

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended

September 30, 2016

(Audited)

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

TABLE OF CONTENTS

Independent Auditor's Report	1
Management Discussion and Analysis	3
<u>Basic Financial Statements</u>	
Government Wide Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and changes in Fund Balances to the Statement of Activities	15
Notes to Financial Statements	16
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	27

Marvin R. Clement, CPA

CERTIFIED PUBLIC ACCOUNTANT
Experience ... Knowledge ... Trust

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, 2016, 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, 2016, 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 27 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 23, 2016

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2016

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, 2016. 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 \$20,328 (5.65%) during the year.
- Expenditures for economic development decreased by \$21,194 (9.02%) during the year while administrative expenditures increased by \$10,545 (6.58%).
- The MDD's bonded debt increased by \$1,721,139 during the year.
- The City of Rockdale donated real property (56.578 Acres) to the MDD. This real property was valued at \$169,730.

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, 2016

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 funds, 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.

Condensed Financial Information

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

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2016

Table I - Government-wide Net Position

	<u>9/30/2016</u>	<u>9/30/2015</u>
Current and other assets	\$2,141,140	\$426,171
Capital assets	749,647	478,819
Total assets	<u>\$2,890,787</u>	<u>\$904,990</u>
Long-term liabilities	\$1,882,107	\$254,069
Other liabilities	260,471	70,711
Total liabilities	<u>2,142,578</u>	<u>324,780</u>
Net position:		
Net investment in capital assets	\$496,282	\$196,593
Restricted	251,927	243,520
Unrestricted	0	140,097
Total net position	<u>\$748,209</u>	<u>\$580,210</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 \$748,209 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, 2016

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

	9/30/2016	9/30/2015
Total revenues	\$552,645	\$368,740
Total expenses	384,646	395,294
Change in net position	\$167,999	(\$26,554)
Net position - beginning	580,210	606,764
Net position - ending	\$748,209	\$580,210

Net position increased by \$167,999 for the current fiscal year. This increase is largely due to the donation of land (56.578 Acres) from the City of Rockdale.

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, 2016

Governmental funds 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 \$2,001,927. Of the total balance, \$191,418 is restricted, \$1,809,409 is committed and \$1,100 is unassigned.

The governmental funds balances increased by \$1,618,310 largely due to the planned issuance of two bonds in the amount of \$600,000 and \$1,150,000.

Capital Asset and Debt Administration

The District's investment in capital assets amounts to \$496,282 (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:

- Improvements to buildings in the amount of \$6,600.
- Improvements to land in the amount of \$100,161.
- Received a donation of land (56.578 Acres) in the amount of \$169,730.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2016

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.

	9/30/2016	9/30/2015
Office Equipment	\$680	\$2,032
Furniture & Fixtures	15,800	18,571
Buildings & Improvements	104,572	99,512
Land & Improvements	628,595	358,704
Total	<u>\$749,647</u>	<u>\$478,819</u>

Debt

	9/30/2016	9/30/2015
Sales & Use Tax Bonds - Series 2013 Tax Exempt	253,365	282,226
Sales & Use Tax Bonds - Series 2016A Tax Exempt	600,000	0
Sales & Use Tax Bonds - Series 2016B Taxable	1,150,000	0
Total	<u>\$2,003,365</u>	<u>\$282,226</u>

Economic Factors and Next Year's Budget and Rates

- The budget for the fiscal year ended September 30, 2017 was approved on August 22, 2016. Sales tax revenues are projected to be \$400,000 (5.2% increase over prior year actual). Expenditures for economic development are projected to be \$1,889,266 (a 884% increase over prior year actual) and \$153,747 for administrative expenditures (a 10.03% decrease over prior year actual).
- The District will develop the property in the H.H. Coffield Industrial Park and build a 30,000 sq/ft building in hope of soliciting new businesses to the area.

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Management Discussion and Analysis

September 30, 2016

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, 2016**

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$2,111,175
Sales tax receivable	29,965
Total current assets	2,141,140
Capital assets:	
Land & land improvements	628,595
Other capital assets net of accumulated depreciation	121,052
Total capital assets	749,647
Total Assets	\$2,890,787
 LIABILITIES	
Current liabilities:	
Accounts payable & accrued expenses	\$139,213
Current portion of bonds payable	121,258
Total current liabilities	260,471
Long-term liabilities:	
Bonds payable net of current portion	1,882,107
Total Long-term Liabilities	1,882,107
Total Liabilities	2,142,578
 NET POSITION	
Net investment in capital assets	496,282
Restricted for:	
Debt service	191,418
Economic development	60,509
Unrestricted	0
Total Net Position	\$748,209

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

Rockdale Municipal Development District
Statement of Activities
For the Year Ended September 30, 2016

	Governmental Activities
Expenses:	
Economic Development:	
Projects and capital improvements	\$171,357
Bond financing expense	8,457
Community marketing	26,313
Dues and memberships	5,049
Rental subsidies	1,000
Board of directors	1,590
Total economic development	213,766
Administrative:	
Board meetings	535
Depreciation	5,663
Insurance	1,176
Interest	14,115
Office expense	5,387
Personnel	111,800
Phone and internet	6,620
Postage and delivery	260
Professional services	20,907
Repairs and maintenance	435
Utilities	3,982
Total administrative	170,880
Total expenses	384,646
 Revenues	
Sales tax	380,223
Donations/grants	169,730
Interest income	2,692
Total revenues	552,645
 Change in net position	 167,999
Net position beginning of year	580,210
Net position end of year	\$748,209

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

**Rockdale Municipal Development District
Balance Sheet - Governmental Funds
September 30, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$360,969	\$1,750,206	\$2,111,175
Sales tax receivable	29,965	0	29,965
Total Assets	\$390,934	\$1,750,206	\$2,141,140
LIABILITIES			
Accounts payable & accrued expenses	\$139,213	\$0	\$139,213
Total Liabilities	139,213	0	139,213
FUND BALANCES			
Restricted for debt service	0	191,418	191,418
Committed for projects & capital improvements	250,621	1,558,788	1,809,409
Unassigned	1,100	0	1,100
Total Fund Balances	251,721	1,750,206	2,001,927
Total Liabilities and Fund Balances	\$390,934	\$1,750,206	\$2,141,140

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, 2016**

Total Fund Balance - Governmental Funds	\$2,001,927
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 \$483,306 and the accumulated depreciation was \$4,487. 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 \$282,226 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.	196,593
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 2016 capital outlays and debt principle payments is to increase (decrease) net position.	305,352
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.	(5,663)
The issuance of bonds provides current financial resources to governmental funds but do not have an impact on net position.	(1,750,000)
Net Position of Governmental Activities	<u><u>\$748,209</u></u>

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, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:			
Economic development:			
Projects and capital improvements	\$171,357	\$0	\$171,357
Community marketing	26,313	0	26,313
Dues and memberships	5,049	0	5,049
Rental subsidies	1,000	0	1,000
Board of directors	1,590	0	1,590
Total economic development	205,309	0	205,309
Administrative:			
Board meetings	535	0	535
Insurance	1,176	0	1,176
Office expense	5,387	0	5,387
Personnel	111,800	0	111,800
Phone and internet	6,620	0	6,620
Postage and delivery	260	0	260
Professional services	20,907	0	20,907
Repairs and maintenance	435	0	435
Utilities	3,982	0	3,982
Total administrative	151,102	0	151,102
Capital outlay	276,491	0	276,491
Debt service:			
Principal	0	28,861	28,861
Interest	0	14,115	14,115
Total expenditures	632,902	42,976	675,878
Revenues			
Sales tax	380,223	0	380,223
Donations/grants	169,730	0	169,730
Interest income	2,692	0	2,692
Total revenues	552,645	0	552,645
Excess(deficiency) of revenues over(under) expenditures	(80,257)	(42,976)	(123,233)
Other financing sources (uses):			
Bond issuance	0	1,750,000	
Bond finance expense	0	(8,457)	
Total other financing sources	0	1,741,543	0
Net change in fund balances	(80,257)	1,698,567	1,618,310
Fund balance beginning of year	383,617	0	383,617
Fund balance end of year	\$303,360	\$1,698,567	\$2,001,927

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, 2016**

Total Net Change in Fund Balances - Governmental Funds	\$1,618,310
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 2016 capital outlays and debt principle payments is to increase (decrease) net position.	305,352
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.	(5,663)
The issuance of bonds provides current financial resources to governmental funds but do not have an impact on net position.	(1,750,000)
Change in Net Position of Governmental Activities	<u><u>\$167,999</u></u>

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

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT

Notes to Financial Statements September 30, 2016

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, 2016

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 and debt service fund are reported in the governmental fund section.

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, 2016

Major Governmental Funds

The general fund and debt service fund are the District's only operating funds. 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, 2016

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, 2016

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, 2016, the District had \$191,418 restricted, \$1,809,409 committed, and \$1,100 unassigned fund balances for a total fund balance of \$2,001,927.

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, 2016

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 13 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 15 represent the differences between these two statements due to current year capital outlays, debt principle payments and issuance of bonds. Capital outlays, debt principle payments and issuance of bonds 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, 2016

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, 2016, 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, 2016

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, 2016, 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, 2016

Capital Asset Activity

Capital asset activity for the year ended September 30, 2016, were as follows:

	Balance			Balance
	9/30/2015	Additions	Deletions	9/30/2016
Office Equipment	\$4,503			\$4,503
Furniture & Fixtures	19,353	0		19,353
Buildings & Improvements	100,746	6,600		107,346
Land Improvements	2,833	100,161		102,994
Land	355,871	169,730		525,601
Total at historic cost	483,306	276,491	0	759,797
Less: accumulated depreciation	(4,487)	(5,663)		(10,150)
Capital Assets, Net	\$478,819	\$270,828	\$0	\$749,647

Depreciation expense charged to the general fund was \$5,663.

Long-term Debt

A summary of changes in bonds payable for the year ended September 30, 2016, is as follows:

	Interest	Amounts	Interest	Beginning			Ending
	Rate	Original	Current	Balance			Balance
	Payable	Issue	Year	Outstanding	Issued	Retired	Outstanding
Sales & Use Tax Bonds							
Series 2013 Tax Exempt	3.85%	\$330,000	\$14,115	\$282,226	\$0	\$28,861	\$253,365
Series 2016A Tax Exempt	2.57%	\$600,000	\$0	\$0	\$600,000	\$0	\$600,000
Series 2016B Taxable	4.07%	\$1,150,000	\$0	\$0	\$1,150,000	\$0	\$1,150,000
Total			\$14,115	\$282,226	\$1,750,000	\$28,861	\$2,003,365

ROCKDALE MUNICIPAL DEVELOPMENT DISTRICT
Notes to Financial Statements
September 30, 2016

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>
2017	\$121,258	70,160	\$191,418
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 to 2031	1,350,729	198,292	1,549,021
	<u>\$2,003,365</u>	<u>\$502,746</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 2015 and 2016 calendar years was 10.20% and 9.92% respectively. The District paid \$6,276 for retirement benefits for the year ended September 30, 2016.

Health Care Coverage

During the year ended September 30, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$4,986 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, 2016

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, 2016

	Original Budget	Actual	Variance with Budget Positive (Negative)
Expenditures:			
Economic development:			
Projects and capital improvements	\$125,840	\$171,357	(\$45,517)
Contractual services	16,000	0	16,000
Community marketing	47,180	26,313	20,867
Dues and memberships	4,600	5,049	(449)
Rental subsidies	0	1,000	(1,000)
Board of directors	6,924	1,590	5,334
Total economic development	200,544	205,309	(4,765)
Administrative:			
Bank charges	100	0	100
Board meetings	600	535	65
Cleaning/janitorial expense	1,200	0	1,200
Insurance	2,254	1,176	1,078
Office expense	4,516	5,387	(871)
Personnel	116,253	111,800	4,453
Phone and internet	6,500	6,620	(120)
Postage and delivery	98	260	(162)
Professional services	20,000	20,907	(907)
Repairs and maintenance	1,500	435	1,065
Utilities	4,993	3,982	1,011
Total administrative	158,014	151,102	6,912
Capital outlay		276,491	(276,491)
Debt service:			
Principal	0	28,861	(28,861)
Interest	14,691	14,115	576
Total expenditures	373,249	675,878	(302,629)
Revenues			
Sales tax	370,000	380,223	10,223
Donations/grants	0	169,730	169,730
Interest income	3,249	2,692	(557)
Total revenues	373,249	552,645	179,396
Excess(deficiency) of revenues over(under) expenditures	0	(123,233)	(123,233)
Other financing sources (uses):			
Bond issuance	0	1,750,000	1,750,000
Bond finance expense	0	(8,457)	8,457
Total other financing sources	0	1,741,543	1,758,457
Net change in fund balances	0	1,618,310	1,618,310
Fund balance beginning of year	383,617	383,617	0
Fund balance end of year	\$383,617	\$2,001,927	\$1,618,310

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