



To the City Council
City of Rockdale, Texas
505 Cameron Avenue
Rockdale, Texas 76567

We have audited the financial statements of the City of Rockdale, Texas (the City) for the year ended September 30, 2013, and have issued our report thereon dated March 5, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 9, 2010, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. In accordance with *Government Auditing Standards*, we have performed tests of controls over internal control over financial reporting and tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the entity's internal control over financial reporting or on compliance and other matters.

Our audit of the financial statements was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City adopted new accounting standards during the year ended September 30, 2013. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimate of the allowance for uncollectible receivables and management's estimate of depreciation.

Management's estimate of the allowance for uncollectible receivables is based on past experience with collections of taxes and other fees. Management's estimate of depreciation is based on predetermined useful lives and methods approved by the City Council.

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management are attached to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 5, 2014.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City of Rockdale.

Atehly & Associates, LLP

Austin, Texas
March 5, 2014

City of Rockdale
Year End: September 30, 2013
Adjusting journal entries
Date: 10/1/2012 To 9/30/2013

Number	Date	Name	Account No	Debit	Credit
1	9/30/2013	SALES TAX RECEIVABLE	01-1225 GF01		(120,507)
1	9/30/2013	SALES TAX RECEIVABLE	01-1225 GF01	123,968	
1	9/30/2013	CITY SALES & USE TAX	01-511-07 GF01	120,507	
1	9/30/2013	CITY SALES & USE TAX	01-511-07 GF01		(123,968)
To reverse PY receivable and book CY receivable for sales tax					
2	9/30/2013	ACCRUED VACATION	02-2160 ENT01	1,895	
2	9/30/2013	Vacation Accrual Expense	02-633-119 ENT01		(1,412)
2	9/30/2013	Vacation Accrual Expense	02-634-119 ENT01		(483)
To book EF accrual for vacation liability					
4	9/30/2013	AVIATION FUEL INVENTORY	01-1270 GF01	500	
4	9/30/2013	FUEL AVIATION	01-618-300 GF01		(500)
To adjust fuel inventory to level at Sep. 30, 2013 - recorded for the convenience of the City					
5	9/30/2013	MUNICIPAL CT FINES RECEIVABLE	01-1242 GF01	41,454	
5	9/30/2013	ALLOW FOR STATE & UNCOLL	01-1259 GF01		(35,216)
5	9/30/2013	COURT FINES	01-530-03 GF01		(41,454)
5	9/30/2013	Bad Debt Expense	01-611-221 GF01	35,216	
To adjust YE balances for Court receivables and allowance for bad debt					
6	9/30/2013	MUNICIPAL CT FINES RECEIVABLE	01-1242 GF01	232,034	
6	9/30/2013	Allowance for Collection Fees	01-2399 GF01		(232,034)
To increase court receivables by the collections fees, with the offset to a payable for collections fees					
7	9/30/2013	WATER RECEIVABLES	02-1220 ENT01	7,597	
7	9/30/2013	WATER COLLECTION DEFERRED	02-2310 ENT01		(7,597)
To adjust water receivables in InCode to water billing report, for client convenience					

City of Rockdale
Year End: September 30, 2013
Adjusting journal entries
Date: 10/1/2012 To 9/30/2013

Number	Date	Name	Account No	Debit	Credit
8	9/30/2013	ACCRUED SALARIES	01-2362 GF01		(4,809)
8	9/30/2013	ACCRUED SALARIES	02-2362 ENT01		(1,597)
8	9/30/2013	SALARY CITY MANAGER	01-611-100 GF01	154	
8	9/30/2013	SALARY TREASURER	01-611-105 GF01	95	
8	9/30/2013	SALARY/LIBRARIAN	01-619-106 GF01	148	
8	9/30/2013	SALARY LIBRARY CLERKS	01-619-107 GF01	231	
8	9/30/2013	SALARY-PUBWKS	01-621-102 GF01	59	
8	9/30/2013	FOREMAN-SALARY	01-621-109 GF01	44	
8	9/30/2013	SALARY MAINTENANCE	01-621-110 GF01	443	
8	9/30/2013	MAINTENANCE OVERTIME	01-621-112 GF01	7	
8	9/30/2013	SALARY CEO	01-623-115 GF01	124	
8	9/30/2013	SALARY-PUBWKS	01-624-102 GF01	59	
8	9/30/2013	SALARY-FOREMAN	01-624-109 GF01	44	
8	9/30/2013	SALARY - MAINTENANCE	01-624-110 GF01	531	
8	9/30/2013	MAINTENANCE OVERTIME	01-624-112 GF01	8	
8	9/30/2013	SALARY-JUDGE	01-630-103 GF01	76	
8	9/30/2013	SALARY-COURT CLERK	01-630-104 GF01	97	
8	9/30/2013	SALARY - CHIEF	01-631-101 GF01	249	
8	9/30/2013	SALARY ANIMAL CONTROL OFFIC	01-631-116 GF01	142	
8	9/30/2013	SALARY - PATROLMAN	01-631-117 GF01	1,589	
8	9/30/2013	SALARY - DISPATCHERS	01-631-118 GF01	634	
8	9/30/2013	DEPARTMENT OVERTIME	01-631-119 GF01	75	
8	9/30/2013	SALARY-CITY MANAGER	02-633-100 ENT01	154	
8	9/30/2013	SALARY-PUBWKS	02-633-102 ENT01	59	
8	9/30/2013	SALARY - TREAS/CLERKS	02-633-105 ENT01	300	
8	9/30/2013	SALARY-CITY SECRETARY	02-633-108 ENT01	172	
8	9/30/2013	SALARY FOREMAN	02-633-109 ENT01	44	
8	9/30/2013	SALARY MAINTENANCE	02-633-110 ENT01	537	
8	9/30/2013	MAINTENANCE OVERTIME	02-633-112 ENT01	107	
8	9/30/2013	SALARY-PUBWKS	02-634-102 ENT01	59	
8	9/30/2013	SALARY - FOREMAN -MAINT.	02-634-109 ENT01	44	
8	9/30/2013	SALARY - MAINTENANCE	02-634-110 ENT01	117	
8	9/30/2013	MAINTENANCE OVERTIME	02-634-112 ENT01	4	
To adjust accrued salary for CY balances - PR 10/18/13					
9	9/30/2013	ACCOUNTS PAYABLE	15-2110 GF01	27,976	
9	9/30/2013	CHAMBER OF COMMERCE	15-615-213 GF01		(27,976)
To reverse prior year's accrual for hotel/motel tax payments to the Chamber of Commerce					
10	9/30/2013	ACCOUNTS PAYABLE	15-2110 GF01	7,656	
10	9/30/2013	CHAMBER OF COMMERCE	15-615-213 GF01		(7,656)
To reverse payment recorded at PYE to the payable account.					

City of Rockdale
Year End: September 30, 2013
Adjusting journal entries
Date: 10/1/2012 To 9/30/2013

Number	Date	Name	Account No	Debit	Credit
11	9/30/2013	ACCRUED SALARIES	01-2362 GF01		(5,932)
11	9/30/2013	ACCRUED SALARIES	02-2362 ENT01		(2,099)
11	9/30/2013	SALARY CITY MANAGER	01-611-100 GF01	195	
11	9/30/2013	SALARY TREASURER	01-611-105 GF01	121	
11	9/30/2013	SALARY/LIBRARIAN	01-619-106 GF01	188	
11	9/30/2013	SALARY LIBRARY CLERKS	01-619-107 GF01	293	
11	9/30/2013	SALARY-PUBWKS	01-621-102 GF01	75	
11	9/30/2013	FOREMAN-SALARY	01-621-109 GF01	65	
11	9/30/2013	SALARY MAINTENANCE	01-621-110 GF01	553	
11	9/30/2013	MAINTENANCE OVERTIME	01-621-112 GF01	6	
11	9/30/2013	SALARY CEO	01-623-115 GF01	157	
11	9/30/2013	SALARY-PUBWKS	01-624-102 GF01	75	
11	9/30/2013	SALARY-FOREMAN	01-624-109 GF01	65	
11	9/30/2013	SALARY - MAINTENANCE	01-624-110 GF01	674	
11	9/30/2013	MAINTENANCE OVERTIME	01-624-112 GF01	10	
11	9/30/2013	SALARY-JUDGE	01-630-103 GF01	96	
11	9/30/2013	SALARY-COURT CLERK	01-630-104 GF01	122	
11	9/30/2013	M.C. BLDG SECURITY EXP	01-630-552 GF01	10	
11	9/30/2013	SALARY - CHIEF	01-631-101 GF01	316	
11	9/30/2013	SALARY ANIMAL CONTROL OFFIC	01-631-116 GF01	179	
11	9/30/2013	SALARY - PATROLMAN	01-631-117 GF01	1,810	
11	9/30/2013	SALARY - DISPATCHERS	01-631-118 GF01	801	
11	9/30/2013	DEPARTMENT OVERTIME	01-631-119 GF01	121	
11	9/30/2013	SALARY-CITY MANAGER	02-633-100 ENT01	187	
11	9/30/2013	SALARY-PUBWKS	02-633-102 ENT01	72	
11	9/30/2013	SALARY - TREAS/CLERKS	02-633-105 ENT01	354	
11	9/30/2013	SALARY-CITY SECRETARY	02-633-108 ENT01	210	
11	9/30/2013	SALARY FOREMAN	02-633-109 ENT01	62	
11	9/30/2013	SALARY MAINTENANCE	02-633-110 ENT01	629	
11	9/30/2013	MAINTENANCE OVERTIME	02-633-112 ENT01	242	
11	9/30/2013	SALARY-PUBWKS	02-634-102 ENT01	72	
11	9/30/2013	SALARY - FOREMAN -MAINT.	02-634-109 ENT01	62	
11	9/30/2013	SALARY - MAINTENANCE	02-634-110 ENT01	130	
11	9/30/2013	MAINTENANCE OVERTIME	02-634-112 ENT01	79	

To adjust accrued salary for CY balances - PR 10/4/13

12	9/30/2013	ACCOUNTS PAYABLE	44-2110 CPF01	14,649	
12	9/30/2013	ELEVATED WATER TOWER	44-644-102 CPF01		(14,649)

To reverse prior year accrual for F&E invoice

13	9/30/2013	ACCRUED UNBILLED REVENUE	02-1233 ENT01		(92,243)
13	9/30/2013	Prior period adjusting entry	02-PPAE ENT01	92,243	

To reverse the amount accrued for unbilled revenue. Amount has been carried forward since 2009

City of Rockdale
Year End: September 30, 2013
Adjusting journal entries
Date: 10/1/2012 To 9/30/2013

Number	Date	Name	Account No	Debit	Credit
14	9/30/2013	NOTE PAYABLE TXDOT	02-2311 ENT01	79,957	
14	9/30/2013	2005 COMB TAX & REV BONDS	02-2800 ENT01	315,000	
14	9/30/2013	2006 TAX & REV COS UTILITY SHA	02-2801 ENT01	61,200	
14	9/30/2013	2012 Comb Tax & Rev CO	02-2802 ENT01	35,000	
14	9/30/2013	Transfer In	02-533-99 ENT01		(755,741)
14	9/30/2013	Interest Expense	02-639-702 ENT01	9,984	
14	9/30/2013	Interest Expense	02-639-702 ENT01	56,086	
14	9/30/2013	Interest Expense	02-639-702 ENT01	188,978	
14	9/30/2013	Interest Expense	02-639-702 ENT01	9,536	
14	9/30/2013	SIB (HWY 79 W/WWW LINES) 4%	05-655-202 ENT02		(89,941)
14	9/30/2013	6.3-TWDB LOAN FOR WWTP	05-655-204 ENT02		(503,978)
14	9/30/2013	CIP 1.475 FOR W/WWW IMPROVMT	05-655-205 ENT02		(117,286)
14	9/30/2013	SERIES 2012 CERT OF OBLIG	05-655-207 ENT02		(44,536)
14	9/30/2013	TRANSFER OUT	05-655-999 ENT02	755,741	

Per amortization schedules and payments made during the year, propose the following entry to reclassify payments made on debt

15	9/30/2013	ACCRUED INTEREST PAYABLE	02-2211 ENT01		(725)
15	9/30/2013	Interest Expense	02-639-702 ENT01	725	

Propose the following entry to record CY interest accrual

16	9/30/2013	BOND ISSUE COSTS 2012 SERIES	02-1303 ENT01	21,342	
16	9/30/2013	BOND ISSUE COSTS 2012 SERIES	02-1303 ENT01		(55)
16	9/30/2013	2012 Comb Tax & Rev CO	02-2802 ENT01		(525,000)
16	9/30/2013	2012 SERIES TAX & REV COS	46-546-01 ENT06	503,658	
16	9/30/2013	REFUND OF FINANCE CHG	46-546-10 ENT06	55	
16	9/30/2013	2012 CO TRANSFER IN	46-599-99 ENT06		(503,713)
16	9/30/2013	2012 CO's DEBT SER TRANSFER	02-699-652 ENT01	503,713	

To record the issuance of the Series 2012 bonds

17	9/30/2013	BOND ISSUE COSTS 2013 SERIES	02-1304 ENT01	25,000	
17	9/30/2013	2012 Comb Tax & Rev CO	02-2802 ENT01		(525,000)
17	9/30/2013	2012 SERIES TAX & REV COS	46-546-01 ENT06	500,000	
17	9/30/2013	2012 CO TRANSFER IN	46-599-99 ENT06		(500,000)
17	9/30/2013	2013 CO DEBT SER TRANSFER OUT	02-699-653 ENT01	500,000	

To record the issuance of 2013 Series CO Bonds

19	9/30/2013	BOND ISSUE COSTS 2006	02-1301 ENT01		(1,302)
19	9/30/2013	BOND REVENUE COSTS 2005	02-1302 ENT01		(10,613)
19	9/30/2013	BOND ISSUE COSTS 2012 SERIES	02-1303 ENT01		(1,777)
19	9/30/2013	Interest Expense	02-639-702 ENT01	13,692	

To adjust amortized issuance costs for CY amort

City of Rockdale
Year End: September 30, 2013
Adjusting Journal entries
Date: 10/1/2012 To 9/30/2013

Number	Date	Name	Account No	Debit	Credit
20	9/30/2013	CONST WORK IN PROGRESS	02-1418 ENT01	92,289	
20	9/30/2013	CONST WORK IN PROGRESS	02-1418 ENT01	137,931	
20	9/30/2013	CONST WORK IN PROGRESS	02-1418 ENT01	251,603	
20	9/30/2013	Transfer In	02-533-99 ENT01		(481,823)
20	9/30/2013	LANGFORD COMMUNITY MANAGMT	17-677-101 ENT04		(6,000)
20	9/30/2013	KSA ENGINEERING	17-677-103 ENT04		(27,445)
20	9/30/2013	ELLIOTT CONSTRUCTION	17-677-105 ENT04		(218,158)
20	9/30/2013	Transfer Out	17-677-999 ENT04	251,603	
20	9/30/2013	NEW WATER WELL	41-641-203 ENT05		(134,781)
20	9/30/2013	CIP ENGINEERING SERVICES	41-641-204 ENT05		(3,150)
20	9/30/2013	Transfers Out	41-641-999 ENT05	137,931	
20	9/30/2013	ELEVATED WATER TOWER	44-644-102 CPF01		(92,289)
20	9/30/2013	TRANSFER OUT	44-644-999 CPF01	92,289	
To book additions to CIP made during the year					
21	9/30/2013	WATER SYSTEM	02-1411 ENT01	325,204	
21	9/30/2013	CONST WORK IN PROGRESS	02-1418 ENT01		(302,594)
21	9/30/2013	In-kind contributions - Cap related	02-533-95 ENT01		(22,610)
To book in-kind contributions and fx completed					
23	9/30/2013	UNRESERVED FUND BALANCE	01-3110 GF01	173	
23	9/30/2013	RETAINED EARNINGS	02-3410 ENT01	192	
23	9/30/2013	FUND BALANCE	17-3110 ENT04		(33)
23	9/30/2013	MISC.	02-533-10 ENT01		(192)
23	9/30/2013	MISC.	01-611-309 GF01		(173)
23	9/30/2013	Other	17-677-102 ENT04	33	
To roll net assets forward from prior yar					
24	9/30/2013	A/D FURNITURE & EQUIPMENT	02-1572 ENT01		(1,534)
24	9/30/2013	ACCUM. DEPR. WATER SYS.	02-1573 ENT01		(225,707)
24	9/30/2013	ACCUM DEPR WW SYSTEM	02-1574 ENT01		(216,593)
24	9/30/2013	ACCUM. DEPR. VEHICLES	02-1575 ENT01		(14,153)
24	9/30/2013	ACCUM DEPR WW EQUIPMENT	02-1576 ENT01		(17,655)
24	9/30/2013	ACCUM. DEPR. BLDG. IMPR.	02-1577 ENT01		(10,172)
24	9/30/2013	Depreciation Expense	02-639-599 ENT01	485,814	
To record current year depreciation for Enterprise Fund					
25	9/30/2013	LEASE PURCHASE PAYABLE	02-2120 ENT01	3,908	
25	9/30/2013	CAP. VEHICLE	02-633-503 ENT01		(3,908)
To reduce cap lease for pmts made in 2013					

City of Rockdale
Year End: September 30, 2013
Adjusting journal entries
Date: 10/1/2012 To 9/30/2013

Number	Date	Name	Account No	Debit	Credit
GW01	9/30/2013	ACCRUED INTEREST PAYABLE	98-2211 G34G	100,803	
GW01	9/30/2013	Debt Service Payments	98-678-598 G34G		(100,803)
Propose the following entry to record CY interest accrual					
GW02	9/30/2013	EQUIPMENT	98-1403 G34G	43,380	
GW02	9/30/2013	Cap Lease - CB - Tractor Shredder	98-2831 G34G		(43,380)
To establish the capital lease for Tractor Shredder					
GW03	9/30/2013	Cash held by Classic Bank	98-1110 G34G	9,320	
GW03	9/30/2013	EQUIPMENT	98-1403 G34G	45,302	
GW03	9/30/2013	Cap Lease - CB - 2013 Police Software	98-2832 G34G		(54,622)
To establish the capital lease, in its entirety, for the amount borrowed to purchase software for the police department					
GW04	9/30/2013	EQUIPMENT	98-1403 G34G	102,871	
GW04	9/30/2013	GW Cap Outlay Offset	98-699-FX9 G34G		(102,871)
To reclass fixed asset additions on a GW level					
GW06	9/30/2013	BUILDINGS & IMPROVEMENTS	98-1402 G34G		(262,141)
GW06	9/30/2013	INFRASTRUCTURE	98-1404 G34G	262,141	
To reclass assets to match InCode register					
GW07	9/30/2013	ACCUM. DEPR-BLDG & IMPROVMT	98-1502 G34G		(42,805)
GW07	9/30/2013	ACCUM.DEPR-EQUIPMENT	98-1503 G34G		(153,805)
GW07	9/30/2013	ACCUM.DEPR-INFRASTRUCTURE	98-1504 G34G		(151,127)
GW07	9/30/2013	General Govt	98-611-599 G34G	12,551	
GW07	9/30/2013	General Govt	98-611-599 G34G	21,143	
GW07	9/30/2013	Culture and rec	98-619-119 G34G	15,914	
GW07	9/30/2013	Highways and streets	98-621-119 G34G	167,514	
GW07	9/30/2013	Public Safety	98-622-119 G34G	35,451	
GW07	9/30/2013	Community services	98-623-119 G34G	1,259	
GW07	9/30/2013	Culture and rec	98-624-119 G34G	49,388	
GW07	9/30/2013	Public safety	98-630-119 G34G	1,370	
GW07	9/30/2013	Public safety	98-631-598 G34G	43,147	
To record GW depreciation of fixed assets					

City of Rockdale
Year End: September 30, 2013
Adjusting journal entries
Date: 10/1/2012 To 9/30/2013

Number	Date	Name	Account No	Debit	Credit
GW10	9/30/2013	DEF BOND ISSUE - 2009	98-1305 G34G	7,325	
GW10	9/30/2013	DEF BOND ISSUE - 2011	98-1306 G34G	40,970	
GW10	9/30/2013	FUND BALANCE	98-3110 G34G		(48,295)
To set up def issue costs not previously capitalized					
GW11	9/30/2013	DEF BOND ISSUE - 2006	98-1303 G34G		(1,258)
GW11	9/30/2013	DEF BOND ISSUE - 2008	98-1304 G34G		(2,493)
GW11	9/30/2013	DEF BOND ISSUE - 2009	98-1305 G34G		(2,792)
GW11	9/30/2013	DEF BOND ISSUE - 2011	98-1306 G34G		(5,966)
GW11	9/30/2013	Debt Service Payments	98-678-598 G34G	12,509	
To expense deferred bond issue costs previously captured for amortization					
GW12	9/30/2013	DEF BOND ISSUE - 2006	98-1303 G34G		(4,135)
GW12	9/30/2013	DEF BOND ISSUE - 2008	98-1304 G34G		(8,344)
GW12	9/30/2013	FUND BALANCE	98-3110 G34G	12,479	
To adjust deferred bond issue costs per amortization schedule					
GW13	9/30/2013	DEBT-2006 COMB TAX/REV GENER	98-2804 G34G	58,800	
GW13	9/30/2013	DEBT-2008 GEN OBL REFUNDING	98-2808 G34G	30,000	
GW13	9/30/2013	DEBT DEF REFUNDING COSTS	98-2809 G34G	70,000	
GW13	9/30/2013	DEBT 2011 TAX/REV COs	98-2811 G34G	30,000	
GW13	9/30/2013	Debt Service Payments	98-678-598 G34G		(188,800)
To reduce LTD balances for current year payments					
GW14	9/30/2013	DEFERRED PROP TAX REVENUE	98-2315 G34G	14,370	
GW14	9/30/2013	DEFERRED CEMETERY LOT REV	98-2319 G34G		(1,059)
GW14	9/30/2013	GW Gen Govt Revenue	98-511-199 G34G		(13,311)
To record revenue for changes in fund level deferred revenue					
GW15	9/30/2013	Transfer In	04-544-X9 DSF01		(125,184)
GW15	9/30/2013	2011 SERIES COs FIRE TRUCK 3	04-644-203 DSF01	125,184	
GW15	9/30/2013	NW WATER TOWER DEBT PAYMT	05-655-206 ENT02		(125,184)
GW15	9/30/2013	TRANSFER OUT	05-655-999 ENT02	125,184	
To reclass payments made out of EF to GA DSF					

City of Rockdale
Year End: September 30, 2013
Adjusting journal entries
Date: 10/1/2012 To 9/30/2013

Number	Date	Name	Account No	Debit	Credit
GW16	9/30/2013	Culture and rec	98-624-119 G34G	8,728	
GW16	9/30/2013	Culture and rec	98-624-119 G34G	2,164	
GW16	9/30/2013	Public safety	98-631-119 G34G	25,974	
GW16	9/30/2013	Public safety	98-631-119 G34G	1,000	
GW16	9/30/2013	GW Cap Outlay Offset	98-699-FX9 G34G		(37,866)
To clear out capital outlay accounts					
GW17	9/30/2013	CB Lease Liability 2012	98-2820 G34G	21,575	
GW17	9/30/2013	Cap Lease - CB - Tractor Shredder	98-2831 G34G	8,182	
GW17	9/30/2013	Cap Lease - CB - 2013 Police Software	98-2832 G34G	6,483	
GW17	9/30/2013	Debt Service Payments	98-678-598 G34G		(8,182)
GW17	9/30/2013	Debt Service Payments	98-678-598 G34G		(6,483)
GW17	9/30/2013	Debt Service Payments	98-678-598 G34G		(21,575)
To record current year payments for capital leases					
GW18	9/30/2013	ACCRUED VACATION	98-2160 G34G	3,860	
GW18	9/30/2013	ACCRUED VACATION	98-2160 G34G		
GW18	9/30/2013	FUND BALANCE	98-3110 G34G		
GW18	9/30/2013	General Govt	98-611-119 G34G		(323)
GW18	9/30/2013	Culture and rec	98-619-119 G34G		(551)
GW18	9/30/2013	Highways and streets	98-621-119 G34G		(119)
GW18	9/30/2013	Community services	98-623-119 G34G		(180)
GW18	9/30/2013	Culture and rec	98-624-119 G34G		(616)
GW18	9/30/2013	Public safety	98-630-119 G34G		(130)
GW18	9/30/2013	Public safety	98-631-119 G34G		(1,941)
To adjust GW balances to PY accrual amount, and adjust for CY differences					
GW19	9/30/2013	EQUIPMENT	98-1403 G34G	3	
GW19	9/30/2013	FUND BALANCE	98-3110 G34G		(3)
To roll net assets forward					



City of Rockdale

March 5, 2014

Atchley & Associates, LLP
6850 Austin Center Blvd, Suite 180
Austin, Texas 78731

This representation letter is provided in connection with your audit of the basic financial statements of the City of Rockdale, Texas (the City), as of and for the year ended September 30, 2013, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated September 9, 2010, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No.10.
9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
11. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

12. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the City Council and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
18. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

19. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.
20. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize, and report financial data.
21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

22. With respect to Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – General Fund presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
23. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

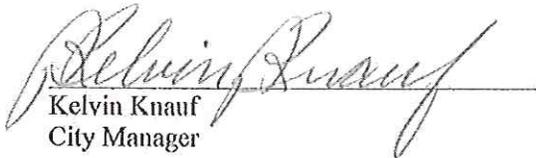
Compliance Considerations

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm:

1. We are responsible for:
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.
 - b. Establishing and maintaining effective internal control over financial reporting.
2. We have identified and disclosed to you:
 - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.

- b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
3. We have a process to track the status of audit findings and recommendations.
4. Kelvin Knauf, City Manager, who has sufficient skills, knowledge, and experience; has supervised, reviewed, and approved, and we take full responsibility for the financial statements and related notes and acknowledge the auditors' role in the preparation of this information.
5. Kelvin Knauf, City Manager, who has sufficient skills, knowledge, and experience has supervised, reviewed, and approved, and we take full responsibility for all bookkeeping adjustments and an acknowledgement of the auditors' role in the preparation of the adjustments.

City of Rockdale, Texas


Kelvin Knauf
City Manager


Sandra Ellis
City Treasurer

**CITY OF ROCKDALE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2013**

**CITY OF ROCKDALE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**FINANCIAL
SECTION**



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rockdale, Texas (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 5 – 9 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

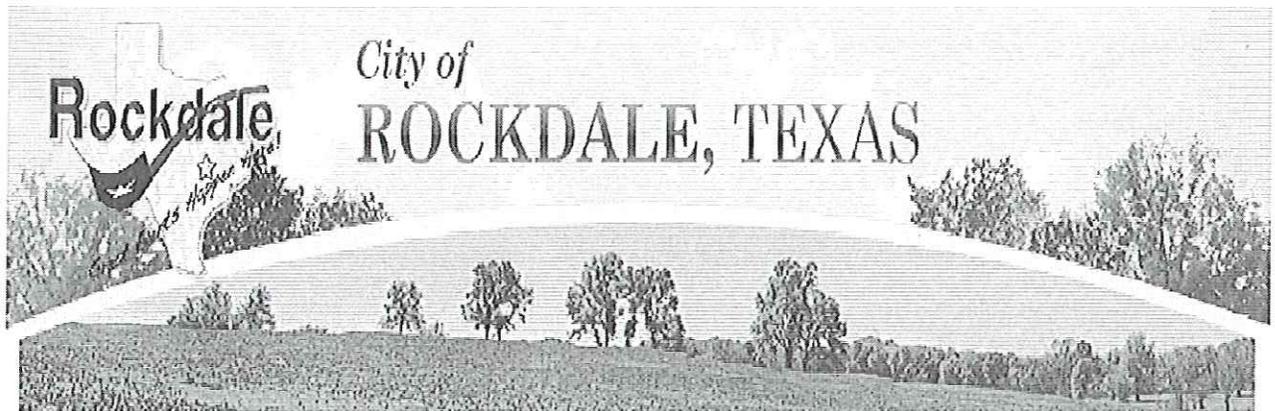
The Combining Nonmajor Funds information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Nonmajor Governmental Funds information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Atehly & Associates, LLP

Austin, Texas
March 5, 2014



City of Rockdale, Texas
Management's Discussion and Analysis

September 30, 2013

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2013.

Financial Highlights

- Net position of the City increased by \$583,883 during the year, with governmental activities increasing by \$237,814 and business-type activities increasing by \$346,069.
- During the year, the City clarified that the Rockdale Municipal Development District should be presented as a discretely-presented component unit. This has previously been presented as a special revenue fund. This change in presentation resulted in the governmental activities beginning net position decreasing by \$432,997 from the previously presented financial statements.
- The property tax rate increased from \$.669295 per \$100 valuation to \$.710000 per \$100 valuation.
- Water, wastewater and sanitation fees were increased during the fiscal year ending September 30, 2013.
- Utility operations reflect decreased water sales from \$1,204,967 in the 2011-12 fiscal year to \$1,164,679 in the 2012-13 fiscal year due to the 2012-13 fiscal year being a wetter year than the 2011-12 fiscal year. Wastewater revenues decreased slightly from \$978,879 in 2011-12 fiscal year to \$968,080 in the 2012-13 fiscal year.
- On September 10, 2012 the City authorized \$525,000 in certificates of obligation for utility systems improvements, primarily water line replacement projects. Funds from these certificates were received by the City on October 9, 2012.
- On August 29, 2013 the City authorized \$525,000 in certificates of obligation for utility systems improvements, primarily water line replacement projects. Funds from these certificates were received by the City on September 24, 2013.
- The City remains in financially sound condition.
- One lawsuit was filed against the City during the 2012-13 fiscal year alleging excessive force by the Police Department. City management believes that the lawsuit is totally without merit. Also, the City received a letter threatening legal action concerning enforcement of deed restrictions. The City's attorneys and management believe that the City does not have the authority to enforce deed restrictions and that the threat is without merit.

Overview of the Financial Statements

The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

City of Rockdale, Texas
Management's Discussion and Analysis

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 City as a whole and present a longer-term view of the City's finances. These statements include all assets and liabilities of the City, and the statements are presented on the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies.

Activities of the City as a whole include governmental activities, business-type activities, and activities of any component units. Governmental activities are those activities which are financed primarily through taxes and grants. Most of the City's basic services are reported as governmental activities. Business-type activities are those activities which are intended to recover all or a significant portion of their costs through user fees and charges. Utility system operations and solid waste collection services are common examples of business-type activities. Component units are legally separate organizations for which the City is financially accountable. Whenever a City is financially accountable for activities of a legally separate organization, those activities are reported in the government-wide financial statements as blended component unit activities. The City has no blended component units included in the reporting entity. While the Rockdale Municipal Development District is a legally separate organization, the MDD approached the City Council to approve the MDD's issuance of debt. As such, the MDD has been presented as a discretely presented component unit.

The accrual basis of accounting used for the government-wide financial statements recognizes revenues when earned and expenses when incurred regardless of when cash is received or paid.

Fund Financial Statements

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for governmental funds, proprietary funds, and fiduciary funds, as opposed to the government-wide statements which reflect the City as a whole.

Fund financial statements are prepared using the measurement focus and basis of accounting applicable to each broad fund category. Governmental fund financial statements are presented on a spending or "financial flow" measurement focus using the modified accrual basis of accounting. Proprietary fund financial statements are presented on a cost of services or "capital maintenance" measurement focus using the accrual basis of accounting. Because the proprietary fund financial statements are presented using the same measurement focus and basis of accounting as the government-wide financial statements, the totals from the proprietary fund financial statements flow directly into the business-type activities column of the government-wide financial statements. For the governmental funds, reconciliation is presented to describe the differences between the fund balances, and change in fund balances reported in the governmental fund financial statements and the net position, and change in net position reported in the governmental activities column of the government-wide financial statements.

City of Rockdale, Texas
Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to a complete understanding of the information provided in the government-wide and fund financial statements.

Condensed Financial Information

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

Government-wide Net Position

	Governmental Activities		Business-type activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,196,175	\$ 4,015,622	\$ 4,683,666	\$ 3,734,571	\$ 8,879,841	\$ 7,750,193
Capital assets	3,279,365	3,439,778	11,415,440	11,396,821	14,694,805	14,836,599
Total assets	7,475,540	7,455,400	16,099,106	15,131,392	23,574,646	22,586,792
Long-term liabilities	3,629,686	3,846,554	6,558,446	6,077,247	10,188,132	9,923,801
Other liabilities	508,459	509,265	935,525	795,079	1,443,984	1,304,344
Total liabilities	4,138,145	4,355,819	7,493,971	6,872,326	11,632,116	11,228,145
Net position:						
Invested in capital assets, net of debt	915,061	1,059,677	4,316,316	4,870,176	5,231,377	5,929,853
Restricted	693,306	548,967	1,403,464	391,212	2,096,770	940,179
Unrestricted	1,729,028	1,490,937	2,885,355	2,997,678	4,614,383	4,488,615
Total net position	\$ 3,337,395	\$ 3,099,581	\$ 8,605,135	\$ 8,259,066	\$ 11,942,530	\$ 11,358,647

Government-wide Changes in Net Position

	Governmental Activities		Business-type activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Changes in net assets						
Total Revenues	\$ 3,497,264	\$ 3,357,471	\$ 2,994,203	\$ 2,710,675	\$ 6,491,467	\$ 6,068,146
Total Expenses	(3,460,902)	(3,360,347)	(2,354,439)	(2,249,593)	(5,815,341)	(5,609,940)
Change before transfers	36,362	(2,876)	639,764	461,082	676,126	458,206
Transfers	201,452	96,608	(201,452)	(96,608)	-	-
Change in net position	237,814	93,732	438,312	364,474	676,126	458,206
Net position - beginning	3,099,581	3,003,352	8,259,066	7,907,057	11,358,647	10,910,409
Funds not presented in prior year	-	34,359	-	(34,359)	-	-
Prior period adjustment	-	(31,862)	(92,243)	21,894	(92,243)	(9,968)
Net position - ending	\$ 3,337,395	\$ 3,099,581	\$ 8,605,135	\$ 8,259,066	\$ 11,942,530	\$ 11,358,647

*City of Rockdale, Texas
Management's Discussion and Analysis*

Financial Analysis of the City's Funds

Significant changes between the current and prior year activities of the general fund and the utility system fund are essentially the same as the comparisons discussed above for the government-wide financial statements. The general fund has an unassigned fund balance of \$1,365,471 at the end of the year. That amount is up from the prior year amount of \$1,276,309. The utility system total net assets were \$8,605,135 at the end of the year. That amount is up from the prior year amount of \$8,259,066.

General Fund Budgetary Highlights

The City Council approved the original budget prior to the start of the year, in compliance with the City Charter. The budget was amended prior to the end of the year to account for unanticipated repairs to the police department building. All anticipated municipal court collections were budgeted as revenues except for revenues paid to the State of Texas. These funds are difficult to predict and are funds owed to the State of Texas and not to the City of Rockdale.

Capital Asset and Debt Administration

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.

	Governmental Activities		Business-type activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 410,111	\$ 410,111	\$ 50,506	\$ 50,506	\$ 460,617	\$ 460,617
Construction in progress	-	-	318,709	139,480	318,709	139,480
Distribution/collection systems	-	-	10,380,705	10,475,390	10,380,705	10,475,390
Buildings and improvements	610,307	915,253	233,124	243,296	843,431	1,158,549
Equipment	657,276	623,757	432,396	488,149	1,089,672	1,111,906
Infrastructure	1,601,671	1,490,657	-	-	1,601,671	1,490,657
Total capital assets	\$ 3,279,365	\$ 3,439,778	\$ 11,415,440	\$ 11,396,821	\$ 14,694,805	\$ 14,836,599

Street improvements were paid from proceeds of the 2009 Tax Notes.

Debt

	Governmental Activities		Business-type activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General obligation debt	\$ 3,785,450	\$ 3,974,250	\$ -	\$ -	\$ 3,785,450	\$ 3,974,250
Capital leases payable	152,623	90,861	12,392	16,300	165,015	107,161
Revenue debt and notes	-	-	7,069,188	6,510,345	7,069,188	6,510,345
Compensated absences	31,101	34,961	8,772	10,667	39,873	45,628
Total debt	\$ 3,969,174	\$ 4,100,072	\$ 7,090,352	\$ 6,537,312	\$ 11,059,526	\$ 10,637,384

City of Rockdale, Texas
Management's Discussion and Analysis

The City's general obligation debt rating is "Baa2" as assigned by the national rating agency Moody's. The City's current debt payment structure is not scheduled to drop off significantly until after the 2015-16 fiscal year. There are no plans to refinance debt since we already are paying a low interest rate and no significant savings could be realized by the re-financing of debt.

There is no direct debt limitation in the City Charter or under state law. The Texas Constitution limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation, and administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate to the payment of debt service.

Economic Factors and Next Year's Budgets and Rates

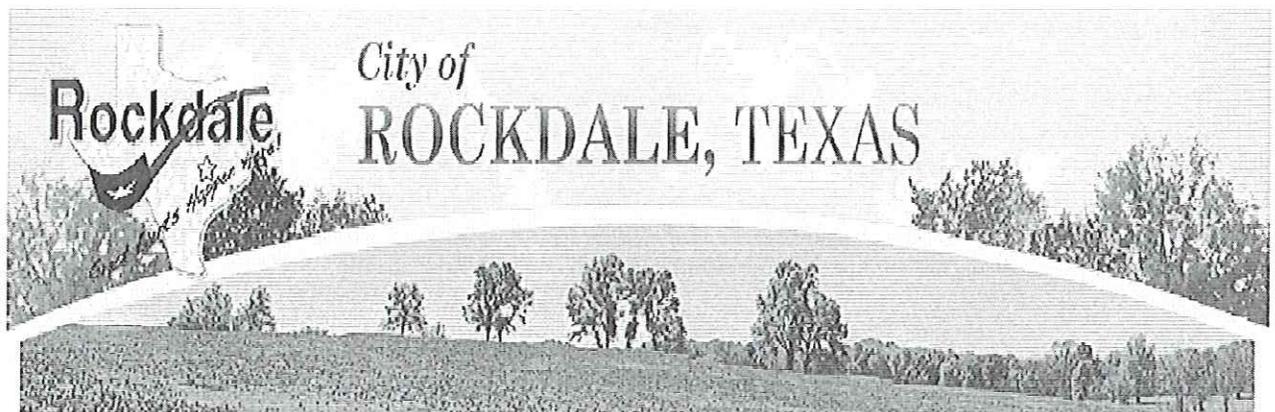
The economic conditions facing Rockdale improved slightly in the 2012-13 fiscal year. Sales and Use taxes for 2012-13 were \$18,371 more than in the 2011-12 fiscal year. Property taxes were \$47,800 more in 2012-13 than in the 2011-12 fiscal year. Licenses and permits increased from \$38,085 in the 2011-12 fiscal year to \$40,702 in the 2012-13 fiscal year. The Hunter's Chase Apartments began construction during the 2012-13 fiscal year and have now been completed. In addition, the renovation of Miller-Starnes Chevrolet Buick began in the 2012-13 fiscal year and will be completed in the 2013-14 fiscal year.

No changes were made in staff that would affect the City's financial accounting or reporting for the fiscal year ending September 30, 2013. During the 2012-13 fiscal year, voters elected a new mayor, re-elected a council member for the East District and elected a new council member to represent the West District. The City Council continues to have a conservative approach to finances and to keep tax rates competitive with surrounding communities.

For the 2013-14 fiscal year, the tax rate was increased from \$.71000 to \$.750000 per \$100 valuation to pay for increased cost of operations. The water fees and wastewater fees were increased by 5% for the 2013-14 fiscal year to offset increased costs of operation and debt.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City'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 City Treasurer, City of Rockdale, PO Box 586, Rockdale, Texas 76567.



**BASIC FINANCIAL
STATEMENTS**

ROCKDALE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Municipal Development District
ASSETS				
Cash and Cash Equivalents	\$ 3,718,027	\$4,148,670	\$ 7,866,697	\$ 453,576
Receivables (net allowance for uncollectibles)	445,379	362,868	808,247	-
Internal Balances	(42,646)	42,646	-	75,497
Inventories	1,250	-	1,250	-
Prepaid Items	11,835	4,034	15,869	-
Discount or (Premium) on Issuance of Debt	62,330	125,448	187,778	-
Capital Assets:				
Capital Assets, net	3,279,365	11,415,440	14,694,805	-
Total Assets	7,475,540	16,099,106	23,574,646	529,073
LIABILITIES				
Accounts Payable	146,635	88,486	235,121	-
Intergovernmental Payable	-	4,487	4,487	-
Accrued Interest Payable	22,336	38,122	60,458	-
Deferred Revenues	-	80,946	80,946	-
Customer Deposits	-	191,578	191,578	-
Payable from Restricted Assets	-	-	-	-
Noncurrent Liabilities				
Due Within One Year	339,488	531,906	871,394	-
Due in More Than One Year	3,629,686	6,558,446	10,188,132	-
Total Liabilities	4,138,145	7,493,971	11,632,116	-
NET POSITION				
Invested in Capital Assets, Net Related Debt	915,061	4,316,316	5,231,377	-
Restricted for:				
Restricted for Special Projects	365,019	-	365,019	529,073
Restricted for Capital Projects	192,336	1,007,650	1,199,986	-
Restricted for Retirement Long-Term Debt	135,951	395,814	531,765	-
Unrestricted	1,729,028	2,885,355	4,614,383	-
Total Net Position	\$ 3,337,395	\$8,605,135	\$ 11,942,530	\$ 529,073

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 414,263	\$ -	\$ -
Public Safety	1,574,604	762,422	-
Highways and Streets	593,797	950	-
Community Services	66,274	33,796	-
Health Services	95,915	-	-
Culture and Recreation	634,363	59,577	-
Debt Service	81,686	-	-
Total Governmental Activities:	3,460,902	856,745	-
BUSINESS-TYPE ACTIVITIES:			
Utility Fund	2,354,439	2,675,110	8,730
Total Business-Type Activities:	2,354,439	2,675,110	8,730
TOTAL PRIMARY GOVERNMENT:	\$ 5,815,341	\$ 3,531,855	\$ 8,730
Component Unit:			
Municipal Development District	\$ 231,512	\$ -	\$ -

General Revenues:

- Taxes
 - Property Taxes, Levied for General Purposes
 - Property Taxes, Levied for Debt Service
- Sales Taxes
- Hotel/Motel Taxes
- Franchise Taxes
- Penalty and Interest
- Grants and Contributions Not Restricted
- Miscellaneous Revenue
- Investment Earnings
- Transfers In (Out)
- Total General Revenues and Transfers

- Net Position--Beginning
- Prior Period Adjustment
- Net Position--Ending

The accompanying notes are an integral part of these financial statements

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Component Unit Municipal Development District
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (414,263)	\$ -	\$ (414,263)	\$ -
-	(812,182)	-	(812,182)	-
-	(592,847)	-	(592,847)	-
-	(32,478)	-	(32,478)	-
-	(95,915)	-	(95,915)	-
-	(574,786)	-	(574,786)	-
-	(81,686)	-	(81,686)	-
-	(2,604,157)	-	(2,604,157)	-
274,213	-	603,614	603,614	-
274,213	-	603,614	603,614	-
<u>\$ 274,213</u>	<u>\$ (2,604,157)</u>	<u>\$ 603,614</u>	<u>\$ (2,000,543)</u>	<u>\$ -</u>
<u>\$ -</u>				<u>\$ (231,512)</u>
	1,041,493	-	1,041,493	322,667
	273,392	-	273,392	-
	711,060	-	711,060	-
	185,065	-	185,065	-
	260,588	-	260,588	-
	21,836	-	21,836	-
	18,042	-	18,042	-
	86,984	-	86,984	225
	42,059	36,150	78,209	4,696
	201,452	(201,452)	-	-
	<u>2,841,971</u>	<u>(165,302)</u>	<u>2,676,669</u>	<u>327,588</u>
	237,814	438,312	676,126	96,076
	3,099,581	8,259,066	11,358,647	432,997
	-	(92,243)	(92,243)	-
	<u>\$ 3,337,395</u>	<u>\$ 8,605,135</u>	<u>\$ 11,942,530</u>	<u>\$ 529,073</u>

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	2011 Comb Tax/Rev CO Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,593,575	\$ 1,573,769	\$ 541,363	\$ 3,708,707
Receivables (Net)	302,031	-	19,380	321,411
Due from State Agencies	123,968	-	-	123,968
Due from/(to) Other Funds	(76,563)	-	33,917	(42,646)
Inventories	1,250	-	-	1,250
Prepaid Items	11,835	-	-	11,835
Total Assets	<u>\$ 1,956,096</u>	<u>\$ 1,573,769</u>	<u>\$ 594,660</u>	<u>\$ 4,124,525</u>
LIABILITIES				
Accounts Payable	81,283	-	14,544	95,827
Wages and Salaries Payable	50,808	-	-	50,808
Deferred Revenues	315,689	-	16,570	332,259
Liabilities Payable from Restricted Assets	-	-	-	-
Total Liabilities	<u>447,780</u>	<u>-</u>	<u>31,114</u>	<u>478,894</u>
FUND BALANCES				
Nonspendable Fund Balance:				
Inventories	1,250	-	-	1,250
Prepaid Items	11,835	-	-	11,835
Restricted Fund Balance:				
Special Projects	129,760	-	235,259	365,019
Capital Projects	-	1,573,769	192,336	1,766,105
Retirement of Long-Term Debt	-	-	135,951	135,951
Unassigned Fund Balance	1,365,471	-	-	1,365,471
Total Fund Balances	<u>1,508,316</u>	<u>1,573,769</u>	<u>563,546</u>	<u>3,645,631</u>
Total Liabilities and Fund Balances	<u>\$ 1,956,096</u>	<u>\$ 1,573,769</u>	<u>\$ 594,660</u>	<u>\$ 4,124,525</u>

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2013

Total Fund Balances - Governmental Funds	\$ 3,645,631
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 \$8,941,607 and the accumulated depreciation was \$5,501,829. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	(708,594)
Current year capital outlays and long-term debt principal 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 2013 capital outlays and debt principal payments is to increase (decrease) net position.	331,771
The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(347,737)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	416,324
Net Position of Governmental Activities	<u><u>\$ 3,337,395</u></u>

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	2011 Comb Tax/Rev CO Fund	Other Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property Taxes	\$ 1,028,182	\$ -	\$ 273,392	\$ 1,301,574
Sales and Use Taxes	711,060	-	-	711,060
Municipal Development District Taxes	-	-	-	-
Hotel/Motel Taxes	185,065	-	-	185,065
Franchise Tax	260,588	-	-	260,588
Penalty and Interest on Taxes	21,836	-	-	21,836
Licenses and Permits	40,702	-	-	40,702
Charges for Services	299,338	-	202,901	502,239
Fines	320,710	-	21,151	341,861
Investment Earnings	15,236	14,692	12,131	42,059
Contributions & Donations	-	-	18,042	18,042
Other Revenue	58,927	-	-	58,927
Total Revenues	<u>\$ 2,941,644</u>	<u>\$ 14,692</u>	<u>\$ 527,617</u>	<u>\$ 3,483,953</u>
EXPENDITURES				
Current:				
General Government	376,663	-	-	376,663
Public Safety	1,266,398	-	203,335	1,469,733
Highways and Streets	407,427	-	18,975	426,402
Community Services	65,195	-	-	65,195
Health Services	95,915	-	-	95,915
Culture and Recreation	524,377	-	34,959	559,336
Debt Service:				
Debt Service	-	-	395,020	395,020
Capital Outlay:				
Capital Outlay	140,737	-	-	140,737
Total Expenditures	<u>2,876,712</u>	<u>-</u>	<u>652,289</u>	<u>3,529,001</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>64,932</u>	<u>14,692</u>	<u>(124,672)</u>	<u>(45,048)</u>
OTHER FINANCING SOURCES (USES):				
Capital-related Debt Issued (Regular Bonds)	-	-	-	-
Sale of Real and Personal Property	-	-	-	-
Transfers In	168,557	-	125,184	293,741
Transfers Out (Use)	-	(92,289)	-	(92,289)
Total Other Financing Sources (Uses)	<u>168,557</u>	<u>(92,289)</u>	<u>125,184</u>	<u>201,452</u>
Net Change in Fund Balances	233,489	(77,597)	512	156,404
Fund Balance- October 1(Beginning)	1,274,827	1,651,366	563,034	3,489,227
Fund Balance- September 30 (Ending)	<u>\$ 1,508,316</u>	<u>\$ 1,573,769</u>	<u>\$ 563,546</u>	<u>\$ 3,645,631</u>

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
 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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 156,404
Current year capital outlays and long-term debt principal 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 removing the 2013 capital outlays and debt principal payments is to increase (decrease) net assets.	331,771
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(347,737)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	97,376
Change in Net Position of Governmental Activities	\$ 237,814

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business Type Activities
	Utility Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,148,670
Accounts Receivable-Net of Uncollectible Allowance	362,868
Due from Other Funds	42,646
Prepaid Items	4,034
Discount and (Premium) on Issuance of Debt	125,448
Total Current Assets	4,683,666
Noncurrent Assets:	
Capital Assets:	
Capital Assets, Net of Accumulated Depreciation	11,415,440
Total Noncurrent Assets	11,415,440
Total Assets	16,099,106
LIABILITIES	
Current Liabilities:	
Accounts Payable	69,665
Wages and Salaries Payable	18,821
Intergovernmental Payable	4,487
Accrued Interest Payable	38,122
Deferred Revenue	80,946
Notes Payable - Current	531,906
Customer Deposits	191,578
Total Current Liabilities	935,525
Non-Current Liabilities:	
Bonds Payable - Non-Current:	
Revenue Bonds Payable	6,558,446
Total Non-Current Liabilities	6,558,446
Total Liabilities	7,493,971
NET ASSETS	
Investments in Capital Assets, Net of Debt	4,316,316
Restricted for Capital Projects	1,007,650
Restricted for Retirement of Long-Term Debt	395,814
Unrestricted Net Assets	2,885,355
Total Net Assets	\$ 8,605,135

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business Type Activities
	Utility Fund
OPERATING REVENUES:	
Charges for Water Services	\$ 1,164,679
Charges for Sewerage Service	968,080
Charges for Sanitation Service	318,179
Charges for NW Water Tower	157,422
Other Charges for Services	66,750
Total Operating Revenues	2,675,110
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	454,216
Personnel Services - Employee Benefits	139,544
Purchased Professional & Technical Services	68,120
Purchased Property Services	472,413
Miscellaneous Expenses	407,436
Supplies	47,895
Depreciation	485,814
Total Operating Expenses	2,075,438
Operating Income	599,672
NON-OPERATING REVENUES (EXPENSES):	
Grants (Non-Capital grants)	8,730
Capital Contributions	274,213
Investment Earnings	36,150
Interest Expense - Non-Operating	(279,001)
Total Non-operating Revenue (Expenses)	40,092
Income Before Transfers	639,764
Non-Operating Transfer In	1,237,564
Transfers Out	(1,439,016)
Change in Net Assets	438,312
Total Net Assets - October 1 (Beginning)	8,259,066
Prior Period Adjustment	(92,243)
Total Net Assets - September 30 (Ending)	\$ 8,605,135

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business Type Activities
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,698,153
Payments to suppliers	(1,135,117)
Payments to employees	(450,520)
Net cash provided (used) by operating activities	1,112,516
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(230,220)
Issuance of outstanding debt	1,003,713
Interest payments on outstanding debt	(264,584)
Principal payments on outstanding debt	(496,960)
Net cash provided (used) by capital related financing activities	11,949
CASH FLOWS FROM NON-CAPITAL RELATED FINANCING ACTIVITIES	
Grant revenue for non-capital purposes	8,730
Net transfers in from/(out to) other City funds	(201,452)
Net cash provided (used) by non-capital related financing activities	(192,722)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment revenue received	36,150
Net cash provided (used) by investing activities	36,150
Net increase in cash and cash equivalents	967,893
Cash and cash equivalents - beginning of year	3,180,777
Cash and cash equivalents - end of year	\$ 4,148,670

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
STATEMENT OF CASH FLOWS- Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

		Business Type Activities
		<u>Utility Fund</u>
Reconciliation of operating income (loss) to net cash provided (used)		
by operating activities		
Operating income (loss)	\$	599,672
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		485,814
Changes in assets and liabilities		(40,850)
Accounts receivable		291
Accounts payable		3,696
Wages and salaries payable		8,605
Customer deposits		54,712
Deferred revenues		576
Due to others		<u>576</u>
Net cash provided (used) by operating activities	\$	<u><u>1,112,516</u></u>

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

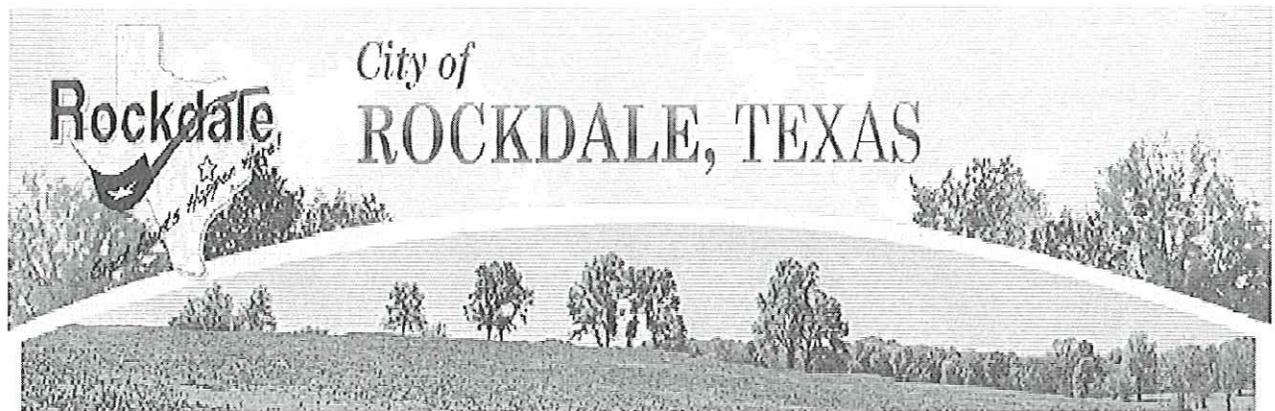
	Firemen's Pension Trust
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 171,581
Total Assets	<u>171,581</u>
LIABILITIES	
Net Pension Obligation	171,581
Total Liabilities	<u>\$ 171,581</u>

The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Firemen's Pension Trust
<hr/>	
ADDITIONS	
Investment Earnings	\$ 1,556
Other Revenue	7,522
Total Additions	<hr/> 9,078 <hr/>
DEDUCTIONS:	
Pension Payout	<hr/> 3,800
Total Deductions	<hr/> 3,800 <hr/>
Change in Net Assets	5,278
Total Net Assets - October 1 (Beginning)	<hr/> 166,303
Total Net Assets - September 30 (Ending)	<hr/> \$ 171,581 <hr/>

The accompanying notes are an integral part of these financial statements



CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In fiscal year 2013, the City 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 incorporated 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. The implementation of this statement had no effect on the financial reporting of the City.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Financial Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Rockdale's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" columns include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

In fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). This statement amends the net asset reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the net assets and by renaming that measure as net position.

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

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

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

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

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

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

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

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING

The City reports the following major governmental funds:

1. The General Fund

The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. It is the largest of the City's funds and receives a greater variety and number of taxes and other general revenues than any other fund. The general fund's resources also finance a wider range of activities than any other fund. Functions financed by the general fund include administration, airport, library, streets, fire department, community service, parks, emergency medical services, municipal court, and police department.

2. 2011 Combination Tax and Revenue Certificates of Obligation

This fund accounts for the proceeds of a 2011 bond offering by the City for infrastructure improvements.

The City reports the following major proprietary fund:

1. Utility System Fund

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

Additionally, the City reports the following fund type(s):

Governmental Funds:

1. Special Revenue Funds

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

Fiduciary Funds:

1. Volunteer Firemen's Pension Trust –

This fund accounts for the payment of retirement benefits to volunteer firemen.

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

2. Agency Funds

The City accounts for resources held for others in a custodial capacity in agency funds. The City has no Agency Funds at September 30, 2013.

E. OTHER ACCOUNTING POLICIES

1. Cash and cash equivalents

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

2. Inventories

The City reports inventories at the lower of cost (first-in, first-out) or market for proprietary funds and at cost for governmental funds. Inventory acquisitions are recorded in inventory accounts initially and charged as expenditures when used. Special reporting treatments are applied to governmental fund inventories to indicate that they do not represent "available spendable resources," even though they are a component of net current assets.

3. Long-term Debt

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

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

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

4. Compensated Absences

It is the City's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave may be accumulated at the rate of 80 hours for each continuous year of employment for full-time employees with 1 to 7 years of service. For employees with 8 to 15 years of service, 120 hours accumulate each year. For employees with 16 or more years of service, 160 hours accumulate each year. Limits exist on the amount of vacation leave which may be carried over from year to year. At the anniversary date, an employee may carry forward vacation leave not to exceed 80 hours. Sick leave credits accrue to all employees at the rate of 96 hours for each full year of continuous service. Employees are not paid for accumulated sick leave upon termination; therefore, no liability is accrued. Accumulated vacation leave benefits total \$39,873 at September 30, 2013, and was accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Capital Assets

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Water and sewer systems	5 - 40
Infrastructure	4 - 40
Equipment	5

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

6. 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.

7. Fund Balances

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

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

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

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

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

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

At September 30, 2013, the City does not have any committed or assigned fund balances.

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

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

CITY OF ROCKDALE
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

8. Net Position

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

9. Subsequent Events

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The reconciliation found on page 15 of these financial statements provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that 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. The details of capital assets and long-term liabilities at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 410,111	\$ -	\$ 410,111	
Construction in Progress	-	-	-	
Buildings & Improvements	1,821,616	906,363	915,253	
Equipment	1,964,739	1,340,982	623,757	
Infrastructure	4,745,141	3,254,484	1,490,657	
Change in Net Position				\$ 3,439,778

CITY OF ROCKDALE
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2013

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND
 BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**
(Continued)

Discount on Issuance of Debt		\$ 74,839
<u>Liabilities at the Beginning of the Year</u>	<u>Payable at the Beginning of the Year</u>	
Bonds Payable	\$ 3,974,250	
Accrued Interest Payable	123,139	
Capital Leases Payable	90,861	
Compensated Absences	34,961	
Change in Net Position	(4,223,211)	
Net Adjustment to Net Position		\$ (708,594)

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND
 THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The reconciliation found on page 17 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
<u>Current Year Capital Outlay</u>			
Land	\$ -		
Construction in Progress	-		
Buildings & Improvements	-		
Equipment	102,871		
Infrastructure	-		
Total Capital Outlay	102,871	\$ 102,871	\$ 102,871

CITY OF ROCKDALE
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2013

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Continued)

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
<u>Debt Principal Payments</u>			
Bond Principal	\$ 188,800		
Capital Lease Payments	36,240		
Compensated Absences	3,860		
Total Principal Payments	228,900	\$ 228,900	\$ 228,900
 Total Adjustment to Net Position		\$ 331,771	\$ 331,771

Another element of the reconciliation on page 17 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
Recognition of previously deferred revenue	\$ 332,259	\$ -	\$ 332,259
Other adjustments	Misc	9,082	(4,229)
Accrual of Interest Payable on Bonds	100,803	100,803	100,803
Discount (Premium) on Issuance of Bonds	12,509	(12,509)	(12,509)
 Total		\$ 97,376	\$ 416,324

CITY OF ROCKDALE
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2013

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Council adopts an "appropriated budget" for the General Fund, the Debt Service Fund and the Capital Projects Fund. The City is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The City compares the final amended budget to actual revenues and expenditures. The Council adopts and amends the budget at the fund level. Comparison of the budget to actual expenditures on Exhibit G-1 is presented at the function level and is shown for informational purposes only.

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

1. No later than 60 days and no sooner than 120 days prior to September 30 the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Meetings of the Council are then called for the purpose of adopting the proposed budget – two readings are required. At least ten days public notice of the meeting must be given.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council and in accordance with State laws. Amendments can be presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end. Because the City has a policy of careful budgetary control, one amendment was necessary during the year.
4. Each budget is controlled by City Management at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end. A listing of fund balances for both appropriated budget and nonappropriated budget nonmajor special revenue funds, as of September 30, 2013, is as follows:

Lucy Hill Memorial	\$ 4,947	Veterans Park	\$ 6,458
Police Department Special	4,773	Municipal Court	202,740
Police Officer of the Year	9,768	Debt Service Fund	152,521
Grant FEMA	2,048	2009 Tax Notes	#REF!

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Policies and Legal and Contractual Provisions Governing Deposits

The City'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 City's deposits may not be returned to it. The City maintains a depository contract which requires its bank to pledge securities to the City in an amount sufficient to secure the total amount of the City'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 City's bank balance was exposed to custodial credit risk.

As of September 30, 2013, all of the City's excess funds were in various accounts at Classic National Bank. All accounts listed as either cash or cash equivalents are maintained in depository accounts at the City's banking institution.

Additional policies and contractual provisions governing deposits and investments for City of Rockdale 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 City of Rockdale, the City 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 City does not have any such investments as of September 30, 2013 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 City'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 City invests operating funds primarily in local government investment pools or other investments similar to money market funds, and by structuring the investment portfolio so that investments mature to meet cash

Foreign Currency Risk for Investments

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

CITY OF ROCKDALE
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. PROPERTY TAXES

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

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

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2013, were as follows:

Due from General Fund to:	
Nonmajor Governmental Funds	\$ 33,917
Utility System Fund	42,646
Total Due From General Fund To Other Funds	<u>\$ 76,563</u>
Due to Nonmajor Governmental Funds from:	
General Fund	\$ 33,917
Total Due To Nonmajor Governmental Funds	<u>\$ 33,917</u>
Due to Utility System Fund:	
General Fund	\$ 42,646
Total Due to Enterprise Utility Fund	<u>\$ 42,646</u>

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2013, were as follows:

	Property Taxes	Fines	Other	Total Receivables
Governmental Activities				
General Fund	\$ 83,670	\$ 1,233,616	\$ 75,621	\$ 1,392,907
Other Funds	22,304	-	-	22,304
Less: Allowance for uncollectible accounts	(10,899)	(1,082,901)	-	(1,093,800)
Total - Gov. Activities	\$ 95,075	\$ 150,715	\$ 75,621	\$ 321,411
Business-Type Activities:				
Utility System Fund	\$ -	\$ -	\$ 373,369	\$ 373,369
Less: Allowance for uncollectible accounts	-	-	(10,501)	(10,501)
Total Business-Type Activities	\$ -	\$ -	\$ 362,868	\$ 362,868

Payables at September 30, 2013, were as follows:

	Accounts	Loans Leases and Bonds Payable - Current Year	Salaries and Benefits	Due To Other Governments	Other	Total Payables
Governmental Activities:						
General Fund	\$ 81,283	\$ -	\$ 50,808	\$ -	\$ -	\$ 132,091
Other Funds	14,544	-	-	-	-	14,544
Total	\$ 95,827	\$ -	\$ 50,808	\$ -	\$ -	\$ 146,635
Business-Type Activities:						
Utility System Fund	\$ 69,665	\$ 531,906	\$ 18,821	\$ 4,487	\$ 310,646	\$ 935,525
Total	\$ 69,665	\$ 531,906	\$ 18,821	\$ 4,487	\$ 310,646	\$ 935,525

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2013, were as follows:

	Beginning Balance	Additions	Reclass/ Adjustments	Retirements	Ending Balance
Governmental Activities:					
Land	\$ 410,111	\$ -	\$ -	\$ -	\$ 410,111
Construction in progress	-	-	-	-	-
Buildings and improvements	1,821,616	-	(262,141)	-	1,559,475
Equipment	1,964,739	191,553	-	(4,229)	2,152,063
Infrastructure	4,745,141	-	262,141	-	5,007,282
Totals at historic cost	8,941,607	191,553	-	(4,229)	9,128,931
Less: Accumulated Depreciation for:					
Buildings and improvements	(906,363)	(42,805)	-	-	(949,168)
Equipment	(1,340,982)	(153,805)	-	-	(1,494,787)
Infrastructure	(3,254,484)	(151,127)	-	-	(3,405,611)
Total accumulated depreciation	(5,501,829)	(347,737)	-	-	(5,849,566)
Governmental Activities, Capital Assets, Net	\$ 3,439,778	\$ (156,184)	\$ -	\$ (4,229)	\$ 3,279,365
Business-type Activities:					
Land	\$ 50,506	\$ -	\$ -	\$ -	\$ 50,506
Construction in progress	139,480	481,823	(302,594)	-	318,709
Buildings and improvements	361,053	-	-	-	361,053
Equipment	917,768	-	(195,767)	(27,513)	694,488
Distribution & Collection system	15,786,211	22,610	498,361	-	16,307,182
Totals at historic cost	17,255,018	504,433	-	(27,513)	17,731,938
Less: Accumulated Depreciation					
Buildings and improvements	(117,757)	(10,172)	-	-	(127,929)
Equipment	(429,619)	(33,342)	173,356	27,513	(262,092)
Distribution & Collection system	(5,310,821)	(442,300)	(173,356)	-	(5,926,477)
Total Accumulated Depreciation	(5,858,197)	(485,814)	-	27,513	(6,316,498)
Business-type Activities Capital Assets, Net	\$11,396,821	\$ 18,619	\$ -	\$ -	\$11,415,440

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. CAPITAL ASSET ACTIVITY (Continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 33,694
Public Safety	79,968
Highways and Streets	167,514
Community Services	1,259
Culture and Recreation	65,302
Total Depreciation Expense	<u>\$ 347,737</u>

G. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the City is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended September 30, 2013, is as follows:

	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Beginning Balances Outstanding	Issued	Retired	Ending Balances Outstanding
<u>Governmental activities</u>							
General Obligation tax notes							
Series 2006 Certificates of Obligation							
4.73%	\$2,900,000	\$ 53,887	\$ 1,139,250	\$ -	\$ 58,800	\$ 1,080,450	
Series 2008 Refunding Bonds							
4.36%	580,000	20,710	475,000	-	30,000	445,000	
Series 2009 Tax Notes							
2.35 - 4.15%	500,000	9,947	285,000	-	70,000	215,000	
Series 2011 Tax/Rev CO Bonds							
3.32%	2,075,000	120,511	2,075,000	-	30,000	2,045,000	
			3,974,250	-	188,800	3,785,450	
Capital leases			90,861	98,002	36,240	152,623	
Compensated absences			34,961	-	3,860	31,101	
Total			\$ 205,055	\$ 4,100,072	\$ 98,002	\$ 228,900	\$ 3,969,174

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. BONDS AND LONG-TERM NOTES PAYABLE (Continued)

	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Beginning Balances Outstanding	Issued	Retired	Ending Balances Outstanding
<u>Business-type activities</u>							
Revenue debt payable							
Series 2005 Combination Tax/Rev CO Bonds							
	2.8 - 4.05%	\$6,300,000	\$ 188,978	\$ 5,075,000	\$ -	\$ 315,000	\$ 4,760,000
Series 2006 CO bonds							
	4.73%	2,900,000	56,086	1,185,750	-	61,200	1,124,550
Note Payable to TxDOT							
	4.00%	1,000,000	9,984	249,595	-	79,957	169,638
Series 2012 CO bonds							
	0.9 - 3.35%	525,000	9,536	-	525,000	35,000	490,000
Series 2013 CO bonds							
	3.14%	525,000	-	-	525,000	-	525,000
				6,510,345	1,050,000	491,157	7,069,188
Capital leases				16,300	-	3,908	12,392
Compensated absences				10,667	-	1,895	8,772
Total				\$ 264,584	\$ 6,537,312	\$ 1,050,000	\$ 7,090,352

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2012.

H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES

Debt service requirements for bonds are as follows:

Year Ended	General Obligations		Business-type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
September 30:					
2014	\$ 256,250	\$ 146,313	\$ 531,906	\$ 264,198	\$ 1,198,667
2015	263,700	136,646	547,782	248,122	1,196,250
2016	268,600	126,395	476,400	228,623	1,100,018
2017	201,050	115,506	493,950	211,623	1,022,129
2018	215,950	107,409	514,050	193,754	1,031,163
2019 - 2023	1,211,200	400,269	2,868,800	665,845	5,146,114
2024 - 2028	933,700	165,951	1,636,300	121,243	2,857,194
2029 - 2033	435,000	29,250	-	-	464,250
	\$3,785,450	\$ 1,227,739	\$ 7,069,188	\$ 1,933,408	\$ 14,015,785

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES (Continued)

Capital Leases

The City is obligated under lease agreements which have been classified as capital leases. Property under capital lease consists of equipment totaling \$217,135, which is included with Equipment totals in Note IV, Section F. Accumulated depreciation of \$51,181 has been recorded against the assets under capital lease. The capital lease payment requirements are as follows:

Year Ended September 30,	General Obligations		Business-type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2014	\$ 52,137	\$ 4,401	\$ 4,017	\$ 347	\$ 60,902
2015	43,983	2,791	4,130	235	51,139
2016	31,213	1,546	4,245	119	37,123
2017	16,106	636	-	-	16,742
2018	9,184	269	-	-	9,453
	<u>\$ 152,623</u>	<u>\$ 9,643</u>	<u>\$ 12,392</u>	<u>\$ 701</u>	<u>\$ 175,359</u>

I. DEFINED BENEFIT PENSION PLAN

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153, or by calling 800-924-8677; in addition, the report is available on TMRS's website at www.TMRS.com.

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

I. DEFINED BENEFIT PENSION PLAN (Continued)

The plan provisions for the City are adopted by the governing body of the City from the options available in the state statutes governing TMRS. Because the TMRS plan year is a calendar year and the City fiscal year ends on September 30, each fiscal year includes two different TMRS plan years. Plan provisions for the City were as follows:

	Plan Year 2012	Plan Year 2013
Employee deposit rate	5.00%	5.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (Expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 158,032
Interest on Net Pension Obligation	2,027
Adjustment to the ARC	(1,781)
Annual Pension Cost (APC)	<u>158,278</u>
Contributions Made	<u>169,415</u>
Increase (decrease) in net pension obligation	(11,137)
Net Pension Obligation/(Asset), beginning of year	28,956
Net Pension Obligation/(Asset), end of year	<u><u>\$ 17,819</u></u>

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

I. DEFINED BENEFIT PENSION PLAN (Continued)

Trend Information				
Annual Pension Cost				
Accounting Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
9/30/2011	\$ 164,833	\$ 165,809	100.6%	\$ (976)
9/30/2012	156,674	156,840	100.1%	(166)
9/30/2013	158,032	169,415	107.2%	(11,383)

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012 follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	28.2 years; closed period	26 years; closed period	24.9 years; closed period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age & service 3.00%	Varies by age & service 3.00%	Varies by age & service 3.00%
*Included Inflation at Cost -of-Living Adjustments	2.10%	2.10%	2.10%

**Schedule of Funding Progress for the Retirement Plan
For the Employees of the City of Rockdale, Texas**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$2,090,545	\$ 3,086,095	\$ 995,550	67.7%	\$ 1,534,380	64.9%
12/31/2011	2,381,576	3,346,316	964,740	71.2%	1,592,331	60.6%
12/31/2012	2,677,511	3,560,304	882,793	75.2%	1,545,579	57.1%

CITY OF ROCKDALE
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

I. DEFINED BENEFIT PENSION PLAN (Continued)

The annual covered payroll is based on the employee contributions paid to TMRS for the year ending with the valuation date .

J. SUPPLEMENTAL DEATH BENEFITS FUND

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

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

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$648, \$654, and \$1,124, respectively, which equaled the required contributions each year.

Plan/Calendar Year	Schedule of Contribution Rates (Retiree-only Portion of the Rate)		Percentage of ARC Contributed
	Annual Required Contribution Rate	Actual Contribution Made Rate	
2011	0.07%	0.07%	100.00%
2012	0.04%	0.04%	100.00%
2013	0.04%	0.04%	100.00%

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

K. FIREMEN'S RELIEF AND RETIREMENT FUND

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

The funding policy has been for the City to make the contribution necessary to meet current benefit payments. No actuarial valuation has been performed to determine the pension benefit obligation or to determine contribution requirements for the purpose of amortizing any unfunded actuarial accrued liability. Benefit payments made from the pension trust during the year amounted to \$3,800.

L. LITIGATION

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

M. RISK MANAGEMENT

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

N. HEALTH CARE COVERAGE

During the year ended September 30, 2013, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$181,447 to the Plan. Employees, at their option, authorized payroll withholding to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

O. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	General Fund	Other Governmental Funds	Utility System Fund	Total
Property Tax Revenue	\$ 84,045	\$ 16,570	\$ -	\$ 100,615
Franchise Tax Revenue	42,296	-	-	42,296
Paving	60,992	-	-	60,992
Municipal Court	123,000	-	-	123,000
Other	5,356	-	80,946	86,302
Total Deferred Revenue	\$ 315,689	\$ 16,570	\$ 80,946	\$ 413,205

P. DUE FROM STATE AGENCIES

The City participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the City receives its share of sales taxes from the State on a monthly basis. Amounts due from federal and state governments as of September 30, 2013, are summarized below. The only receivable at September 30, 2013 is for sales taxes.

FUND	Sales Tax Receivable	Total
General	\$ 123,968	\$ 123,968
Total	\$ 123,968	\$ 123,968

CITY OF ROCKDALE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended September 30, 2013, revenues from local and intermediate sources consisted of the following:

	General Fund	2011 Comb Tax/Rev CO Fund	Other Governmental	Utility Systems Fund	Total
Property Taxes	\$1,028,182	\$ -	\$ 273,392	\$ -	\$ 1,301,574
Sales and Use Taxes	711,060	-	-	-	711,060
Franchise Taxes	260,588	-	-	-	260,588
Hotel/Motel Taxes	185,065	-	-	-	185,065
Permits and Fees	340,040	-	202,901	19,205	562,146
Fines	342,546	-	21,151	-	363,697
Other	74,163	14,692	30,173	2,692,055	2,811,083
Total	<u>\$2,941,644</u>	<u>\$ 14,692</u>	<u>\$ 527,617</u>	<u>\$ 2,711,260</u>	<u>\$ 6,195,213</u>

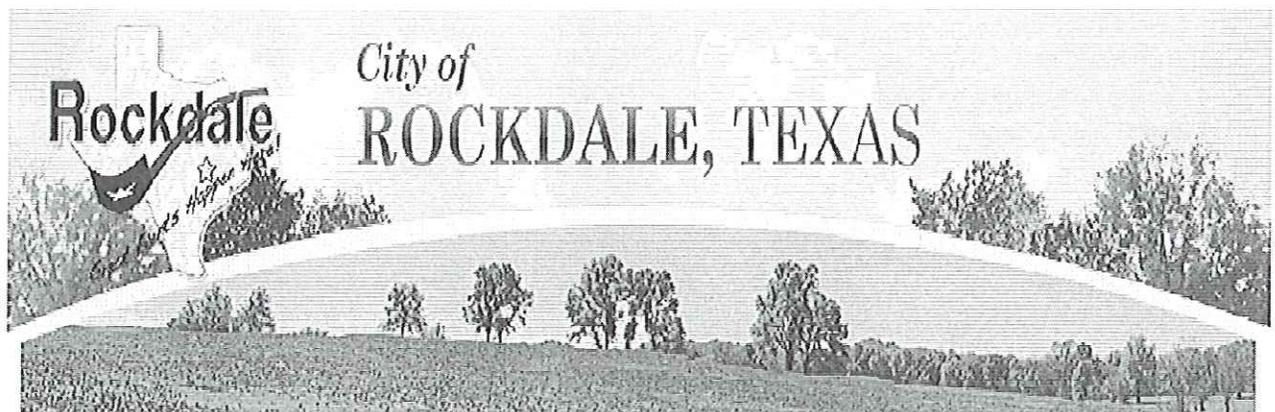
R. CHANGE IN PRESENTATION

According to Chapter 377 of the Texas Local Government Code, the Rockdale Municipal Development District (MDD) is a separate entity. However, when the MDD asked the City Council to approve its issuance of debt with Resolution R2013-09-12, this created a relationship under GASB 61, requiring the MDD to be presented as a discretely presented component unit. The MDD had been presented as a Special Revenue Fund in prior years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

ROCKDALE, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,055,135	\$ 1,050,340	\$ 1,028,182	\$ (22,158)
Sales and Use Taxes	678,164	691,572	711,060	19,488
Hotel/Motel Taxes	100,000	128,000	185,065	57,065
Franchise Tax	259,849	266,300	260,588	(5,712)
Penalty and Interest on Taxes	25,085	20,976	21,836	860
Licenses and Permits	26,600	41,228	40,702	(526)
Charges for Services	233,595	307,790	299,338	(8,452)
Fines	317,348	258,194	320,710	62,516
Investment Earnings	12,492	10,315	15,236	4,921
Other Revenue	32,195	28,159	58,927	30,768
Total Revenues	2,740,463	2,802,874	2,941,644	138,770
EXPENDITURES				
Current:				
General Government	339,597	377,493	376,663	830
Public Safety	1,406,600	1,376,921	1,266,398	110,523
Highways and Streets	445,218	412,773	407,427	5,346
Community Services	105,207	97,536	65,195	32,341
Health Services	97,857	97,252	95,915	1,337
Culture and Recreation	605,479	555,548	524,377	31,171
Capital Outlay	169,270	147,864	140,737	7,127
Total Expenditures	3,169,228	3,065,387	2,876,712	188,675
Excess (Deficiency) of Revenues Over (Under) Expenditures	(428,765)	(262,513)	64,932	327,445
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	1,800	1,500	-	1,500
Transfers In	277,667	219,298	168,557	50,741
Transfers Out	(7,522)	(7,522)	-	(7,522)
Total Other Financing Sources (Uses)	271,945	213,276	168,557	44,719
Net Change in Fund Balances	(156,820)	(49,237)	233,489	372,164
Fund Balance - October 1 (Beginning)	1,274,827	1,274,827	1,274,827	-
Fund Balance - September 30 (Ending)	\$ 1,118,007	\$ 1,225,590	\$ 1,508,316	\$ 372,164



**COMBINING FUND
STATEMENTS**

ROCKDALE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	Lucy Hill Memorial Fund	Police Department Special	Police Officer of The Year	Police Department Training
ASSETS				
Cash and Cash Equivalents	\$ 4,947	\$ 4,773	\$ 9,768	\$ 4,525
Receivables (Net)	-	-	-	-
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 4,947</u>	<u>\$ 4,773</u>	<u>\$ 9,768</u>	<u>\$ 4,525</u>
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
Special Projects	4,947	4,773	9,768	4,525
Capital Projects	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Total Fund Balances	<u>4,947</u>	<u>4,773</u>	<u>9,768</u>	<u>4,525</u>
Total Liabilities and Fund Balances	<u>\$ 4,947</u>	<u>\$ 4,773</u>	<u>\$ 9,768</u>	<u>\$ 4,525</u>

The accompanying notes are an integral part of these financial statements

FEMA Grant	Veterans Park	Municipal Court	Total Nonmajor Special Revenue Funds	Debt Service	2009 Tax Notes	Total Nonmajor Governmental Funds
\$ 2,048	\$ 6,458	\$ 179,583	\$ 212,102	\$ 122,381	\$ 206,880	\$ 541,363
-	-	-	-	19,380	-	19,380
-	-	23,157	23,157	10,760	-	33,917
<u>\$ 2,048</u>	<u>\$ 6,458</u>	<u>\$ 202,740</u>	<u>\$ 235,259</u>	<u>\$ 152,521</u>	<u>\$ 206,880</u>	<u>\$ 594,660</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,544	\$ 14,544
-	-	-	-	16,570	-	16,570
-	-	-	-	16,570	14,544	31,114
2,048	6,458	202,740	235,259	-	-	235,259
-	-	-	-	-	192,336	192,336
-	-	-	-	135,951	-	135,951
<u>2,048</u>	<u>6,458</u>	<u>202,740</u>	<u>235,259</u>	<u>135,951</u>	<u>192,336</u>	<u>563,546</u>
<u>\$ 2,048</u>	<u>\$ 6,458</u>	<u>\$ 202,740</u>	<u>\$ 235,259</u>	<u>\$ 152,521</u>	<u>\$ 206,880</u>	<u>\$ 594,660</u>

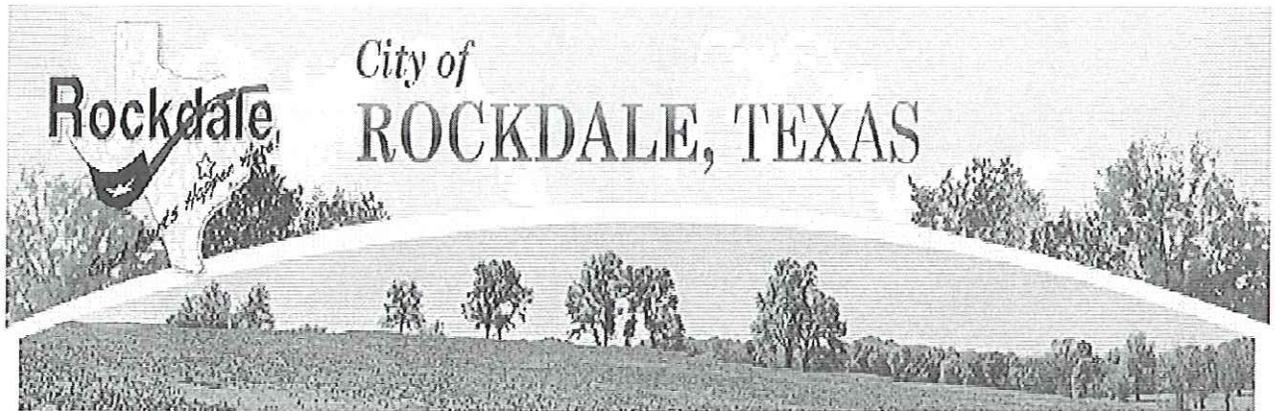
The accompanying notes are an integral part of these financial statements

ROCKDALE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Lucy Hill Memorial Fund	Police Department Special	Police Officer of The Year	Police Department Training
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Fines	-	-	-	-
Investment Earnings	44	63	100	44
Contributions & Donations	3,053	896	14,093	-
Other Revenue	-	-	-	-
Total Revenues	<u>3,097</u>	<u>959</u>	<u>14,193</u>	<u>44</u>
EXPENDITURES:				
Current:				
Public Safety	-	898	16,184	742
Highways and Streets	-	-	-	-
Community Services	-	-	-	-
Culture and Recreation	1,372	-	-	-
Debt Service:				
Debt Service	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,372</u>	<u>898</u>	<u>16,184</u>	<u>742</u>
Net Change in Fund Balance	1,725	61	(1,991)	(698)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	1,725	61	(1,991)	(698)
Fund Balance - October 1 (Beginning)	<u>3,222</u>	<u>4,712</u>	<u>11,759</u>	<u>5,223</u>
Fund Balance - September 30 (Ending)	<u>\$ 4,947</u>	<u>\$ 4,773</u>	<u>\$ 9,768</u>	<u>\$ 4,525</u>

The accompanying notes are an integral part of these financial statements

FEMA Grant	Veterans Park	Municipal Court	Total Nonmajor Special Revenue Funds	Debt Service	2009 Tax Notes	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 273,392	\$ -	\$ 273,392
-	-	202,901	202,901	-	-	202,901
-	-	21,151	21,151	-	-	21,151
19	6,662	1,381	8,313	1,895	1,923	12,131
-	-	-	18,042	-	-	18,042
-	-	-	-	-	-	-
<u>19</u>	<u>6,662</u>	<u>225,433</u>	<u>250,407</u>	<u>275,287</u>	<u>1,923</u>	<u>527,617</u>
-	-	185,511	203,335	-	-	203,335
-	-	-	-	-	18,975	18,975
-	-	-	-	-	-	-
-	33,587	-	34,959	-	-	34,959
-	-	-	-	395,020	-	395,020
-	-	-	-	-	-	-
<u>-</u>	<u>33,587</u>	<u>185,511</u>	<u>238,294</u>	<u>395,020</u>	<u>18,975</u>	<u>652,289</u>
19	(26,925)	39,922	12,113	(119,733)	(17,052)	(124,672)
-	-	-	-	125,184	-	125,184
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,184</u>	<u>-</u>	<u>125,184</u>
19	(26,925)	39,922	12,113	5,451	(17,052)	512
<u>2,029</u>	<u>33,383</u>	<u>162,818</u>	<u>223,146</u>	<u>130,500</u>	<u>209,388</u>	<u>563,034</u>
<u>\$2,048</u>	<u>\$ 6,458</u>	<u>\$202,740</u>	<u>\$ 235,259</u>	<u>\$135,951</u>	<u>\$192,336</u>	<u>\$ 563,546</u>



**OTHER REQUIRED REPORTS
SECTION**



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Rockdale (the City), which comprise the consolidated statement of financial position as of September 30, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Atehly & Associates, LLP

Austin, Texas
March 5, 2014