,994	239,807	537,000	444,674	545,994	684,481
Total Revenues	4,245,205	4,640,826	3,909,273	3,348,676	8,154,478	7,989,502
Expenses						
General government	495,479	977,022	24,071	49,063	519,550	1,026,085
Public safety	1,533,433	1,573,390	-	-	1,533,433	1,573,390
Highways and streets	617,495	649,570	-	-	617,495	649,570
Community services	114,636	121,259	-	-	114,636	121,259
Health Services	-	-	-	-	-	-
Culture and recreation	647,006	961,623	-	-	647,006	961,623
Interest and fiscal charges	75,229	84,044	281,480	309,727	356,709	393,771
Utility	-	-	3,011,777	2,600,904	3,011,777	2,600,904
Total Expenses	3,483,278	4,366,908	3,317,328	2,959,694	6,800,606	7,326,602
Increase (Decrease) in Net Position Before Transfers						
	761,927	273,918	591,945	388,982	1,353,872	662,900
Transfers in (out)	230,682	620,532	(230,682)	(620,532)	-	-
Change in Net Position Prior Period OPEB AJE	992,609	894,450	361,263	(231,550)	1,353,872	662,900
Net Position, Beginning	5,094,043	4,199,593	7,534,187	7,765,737	12,628,230	11,965,330
Net Position, Ending	\$ 6,086,652	\$ 5,094,043	\$ 7,895,450	\$ 7,534,187	\$ 13,982,102	\$ 12,628,230

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, 2020, revenue from governmental activities totaled \$4,245,205, the largest portion of which related to property taxes (48%).



For the fiscal year ended September 30, 2020, expenses from governmental activities totaled \$ 3,483,278 , the largest portion of which related to public safety (44%).

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, 2020, the City’s governmental funds reported a combined ending fund balance of \$2,180,580 , which is an increase of \$731,367 from last year’s total of \$ 1,449,213 . Approximately 62.5% of the total fund balance constitutes unassigned fund balance, which is available for spending at the government’s discretion. Approximately 37% 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 0.5% 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 \$1,368,634. 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 36% of total General Fund expenditures.

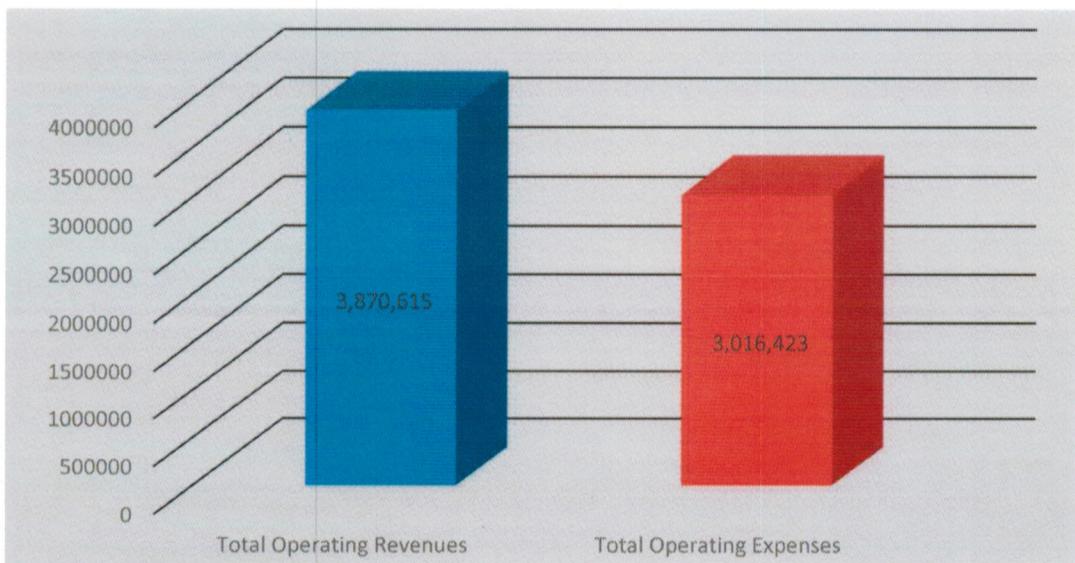
During the current fiscal year, the fund balance of the City’s General Fund increased by \$744,761.

The 2016 Comb. Tax/Rev. CO fund reported an ending fund balance of \$ \$0, due to the issuance of the Combination Tax and Revenue certificates of obligation, Series 2015, in the amount of \$3,000,000.

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 \$697,715.

During the 2020 fiscal year, the Utility Fund has an increase in net position of \$361,263. 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 2020 fiscal year, actual revenues were \$ 46,055 more than budgeted. Actual expenditures were \$604,038 less than budgeted. The budget projected a decrease in fund balance of \$(60,234) while the final actual result was an increase of \$804,995 for the year ended September 30, 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business-type activities of September 30, 2020, amounts to 22,698,896. 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 22.6%. This increase can be attributed to adding the police station and water/wastewater system improvements. \$3,625,000 in capital assets was transferred from the Proprietary Fund to the General Fund to properly reflect Capital Assets and Loans.

SCHEDULE OF CAPITAL ASSETS (Net of Accumulated Depreciation) 30-Sep-20

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Non-Depreciable Assets						
Land	\$ 410,111	\$ 410,111	\$ 50,506	\$ 50,506	\$ 460,617	\$ 460,617
Construction in progress						
Depreciable Capital Assets						
Buildings and improvements	8,062,542	4,258,338	149,059	157,257	8,211,601	4,415,595
Equipment	555,398	594,269	1,069,364	1,085,554	1,624,762	1,679,823
Infrastructure	1,381,367	1,545,078	11,020,549	14,444,549	12,401,916	15,989,627
Totals	10,409,418	6,807,796	12,289,478	15,737,866	22,698,896	22,545,662

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 \$38,936,502. The City's total long-term debt increased by \$25,098,872 during the current fiscal year. This increase during the 2010 fiscal year is mainly attributable to new Bond issues totaling \$26,540,000.

SCHEDULE OF LONG-TERM DEBT 30-Sep-20

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General obligation debt	\$ 5,250,000	\$ 1,975,000	\$ -	\$ -	\$ 5,250,000	\$ 1,975,000
Capital leases	22,226	57,190	-	7,338	22,226	64,528
Revenue debt and notes	-	-	32,900,000	10,670,000	32,900,000	10,670,000
Net pension liability	283,479	658,837	94,493	140,577	377,972	799,414
Net OPEB Liability	122,932	103,335	40,977	34,445	163,909	137,780
Compensated absences	166,796	143,181	55,599	47,727	222,395	190,908
Totals	\$ 5,845,433	\$ 2,937,543	\$33,091,069	\$10,900,087	\$38,936,502	\$13,837,630

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

ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGET AND RATES

The economic position of the City of Rockdale improved significantly in the 2020 fiscal year.

No changes were made in staff that would affect the City's financial accounting or reporting for the fiscal year ending September 30, 2020. The City Council continues to have a conservative approach to finances and to keep tax rates competitive with surrounding communities.

For the 2020 fiscal year, the tax rate stayed at \$.9118 per \$100 valuation. The water fees and wastewater fees were not increased for the 2020 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

Exhibit A-1

STATEMENT OF NET POSITION

September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Municipal Development
				District
Assets				
Cash and cash equivalents	\$ 1,196,300	\$ 2,397,747	\$ 3,594,047	\$ 352,837
Restricted Cash	980,427	26,383,449		
Receivables, net	233,767	809,610	1,043,377	31,300
Prepaid expenses	22,954	9,066	32,020	-
Inventory	6,454	-	6,454	-
Capital assets, not being depreciated	410,111	50,506	460,617	608,845
Capital assets, net of accumulated depreciation	9,999,307	12,238,972	22,238,279	170,767
Total Assets	12,849,320	41,889,350	27,374,794	1,163,749
Deferred Outflows of Resources				
Deferred Outflows	229,964	79,496	309,460	
Total Deferred Outflows of Resources	229,964	79,496	309,460	
Liabilities				
Accounts payable and other current liabilities	96,001	329,053	425,054	6,852
Deposits	-	281,898	281,898	
Accrued interest payable	-	-	-	
Long-term liabilities due within one year	387,226	960,000	1,347,226	70,975
Long-term liabilities due in more than one year	5,458,207	32,131,069	37,589,276	583,350
Total Liabilities	5,941,434	33,702,020	39,643,454	661,177
Deferred Inflows of Resources				
Deferred inflows	1,051,198	371,376	1,422,574	
Total Deferred Inflows of Resources	1,051,198	371,376	1,422,574	
Net Position				
Net investment in capital assets	5,137,142	5,772,927	10,910,069	502,572
Restricted for:				
Debt service	520,689	1,424,808	1,945,497	-
Capital projects	-	-	-	-
Economic development	-	-	-	-
Special Revenue Funds	459,738	-	459,738	-
Unrestricted	(30,917)	697,715	666,798	-
Total Net Position	\$ 6,086,652	\$ 7,895,450	\$ 13,982,102	\$ 502,572

Please note the Component Unit statement of net position and statement of activities has not been updated for fiscal year 2020 as information for that is not available and will not be available before the filing deadline of March 31, 2020 for the City of Rockdale.

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September, 2020

	Program Revenues	Net (Expense) Revenue and Changes in Net Position				Municipal Development District
		Primary Government	Primary Government	Business-Type Activities	Totals	
Primary Government						
Functions / Programs	Expenses	Charges for Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities						
General government	\$ 495,479	\$ 741,210	\$ -	\$ 130,473	\$ 376,204	\$ (24,071)
Public safety	1,533,433	-	-	-	(1,533,433)	-
Highways and streets	617,495	-	-	-	(617,495)	-
Community services	114,636	-	-	-	(114,636)	-
Health services	-	-	-	-	-	-
Culture and recreation	647,006	-	-	-	(647,006)	-
Interest on long-term debt	356,709	-	-	-	(75,229)	(281,480)
Total Governmental Activities	\$ 3,764,758			\$ 130,473	(2,611,595)	(305,551)
Business-Type Activities						
Utility fund	3,011,777	3,353,040	-	-	341,263	341,263
Total business-Type Activities	\$ 3,011,777	3,353,040			\$ 341,263	341,263
Total Primary Government	\$ 6,776,535	\$ 4,094,250			\$ 130,473	(2,611,595)
Component Unit						
Municipal Development District	357,222	-	-	-	-	-
Total Component Unit	357,222					
General Revenues:						
Taxes						
Property taxes	\$ 2,034,961	\$ -	\$ -	\$ 2,034,961	\$ -	-
Sales taxes	870,328	-	-	870,328	-	393,497
Hotel / motel taxes	128,196	-	-	128,196	-	-
Franchise taxes	266,393	-	-	266,393	-	-
Penalties and interest	37,766	-	-	37,766	-	-
Investment earnings	26,884	19,233	-	46,117	9,556	683
Miscellaneous	8,994	537,000	545,994	-	-	-
Transfers						
Total General Revenues and Transfers	230,682	(230,682)	-	-	-	-
Change in Net Position	3,604,204	325,551	3,929,755	-	403,736	46,514
Prior Period OPEB Adjustment	992,609	361,263	1,353,872	-	-	-
Net Position, Beginning	\$ 5,094,023	7,534,187	12,628,210	\$ 456,058	\$ 13,982,082	\$ 502,572
Net Position, Ending	\$ 6,086,632	\$ 7,895,450	\$ 13,982,082	\$ 502,572		

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

Exhibit A-3

	General Fund	2016 Comb Tax/Rev CO Fund	Other Governmental Funds	Totals Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,454,618	\$ -	\$ 722,109	\$ 2,176,727
Receivables, net:				
Property taxes	140,367	-	-	140,367
Sales taxes	59,904	-	-	59,904
Fines	-	-	-	-
Other	33,496	-	-	33,496
Due from other funds	(97,829)	-	97,829	-
Inventory	6,454	-	-	6,454
Total Assets	1,597,010	-	819,938	2,416,948
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	90,698	-	5,303	96,001
Wages and salaries payable	-	-	-	-
Due to other funds	(2,689)	-	2,689	-
Total Liabilities	88,009	-	7,992	96,001
Deferred Inflows of Resources				
Unavailable revenues, property taxes	140,367	-	-	140,367
Unavailable revenues, fines	-	-	-	-
Total Deferred Inflows of Resources	140,367	-	-	140,367
Fund Balances				
Nonspendable	6,454	-	-	6,454
Restricted	-	-	811,946	811,946
Unassigned	1,362,180	-	-	1,362,180
Total Fund Balances	1,368,634	-	811,946	2,180,580
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,597,010	\$ -	\$ 819,938	\$ 2,416,948

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.

10,409,418

Property taxes receivable are not available to pay for current period expenditures and therefore are deferred in the governmental funds.

140,367

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.

(5,845,433)

Deferred outflows and inflows of resources pertaining to actuarial pension differences between expected and actual economic experience, projected and actual investment earnings and pension contributions made subsequent to the measurement date are not financial resources, and therefore, are not reported in the funds.

(821,234)

Court fines receivable are unavailable to pay for current period expenditures and are therefore deferred in the governmental funds.

22,954

Net Position of Governmental Activities

\$ 6,086,652

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-4

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
September 30, 2020**

	2016 Comb Tax/Rev CO Fund	Other Governmental Funds	Total Governmental Funds
	General		
Revenues			
Taxes:			
Property	\$ 1,536,163	\$ 497,672	\$ 2,033,835
Sales	870,328	-	870,328
Hotel/motel	-	128,196	128,196
Franchise	266,393	-	266,393
Penalties and interest	37,766	-	37,766
Licenses and permits	33,377	-	33,377
Fines and forfeitures	193,256	-	193,256
Charges for services	242,579	271,998	514,577
Contributions and donations	-	146,984	146,984
Investment earnings	18,404	8,480	26,884
Other	8,994	-	8,994
Total Revenues	3,207,260	-	1,053,330
			4,260,590
Expenditures			
Current:			
General/government	67,206	440,386	507,592
Public safety	1,372,308	7,449	1,379,757
Highways and streets	476,773	-	476,773
Community services	113,386	-	113,386
Health services	-	-	-
Culture and recreation	581,876	-	581,876
Capital Outlay	169,040	226,288	-
			395,328
Debt Service:			
Principal retirement	-	229,964	229,964
Interest and fiscal charges	-	75,229	75,229
Debt issuance costs	-	-	-
Total Expenditures	2,780,589	226,288	753,028
			3,759,905
(Deficiency) of Revenues (Under) Expenditures	426,671	(226,288)	300,302
			500,685
Other Financing Sources			
Capital leases	-	-	-
Transfers from Proprietary Fund	230,682	-	230,682
Transfers in	87,408	-	(87,408)
Total Other Financing Sources	318,090	-	(87,408)
			230,682
Net Change in Fund Balances	744,761	(226,288)	212,894
Fund Balances - Beginning	623,873	226,288	599,052
Fund Balances - Ending	\$ 1,368,634	\$ -	\$ 811,946
			\$ 2,180,580

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CITY OF ROCKDALE, TEXAS

Exhibit A-5

**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, 2020

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

Net change in fund balances - total governmental funds	\$ 731,367
Governmental funds report capital outlays as expenditures. However, in the statement 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 395,328 is less than depreciation (\$418,706) in the current period.	(23,378)
Pension Expense & OPEB Expense is not included in Governmental Funds	72,210
Interfund transfers are not included in government wide financial statements.	(16,428)
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.	(1,126)
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 \$229,964.	<u>229,964</u>
Change in Net Position of Governmental Activities	<u>\$ 992,609</u>

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-6

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 September 30, 2020

	Business-Type Activities
	Utility Fund
Assets	
Current Assets:	
Cash & cash equivalents	\$ 2,397,747
Restricted Cash	26,383,449
Accounts receivable, net	809,610
Due from other funds	9,066
Total Current Assets	29,599,872
Noncurrent assets	
Capital assets:	
Construction in progress	50,506
Land	361,053
Buildings and improvements	1,510,156
Equipment	20,835,673
Infrastructure	(10,467,910)
Less accumulated depreciation	12,289,478
Total Noncurrent Assets	41,889,350
Total Assets	79,496
Deferred Outflows of Resources	
Deferred outflows	79,496
Total Deferred Outflows of Resources	79,496
Liabilities	
Current Liabilities	
Accounts payable	329,053
Wages and salaries payable	-
Customer deposits	281,898
Unearned revenue	-
Accrued interest payable	-
Capital leases payable	-
Bonds payable	960,000
Total Current Liabilities	1,570,951
Noncurrent Liabilities	
Capital leases payable	-
Compensated absences	55,599
Net pension liability	94,493
Net OPEB Liability	40,977
Bonds payable	31,940,000
Total Noncurrent Liabilities	32,131,069
Total Liabilities	33,702,020
Deferred Inflows of Resources	
Deferred inflows	371,376
Total Deferred Inflows of Resources	371,376
Net Position	
Net investment in capital assets	5,772,927
Restricted	1,424,808
Unrestricted	697,715
Total Net Position	\$ 7,895,450

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, 2020

	Business-Type Activities
	Utility Fund
Operating Revenues	
Charges for services:	
Water	1,666,261
Sewage	1,206,422
Sanitation	331,889
NW water tower	129,043
Other	537,000
	3,870,615
	Total Operating Revenues
Operating Expenses	
Personnel services - salaries and wages	625,741
Personnel services - employee benefits	188,191
Purchased professional and technical services	123,790
Purchased property services	303,336
Other operating expenses	1,037,466
Supplies	50,872
Depreciation	687,027
	3,016,423
	Total Operating Expenses
	Operating Income
Non-Operating Revenues (Expenses)	
Investment earnings	19,233
Interest expense	(281,480)
Other non-operating expenses	-
	(262,247)
	Total Non-Operating Revenues (Expenses)
Income Before Transfers	591,945
Transfers in	-
Transfers (out)	(230,682)
	Change in Net Position
Net Position, Beginning	7,534,187
Net Position, Ending	\$ 7,895,450

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, 2020

	Business-type Activities
	Utility Fund
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 3,846,556
Disbursed for goods and services to suppliers	(1,567,203)
Disbursed for personnel services	(625,741)
Other revenues	-
Net Cash Provided by Operating Activities	<u>1,653,612</u>
Cash Flows From Noncapital Financing Activities	
Transfers from other funds	-
Transfers (to) other funds	<u>(230,682)</u>
Net Cash Provided (Used) by noncapital Financing Activities	<u>(230,682)</u>
Cash Flows From Capital and Related Financing Activities	
Principal payments on bonds, notes and capital leases	(960,000)
Proceeds from capital debt	457,179
Interest and fiscal charges	(281,480)
Acquisition and construction of capital assets	(863,639)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,647,940)</u>
Cash Flows From Investing Activities	
Interest Received	<u>19,233</u>
Net Cash Provided by Investing Activities	<u>19,233</u>
Net Increase in Cash and Cash Equivalents	<u>(205,777)</u>
Cash and Cash Equivalents, Beginning	<u>2,603,524</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,397,747</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, 2020

	Business-Type Activities
	Utility Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ 854,192
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	687,027
Depreciation	(24,059)
(Increase) decrease in accounts receivable	36,996
Increase in Customer Deposits	99,456
Increase (decrease) in accounts payable	799,420
Total adjustments	\$ 1,653,612
Net Cash Provided by Operating Activities	

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUND

Exhibit A-9

September 30, 2020

		Firemen's Pension Trust Fund
Assets		
Cash and cash equivalents		\$ 222,596
Total Assets		<hr/> \$ 222,596
Liabilities		
Net pension obligation		\$ 222,596
Total Liabilities		<hr/> \$ 222,596

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS**Exhibit A-10****STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION****September 30, 2020**

	Firemen's Pension Trust Fund
Additions	
Investment earnings	\$ 2,443
Other revenue	14,425
Total Additions	<u>16,868</u>
Deductions	
Pension payouts	9,088
Total Deductions	<u>9,088</u>
Change in Net Position	7,780
Total Net Position - Beginning	<u>214,816</u>
Total Net Position - Ending	<u>\$ 222,596</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 be 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 recognizes 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:

Asset Description	Estimated Useful Life
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, 2019, 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 March 2, 2021, 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 \$ 5,722,501 difference are as follows:

Notes payable	\$ -
Bonds payable	5,250,000
Capital leases	22,226
Accrued interest payable	-
Net pension liability	283,479
Compensated absences payable	<u>166,796</u>
Net adjustment to reduce the total of fund balances of governmental funds to arrive at net position of governmental activities	<u>\$ 5,722,501</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 \$(23,378) difference by which capital outlay exceeded depreciation expense are as follows:

Capital outlay	\$ 395,328
Depreciation expense	<u>(418,706)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (23,378)</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, 2020, are shown below.

	Book	Fair
	Balance	Value
Cash and cash equivalents	<hr/> \$ 3,594,047	<hr/> \$ 3,594,047
Total Cash and Cash Equivalents	<hr/> <u>\$ 3,594,047</u>	<hr/> <u>\$ 3,594,047</u>

Investments

As of September 30, 2020, 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, 2020, consists of the following:

Tax Year	General Fund
2019	\$ 52,990
2018	42,886
2017	15,466
2016	7,556
2015	5,254
2014 and prior	<u>16,215</u>
Totals	140,367

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:

	General Fund	Utility Fund	Totals
Net Receivables			
Taxes	\$ 200,271	\$ -	\$ 200,271
Accounts	- -	809,610	809,610
Fines	- -	- -	- -
Other	33,496	- -	33,496
Totals	\$ 233,767	\$ 809,610	1,043,377

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:

		Unavailable
General Fund:		
Delinquent property taxes receivable		\$ 140,367
Fines		- -
Total General Fund		\$ 140,367

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, 2020, interfund transfers were as follows:

Transfers Out	Transfers In			Totals
	2015 Comb.		Other	
	General	Tax/Rev.CO	Governmental	
Fund	Fund	Funds		
Utility Fund	\$ 87,408	\$ - -	\$ (87,408)	\$ - -
Totals	\$ 87,408	\$ - -	\$ (87,408)	\$ - -

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

Exhibit A-11

NOTE 7 – INTERFUND TRANSFERS (Continued)

During the 2020 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, 2020, interfund receivables/payables were as follows:

Due to Other Funds	Due From Other Funds		
	Utility Fund	Other Governmental Funds	
		Funds	Totals
General Fund	\$ -	\$ -	\$ -
Other Governmental Funds	-	-	-
Totals	\$ -	\$ -	\$ -

NOTE 9 – CAPITAL ASSETS

On the following page is a summary of changes in capital assets for the year ended September 30, 2020.

\$3,625,000 in Capital Assets were transferred from the Proprietary Fund to the General Fund to correct the accounting for assets related to the 2017 Police Building Loan and the 2016 CO Placement TIB loan.

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

Exhibit A-11

NOTE 9 – CAPITAL ASSETS (Continued)

	Balances			Balances
	Oct. 1, 2019	Additions	Retirements	Sept. 30, 2020
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	5,605,929	3,940,740	-	9,546,669
Equipment	2,856,988	79,588	-	2,936,576
Infrastructure	5,912,691	-	-	5,912,691
Total capital assets being depreciated	<u>14,375,608</u>	<u>4,020,328</u>	<u>-</u>	<u>18,395,936</u>
Less: Accumulated Depreciation for:				
Buildings and improvements	(1,347,591)	(136,536)	-	(1,484,127)
Equipment	(2,262,719)	(118,459)	-	(2,381,178)
Infrastructure	(4,367,613)	(163,711)	-	(4,531,324)
Total Accumulated Depreciation	<u>(7,977,923)</u>	<u>(418,706)</u>	<u>-</u>	<u>(8,396,629)</u>
Total capital assets being depreciated, net	<u>6,397,685</u>	<u>3,601,622</u>	<u>-</u>	<u>9,999,307</u>
Governmental activities capital assets, net	<u>\$ 6,807,796</u>	<u>\$ 3,601,622</u>	<u>\$ -</u>	<u>\$ 10,409,418</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 50,506	\$ -	\$ -	\$ 50,506
Construction in progress	-	-	-	-
Total capital assets not being depreciated:	<u>\$ 50,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,506</u>
Capital assets being depreciated:				
Buildings and improvements	361,053	-	-	361,053
Equipment	1,502,467	7,689	-	1,510,156
Infrastructure	23,604,723	855,950	(3,625,000)	20,835,673
Total capital assets being depreciated	<u>25,468,243</u>	<u>863,639</u>	<u>(3,625,000)</u>	<u>22,706,882</u>
Less: Accumulated Depreciation				
Buildings and improvements	(203,796)	(8,198)	-	(211,994)
Equipment	(416,913)	(23,879)	-	(440,792)
Infrastructure	(9,160,174)	(654,950)	-	(9,815,124)
Total Accumulated Depreciation	<u>(9,780,883)</u>	<u>(687,027)</u>	<u>-</u>	<u>(10,467,910)</u>
Total capital assets being depreciated, net	<u>15,687,360</u>	<u>176,612</u>	<u>(3,625,000)</u>	<u>12,238,972</u>
Business-Type activities capital assets, net	<u>\$ 15,737,866</u>	<u>\$ 176,612</u>	<u>\$ (3,625,000)</u>	<u>\$ 12,289,478</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	\$ 57,928
Public safety	153,676
Highways and streets	140,722
Community services	1,250
Culture and recreation	65,130
Total Depreciation Expense-Governmental Activities	<u><u>\$ 418,706</u></u>

Business-Type Activities:

Utility	\$ 687,027
Total Depreciation Expense-Business-type Activities	<u><u>\$ 687,027</u></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:

	General	Utility
	Fund	Fund
Asset:		
Vehicles, machinery & equipment	\$ 227,957	\$ 40,829
Less: accumulated depreciation	<u>(205,731)</u>	<u>(40,829)</u>
Total	<u><u>\$ 22,226</u></u>	<u><u>\$ -</u></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, 2020.

Year Ended September 30,	Governmental Activities		Business-Type Activities		Totals
	Principal	Interest	Principal	Interest	
2021	22,226	-	-	-	22,226
Totals	\$ 22,226	\$ -	\$ -	\$ -	\$ 22,226

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, 2020, follows:

	Interest	Original	Beginning	Ending		
	Rates	Issue	Balances	Outstanding	Issued	Retired
Governmental Activities		Amount	Outstanding			Outstanding
Series 2006 CO Bonds	4.73%	2,900,000	665,000	-	80,000	585,000
Series 2008 Refunding Bonds	4.36%	580,000	200,000	-	45,000	155,000
Series 2016 CO Placement TIB	2.23%	2,940,000	2,645,000	-	100,000	2,545,000
Series 2011 Tax/Rev CO Bonds	3.32%	2,075,000	255,000	-	15,000	240,000
Series 2015 Tax/Rev CO Bonds	3.35%	1,000,000	855,000	-	55,000	800,000
Series 2017 Police Station TIB	3.05%	1,025,000	980,000		55,000	925,000
				\$ 5,600,000	\$ -	\$ 350,000
						\$ 5,250,000

The \$2,645,000 Series 2016 CO Placement TIB Loan and the \$980,000 Series 2017 Police Station TIB Loan were transferred from the Proprietary Fund to the General Fund to record loan balances and capital assets in the correct fund.

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, 2020, are as follows:

Year ended Sept. 30,	Governmental Activities	
	Principal	Interest
2021	365,000	155,689
2022	375,000	140,383
2023	385,000	128,689
2024	400,000	118,013
2025	415,000	103,965
2026-2030	2,255,000	303,496
2031-2032	1,055,000	48,445
Totals	\$ 5,250,000	\$ 998,680

A summary of business-type activities long-term debt outstanding as of September 30, 2020, follows:

Business-Type Activities	Interest	Original Issue Rate	Beginning Balances		Ending Balances		
			Amount	Outstanding	Issued	Retired	Outstanding
Series 2006 CO Bonds	4.73%	2,900,000	685,000		-	85,000	600,000
Series 2011 Tax/Rev CO Bonds	3.32%	1,624,056	1,240,000		-	85,000	1,155,000
Series 2012 CO Bonds	0.9-3.35%	525,000	300,000		-	35,000	265,000
Series 2013 CO Bonds	3.14%	525,000	345,000		-	35,000	310,000
Series 2015 CO Bonds	3.35%	2,000,000	1,875,000		-	30,000	1,845,000
Series 2016 GO Bonds	1.76%	3,860,000	2,600,000		-	415,000	2,185,000
Series 2020A CO Tax/Rev Bonds	0-1.67%	12,650,000	12,650,000		-	-	12,650,000
Series 2020B CO/Tax/Rev Bonds	0%	3,065,000	3,065,000		-	-	3,065,000
Series 2020C CO/Tax/Rev Bonds	0-1.92%	8,790,000	8,790,000				8,790,000
Series 2020D CO/Tax/Rev Bonds	0%	2,035,000	2,035,000				2,035,000
Totals			\$ 33,585,000	\$ -	\$ 685,000		\$ 32,900,000

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, 2020, are as follows:

Year Ended	Business-Type Activities	
	Principal	Interest
Sept 30,		
2021	960,000	464,808
2022	980,000	471,203
2023	1,000,000	452,070
2024	1,005,000	441,540
2025	1,025,000	421,097
2026-2030	4,285,000	1,809,336
2031-2035	4,685,000	1,421,210
2036-2040	5,640,000	1,137,091
2041-2045	6,210,000	770,842
2046-2050	7,110,000	314,553
Totals	32,900,000	7,703,750

The following is a summary of changes in the City's total governmental and business-type long-term liabilities as of September 30, 2020.

	Amounts				
	Balances	Additions	Reductions	Balance	Due Within One Year
Governmental Activities:					
Certificates of obligation	\$ 1,975,000	\$ -	\$ (195,000)	\$ 1,780,000	\$ 205,000
Tax notes	3,625,000	-	(155,000)	3,470,000	160,000
Capital leases	57,190	-	(34,964)	22,226	22,226
Net pension liability	658,837	-	(375,358)	283,479	-
Net OPEB Liability	103,335	19,597	-	122,932	-
Compensated absences	143,181	23,615	-	166,796	-
Total Governmental Activities	\$ 6,562,543	\$ 43,212	\$ (760,322)	\$ 5,845,433	\$ 387,226
Business-Type Activities:					
Certificates of obligation	\$ 7,045,000	\$ 26,540,000	\$ (685,000)	\$ 32,900,000	\$ 960,000
Notes payable	-	-	-	-	-
Capital leases	7,388	-	(7,388)	-	-
Net pension liability	233,699	-	(139,206)	94,493	-
Net OPEB Liability	34,445	6,532	-	40,977	-
Compensated absences	47,727	7,872	-	55,599	-
Total Business-Type Activities	\$ 7,368,259	\$ 26,554,404	\$ (831,594)	\$ 33,091,069	\$ 960,000

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, 2020, were distributed as follows:

	2015		Other		
	General Fund	Tax/Rev CO Fund	Governmental Funds	Totals	
Nonspendable:					
Inventory	\$ 6,454	\$ -	\$ -	\$ 6,454	
Subtotal	6,454	-	-	6,454	
Restricted for:					
Special projects	-	-	459,738	459,738	
Capital projects	-	-	-	-	
Debt service	-	-	1,945,497	1,945,497	
Subtotal	-	-	2,405,235	2,405,235	
Unassigned	1,362,180	-	-	1,362,180	
Totals	\$ 1,368,634	\$ -	\$ 2,405,235	\$ 3,773,869	

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, 2020 valuation and measurement date, the following employees were covered by the benefit terms.

	2019
Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	42
Active employees	46
Total	<hr/> 113

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 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$194,619, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2018, 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, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, 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 2019, 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%
	<hr/> <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 12/31/18	\$ 5,609,207	\$ 4,716,671	\$ 892,536
Changes for the year:			
Service cost	236,177	-	236,177
Interest	380,914	-	380,914
Change of benefit terms	-	-	-
Difference between expected and actual experience	(154,215)	-	(154,215)
Changes in assumptions	30,010	-	30,010
Contributions - employer	-	183,105	(183,105)
Contributions - employee	-	98,325	(98,325)
Net investment income	-	730,264	(730,264)
Benefit payments, including refunds of employer conti	(168,249)	(168,249)	-
Administrative expense	-	(4,120)	4,120
Other changes	-	(124)	124
Net changes	\$ 324,637	\$ 839,201	\$ (514,564)
Balance at 12/31/19	\$ 5,933,844	\$ 5,555,872	\$ 377,972

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%)	1 % Increase in Discount Rate (6.75%)	1 % Increase in Discount Rate (7.75%)
	\$ 1,160,042	\$ 377,972	\$ (262,691)
City's net pension liability			

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.tmrss.com.

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

For the year ended September 30, 2020, the City recognized pension expense of \$80,702.

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

At September 30, 2020, 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 exp	\$ (9,375)	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investments	-	18,133
Contributions subsequent to the measurement date	-	-
Totals	\$ (9,375)	\$ 18,133

\$(536,282) reported as deferred inflows 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, 2018. 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:	
2019	2,678
2020	2,524
2021	920
2022	2,276
2023	-
Thereafter	-
	<u>\$ 8,398</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, 2020, 2019 and 2018 were \$888, \$888, and \$873 respectively, which equaled the required contributions for each year.

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Net Other Post Employment Benefits Liability.

Actuarial Assumptions

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. These assumptions were adopted in 2015 and first used in the December 31, 2015 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined 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 with scale BB to account for future mortality improvements subject to the 3% floor.

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	3.31%

Changes in the Net Other Post Employment Benefits Liability

	<u>Increase (Decrease)</u>	<u>Total OPEB Liability</u>
Balance at 12/31/18	\$136,617	
Changes for the year		
Service Cost	8,767	
Interest on Total OPEB liability	4,651	
Changes of benefit terms	0	
Differences between expected and actual experience	(2,526)	
Changes in assumption or other inputs	(8,755)	
Benefit payments	(974)	
Net changes	1,163	
Total OPEB Liability – end of year	\$137,780	
Total OPEB Liability as a Percentage of Covered Payroll		7.07%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the current discount rate of 3.31% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or -1 percentage point higher (4.31%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index's 20 year Municipal GO AA Index.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$195,127	\$163,909	\$139,515

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

CITY OF ROCKDALE
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2020

1. Total Service Cost	7,669
2. Interest on the Total OPEB Liability	5,232
3. Changes in Benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	
6. Difference between expected and actual experience	(2,709)
7. Changes in assumptions or other inputs	5,387
8 Total OPEB Expense	<u>15,579</u>

CITY OF ROCKDALE
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2020

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2019	
			Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.7500	\$(10,431)	\$ (2,196)	\$ (8,235)
Difference in assumption changes [actuarial (gains) or losses]	4.7500	\$ 24,839	\$ 5,229	\$ 19,610
			<u>\$ 3,033</u>	<u>\$ 11,375</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2021	\$ 2,678
2022	2,524
2023	920
2024	2,276
2025	-
Thereafter	-
Total	<u>\$ 8,398</u>

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll * retiree Portion of SDB Contribution (Rate)

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, 2020, 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 criterial. 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”).

REQUIRED SUPPLEMENTARY INFORMATION

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, 2020**

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	
Revenues				
Taxes:				
Property	\$ 1,484,780	\$ 1,484,780	\$ 1,536,163	\$ 51,383
Sales	800,000	800,000	870,328	70,328
Franchise	296,000	296,000	266,393	(29,607)
Penalties and interest	25,186	25,186	37,766	12,580
Licenses and permits	7,000	7,000	33,377	26,377
Fines	334,622	334,622	193,256	(141,366)
Charges for services	145,736	145,736	242,579	96,843
Investment earnings	12,600	12,600	18,404	5,804
Other	55,281	55,281	8,994	(46,287)
Total Revenues	<u>3,161,205</u>	<u>3,161,205</u>	<u>3,207,260</u>	<u>46,055</u>
Expenditures				
Current:				
General government	448,951	448,951	67,206	381,745
Public safety	1,638,258	1,638,258	1,372,308	265,950
Highways and streets	533,961	533,961	476,773	57,188
Community services	100,611	100,611	113,386	(12,775)
Health services	-	-	-	-
Culture and recreation	662,846	662,846	581,876	80,970
Capital outlay	-	-	169,040	(169,040)
Debt Service:				
Principal retirement				-
Total Expenditures	<u>3,384,627</u>	<u>3,384,627</u>	<u>2,780,589</u>	<u>604,038</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(223,422)</u>	<u>(223,422)</u>	<u>426,671</u>	<u>650,093</u>
Other Financing Sources (Uses)				
Capital leases				-
Transfers in	236,465	236,465	318,090	81,625
Transfers (out)	(73,277)	(73,277)		73,277
Total Other Financing Sources (Uses)	<u>163,188</u>	<u>163,188</u>	<u>318,090</u>	<u>154,902</u>
Net Change in Fund Balance	<u>(60,234)</u>	<u>(60,234)</u>	<u>744,761</u>	<u>804,995</u>
Fund Balance - Beginning	623,873	623,873	623,873	
Fund Balance - Ending	<u>\$ 563,639</u>	<u>\$ 563,639</u>	<u>\$ 1,368,634</u>	<u>\$ 804,995</u>

CITY OF ROCKDALE, TEXAS

Exhibit B-1

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
PROPRIETARY FUND**
Year Ended September 30, 2020

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	
Revenues				
Water Revenues	\$ 2,108,973	\$ 2,108,973	\$ 1,666,261	\$ (442,712)
Wastewater Revenues	1,552,698	1,552,698	1,206,422	(346,276)
Sanitation Revenues	350,375	350,375	331,889	(18,486)
Debt Service transfers	646,535	646,535	537,000	(109,535)
Northwest Water Tower	129,043	129,043	129,043	-
Interest income	-	-	19,233	19,233
Other revenues	18,246	18,246	180	(18,066)
Total Revenues	4,805,870	4,805,870	3,890,028	(915,842)
Expenditures				
Personnel services - salaries and wages	620,788	620,788	625,741	(4,953)
Personnel services - employee benefits	174,705	174,705	188,191	(13,486)
Purchased professional and technical serv	84,006	84,006	123,790	(39,784)
Purchased property services	291,265	291,265	303,336	(12,071)
Other operating expenses	769,975	769,975	1,037,466	(267,491)
Supplies	49,000	49,000	50,872	(1,872)
Depreciation	-	-	687,027	(687,027)
Debt Service:	1,033,277	1,033,277	1,033,277	1,033,277
Interest expense			281,480	(281,480)
Total Expenditures	3,023,016	3,023,016	3,297,903	(274,887)
(Deficiency) of Revenues				
(Under) Expenditures	1,782,854	1,782,854	592,125	(1,190,729)
Other Financing Sources (Uses)				
Capital leases				-
Transfers in	-	-	-	-
Transfers (out)	(1,467,392)	(1,467,392)	(230,862)	1,236,530
Total Other Financing Sources (Uses)	(1,467,392)	(1,467,392)	(230,862)	1,236,530
Net Change in Fund Balance	315,462	315,462	361,263	45,801
Fund Balance - Beginning	7,534,187	7,534,187	7,534,187	
Fund Balance - Ending	\$ 7,849,649	\$ 7,849,649	\$ 7,895,450	\$ 45,801

CITY OF ROCKDALE, TEXAS**Exhibit B-1****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
September 30, 2020**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, 2020, the City complied with budgetary restrictions at all departmental levels except the following:

Fund/Department	Budget	Actual	Variance
General Fund:			
General government	448,951	67,206	381,745
Highways and streets	533,961	476,773	57,188
Community Services	100,611	113,386	(12,775)
Culture & recreation	662,846	581,876	80,970

CITY OF ROCKDALE, TEXAS

Exhibit B-3

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

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 236,177	\$ 234,751	\$ 225,612	\$ 225,413	\$ 209,927
Interest (on the total pension liability)	380,914	357,052	343,183	316,100	302,987
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(154,215)	(80,093)	(220,194)	(4,999)	(73,377)
Change of assumptions	30,010	-	30,010	-	32,009
Benefit payments, including refunds of employee contributions	(168,249)	(149,586)	-	(124,976)	(124,432)
Net Change in Total Pension Liability	324,637	362,124	378,611	411,538	347,114
Total Pension Liability - Beginning	5,609,207	5,247,083	5,044,286	4,632,748	4,285,634
Total Pension Liability - Ending (a)	<u>\$ 5,933,844</u>	<u>\$ 5,609,207</u>	<u>\$ 5,422,897</u>	<u>\$ 5,044,286</u>	<u>\$ 4,632,748</u>
 Plan Fiduciary Net Position					
Contributions - employer	\$ 183,105	\$ 194,619	\$ 184,281	180,429	177,803
Contributions - employee	98,325	97,407	93,074	93,532	89,330
Net investment income	730,264	(141,496)	559,102	246,101	5,158
Benefit payments, including refunds of employee contributions	(168,249)	(149,586)	(145,804)	(124,976)	(124,432)
Administrative expense	(4,120)	(2,732)	(2,895)	(2,777)	(3,141)
Other	(124)	(142)	(146)	(150)	(155)
Net Change in Plan Fiduciary Net Position	839,201	(1,930)	687,612	392,159	144,563
Plan Fiduciary Net Position - Beginning	4,716,671	4,718,601	4,030,989	3,638,830	3,494,267
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,555,872</u>	<u>\$ 4,716,671</u>	<u>\$ 4,718,601</u>	<u>4,030,989</u>	<u>3,638,830</u>
 Net Pension Liability - Ending (a) - (b)	<u>\$ 377,972</u>	<u>\$ 892,536</u>	<u>\$ 704,296</u>	<u>1,013,297</u>	<u>993,918</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.63%	84.09%	87.01%	79.91%	78.55%
 Covered Employee Payroll	1,966,506	1,948,140	1,861,482	1,870,649	1,786,809
 Net Pension Liability as a Percentage of Covered Employee Payroll	19.22%	45.81%	37.84%	54.17%	55.63%

Notes to Schedule: N/A

GASB 68 requires ten years of date to be provided in this schedule, however, only 5 years are available

CITY OF ROCKDALE, TEXAS

Exhibit B-3

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

	2014	2013	2012	2011	2010	2009
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 date to be provided in this schedule, however, only one year is current

CITY OF ROCKDALE, TEXAS**Exhibit B-4****TEXAS MUNICIPAL RETIREMENT SYSTEM – SCHEDULE OF
EMPLOYER CONTRIBUTIONS
Last Ten Years**

	2019	2018	2017	2016	2015
Actuarially Determined Contributions	\$ 183,105	\$ 194,619	\$ 184,281	\$ 180,429	\$ 177,803
Contributions in Relation to the Actuarially Determined Contributions	\$ 183,105	\$ 194,619	\$ 184,281	180,429	177,803
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Employee Payroll	1,966,506	1,948,140	1,861,482	1,870,649	1,786,609
Contributions as a Percentage of Covered Employee Payroll	9.31%	9.99%	9.90%	9.65%	9.95%

GASB 68 requires ten years of data to be provided in this schedule, however, only five years are currently available

CITY OF ROCKDALE, TEXAS**Exhibit B-4****TEXAS MUNICIPAL RETIREMENT SYSTEM – SCHEDULE OF
EMPLOYER CONTRIBUTIONS
Last Ten Years (Continued)**

	2014	2013	2012	2011	2010	2009
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 on 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

Exhibit C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

	Special Revenue Funds								Totals
	Nonmajor								Special
	Revenue								Funds
	Hill	Police	Police	Police	FEMA	Department	Veterans	Municipal	Hotel/Motel
	Memorial Fund	Department Special	Officer of The Year	Grant	Training	Park	Court	Tax	Airport
Assets									
Cash and cash equivalents	\$ 3,166	\$ 7,383	\$ 5,015	\$ 66,618	\$ 5,868	\$ 14,096	\$ 139,335	\$ 189,644	\$ 41,307
Capital assets/AR									13,91
Due from other funds	-	-	-	-	-	-	37,586	1,495	-
Total Assets	17,098	7,383	5,015	66,618	5,868	14,096	176,921	191,139	41,307
Liabilities & Fund Balances									
Liabilities									
Accounts payable	-	-	97	73	-	-	-	4,973	330
Deferred Revenue									5,30
Due to other funds	-	-	-	-	-	-	-	-	46,472
Total Liabilities	-	-	97	73	-	-	-	4,973	46,802
Fund Balances									
Restricted	17,098	7,383	4,918	66,545	5,868	14,096	176,921	186,166	(5,495)
Total Fund Balances	17,098	7,383	4,918	66,545	5,868	14,096	176,921	186,166	(5,495)
Total Liabilities and Fund Balances	\$ 17,098	\$ 7,383	\$ 5,015	\$ 66,618	\$ 5,868	\$ 14,096	\$ 176,921	\$ 191,139	\$ 41,307
									\$ 525,44

CITY OF ROCKDALE, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)

Capital		Totals
Debt Service	Projects	
Fund	Fund	Nonmajor
Debt	2009	Governmental
Service	Tax Notes	Funds
\$ 249,677	\$ -	\$ 722,109
28,762		
29,986	-	69,067
<u>308,425</u>	<u>-</u>	<u>791,176</u>
		5,303
30,059		30,059
-	-	46,472
<u>30,059</u>	<u>-</u>	<u>81,834</u>
278,366	-	709,342
<u>278,366</u>	<u>-</u>	<u>709,342</u>
\$ 308,425	\$ -	\$ 791,176

CITY OF ROCKDALE, TEXAS

Exhibit C-2

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

Special Revenue Funds										Totals
	Lucy Hill Memorial Fund	Police		Police		Police				Nonmajor Special Revenue Funds
		Department	Special	Officer of The Year	FEMA Grant	Dept	Veterans	Municipal	Hotel/Motel	
Revenues										
Taxes										
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/Motel	-	-	-	-	-	-	-	-	134,825	-
Charges for services	-	-	-	-	-	-	-	240,756	-	31,242
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Investment earnings	63	81	49	103	94	66	1,073	2,733	339	4,601
Contributions and donations	426	1,763	4,287	130,473	-	10,035	-	-	-	146,984
Other	-	143	-	-	1,184	-	85	-	-	1,509
Total Revenues	489	1,987	4,336	130,576	1,278	10,101	24,194	137,558	31,581	559,917
Expenditures										
Current:										
General government	-	-	-	62,200	-	-	180,327	182,427	15,432	440,386
Public safety	-	-	3,970	-	3,479	-	-	-	-	7,449
Highways and streets	-	-	-	-	-	-	-	-	-	-
Culture and recreation	3,409	-	-	-	-	-	-	-	-	3,409
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal payments	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	3,409	-	3,970	62,200	3,479	-	180,327	182,427	15,432	451,244
Excess (Deficiency) of Revenues										
Over (Under) Expenditure:	(2,920)	1,987	366	68,376	(2,201)	10,101	61,587	(44,869)	16,149	108,673
Other Financing Sources										
Transfers in/(Out)	-	-	-	(1,874)	-	-	-	-	19,114	17,240
Total Other Financing Sources	-	-	-	(1,874)	-	-	-	-	19,114	17,240
Net Change in Fund Balances	(2,920)	1,987	366	66,502	(2,201)	10,101	61,587	(44,869)	35,263	125,913
Fund Balances, Begin of Year	20,018	5,396	4,552	43	8,069	3,995	115,334	231,035	(40,758)	535,745
Fund Balances, End of Year	\$ 17,098	\$ 7,383	\$ 4,918	\$ 66,545	\$ 5,868	\$ 14,096	\$ 176,921	\$ 186,166	\$ (5,495)	\$ 661,658

CITY OF ROCKDALE, TEXAS

Exhibit C-2

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

Debt Service	Capital Projects	Totals
Fund	Fund	Nonmajor Governmental Funds
Debt Service	2009 Tax Notes	
\$ 497,672	\$ -	\$ 497,672
-	-	134,825
-	-	271,998
-	-	-
3,879	-	8,480
-	-	146,984
-	-	1,509
<u>501,551</u>	<u>-</u>	<u>1,061,468</u>
-	-	440,386
-	-	7,449
-	-	-
-	-	3,409
-	-	-
229,964	-	229,964
<u>75,229</u>	<u>-</u>	<u>75,229</u>
<u>305,193</u>	<u>-</u>	<u>756,437</u>
196,358	-	305,031
(121,073)	-	(103,833)
(121,073)	-	(103,833)
75,285	-	201,198
203,381	-	578,246
<u>\$ 278,666</u>	<u>\$ -</u>	<u>\$ 779,444</u>

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, 2020, 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 March 2, 2021.

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.

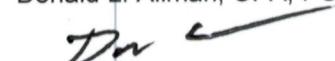
Compliance and Other Matters

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
March 2, 2021