

**CITY OF ROCKDALE, TEXAS**

**FINANCIAL REPORT**

**For the Year Ended September 30, 2015**



# CITY OF ROCKDALE, TEXAS

## FINANCIAL REPORT

Year Ended September 30, 2015

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Rockdale, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Rockdale, Texas's 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 did not audit the Rockdale Municipal Development District, which represents 3.5 percent, 4.7 percent and 5.2 percent, respectively, of the assets, net position and revenues of the City of Rockdale, Texas. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rockdale Municipal Development District, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, each major fund, and the aggregate remaining fund information of the City of Rockdale, Texas, as of September 30, 2015, 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 on pages 5 through 13, the budgetary comparison information on page 58 and the pension information on pages 60 through 64, 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's basic financial statements. The combining 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 combining nonmajor fund financial statements on pages 66-69 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Sugar Land, Texas  
August 25, 2016

## 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, 2015.

### **FINANCIAL HIGHLIGHTS**

- Total net position of the City increased by \$1,002,100 in the 2015 fiscal year. As part of this \$1,002,100 total increase in net position, the net position of business-type activities decreased by \$1,207,213.
- The City's total net position of governmental activities increased by \$2,209,313 in the 2015 fiscal year resulting in an ending net position of \$5,141,620. In the 2014 fiscal year, this increase was \$184,170.
- The ending combined Governmental Funds' fund balance totaled \$5,375,834. The fund balance increased \$3,111,472 from the prior year total of \$2,264,362. The increase in fund balance can be attributed to the issuance of debt in the 2015 Comb. Tax/Rev. CO fund in the amount of \$3,000,000.
- The fund balance in the General Fund as of September 30, 2015, is \$1,682,341. Unassigned fund balance as of September 30, 2015 is \$1,675,887, which represents 55.3% of General Fund expenditures.

### **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* presents 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.

The City has three types of funds:

**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 2015 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 a 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 \$12,464,123 at the close of the fiscal year.

The largest portion of the City's net position (36.9%) reflects its net investment in capital assets (e.g. land, building, machinery, infrastructure, and equipment). The City uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net position (29.6%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position (33.5%) 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.

### **SUMMARY OF STATEMENT OF NET POSITION**

**As of September 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,748,815	\$ 2,602,889	\$ 3,360,168	\$ 3,202,486	\$ 9,108,983	\$ 5,805,375
Capital assets, net	3,016,894	3,001,792	14,103,587	14,339,646	17,120,481	17,341,438
<b>Total Assets</b>	<b>8,765,709</b>	<b>5,604,681</b>	<b>17,463,755</b>	<b>17,542,132</b>	<b>26,229,464</b>	<b>23,146,813</b>
<b>Deferred Outflows of Resources</b>	<b>118,472</b>	<b>94,035</b>	<b>42,934</b>	<b>34,078</b>	<b>161,406</b>	<b>128,113</b>
Long-term liabilities	3,570,906	2,617,665	9,791,159	8,389,813	13,362,065	11,007,478
Other liabilities	153,609	148,744	386,487	656,681	540,096	805,425
<b>Total Liabilities</b>	<b>3,724,515</b>	<b>2,766,409</b>	<b>10,177,646</b>	<b>9,046,494</b>	<b>13,902,161</b>	<b>11,812,903</b>
<b>Deferred Inflows of Resources</b>	<b>18,046</b>		<b>6,540</b>		<b>24,586</b>	
Net investment in capital assets	72,793	1,005,482	4,526,593	6,160,337	4,599,386	7,165,819
Restricted	3,683,392	734,381		1,174,500	3,683,392	1,908,881
Unrestricted	1,385,435	1,192,444	2,795,910	1,194,879	4,181,345	2,387,323
<b>Total Net Position</b>	<b>\$ 5,141,620</b>	<b>\$ 2,932,307</b>	<b>\$ 7,322,503</b>	<b>\$ 8,529,716</b>	<b>\$ 12,464,123</b>	<b>\$ 11,462,023</b>

Current and other assets of governmental activities increased by \$3,145,926 or 120.9%. This increase can mainly be attributed to the issuance of the Combination Tax and Revenue Certificates of Obligation, Series 2015, in the amount of \$3,000,000. As of September 30, 2015, the majority of the proceeds have not been spent.

Long-term liabilities for both governmental and business-type activities increased from the prior year by 104.7% and 28.6%, respectively. These increases can also mainly be attributed to the issuance of the Combination Tax and Revenue Certificates of Obligation, Series 2015, in the amount of \$3,000,000.

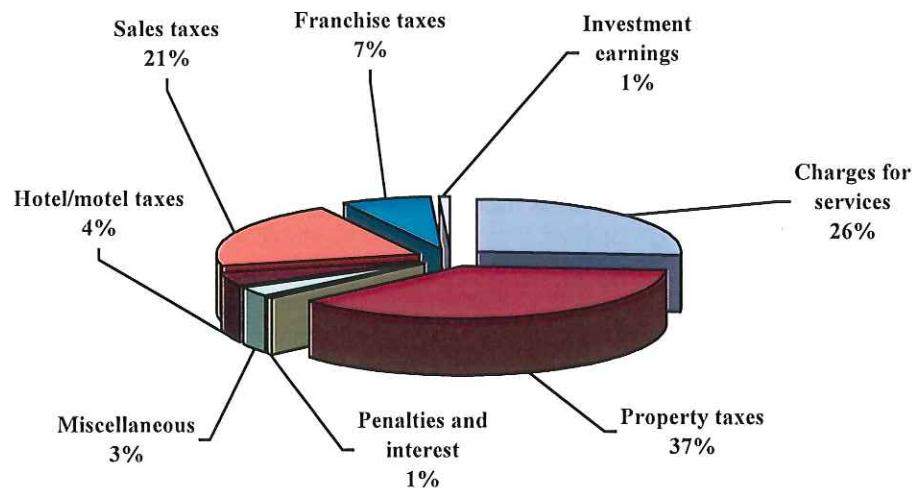
Net position of the City, which relates to governmental and business-type activities, increased by \$1,002,100. Key elements of the increase are as follows:

**CHANGES IN NET POSITION**  
**For the Fiscal Years Ended September 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 979,912	\$ 847,409	\$ 3,130,920	\$ 2,842,222	\$ 4,110,832	\$ 3,689,631
General revenues:						
Property taxes	1,406,641	1,323,553			1,406,641	1,323,553
Sales taxes	776,050	728,982			776,050	728,982
Franchise taxes	271,939	270,341			271,939	270,341
Hotel/motel taxes	151,931	141,338			151,931	141,338
Penalties and interest	21,705	24,750			21,705	24,750
Investment earnings	32,350	24,539	21,215	30,388	53,565	54,927
Miscellaneous	118,369	104,656	225,772		344,141	104,656
<b>Total Revenues</b>	<b>3,758,897</b>	<b>3,465,568</b>	<b>3,377,907</b>	<b>2,872,610</b>	<b>7,136,804</b>	<b>6,338,178</b>
<b>Expenses</b>						
General government	392,328	389,735			392,328	389,735
Public safety	1,654,835	1,668,904			1,654,835	1,668,904
Highways and streets	627,582	571,034			627,582	571,034
Community services	55,992	42,770			55,992	42,770
Health services	104,363	97,183			104,363	97,183
Culture and recreation	727,854	670,037			727,854	670,037
Interest and fiscal charges	71,619	147,003			71,619	147,003
Utility			2,500,131	2,476,688	2,500,131	2,476,688
<b>Total Expenses</b>	<b>3,634,573</b>	<b>3,586,666</b>	<b>2,500,131</b>	<b>2,476,688</b>	<b>6,134,704</b>	<b>6,063,354</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>						
Transfers	124,324	(121,098)	877,776	395,922	1,002,100	274,824
Transfers in (out)	2,084,989	305,268	(2,084,989)	(305,268)		
<b>Change in Net Position</b>	<b>2,209,313</b>	<b>184,170</b>	<b>(1,207,213)</b>	<b>90,654</b>	<b>1,002,100</b>	<b>274,824</b>
<b>Net Position, Beginning</b>	<b>2,932,307</b>	<b>2,748,137</b>	<b>8,529,716</b>	<b>8,439,062</b>	<b>11,462,023</b>	<b>11,187,199</b>
<b>Net Position, Ending</b>	<b>\$ 5,141,620</b>	<b>\$ 2,932,307</b>	<b>\$ 7,322,503</b>	<b>\$ 8,529,716</b>	<b>\$ 12,464,123</b>	<b>\$ 11,462,023</b>

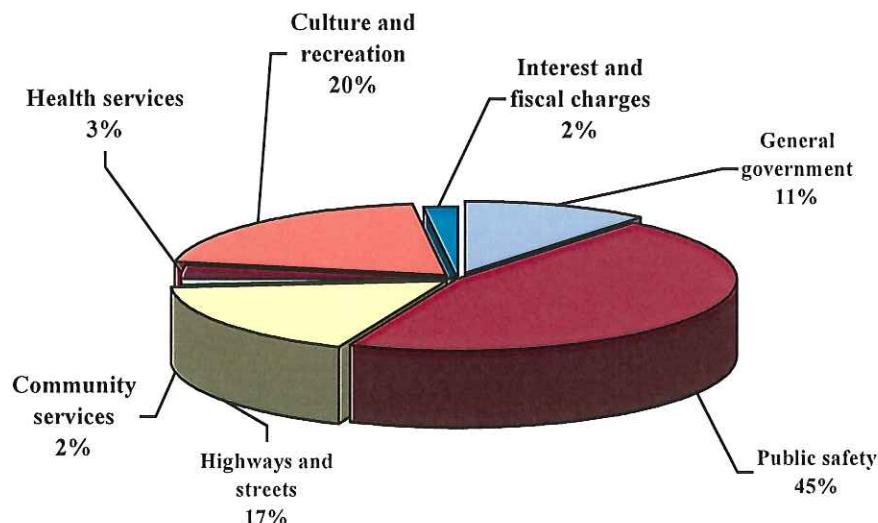
Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.

### GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2015, revenue from governmental activities totaled \$3,758,897, the largest portion of which related to property taxes (37.4%).

### GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended September 30, 2015, expenses from governmental activities totaled \$3,634,573, the largest portion of which related to public safety (45.5%).

## **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, 2015, the City's governmental funds reported a combined ending fund balance of \$5,375,834, which is an increase of \$3,111,472 from last year's total of \$2,264,362. Approximately 31.2% of the total fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 68.7% 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 0.1% of fund balance is nonspendable to indicate that these amounts are not available for appropriation.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,675,887. 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 55.3% of total General Fund expenditures.

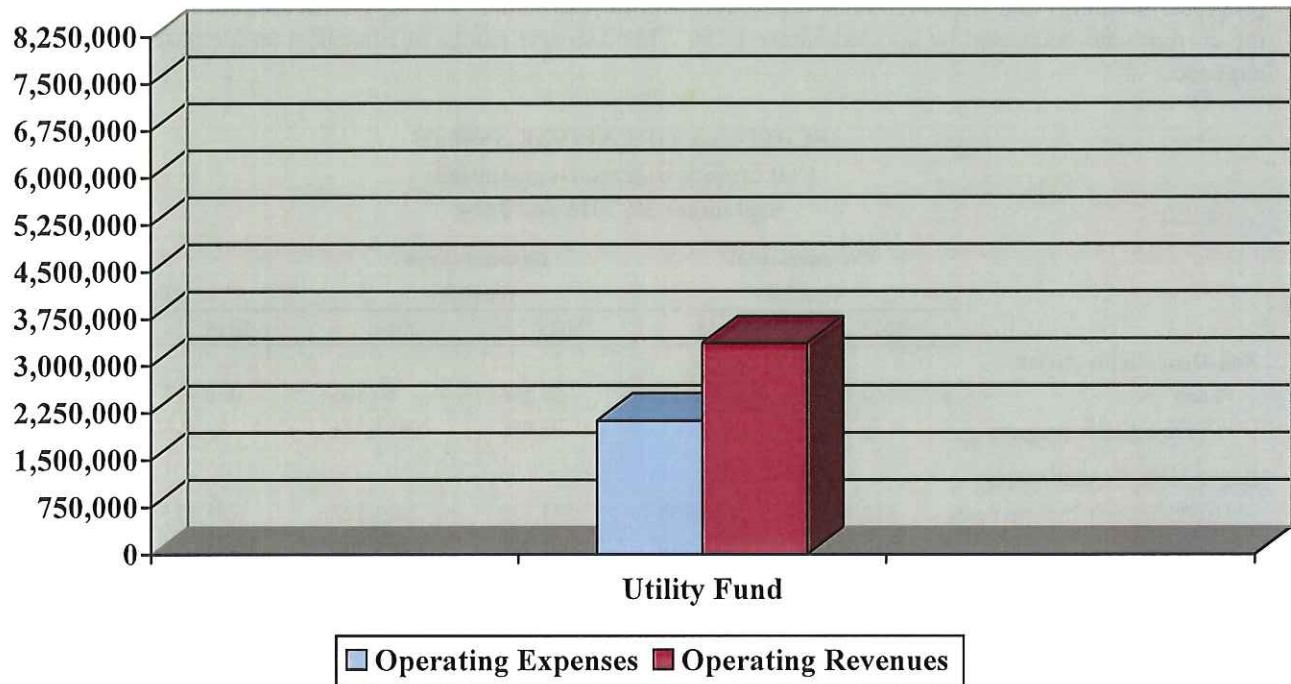
During the current fiscal year, the fund balance of the City's General Fund increased by \$152,360.

The 2015 Comb. Tax/Rev. CO fund reported an ending fund balance of \$2,964,278, due to the issuance of the Combination Tax and Revenue Certificates of Obligation, Series 2015, in the amount of \$3,000,000. As of September 30, 2015, the majority of the proceeds have not been spent.

**Proprietary Fund** - The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position in the Utility Fund at the end of the year was \$2,795,910.

During the 2015 fiscal year, the Utility Fund has a decrease in net position of \$1,207,213. 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 and 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 2015 fiscal year, actual revenues were \$328,184 more than budgeted. Actual expenditures were \$264,777 more than budgeted. The budget projected a decrease in fund balance of \$12,158 while the final actual result was an increase of \$152,360 for the year ended September 30, 2015.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$17,120,481. This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and infrastructure. The City's investment in capital assets for the current year decreased by approximately 1.3%. This decrease can be attributed to an increase in depreciation expense.

### **SCHEDULE OF CAPITAL ASSETS** (Net of Accumulated Depreciation) September 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Non-Depreciable Assets</b>						
Land	\$ 410,111	\$ 410,111	\$ 50,506	\$ 50,506	\$ 460,617	\$ 460,617
Construction in progress			98,896	2,573,416	98,896	2,573,416
<b>Depreciable Capital Assets</b>						
Buildings and improvements	532,393	587,266	213,330	223,227	745,723	810,493
Equipment	744,808	534,739	1,096,286	1,029,703	1,841,094	1,564,442
Infrastructure	1,329,582	1,469,676	12,644,569	10,462,794	13,974,151	11,932,470
<b>Totals</b>	<b>\$ 3,016,894</b>	<b>\$ 3,001,792</b>	<b>\$ 14,103,587</b>	<b>\$ 14,339,646</b>	<b>\$ 17,120,481</b>	<b>\$ 17,341,438</b>

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 \$13,362,065. The City's total long-term debt increased by \$3,145,954 during the current fiscal year. This increase during the 2015 fiscal year is mainly attributable to the issuance of the Combination Tax and Revenue Certificates of Obligation, Series 2015, in the amount of \$3,000,000. In addition, the City implemented Governmental Accounting Standards Board Statement No. 68 and No. 71 during the current fiscal year, which resulted in recording a net pension liability of \$791,367.

### **SCHEDULE OF LONG-TERM DEBT** September 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>General obligation debt</b>						
General obligation debt	\$ 2,716,144	\$ 1,905,144	\$ 38,138	\$ 8,375	\$ 2,716,144	\$ 1,905,144
Capital leases	227,957	91,166	9,538,856	8,161,338	266,095	99,541
Revenue debt and notes			210,504		9,538,856	8,161,338
Net pension liability	580,863		3,661	9,596	791,367	
Compensated absences	45,942	40,492			49,603	50,088
<b>Totals</b>	<b>\$ 3,570,906</b>	<b>\$ 2,036,802</b>	<b>\$ 9,791,159</b>	<b>\$ 8,179,309</b>	<b>\$ 13,362,065</b>	<b>\$ 10,216,111</b>

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

## **GENERAL FUND HIGHLIGHTS**

- Fund balance in the General Fund increased to \$1,682,341. It is intended that, if needed, the use of available fund balance will avoid the need to raise taxes in the near future.

## **ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGET AND RATES**

The economic conditions facing the City of Rockdale improved slightly in the 2015 fiscal year. Sales taxes for 2015 were \$38,327 more than in the 2014 fiscal year. Property taxes were \$130,145 more in 2015 than in 2014.

No changes were made in staff that would affect the City's financial accounting or reporting for the fiscal year ending September 30, 2015. The City Council continues to have a conservative approach to finances and to keep tax rates competitive with surrounding communities.

For the 2016 fiscal year, the tax rate was increased from \$.77 to \$.79 per \$100 valuation to pay for increased costs of operations. The water fees and wastewater fees were not increased for the 2016 fiscal year.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Rockdale, Texas's 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, Rockdale, 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, 2015

	Primary Government			Component Unit	
	Governmental Activities		Business-Type Activities	Municipal Development	
			Totals	District	
<b>Assets</b>					
Cash and cash equivalents	\$ 5,392,489	\$ 2,299,277	\$ 7,691,766	\$ 398,503	
Receivables, net	367,718	1,043,045	1,410,763		27,668
Internal balances	(17,846)	17,846			
Inventory	6,454		6,454		
Capital assets, not being depreciated	410,111	149,402	559,513		355,872
Capital assets, net of accumulated depreciation	2,606,783	13,954,185	16,560,968		122,947
<b>Total Assets</b>	<b>8,765,709</b>	<b>17,463,755</b>	<b>26,229,464</b>		<b>904,990</b>
<b>Deferred Outflows of Resources</b>					
Deferred outflows	118,472	42,934	161,406		
<b>Total Deferred Outflows of Resources</b>	<b>118,472</b>	<b>42,934</b>	<b>161,406</b>		
<b>Liabilities</b>					
Accounts payable and other current liabilities	143,508	139,432	282,940		42,554
Deposits		208,951	208,951		
Accrued interest payable	10,101	38,104	48,205		
Long-term liabilities due within one year	261,268	581,356	842,624		28,157
Long-term liabilities due in more than one year	3,309,638	9,209,803	12,519,441		254,069
<b>Total Liabilities</b>	<b>3,724,515</b>	<b>10,177,646</b>	<b>13,902,161</b>		<b>324,780</b>
<b>Deferred Inflows of Resources</b>					
Deferred inflows	18,046	6,540	24,586		
<b>Total Deferred Inflows of Resources</b>	<b>18,046</b>	<b>6,540</b>	<b>24,586</b>		
<b>Net Position</b>					
Net investment in capital assets	72,793	4,526,593	4,599,386		196,593
Restricted for:					
Debt service	178,105		178,105		42,976
Capital projects	3,031,826		3,031,826		
Economic development					200,544
Special projects	473,461		473,461		
Unrestricted	1,385,435	2,795,910	4,181,345		140,097
<b>Total Net Position</b>	<b>\$ 5,141,620</b>	<b>\$ 7,322,503</b>	<b>\$ 12,464,123</b>		<b>\$ 580,210</b>

See Notes to Financial Statements.

# CITY OF ROCKDALE, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 392,328	\$ 46,578	\$	\$
Public safety	1,654,835	855,233		
Highways and streets	627,582	865		
Community services	55,992	22,369		
Health services	104,363			
Culture and recreation	727,854	54,867		
Interest on long-term debt	71,619			
<b>Totals Governmental Activities</b>	<b>3,634,573</b>	<b>979,912</b>		
<b>Business-Type Activities</b>				
Utility fund	2,500,131	3,130,920		
<b>Totals Business-Type Activities</b>	<b>2,500,131</b>	<b>3,130,920</b>		
<b>Totals Primary Government</b>	<b>\$ 6,134,704</b>	<b>\$ 4,110,832</b>	<b>\$</b>	<b>\$</b>
<b>Component Unit</b>				
Municipal Development District	\$ 395,294	\$	\$	\$
<b>Total Component Unit</b>	<b>395,294</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>General Revenues:</b>				
Taxes:				
Property taxes				
Sales taxes				
Hotel/motel taxes				
Franchise taxes				
Penalties and interest				
Investment earnings				
Miscellaneous				
<b>Transfers</b>				
<b>Total General Revenues and Transfers</b>				
<b>Change in Net Position</b>				
<b>Net Position, Beginning</b>				
<b>Net Position, Ending</b>				

See Notes to Financial Statements.

## Net (Expense) Revenue and Changes in Net Position

Primary Government		Component Unit	
Governmental Activities	Business-Type Activities	Municipal Development District	
		Totals	
\$ (345,750)	\$ (799,602)	\$ (345,750)	\$ (799,602)
(626,717)		(626,717)	
(33,623)		(33,623)	
(104,363)		(104,363)	
(672,987)		(672,987)	
(71,619)		(71,619)	
<u>(2,654,661)</u>		<u>(2,654,661)</u>	
	630,789	630,789	
	630,789	630,789	
<u>\$ (2,654,661)</u>	<u>\$ 630,789</u>	<u>\$ (2,023,872)</u>	
			(395,294)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (395,294)</u>
\$ 1,406,641	\$ 776,050	\$ 1,406,641	\$ 359,895
151,931		151,931	
271,939		271,939	
21,705		21,705	
32,350	21,215	53,565	3,225
118,369	225,772	344,141	5,620
<u>2,084,989</u>	<u>(2,084,989)</u>		
<u>4,863,974</u>	<u>(1,838,002)</u>	<u>3,025,972</u>	<u>368,740</u>
<u>2,209,313</u>	<u>(1,207,213)</u>	<u>1,002,100</u>	<u>(26,554)</u>
<u>2,932,307</u>	<u>8,529,716</u>	<u>11,462,023</u>	<u>606,764</u>
<u>\$ 5,141,620</u>	<u>\$ 7,322,503</u>	<u>\$ 12,464,123</u>	<u>\$ 580,210</u>

# CITY OF ROCKDALE, TEXAS

Exhibit A-3

## BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2015

	2015 Comb	Other	Totals
	General	Tax/Rev CO	Governmental
	Fund	Fund	Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,752,195	\$ 2,964,278	\$ 5,392,489
Receivables, net:			
Property taxes	35,732		35,732
Sales taxes	137,201		137,201
Fines	193,741		193,741
Other	1,044		1,044
Due from other funds		60,792	60,792
Inventory	6,454		6,454
<b>Total Assets</b>	<b>2,126,367</b>	<b>2,964,278</b>	<b>5,827,453</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	75,371	4,904	80,275
Wages and salaries payable	63,233		63,233
Due to other funds	75,949	2,689	78,638
<b>Total Liabilities</b>	<b>214,553</b>	<b>7,593</b>	<b>222,146</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues - property taxes	35,732		35,732
Unavailable revenues - fines	193,741		193,741
<b>Total Deferred Inflows of Resources</b>	<b>229,473</b>		<b>229,473</b>
<b>Fund Balances</b>			
Nonspendable	6,454		6,454
Restricted		2,964,278	729,215
Unassigned	1,675,887		1,675,887
<b>Total Fund Balances</b>	<b>1,682,341</b>	<b>2,964,278</b>	<b>5,375,834</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,126,367</b>	<b>\$ 2,964,278</b>	<b>\$ 5,827,453</b>
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.			\$ 3,016,894
Property taxes receivable are not available to pay for current period expenditures and therefore are deferred in the governmental funds.			35,732
Some liabilities, including bonds payable, interest payable, notes payable, premiums on bonds/other refunding charges, net pension liability and accrued compensated absences are not reported as liabilities in the governmental funds.			(3,581,007)
Deferred outflows and inflows of resources pertaining to actuarial pension differences between expected and actual economic experience (\$18,046), projected and actual investment earnings (\$23,768) and pension contributions made subsequent to the measurement date (\$94,704) are not financial resources, and therefore, are not reported in the funds.			100,426
Court fines receivable are unavailable to pay for current period expenditures and are therefore deferred in the governmental funds.			193,741
<b>Net Position of Governmental Activities</b>			<b>\$ 5,141,620</b>

See Notes to Financial Statements.

# CITY OF ROCKDALE, TEXAS

Exhibit A-4

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

For the Year Ended September 30, 2015

	General	2015 Comb Tax/Rev CO Fund	Other Governmental Funds	Totals Governmental Funds
<b>Revenues</b>				
Taxes:				
Property	\$ 1,136,765	\$	272,356	\$ 1,409,121
Sales	776,050			776,050
Hotel/motel			151,931	151,931
Franchise	271,939			271,939
Penalties and interest	21,705			21,705
Licenses and permits	28,865			28,865
Fines and forfeitures	402,501		13,006	415,507
Charges for services	200,040		351,684	551,724
Contributions and donations			19,260	19,260
Investment earnings	15,404	4,278	6,334	26,016
Other	65,174		2,835	68,009
<b>Total Revenues</b>	<b>2,918,443</b>	<b>4,278</b>	<b>817,406</b>	<b>3,740,127</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	242,605		94,717	337,322
Public safety	1,411,355		331,484	1,742,839
Highways and streets	590,502		89,904	680,406
Community services	54,342			54,342
Health services	110,918			110,918
Culture and recreation	582,969		43,464	626,433
<b>Capital Outlay</b>				
<b>Debt Service:</b>				
Principal retirement	38,809		189,000	227,809
Interest and fiscal charges			82,438	82,438
Debt issuance costs	40,000			40,000
<b>Total Expenditures</b>	<b>3,031,500</b>	<b>40,000</b>	<b>831,007</b>	<b>3,902,507</b>
<b>(Deficiency) of Revenues</b>				
<b>(Under) Expenditures</b>	<b>(113,057)</b>	<b>(35,722)</b>	<b>(13,601)</b>	<b>(162,380)</b>
<b>Other Financing Sources</b>				
Capital leases	188,863			188,863
Debt issuance		1,000,000		1,000,000
Transfers in	76,554	2,000,000	8,435	2,084,989
<b>Total Other Financing Sources</b>	<b>265,417</b>	<b>3,000,000</b>	<b>8,435</b>	<b>3,273,852</b>
<b>Net Change in Fund Balances</b>	<b>152,360</b>	<b>2,964,278</b>	<b>(5,166)</b>	<b>3,111,472</b>
<b>Fund Balances - Beginning</b>	<b>1,529,981</b>		<b>734,381</b>	<b>2,264,362</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,682,341</b>	<b>\$ 2,964,278</b>	<b>\$ 729,215</b>	<b>\$ 5,375,834</b>

See Notes to Financial Statements.

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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, 2015

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

Net change in fund balances - total governmental funds	\$ 3,111,472
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 (\$345,293) exceeded depreciation (\$330,191) in the current period.	15,102
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures in governmental funds. This adjustment reflects the net change in interest payable (\$-17,184), the net pension liability (\$0), deferred outflows of resources (\$24,437) and deferred inflows of resources (\$-18,046).	(10,793)
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.	18,770
The issuance of 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 the issuance of new debt (\$-1,188,863) and principal repayment on capital leases, notes payable and bonds (\$263,625).	(925,238)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,209,313</u></b>

See Notes to Financial Statements.

**CITY OF ROCKDALE, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

Exhibit A-6

September 30, 2015

	Business-Type Activities
	Utility Fund
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 2,299,277
Accounts receivable, net	1,043,045
Due from other funds	17,846
<b>Total Current Assets</b>	<b>3,360,168</b>
<b>Noncurrent Assets:</b>	
Capital assets:	
Construction in progress	98,896
Land	50,506
Buildings and improvements	361,053
Equipment	1,406,985
Infrastructure	19,471,995
Less accumulated depreciation	(7,285,848)
<b>Total Noncurrent Assets</b>	<b>14,103,587</b>
<b>Total Assets</b>	<b>17,463,755</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows	42,934
<b>Total Deferred Outflows of Resources</b>	<b>42,934</b>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	65,133
Wages and salaries payable	21,978
Customer deposits	208,951
Unearned revenue	52,321
Accrued interest payable	38,104
Capital leases payable	10,246
Bonds payable	571,110
<b>Total Current Liabilities</b>	<b>967,843</b>
<b>Noncurrent Liabilities:</b>	
Capital leases payable	27,892
Compensated absences	3,661
Net pension liability	210,504
Bonds payable	8,967,746
<b>Total Noncurrent Liabilities</b>	<b>9,209,803</b>
<b>Total Liabilities</b>	<b>10,177,646</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows	6,540
<b>Total Deferred Inflows of Resources</b>	<b>6,540</b>
<b>Net Position</b>	
Net investment in capital assets	4,526,593
Unrestricted	2,795,910
<b>Total Net Position</b>	<b>\$ 7,322,503</b>

See Notes to Financial Statements.

# CITY OF ROCKDALE, TEXAS

Exhibit A-7

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2015

	Business-Type Activities
	Utility Fund
<b><u>Operating Revenues</u></b>	
Charges for services:	
Water	\$ 1,478,837
Sewerage	1,103,197
Sanitation	391,812
NW water tower	157,074
Other	225,772
<b>Total Operating Revenues</b>	<b>3,356,692</b>
<b><u>Operating Expenses</u></b>	
Personnel services - salaries and wages	465,623
Personnel services - employee benefits	157,706
Purchased professional and technical services	86,988
Purchased property services	481,165
Other operating expenses	373,893
Supplies	3,088
Depreciation	557,324
<b>Total Operating Expenses</b>	<b>2,125,787</b>
<b>Operating Income</b>	<b>1,230,905</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Investment earnings	21,215
Interest expense	(55,595)
Other non-operating expenses	(318,749)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(353,129)</b>
<b>Income Before Transfers</b>	<b>877,776</b>
Transfers in	893,291
Transfers (out)	(2,978,280)
<b>Change in Net Position</b>	<b>(1,207,213)</b>
<b>Net Position, Beginning</b>	8,529,716
<b>Net Position, Ending</b>	<b>\$ 7,322,503</b>

See Notes to Financial Statements.

# CITY OF ROCKDALE, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the Year Ended September 30, 2015

Exhibit A-8 (Page 1 of 2)

	<b>Business-Type Activities</b>
	<b>Utility Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 2,860,957
Disbursed for goods and services to suppliers	(1,255,119)
Disbursed for personnel services	(619,668)
Other revenues	
<b>Net Cash Provided by Operating Activities</b>	<b>986,170</b>
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers from other funds	893,291
Transfers (to) other funds	(2,978,280)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(2,084,989)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal payments on bonds, notes and capital leases	(600,795)
Proceeds from capital debt	2,000,000
Interest and fiscal charges	(55,595)
Acquisition and construction of capital assets	(579,299)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>764,311</b>
<b>Cash Flows From Investing Activities</b>	
Interest received	21,215
<b>Net Cash Provided by Investing Activities</b>	<b>21,215</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(313,293)</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>2,612,570</b>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 2,299,277</b>

See Notes to Financial Statements.

# CITY OF ROCKDALE, TEXAS

Exhibit A-8 (Page 2 of 2)

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the Year Ended September 30, 2015

	<b>Business-Type Activities</b>
	<b>Utility Fund</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating income (loss)	\$ 1,230,905
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	557,324
Depreciation	(495,735)
(Increase) decrease in accounts receivable	(495,324)
Increase (decrease) in accounts payable	(306,324)
Total adjustments	<u>(244,735)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 986,170</b>

See Notes to Financial Statements.

# **CITY OF ROCKDALE, TEXAS**

Exhibit A-9

## **STATEMENT OF NET POSITION** **FIDUCIARY FUND**

**September 30, 2015**

	<b>Firemen's Pension Trust Fund</b>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 182,543
<b>Total Assets</b>	<b>\$ 182,543</b>
<b><u>Liabilities</u></b>	
Net pension obligation	\$ 182,543
<b>Total Liabilities</b>	<b>\$ 182,543</b>

See Notes to Financial Statements.

# CITY OF ROCKDALE, TEXAS

Exhibit A-10

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

September 30, 2015

	<b>Firemen's Pension Trust Fund</b>
<b>Additions</b>	
Investment earnings	\$ 1,448
Other revenue	8,244
<b>Total Additions</b>	<b>9,692</b>
<b>Deductions</b>	
Pension payouts	4,122
<b>Total Deductions</b>	<b>4,122</b>
<b>Change in Net Position</b>	<b>5,570</b>
<b>Total Net Position - Beginning</b>	<b>176,973</b>
<b>Total Net Position - Ending</b>	<b>\$ 182,543</b>

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 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

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

governmental or other type of reporting entity. 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**

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

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

fund's resources also finance a wider range of activities than any other fund. 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. Inventory acquisitions are recorded in inventory accounts initially

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

and charged as expenditures when used. Special reporting treatments are applied to governmental fund inventories to indicate that they do not represent "available spendable resources," even though they are a component of net current assets.

**G. Capital Assets**

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

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

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

**H. Compensated Employee Absences**

It is the City's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave may be accumulated at the rate of 80 hours for each continuous year of employment for full-time employees with 1 to 7 years of service. For employees with 8 to 15 years of service, 120 hours accumulate each year. For employees with 16 or more years of service, 160 hours accumulate each year. Limits exist on the amount of vacation leave which may be carried over from year to year. At the anniversary date, an employee may carry forward vacation leave not to exceed 80 hours. Sick leave credits accrue to all employees at the rate of 96 hours for each full year of continuous service. Employees are not paid for accumulated sick leave upon termination; therefore, no liability is accrued. 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, 2015 for property taxes and court fees.

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

**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.

**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 and 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. Net

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

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 are 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, 2015, 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 August 25, 2016, the date that the financial statements were available to be issued.

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

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

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

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

The details of this \$3,581,007 difference are as follows:

Notes payable	\$ 70,000
Bonds payable	2,646,144
Capital leases	227,957
Accrued interest payable	10,101
Net pension liability	580,863
Compensated absences payable	<u>45,942</u>
Net adjustment to reduce the total of fund balances of governmental funds to arrive at net position of governmental activities	<u>\$ 3,581,007</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 \$15,102 difference by which capital outlay exceeded depreciation expense are as follows:

Capital outlay	\$ 345,293
Depreciation expense	<u>(330,191)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 15,102</u>

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgets**

The Council adopts an "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**

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.

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

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. 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 & Poor's and Fitch 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.

**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, 2015, are shown below.

	<b>Book Balance</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 7,691,766	\$ 7,691,766
<b>Total Cash and Cash Equivalents</b>	<b>\$ 7,691,766</b>	<b>\$ 7,691,766</b>

**Investments**

As of September 30, 2015, 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 and 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, 2015, consists of the following:

<b>Tax Year</b>	<b>General Fund</b>
2014	\$ 35,732
2013	
2012	
2011	
2010	
2009 and prior	
<b>Totals</b>	<b><u>\$ 35,732</u></b>

**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:

	<b>General Fund</b>	<b>Utility Fund</b>	<b>Totals</b>
<b>Net Receivables:</b>			
Taxes	\$ 172,933	\$ 172,933	\$ 172,933
Accounts		1,043,045	1,043,045
Fines	193,741		193,741
Other	1,044		1,044
<b>Totals</b>	<b>\$ 367,718</b>	<b>\$ 1,043,045</b>	<b>\$ 1,410,763</b>

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:

	<b>Unavailable</b>
<b>General Fund:</b>	
Delinquent property taxes receivable	\$ 35,732
Fines	193,741
<b>Total General Fund</b>	<b>229,473</b>

**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, 2015, interfund transfers were as follows:

<b>Transfers Out</b>	<b>Transfers In</b>				<b>Totals</b>
	<b>General Fund</b>	<b>2015 Comb. Tax/Rev. CO</b>		<b>Other Governmental Funds</b>	
		<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	
Utility Fund	\$ 76,554	\$ 2,000,000	\$ 8,435	\$ 2,084,989	
<b>Totals</b>	<b>\$ 76,554</b>	<b>\$ 2,000,000</b>	<b>\$ 8,435</b>	<b>\$ 2,084,989</b>	

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

During the 2015 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, 2015, interfund receivables/payables were as follows:

Due to Other Funds	Due From Other Funds			Totals	
	Utility Fund	Other			
		Governmental Funds			
General Fund	\$ 17,846	\$ 58,103		\$ 75,949	
Other Governmental Funds		2,689		2,689	
<b>Totals</b>	<b>\$ 17,846</b>	<b>\$ 60,792</b>		<b>\$ 78,638</b>	

**NOTE 9 - CAPITAL ASSETS**

On the following page is a summary of changes in capital assets for the year ended September 30, 2015.

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

	<b>Balances</b>			<b>Balances</b>
	<b>Oct. 1, 2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Sept. 30, 2015</b>
<b>Government Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 410,111	\$	\$	\$ 410,111
Construction in progress				
Total capital assets not being depreciated:	<u>410,111</u>			<u>410,111</u>
Capital assets being depreciated:				
Buildings and improvements	1,587,925			1,587,925
Equipment	2,143,822	345,293		2,489,115
Infrastructure	<u>5,016,158</u>			<u>5,016,158</u>
Total capital assets being depreciated	<u>8,747,905</u>	<u>345,293</u>		<u>9,093,198</u>
Less: Accumulated Depreciation for:				
Buildings and improvements	(1,000,659)	(54,873)		(1,055,532)
Equipment	(1,609,083)	(135,224)		(1,744,307)
Infrastructure	<u>(3,546,482)</u>	<u>(140,094)</u>		<u>(3,686,576)</u>
Total Accumulated Depreciation	<u>(6,156,224)</u>	<u>(330,191)</u>		<u>(6,486,415)</u>
Total capital assets being depreciated, net	<u>2,591,681</u>	<u>15,102</u>		<u>2,606,783</u>
Governmental activities capital assets, net	<u>\$ 3,001,792</u>	<u>\$ 15,102</u>	<u>\$</u>	<u>\$ 3,016,894</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 50,506	\$	\$	\$ 50,506
Construction in progress	<u>2,573,416</u>	<u>230,065</u>	<u>(2,704,585)</u>	<u>98,896</u>
Total capital assets not being depreciated:	<u>2,623,922</u>	<u>230,065</u>	<u>(2,704,585)</u>	<u>149,402</u>
Capital assets being depreciated:				
Buildings and improvements	361,053			361,053
Equipment	1,315,785	91,200		1,406,985
Infrastructure	<u>16,767,410</u>	<u>2,704,585</u>		<u>19,471,995</u>
Total capital assets being depreciated	<u>18,444,248</u>	<u>2,795,785</u>		<u>21,240,033</u>
Less: Accumulated Depreciation				
Buildings and improvements	(137,826)	(9,897)		(147,723)
Equipment	(286,082)	(24,617)		(310,699)
Infrastructure	<u>(6,304,616)</u>	<u>(522,810)</u>		<u>(6,827,426)</u>
Total Accumulated Depreciation	<u>(6,728,524)</u>	<u>(557,324)</u>		<u>(7,285,848)</u>
Total capital assets being depreciated, net	<u>11,715,724</u>	<u>2,238,461</u>		<u>13,954,185</u>
Business-Type activities capital assets, net	<u>\$ 14,339,646</u>	<u>\$ 2,468,526</u>	<u>\$ (2,704,585)</u>	<u>\$ 14,103,587</u>

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

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

**Governmental Activities:**

General government	\$ 27,076
Public safety	38,302
Highways and streets	136,039
Community services	1,650
Culture and recreation	127,124
Total Depreciation Expense-Governmental Activities	<u><u>\$ 330,191</u></u>

**Business-Type Activities:**

Utility	\$ 557,324
Total Depreciation Expense-Business-Type Activities	<u><u>\$ 557,324</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:

	<b>General Fund</b>	<b>Utility Fund</b>
Asset:		
Vehicles, machinery & equipment	\$ 227,957	\$ 38,138
Less: accumulated depreciation	(18,338)	(12,937)
<b>Total</b>	<b><u><u>\$ 209,619</u></u></b>	<b><u><u>\$ 25,201</u></u></b>

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, are as follows:

<b>Year Ended September 30,</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2016	\$ 52,784	\$ 5,753	\$ 10,246	\$ 1,484	\$ 70,267
2017	41,432	4,396	6,569	1,113	53,510
2018	42,425	4,188	6,831	851	54,295
2019	34,126	2,828	7,104	578	44,636
2020	34,964	1,707	7,388	295	44,354
2021	22,226				22,226
<b>Totals</b>	<b>\$ 227,957</b>	<b>\$ 18,872</b>	<b>\$ 38,138</b>	<b>\$ 4,321</b>	<b>\$ 289,288</b>

**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, 2015, follows:

	<b>Original Interest Rate</b>	<b>Beginning</b>		<b>Ending</b>		
		<b>Issue Amount</b>	<b>Balances Outstanding</b>	<b>Issued</b>	<b>Retired</b>	<b>Balances Outstanding</b>
<b><u>Governmental Activities</u></b>						
Series 2006 CO Bonds	4.73%	\$ 2,900,000	\$ 1,019,200	\$	\$ 63,700	\$ 955,500
Series 2008 Refunding Bonds	4.36%	580,000	410,000		40,000	370,000
Series 2009 Tax Notes	2.35-4.15%	500,000	140,000		70,000	70,000
Series 2011 Tax/Rev CO Bonds	3.32%	2,075,000	335,944		15,300	320,644
Series 2015 Tax/Rev CO Bonds	3.35%	1,000,000		1,000,000		1,000,000
<b>Totals</b>			<b>\$ 1,905,144</b>	<b>\$ 1,000,000</b>	<b>\$ 189,000</b>	<b>\$ 2,716,144</b>

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

The annual debt service requirements for all governmental activities general obligation bonds and certificates of obligation outstanding as of September 30, 2015, are as follows:

Year Ended Sept. 30,	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 203,890	\$ 74,803
2017	154,655	66,397
2018	162,075	60,784
2019	167,040	54,692
2020	171,155	48,457
2021-2025	876,265	141,410
2026-2030	820,285	21,062
2031	160,779	848
<b>Totals</b>	<b><u>\$ 2,716,144</u></b>	<b><u>\$ 468,453</u></b>

A summary of business-type activities long-term debt outstanding as of September 30, 2015, follows:

<b><u>Business-Type Activities</u></b>	Original	Beginning			Ending	
	Interest	Issue		Balances	Balances	
	Rate	Amount	Outstanding	Issued	Retired	Outstanding
Series 2005 Comb CO Bonds	2.8-4.05%	\$ 6,300,000	\$ 4,435,000	\$	\$ 335,000	\$ 4,100,000
Series 2006 CO Bonds	4.73%	2,900,000	1,060,800		66,300	994,500
Note Payable to TxDOT	4.00%	1,000,000	86,482		86,482	-
Series 2011 Tax/Rev CO Bonds	3.32%	1,624,056	1,624,056		74,700	1,549,356
Series 2012 CO Bonds	0.9-3.35%	525,000	460,000		30,000	430,000
Series 2013 CO Bonds	3.14%	525,000	495,000		30,000	465,000
Series 2015 CO Bonds	3.35%	2,000,000	2,000,000			2,000,000
<b>Totals</b>		<b><u>\$ 8,161,338</u></b>	<b><u>\$ 2,000,000</u></b>	<b><u>\$ 622,482</u></b>	<b><u>\$ 9,538,856</u></b>	

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

The annual requirements to amortize all business-type activities general obligation bonds and certificates of obligation outstanding as of September 30, 2015, are as follows:

Year Ended Sept. 30,	<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 571,110	\$ 342,305
2017	625,345	318,359
2018	642,925	296,357
2019	667,960	356,522
2020	693,845	249,285
2021-2025	3,878,735	856,897
2026-2030	2,074,715	267,548
2031	384,221	13,238
<b>Totals</b>	<b><u>\$ 9,538,856</u></b>	<b><u>\$ 2,700,511</u></b>

The following is a summary of changes in the City's total governmental and business-type long-term liabilities as of September 30, 2015.

	<b>Balances</b>	<b>Balances</b>			<b>Amounts Due Within One Year</b>
	<b>Oct. 1, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Sept. 30, 2015</b>	
<b>Governmental Activities:</b>					
Certificates of obligation	\$ 1,765,144	\$ 1,000,000	\$ (119,000)	\$ 2,646,144	\$ 133,890
Tax notes	140,000		(70,000)	70,000	70,000
Capital leases	91,166	188,863	(52,072)	227,957	52,784
Net pension liability	580,863			580,863	
Compensated absences	40,492	492,231	(486,781)	45,942	4,594
<b>Total Governmental Activities</b>	<b><u>\$ 2,617,665</u></b>	<b><u>\$ 1,681,094</u></b>	<b><u>\$ (727,853)</u></b>	<b><u>\$ 3,570,906</u></b>	<b><u>\$ 261,268</u></b>
<b>Business-Type Activities:</b>					
Certificates of obligation	\$ 10,074,856		\$ (536,000)	\$ 9,538,856	\$ 571,110
Notes payable	86,482		(86,482)		
Capital leases	8,375	34,209	(4,446)	38,138	10,246
Net pension liability	210,504			210,504	
Compensated absences	9,596	33,134	(39,069)	3,661	
<b>Total Business-Type Activities</b>	<b><u>\$ 10,389,813</u></b>	<b><u>\$ 67,343</u></b>	<b><u>\$ (665,997)</u></b>	<b><u>\$ 9,791,159</u></b>	<b><u>\$ 581,356</u></b>

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**

Fund balances for all the major and nonmajor governmental funds as of September 30, 2015, were distributed as follows:

	General Fund	2015 Comb. Tax/Rev. CO Fund	Other Governmental Funds	Totals
<b>Nonspendable:</b>				
Inventory	\$ 6,454	\$	\$	\$ 6,454
Subtotal	<u>6,454</u>	<u></u>	<u></u>	<u>6,454</u>
<b>Restricted for:</b>				
Special projects			473,461	473,461
Capital projects		2,964,278	77,649	3,041,927
Debt service			178,105	178,105
Subtotal		<u>2,964,278</u>	<u>729,215</u>	<u>3,693,493</u>
<b>Unassigned</b>	<b>1,675,887</b>			<b>1,675,887</b>
<b>Totals</b>	<b>\$ 1,682,341</b>	<b>\$ 2,964,278</b>	<b>\$ 729,215</b>	<b>\$ 5,375,834</b>

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](http://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. Members may also choose to receive

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

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 the September 30, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2014</u>
Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	31
Active employees	<u>47</u>
Total	<u><u>100</u></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**

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 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$180,235, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability ("NPL") was measured as of December 31, 2014, 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, 2014, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-district RP2000 Combined Healthy 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 2014, valuation 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 7.0%. 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. These ranges

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
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%
<b>Total</b>	<b><u>100.0%</u></b>	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 7.0%. 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**

**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balance at 12/31/13</b>	\$ 3,957,965	\$ 3,166,599	\$ 791,366
Changes for the year:			
Service cost	194,371		194,371
Interest	279,896		279,896
Change of benefit terms			
Difference between expected and actual experience	(33,327)		(33,327)
Changes of assumptions			
Contributions - employer		175,165	(175,165)
Contributions - employee		86,636	(86,636)
Net investment income		181,184	(181,184)
Benefit payments, including refunds of employee contributions	(113,271)	(113,271)	
Administrative expense		(1,891)	1,891
Other changes		(155)	155
Net changes	\$ 327,669	\$ 327,668	\$ 1
<b>Balance at 12/31/14</b>	<b>\$ 4,285,634</b>	<b>\$ 3,494,267</b>	<b>\$ 791,367</b>

**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 7%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<b>1% Decrease in Discount Rate (6.0%)</b>	<b>1% Increase in Discount Rate (8.0%)</b>
	<b>Discount Rate (7.0%)</b>	<b>Discount Rate (8.0%)</b>
City's net pension liability	\$ 1,400,060	\$ 293,682

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrss.com](http://www.tmrss.com).

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

For the year ended September 30, 2015, the City recognized pension expense of \$167,370.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$	\$ 24,586
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	32,382	
Contributions subsequent to the measurement date	129,024	
<b>Totals</b>	<b>\$ 161,406</b>	<b>\$ 24,586</b>

\$129,024 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ended Dec 31:</u></b>		
2015	\$ (645)	
2016	(645)	
2017	992	
2018	8,094	
2019		
Thereafter		<b><u>7,796</u></b>

**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 employees’ entire careers.

The City’s contributions to the TMRS SDBF for the fiscal years ending September 30, 2015, 2014 and 2013 were \$888, \$873 and \$648 respectively, which equaled the required contributions for each year.

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

**NOTE 14 - RISK MANAGEMENT**

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

**NOTE 15 – FIREMEN'S RELIEF AND RETIREMENT FUND**

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

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

**NOTE 16 – LITIGATION**

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

**NOTE 17 – HEALTH CARE COVERAGE**

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan (the "Plan"). The City paid premiums of \$187,658 to the Plan. Employees, at their option, authorized payroll withholding to pay premiums for dependents. All premiums were paid to a

**CITY OF ROCKDALE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Exhibit A-11**

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.

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

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

**NOTE 19 - RESTATEMENT OF FUND BALANCE/NET POSITION**

Governmental activities beginning net position was restated from \$3,313,473 to \$2,932,307 to reflect the net change of implementation of GASB 68 and 71, as discussed in Note 18 (-\$486,828), and adjustments made to amounts reported as deferred inflows in the prior fiscal year (\$105,662).

Business-type activities beginning net position was restated from \$8,706,142 to \$8,529,716 to reflect the net change of implementation of GASB 68 and 71, as discussed in Note 18 (-\$176,426).

## **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, 2015

	<u>Budgeted Amounts</u>			Variance from Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Property	\$ 1,136,390	\$ 1,136,390	\$ 1,136,765	\$ 375
Sales	730,000	730,000	776,050	46,050
Franchise	266,300	266,300	271,939	5,639
Penalties and interest	21,000	21,000	21,705	705
Licenses and permits	18,800	18,800	28,865	10,065
Fines	313,200	313,200	513,448	200,248
Charges for services	178,631	178,631	200,040	21,409
Investment earnings	10,500	10,500	15,404	4,904
Other	26,385	26,385	65,174	38,789
<b>Total Revenues</b>	<b>2,701,206</b>	<b>2,701,206</b>	<b>3,029,390</b>	<b>328,184</b>
<b>Expenditures</b>				
Current:				
General government	231,150	231,150	353,552	(122,402)
Public safety	1,421,280	1,421,280	1,411,355	9,925
Highways and streets	422,956	422,956	590,502	(167,546)
Community services	55,328	55,328	54,342	986
Health services	113,228	113,228	110,918	2,310
Culture and recreation	627,297	627,297	582,969	44,328
Capital outlay	16,040	6,431		6,431
Debt Service:				
Principal retirement			38,809	(38,809)
<b>Total Expenditures</b>	<b>2,887,279</b>	<b>2,877,670</b>	<b>3,142,447</b>	<b>(264,777)</b>
(Deficiency) of Revenues				
(Under) Expenditures	<b>(186,073)</b>	<b>(176,464)</b>	<b>(113,057)</b>	<b>63,407</b>
<b>Other Financing Sources (Uses)</b>				
Capital leases			188,863	188,863
Transfers in	171,828	171,828	76,554	(95,274)
Transfers (out)	(7,522)	(7,522)		7,522
<b>Total Other Financing Sources (Uses)</b>	<b>164,306</b>	<b>164,306</b>	<b>265,417</b>	<b>101,111</b>
Net Change in Fund Balance	(21,767)	(12,158)	152,360	164,518
<b>Fund Balance - Beginning</b>	<b>1,529,981</b>	<b>1,529,981</b>	<b>1,529,981</b>	
<b>Fund Balance - Ending</b>	<b>\$ 1,508,214</b>	<b>\$ 1,517,823</b>	<b>\$ 1,682,341</b>	<b>\$ 164,518</b>

# **CITY OF ROCKDALE, TEXAS**

Exhibit B-2

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2015**

### **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 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 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.
4. Each budget is controlled by City Management at the revenue and expenditure function/object level. Budgeted amounts are amended by the Council. All budget appropriations lapse at year-end.

### **B. Budgetary Legal Compliance**

For the year ending September 30, 2015, the City complied with budgetary restrictions at all departmental levels except the following:

<b>Fund/Department</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>General Fund:</b>			
General government	\$ 231,150	\$ 353,552	\$ (122,402)
Highways and streets	422,956	590,502	(167,546)
Debt Service - principal retirement		38,809	(38,809)

## CITY OF ROCKDALE, TEXAS

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

	2014	2013	2012	2011
<b>Total Pension Liability</b>				
Service cost	\$ 194,371	\$ N/A	\$ N/A	\$ N/A
Interest (on the total pension liability)	279,896	N/A	N/A	N/A
Changes of benefit terms		N/A	N/A	N/A
Difference between expected and actual experience	(33,327)	N/A	N/A	N/A
Change of assumptions		N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(113,271)	N/A	N/A	N/A
<b>Net Change in Total Pension Liability</b>	<b>327,669</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Pension Liability - Beginning</b>	<b>3,957,965</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 4,285,634</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 175,165	\$ N/A	\$ N/A	\$ N/A
Contributions - employee	86,636	N/A	N/A	N/A
Net investment income	181,184	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(113,271)	N/A	N/A	N/A
Administrative expense	(1,891)	N/A	N/A	N/A
Other	(155)	N/A	N/A	N/A
<b>Net Change in Plan Fiduciary Net Position</b>	<b>327,668</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>3,166,599</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 3,494,267</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 791,367</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>				
Covered Employee Payroll	\$ 1,732,722	\$ N/A	\$ N/A	\$ N/A
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>45.67%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Notes to Schedule:</b>	N/A			

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

### Exhibit B-3

2010	2009	2008	2007	2006	2005
\$ N/A					
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ N/A					
\$ N/A					
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ N/A					
\$ N/A					
N/A	N/A	N/A	N/A	N/A	N/A
\$ N/A					
N/A	N/A	N/A	N/A	N/A	N/A

## CITY OF ROCKDALE, TEXAS

### TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF EMPLOYER CONTRIBUTIONS

#### Last Ten Years\*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Actuarially Determined Contributions</b>	\$ 175,165	\$ N/A	\$ N/A	\$ N/A
<b>Contributions in Relation to the</b>				
<b>Actuarially Determined Contributions</b>	\$ 175,165	\$ N/A	\$ N/A	\$ N/A
<b>Contribution Deficiency (Excess)</b>	\$	\$ N/A	\$ N/A	\$ N/A
<b>Covered Employee Payroll</b>	\$ 1,732,722	\$ N/A	\$ N/A	\$ N/A
<b>Contributions as a Percentage of</b>				
<b>Covered Employee Payroll</b>	10.11%	N/A	N/A	N/A

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

**Exhibit B-4**

<b>2010</b>		<b>2009</b>		<b>2008</b>		<b>2007</b>		<b>2006</b>		<b>2005</b>	
\$	N/A										
\$	N/A										
\$	N/A										
\$	N/A										
N/A		N/A		N/A		N/A		N/A		N/A	

**CITY OF ROCKDALE, TEXAS**

## Exhibit B-5

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

**Valuation Date:**

## 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	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:**

Notes There were no benefit changes during the year.

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

**CITY OF ROCKDALE, TEXAS**

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2015**

	<b>Special Revenue Funds</b>					
	Lucy Hill Memorial Fund	Police Department Special	Police Officer of The Year	FEMA Grant	Police Department Training	Veterans Park
<b><u>Assets</u></b>						
Cash and cash equivalents	\$ 285	\$ 1,845	\$ 7,561	\$ 2,064	\$ 6,027	\$ 8,723
Due from other funds	—————	—————	—————	—————	—————	—————
<b>Total Assets</b>	<b>285</b>	<b>1,845</b>	<b>7,561</b>	<b>2,064</b>	<b>6,027</b>	<b>8,723</b>
<b><u>Liabilities and Fund Balances</u></b>						
<b><u>Liabilities</u></b>						
Accounts payable	—————	—————	—————	—————	—————	—————
Due to other funds	—————	—————	—————	—————	—————	—————
<b>Total Liabilities</b>	<b>—————</b>	<b>—————</b>	<b>—————</b>	<b>—————</b>	<b>—————</b>	<b>—————</b>
<b><u>Fund Balances</u></b>						
Restricted	285	1,845	7,561	2,064	6,027	8,723
<b>Total Fund Balances</b>	<b>285</b>	<b>1,845</b>	<b>7,561</b>	<b>2,064</b>	<b>6,027</b>	<b>8,723</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 285</b>	<b>\$ 1,845</b>	<b>\$ 7,561</b>	<b>\$ 2,064</b>	<b>\$ 6,027</b>	<b>\$ 8,723</b>



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

**Year Ended September 30, 2015**

	<b>Special Revenue Funds</b>					
	Lucy Hill Memorial Fund	Police Department Special	Police Officer of The Year	FEMA Grant	Police Department Training	Veterans Park
<b>Revenues</b>						
Taxes:						
Property	\$	\$	\$	\$	\$	\$
Hotel/motel						
Charges for services						
Fines and forfeitures						
Investment earnings	25	17	67		49	63
Contributions and donations	2,656	131	8,378			1,100
Other		1,457			1,290	
<b>Total Revenues</b>	<b>2,681</b>	<b>1,605</b>	<b>8,445</b>		<b>1,339</b>	<b>1,163</b>
<b>Expenditures</b>						
Current:						
General government						
Public safety		1,801	9,775		1,173	
Highways and streets						
Culture and recreation	6,922					
Capital Outlay						
Debt Service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>6,922</b>	<b>1,801</b>	<b>9,775</b>		<b>1,173</b>	
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(4,241)</b>	<b>(196)</b>	<b>(1,330)</b>		<b>166</b>	<b>1,163</b>
<b>Other Financing Sources</b>						
Transfers in						
<b>Total Other Financing Sources</b>						
<b>Net Change in Fund Balances</b>	<b>(4,241)</b>	<b>(196)</b>	<b>(1,330)</b>		<b>166</b>	<b>1,163</b>
<b>Fund Balances, Beginning of Year</b>	<b>4,526</b>	<b>2,041</b>	<b>8,891</b>	<b>2,064</b>	<b>5,861</b>	<b>7,560</b>
<b>Fund Balances, End of Year</b>	<b>\$ 285</b>	<b>\$ 1,845</b>	<b>\$ 7,561</b>	<b>\$ 2,064</b>	<b>\$ 6,027</b>	<b>\$ 8,723</b>



