

CITY OF ROCKDALE, TEXAS

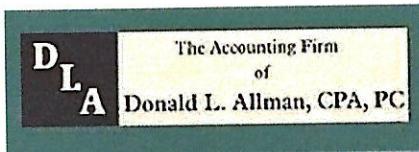
**Audited Financial Statements
Independent Auditor's Report And
Supplemental Schedules
For the Year Ended
September, 30, 2021**

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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, 2021, 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 29, 2022, 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 29, 2022

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, 2021.

FINANCIAL HIGHLIGHTS

- The net position of the City increased by \$2,441,356 in the 2021 fiscal year for government-wide financial statements. As part of this \$2,441,356 total increase in net position, the net position of general fund activities increased by \$1,274,415 and the proprietary fund increased by \$1,166,941.
- The City’s total net position of governmental fund activities increased by \$843,097 in the 2021 fiscal year resulting in an ending net position of \$3,023,677.
- Proprietary Fund and General Fund revenues increased substantially in fiscal year 2021, indicating economic growth for the City. General Fund and Proprietary Fund expenses increased only slightly in fiscal year 2021, 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 \$16,423,458 at the close of the fiscal year.

The City's net position (72%) 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 (18.3%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position (9.8%) 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, 2021

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,196,915	\$ 2,439,902	\$ 29,570,956	\$ 29,599,872	\$ 32,767,871	\$ 32,039,774
Capital assets, net	10,561,530	10,409,418	12,402,422	12,289,478	22,963,952	22,698,896
Total Assets	13,758,445	12,849,320	41,973,378	41,889,350	55,731,823	54,738,670
 Deferred Outflows of Resources						
Long-term liabilities	217,291	229,964	75,043	79,496	292,334	309,460
Other liabilities	5,028,098	5,458,207	31,130,625	32,131,069	36,158,723	37,589,276
Total Liabilities	471,001	483,227	1,461,412	1,570,951	1,932,413	2,054,178
 Deferred Inflows of Resources						
Net investment in capital assets	1,115,570	1,051,198	393,993	371,376	1,509,563	1,422,574
 Restricted	5,676,530	5,137,142	6,187,204	5,772,927	11,863,734	10,910,069
Unrestricted	1,555,547	980,427	1,451,203	1,424,808	3,006,750	2,405,235
Total Net Position	128,990	(30,917)	1,423,984	697,715	1,552,974	666,798
	\$ 7,361,067	\$ 6,086,652	\$ 9,062,391	\$ 7,895,450	\$ 16,423,458	\$ 13,982,102

Current and other assets of governmental activities increased by \$757,013 or 31.0%.

Current and other assets of business-type activities decreased by \$(28,916) or (0.1%).

Capital Assets were increased \$265,056 due to additions in the General Fund and Proprietary Fund.

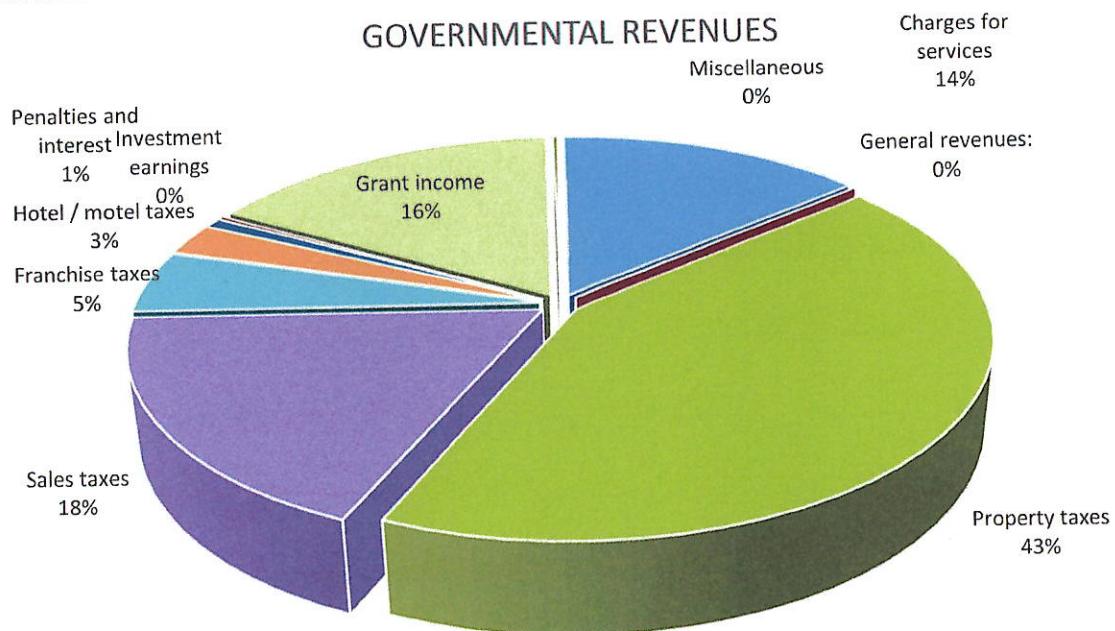
Long-term liabilities decreased (\$1,430,553) from the prior year due to principal payments made.

Net position of the City, which relates to governmental and business-type activities, increased by \$2,441,356. Key elements of the increase are as follows:

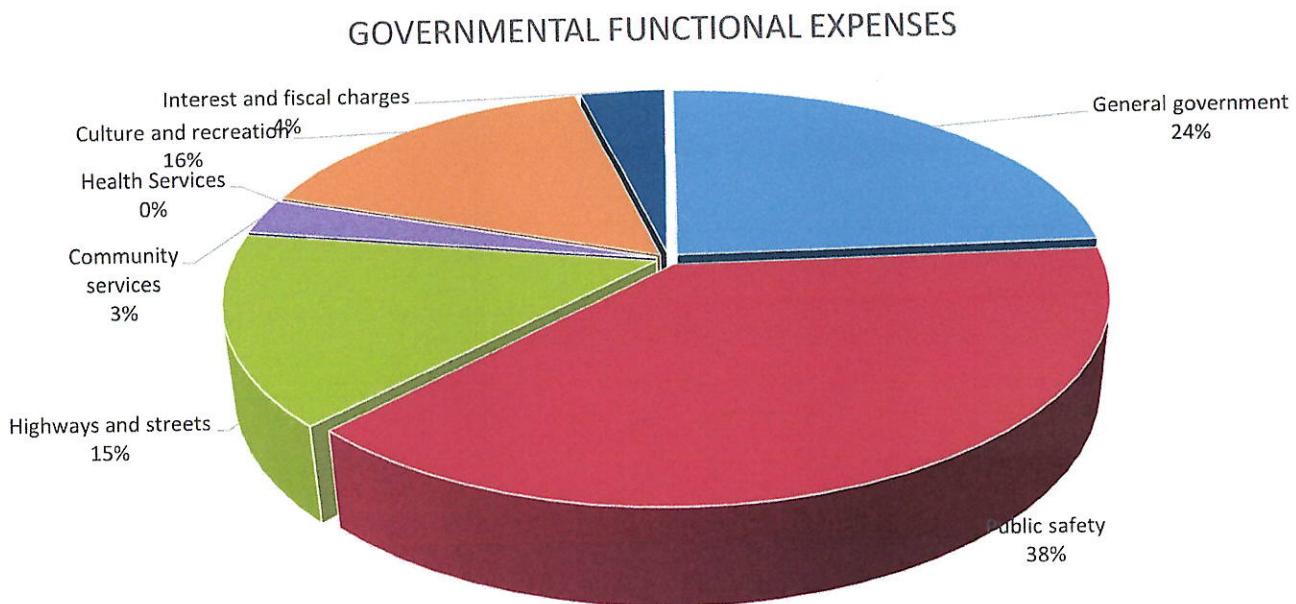
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2021

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	756,277	741,210	3,682,841	3,353,040	4,439,118	4,094,250
General revenues:						
Property taxes	\$ 2,273,111	\$ 2,034,961	\$ -	\$ -	\$ 2,273,111	\$ 2,034,961
Sales taxes	969,519	870,328	-	-	969,519	870,328
Franchise taxes	269,433	266,393	-	-	269,433	266,393
Hotel / motel taxes	137,326	128,196	-	-	137,326	128,196
Penalties and interest	41,847	37,766	-	-	41,847	37,766
Investment earnings	14,106	26,884	15,574	19,233	29,680	46,117
Grant income	870,964	130,473	346,690	-	1,217,654	130,473
Miscellaneous	9,488	8,994	827,847	537,000	837,335	545,994
Total Revenues	5,342,071	4,245,205	4,872,952	3,909,273	10,215,023	8,154,478
Expenses						
General government	1,008,955	495,479	24,071	24,071	1,033,026	519,550
Public safety	1,594,744	1,533,433	-	-	1,594,744	1,533,433
Highways and streets	631,524	617,495	-	-	631,524	617,495
Community services	116,307	114,636	-	-	116,307	114,636
Health Services	-	-	-	-	-	-
Culture and recreation	658,503	647,006	-	-	658,503	647,006
Interest and fiscal charges	155,689	75,229	464,808	281,480	620,497	356,709
Utility	-	-	3,119,066	3,011,777	3,119,066	3,011,777
Total Expenses	4,165,722	3,483,278	3,607,945	3,317,328	7,773,667	6,800,606
Increase (Decrease) in Net Position Before Transfers						
	1,176,349	761,927	1,265,007	591,945	2,441,356	1,353,872
Transfers in (out)	98,066	230,682	(98,066)	(230,682)	-	-
Change in Net Position Prior Period OPEB AJE	1,274,415	992,609	1,166,941	361,263	2,441,356	1,353,872
Net Position, Beginning	6,086,652	5,094,043	7,895,450	7,534,187	13,982,102	12,628,230
Net Position, Ending	\$ 7,361,067	\$ 6,086,652	\$ 9,062,391	\$ 7,895,450	\$ 16,423,458	\$ 13,982,102

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, 2021, revenue from governmental activities totaled \$5,342,071, the largest portion of which related to property taxes (43%).



For the fiscal year ended September 30, 2021, expenses from governmental activities totaled \$4,165,722, the largest portion of which related to public safety (38%).

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, 2021, the City’s governmental funds reported a combined ending fund balance of \$3,023,677 , which is an increase of \$843,097 from last year’s total of \$ 2,180,580 . Approximately 47.1% of the total fund balance constitutes unassigned fund balance, which is available for spending at the government’s discretion. Approximately 52.6% of fund balance is restricted to indicate that it is not available for new spending because it has already been determined that these monies will be used for special projects, capital projects and debt service. Lastly, the remaining 0.2% of fund balance is Nonspendable to indicate that these amounts are not available for appropriation.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$128,990. 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 3% of total General Fund expenditures.

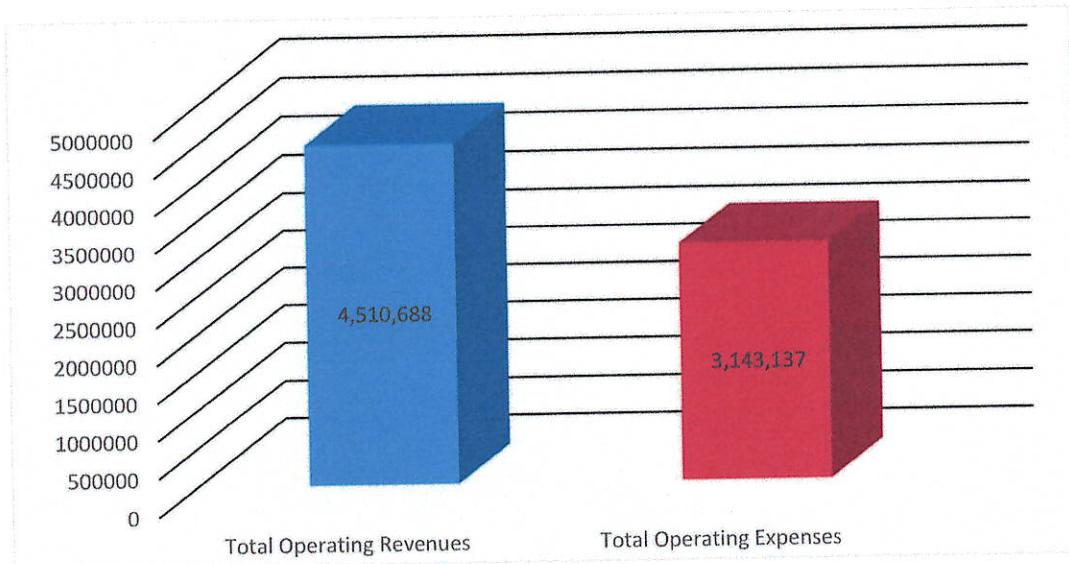
During the current fiscal year, the fund balance of the City’s General Fund increased by \$1,274,451.

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 \$1,423,984.

During the 2021 fiscal year, the Utility Fund has an increase in net position of \$1,166,941 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 2021 fiscal year, actual revenues were \$764,082 more than budgeted. Actual expenditures were \$897,122 more than budgeted. The budget projected an increase in fund balance of 197,084 while the final actual result was an increase of \$64,049 for the year ended September 30, 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business-type activities of September 30, 2021, amounts to 22,963,952. This investment in capital assets, includes land, construction in progress, buildings and improvements, equipment and infrastructure.

SCHEDULE OF CAPITAL ASSETS (Net of Accumulated Depreciation) 30-Sep-21

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
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	8,061,304	8,062,542	140,861	157,257	8,202,165	8,219,799
Equipment	556,413	555,398	1,119,338	1,085,554	1,675,751	1,640,952
Infrastructure	1,533,702	1,381,367	11,091,717	14,444,549	12,625,419	15,825,916
Totals	10,561,530	10,409,418	12,402,422	15,737,866	22,963,952	26,147,284

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 \$37,513,723. The City's total long-term debt decreased by \$1,422,779 during the current fiscal year. This increase during the 221 fiscal year is mainly attributable to Bond principal payments.

SCHEDULE OF LONG-TERM DEBT 30-Sep-21

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation debt						
General obligation debt	\$ 4,885,000	\$ 5,250,000	\$ -	\$ -	\$ 4,885,000	\$ 5,250,000
Capital leases	-	22,226	-	-	-	22,226
Revenue debt and notes	-	-	31,940,000	32,900,000	31,940,000	32,900,000
Net pension liability	178,579	283,479	57,636	94,493	236,215	377,972
Net OPEB Liability	145,908	122,932	49,049	40,977	194,957	163,909
Compensated absences	193,611	166,796	63,940	55,599	257,551	222,395
Totals	\$ 5,403,098	\$ 5,845,433	\$32,110,625	\$33,091,069	\$37,513,723	\$38,936,502

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 2021 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, 2021. The City Council continues to have a conservative approach to finances and to keep tax rates competitive with surrounding communities.

For the 2021 fiscal year, the tax rate stayed at \$.9118 per \$100 valuation. The water fees and wastewater fees were not increased for the 2021 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, 2021

	Primary Government			Component Unit	
			Totals	Municipal Development District	
	Governmental Activities	Business-Type Activities			
Assets					
Cash and cash equivalents	\$ 1,416,820	\$ 2,866,532	\$ 4,283,352	\$ 415,500	
Restricted Cash	1,555,547	25,895,407			
Receivables, net	195,140	799,951	995,091	40,029	
Prepaid expenses	22,954	9,066	32,020		-
Inventory	6,454	-	6,454		-
Capital assets, not being depreciated	410,111	50,506	460,617	525,601	
Capital assets, net of accumulated depreciation	10,151,419	12,351,916	22,503,335	243,071	
Total Assets	13,758,445	41,973,378	28,280,869	1,224,201	
Deferred Outflows of Resources					
Deferred Outflows	217,291	75,043	292,334		
Total Deferred Outflows of Resources	217,291	75,043	292,334		
Liabilities					
Accounts payable and other current liabilities	96,001	191,432	287,433		-
Deposits	-	289,980	289,980		
Accrued interest payable	-	-	-		
Long-term liabilities due within one year	375,000	980,000	1,355,000	43,849	
Long-term liabilities due in more than one year	5,028,098	31,130,625	36,158,723	380,977	
Total Liabilities	5,499,099	32,592,037	38,091,136	424,826	
Deferred Inflows of Resources					
Deferred inflows	1,115,570	393,993	1,509,563		
Total Deferred Inflows of Resources	1,115,570	393,993	1,509,563		
Net Position					
Net investment in capital assets	5,676,530	6,187,204	11,863,734	343,846	
Restricted for:					
Debt service	515,383	1,451,203	1,966,586		-
Capital projects	-	-	-		-
Economic development	-	-	-		-
Special Revenue Funds	1,040,164	-	1,040,164		-
Unrestricted	128,990	1,423,984	1,552,974	455,529	
Total Net Position	\$ 7,361,067	\$ 9,062,391	\$ 16,423,458	\$ 799,375	

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September, 2021

Program Revenues	Net (Expense) Revenue and Changes in Net Position					
	Primary Government			Municipal Development District		
Operating Expenses	Charges for Services	Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Totals
Primary Government						
Governmental Activities						
General government	\$ 1,008,955	\$ 756,277	\$ -	\$ 870,964	\$ 618,286	\$ (24,071)
Public safety	1,594,744	-	-	-	(1,594,744)	-
Highways and streets	631,524	-	-	-	(631,524)	-
Community services	116,307	-	-	-	(116,307)	-
Health services	-	-	-	-	-	-
Culture and recreation	658,503	-	-	-	(658,503)	-
Interest on long-term debt	620,497	-	-	-	(155,689)	(464,808)
Total Governmental Activities	\$ 4,630,530	756,277	-	870,964	(2,538,481)	(488,879)
Business-Type Activities						
Utility fund	3,119,066	3,682,841	-	346,690	-	910,465
Total business-Type Activities	\$ 3,119,066	3,682,841	-	346,690	-	910,465
Total Primary Government	\$ 7,749,596	\$ 4,439,118	\$ -	\$ 1,217,654	(2,538,481)	(2,116,895)
Component Unit						
Municipal Development District	236,267	-	-	-	-	-
Total Component Unit	236,267	-	-	-	-	(236,267)
General Revenues:						
Taxes						
Property taxes	\$ 2,273,111	\$ -	\$ -	\$ 2,273,111	\$ -	\$ -
Sales taxes	969,519	-	-	969,519	-	483,768
Hotel / motel taxes	137,326	-	-	137,326	-	-
Franchise taxes	269,433	-	-	269,433	-	-
Penalties and interest	41,847	-	-	41,847	-	-
Investment earnings	14,106	15,574	-	29,680	2,206	4,734
Miscellaneous	9,488	827,847	837,335	-	-	-
Transfers	98,066	(98,066)	-	-	-	-
Total General Revenues and Transfers	3,812,896	745,355	4,558,251	490,708	-	-
Change in Net Position	1,274,415	1,166,941	2,441,356	254,441	-	-
Prior Period OPEB Adjustment	-	-	-	-	-	-
Net Position, Beginning	6,086,652	7,895,450	13,982,102	544,934	-	-
Net Position, Ending	\$ 7,361,067	\$ 9,062,391	\$ 16,423,458	\$ 799,375	-	-

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021

Exhibit A-3

	General Fund	2016 Comb Tax/Rev CO Fund	Other Governmental Funds	Totals
	General Fund	2016 Comb Tax/Rev CO Fund	Other Governmental Funds	Totals
Assets				
Cash and cash equivalents	\$ 1,416,820	\$ -	\$ 1,555,547	\$ 2,972,367
Receivables, net:				
Property taxes	81,077	-	31,529	112,606
Sales taxes	78,592	-	-	78,592
Fines	-	-	-	-
Other	35,471	-	-	35,471
Due from other funds	(68,271)	-	68,271	-
Inventory	6,454	-	-	6,454
Total Assets	1,550,143	-	1,655,347	3,205,490
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	36,383	-	64,353	100,736
Wages and salaries payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	36,383	-	64,353	100,736
Deferred Inflows of Resources				
Unavailable revenues, property taxes	81,077	-	31,529	112,606
Unavailable revenues, fines	-	-	-	-
Total Deferred Inflows of Resources	81,077	-	31,529	112,606
Fund Balances				
Nonspendable	6,454	-	-	6,454
Restricted	-	-	1,590,994	1,590,994
Unassigned	1,426,229	-	-	1,426,229
Total Fund Balances	1,432,683	-	1,590,994	3,023,677
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,550,143	\$ -	\$ 1,655,347	\$ 3,205,490

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.	10,561,530
Property taxes receivable are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	112,606
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.	(5,403,098)
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.	(898,279)
Court fines receivable are unavailable to pay for current period expenditures and are therefore deferred in the governmental funds.	(35,369)
Net Position of Governmental Activities	\$ 7,361,067

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, 2021

	General	2016 Comb Tax/Rev CO Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 1,670,298	\$ -	\$ 630,574	\$ 2,300,872
Sales	969,519	-	-	969,519
Hotel/motel	-	-	137,326	137,326
Franchise	269,433	-	-	269,433
Penalties and interest	41,847	-	-	41,847
Licenses and permits	42,579	-	-	42,579
Fines and forfeitures	169,834	-	-	169,834
Charges for services	474,788	-	139,560	614,348
Contributions and donations and Grants	870,964	-	11,234	882,198
Investment earnings	9,165	-	4,941	14,106
Other	9,488	-	-	9,488
Total Revenues	4,527,915	-	923,635	5,451,550
Expenditures				
Current:				
General/government	761,528	-	222,758	984,286
Public safety	1,412,408	-	11,069	1,423,477
Highways and streets	530,912	-	-	530,912
Community services	115,057	-	-	115,057
Health services	-	-	-	-
Culture and recreation	617,789	-	-	617,789
Capital Outlay	514,309	-	-	514,309
Debt Service:				
Principal retirement	-	-	365,000	365,000
Interest and fiscal charges	-	-	155,689	155,689
Debt issuance costs	-	-	-	-
Total Expenditures	3,952,003	-	754,516	4,706,519
(Deficiency) of Revenues				
(Under) Expenditures	575,912	-	169,119	745,031
Other Financing Sources				
Capital leases	-	-	-	-
Transfers from Proprietary Fund	98,066	-	-	98,066
Transfers in	(609,929)	-	609,929	-
Total Other Financing Sources	(511,863)	-	609,929	98,066
Net Change in Fund Balances	64,049	-	779,048	843,097
Fund Balances - Beginning	1,368,634	-	811,946	2,180,580
Fund Balances - Ending	\$ 1,432,683	\$ -	\$ 1,590,994	\$ 3,023,677

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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, 2021

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

Net change in fund balances - total governmental funds	\$ 843,097
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay 514,309 is less than depreciation (\$362,197) in the current period.	152,112
Pension Expense & OPEB Expense is not included in Governmental Funds	12,387
Interfund transfers are not included in government wide financial statements.	(125,942)
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.	27,761
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>365,000</u>
Change in Net Position of Governmental Activities	<u>\$ 1,274,415</u>

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-6

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 September 30, 2021

	Business-Type Activities
	Utility Fund
Assets	
Current Assets:	
Cash & cash equivalents	\$ 2,866,532
Restricted Cash	25,895,407
Accounts receivable, net	799,951
Due from other funds	9,066
Total Current Assets	29,570,956
Noncurrent assets	
Capital assets:	
Construction in progress	50,506
Land	361,053
Buildings and improvements	1,581,554
Equipment	21,597,447
Infrastructure	(11,188,138)
Less accumulated depreciation	12,402,422
Total Noncurrent Assets	41,973,378
Total Assets	75,043
Deferred Outflows of Resources	
Deferred outflows	75,043
Total Deferred Outflows of Resources	75,043
Liabilities	
Current Liabilities	
Accounts payable	191,432
Wages and salaries payable	-
Customer deposits	289,980
Unearned revenue	-
Accrued interest payable	-
Capital leases payable	-
Bonds payable	980,000
Total Current Liabilities	1,461,412
Noncurrent Liabilities	
Capital leases payable	63,940
Compensated absences	57,636
Net pension liability	49,049
Net OPEB Liability	30,960,000
Bonds payable	31,130,625
Total Noncurrent Liabilities	32,592,037
Total Liabilities	393,993
Deferred Inflows of Resources	
Deferred inflows	393,993
Total Deferred Inflows of Resources	393,993
Net Position	
Net investment in capital assets	6,187,204
Restricted	1,451,203
Unrestricted	1,423,984
Total Net Position	\$ 9,062,391

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, 2021

	Business-Type Activities
	Utility Fund
<u>Operating Revenues</u>	
Charges for services:	
Water	2,047,613
Sewage	1,263,471
Sanitation	371,757
NW water tower	-
Other	827,847
Total Operating Revenues	4,510,688
<u>Operating Expenses</u>	
Personnel services - salaries and wages	629,136
Personnel services - employee benefits	135,749
Purchased professional and technical services	158,229
Purchased property services	325,100
Other operating expenses	1,126,188
Supplies	48,507
Depreciation	720,228
Total Operating Expenses	3,143,137
Operating Income	1,367,551
<u>Non-Operating Revenues (Expenses)</u>	
Investment earnings	15,574
Interest expense	(464,808)
Grant income	346,690
Total Non-Operating Revenues (Expenses)	(102,544)
Income Before Transfers	1,265,007
Transfers in	-
Transfers (out)	(98,066)
Change in Net Position	1,166,941
Net Position, Beginning	7,895,450
Net Position, Ending	\$ 9,062,391

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, 2021

	Business-type Activities
	Utility Fund
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 4,520,347
Disbursed for goods and services to suppliers	(1,923,312)
Disbursed for personnel services	(629,136)
Other revenues	-
Net Cash Provided by Operating Activities	<u>1,967,899</u>
Cash Flows From Noncapital Financing Activities	
Transfers from other funds	-
Transfers (to) other funds	<u>(98,066)</u>
Net Cash Provided (Used) by noncapital Financing Activities	<u>(98,066)</u>
Cash Flows From Capital and Related Financing Activities	
Principal payments on bonds, notes and capital leases	(980,000)
Proceeds from capital debt	861,358
Interest and fiscal charges	(464,808)
Acquisition and construction of capital assets	(833,172)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,416,622)</u>
Cash Flows From Investing Activities	
Interest Received	<u>15,574</u>
Net Cash Provided by Investing Activities	<u>15,574</u>
Net Increase in Cash and Cash Equivalents	468,785
Cash and Cash Equivalents, Beginning	<u>2,397,747</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,866,532</u>

See Notes to Financial Statements.

CITY OF ROCKDALE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Exhibit A-8 (Page 2 of 2)

For the Year Ended September 30, 2021

	Business-Type Activities
	Utility Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ 1,367,551
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	720,228
(Increase) decrease in accounts receivable	9,659
Increase in Customer Deposits	8,082
Increase (decrease) in accounts payable	<u>(137,621)</u>
Total adjustments	600,348
 Net Cash Provided by Operating Activities	 \$ 1,967,899

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUND

Exhibit A-9

September 30, 2021

<u>Firemen's Pension Trust Fund</u>	
<u>Assets</u>	
Cash and cash equivalents	\$ 229,333
Total Assets	<hr/> \$ 229,333
<u>Liabilities</u>	
Net pension obligation	\$ 229,333
Total Liabilities	<hr/> \$ 229,333

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION

Exhibit A-10

September 30, 2021

Firemen's Pension Trust Fund	
<u>Additions</u>	
Investment earnings	\$ 1,137
Other revenue	14,425
Total Additions	<u>15,562</u>
<u>Deductions</u>	
Pension payouts	8,825
Total Deductions	<u>8,825</u>
Change in Net Position	6,737
Total Net Position - Beginning	<u>222,596</u>
Total Net Position - Ending	\$ 229,333

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)

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 spent 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 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 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 \$ 5,257,190 difference are as follows:

Notes payable	\$ -
Bonds payable	4,885,000
Capital leases	-
Accrued interest payable	-
Net pension liability	178,579
Compensated absences payable	<u>193,611</u>
Net adjustment to reduce the total of fund balances of governmental funds to arrive at net position of governmental activities	<u>\$ 5,257,190</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 \$152,112 difference by which capital outlay exceeded depreciation expense are as follows:

Capital outlay	\$ 514,309
Depreciation expense	<u>(362,197)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 152,112</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, 2021, are shown below.

	Book	Fair
	Balance	Value
Cash and cash equivalents	<u>\$ 4,283,352</u>	<u>\$ 4,283,352</u>
Total Cash and Cash Equivalents	<u>\$ 4,283,352</u>	<u>\$ 4,283,352</u>

Investments

As of September 30, 2021, 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, 2021, consists of the following:

Tax Year	General	
		Fund
2020	\$	19,541
2019		12,849
2018		7,574
2017		6,034
2016		3,775
2015 and prior		15,743
Totals		65,516

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	\$ 159,669	\$ -	\$ 159,669
Accounts	-	799,951	799,951
Fines	-	-	-
Other	35,471	-	35,471
Totals	\$ 195,140	\$ 799,951	995,091

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	\$ 81,077
Fines	-
Total General Fund	\$ 81,077

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, 2021, interfund transfers were as follows:

Transfers Out	Transfers In			
	General	2015 Comb. Tax/Rev.CO	Other Governmental	Totals
	Fund	Fund	Funds	
Utility Fund	\$ (609,929)	\$ -	\$ 609,929	\$ -
Totals	\$ (609,929)	\$ -	\$ 609,929	\$ -

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

Exhibit A-11

NOTE 7 – INTERFUND TRANSFERS (Continued)

During the 2021 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		
	Other		
	Utility	Governmental	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, 2021.

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

Exhibit A-11

NOTE 9 – CAPITAL ASSETS (Continued)

	Balances			Balances
	Oct. 1, 2020	Additions	Retirements	Sept. 30, 2021
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	9,546,669	129,283	-	9,675,952
Equipment	2,936,576	139,161	-	3,075,737
Infrastructure	5,912,691	245,865	-	6,158,556
Total capital assets being depreciated	<u>18,395,936</u>	<u>514,309</u>	<u>-</u>	<u>18,910,245</u>
Less: Accumulated Depreciation for:				
Buildings and improvements	(1,484,127)	(130,521)	-	(1,614,648)
Equipment	(2,381,178)	(138,146)	-	(2,519,324)
Infrastructure	(4,531,324)	(93,530)	-	(4,624,854)
Total Accumulated Depreciation	<u>(8,396,629)</u>	<u>(362,197)</u>	<u>-</u>	<u>(8,758,826)</u>
Total capital assets being depreciated, net	<u>9,999,307</u>	<u>152,112</u>	<u>-</u>	<u>10,151,419</u>
Governmental activities capital assets, net	<u>\$ 10,409,418</u>	<u>\$ 152,112</u>	<u>\$ -</u>	<u>\$ 10,561,530</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	1,510,156	71,398	-	1,581,554
Infrastructure	20,835,673	761,774	-	21,597,447
Total capital assets being depreciated	<u>22,706,882</u>	<u>833,172</u>	<u>-</u>	<u>23,540,054</u>
Less: Accumulated Depreciation				
Buildings and improvements	(211,994)	(8,198)	-	(220,192)
Equipment	(440,792)	(21,424)	-	(462,216)
Infrastructure	(9,815,124)	(690,606)	-	(10,505,730)
Total Accumulated Depreciation	<u>(10,467,910)</u>	<u>(720,228)</u>	<u>-</u>	<u>(11,188,138)</u>
Total capital assets being depreciated, net	<u>12,238,972</u>	<u>112,944</u>	<u>-</u>	<u>12,351,916</u>
Business-Type activities capital assets, net	<u>\$ 12,289,478</u>	<u>\$ 112,944</u>	<u>\$ -</u>	<u>\$ 12,402,422</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	\$ 43,354
Public safety	176,267
Highways and streets	100,612
Community services	1,250
Culture and recreation	40,714
Total Depreciation Expense-Governmental Activities	<u><u>\$ 362,197</u></u>

Business-Type Activities:

Utility	\$ 720,228
Total Depreciation Expense-Business-type Activities	<u><u>\$ 720,228</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>(227,957)</u>	<u>(40,829)</u>
Total	<u><u>\$ -</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, 2021.

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

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:

Governmental Activities	Interest Rates	Original Issue Amount	Beginning Balances			Ending Balances
			Outstanding	Issued	Retired	Outstanding
Series 2006 CO Bonds	4.73%	2,900,000	585,000	-	85,000	500,000
Series 2008 Refunding Bonds	4.36%	580,000	155,000	-	50,000	105,000
Series 2016 CO Placement TIB	2.23%	2,940,000	2,545,000	-	100,000	2,445,000
Series 2011 Tax/Rev CO Bonds	3.32%	2,075,000	240,000	-	20,000	220,000
Series 2015 Tax/Rev CO Bonds	3.35%	1,000,000	800,000	-	50,000	750,000
Series 2017 Police Station TIB	3.05%	1,025,000	925,000	-	60,000	865,000
		\$ 5,250,000	\$ -	\$ 365,000		\$ 4,885,000

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, 2021, are as follows:

Year ended	Governmental Activities		
	Sept. 30,	Principal	Interest
2022	375,000	140,383	
2023	385,000	128,689	
2024	400,000	118,013	
2025	415,000	103,965	
2026	430,000	64,743	
2027-2030	1,825,000	238,753	
2031-2032	1,055,000	48,445	
Totals	\$ 4,885,000	\$ 842,991	

A summary of business-type activities long-term debt outstanding as of September 30, 2021, follows:

Business-Type Activities	Interest	Original	Beginning		Ending	
		Issue	Balances	Issued	Retired	Balances
	Rate	Amount	Outstanding			Outstanding
Series 2006 CO Bonds	4.73%	2,900,000	600,000	-	90,000	510,000
Series 2011 Tax/Rev CO Bonds	3.32%	1,624,056	1,155,000	-	90,000	1,065,000
Series 2012 CO Bonds	0.9-3.35%	525,000	265,000	-	35,000	230,000
Series 2013 CO Bonds	3.14%	525,000	310,000	-	35,000	275,000
Series 2015 CO Bonds	3.35%	2,000,000	1,845,000	-	30,000	1,815,000
Series 2016 GO Bonds	1.76%	3,860,000	2,185,000	-	420,000	1,765,000
Series 2020A CO Tax/Rev Bonds	0-1.67%	12,650,000	12,650,000	-	100,000	12,550,000
Series 2020B CO/Tax/Rev Bonds	0%	3,065,000	3,065,000	-	50,000	3,015,000
Series 2020C CO/Tax/Rev Bonds	0-1.92%	8,790,000	8,790,000		100,000	8,690,000
Series 2020D CO/Tax/Rev Bonds	0%	2,035,000	2,035,000		10,000	2,025,000
Totals			\$ 32,900,000	\$ -	\$ 960,000	\$ 31,940,000

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, 2021, are as follows:

Year Ended	Business-Type Activities	
	Principal	Interest
Sept 30,		
2022	980,000	471,203
2023	1,000,000	452,070
2024	1,005,000	441,540
2025	1,025,000	421,097
2026	805,000	399,763
2027-2030	3,480,000	1,409,573
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	31,940,000	7,238,942

The following is a summary of changes in the City's total governmental and business-type long-term liabilities as of September 30, 2021.

	Balances	Amounts			
		Oct. 1, 2020	Additions	Reductions	Balance Sept. 30, 2021
Governmental Activities:					
Certificates of obligation	\$ 1,780,000	\$ -	\$ (205,000)	\$ 1,575,000	\$ 215,000
Tax notes	3,470,000	-	(160,000)	3,310,000	160,000
Capital leases	22,226	-	(22,226)	-	-
Net pension liability	283,479	-	(104,900)	178,579	-
Net OPEB Liability	122,932	22,976		145,908	
Compensated absences	166,796	26,815	-	193,611	-
Total Governmental Activities	\$ 5,845,433	\$ 49,791	\$ (492,126)	\$ 5,403,098	\$ 375,000
Business-Type Activities:					
Certificates of obligation	\$ 32,900,000	\$ -	\$ (960,000)	\$ 31,940,000	\$ 980,000
Notes payable	-	-	-	-	-
Capital leases	-	-	-	-	-
Net pension liability	94,493	-	(36,857)	57,636	-
Net OPEB Liability	40,977	8,072		49,049	
Compensated absences	55,599	8,341	-	63,940	-
Total Business-Type Activities	\$ 33,091,069	\$ 16,413	\$ (996,857)	\$ 32,110,625	\$ 980,000

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, 2021, were distributed as follows:

	2015		Other		Totals
	General Fund	Tax/Rev CO Fund	Governmental Funds		
Nonspendable:					
Inventory	\$ 6,454	\$ -	\$ -	\$ 6,454	
Subtotal	<u>6,454</u>	<u>-</u>	<u>-</u>	<u>6,454</u>	
Restricted for:					
Special projects	-	-	1,040,164	1,040,164	
Capital projects	-	-	-	-	
Debt service	<u>-</u>	<u>-</u>	1,966,586	1,966,586	
Subtotal	<u>-</u>	<u>-</u>	<u>3,006,750</u>	<u>3,006,750</u>	
Unassigned	1,426,229	-	-	1,426,229	
Totals	\$ 1,432,683	\$ -	\$ 3,006,750	\$ 4,439,433	

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms.

	2020
Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	41
Active employees	45
Total	<u>114</u>

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, 2021, were \$184,291, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2020, 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, 2020, 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/> 100.0%	

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/19	\$ 5,933,844	\$ 5,555,872	\$ 377,972
Changes for the year:			
Service cost	239,027	-	239,027
Interest	400,827	-	400,827
Change of benefit terms	-	-	-
Difference between expected and actual experience	(75,320)	-	(75,320)
Changes in assumptions	-	-	-
Contributions - employer	-	184,291	(184,291)
Contributions - employee	-	102,499	(102,499)
Net investment income	-	422,337	(422,337)
Benefit payments, including refunds of employer contri	(230,348)	(230,348)	-
Administrative expense	-	(2,729)	2,729
Other changes	-	(107)	107
Net changes	\$ 334,186	\$ 475,943	\$ (141,757)
Balance at 12/31/20	\$ 6,268,030	\$ 6,031,815	\$ 236,215

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,067,019	\$ 236,215	\$ (442,423)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$(28,874).

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

At September 30, 2021, 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	\$ (12,107)	\$ -
Changes in actuarial assumptions		30,503
Difference between projected and actual investments	-	-
Contributions subsequent to the measurement date	-	-
Totals	\$ (12,107)	\$ 30,503

\$(1,509,563) 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, 2021. 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:	
2021	6,413
2022	4,809
2023	6,165
2024	1,009
2025	-
Thereafter	-
	\$ 18,396

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, 2021, 2020 and 2019 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 12/31/19		\$163,909
Changes for the year		
Service Cost	11,070	
Interest on Total OPEB liability	4,643	
Changes of benefit terms	0	
Differences between expected and actual experience	(6,639)	
Changes in assumption or other inputs	23,204	
Benefit payments	(1,230)	
Net changes	31,048	
Total OPEB Liability – end of year		\$194,957
 Total OPEB Liability as a Percentage of Covered Payroll		 9.51%

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	\$233,384	\$194,957	\$164,918

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, 2021

1. Total Service Cost	11,070
2. Interest on the Total OPEB Liability	4,643
3. Changes in Benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	(4,267)
6. Difference between expected and actual experience	(4,267)
7. Changes in assumptions or other inputs	10,834
8. Total OPEB Expense	22,280

CITY OF ROCKDALE

SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

SEPTEMBER 30, 2021

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2020	
			Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.2600	\$ (6,639)	\$ (1,558)	\$ (5,081)
Difference in assumption changes [actuarial (gains) or losses]	4.2600	\$ 23,204	\$ 5,447	\$ 17,757
			\$ 3,889	\$ 12,676

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	\$ 6,413					
2022	4,809					
2023	6,165					
2024	1,009					
2025	-					
Thereafter	-					
Total	\$ 18,396					

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, 2021, 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, 2021

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	
Revenues				
Taxes:				
Property	\$ 2,172,424	\$ 2,172,424	\$ 1,670,298	\$ (502,126)
Sales	775,000	775,000	969,519	194,519
Franchise	311,559	311,559	269,433	(42,126)
Penalties and interest	25,186	25,186	41,847	16,661
Licenses and permits	5,000	5,000	42,579	37,579
Fines	279,950	279,950	169,834	(110,116)
Charges for services	148,621	148,621	474,788	326,167
Investment earnings	12,650	12,650	9,165	(3,485)
Other	44,677	44,677	9,488	(35,189)
Total Revenues	<u>3,775,067</u>	<u>3,775,067</u>	<u>3,656,951</u>	<u>(118,116)</u>
Expenditures				
Current:				
General government	470,168	470,168	761,528	(291,360)
Public safety	1,731,812	1,731,812	1,512,882	218,930
Highways and streets	618,580	618,580	530,912	87,668
Community services	-	-	115,057	(115,057)
Health services	-	-	-	-
Culture and recreation	621,925	621,925	617,789	4,136
Capital outlay	-	-	514,309	(514,309)
Debt Service: Interest expense			155,689	(155,689)
Principal retirement			365,000	(365,000)
Total Expenditures	<u>3,442,485</u>	<u>3,442,485</u>	<u>4,573,166</u>	<u>(1,130,681)</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>332,582</u>	<u>332,582</u>	<u>(916,215)</u>	<u>(1,248,797)</u>
Other Financing Sources (Uses)				
Grant income			882,198	882,198
Transfers in	464,090	464,090	98,066	(366,024)
Transfers (out)	(599,583)	(599,583)		599,583
Total Other Financing Sources (Uses)	<u>(135,493)</u>	<u>(135,493)</u>	<u>980,264</u>	<u>1,115,757</u>
Net Change in Fund Balance	<u>197,089</u>	<u>197,089</u>	<u>64,049</u>	<u>(133,040)</u>
Fund Balance - Beginning	<u>1,368,634</u>	<u>1,368,634</u>	<u>1,368,634</u>	
Fund Balance - Ending	<u>\$ 1,565,723</u>	<u>\$ 1,565,723</u>	<u>\$ 1,432,683</u>	<u>\$ (133,040)</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, 2021

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	
Revenues				
Water Revenues	\$ 2,389,071	\$ 2,389,071	\$ 2,047,613	\$ (341,458)
Wastewater Revenues	1,303,092	1,303,092	1,263,471	(39,621)
Sanitation Revenues	348,600	348,600	371,757	23,157
Debt Service transfers	-	-	827,847	827,847
Northwest Water Tower	-	-	-	-
Interest income	-	-	15,574	15,574
Other revenues	-	-	-	-
Total Revenues	4,040,763	4,040,763	4,526,262	485,499
Expenditures				
Personnel services - salaries and wages	618,757	618,757	629,136	(10,379)
Personnel services - employee benefits	148,005	148,005	135,749	12,256
Purchased professional and technical serv	120,106	120,106	158,229	(38,123)
Purchased property services	632,512	632,512	325,100	307,412
Other operating expenses	286,633	286,633	1,126,188	(839,555)
Supplies	87,700	87,700	48,507	39,193
Capital Outlay/Depreciation	51,600	51,600	720,228	(668,628)
Debt Service:	-	-	-	-
Interest expense			464,808	(464,808)
Total Expenditures	1,945,313	1,945,313	3,607,945	(1,662,632)
(Deficiency) of Revenues				
(Under) Expenditures	2,095,450	2,095,450	918,317	(1,177,133)
Other Financing Sources (Uses)				
Grant income			346,690	346,690
Transfers in	98,849	98,849	-	(98,849)
Transfers (out)	(1,682,164)	(1,682,164)	(98,066)	1,584,098
Total Other Financing Sources (Uses)	(1,583,315)	(1,583,315)	248,624	1,831,939
Net Change in Fund Balance	512,135	512,135	1,166,941	654,806
Fund Balance - Beginning	7,895,450	7,895,450	7,895,450	
Fund Balance - Ending	\$ 8,407,585	\$ 8,407,585	\$ 9,062,391	\$ 654,806

CITY OF ROCKDALE, TEXAS

Exhibit B-1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2021

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, 2021, the City complied with budgetary restrictions at all departmental levels except the following:

Fund/Department	Budget	Actual	Variance
General Fund:			
General government	470,168	761,528	(291,360)
Highways and streets	618,580	530,912	87,668
Community Services	-	115,057	(115,057)
Culture & recreation	621,925	617,789	4,136

CITY OF ROCKDALE, TEXAS

Exhibit B-3

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

	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost	\$ 239,027	\$ 236,177	\$ 234,751	\$ 225,612	\$ 225,413
Interest (on the total pension liability)	400,827	380,914	357,052	343,183	316,100
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(75,320)	(154,215)	(80,093)	(220,194)	(4,999)
Change of assumptions	-	30,010	-	-	-
Benefit payments, including refunds of employee contributions	(230,348)	(168,249)	(149,586)	-	(124,976)
Net Change in Total Pension Liability	334,186	324,637	362,124	348,601	411,538
Total Pension Liability - Beginning	5,933,844	5,609,207	5,247,083	5,044,286	4,632,748
Total Pension Liability - Ending (a)	<u>\$ 6,268,030</u>	<u>\$ 5,933,844</u>	<u>\$ 5,609,207</u>	<u>\$ 5,392,887</u>	<u>\$ 5,044,286</u>
 Plan Fiduciary Net Position					
Contributions - employer	\$ 184,291	\$ 183,105	\$ 194,619	\$ 184,281	180,429
Contributions - employee	102,499	98,325	97,407	93,074	93,532
Net investment income	422,337	730,264	(141,496)	559,102	246,101
Benefit payments, including refunds of employee contributions	(230,348)	(168,249)	(149,586)	(145,804)	(124,976)
Administrative expense	(2,729)	(4,120)	(2,732)	(2,895)	(2,777)
Other	(107)	(124)	(142)	(146)	(150)
Net Change in Plan Fiduciary Net Position	475,943	839,201	(1,930)	687,612	392,159
Plan Fiduciary Net Position - Beginning	5,555,872	4,716,671	4,718,601	4,030,989	3,638,830
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,031,815</u>	<u>\$ 5,555,872</u>	<u>\$ 4,716,671</u>	<u>\$ 4,718,601</u>	<u>4,030,989</u>
 Net Pension Liability - Ending (a) - (b)	<u>\$ 236,215</u>	<u>\$ 377,972</u>	<u>\$ 892,536</u>	<u>\$ 674,286</u>	<u>1,013,297</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.23%	93.63%	84.09%	87.50%	79.91%
 Covered Employee Payroll	2,049,972	1,966,506	1,948,140	1,861,482	1,870,649
 Net Pension Liability as a Percentage of Covered Employee Payroll	11.52%	19.22%	45.81%	36.22%	54.17%

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*

	2015	2014	2013	2012	2011
Total Pension Liability					
Service cost	\$ 209,927	N/A	N/A	N/A	N/A
Interest (on the total pension liability)	302,987	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A
Difference between expected and actual experience	(73,377)	N/A	N/A	N/A	N/A
Change of assumptions	32,009	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(124,432)	N/A	N/A	N/A	N/A
Net Change in Total Pension Liability	347,114	N/A	N/A	N/A	N/A
Total Pension Liability - Beginning	4,285,634	N/A	N/A	N/A	N/A
Total Pension Liability - Ending (a)	####	N/A	N/A	N/A	N/A
 Plan Fiduciary Net Position					
Contributions - employer	177,803	N/A	N/A	N/A	N/A
Contributions - employee	89,330	N/A	N/A	N/A	N/A
Net investment income	5,158	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(124,432)	N/A	N/A	N/A	N/A
Administrative expense	(3,141)	N/A	N/A	N/A	N/A
Other	(155)	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	144,563	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	3,494,267	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	3,638,830	N/A	N/A	N/A	N/A
 Net Pension Liability - Ending (a) - (b)	993,918	N/A	N/A	N/A	N/A
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.55%	N/A	N/A	N/A	N/A
 Covered Employee Payroll	1,786,809	N/A	N/A	N/A	N/A
 Net Pension Liability as a Percentage of Covered Employee Payroll	55.63%	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**

	2020	2019	2018	2017	2016
Actuarially Determined Contributions	\$ 184,291	\$ 183,105	\$ 194,619	\$ 184,281	\$ 180,429
Contributions in Relation to the					
Actuarially Determined Contributions	\$ 184,291	\$ 183,105	\$ 194,619	\$ 184,281	180,429
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Employee Payroll	2,049,972	1,966,506	1,948,140	1,861,482	1,870,649
Contributions as a Percentage of					
Covered Employee Payroll	8.99%	9.31%	9.99%	9.90%	9.65%

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)**

	2015	2014	2013	2012	2011	2010
Actuarially Determined Contributions	\$ 177,803	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the						
Actuarially Determined Contributions	<u>177,803</u>	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	-	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll	1,786,609	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of						
Covered Employee Payroll	9.95%	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 FUNDSSpecial Revenue Funds

										Totals
										Nonmajor
										Special
	Hill Memorial Fund	Police Department Special	Police Officer of The Year	FEMA Grant	Departmen Training	Veterans	Municipal Park	Court	Hotel/Motel Tax	Revenue Funds
Assets										
Cash and cash equivalents	\$ 9,362	\$ 2,912	\$ 4,968	\$ 599,321	\$ 2,277	\$ 4,275	\$ 129,452	\$ 259,602	\$ 36,182	\$ 1,048,351
Capital assets/AR		13,932								13,932
Due from other funds	-	-	-	-	-	-	36,790	1,495	-	38,285
Total Assets	23,294	2,912	4,968	599,321	2,277	4,275	166,242	261,097	36,182	1,100,568
Liabilities & Fund Balances										
Liabilities										
Accounts payable	375	-	97	43,456	-	-	19,600	-	-	-
Deferred Revenue										
Due to other funds	-	-	-	-	-	-	-	-	46,472	46,472
Total Liabilities	375	-	97	43,456	-	-	19,600	-	46,472	46,472
Fund Balances										
Restricted	22,919	2,912	4,871	555,865	2,277	4,275	146,642	261,097	(10,290)	1,054,096
Total Fund Balances	22,919	2,912	4,871	555,865	2,277	4,275	146,642	261,097	(10,290)	1,054,096
Total Liabilities and Fund Balances	\$ 23,294	\$ 2,912	\$ 4,968	\$ 599,321	\$ 2,277	\$ 4,275	\$ 166,242	\$ 261,097	\$ 36,182	\$ 1,100,568

CITY OF ROCKDALE, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)

Capital			
Debt Service	Projects	Totals	
Fund	Fund	Nonmajor	
Debt	2009	Governmental	
Service	Tax Notes	Funds	
\$ 341,379	\$ -	\$ 1,389,730	
-	-	-	
29,986	-	68,271	
<u>371,365</u>	<u>-</u>	<u>1,458,001</u>	
-	-	-	
1,297		1,297	
-	-	46,472	
<u>1,297</u>	<u>-</u>	<u>47,769</u>	
<u>370,068</u>	<u>-</u>	<u>1,410,232</u>	
<u>370,068</u>	<u>-</u>	<u>1,410,232</u>	
<u>\$ 371,365</u>	<u>\$ -</u>	<u>\$ 1,458,001</u>	

CITY OF ROCKDALE, TEXAS

Exhibit C-2

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

Special Revenue Funds										Totals
Revenues	Lucy									Nonmajor
	Hill	Police	Police	Police			Municipal	Hotel/Motel	Special	Revenue
	Memorial Fund	Department Special	Officer of The Year	FEMA Grant	Dept Training	Veterans Park	Court	Tax	Revenue	Funds
Taxes										
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,326
Hotel/Motel	-	-	-	-	-	-	-	-	-	139,560
Charges for services	-	1,709	-	-	-	-	99,375	-	38,476	
Fines and forfeitures	-	-	-	-	-	-	-	-	-	
Investment earnings	25	28	25	486	25	29	593	1,124	194	2,529
Contributions and donations	9,234	-	-	-	-	2,000	-	-	-	11,234
Other	2,500	-	-	870,964	1,173	-	-	-	-	874,734
Total Revenues	11,759	1,737	25	871,450	1,198	2,029	99,968	138,450	38,670	1,165,383
Expenditures										
Current:										
General government	-	-	-	53,250	-	-	130,247	63,519	43,465	290,481
Public safety	-	6,208	72	-	4,789	-	-	-	-	11,069
Highways and streets	-	-	-	-	-	-	-	-	-	
Culture and recreation	5,938	-	-	-	-	11,850	-	-	-	17,788
Capital Outlay	-			252,647						
Debt Service:										
Principal payments	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	
Total Expenditures	5,938	6,208	72	305,897	4,789	11,850	130,247	63,519	43,465	319,338
Excess (Deficiency) of Revenues										
Over (Under) Expenditure:	5,821	(4,471)	(47)	565,553	(3,591)	(9,821)	(30,279)	74,931	(4,795)	846,045
Other Financing Sources										
Transfers in/(Out)	-	-	-	(76,233)	-	-	-	-	-	(76,233)
Total Other Financing Sources	-	-	-	(76,233)	-	-	-	-	-	(76,233)
Net Change in Fund Balances	5,821	(4,471)	(47)	489,320	(3,591)	(9,821)	(30,279)	74,931	(4,795)	769,812
Fund Balances, Begin of Year	17,098	7,383	4,918	66,545	5,868	14,096	176,921	186,166	(5,495)	535,745
Fund Balances, End of Year	\$ 22,919	\$ 2,912	\$ 4,871	\$ 555,865	\$ 2,277	\$ 4,275	\$ 146,642	\$ 261,097	\$ (10,290)	\$ 1,305,557

CITY OF ROCKDALE, TEXAS

Exhibit C-2

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

Capital		Nonmajor Governmental Funds	Totals
Debt Service	Projects		
Debt Fund	2009 Fund		
\$ 630,574	\$ -	\$ 630,574	
-	-	137,326	
-	-	139,560	
-	-	-	
2,412	-	4,941	
-	-	11,234	
-	-	874,734	
<u>632,986</u>	<u>-</u>	<u>1,798,369</u>	
300	-	290,781	
-	-	11,069	
-	-	-	
-	-	17,788	
-	-	-	
365,000	-	365,000	
155,689	-	155,689	
<u>520,989</u>	<u>-</u>	<u>840,327</u>	
111,997	-	958,042	
<u>(20,295)</u>	<u>-</u>	<u>(96,528)</u>	
<u>(20,295)</u>	<u>-</u>	<u>861,514</u>	
91,702	-	861,514	
<u>278,366</u>	<u>-</u>	<u>814,111</u>	
<u>\$ 370,068</u>	<u>\$ -</u>	<u>\$ 1,675,625</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, 2021, 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 29, 2022.

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 29, 2022