

CITY OF ROCKDALE, TEXAS

**Audited Financial Statements
Independent Auditor's Report And
Supplemental Schedules
For the Year Ended
September, 30, 2023**

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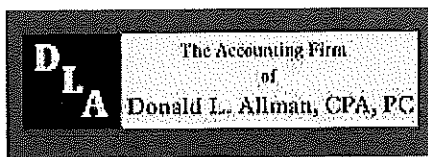
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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockdale, Texas as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Rockdale, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockdale, Texas, as of September 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Rockdale, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

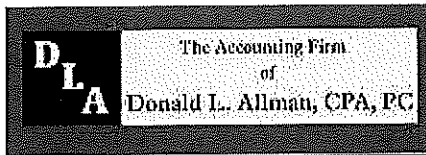
Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rockdale, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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INDEPENDENT AUDITOR'S REPORT (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Rockdale, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rockdale, Texas' ability to continue as a going concern for a reasonable period of time.

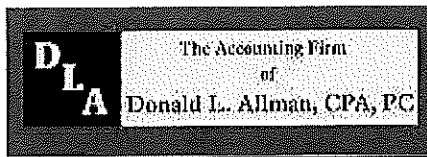
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-15 and 63-64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockdale, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2024 on our consideration of the City of Rockdale, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rockdale, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rockdale, Texas' internal control over financial reporting and compliance.

Donald L. Allman, CPA, PC

Georgetown, TX
June 3, 2024

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, 2023.

FINANCIAL HIGHLIGHTS

- The net position of the City increased by \$1,616,942 in the 2023 fiscal year for government-wide financial statements. As part of this \$1,616,942 total increase in net position, the net position of general fund activities increased by \$464,168 and the proprietary fund increased by \$1,152,774, before transfers.
- The City's total net position of governmental fund activities increased by \$180,343 in the 2023 fiscal year resulting in an ending net position of \$3,204,020.
- Proprietary Fund and General Fund revenues increased slightly in fiscal year 2023, indicating economic growth for the City. General Fund and Proprietary Fund expenses increased at a lesser rate than revenues, indicating better fiscal management of resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City assets exceeded liabilities by \$20,064,957 at the close of the fiscal year.

The City's net position (73.6%) 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 (14.8%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position (11.6%) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City reported a positive net position balance in the governmental activities and a positive net position balance in the business-type activities.

STATEMENT OF NET POSITION As of September 30, 2023

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 3,715,599	\$ 3,417,517	\$ 27,205,980	\$ 29,605,180	\$ 30,921,579	\$ 33,022,697
Capital assets, net	10,991,108	10,547,097	15,105,449	12,777,724	26,096,557	23,324,821
Total Assets	14,706,707	13,964,614	42,311,429	42,382,904	57,018,136	56,347,518
Deferred Outflows of Resources	834,161	291,196	310,832	99,679	1,144,993	390,875
Long-term liabilities	4,656,188	4,510,915	29,302,638	30,073,824	33,958,826	34,584,739
Other liabilities	718,080	665,616	1,700,184	1,504,413	2,418,264	2,170,029
Total Liabilities	5,374,268	5,176,531	31,002,822	31,578,237	36,377,090	36,754,768
Deferred Inflows of Resources	1,187,787	1,054,247	533,295	481,363	1,721,082	1,535,610
Net investment in capital assets	5,959,920	5,729,028	8,816,532	7,599,307	14,776,452	13,328,335
Restricted	1,523,559	1,662,999	1,446,540	1,452,070	2,970,099	3,115,069
Unrestricted	1,495,334	633,005	823,072	1,371,606	2,318,406	2,004,611
Total Net Position	\$ 8,978,813	\$ 8,025,032	\$ 11,086,144	\$ 10,422,983	\$ 20,064,957	\$ 18,448,015

Current and other assets of governmental activities increased by \$298,082 or 8.7%.

Current and other assets of business-type activities decreased by \$(2,399,200) or .(08.1%).

Capital Assets were increased \$2,771,736 due to additions in the General Fund and Proprietary Fund.

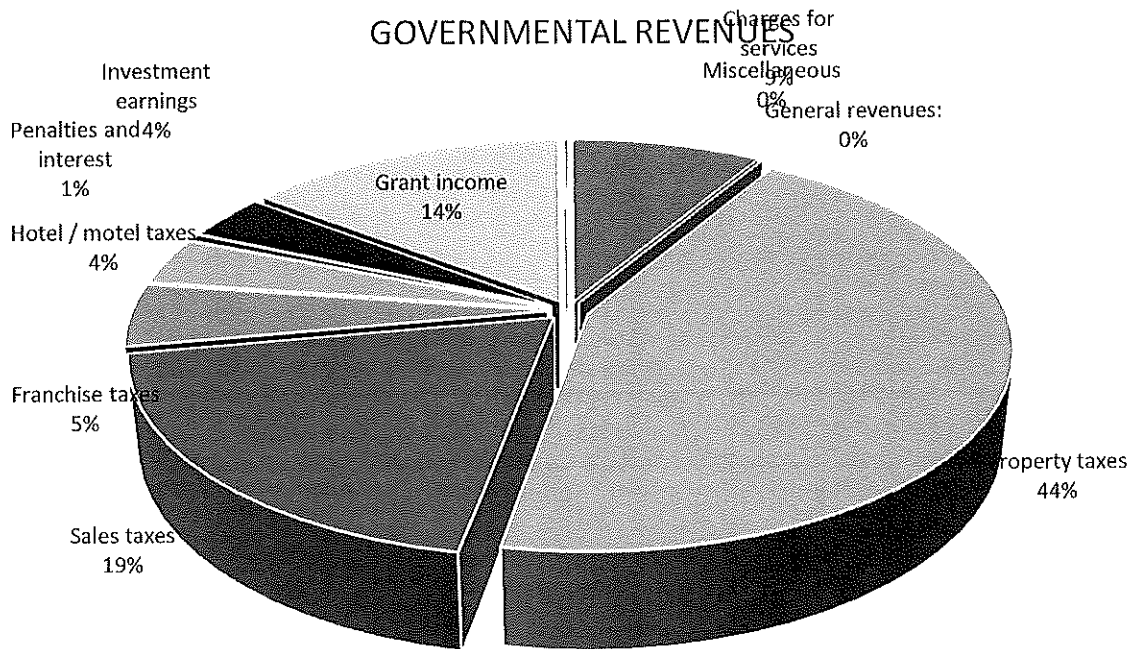
Long-term liabilities decreased (\$31,189) from the prior year due to principal payments made and additions to the net pension liability.

Net position of the City, which relates to governmental and business-type activities, increased by \$1,616,942. Key elements of the increase are as follows:

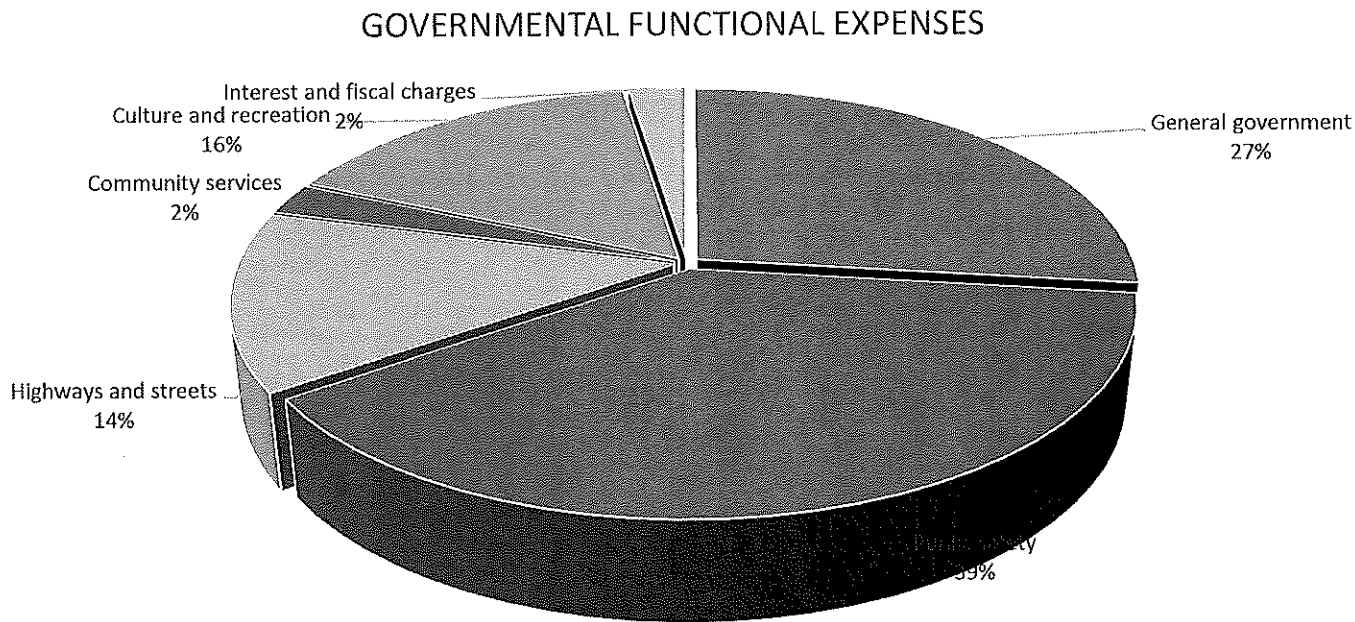
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2023

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	493,156	493,626	4,223,989	4,070,886	4,717,145	4,564,512
General revenues:						
Property taxes	\$ 2,519,781	\$ 2,275,686	\$ -	\$ -	\$ 2,519,781	\$ 2,275,686
Sales taxes	1,100,422	1,201,476	-	-	1,100,422	1,201,476
Franchise taxes	290,032	266,210	-	-	290,032	266,210
Hotel / motel taxes	218,544	196,921	-	-	218,544	196,921
Penalties and interest	31,131	27,569	-	-	31,131	27,569
Investment earnings	208,556	32,127	172,329	45,177	380,885	77,304
Grant income	821,453	686,697	478,592	825,263	1,300,045	686,697
Miscellaneous	8,027	13,574	189,394	165,538	197,421	179,112
Total Revenues	5,691,102	5,193,886	5,064,304	5,106,864	10,755,406	10,300,750
Expenses						
General government	1,411,203	1,205,341	83,425	2,620	1,494,628	1,207,961
Public safety	2,013,028	1,780,638	-	-	2,013,028	1,780,638
Highways and streets	718,923	577,328	-	-	718,923	577,328
Community services	128,153	119,871	-	-	128,153	119,871
Culture and recreation	826,938	706,060	-	-	826,938	706,060
Interest and fiscal charges	128,689	140,683	452,070	471,203	580,759	611,886
Utility	-	-	3,376,035	3,272,449	3,376,035	3,272,449
Total Expenses	5,226,934	4,529,921	3,911,530	3,746,272	9,138,464	8,276,193
Increase (Decrease) in Net Position Before Transfers	464,168	663,965	1,152,774	1,360,592	1,616,942	2,024,557
Transfers in (out)	489,613	-	(489,613)	-	-	-
Change in Net Position	953,781	663,965	663,161	1,360,592	1,616,942	2,024,557
Net Position, Beginning	8,025,032	7,361,067	10,422,983	9,062,391	16,423,458	16,423,458
Net Position, Ending	\$ 8,978,813	\$ 8,025,032	\$ 11,086,144	\$ 10,422,983	\$ 20,064,957	\$ 18,448,015

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



For the fiscal year ended September 30, 2023, revenue from governmental activities totaled \$5,691,102, the largest portion of which related to property taxes (44%).



For the fiscal year ended September 30, 2023, expenses from governmental activities totaled \$5,226,934, the largest portion of which related to public safety (39%).

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, 2023, the City's governmental funds reported a combined ending fund balance of \$3,204,020, which is an increase of 180,343 from last year's total of \$3,023,677. Governmental funds had a net position increase of \$180,343 based on activity for the fiscal year. Approximately 51.8% of the total fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 48% of fund balance is restricted to indicate that it is not available for new spending because it has already been determined that these monies will be used for special projects, capital projects and debt service. Lastly, the remaining 0.2% of fund balance is Nonspendable to indicate that these amounts are not available for appropriation.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,495,334. 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 29% of total General Fund expenditures.

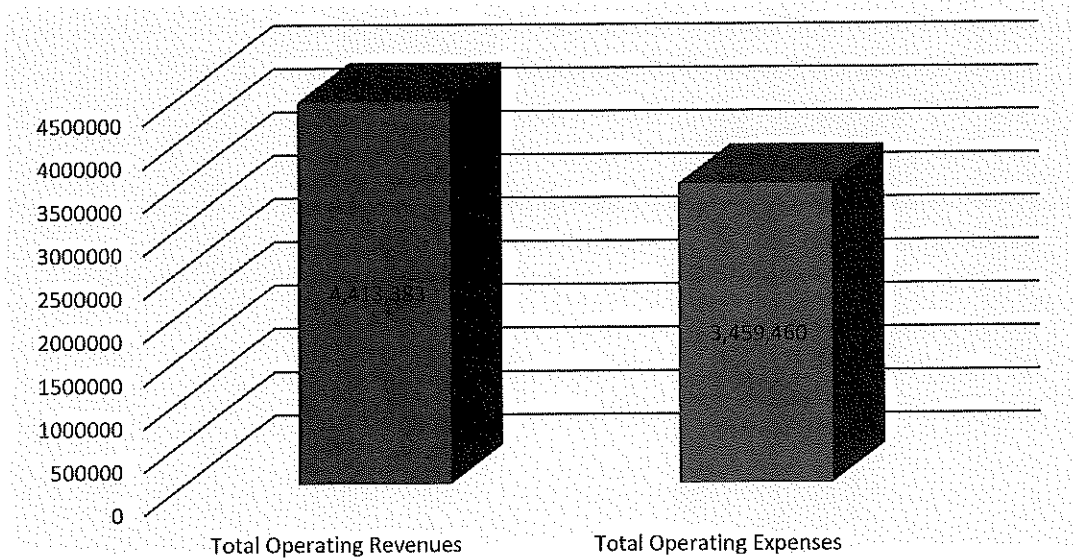
During the current fiscal year, the fund balance of the City's General Fund increased by \$953,781.

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

Proprietary Fund – The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position in the Utility Fund at the end of the year was \$823,072.

During the 2023 fiscal year, the Utility Fund has an increase in net position of \$663,161. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

BUSINESS-TYPE ACTIVITIES Operating Expenses & Revenues



GENERAL FUND BUDGETARY HIGHLIGHTS

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

For the 2023 fiscal year, actual revenues were \$1,612,335 more than budgeted. Actual expenditures were \$1,431,992 more than budgeted. The budget projected a decrease in fund balance of (140,252) while the final actual result was an increase of \$180,343 for the year ended September 30, 2023.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities of September 30, 2023, amounts to \$26,096,557. This investment in capital assets, includes land, construction in progress, buildings and improvements, equipment and infrastructure.

SCHEDULE OF CAPITAL ASSETS (Net of Accumulated Depreciation) 30-Sep-23

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Non-Depreciable Assets						
Land	\$ 410,111	\$ 410,111	\$ 50,506	\$ 50,506	\$ 460,617	\$ 460,617
Construction in progress	78,677		1,898,586	115,853	1,977,263	115,853
Depreciable Capital Assets						
Buildings and improvements	8,406,946	7,998,878	124,465	132,663	8,531,411	8,131,541
Equipment	492,641	545,763	1,083,689	1,105,113	1,576,330	1,650,876
Infrastructure	1,602,733	1,592,345	11,948,203	11,373,589	13,550,936	12,965,934
Totals	10,991,108	10,547,097	15,105,449	12,777,724	26,096,557	23,324,821

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 \$35,323,826. The City’s total long-term debt decreased by \$568,067 during the current fiscal year. This decrease during the 2023 fiscal year is mainly attributable to Bond principal payments and additions to net pension liability.

SCHEDULE OF LONG-TERM DEBT 30-Sep-23

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General obligation debt	\$ 4,125,000	\$ 4,510,000	\$ -	\$ -	\$ 4,125,000	\$ 4,510,000
Capital leases	-	-	-	-	-	-
Revenue debt and notes	-	-	29,960,000	30,960,000	29,960,000	30,960,000
Net pension liability	629,347	-	244,847	-	874,194	-
Net OPEB Liability	116,238	157,466	36,869	52,902	153,107	210,368
Compensated absences	150,603	150,603	60,922	60,922	211,525	211,525
Totals	\$ 5,021,188	\$ 4,818,069	\$30,302,638	\$31,073,824	\$35,323,826	\$35,891,893

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

ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGET AND RATES

The economic position of the City of Rockdale improved significantly in the 2023 fiscal year.

No changes were made in staff that would affect the City's financial accounting or reporting for the fiscal year ending September 30, 2023. The City Council continues to have a conservative approach to finances and to keep tax rates competitive with surrounding communities.

For the 2023 fiscal year, the tax rate decreased to \$.84 per \$100 valuation. The water fees and wastewater fees were not increased for the 2023 fiscal year.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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CITY OF ROCKDALE, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Municipal Development District
<u>Assets</u>				
Cash and cash equivalents	\$ 1,819,979	\$ 2,928,847	\$ 4,748,826	\$ 1,657,740
Restricted Cash	1,523,559	24,013,721	25,537,280	
Receivables, net	275,570	251,032	526,602	43,221
Prepaid expenses	22,219	12,380	34,599	-
Inventory	6,454	-	6,454	-
Net Pension Asset	-	-	-	
Right of Use Asset Operating Leases	67,818	-	67,818	
Capital assets, not being depreciated	488,788	1,949,092	2,437,880	26,657
Capital assets, net of accumulated depreciation	10,502,320	13,156,357	23,658,677	234,454
Total Assets	14,706,707	42,311,429	57,018,136	1,962,072
<u>Deferred Outflows of Resources</u>				
Deferred Outflows	834,161	310,832	1,144,993	
Total Deferred Outflows of Resources	834,161	310,832	1,144,993	
<u>Liabilities</u>				
Accounts payable and other current liabilities	275,262	383,806	659,068	25,810
Deposits	-	316,378	316,378	
Operating Lease Liability - Current	67,818	-	67,818	
Operating Lease Liability - Long term	-	-	-	
Long-term liabilities due within one year	375,000	1,000,000	1,375,000	-
Long-term liabilities due in more than one year	4,656,188	29,302,638	33,958,826	-
Total Liabilities	5,374,268	31,002,822	36,377,090	25,810
<u>Deferred Inflows of Resources</u>				
Deferred inflows	1,187,787	533,295	1,721,082	
Total Deferred Inflows of Resources	1,187,787	533,295	1,721,082	
<u>Net Position</u>				
Net investment in capital assets	5,959,920	8,816,532	14,776,452	261,111
Restricted for:				
Debt service	518,013	1,446,540	1,964,553	-
Capital projects	-	-	-	-
Economic development	-	-	-	-
Special Revenue Funds	1,005,546	-	1,005,546	-
Unrestricted	1,495,334	823,072	2,318,406	1,675,151
Total Net Position	\$ 8,978,813	\$ 11,086,144	\$ 20,064,957	\$ 1,936,262

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September, 2023

Functions / Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government			Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Totals	Municipal Development District
Primary Government							
Governmental Activities							
General government	\$ 1,411,203	\$ 493,156	\$ -	\$ 821,453	\$ (96,594)	\$ (180,019)	\$ -
Public safety	2,013,028	-	-	-	(2,013,028)	(2,013,028)	-
Highways and streets	718,923	-	-	-	(718,923)	(718,923)	-
Community services	128,153	-	-	-	(128,153)	(128,153)	-
Culture and recreation	826,938	-	-	-	(826,938)	(826,938)	-
Interest on long-term debt	580,759	-	-	-	(128,689)	(580,759)	-
Total Governmental Activities	5,679,004	493,156	-	821,453	(3,912,325)	(4,447,820)	-
Business-Type Activities							
Utility fund	3,376,035	4,223,989	-	478,592	1,326,546	1,326,546	-
Total business-Type Activities	3,376,035	4,223,989	-	478,592	1,326,546	1,326,546	-
Total Primary Government	\$ 9,055,039	\$ 4,717,145	\$ -	\$ 1,300,045	(3,912,325)	(3,121,274)	-
Component Unit							
Municipal Development District	1,730,458	-	-	-	-	-	(1,730,458)
Total Component Unit	1,730,458	-	-	-	-	-	(1,730,458)
General Revenues:							
Taxes							
Property taxes				\$ 2,519,781	\$ -	\$ 2,519,781	\$ -
Sales taxes				1,100,422	-	1,100,422	560,853
Hotel / motel taxes				218,544	-	218,544	-
Franchise taxes				290,032	-	290,032	-
Penalties and interest				31,131	-	31,131	-
Investment earnings				208,556	172,329	380,885	76,581
Miscellaneous				8,027	189,394	197,421	780
Gain on Sale of Land				-	-	-	2,003,112
Transfers				489,613	(489,613)	-	-
Total General Revenues and Transfers				4,866,106	(127,890)	4,738,216	2,641,326
Change in Net Position				953,781	663,161	1,616,942	910,868
Prior Period Adjustment				-	-	-	-
Net Position, Beginning				8,025,032	10,422,983	18,448,015	1,025,394
Net Position, Ending				\$ 8,978,813	\$ 11,086,144	\$ 20,064,957	\$ 1,936,262

See Notes to Financial Statements

**CITY OF ROCKDALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023**

Exhibit A-3

	General Fund	Debt Service	Other Governmental Funds	Totals Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 1,819,979	\$ 375,758	\$ 1,147,801	\$ 3,343,538
Receivables, net:				
Property taxes	146,280	-	-	146,280
Sales taxes	82,901	-	-	82,901
Fines	-	-	-	-
Other	46,389	-	-	46,389
Due from other funds	(83,342)	-	83,342	-
Inventory	6,454	-	-	6,454
Total Assets	2,018,661	375,758	1,231,143	3,625,562
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	206,086	-	69,176	275,262
Wages and salaries payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	206,086	-	69,176	275,262
<u>Deferred Inflows of Resources</u>				
Unavailable revenues, property taxes	146,280	-	-	146,280
Unavailable revenues, fines	-	-	-	-
Total Deferred Inflows of Resources	146,280	-	-	146,280
<u>Fund Balances</u>				
Nonspendable	6,454	-	-	6,454
Restricted	-	375,758	1,161,967	1,537,725
Unassigned	1,659,841	-	-	1,659,841
Total Fund Balances	1,666,295	375,758	1,161,967	3,204,020
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,018,661	\$ 375,758	\$ 1,231,143	\$ 3,625,562

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

Capital assets are used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	10,991,108
Property taxes receivable are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	146,280
Some liabilities, including bonds payable, interest payable, notes payable, premiums on bonds/other refunding charges, net pension liability and accrued compensated absences are not reported as liabilities in the governmental funds.	(5,031,188)
Deferred outflows and inflows of resources pertaining to actuarial pension differences between expected and actual economic experience, projected and actual investment earnings and pension contributions made subsequent to the measurement date are not financial resources, and therefore, are not reported in the funds.	(353,626)
Prepaid expenses are unavailable to pay for current period expenditures and are therefore deferred in the governmental funds.	22,219
Net Position of Governmental Activities	\$ 8,978,813

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-4

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
September 30, 2023**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 2,419,002	\$ -	\$ 49,502	\$ 2,468,504
Sales	1,100,422	-	-	1,100,422
Hotel/motel	-	-	218,544	218,544
Franchise	290,032	-	-	290,032
Penalties and interest	31,131	-	-	31,131
Licenses and permits	49,645	-	-	49,645
Fines and forfeitures	94,731	-	-	94,731
Charges for services	73,213	-	275,567	348,780
Contributions and donations and Grants	819,968	-	1,485	821,453
Investment earnings	134,910	-	73,646	208,556
Other	5,217	-	2,810	8,027
Total Revenues	5,018,271	-	621,554	5,639,825
Expenditures				
Current:				
General/government	860,693	-	385,981	1,246,674
Public safety	1,784,607	-	7,710	1,792,317
Highways and streets	642,247	-	-	642,247
Community services	126,903	-	-	126,903
Health services	-	-	-	-
Culture and recreation	773,363	-	6,572	779,935
Capital Outlay	762,460	-	84,870	847,330
Debt Service:				
Principal retirement	-	-	385,000	385,000
Interest and fiscal charges	-	-	128,689	128,689
Debt issuance costs	-	-	-	-
Total Expenditures	4,950,273	-	998,822	5,949,095
(Deficiency) of Revenues				
(Under) Expenditures	67,998	-	(377,268)	(309,270)
Other Financing Sources				
Capital leases	-	-	-	-
Transfers from Proprietary Fund	489,613	-	-	489,613
Transfers in	(323,999)	375,758	(51,759)	-
Total Other Financing Sources	165,614	375,758	(51,759)	489,613
Net Change in Fund Balances	233,612	375,758	(429,027)	180,343
Fund Balances - Beginning	1,432,683	-	1,590,994	3,023,677
Prior Period Adjustment				
	-	-	-	-
Fund Balances - Ending	\$ 1,666,295	\$ 375,758	\$ 1,161,967	\$ 3,204,020

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**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2023

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

Net change in fund balances - total governmental funds	\$ 180,343
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 847,330 is more than depreciation (\$403,319) in the current period.	444,011
Pension Expense & OPEB Expense is not included in Governmental Funds	214,520
Changes in Deferred Inflows and Deferred Outflows are not recognized in Governmental Funds but are recognized in Government Wide Financials.	(321,370)
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.	51,277
The issuance in long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these differences in the treatment of long-term debt and related items, and consists of and principal repayment on capital leases, notes payable and bonds \$385,000.	385,000
Change in Net Position of Governmental Activities	<u>\$ 953,781</u>

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-6

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 September 30, 2023

	Business-Type Activities Utility Fund
<u>Assets</u>	
<u>Current Assets:</u>	
Cash & cash equivalents	\$ 2,928,847
Restricted Cash	24,013,721
Accounts receivable, net	251,032
Net Pension Asset	-
Prepaid Expenses	12,380
Total Current Assets	27,205,980
<u>Noncurrent assets</u>	
Capital assets:	
Construction in progress	1,898,586
Land	50,506
Buildings and improvements	361,053
Equipment	1,588,753
Infrastructure	23,816,320
Less accumulated depreciation	(12,609,769)
Total Noncurrent Assets	15,105,449
Total Assets	42,311,429
<u>Deferred Outflows of Resources</u>	
Deferred outflows	310,832
Total Deferred Outflows of Resources	310,832
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable	383,806
Wages and salaries payable	-
Customer deposits	316,378
Unearned revenue	-
Capital leases payable	-
Bonds payable	1,000,000
Total Current Liabilities	1,700,184
<u>Noncurrent Liabilities</u>	
Capital leases payable	-
Compensated absences	60,922
Net pension liability	244,847
Net OPEB Liability	36,869
Bonds payable	28,960,000
Total Noncurrent Liabilities	29,302,638
Total Liabilities	31,002,822
<u>Deferred Inflows of Resources</u>	
Deferred inflows	533,295
Total Deferred Inflows of Resources	533,295
<u>Net Position</u>	
Net investment in capital assets	8,816,532
Restricted	1,446,540
Unrestricted	823,072
Total Net Position	\$ 11,086,144

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, 2023

	<u>Business-Type Activities Utility Fund</u>
<u>Operating Revenues</u>	
Charges for services:	
Water	2,206,835
Sewage	1,309,646
Sanitation	707,508
NW water tower	-
Other	189,394
Total Operating Revenues	<u>4,413,383</u>
<u>Operating Expenses</u>	
Personnel services - salaries and wages	707,180
Personnel services - employee benefits	186,898
Purchased professional and technical services	167,360
Purchased property services	854,214
Other operating expenses	418,564
Supplies	422,061
Depreciation	703,183
Total Operating Expenses	<u>3,459,460</u>
Operating Income	<u>953,923</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment earnings	172,329
Interest expense	(452,070)
Grant income	478,592
Total Non-Operating Revenues (Expenses)	<u>198,851</u>
Income Before Transfers	1,152,774
Transfers in	-
Transfers (out)	(489,613)
Change in Net Position	<u>663,161</u>
Net Position, Beginning	<u>10,422,983</u>
Net Position, Ending	<u>\$ 11,086,144</u>

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-8 (Page 1 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year ended September 30, 2023

	Business-type Activities Utility Fund
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 4,409,033
Disbursed for goods and services to suppliers	(1,654,048)
Disbursed for personnel services	(707,180)
Other revenues	-
Net Cash Provided by Operating Activities	<u>2,047,805</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Funds from Restricted Cash	1,881,686
Transfers (to) other funds	(489,613)
Net Cash Provided (Used) by noncapital Financing Activities	<u>1,392,073</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Principal payments on bonds, notes and capital leases	(1,000,000)
Grant income	478,592
Interest and fiscal charges	(452,070)
Acquisition and construction of capital assets	(3,146,761)
Net Cash (Used) by Capital and Related Financing Activities	<u>(4,120,239)</u>
<u>Cash Flows From Investing Activities</u>	
Interest Received	172,329
Net Cash Provided by Investing Activities	<u>172,329</u>
Net Increase in Cash and Cash Equivalents	(508,032)
Cash and Cash Equivalents, Beginning	<u>3,436,879</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,928,847</u>

See Notes to Financial Statements.

CITY OF ROCKDALE, TEXAS

Exhibit A-8 (Page 2 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended September 30, 2023

	Business-Type Activities Utility Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ 953,923
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	703,183
(Increase) decrease in accounts receivable	(4,350)
(Increase) decrease in prepaid expenses	-
Increase /(decrease) in pension & opeb liability, deferred inflows & o	199,278
Increase in Customer Deposits	16,276
Increase (decrease) in accounts payable	179,495
Total adjustments	1,093,882
Net Cash Provided by Operating Activities	\$ 2,047,805

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUND

Exhibit A-9

September 30, 2023

	<u>Firemen's Pension Trust Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 251,125
Total Assets	<u>\$ 251,125</u>
<u>Liabilities</u>	
Net pension obligation	\$ 251,125
Total Liabilities	<u>\$ 251,125</u>

See Notes to Financial Statements

CITY OF ROCKDALE, TEXAS

Exhibit A-10

STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION

September 30, 2023

	<u>Firemen's Pension Trust Fund</u>
<u>Additions</u>	
Investment earnings	\$ 12,405
Other revenue	14,425
Total Additions	<u>26,830</u>
<u>Deductions</u>	
Pension payouts	<u>10,950</u>
Total Deductions	<u>10,950</u>
Change in Net Position	15,880
Total Net Position - Beginning	<u>235,245</u>
Total Net Position - Ending	<u>\$ 251,125</u>

See Notes to Financial Statements.

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

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A Reporting Entity (Continued)

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

B. Government-wide & Fund Financial Statements

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

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

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

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

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

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

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Revenues from local sources consist primarily of property taxes, sales taxes, franchise taxes and other taxes. Tax revenues and revenues received from the State are recognized under the “susceptible to accrual” concept, that is, when they are both measurable and available. The City considers them “available” if they will be collected within 60 days of the end of the fiscal year. Fines and other miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

Major Governmental Funds

The City reports the following major governmental funds.

General Fund

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

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

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Major Governmental Funds (Continued)

General Fund (Continued)

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

2015 Combination Tax and Revenue Certificates of Obligation Fund

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

The City reports the following major proprietary fund:

Utility Fund

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

Additionally, the City reports the following fund types:

Governmental Funds:

Special Revenue Funds

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

Fiduciary Funds:

Volunteer Firemen's Pension Trust Fund

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

D. Cash and Cash Equivalents

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

E. Receivables

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

F. Inventories

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

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

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventories (Continued)

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

G. Capital Assets

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

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

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

H. Compensated Employee Absences

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

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

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Deferred Outflows of Resources

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

J. Deferred Inflows of Resources

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

K. Pensions

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

L. Long-Term Obligations

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

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

M. Net Position

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

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

Exhibit A-11

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position (Continued)

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

N. Fund Balances

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

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

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

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

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

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

At September 30, 2022, the City does not have any committed or assigned fund balances.

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

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

O. Estimates

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

P. Date of Management's Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 7, 2023, 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 \$ 4,904,950 difference are as follows:

Notes payable	\$ -
Bonds payable	4,125,000
Capital leases	-
Net pension liability	629,347
Compensated absences payable	<u>150,603</u>
Net adjustment to reduce the total of fund balances of governmental funds to arrive at net position of governmental activities	<u>\$ 4,904,950</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 \$365,334 difference by which capital outlay exceeded depreciation expense are as follows:

Capital outlay	\$ 768,653
Depreciation expense	<u>(403,319)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 365,334</u>

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

Exhibit A-11

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

The City’s funds are required to be deposited and invested under the terms of a depository contract pursuant to state statutes. The depository bank deposits, for safekeeping and trust with the City’s agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. The City’s deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the City’s agent in the City’s name.

B. Investments

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

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

Exhibit A-11

NOTE 4 – DEPOSITS & INVESTMENTS (Continued)

B. Investments (Continued)

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements; (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

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

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

C. Cash and Cash Equivalents

The City's cash and cash equivalents consist of cash on hand and demand deposits. The City's cash and cash equivalents at September 30, 2023, are shown below.

	Book Balance	Fair Value
Cash and cash equivalents	\$ 4,748,826	\$ 4,748,826
Total Cash and Cash Equivalents	<u>\$ 4,748,826</u>	<u>\$ 4,748,826</u>

Investments

As of September 30, 2023, the City did not hold any investments.

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

Exhibit A-11

NOTE 5 – PROPERTY TAXES

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

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

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The total tax levy is \$2,490,232 with \$1,890,628 for M&O and \$599,604 for I&S.

Property taxes receivable, as of September 30, 2023, consists of the following:

Tax Year	General Fund
2022	\$ 61,577
2021	25,321
2020	12,061
2019	11,669
2018	10,348
2017 and prior	25,304
Totals	146,280

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

Exhibit A-11

NOTE 6 – RECEIVABLES

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

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Totals</u>
Net Receivables			
Taxes	\$ 229,181	\$ -	\$ 229,181
Accounts	-	251,032	251,032
Fines	-	-	-
Other	46,389	-	46,389
Totals	<u>\$ 275,570</u>	<u>\$ 251,032</u>	<u>526,602</u>

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

	<u>Unavailable</u>
General Fund:	
Delinquent property taxes receivable	\$ 146,280
Fines	-
Total General Fund	<u>\$ 146,280</u>

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers are used to move revenues from the fund with collection authorization to other funds to finance various programs and projects of the City. For the year ending September 30, 2023, interfund transfers were as follows:

	<u>Transfers In/(Out)</u>			
	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Transfers Out				
Utility Fund	\$ (323,999)	\$ 375,758	\$ (51,759)	\$ -
Totals	<u>\$ (323,999)</u>	<u>\$ 375,758</u>	<u>\$ (51,759)</u>	<u>\$ -</u>

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

Exhibit A-11

NOTE 7 – INTERFUND TRANSFERS (Continued)

During the 2023 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, 2023, interfund receivables/payables were as follows:

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

NOTE 9 – CAPITAL ASSETS

On the following page is a summary of changes in capital assets for the year ended September 30, 2023.

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

Exhibit A-11

NOTE 9 – CAPITAL ASSETS (Continued)

	Balances Oct. 1, 2022	Additions	Retirements	Balances Sept. 30, 2023
Government Activities:				
Capital assets not being depreciated:				
Land	\$ 410,111	\$ -	\$ -	\$ 410,111
Construction in Progress	-	78,677	-	78,677
Total capital assets not being depreciated:	<u>410,111</u>	<u>78,677</u>	<u>-</u>	<u>488,788</u>
Capital assets being depreciated:				
Buildings and improvements	9,744,047	538,588	-	10,282,635
Equipment & Vehicles	3,241,989	151,708	-	3,393,697
Infrastructure	6,291,726	78,357	-	6,370,083
Total capital assets being depreciated	<u>19,277,762</u>	<u>768,653</u>	<u>-</u>	<u>20,046,415</u>
Less: Accumulated Depreciation for:				
Buildings and improvements	(1,745,169)	(130,520)	-	(1,875,689)
Equipment	(2,696,226)	(204,830)	-	(2,901,056)
Infrastructure	(4,699,381)	(67,969)	-	(4,767,350)
Total Accumulated Depreciation	<u>(9,140,776)</u>	<u>(403,319)</u>	<u>-</u>	<u>(9,544,095)</u>
Total capital assets being depreciated, net	<u>10,136,986</u>	<u>365,334</u>	<u>-</u>	<u>10,502,320</u>
Governmental activities capital assets, net	<u>\$ 10,547,097</u>	<u>\$ 444,011</u>	<u>\$ -</u>	<u>\$ 10,991,108</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 50,506	\$ -	\$ -	\$ 50,506
Construction in progress	115,853	1,898,586	-	2,014,439
Total capital assets not being depreciated:	<u>\$ 166,359</u>	<u>\$ 1,898,586</u>	<u>\$ -</u>	<u>\$ 2,064,945</u>
Capital assets being depreciated:				
Buildings and improvements	361,053	-	-	361,053
Equipment & Vehicles	1,588,753	-	-	1,588,753
Infrastructure	22,568,145	1,248,175	-	23,816,320
Total capital assets being depreciated	<u>24,517,951</u>	<u>1,248,175</u>	<u>-</u>	<u>25,766,126</u>
Less: Accumulated Depreciation				
Buildings and improvements	(228,390)	(8,198)	-	(236,588)
Equipment	(483,640)	(21,424)	-	(505,064)
Infrastructure	(11,194,556)	(673,561)	-	(11,868,117)
Total Accumulated Depreciation	<u>(11,906,586)</u>	<u>(703,183)</u>	<u>-</u>	<u>(12,609,769)</u>
Total capital assets being depreciated, net	<u>12,611,365</u>	<u>544,992</u>	<u>-</u>	<u>13,156,357</u>
Business-Type activities capital assets, net	<u>\$ 12,777,724</u>	<u>\$ 2,443,578</u>	<u>\$ -</u>	<u>\$ 15,221,302</u>

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

Exhibit A-11

NOTE 9 – CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General government	\$ 57,679
Public safety	220,711
Highways and streets	76,676
Community services	1,250
Culture and recreation	47,003
Total Depreciation Expense-Governmental Activities	<u>\$ 403,319</u>
Business-Type Activities:	
Utility	<u>\$ 703,183</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 703,183</u>

NOTE 10 - LEASES

The City of Rockdale leases a Pitney Bowes SENDPROC SERIES4 machine for 3 years on a 1/1/year one. The machine has a fair value of \$3,000, a ten year economic life, and alternative expected uses to the lessor after the lease term. The lease calls for quarterly lease payments of \$182.46 on 1/3, 4/3, 7/3, and 10/3, and the implicit interest rate known to the City of Rockdale is \$0.004077 percent. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. Because this lease does not meet any of the 5 criteria for a finance lease it is an operating lease under the new standard, but the lease term is greater than 12 months so the new standard requires balance sheet presentation.

Quarterly Lease Payment	\$182.46
Present Value Factor for an ordinary annuity for 3 years at 0.004077% interest	<u>11.999</u>
Present Value of the lease payments	\$2189.37

Amortization Table for the Operating Right of Use Asset and Operating Lease Liability

Date	Lease Payments	Interest on Operating Liability	Amortization of Lease	Accounting Balances for Lease	
				Asset	Liability
10/1/21				\$2,189	\$2,189
9/30/22	\$730	0	730	\$1,459	\$1,459
9/30/23	\$730	0	730	\$ 729	\$ 729
9/30/24	<u>\$729</u>	0	<u>729</u>	\$ 0	\$ 0
Totals	\$2,189		\$2,189		

The City of Rockdale leases a Ricoh Copier machine for 3 years, 4 months on a 1/1/year one. The machine has a fair value of \$9,000, a ten year economic life, and alternative expected uses to the lessor after the lease term. The lease calls for monthly lease payments of \$141.51 on the 3rd of each month, and the implicit interest rate known to the City of Rockdale is \$0.0645 percent. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. Because this lease does not meet any of the 5 criteria for a finance lease it is an operating lease under the new standard, but the lease term is greater than 12 months so the new standard requires balance sheet presentation.

Monthly Lease Payment	\$141.51
Present Value Factor for an ordinary annuity for 3 years, 4 months at 0.0645% interest	<u>35.9</u>
Present Value of the lease payments	\$5,081.04

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

NOTE 10 – LEASES (continued)

Amortization Table for the Operating Right of Use Asset and Operating Lease Liability

Date	Lease Payments	Interest on Operating Liability	Amortization of Lease		Accounting Balances for Lease	
					Asset	Liability
10/1/21					\$5,081	\$5,081
9/30/22	\$1,698	0	193	1,505	\$3,576	\$3,576
9/30/23	\$1,698	0	165	1,533	\$2,043	\$2,043
9/30/24	\$1,698	0	166	1,532	\$ 511	\$ 511
9/30/25	<u>\$ 566</u>	0	<u>55</u>	<u>511</u>	0	0
Totals	\$5,660		579	5,081		

The City of Rockdale leases a Ricoh Copier machine for 4 years, 7 months on a 1/1/year one. The machine has a fair value of \$8,000, a ten year economic life, and alternative expected uses to the lessor after the lease term. The lease calls for monthly lease payments of \$97.11 on the 20th of each month, and the implicit interest rate known to the City of Rockdale is 0.0584 percent. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. Because this lease does not meet any of the 5 criteria for a finance lease it is an operating lease under the new standard, but the lease term is greater than 12 months so the new standard requires balance sheet presentation.

	Monthly Lease Payment	\$97.11
Present Value Factor for an ordinary annuity for 4 years, 7 months at 0.0584% interest	<u>48.15</u>	
Present Value of the lease payments	\$4,676.05.	

Amortization Table for the Operating Right of Use Asset and Operating Lease Liability

Date	Lease Payments	Interest on Operating Liability	Amortization of Lease		Accounting Balances for Lease	
					Asset	Liability
10/1/21					\$4,676	\$4,676
9/30/22	\$1,165	0	145	1,020	\$3,656	\$3,656
9/30/23	\$1,165	0	145	1,020	\$2,636	\$2,636
9/30/24	\$1,165	0	145	1,020	\$1,616	\$1,616
9/30/25	\$1,165	0	145	1,020	\$ 596	\$ 596
9/30/26	<u>\$ 681</u>	0	<u>85</u>	<u>596</u>	0	0
Totals	\$5,341		665	4,676		

The City of Rockdale leases 3 Chevy Tahoes for 2 years, 6 months on a 1/1/year one. The vehicles have a fair value of \$168,000 a ten year economic life, and alternative expected uses to the lessor after the lease term. The lease calls for annual lease payments of \$59,226 on the April 28th of each year, and the implicit interest rate known to the City of Rockdale is 0.0299 percent. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. Because this lease does not meet any of the 5 criteria for a finance lease it is an operating lease under the new standard, but the lease term is greater than 12 months so the new standard requires balance sheet presentation.

	Monthly Lease Payment	\$59,226
Present Value Factor for an ordinary annuity for 2 years, 6 months at 0.0299% interest	<u>2.83</u>	
Present Value of the lease payments	\$167,560	

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Amortization Table for the Operating Right of Use Asset and Operating Lease Liability

Date	Lease Payments	Interest on Operating Liability	Amortization of Lease		Accounting Balances for Lease	
					Asset	Liability
10/1/21					\$167,560	\$167,560
9/30/22	\$59,226	0	3,373	55,853	\$111,707	\$111,707
9/30/23	\$59,226	0	3,373	55,853	\$ 55,854	\$ 55,854
9/30/24	<u>\$59,226</u>	0	<u>3,372</u>	<u>55,854</u>	0	0
Totals	\$177,678		10,118	167,560		

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

Exhibit A-11

NOTE 10 – LEASES (Continued)

The City of Rockdale leases a Verizon 700A Allday machine for 2 years, 3 months on a 1/1/year one. The machine has a fair value of \$60,000, a ten year economic life, and alternative expected uses to the lessor after the lease term. The lease calls for monthly lease payments of \$2,236.86 on the 1st of each month, and the implicit interest rate known to the City of Rockdale is 0.02 percent. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. Because this lease does not meet any of the 5 criteria for a finance lease it is an operating lease under the new standard, but the lease term is greater than 12 months so the new standard requires balance sheet presentation.

	Monthly Lease Payment	\$2,236.86
	Present Value Factor for an ordinary annuity for 2 years, 3 months at 0.02% interest	<u>26.38</u>
	Present Value of the lease payments	\$59,008.42

Amortization Table for the Operating Right of Use Asset and Operating Lease Liability

Date	Lease Payments	Interest on Operating Liability	Amortization of Lease		Accounting Balances for Lease	
					Asset	Liability
10/1/21					\$59,008	\$59,008
9/30/22	\$26,842	0	616	26,226	\$32,782	\$32,782
9/30/23	\$26,842	0	616	26,226	\$ 6,556	\$ 6,556
9/30/24	<u>\$ 6,711</u>	0	<u>155</u>	<u>6,556</u>	0	0
Totals	\$60,395		1,387	59,008		

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, 2023, follows:

	Interest Rates	Original Issue Amount	Beginning Balances Outstanding	Issued	Retired	Ending Balances Outstanding
Governmental Activities						
Series 2006 CO Bonds	4.73%	2,900,000	410,000	-	95,000	315,000
Series 2008 Refunding Bonds	4.36%	580,000	55,000	-	55,000	-
Series 2016 CO Placement TIB	2.23%	2,940,000	2,345,000	-	100,000	2,245,000
Series 2011 Tax/Rev CO Bonds	3.32%	2,075,000	200,000	-	20,000	180,000
Series 2015 Tax/Rev CO Bonds	3.35%	1,000,000	695,000	-	50,000	645,000
Series 2017 Police Station TIB	3.05%	1,025,000	805,000	-	65,000	740,000
			<u>\$ 4,510,000</u>	<u>\$ -</u>	<u>\$ 385,000</u>	<u>\$ 4,125,000</u>

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

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

Exhibit A-11

NOTE 11 – LONG-TERM DEBT (Continued)

The annual debt service requirements for all governmental activities general obligation bonds and certificates of obligation outstanding as of September 30, 2023, are as follows:

Year ended Sept. 30,	Governmental Activities	
	Principal	Interest
2024	400,000	118,013
2025	415,000	103,965
2026	430,000	64,743
2027	440,000	75,570
2028	455,000	63,820
2028-2030	930,000	111,279
2031-2032	1,055,000	48,445
Totals	\$ 4,125,000	\$ 585,835

A summary of business-type activities long-term debt outstanding as of September 30, 2023, follows:

	Interest Rate	Original Issue Amount	Beginning Balances Outstanding	Issued	Retired	Ending Balances Outstanding
<u>Business-Type Activities</u>						
Series 2006 CO Bonds	4.73%	2,900,000	415,000	-	100,000	315,000
Series 2011 Tax/Rev CO Bonds	3.32%	1,624,056	975,000	-	95,000	880,000
Series 2012 CO Bonds	0.9-3.35%	525,000	195,000	-	35,000	160,000
Series 2013 CO Bonds	3.14%	525,000	240,000	-	35,000	205,000
Series 2015 CO Bonds	3.35%	2,000,000	1,780,000	-	40,000	1,740,000
Series 2016 GO Bonds	1.76%	3,860,000	1,335,000	-	435,000	900,000
Series 2020A CO Tax/Rev Bonds	0-1.67%	12,650,000	12,450,000	-	100,000	12,350,000
Series 2020B CO/Tax/Rev Bonds	0%	3,065,000	2,965,000	-	50,000	2,915,000
Series 2020C CO/Tax/Rev Bonds	0-1.92%	8,790,000	8,590,000		100,000	8,490,000
Series 2020D CO/Tax/Rev Bonds	0%	2,035,000	2,015,000		10,000	2,005,000
Totals			\$ 30,960,000	\$ -	\$ 1,000,000	\$ 29,960,000

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

Exhibit A-11

NOTE 11 – LONG-TERM DEBT (Continued)

The annual requirements to amortize all business-type activities general obligation bonds and certificates of obligation outstanding as of September 30, 2023, are as follows:

Year Ended Sept 30,	Business-Type Activities	
	Principal	Interest
2024	1,005,000	441,540
2025	1,025,000	421,097
2026	805,000	399,763
2027	765,000	363,663
2028	785,000	358,155
2029-2030	1,930,000	687,755
2031-2035	4,685,000	1,421,210
2036-2040	5,640,000	1,137,091
2041-2045	6,210,000	770,842
2046-2050	7,110,000	314,553
Totals	29,960,000	6,315,669

The following is a summary of changes in the City's total governmental and business-type long-term liabilities as of September 30, 2023.

	Balances Oct. 1, 2022	Additions	Reductions	Balance Sept. 30, 2023	Amounts Due Within One Year
Governmental Activities:					
Certificates of obligation	\$ 1,360,000	\$ -	\$ (215,000)	\$ 1,145,000	\$ 215,000
Tax notes	3,150,000	-	(160,000)	2,990,000	160,000
Capital leases	-	-	-	-	-
Net pension liability	-	629,347	-	629,347	-
Net OPEB Liability	157,466	-	(41,228)	116,238	-
Compensated absences	150,603	-	-	150,603	-
Total Governmental Activities	\$ 4,818,069	\$ 629,347	\$ (416,228)	\$ 5,031,188	\$ 375,000
Business-Type Activities:					
Certificates of obligation	\$ 30,960,000	\$ -	\$(1,000,000)	\$ 29,960,000	\$ 1,000,000
Notes payable	-	-	-	-	-
Capital leases	-	-	-	-	-
Net pension liability	-	244,847	-	244,847	-
Net OPEB Liability	52,902	-	(16,033)	36,869	-
Compensated absences	60,922	-	-	60,922	-
Total Business-Type Activities	\$ 31,073,824	\$ 244,847	\$(1,016,033)	\$ 30,302,638	\$ 1,000,000

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

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

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

Exhibit A-11

NOTE 12 – FUND BALANCES

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

Nonspendable:

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

Restricted:

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

Committed:

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

Assigned:

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

Unassigned:

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

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

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

Exhibit A-11

NOTE 12 – FUND BALANCES (Continued)

Fund balances for all major and nonmajor governmental funds as of September 30, 2023.

	General Fund	Debt Service	Other Governmental Funds	Totals
Nonspendable:				
Inventory	\$ 6,454	\$ -	\$ -	\$ 6,454
Subtotal	6,454	-	-	6,454
Restricted for:				
Special projects	-	-	1,161,967	1,161,967
Capital projects	-	375,758	-	375,758
Debt service	-	-	-	-
Subtotal	-	375,758	1,161,967	1,537,725
Unassigned	1,659,841	-	-	1,659,841
Totals	\$ 1,666,295	\$ 375,758	\$ 1,161,967	\$ 3,204,020

, were distributed

as follows:

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

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

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

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

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Plan provisions adopted by the City are as follows:

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

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

Employees covered by benefit terms.

At September 30, 2023 valuation and measurement date, the following employees were covered by the benefit terms.

	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	60
Active employees	<u>50</u>
Total	<u>141</u>

Contributions

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

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Employees for the City of Rockdale, Texas, were required to contribute 5.0 of their annual gross earnings during the fiscal year. The contribution rates for the City of Rockdale, Texas, were 10.35% and 10.2% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$302,729, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2022, 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, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the 2021 valuations were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006, through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal ("EAN") actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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

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

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Discount Rate

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

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/21	\$ 6,743,330	\$ 6,792,988	\$ (49,658)
Changes for the year:			
Service cost	281,478	-	281,478
Interest	455,880	-	455,880
Change of benefit terms	-	-	-
Difference between expected and actual experience	(6,456)	-	(6,456)
Changes in assumptions	-	-	-
Contributions - employer	-	184,660	(184,660)
Contributions - employee	-	118,069	(118,069)
Net investment income	-	(496,510)	496,510
Benefit payments, including refunds of employer contributions	(260,596)	(260,596)	-
Administrative expense	-	(4,291)	4,291
Other changes	-	5,122	(5,122)
Net changes	\$ 470,306	\$ (453,546)	\$ 923,852
Balance at 12/31/22	\$ 7,213,636	\$ 6,339,442	\$ 874,194

CITY OF ROCKDALE
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2023

1. Total Service Cost	281,478
2. Interest on the Total OPEB Liability	455,880
3. Changes in Benefit terms	-
4. Employee Contributions	(118,069)
5. Projected earnings on plan investments	(458,527)
6. Administrative expense	4,291
7. Other Changes in Fiduciary Net Position	(5,120)
8. Recognition of Current year Outflow of Resources-Liability	(2,097)
9. Recognition of Current year Inflow of Resources-Assets	191,008
10. Amortization of Prior Year Inflows of Resources-Liability	15,225
11. Amortization of Prior Year Inflows of Resources-Asset	(75,908)
12. Total Pension Expense	288,161

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,817,782	\$ 874,194	\$ 101,046

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.tmr.com.

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic exp	\$ (13,426)	\$ -
Changes in actuarial assumptions	(35,007)	-
Difference between projected and actual investments	-	-
Contributions subsequent to the measurement date	-	-
Totals	\$ (48,433)	\$ -

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2023	(7,226)
2024	(12,382)
2025	(13,705)
2026	(14,005)
2027	(1,115)
Thereafter	-
	<u>\$ (48,433)</u>

Supplemental Death Benefits Fund

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

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

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

The city's contributions to the TMRS SDBF for the fiscal years ending September 30, 2023, 2022 and 2021 were \$888, \$888, and \$873 respectively, which equaled the required contributions for each year.

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Net Other Post Employment Benefits Liability.
Actuarial Assumptions

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

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

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

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

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease) <u>Total OPEB Liability</u>
Balance at 12/31/21	\$210,368
Changes for the year	
Service Cost	14,404
Interest on Total OPEB liability	3,962
Changes of benefit terms	0
Differences between expected and actual experience	(10,258)
Changes in assumption or other inputs	(60,882)
Benefit payments	(4,487)
Net changes	(57,261)
Total OPEB Liability – end of year	\$153,107

Total OPEB Liability as a Percentage of Covered Payroll	6.48%
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Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB liability	\$176,952	\$153,107	\$133,963

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

CITY OF ROCKDALE
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2023

1. Total Service Cost	14,404
2. Interest on the Total OPEB Liability	3,962
3. Changes in Benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	
6. Difference between expected and actual experience	(6,881)
7. Changes in assumptions or other inputs	(1,701)
8. Total OPEB Expense	<u>9,784</u>

CITY OF ROCKDALE
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2023

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2022 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	5.0800	\$(10,258)	\$ (2,020)	\$ (8,238)
Difference in assumption changes [actuarial (gains) or losses]	5.0800	\$(60,882)	\$(11,985)	\$(48,897)
			<u>\$ (14,005)</u>	<u>\$ (57,135)</u>

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

	Net deferred outflows (inflows) of resources
2023	\$ (7,226)
2024	(12,382)
2025	(13,705)
2026	(14,005)
2027	(1,115)
Thereafter	-
Total	<u>\$ (48,433)</u>

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

Exhibit A-11

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Other Information

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

NOTE 14 – RISK MANAGEMENT

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

NOTE 15 – FIREMEN'S RELIEF AND RETIREMENT FUND

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

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

NOTE 16 – LITIGATION

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

NOTE 17 – HEALTH CARE COVERAGE

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan (the "Plan"). The city paid premiums of \$219,624 to the Plan. Employees, at their option, authorized payroll withholding to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable October 1, and terms of coverage and premium costs are included in the contractual provisions.

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

Exhibit A-11

NOTE 18 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

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, 2023

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	
<u>Revenues</u>				
Taxes:				
Property	\$ 2,517,936	\$ 2,405,263	\$ 2,468,504	\$ 63,241
Sales	1,030,000	1,030,000	1,100,422	70,422
Franchise	250,000	250,000	290,032	40,032
Hotel Motel taxes	-	-	218,544	218,544
Penalties and interest	30,000	30,000	31,131	1,131
Licenses and permits	53,100	53,100	49,645	(3,455)
Fines	104,575	104,575	94,731	(9,844)
Charges for services	139,902	139,902	348,780	208,878
Investment earnings	9,500	9,500	208,556	199,056
Other	4,150	4,150	8,027	3,877
Total Revenues	<u>4,139,163</u>	<u>4,026,490</u>	<u>4,818,372</u>	<u>791,882</u>
<u>Expenditures</u>				
Current:				
General government	709,430	672,930	1,246,674	(573,744)
Public safety	2,096,959	2,065,517	1,792,317	273,200
Highways and streets	618,886	598,888	642,247	(43,359)
Community services	-	-	126,903	(126,903)
Health services	-	-	-	-
Culture and recreation	859,818	814,817	779,935	34,882
Capital outlay	-	-	847,330	(847,330)
Debt Service: Interest expense	-	-	128,689	(128,689)
Principal retirement	-	-	385,000	(385,000)
Total Expenditures	<u>4,285,093</u>	<u>4,152,152</u>	<u>5,949,095</u>	<u>(1,796,943)</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(145,930)</u>	<u>(125,662)</u>	<u>(1,130,723)</u>	<u>(1,005,061)</u>
<u>Other Financing Sources (Uses)</u>				
Grant income & donations	1,000	1,000	821,453	820,453
Transfers in	613,130	733,114	489,613	(243,501)
Transfers (out)	(608,452)	(608,452)		608,452
Total Other Financing Sources (Uses)	<u>5,678</u>	<u>125,662</u>	<u>1,311,066</u>	<u>1,185,404</u>
Net Change in Fund Balance	<u>(140,252)</u>	<u>-</u>	<u>180,343</u>	<u>180,343</u>
Fund Balance - Beginning	<u>1,432,683</u>	<u>1,432,683</u>	<u>3,023,677</u>	
Prior Period Adjustment			-	
Fund Balance - Ending	<u>\$ 1,292,431</u>	<u>\$ 1,432,683</u>	<u>\$ 3,204,020</u>	<u>\$ 180,343</u>

CITY OF ROCKDALE, TEXAS

Exhibit B-1

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
PROPRIETARY FUND
Year Ended September 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Water Revenues	\$ 2,229,454	\$ 2,229,454	\$ 2,206,835	\$ (22,619)
Wastewater Revenues	1,347,220	1,347,220	1,309,646	(37,574)
Sanitation Revenues	650,400	650,400	707,508	57,108
Debt Service transfers	-	-	189,394	189,394
Northwest Water Tower	-	-	-	-
Interest income	2,500	2,500	172,329	169,829
Other revenues	-	-	-	-
Total Revenues	<u>4,229,574</u>	<u>4,229,574</u>	<u>4,585,712</u>	<u>356,138</u>
<u>Expenditures</u>				
Personnel services - salaries and wages	706,021	706,021	707,180	(1,159)
Personnel services - employee benefits	221,515	221,515	186,898	34,617
Purchased professional and technical services	132,836	132,836	167,360	(34,524)
Purchased property services	650,400	650,400	854,214	(203,814)
Other operating expenses	194,120	194,120	418,564	(224,444)
Supplies, Repairs & Maintenance	431,621	431,621	422,061	9,560
Capital Outlay/Depreciation	1,417,070	1,417,070	703,183	713,887
Debt Service:	1,452,070	1,452,070		1,452,070
Interest expense	595,027	595,027	452,070	142,957
Total Expenditures	<u>5,800,680</u>	<u>5,800,680</u>	<u>3,911,530</u>	<u>1,889,150</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(1,571,106)</u>	<u>(1,571,106)</u>	<u>674,182</u>	<u>2,245,288</u>
<u>Other Financing Sources (Uses)</u>				
Grant income			478,592	478,592
Transfers in	2,046,097	2,046,097	-	(2,046,097)
Transfers (out)	(405,991)	(405,991)	(489,613)	(83,622)
Total Other Financing Sources (Uses)	<u>1,640,106</u>	<u>1,640,106</u>	<u>(11,021)</u>	<u>(1,651,127)</u>
Net Change in Fund Balance	69,000	69,000	663,161	594,161
Fund Balance - Beginning	10,422,983	10,422,983	10,422,983	
Fund Balance - Ending	<u>\$ 10,491,983</u>	<u>\$ 10,491,983</u>	<u>\$ 11,086,144</u>	<u>\$ 594,161</u>

CITY OF ROCKDALE, TEXAS

Exhibit B-1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2023

A. Budgets and Budgetary Accounting

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

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

B. Budgetary Legal Compliance

For the year ending September 30, 2023, the City complied with budgetary restrictions at all departmental levels except the following:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government	709,430	1,246,674	(537,244)
Highways and streets	618,886	642,247	(23,361)
Community Services	-	126,903	(126,903)
Culture & recreation	814,817	779,935	34,882

CITY OF ROCKDALE, TEXAS

Exhibit B-3

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability					
Service cost	\$ 281,478	\$ 243,148	\$ 239,027	\$ 236,177	\$ 234,751
Interest (on the total pension liability)	455,880	421,077	400,827	380,914	357,052
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(6,456)	113,924	(75,320)	(154,215)	(80,093)
Change of assumptions	-	-	-	30,010	-
Benefit payments, including refunds of employee contributions	(260,596)	(302,849)	(230,348)	(168,249)	(149,586)
Net Change in Total Pension Liability	<u>470,306</u>	<u>475,300</u>	<u>334,186</u>	<u>324,637</u>	<u>362,124</u>
Total Pension Liability - Beginning	<u>6,743,330</u>	<u>6,268,030</u>	<u>5,933,844</u>	<u>5,609,207</u>	<u>5,247,083</u>
Total Pension Liability - Ending (a)	<u><u>\$ 7,213,636</u></u>	<u><u>\$ 6,743,330</u></u>	<u><u>\$ 6,268,030</u></u>	<u><u>\$ 5,933,844</u></u>	<u><u>\$ 5,609,207</u></u>
 Plan Fiduciary Net Position					
Contributions - employer	\$ 184,660	\$ 174,432	\$ 184,291	\$ 183,105	\$ 194,619
Contributions - employee	118,069	105,717	102,499	98,325	97,407
Net investment income	(496,510)	787,486	422,337	730,264	(141,496)
Benefit payments, including refunds of employee contributions	(260,596)	(302,849)	(230,348)	(168,249)	(149,586)
Administrative expense	(4,291)	(3,638)	(2,729)	(4,120)	(2,732)
Other	5,120	25	(107)	(124)	(142)
Net Change in Plan Fiduciary Net Position	<u>(453,548)</u>	<u>761,173</u>	<u>475,943</u>	<u>839,201</u>	<u>(1,930)</u>
Plan Fiduciary Net Position - Beginning	<u>6,792,988</u>	<u>6,031,815</u>	<u>5,555,872</u>	<u>4,716,671</u>	<u>4,718,601</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 6,339,440</u></u>	<u><u>\$ 6,792,988</u></u>	<u><u>\$ 6,031,815</u></u>	<u><u>\$ 5,555,872</u></u>	<u><u>\$ 4,716,671</u></u>
 Net Pension Liability - Ending (a) - (b)	<u><u>\$ 874,196</u></u>	<u><u>\$ (49,658)</u></u>	<u><u>\$ 236,215</u></u>	<u><u>\$ 377,972</u></u>	<u><u>\$ 892,536</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>87.88%</u>	<u>100.74%</u>	<u>96.23%</u>	<u>93.63%</u>	<u>84.09%</u>
 Covered Employee Payroll	<u>2,361,389</u>	<u>2,114,333</u>	<u>2,049,972</u>	<u>1,966,506</u>	<u>1,948,140</u>
 Net Pension Liability as a Percentage of Covered Employee Payroll	<u>37.02%</u>	<u>-2.35%</u>	<u>11.52%</u>	<u>19.22%</u>	<u>45.81%</u>

Notes to Schedule: N/A

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

	2017	2016	2015	2013	2012	2011
Total Pension Liability						
Service cost	\$ 225,612	\$ 225,413	\$ 209,927	N/A	N/A	N/A
Interest (on the total pension liability)	343,183	316,100	302,987	N/A	N/A	N/A
Changes of benefit terms	-	-	-	N/A	N/A	N/A
Difference between expected and actual experience	(220,194)	(4,999)	(73,377)	N/A	N/A	N/A
Change of assumptions	-	-	32,009	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	-	(124,976)	(124,432)	N/A	N/A	N/A
Net Change in Total Pension Liability	348,601	411,538	347,114	N/A	N/A	N/A
Total Pension Liability - Beginning	5,044,286	4,632,748	4,285,634	N/A	N/A	N/A
Total Pension Liability - Ending (a)	\$ 5,392,887	\$ 5,044,286	\$ 4,632,748	N/A	N/A	N/A
Plan Fiduciary Net Position						
Contributions - employer	\$ 184,281	180,429	177,803	N/A	N/A	N/A
Contributions - employee	93,074	93,532	89,330	N/A	N/A	N/A
Net investment income	559,102	246,101	5,158	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(145,804)	(124,976)	(124,432)	N/A	N/A	N/A
Administrative expense	(2,895)	(2,777)	(3,141)	N/A	N/A	N/A
Other	(146)	(150)	(155)	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	687,612	392,159	144,563	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	4,030,989	3,638,830	3,494,267	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	\$ 4,718,601	4,030,989	3,638,830	N/A	N/A	N/A
Net Pension Liability - Ending (a) - (b)	\$ 674,286	1,013,297	993,918	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.50%	79.91%	78.55%	N/A	N/A	N/A
Covered Employee Payroll	1,861,482	1,870,649	1,786,809	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	36.22%	54.17%	55.63%	N/A	N/A	N/A

Notes to Schedule: N/A

CITY OF ROCKDALE, TEXAS

Exhibit B-4

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contributions	\$ 184,660	\$ 174,432	\$ 184,291	\$ 183,105	\$ 194,619
Contributions in Relation to the Actuarially Determined Contributions	<u>\$ 184,660</u>	<u>\$ 174,432</u>	<u>\$ 184,291</u>	<u>\$ 183,105</u>	<u>\$ 194,619</u>
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Employee Payroll	2,361,389	2,114,333	2,049,972	1,966,506	1,948,140
Contributions as a Percentage of Covered Employee Payroll	7.82%	8.25%	8.99%	9.31%	9.99%

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

CITY OF ROCKDALE, TEXAS

Exhibit B-4

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Contributions	\$ 184,281	\$ 180,429	\$ 177,803	N/A	N/A	N/A
Contributions in Relation to the Actuarially Determined Contributions	<u>\$ 184,281</u>	<u>180,429</u>	<u>177,803</u>	N/A	N/A	N/A
Contribution Deficiency (Excess)	-	-	-	N/A	N/A	N/A
Covered Employee Payroll	1,861,482	1,870,649	1,786,609	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	9.90%	9.65%	9.95%	N/A	N/A	N/A

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

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes

There were no benefit changes during the year.

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

CITY OF ROCKDALE, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

<u>Special Revenue Funds</u>										Totals
Lucy										Nonmajor
Hill	Police	Police		Police						Special
Memorial	Department	Officer of	FEMA	Dept.	Veterans	Municipal	Hotel/Motel			Revenue
Fund	Special	The Year	Grant	Training	Park	Court	Tax	Airport		Funds
<u>Assets</u>										
Cash and cash equivalents	\$ 3,500	\$ 18,279	\$ 4,524	\$ 409,230	\$ 1,038	\$ 4,550	\$ 153,656	\$ 319,953	\$ 126,975	\$ 1,041,701
Accounts Receivable	-									
Due from other funds	-	-	-	-	-	-	31,522	1,495	-	33,017
Total Assets	3,500	18,279	4,524	409,230	1,038	4,550	185,178	321,448	126,975	1,074,721
<u>Liabilities & Fund Balances</u>										
<u>Liabilities</u>										
Accounts payable	302	-	97	2,595	-	-	15,483	3,592	635	22,704
Deferred Revenue										
Due to other funds	-	-	-	-	-	-	-	-	46,472	46,472
Total Liabilities	302	-	97	2,595	-	-	15,483	3,592	47,107	69,176
<u>Fund Balances</u>										
Restricted	3,198	18,279	4,427	406,635	1,038	4,550	169,695	317,856	79,868	1,005,548
Total Fund Balances	3,198	18,279	4,427	406,635	1,038	4,550	169,695	317,856	79,868	1,005,548
Total Liabilities and Fund Balances	\$ 3,500	\$ 18,279	\$ 4,524	\$ 409,230	\$ 1,038	\$ 4,550	\$ 185,178	\$ 321,448	\$ 126,975	\$ 1,074,721

CITY OF ROCKDALE, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (Continued)
 SEPTEMBER 30, 2023

Capital		
Debt Service	Projects	Totals
Fund	Fund	Nonmajor
Debt	2009	Governmental
Service	Tax Notes	Funds
\$ 106,096	\$ -	\$ 1,147,801
-	-	-
50,325	-	83,342
156,421	-	1,231,143
-	-	22,704
-	-	-
-	-	46,472
-	-	69,176
156,421	-	1,161,967
156,421	-	1,161,967
\$ 156,421	\$ -	\$ 1,231,143

CITY OF ROCKDALE, TEXAS

Exhibit C-2

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	Special Revenue Funds									Totals Nonmajor Special Revenue Funds
	Lucy Hill Memorial Fund	Police Dept. Special	Police Officer of The Year	FEMA Grant	Police Dept Training	Veterans Park	Municipal Court	Hotel/Motel Tax	Airport	
Revenues										
Taxes										
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/Motel	-	-	-	-	-	-	-	218,544	-	218,544
Charges for services	-	12,921	-	-	-	-	79,525	-	183,121	275,567
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Investment earnings	277	895	224	31,276	35	226	6,588	13,105	4,672	57,298
Contributions and donations	1,168	-	-	-	317	-	-	-	-	1,485
Grants	-	-	-	96,750	-	-	-	-	-	96,750
Other	-	-	-	-	1,198	-	9,589	-	-	10,787
Total Revenues	1,445	13,816	224	128,026	1,550	226	95,702	231,649	187,793	660,431
Expenditures										
Current:										
General government	-	-	-	-	-	-	67,559	301,597	33,109	402,265
Public safety	-	7,043	-	-	667	-	-	-	-	7,710
Highways and streets	-	-	-	-	-	-	-	-	-	-
Culture and recreation	5,115	-	-	-	-	-	-	-	-	5,115
Capital Outlay	-	-	-	84,870	-	-	-	-	-	84,870
Debt Service:										
Principal payments	-	-	-	-	-	-	-	-	-	-
Interest on fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	5,115	7,043	-	84,870	667	-	67,559	301,597	33,109	499,960
Excess (Deficiency) of Revenues										
Over (Under) Expenditure:	(3,670)	6,773	224	43,156	883	226	28,143	(69,948)	154,684	160,471
Other Financing Sources										
Transfers in/(Out)	-	-	-	(428,479)	-	-	-	202,602	(78,358)	(304,235)
Total Other Financing Sources	-	-	-	(428,479)	-	-	-	202,602	(78,358)	(304,235)
Net Change in Fund Balances	(3,670)	6,773	224	(385,323)	883	226	28,143	132,654	76,326	(143,764)
Fund Balances, Begin of Year	6,868	11,506	4,203	791,958	155	4,324	141,552	185,202	3,542	1,149,310
Fund Balances, End of Year	\$ 3,198	\$ 18,279	\$ 4,427	\$ 406,635	\$ 1,038	\$ 4,550	\$ 169,695	\$ 317,856	\$ 79,868	\$ 1,005,546

CITY OF ROCKDALE, TEXAS

Exhibit C-2

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2023**

Debt Service Fund	Capital Projects Fund	Totals Nonmajor Governmental Funds
Debt Service	2009 Tax Notes	
\$ 49,502	\$ -	\$ 49,502
-	-	218,544
-	-	275,567
-	-	-
16,348	-	73,646
-	-	1,485
-	-	96,750
-	-	10,787
<u>65,850</u>	<u>-</u>	<u>726,281</u>
3,444	-	405,709
-	-	7,710
-	-	-
-	-	5,115
-	-	84,870
385,000	-	385,000
128,689	-	128,689
<u>517,133</u>	<u>-</u>	<u>1,017,093</u>
(451,283)	-	(290,812)
<u>231,895</u>	<u>-</u>	<u>(72,340)</u>
<u>231,895</u>	<u>-</u>	<u>(363,152)</u>
(219,388)	-	(363,152)
<u>375,809</u>	<u>-</u>	<u>1,525,119</u>
<u>\$ 156,421</u>	<u>\$ -</u>	<u>\$ 1,161,967</u>

SINGLE AUDIT ACT REQUIREMENTS

**CITY OF ROCKDALE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor Pass Through Grantor Program Title	Federal AL Number	Project Number	Disbursements
U.S. Department of Housing & Urban Development Community Development			
Texas Department of Agriculture TCDBG Water Improvements Project	14.228	7219371	\$199,468
U.S. Department of Housing & Urban Development Community Development			
Texas General Land Office Flood and Drainage Improvements	14.228	22-085-056-D313	<u>\$231,288</u>
U.S. Department of Housing & Urban Development Community Development			
Subtotal			\$430,756
U.S. Department of Housing & Urban Development Community Development			
Texas Department of Housing & Community Affairs Home Investment Partnership Program	14.239	M-19-SG-48-0100	\$ 538,588
2021 Coronavirus Local Fiscal Recovery Fund American Recovery Plan Act	21.027	2021CLFRF	<u>\$662,663</u>
TOTAL FEDERAL AWARDS			\$1,632,007

CITY OF ROCKDALE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2023

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Rockdale (the "City") under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

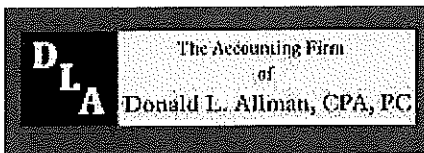
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C INDIRECT COST RATE

The City has elected not to use 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D FEDERAL AWARDS PASSED THROUGH TO SUBRECIPIENTS

Federal awards are passed through to subrecipients through the State of Texas and then to the City of Rockdale.



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CERTIFIED PUBLIC ACCOUNTANT

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

To the City Council
City of Rockdale, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Rockdale, Texas, as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise City of Rockdale, Texas's basic financial statements, and have issued our report thereon dated June 3, 2024

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

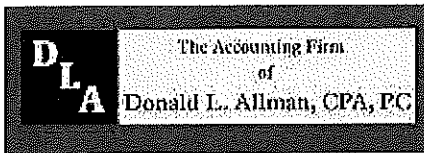
As part of obtaining reasonable assurance about whether City of Rockdale, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Purpose of This Report

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

Donald L. Allman, CPA, PC

Georgetown, Texas
June 3, 2024



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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Rockdale, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Rockdale, Texas's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Rockdale, Texas's major federal programs for the year ended September 30, 2023. City of Rockdale, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Rockdale, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).¹ Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Rockdale, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Rockdale, Texas's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Rockdale, Texas's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Rockdale, Texas's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Rockdale, Texas's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Rockdale, Texas's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Rockdale, Texas's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Rockdale, Texas's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Donald L. Allman, CPA, PC



Georgetown TX
June 3, 2024

**CITY OF ROCKDALE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses? • None Reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses? • None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?
No

Identification of major programs:

AL #	Federal Program Title – U.S. Department of Housing & Urban Development
14.228	Texas Department of Agriculture - TCDBG Water Improvements Project
	Federal Program Title – U.S. Department of Housing & Urban Development
14.228	Texas General Land Office – Flood and Drainage Improvements
	Federal Program Title – U.S. Department of Housing & Urban Development
14.239	Texas Department of Housing & Community Affairs
	- Home Investment Partnership Program
21.027	U.S. Department of Housing & Urban Development
	2021 Coronavirus Local Fiscal Recovery Fund
	American Recovery Plan Act

Dollar Threshold to identify Type A and Type B programs? \$750,000

Auditee qualified as low-risk auditee? No

CITY OF ROCKDALE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED FOR THE YEAR ENDED
SEPTEMBER 30, 2023

II. Financial Statement Findings	None
III. Findings Related to Federal Awards	None

**CITY OF ROCKDALE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

No prior year audit findings.

**CITY OF ROCKDALE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

No findings and no questioned costs so no corrective action plan.