

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended

September 30, 2015

(Audited)

Marvin R. Clement, CPA
1085 CR 328
Milano, TX 76556

TABLE OF CONTENTS

| | |
|---|---------|
| Independent Auditor's Report | 1 - 2 |
| Management Discussion and Analysis | 3 - 9 |
| <u>Basic Financial Statements</u> | |
| Statement of Net Position and Governmental Funds Balance Sheet | 10 |
| Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances | 11 |
| Notes to Financial Statements | 12 - 22 |
| <u>Required Supplementary Information</u> | |
| General Fund Budgetary Comparison Schedule | 23 |

Marvin R. Clement, CPA

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Independent Auditor's Report

To the Board of Directors
Rockdale Municipal Development District
Rockdale, TX

I have audited the accompanying financial statements of the governmental activities of the Rockdale Municipal Development District, a component unit of the City of Rockdale, TX, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Rockdale Municipal Development District, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–9 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Marvin R. Clement

Milano, TX

August 22, 2016

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2015

This discussion and analysis of Rockdale Municipal Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2015. I encourage readers to consider the information presented here in conjunction with the independent auditor's report, the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- Sales tax revenue increased by \$22,131 (6.55%) during the year.
- Expenditures for economic development increased by \$66,270 (39.28%) during the year while administrative expenditures increased \$4,759 (3.06%).
- The MDD's bonded debt decreased by \$26,866 during the year.
- The City of Rockdale donated real property (three vacant lots) to the MDD. This real property was valued at \$5,620.
- Using proceeds from the 2013 Series Bonds, the MDD purchased an office building at 134 N. Main in Rockdale. Repairs and renovations were still in process at year end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the MDD's basic financial statements. The District's basic financial statements consist of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The only funds reported by the District are the general fund for operations. Therefore, government-wide financial statements and fund financial statements are combined into two basic financial statements. They are the combined 1) *statement of net position and governmental funds balance sheet* and 2) *statement of activities and governmental fund revenues, expenditures, and changes in fund balances*. These combined statements appear much the same but there are some minor differences in the accounting principles of each. These differences are best described in the following explanations of government-wide financial statements and fund financial statements.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2015

Government-wide Financial Statements

The *Statement of Net Position* and the *Statement of Activities* are government-wide financial statements. The government-wide financial statements provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities of the District, and the statements are presented on the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies.

The *statement of net position* presents information on all of the District's assets and liabilities with the difference 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 District is improving or deteriorating.

The *statement of activities* presents information on how net position changed during the current fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement may result in cash flows in future fiscal periods (e.g., uncollected sales taxes).

Fund Financial Statements

A fund is a separate set of accounts used to control resources that have been segregated for a specific purpose. The District uses fund accounting to demonstrate compliance with legal and finance-related requirements.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, the reader may be able to better understand the long-term impact of near-term financing decisions.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2015

Notes to Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Condensed Financial Information

The following tables present condensed financial information in a comparative format:

Table I - Government-wide Net Position

| | <u>9/30/2015</u> | <u>9/30/2014</u> |
|----------------------------------|------------------|------------------|
| Current and other assets | \$426,171 | \$577,140 |
| Capital assets | <u>478,819</u> | <u>346,909</u> |
| Total assets | <u>\$904,990</u> | <u>\$924,049</u> |
| Long-term liabilities | \$254,069 | \$282,226 |
| Other liabilities | <u>70,711</u> | <u>35,059</u> |
| Total liabilities | <u>324,780</u> | <u>317,285</u> |
| Net position: | | |
| Net investment in capital assets | \$196,593 | \$37,817 |
| Restricted | 243,520 | 331,454 |
| Unrestricted | <u>140,097</u> | <u>237,493</u> |
| Total net position | <u>\$580,210</u> | <u>\$606,764</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Rockdale Municipal Development District, assets exceeded liabilities by \$580,210 at the close of the current fiscal year.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2015

The District's net position is broken down into three parts:

Net investment in capital assets (e.g., land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. By their nature, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt typically must be provided from other sources, since the assets themselves are not typically used to liquidate these liabilities.

Restricted are assets that are subject to external restrictions on how they may be expended (e.g., debt service, economic development, etc.)

Unrestricted are the remaining assets that can be used to meet the District's ongoing obligations.

Table II - Government-wide Changes in Net Position

| | 9/30/2015 | 9/30/2014 |
|--------------------------|------------------|------------------|
| Total revenues | \$368,740 | \$342,374 |
| Total expenses | 395,294 | 324,265 |
| Change in net position | (\$26,554) | \$18,109 |
| Net position - beginning | 606,764 | 588,655 |
| Net position - ending | <u>\$580,210</u> | <u>\$606,764</u> |

Net position decreased by \$26,554 for the current fiscal year. This decrease is largely due to the increased budgetary spending for economic development projects.

Financial Analysis of the Municipal Development District's Funds

As noted earlier, the District uses fund accounting to demonstrate compliance with legal or finance-related requirements. The district only has one fund, the general operations fund, which is classified as a governmental fund.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2015

Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. 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.

Governmental fund balance is reported in five separate categories: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent for legal or practical reasons. Examples include long-term notes receivable and inventory. Restricted fund balance includes amounts restricted to specific purposes by external parties such as amounts restricted for debt service.

Committed fund balance includes amounts that have been set aside by the board of directors for a specific purpose prior to the end of the fiscal year. Assigned fund balance includes amounts that have been set aside by the board of directors for a specific purpose, but subsequent to the end of the fiscal year. Unassigned fund balance includes all remaining amounts.

At the end of the current year, the district's governmental fund (general fund) used three fund balance categories: restricted, committed and unassigned for a total fund balance of \$383,617. Of the total balance, \$42,976 is restricted, \$200,544 is committed and \$140,097 is unassigned.

The general fund balance decreased by \$188,461 largely due to the planned capital outlays and increased economic development expenditures.

Capital Asset and Debt Administration

The District's investment in capital assets amounts to \$196,593 (net of related debt). This investment in capital assets includes office equipment, furniture & fixtures, buildings & improvements, and land & improvements.

Major capital events during the current fiscal year include the following:

- Purchase furniture and fixtures in the amount of \$18,275.
- Purchase office building at 134 N. Main for \$90,346.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2015

Capital Assets

The following capital asset information is presented net of depreciation. More detailed information can be found in the notes to the financial statements.

| | 9/30/2015 | 9/30/2014 |
|--------------------------|------------------|------------------|
| Office Equipment | \$2,032 | \$3,234 |
| Furniture & Fixtures | 18,571 | 991 |
| Buildings & Improvements | 99,512 | 100 |
| Land & Improvements | 358,704 | 342,584 |
| Total | <u>\$478,819</u> | <u>\$346,909</u> |

Debt

| | 9/30/2015 | 9/30/2014 |
|-------------------------------------|------------------|------------------|
| Sales & Use Tax Bonds - Series 2013 | <u>282,226</u> | <u>309,092</u> |
| Total | <u>\$282,226</u> | <u>\$309,092</u> |

Economic Factors and Next Year's Budget and Rates

- The budget for the fiscal year ended September 30, 2016 was approved in June of 2016. Sales tax revenues are projected to be \$370,000 (2.8% increase over prior year actual). Expenditures for economic development are projected to be \$200,544 (a 14.65% decrease over prior year actual) and \$172,705 for administrative expenditures (a 19.75% increase over prior year actual). Debt service expenditures remain the same at \$42,976.
- The District is currently negotiating with the City of Rockdale for the conveying of 56.578 acres of property in the Rockdale Industrial park. The District will develop the property in hope of soliciting new businesses to the area.
- The sales and use tax bonds – series 2013 are in the process of being restructured from 5.50% to a lower interest rate of 3.85%.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2015

Economic Factors and Next Year's Budget and Rates Continued

- The District is currently negotiating the issuance of 2.57% tax exempt sales and use tax bonds in the amount of \$600,000. The proceeds of these bonds will be used for public use infrastructure in the form of roads, water and sewer lines from the City of Rockdale to the Rockdale industrial park.
- The District is currently negotiating the issuance of 4.07% taxable sales and use tax bonds in the amount of \$1,150,000. The proceeds of these bonds will be used for the purchase and buildout of a 30,000 square foot building in the Rockdale industrial park. The building will be used to attract businesses to the area.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please direct your requests to the Rockdale Municipal Development District, PO Box 1196, Rockdale, Texas 76567.

Rockdale Municipal Development District
Statement of Net Position and
Governmental Funds Balance Sheet
September 30, 2015

| | <u>General Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Net Position</u> |
|--|-------------------------|---------------------------------|--------------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$398,503 | \$0 | \$398,503 |
| Sales tax receivable | 27,668 | 0 | 27,668 |
| Total current assets | <u>426,171</u> | <u>0</u> | <u>426,171</u> |
| Noncurrent assets: | | | |
| Land | 0 | 355,872 | 355,872 |
| Other capital assets net of accumulated depreciation | 0 | 122,947 | 122,947 |
| Total noncurrent assets | <u>0</u> | <u>478,819</u> | <u>478,819</u> |
| Total Assets | <u><u>\$426,171</u></u> | <u><u>\$478,819</u></u> | <u><u>\$904,990</u></u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$42,554 | \$0 | \$42,554 |
| Current portion of bonds payable | 0 | 28,157 | 28,157 |
| Total current liabilities | <u>42,554</u> | <u>28,157</u> | <u>70,711</u> |
| Long-term liabilities: | | | |
| Bonds payable net of current portion | 0 | 254,069 | 254,069 |
| Total Long-term Liabilities | <u>0</u> | <u>254,069</u> | <u>254,069</u> |
| Total Liabilities | <u>42,554</u> | <u>282,226</u> | <u>324,780</u> |
| FUND BALANCES/NET POSITION | | | |
| FUND BALANCES | | | |
| Restricted | 42,976 | (42,976) | |
| Committed | 200,544 | (200,544) | |
| Unassigned | 140,097 | (140,097) | |
| Total Fund Balances | <u>383,617</u> | <u>(383,617)</u> | |
| Total Liabilities and Fund Balances | <u><u>\$426,171</u></u> | | |
| NET POSITION | | | |
| Net investment in capital assets | | 196,593 | 196,593 |
| Restricted for: | | | |
| Debt service | | 42,976 | 42,976 |
| Economic Development | | 200,544 | 200,544 |
| Unrestricted | | 140,097 | 140,097 |
| Total Net Position | | <u><u>\$580,210</u></u> | <u><u>\$580,210</u></u> |

The accompanying notes are an integral part of these financial statements.

Rockdale Municipal Development District
Statement of Activities and
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2015

| | <u>General Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Activities</u> |
|---|---------------------|---------------------------------|------------------------------------|
| Expenditures/expenses: | | | |
| Economic Development: | | | |
| Projects and capital improvements | \$170,144 | \$0 | \$170,144 |
| Contractual services | 5,250 | 0 | 5,250 |
| Community marketing | 44,181 | 0 | 44,181 |
| Dues and memberships | 4,733 | 0 | 4,733 |
| Rental subsidies | 7,750 | 0 | 7,750 |
| Board of directors | 2,903 | 0 | 2,903 |
| Total economic development | <u>234,961</u> | <u>0</u> | <u>234,961</u> |
| Administrative: | | | |
| Board meetings | 204 | 0 | 204 |
| Cleaning/janitorial | 1,110 | 0 | 1,110 |
| Depreciation | 3,131 | 0 | 3,131 |
| Insurance | 2,137 | 0 | 2,137 |
| Office expense | 3,061 | 0 | 3,061 |
| Personnel | 105,465 | 0 | 105,465 |
| Phone and internet | 6,770 | 0 | 6,770 |
| Postage and delivery | 49 | 0 | 49 |
| Professional services | 14,918 | 0 | 14,918 |
| Rent | 460 | 0 | 460 |
| Repairs and maintenance | 1,298 | 0 | 1,298 |
| Taxes | 958 | 0 | 958 |
| Utilities | 4,661 | 0 | 4,661 |
| Total administrative | <u>144,222</u> | <u>0</u> | <u>144,222</u> |
| Capital Outlay | 135,041 | (135,041) | 0 |
| Debt Service: | | | |
| Principal | 26,866 | (26,866) | 0 |
| Interest | 16,111 | 0 | 16,111 |
| Total expenditures/expenses | <u>557,201</u> | <u>(161,907)</u> | <u>395,294</u> |
| Revenues | | | |
| Sales Tax | 359,895 | 0 | 359,895 |
| Donations/grants | 5,620 | 0 | 5,620 |
| Interest income | 3,225 | 0 | 3,225 |
| Total revenues | <u>368,740</u> | <u>0</u> | <u>368,740</u> |
| Excess(deficiency) of revenues over(under) expenditures | (188,461) | 188,461 | 0 |
| Change in net position | 0 | (26,554) | (26,554) |
| Fund balance/net position beginning of year | 572,078 | 34,686 | 606,764 |
| Fund balance/net position end of year | <u>\$383,617</u> | <u>\$196,593</u> | <u>\$580,210</u> |

The accompanying notes are an integral part of these financial statements.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Notes to Financial Statements September 30, 2015

Note 1 – Summary of Significant Accounting Policies

The Rockdale Municipal Development District (the District) is a political subdivision of the state of Texas and the City of Rockdale as its duly constituted authority and instrumentality in accordance with Chapter 377 of the Texas Local Government Code. The District is considered a component unit of the City of Rockdale, Texas and is governed by seven board of directors which are appointed by the City of Rockdale for staggered two-year terms. The board has appointed a Director of Economic Development that answers to the board and is responsible for directing all the activities of the District.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The District has implemented the financial reporting requirements of GASB Statements No. 33 and No. 61. The District has also 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.

Reporting Entity

The Rockdale Municipal Development District (MDD) was created by voters in May, 2010 and began levying a 1/2 percent sales tax starting October 1, 2010 on all items in the district that are subject to the general sales tax. The MDD jurisdiction includes the City of Rockdale and its extra-territorial jurisdiction (that area that extends outward from the city limits to one mile).

It is the mission of the MDD to aid the City of Rockdale and interested private or public entities in making the community a better place to live, work and do business. In so doing, the MDD may help develop and finance any permissible project as defined in Chapter 377 of the Texas Local Government Code and that benefits, strengthens and diversifies the economic base of Rockdale.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for services.

The statement of activities is presented to show the extent revenues of a given activity support direct expenses. Direct expenses are those that are clearly identifiable with a specific activity.

Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The District's general fund is reported in the governmental fund section and is the District's only fund.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales tax revenue, and investment earnings are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available when cash is received. Sales tax is accrued for amounts received within 30 days after year-end.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Major Governmental Funds

The general fund is the District's only operating fund. It accounts for all financial resources of the general government.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Sales tax receivable is the only receivable recognized.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$250 and an estimated useful life in excess of one year. Such assets, which include land and improvements, buildings and improvements, office equipment, furniture and fixtures, are reported 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 District are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Office Equipment | 3 to 5 |
| Furniture and Fixtures | 10 |
| Buildings and Improvements | 25 to 50 |

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts 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 (GASB 65) are expensed in the current period.

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.

Compensated Absences

It is the District'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. Accumulated vacation leave benefits were minimal at year-end and no accrual was made.

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.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Fund Balances

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The District 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.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Directors.

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.

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

At September 30, 2015, the District had \$42,976 restricted, \$200,544 committed, and \$140,097 unassigned fund balances for a total fund balance of \$383,617.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governmental units.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Subsequent Events

Management of the District has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

Note 2 – Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the Governmental Fund Balance Sheet and the Statement of Net Position

The adjustments shown on page 10 of the combined *Statement of Net Position* and *Governmental Funds Balance Sheet* represent the differences between these two statements. Capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Debt service expenditures are recorded only when payment is due.

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 adjustments shown on page 11 of the combined *Statement of Activities* and *Governmental Fund Revenues, Expenditures, and Changes in Fund Balances* represent the differences between these two statements due to current year capital outlays and debt principle payments. Capital outlays and debt principle payments are considered expenditures in the governmental fund financial statements but are shown as increases in capital assets and decreases in long-term debt in the government-wide statements.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Note 3 – Stewardship, Compliance and Accountability

Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

1. On or before August 31st of each year, the District prepares and presents a proposed budget of expected revenues and proposed expenditures for the next fiscal year to the Board of Directors.
2. A meeting of the Board is called and the budget is presented.
3. Prior to September 30th, the Board approves the budget. Once a budget is approved, it can only be amended by approval of a majority of members of the Board. Amendments can be presented to the Board at its regular meetings.

Note 4 – Detailed Notes on All Funds and Activities

Deposits and Investments

Policies and Legal and Contractual Provisions Governing Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract as discussed in the next section of this note.

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District maintains a depository contract which requires its bank to pledge securities to the District in an amount sufficient to secure the total amount of the District's funds on deposit, less any portion of the deposit balance which is secured by FDIC coverage. As such, at the end of the fiscal year, none of the District's bank balance was exposed to custodial credit risk.

As of September 30, 2015, all of the District's excess funds were at Classic National Bank. All accounts listed as either cash or cash equivalents are maintained in depository accounts at the District's banking institution.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Additional policies and contractual provisions governing deposits and investments for the Rockdale Municipal Development District are specified below:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Rockdale Municipal Development District, the District limits its investments to those that meet the requirements of the Public Funds Investment Act of the Texas Government Code.

Custodial Credit Risk for Investments

This is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The District does not have any such investments as of September 30, 2015, that have this risk.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's excess funds were in a local bank covered by FDIC or collateralized by pledged securities.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District invests operating funds primarily in money market funds.

Foreign Currency Risk for Investments

The District does not have any investments denominated in a foreign currency.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Capital Asset Activity

Capital asset activity for the year ended September 30, 2015, were as follows:

| | Balance 9/30/2014 | Additions | Deletions | Balance 9/30/2015 |
|--------------------------------|----------------------|-----------|-----------|----------------------|
| Office Equipment | \$4,503 | | | \$4,503 |
| Furniture & Fixtures | 1,078 | 18,275 | | 19,353 |
| Buildings & Improvements | 100 | 100,646 | | 100,746 |
| Land Improvements | 2,333 | 500 | | 2,833 |
| Land | 340,251 | 15,620 | | 355,871 |
| Total at historic cost | 348,265 | 135,041 | 0 | 483,306 |
| Less: accumulated depreciation | (1,356) | (3,131) | | (4,487) |
| Capital Assets, Net | \$346,909 | \$131,910 | \$0 | \$478,819 |

Depreciation expense charged to the general fund was \$3,131.

Long-term Debt

A summary of changes in bonds payable for the year ended September 30, 2015, is as follows:

| | Interest Rate | Amounts Original Issue | Interest Current Year | Beginning Balance Outstanding | Issued | Retired | Ending Balance Outstanding |
|-----------------------|------------------|------------------------------|-----------------------------|-------------------------------------|--------|----------|----------------------------------|
| Sales & Use Tax Bonds | | | | | | | |
| Series 2013 | 5.50% | \$330,000 | \$16,111 | \$309,092 | \$0 | \$26,866 | \$282,226 |
| Total | | | \$16,111 | \$309,092 | \$0 | \$26,866 | \$282,226 |

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Debt Service Requirements – Long-term Debt

Debt services requirements for bonds payable are as follows:

| September 30: | <u>Principle</u> | <u>Interest</u> | <u>Total</u> |
|---------------|------------------|-----------------|------------------|
| 2016 | \$28,157 | \$14,819 | \$42,976 |
| 2017 | 29,745 | 13,231 | 42,976 |
| 2018 | 31,423 | 11,553 | 42,976 |
| 2019 | 33,195 | 9,781 | 42,976 |
| 2020 | 35,068 | 7,908 | 42,976 |
| 2021 to 2024 | 124,638 | 11,453 | 136,091 |
| | <u>\$282,226</u> | <u>\$68,745</u> | <u>\$350,971</u> |

Retirement Benefits Plan

The District does not maintain a formal retirement benefits plan. Rather, eligible employees are paid retirement benefits quarterly with the option to invest in individual plans set up by the individual. The annual rates published by the Texas Municipal Retirement System (TMRS) are utilized in calculating the amount of benefit as follows: quarterly gross wages times the TMRS rate in effect for that time period. The TMRS rate for 2014 and 2015 calendar years was 10.35% and 10.20% respectively. The District paid \$6,424 for retirement benefits for the year ended September 30, 2015.

Health Care Coverage

During the year ended September 30, 2015, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$6,834 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 District and the licensed insurer is renewable October 1, and terms of coverage and premium costs are included in the contractual provisions.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2015

Litigation

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

Risk Management

The District 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 District's risk management program includes coverage for property, general liability, automobile liability, public officials' liability and employee dishonesty bonds. The District 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.

Rockdale Municipal Development District
General Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|-----------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Sales tax revenue | \$365,000 | \$465,000 | \$359,895 | (\$105,105) |
| Donations/grants | 0 | 0 | 5,620 | 5,620 |
| Interest income | 4,763 | 4,763 | 3,225 | (1,538) |
| Total revenue | 369,763 | 469,763 | 368,740 | (101,023) |
| Expenses: | | | | |
| Economic Development | 188,478 | 288,478 | 234,961 | 53,517 |
| Administration: | | | | |
| Bank charges | 152 | 152 | 0 | 152 |
| Board meeting expense | 600 | 600 | 204 | 396 |
| Cleaning/janitorial | 1,080 | 1,080 | 1,110 | (30) |
| Depreciation | 0 | 0 | 3,131 | (3,131) |
| Insurance | 0 | 0 | 2,137 | (2,137) |
| Interest expense | 14,691 | 14,691 | 16,111 | (1,420) |
| Office expense | 18,600 | 18,600 | 3,061 | 15,539 |
| Personnel | 110,049 | 110,049 | 105,465 | 4,584 |
| Phone & internet | 7,200 | 7,200 | 6,770 | 430 |
| Postage & delivery | 108 | 108 | 49 | 59 |
| Professional services | 24,000 | 24,000 | 14,918 | 9,082 |
| Rent | 2,458 | 2,458 | 460 | 1,998 |
| Repairs and maintenance | 0 | 0 | 1,298 | (1,298) |
| Taxes | 0 | 0 | 958 | (958) |
| Utilities | 2,347 | 2,347 | 4,661 | (2,314) |
| Total administration | 181,285 | 181,285 | 160,333 | 20,952 |
| Total expense | 369,763 | 469,763 | 395,294 | 74,469 |
| Excess(deficiency) of revenues over(under) expenses | 0 | 0 | (26,554) | (26,554) |
| Fund Balance/Net Position - Beginning of Year | 606,764 | 606,764 | 606,764 | 606,764 |
| Fund Balance/Net Position - End of Year | \$606,764 | \$606,764 | \$580,210 | \$580,210 |