

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended

September 30, 2017

(Audited)

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

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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, 2017, 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 controls 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, 2017, 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 3–11 and 29 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

November 21, 2017

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2017

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, 2017. 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 decreased by \$9,379 (2.47%) during the year.
- Expenditures for economic development increased by \$141,752 (66.31%) during the year while administrative expenditures increased by \$67,617 (39.57%).
- The MDD's bonded debt decreased by \$120,554 during the year.

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.

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.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2017

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.

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.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2017

Condensed Financial Information

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

Table I - Government-wide Net Position

	9/30/2017	9/30/2016
Current and other assets	\$1,812,826	\$2,141,140
Capital assets	743,591	749,647
Total assets	<u>\$2,556,417</u>	<u>\$2,890,787</u>
Long-term liabilities	\$1,757,089	\$1,882,107
Other liabilities	251,851	260,471
Total liabilities	<u>2,008,940</u>	<u>2,142,578</u>
Net position:		
Net investment in capital assets	\$520,757	\$496,282
Restricted	26,720	251,927
Unrestricted	0	0
Total net position	<u>\$547,477</u>	<u>\$748,209</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 \$547,477 at the close of the current fiscal year.

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.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2017

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

	9/30/2017	9/30/2016
Total revenues	\$393,283	\$552,645
Total expenses	594,015	384,646
Change in net position	(\$200,732)	\$167,999
Net position - beginning	748,209	580,210
Net position - ending	<u>\$547,477</u>	<u>\$748,209</u>

Net position decreased by \$200,732 for the current fiscal year. This decrease is largely due to increased economic development spending and bond interest expense.

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.

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.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2017

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 \$1,686,697. Of the total balance, \$191,418 is restricted, \$1,495,279 is committed and \$0 is unassigned.

The governmental fund balance decreased by \$315,230 largely due to increased economic development spending and increased payments for bond principle and interest.

Capital Asset and Debt Administration

The District's investment in capital assets amounts to \$520,756 (net of related debt). This investment in capital assets includes office equipment, furniture & fixtures, buildings & improvements, and land & land improvements.

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

- Construction in progress on the industrial park building in the amount of \$18,216.
- Improvements to industrial park land and other land in the amount of \$37,013.
- Received a reimbursement from the city of Rockdale for prior land improvements in the amount of \$56,763.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2017

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.

	<u>9/30/2017</u>	<u>9/30/2016</u>
Office Equipment	\$875	\$680
Furniture & Fixtures	13,028	15,800
Buildings & Improvements	102,627	104,572
Construction in Progress	18,216	0
Land & Improvements	<u>608,845</u>	<u>628,595</u>
Total	<u>\$743,591</u>	<u>\$749,647</u>

Debt

	<u>9/30/2017</u>	<u>9/30/2016</u>
Sales & Use Tax Bonds - Series 2013 Tax Exempt	222,834	253,365
Sales & Use Tax Bonds - Series 2016A Tax Exempt	566,785	600,000
Sales & Use Tax Bonds - Series 2016B Taxable	<u>1,093,192</u>	<u>1,150,000</u>
Total	<u>\$1,882,811</u>	<u>\$2,003,365</u>

Economic Factors - Next Year's Budget

- The budget for the fiscal year ended September 30, 2018 was approved on August 29, 2017. Sales tax revenues are projected to be \$400,000 (7.86% increase over prior year actual). Expenditures for economic development are projected to be \$782,161 (220% increase over prior year actual), \$1,329,947 for capital outlay, \$191,418 for debt service and \$186,791 for administrative expenditures (16.56% increase over prior year actual).

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2017

Other Economic Factors

- The Rockdale Municipal Development District (RMDD) is entering into its 7th year. The RMDD 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). The RMDD spent much of the first two years educating themselves and the community on economic development while funds were being accrued to hire their first Executive Director in March of 2012. The past five years they have hit the ground running on recruitment efforts and establishing programs for small business retention and expansions. Over the years, the RMDD has also participated in various long-term infrastructure projects for the community. One such project was the Development of the Rockdale Industrial and Business Park. This once pastoral property is currently being totally transformed into a property with improvements consisting of streets and utilities constructed and installed in compliance with the City's rules, standards, codes and ordinances in order to create an attractive and marketable resource that will encourage the location of new and expanded businesses within the District. The Rockdale Industrial Park has nearly 167 acres for development.
 - 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.
- The Rockdale MDD, in conjunction with the Rockdale Downtown Association (RDA) facilitated the development of a Downtown Master Plan for the City of Rockdale. The RDA sought qualified firms to conduct a study and then develop a plan to revitalize the Downtown District of Rockdale. After many interviews the RDA recommended that Half Associates be hired to perform the work. The Rockdale MDD funded the Downtown Master Plan Project in the amount of \$30,000. The Plan was submitted October 19, 2012. The Rockdale MDD and Rockdale Community have implemented many incentives to encourage the success of the Downtown Revitalization Project in the past years such as the Façade Improvement Incentive Program, Rental Assistance Program and Pedestrian Facilities (Sidewalks). To date the RMDD has approved 12 Façade Grants and 7 Rental Assistance Grants.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2017

Other Economic Factors (continued)

- Façade Improvement Incentive Program Goals;
 - ~ Revitalize and improve the appearance of Rockdale buildings to positively impact the aesthetics, marketability, and perception of the City of Rockdale and its ETJ
 - ~ Serve as a catalyst for continued private sector investment through visible improvements
 - ~ Offer the private sector an incentive program to invest in Rockdale buildings
- Rental Assistance Program Goals;
 - ~ Assist new ventures during the first months of operation with financial assistance.
 - ~ Foster the growth of small businesses and commercial enterprises in the Downtown District
 - ~ Target commercial establishments that complement existing businesses in the downtown area, Building on the concept of redevelopment of the Historical down town district of Rockdale.
- Pedestrian Facilities (Sidewalks) Projects;
 - ~ Downtown Revitalization Program Grant (Cameron Ave. Sidewalk replacement from Green St. to Burleson St.)
 - ~ Transportation Assistance Set – Aside Grant (Cameron Ave. Sidewalk replacement from Akerman St. to Burleson St.)
- The Rockdale MDD, in conjunction with the City of Rockdale’s Airport Development Plan Committee (Committee) facilitated the development of H.H. Coffield Regional Airport Action/Business Development Plan.
 - The City of Rockdale, Texas has initiated a comprehensive review and examination of its community airport – the H.H. Coffield Regional Airport – with potential interest to modernize and develop the facility as a community asset for economic growth.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2017

Other Economic Factors (continued)

- A 2011 Texas Department of Transportation, Division of Aviation (TXDOT Aviation) economic impact study calculated that the Airport presently has an estimated annual economic contribution to the City and County of \$187,293. Community leaders have a positive desire to see that level of activity increase through an extensive capital improvement project plan. The H.H. Coffield Regional Airport Action/Business Development Plan lays out needed steps to achieve the Communities goals and the City of Rockdale continues to work towards those goals.
- The RMDD purchased an office building located at 134 N. Main St. in downtown Rockdale. since that time, they have made several repairs to the building including exterior wall repairs, roof repairs, office remodel, and the construction of an adjacent public use Parking Lot.
- The RMDD has approved other various Grants to aid in the Historic Restoration of community landmarks, new business construction and infrastructure expansion and the construction of 3 City of Rockdale Gateway Monuments.
- In the upcoming year, the RMDD plans to continue the construction of the Rockdale Industrial and Business Park and continue to advertise, market and convey the property for the purposes of obtaining new and expanded businesses within the District, to create new jobs and expand the local tax base. The RMDD also plans to review and modify its existing Façade Improvement Incentive Program and Rental Assistance Program to fit the current needs of the District.

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
September 30, 2017**

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$1,785,753
Sales tax receivable	27,073
Total current assets	1,812,826
Capital assets:	
Land & land improvements	608,845
Other capital assets net of accumulated depreciation	134,746
Total capital assets	743,591
Total Assets	\$2,556,417
 LIABILITIES	
Current liabilities:	
Accounts payable & accrued expenses	\$126,129
Current portion of bonds payable	125,722
Total current liabilities	251,851
Long-term liabilities:	
Bonds payable net of current portion	1,757,089
Total Long-term Liabilities	1,757,089
Total Liabilities	2,008,940
 NET POSITION	
Net investment in capital assets	520,756
Restricted for:	
Debt service	26,721
Economic development	0
Unrestricted	0
Total Net Position	\$547,477

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

Rockdale Municipal Development District
Statement of Activities
For the Year Ended September 30, 2017

	Governmental Activities
Expenses:	
Economic Development:	
Projects and capital improvements	\$290,369
Contractual services	5,513
Community marketing	25,504
Dues and memberships	2,494
Rental subsidies	30,888
Board of directors	750
Total economic development	355,518
Administrative:	
Bank charges	10
Board meetings	192
Depreciation	5,126
Insurance	958
Interest	73,117
Office expense	2,693
Personnel	116,608
Phone and internet	7,539
Postage and delivery	207
Professional services	25,412
Repairs and maintenance	1,645
Utilities	4,990
Total administrative	238,497
Total expenses	594,015
 Revenues	
Sales tax	370,844
Other income	95
Interest income	22,344
Total revenues	393,283
Change in net position	(200,732)
Net position beginning of year	748,209
Net position end of year	\$547,477

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

**Rockdale Municipal Development District
Balance Sheet - Governmental Funds
September 30, 2017**

	General Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$1,785,753
Sales tax receivable	27,073
Total Assets	\$1,812,826
 LIABILITIES	
Accounts payable & accrued expenses	\$126,129
Total Liabilities	126,129
 FUND BALANCES	
Restricted for debt service	191,418
Committed for projects & capital improvements	1,495,279
Unassigned	0
Total Fund Balances	1,686,697
Total Liabilities and Fund Balances	\$1,812,826

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

**Rockdale Municipal Development District
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position
 September 30, 2017**

Total Fund Balance - Governmental Funds	\$1,686,697	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$759,797 and the accumulated depreciation was \$10,150. In addition, bonds payable are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. Bonds payable were \$2,003,365 at the beginning of the year. The net effect of including the beginning balances for capital assets (net of depreciation) and bonds payable in the governmental activities is to increase (decrease) net position.	(1,253,718)	
Current year capital outlays and long-term debt principle payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principle payments is to increase (decrease) net position.	119,624	
Depreciation does not require the use of current financial resources and therefore is not recognized as an expense in governmental funds. The net effect of the current year's depreciation is to decrease net position.	(5,126)	
Net Position of Governmental Activities	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">\$547,477</td> </tr> </table>	\$547,477
\$547,477		

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

Rockdale Municipal Development District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund
Expenditures:	
Economic development:	
Projects and capital improvements	\$290,369
Contractual services	5,513
Community marketing	25,504
Dues and memberships	2,494
Rental subsidies	30,888
Board of directors	750
Total economic development	355,518
Administrative:	
Bank charges	10
Board meetings	192
Insurance	958
Office expense	2,693
Personnel	116,608
Phone and internet	7,539
Postage and delivery	207
Professional services	25,412
Repairs and maintenance	1,645
Utilities	4,990
Total administrative	160,254
Capital outlay	(930)
Debt service:	
Principal	120,554
Interest	73,117
Total expenditures	708,513
 Revenues	
Sales tax	370,844
Other income	95
Interest income	22,344
Total revenues	393,283
Excess(deficiency) of revenues over(under) expenditures	(315,230)
Fund balance beginning of year	2,001,927
Fund balance end of year	\$1,686,697

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

**Rockdale Municipal Development District
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities
For the Year Ended September 30, 2017**

Total Net Change in Fund Balances - Governmental Funds	(\$315,230)
Current year capital outlays and long-term debt principle payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principle payments is to increase (decrease) net position.	119,624
Depreciation does not require the use of current financial resources and therefore is not recognized as an expense in governmental funds. The net effect of the current year's depreciation is to decrease net position.	(5,126)
Change in Net Position of Governmental Activities	<u><u>(\$200,732)</u></u>

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

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Notes to Financial Statements September 30, 2017

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, 2017

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 30 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, 2017

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, 2017

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, 2017

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, 2017, the District had \$191,418 restricted, \$1,495,279 committed, and \$0 unassigned fund balances for a total fund balance of \$1,686,697.

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, 2017

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 reconciliation shown on page 15 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 reconciliation shown on page 17 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 and revenue 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, 2017

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 1st 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 August 31st, 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, 2017, all of the District's excess funds were at Classic 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, 2017

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, 2017, 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, 2017

Capital Asset Activity

Capital asset activity for the year ended September 30, 2017, were as follows:

	Balance 9/30/2016	Additions	Deletions	Balance 9/30/2017
Office Equipment	\$4,503	\$604	\$0	\$5,107
Furniture & Fixtures	19,353	0	0	19,353
Buildings & Improvements	107,346	0	0	107,346
Construction in Progress	0	18,216	0	18,216
Land Improvements	102,994	37,013	56,763	83,244
Land	525,601	0	0	525,601
Total at historic cost	759,797	55,833	56,763	758,867
Less: accumulated depreciation	(10,150)	(5,126)	0	(15,276)
Capital Assets, Net	\$749,647	\$50,707	\$56,763	\$743,591

Depreciation expense charged to the general fund was \$5,126.

Long-term Debt

Changes in bonds payable for the year ended September 30, 2017, 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 Tax Exempt	3.85%	\$330,000	\$10,079	\$253,365	\$0	\$30,531	\$222,834
Series 2016A Tax Exempt	2.57%	\$600,000	15,589	600,000	0	33,215	566,785
Series 2016B Taxable	4.07%	\$1,150,000	47,449	1,150,000	0	56,808	1,093,192
Total			\$73,117	\$2,003,365	\$0	\$120,554	\$1,882,811

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2017

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>
2018	\$125,722	65,696	\$191,418
2019	130,355	61,063	191,418
2020	135,147	56,271	191,418
2021	140,154	51,264	191,418
2022	145,336	46,082	191,418
2023 to 2031	<u>1,206,097</u>	<u>342,924</u>	<u>1,549,021</u>
	<u>\$1,882,811</u>	<u>\$623,300</u>	<u>\$2,506,111</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 2016 and 2017 calendar years was 9.92% and 10.18% respectively. The District paid \$7,249 for retirement benefits for the year ended September 30, 2017.

Health Care Coverage

During the year ended September 30, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$6,521 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, 2017

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
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2017

	Original Budget	Actual	Variance with Budget Positive (Negative)
Expenditures:			
Economic development:			
Projects and capital improvements	\$1,809,409	\$290,369	\$1,519,040
Contractual services	16,000	5,513	10,487
Community marketing	44,456	25,504	18,952
Dues and memberships	4,726	2,494	2,232
Rental subsidies	0	30,888	(30,888)
Board of directors	6,925	750	6,175
Total economic development	1,881,516	355,518	1,525,998
Administrative:			
Bank charges	0	10	(10)
Board meetings	578	192	386
Insurance	5,000	958	4,042
Office expense	5,816	2,693	3,123
Personnel	113,182	116,608	(3,426)
Phone and internet	6,564	7,539	(975)
Postage and delivery	196	207	(11)
Professional services	16,969	25,412	(8,443)
Repairs and maintenance	1,500	1,645	(145)
Utilities	3,942	4,990	(1,048)
Total administrative	153,747	160,254	(6,507)
Capital outlay	0	(930)	930
Debt service:			
Principal	121,258	120,554	704
Interest	64,229	73,117	(8,888)
Total expenditures	2,220,750	708,513	1,512,237
Revenues			
Sales tax	400,000	370,844	(29,156)
Industrial park lease payments	67,500	0	(67,500)
Other income	0	95	95
Interest income	3,250	22,344	19,094
Total revenues	470,750	393,283	(77,467)
Excess(deficiency) of revenues over(under) expenditures	(1,750,000)	(315,230)	1,434,770
Other financing sources (uses):			
Bond issuance	1,750,000	0	(1,750,000)
Bond finance expense	0	0	0
Total other financing sources	1,750,000	0	(1,750,000)
Net change in fund balances	0	(315,230)	(315,230)
Fund balance beginning of year	2,001,927	2,001,927	0
Fund balance end of year	\$2,001,927	\$1,686,697	(\$315,230)

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