

CITY OF ROLLINGWOOD, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council
City of Rollingwood, Texas
403 Nixon Drive
Rollingwood, Texas 78746

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rollingwood, Texas, ("the City") as of and for the year ended September 30, 2015, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Rollingwood, Texas, as of September 30, 2015, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance; Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of contributions as listed in the table of contents, 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 of Rollingwood, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 and individual nonmajor fund financial statements and schedules are 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 16, 2016, on our consideration of the City of Rollingwood, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Rollingwood, Texas' internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

March 16, 2016

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CITY OF ROLLINGWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015

As management of the City of Rollingwood, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at September 30, 2015 by \$3,751,034. Of this amount \$1,147,062 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total cost of all City activities was \$4,071,109 for the fiscal year. The net expense after charges for services and capital contributions was \$2,250,283.
- During the year, the City's general fund expenses exceeded revenue by \$1,142,502 due to street improvements, which were offset by bond proceeds.
- At September 30, 2015 the City's governmental funds reported combined ending fund balances of \$1,173,377, a net decrease of \$1,175,636 in comparison with the prior year due mainly to the bond issue spent on street projects.
- At September 30, 2015 the unassigned fund balance for the General Fund was \$1,141,102 or 39% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) component unit financial statements, and (4) notes to the financial statements and required supplementary information.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, public works, sanitation, public safety, court, parks and recreation, and streets. The business-type activities of the City include water and wastewater.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Rollingwood Community Development Corporation, Inc.

CITY OF ROLLINGWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 (CONTINUED)

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary, and utilize different accounting approaches.

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

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

The City maintained seven (7) individual governmental funds during the 2015 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and debt service fund which are considered to be major funds. Data from the other five (5) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. Schedules of revenues, expenditures and changes in fund balances – budget and actual (GAAP basis) have been provided for the general fund to demonstrate compliance with the appropriated budget.

The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water and wastewater utility services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The City has two major proprietary funds. They are the water fund and the wastewater fund. Separate financial statements are presented for the major funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – The combining statements referred to earlier as the City's nonmajor governmental funds are presented immediately following the required supplementary information.

CITY OF ROLLINGWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,751,034 (net position). Of this amount, \$1,147,062 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net position (69%) reflects its net investment in capital assets (i.e., land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used.

NET POSITION

| | <u>GOVERNMENTAL ACTIVITIES</u> | | <u>BUSINESS-TYPE ACTIVITIES</u> | | <u>TOTAL</u> | |
|------------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | | | | | |
| Current and Other Assets | \$ 1,390,976 | \$ 2,847,388 | \$ 258,563 | \$ 1,245,774 | \$ 1,649,539 | \$ 4,093,162 |
| Capital Assets | <u>3,059,007</u> | <u>1,692,755</u> | <u>14,513,406</u> | <u>14,166,706</u> | <u>17,572,413</u> | <u>15,859,461</u> |
| Total Assets | <u>4,449,983</u> | <u>4,540,143</u> | <u>14,771,969</u> | <u>15,412,480</u> | <u>19,221,952</u> | <u>19,952,623</u> |
| Deferred Outflows of Resources - TMRS | <u>80,903</u> | <u>-</u> | <u>25,548</u> | <u>-</u> | <u>106,451</u> | <u>-</u> |
| <u>LIABILITIES</u> | | | | | | |
| Current Liabilities | 315,971 | 686,032 | 523,827 | 593,541 | 839,798 | 1,279,573 |
| Long-Term Liabilities | <u>1,913,944</u> | <u>1,873,475</u> | <u>12,823,627</u> | <u>13,114,297</u> | <u>14,737,571</u> | <u>14,987,772</u> |
| Total Liabilities | <u>2,229,915</u> | <u>2,559,507</u> | <u>13,347,454</u> | <u>13,707,838</u> | <u>15,577,369</u> | <u>16,267,345</u> |
| <u>NET POSITION</u> | | | | | | |
| Net Investment in Capital Assets | 1,073,138 | 1,587,555 | 1,498,559 | 1,837,881 | 2,571,697 | 3,425,436 |
| Restricted | 32,275 | 153,719 | - | - | 32,275 | 153,719 |
| Unrestricted | <u>1,195,558</u> | <u>239,362</u> | <u>(48,496)</u> | <u>(133,239)</u> | <u>1,147,062</u> | <u>106,123</u> |
| Total Net Position | <u>\$ 2,300,971</u> | <u>\$ 1,980,636</u> | <u>\$ 1,450,063</u> | <u>\$ 1,704,642</u> | <u>\$ 3,751,034</u> | <u>\$ 3,685,278</u> |

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the primary government as a whole.

Governmental Activities – Governmental activities increased the City's net position by \$58,207.

A key element is as follows:

- Sales tax revenue increased by \$12,049.

CITY OF ROLLINGWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 (CONTINUED)

Business-Type Activities – Business-type activities decreased the City's net position by \$343,053.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2015.

CHANGE IN NET POSITION

| | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | TOTAL | |
|----------------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| <u>REVENUES</u> | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 339,991 | \$ 167,770 | \$ 1,432,209 | \$ 1,360,534 | \$ 1,772,200 | \$ 1,528,304 |
| Capital Contributions | 48,626 | - | - | - | 48,626 | - |
| Operating Contributions | - | 95,050 | - | - | - | 95,050 |
| General Revenues | | | | | | |
| Property Taxes | 1,236,221 | 748,423 | - | 425,727 | 1,236,221 | 1,174,150 |
| Sales Taxes | 543,978 | 531,929 | - | - | 543,978 | 531,929 |
| Franchise Taxes | 175,040 | 173,497 | - | - | 175,040 | 173,497 |
| Unrestricted Investment | | | | | | |
| Earnings | 239 | 185 | 318 | 18,627 | 557 | 18,812 |
| Other Income | 6,292 | - | 3,349 | 252 | 9,641 | 252 |
| Total Revenues | <u>2,350,387</u> | <u>1,716,854</u> | <u>1,435,876</u> | <u>1,805,140</u> | <u>3,786,263</u> | <u>3,521,994</u> |
| <u>EXPENSES</u> | | | | | | |
| General Government | 600,739 | 488,048 | - | - | 600,739 | 488,048 |
| Public Works | 17,880 | 21,060 | - | - | 17,880 | 21,060 |
| Sanitation | 132,411 | 129,789 | - | - | 132,411 | 129,789 |
| Public Safety | 786,711 | 652,206 | - | - | 786,711 | 652,206 |
| Court | 94,865 | 106,917 | - | - | 94,865 | 106,917 |
| Parks & Recreation | 66,562 | 98,804 | - | - | 66,562 | 98,804 |
| Streets | 52,601 | 42,498 | - | - | 52,601 | 42,498 |
| Bond Issue Costs | - | 95,614 | - | - | - | 95,614 |
| Interest | 68,098 | 14,697 | - | - | 68,098 | 14,697 |
| Water | - | - | 1,036,530 | 945,458 | 1,036,530 | 945,458 |
| Wastewater | - | - | 1,214,712 | 1,231,995 | 1,214,712 | 1,231,995 |
| Total Expenses | <u>1,819,867</u> | <u>1,649,633</u> | <u>2,251,242</u> | <u>2,177,453</u> | <u>4,071,109</u> | <u>3,827,086</u> |
| Increase in Net Position before Transfers | <u>530,520</u> | <u>67,221</u> | <u>(815,366)</u> | <u>(372,313)</u> | <u>(284,846)</u> | <u>(305,092)</u> |
| <u>TRANSFERS</u> | <u>(472,313)</u> | <u>-</u> | <u>472,313</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in Net Position | 58,207 | 67,221 | (343,053) | (372,313) | (284,846) | (305,092) |
| Net Position - Beginning, as Restated | <u>2,242,764</u> | <u>1,913,415</u> | <u>1,793,116</u> | <u>2,076,955</u> | <u>4,035,880</u> | <u>3,990,370</u> |
| Net Position - Ending | <u>\$ 2,300,971</u> | <u>\$ 1,980,636</u> | <u>\$ 1,450,063</u> | <u>\$ 1,704,642</u> | <u>\$ 3,751,034</u> | <u>\$ 3,685,278</u> |

CITY OF ROLLINGWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 (CONTINUED)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,173,377, a decrease of \$1,175,636 from the prior year. This decrease is due primarily to spending the bond proceeds for street improvements which were restricted for that use.

Approximately 97% of this total amount, \$1,141,102, constitutes fund balance which is available for spending at the government's discretion. The remainder fund balance of \$32,275 or 3% is non-spendable or restricted as to use.

The City's general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$1,141,102. The unassigned fund balance represents 39% of total general fund expenditures. The fund balance of the City's general fund decreased by \$1,054,192 during the current fiscal year.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the current fiscal year amounted to a deficit of \$48,496. The total decrease for the funds was \$343,053 due mainly to depreciation expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund – Actual fiscal year expenditures in the general fund were \$1,093,222 more than the final budgeted amounts or appropriations. The major difference in expenditures was:

- \$1,289,475 – expended for street repairs funded by the bond issue.

The fiscal year 2015 budget was amended from the original budget adopted by Council.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounted to \$17,572,413 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, infrastructure and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was 10.8% due mainly to street and water projects.

The following table shows capital asset activity for the 2015 fiscal year with comparison for 2014. If more detailed information is desired on the City's capital asset activity, please refer to Note 4 as presented in the notes to the financial statements.

CITY OF ROLLINGWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 (CONTINUED)

| | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | TOTAL | |
|-------------------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| <u>Capital Assets-Not Depreciated</u> | | | | | | |
| Land | \$ 321,438 | \$ 321,438 | \$ - | \$ - | \$ 321,438 | \$ 321,438 |
| Construction in Progress | - | - | - | 461,579 | - | 461,579 |
| Total Capital Assets - Not Depreciated | <u>321,438</u> | <u>321,438</u> | <u>-</u> | <u>461,579</u> | <u>321,438</u> | <u>783,017</u> |
| <u>Capital Assets-Depreciated</u> | | | | | | |
| Buildings and Improvements | 721,038 | 721,038 | - | - | 721,038 | 721,038 |
| Equipment | 707,004 | 658,378 | 91,640 | 91,640 | 798,644 | 750,018 |
| Infrastructure | <u>2,215,866</u> | <u>926,391</u> | <u>16,794,453</u> | <u>15,596,332</u> | <u>19,010,319</u> | <u>16,522,723</u> |
| Total Capital Assets - Depreciated | <u>3,643,908</u> | <u>2,305,807</u> | <u>16,886,093</u> | <u>15,687,972</u> | <u>20,530,001</u> | <u>17,993,779</u> |
| <u>Less: Accumulated Depreciation</u> | | | | | | |
| Buildings and Improvements | (163,331) | (166,955) | - | - | (163,331) | (166,955) |
| Equipment | (526,172) | (649,844) | (55,393) | (49,389) | (581,565) | (699,233) |
| Infrastructure | <u>(216,836)</u> | <u>(117,691)</u> | <u>(2,317,294)</u> | <u>(1,933,456)</u> | <u>(2,534,130)</u> | <u>(2,051,147)</u> |
| Total Accumulated Depreciation | <u>(906,339)</u> | <u>(934,490)</u> | <u>(2,372,687)</u> | <u>(1,982,845)</u> | <u>(3,279,026)</u> | <u>(2,917,335)</u> |
| Total Capital Assets - Net | <u>\$ 3,059,007</u> | <u>\$ 1,692,755</u> | <u>\$ 14,513,406</u> | <u>\$ 14,166,706</u> | <u>\$ 17,572,413</u> | <u>\$ 15,859,461</u> |

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,000,716. Additional information on debt may be found in Note 9 of this report as presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The development of two "Class A" office buildings on property near the Mopac and Bee Caves Road intersection has 100 percent of its office space leased with tenants beginning occupancy in May, 2015. This influx of workers and clients will further increase the exposure of local businesses.
- The City of Rollingwood's tax base has continued to see growth.
- Indication of the City's strong economy was reflected in Standard & Poor's most recent long-term rating of the City's general obligation bonds to "AA with a stable outlook".
- During the 2015-2016 fiscal year, further development is expected on the property near the MoPac and Bee Caves Road intersection with a 120,000 square foot office building planned for that site. All office space for this building has been reported to be pre-leased.
- Currently there are 56 active permits for residential construction or remodeling in the City and an additional 7 commercial permits are in various stages of processing.

REQUESTS FOR INFORMATION

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 any questions about this report or need additional financial information, contact the City Administrator, 403 Nixon Drive, Rollingwood, Texas 78746.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Government Accounting Standards Board (GASB). The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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CITY OF ROLLINGWOOD, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

| | PRIMARY GOVERNMENT | | | |
|--------------------------------------------------------------|----------------------------|-----------------------------|--------------------|-------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNIT |
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 946,445 | \$ 314,538 | \$ 1,260,983 | \$ 207,710 |
| Accounts Receivable-Net of Allowances for Uncollectibles: | | | | |
| Property Taxes | 19,106 | - | 19,106 | - |
| Other | 39,146 | 221,039 | 260,185 | 7,894 |
| Internal Balances | 376,847 | (376,847) | - | - |
| Restricted Cash | - | 96,855 | 96,855 | - |
| Capital Assets: | | | | |
| Land | 321,438 | - | 321,438 | - |
| Buildings | 557,707 | - | 557,707 | - |
| Water System-Plant | - | 3,146,732 | 3,146,732 | - |
| Wastewater System | - | 11,209,900 | 11,209,900 | - |
| Wastewater System-Connections | - | 120,527 | 120,527 | - |
| Equipment | 180,832 | 36,247 | 217,079 | - |
| Infrastructure | 1,999,030 | - | 1,999,030 | - |
| Net Pension Asset | 9,432 | 2,978 | 12,410 | - |
| TOTAL ASSETS | <u>4,449,983</u> | <u>14,771,969</u> | <u>19,221,952</u> | <u>215,604</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES - TMRS</u> | <u>80,903</u> | <u>25,548</u> | <u>106,451</u> | <u>-</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | 114,269 | 147,996 | 262,265 | - |
| Accrued Interest Payable | 10,680 | 72,848 | 83,528 | - |
| Accrued Expenses | 58,764 | 6,260 | 65,024 | - |
| Unearned Revenue | 16,028 | - | 16,028 | - |
| Compensated Absences | 44,305 | 8,648 | | |
| Noncurrent Liabilities: | | | | |
| Payable from Restricted Assets - | | | | |
| Customer Deposits | - | 96,855 | 96,855 | - |
| Due Within One Year | 71,925 | 288,075 | 360,000 | - |
| Due in More Than One Year | <u>1,913,944</u> | <u>12,726,772</u> | <u>14,640,716</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>2,229,915</u> | <u>13,347,454</u> | <u>15,577,369</u> | <u>-</u> |
| <u>NET POSITION</u> | | | | |
| Net Investment in Capital Assets | 1,073,138 | 1,498,559 | 2,571,697 | - |
| Restricted for: | | | | |
| Debt Service | 3,219 | - | 3,219 | - |
| Street Maintenance | 8,488 | - | 8,488 | - |
| Municipal Court | 19,920 | - | 19,920 | - |
| Police Department | 648 | - | 648 | - |
| Unrestricted Net Position | <u>1,195,558</u> | <u>(48,496)</u> | <u>1,147,062</u> | <u>-</u> |
| TOTAL NET POSITION | <u>\$ 2,300,971</u> | <u>\$ 1,450,063</u> | <u>3,751,034</u> | <u>\$ 215,604</u> |

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF ROLLINGWOOD, TEXAS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2015

| FUNCTIONS AND PROGRAMS | EXPENSES | PROGRAM REVENUES | |
|-----------------------------------------------|-----------------------|----------------------|-----------------------|
| | | CHARGES FOR SERVICES | CAPITAL CONTRIBUTIONS |
| <u>Primary Governmental Activities</u> | | | |
| General Government | \$ (600,739) | \$ 79,034 | \$ - |
| Public Works | (17,880) | 189,598 | - |
| Sanitation | (132,411) | - | - |
| Public Safety | (786,711) | 707 | - |
| Court | (94,865) | 39,592 | - |
| Parks & Recreation | (66,562) | 31,060 | 48,626 |
| Streets | (52,601) | - | - |
| Interest Expense | (68,098) | - | - |
| Total Primary Governmental Activities | <u>(1,819,867)</u> | <u>339,991</u> | <u>48,626</u> |
| <u>Business-Type Activities</u> | | | |
| Water | (1,036,530) | 739,165 | - |
| Wastewater | (1,214,712) | 693,044 | - |
| Total Business-Type Activities | <u>(2,251,242)</u> | <u>1,432,209</u> | <u>-</u> |
| Primary Government | <u>\$ (4,071,109)</u> | <u>\$ 1,772,200</u> | <u>\$ 48,626</u> |
| <u>Component Unit</u> | | | |
| Rollingwood Community Development Corporation | <u>\$ (136,625)</u> | <u>\$ -</u> | <u>\$ -</u> |

General Revenues

Taxes:

Property Taxes

Sales Taxes

Franchise Tax and Telecommunication Fees

Interest

Miscellaneous Revenue

Transfers

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

Beginning Net Position of Year, as Restated

Net Position at End of Year

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

| GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | PRIMARY GOVERNMENT TOTAL | COMPONENT UNIT |
|----------------------------|-----------------------------|--------------------------------|---------------------|
| \$ (521,705) | \$ - | \$ (521,705) | |
| 171,718 | - | 171,718 | |
| (132,411) | - | (132,411) | |
| (786,004) | - | (786,004) | |
| (55,273) | - | (55,273) | |
| 13,124 | - | 13,124 | |
| (52,601) | - | (52,601) | |
| <u>(68,098)</u> | <u>-</u> | <u>(68,098)</u> | |
| | | | |
| <u>(1,431,250)</u> | <u>-</u> | <u>(1,431,250)</u> | |
| | | | |
| - | (297,365) | (297,365) | |
| <u>-</u> | <u>(521,668)</u> | <u>(521,668)</u> | |
| | | | |
| <u>-</u> | <u>(819,033)</u> | <u>(819,033)</u> | |
| | | | |
| (1,431,250) | (819,033) | (2,250,283) | |
| | | | <u>\$ (136,625)</u> |
| | | | |
| 1,236,221 | - | 1,236,221 | - |
| 543,978 | - | 543,978 | 107,755 |
| 175,040 | - | 175,040 | - |
| 239 | 318 | 557 | 72 |
| 6,292 | 3,349 | 9,641 | - |
| <u>(472,313)</u> | <u>472,313</u> | <u>-</u> | <u>-</u> |
| <u>1,489,457</u> | <u>475,980</u> | <u>1,965,437</u> | <u>107,827</u> |
| | | | |
| 58,207 | (343,053) | (284,846) | (28,798) |
| | | | |
| 1,980,636 | 1,704,642 | 3,685,278 | 244,402 |
| <u>262,128</u> | <u>88,474</u> | <u>350,602</u> | <u>-</u> |
| <u>2,242,764</u> | <u>1,793,116</u> | <u>4,035,880</u> | <u>244,402</u> |
| | | | |
| <u>\$ 2,300,971</u> | <u>\$ 1,450,063</u> | <u>\$ 3,751,034</u> | <u>\$ 215,604</u> |

CITY OF ROLLINGWOOD, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

| | GENERAL FUND | DEBT SERVICE FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|----------------------------------------------------------------------------|-------------------------|----------------------|--------------------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 921,913 | \$ 3,219 | \$ 21,313 | \$ 946,445 |
| Taxes Receivables, Net | 11,597 | 7,509 | - | 19,106 |
| Sales Tax Receivable | 31,340 | - | 7,806 | 39,146 |
| Due from Other Funds | <u>376,847</u> | <u>-</u> | <u>-</u> | <u>376,847</u> |
| TOTAL ASSETS | <u>\$ 1,341,697</u> | <u>\$ 10,728</u> | <u>\$ 29,119</u> | <u>\$ 1,381,544</u> |
| <u>LIABILITIES</u> | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 114,206 | \$ - | \$ 63 | \$ 114,269 |
| Accrued Liabilities | 58,764 | - | - | 58,764 |
| Unearned Revenue | <u>16,028</u> | <u>-</u> | <u>-</u> | <u>16,028</u> |
| Total Liabilities | <u>188,998</u> | <u>-</u> | <u>63</u> | <u>189,061</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Unearned Revenue - Property Taxes | <u>11,597</u> | <u>7,509</u> | <u>-</u> | <u>19,106</u> |
| <u>FUND BALANCES</u> | | | | |
| Restricted for Debt Service | - | 3,219 | - | 3,219 |
| Restricted for Street Maintenance | - | - | 8,488 | 8,488 |
| Restricted for Municipal Court | - | - | 19,920 | 19,920 |
| Restricted for Police Department | - | - | 648 | 648 |
| Unassigned | <u>1,141,102</u> | <u>-</u> | <u>-</u> | <u>1,141,102</u> |
| Total Fund Balances | <u>1,141,102</u> | <u>3,219</u> | <u>29,056</u> | <u>1,173,377</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 1,341,697</u> | <u>\$ 10,728</u> | <u>\$ 29,119</u> | <u>\$ 1,381,544</u> |

CITY OF ROLLINGWOOD, TEXAS
RECONCILIATION OF BALANCE SHEET
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

| | | |
|------------------------------------------|----|-----------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | \$ | 1,173,377 |
|------------------------------------------|----|-----------|

Amounts reported in Governmental Activities and in the Statement of Net Position are different because:

| | | |
|---------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 3,059,007 |
|---------------------------------------------------------------------------------------------------------------------------|--|-----------|

| | | |
|------------------------------------------------------------------------------------------|--|--------|
| Property taxes receivable unavailable to pay current expenses are deferred in the funds. | | 19,106 |
|------------------------------------------------------------------------------------------|--|--------|

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------|
| Long-term liabilities, including bonds payable and bond premiums are not due and payable in the current period, and therefore, not reported in the funds. | | (2,030,174) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------|

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------|--|----------|
| Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the funds. | | (10,680) |
|--------------------------------------------------------------------------------------------------------------------------------------|--|----------|

| | | |
|---------------------------------------------------------------------------------------------------|--|---------------|
| Recognition of the City's net pension asset and the changes in deferred outflows related to TMRS. | | <u>90,335</u> |
|---------------------------------------------------------------------------------------------------|--|---------------|

| | | |
|-----------------------------------------------|----|------------------|
| TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>2,300,971</u> |
|-----------------------------------------------|----|------------------|

CITY OF ROLLINGWOOD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2015

| | GENERAL FUND | DEBT SERVICE FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|----------------------------------------------------|---------------------|----------------------|--------------------------------------------|--------------------------------|
| <u>REVENUES</u> | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 754,503 | \$ 476,791 | \$ - | \$ 1,231,294 |
| Sales Taxes | 436,315 | - | 107,663 | 543,978 |
| Franchise and Telecommunications Fees | 175,040 | - | - | 175,040 |
| Licenses and Fees | 212,907 | - | 3,850 | 216,757 |
| Fines and Forfeitures | 36,374 | - | - | 36,374 |
| Contributions | 132,486 | - | - | 132,486 |
| Other Income | 9,292 | - | - | 9,292 |
| Interest | <u>238</u> | <u>1</u> | <u>-</u> | <u>239</u> |
| Total Revenues | <u>1,757,155</u> | <u>476,792</u> | <u>111,513</u> | <u>2,345,460</u> |
| <u>EXPENDITURES</u> | | | | |
| General Government | 540,907 | - | - | 540,907 |
| Public Works | 16,477 | - | - | 16,477 |
| Sanitation | 122,021 | - | - | 122,021 |
| Public Safety | 686,883 | - | 2,266 | 689,149 |
| Court | 86,741 | - | - | 86,741 |
| Parks & Recreation | 60,696 | - | - | 60,696 |
| Streets | 47,831 | - | - | 47,831 |
| Capital Projects | 1,338,101 | - | - | 1,338,101 |
| Debt Service | | | | |
| Principal | - | 68,500 | - | 68,500 |
| Interest and Fees | <u>-</u> | <u>78,360</u> | <u>-</u> | <u>78,360</u> |
| Total Expenditures | <u>2,899,657</u> | <u>146,860</u> | <u>2,266</u> | <u>3,048,783</u> |
| Excess (Deficiency) of Revenues Over (Under) | | | | |
| Expenditures Before Other Financing Sources (Uses) | (1,142,502) | 329,932 | 109,247 | (703,323) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | 88,310 | 99,736 | - | 188,046 |
| Transfers Out | <u>-</u> | <u>(426,449)</u> | <u>(233,910)</u> | <u>(660,359)</u> |
| Total Other Financing Sources (Uses) | <u>88,310</u> | <u>(326,713)</u> | <u>(233,910)</u> | <u>(472,313)</u> |
| Net Change in Fund Balances | <u>(1,054,192)</u> | <u>3,219</u> | <u>(124,663)</u> | <u>(1,175,636)</u> |
| Fund Balance—Beginning of Year | <u>2,195,294</u> | <u>-</u> | <u>153,719</u> | <u>2,349,013</u> |
| Total Fund Balance—End of Year | <u>\$ 1,141,102</u> | <u>\$ 3,219</u> | <u>\$ 29,056</u> | <u>\$ 1,173,377</u> |

CITY OF ROLLINGWOOD, TEXAS
 RECONCILIATION OF STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS TO CHANGE IN STATEMENT OF ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,175,636)

Amounts reported in Governmental Activities and in the
 Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However,
 in the Statement of Activities the cost of those assets are capitalized. 1,338,101

Capital assets are not recorded in government funds and therefore
 are not depreciated. However, in the Statement of Activities these
 assets are depreciated over their estimated useful lives. This is the
 amount of 2015 depreciation. (132,963)

Revenues that are deferred in governmental activities because they
 do not provide current financial resources are not deferred in the
 Statement of Activities. This is the change in deferred from the
 prior year. 4,927

The repayment of long-term debt (i.e. bonds, premiums) provides
 current financial resources to governmental funds, while neither
 transaction has any effect on net position. 68,500

The change in net pension asset and deferred outflows related to
 City's TMRS pension asset. (10,679)

Certain expenses reported in the statement of activities do not
 require the use of current financial resources and, therefore, are not
 reported as expenditures in governmental funds.
 (compensated absences, interest expense) (34,043)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 58,207

CITY OF ROLLINGWOOD, TEXAS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
YEAR ENDED SEPTEMBER 30, 2015

| | ENTERPRISE FUND | | TOTAL ENTERPRISE FUNDS |
|--------------------------------------------------|----------------------|-----------------------|------------------------------|
| | WATER FUND | WASTEWATER FUND | |
| <u>CURRENT ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ - | \$ 314,538 | \$ 314,538 |
| Accounts Receivable, Net | 126,391 | 94,648 | 221,039 |
| Total Current Assets | <u>126,391</u> | <u>409,186</u> | <u>535,577</u> |
| <u>NONCURRENT ASSETS</u> | | | |
| Restricted Assets: | | | |
| Cash | 96,855 | - | 96,855 |
| Capital Assets, Net: | | | |
| Water System-Plant | 3,146,732 | - | 3,146,732 |
| Wastewater System | - | 11,209,900 | 11,209,900 |
| Wastewater System-Connections | - | 120,527 | 120,527 |
| Equipment | 1,403 | 34,844 | 36,247 |
| Net Pension Asset | 1,489 | 1,489 | 2,978 |
| Total Noncurrent Assets | <u>3,246,479</u> | <u>11,366,760</u> | <u>14,613,239</u> |
| TOTAL ASSETS | <u>3,372,870</u> | <u>11,775,946</u> | <u>15,148,816</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES - TMRS</u> | <u>12,774</u> | <u>12,774</u> | <u>25,548</u> |
| <u>CURRENT LIABILITIES</u> | | | |
| Accounts Payable | 120,043 | 27,953 | 147,996 |
| Accrued Interest Payable | 4,911 | 67,937 | 72,848 |
| Accrued Expenses | 3,130 | 3,130 | 6,260 |
| Due to Other Funds | 376,847 | - | 376,847 |
| Current Portion of Long-Term Liabilities: | | | |
| Bond Payable | 33,075 | 255,000 | 288,075 |
| Total Current Liabilities | <u>538,006</u> | <u>354,020</u> | <u>892,026</u> |
| <u>NONCURRENT LIABILITIES</u> | | | |
| Compensated Absences | 4,324 | 4,324 | 8,648 |
| Bonds Payable | 828,450 | 11,670,000 | 12,498,450 |
| Bond Premiums | 51,686 | 176,636 | 228,322 |
| Deposits Payable from Restricted Assets | 96,855 | - | 96,855 |
| Total Noncurrent Liabilities | <u>981,315</u> | <u>11,850,960</u> | <u>12,832,275</u> |
| Total Liabilities | <u>1,519,321</u> | <u>12,204,980</u> | <u>13,724,301</u> |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 2,234,924 | (736,365) | 1,498,559 |
| Unrestricted Net Position | <u>(368,601)</u> | <u>320,105</u> | <u>(48,496)</u> |
| Total Net Position | <u>\$ 1,866,323</u> | <u>\$ (416,260)</u> | <u>\$ 1,450,063</u> |

CITY OF ROLLINGWOOD, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
YEAR ENDED SEPTEMBER 30, 2015

| | ENTERPRISE FUND | | TOTAL ENTERPRISE FUNDS |
|------------------------------------------------|---------------------|---------------------|------------------------------|
| | WATER FUND | WASTEWATER FUND | |
| <u>OPERATING REVENUES</u> | | | |
| Charges for Sales and Services: | | | |
| Water Sales | \$ 739,165 | \$ - | \$ 739,165 |
| Wastewater Revenues | - | 590,170 | 590,170 |
| Wastewater Surcharge | - | 98,154 | 98,154 |
| Industrial Waste Surcharges | - | 4,720 | 4,720 |
| Total Operating Revenues | <u>739,165</u> | <u>693,044</u> | <u>1,432,209</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Water Purchased | 588,412 | - | 588,412 |
| Wastewater Fees | - | 234,768 | 234,768 |
| Personnel Services | 131,263 | 130,016 | 261,279 |
| Repairs and Maintenance | 65,911 | 86,298 | 152,209 |
| System Operation | 20,586 | 33,513 | 54,099 |
| Contract Services | 67,948 | 40,539 | 108,487 |
| Depreciation and Amortization Expense | 131,914 | 317,825 | 449,739 |
| Total Operating Expenses | <u>1,006,034</u> | <u>842,959</u> | <u>1,848,993</u> |
| Operating Income (Loss) | <u>(266,869)</u> | <u>(149,915)</u> | <u>(416,784)</u> |
| <u>NONOPERATING REVENUES (EXPENSES)</u> | | | |
| Interest Expense | (30,496) | (371,753) | (402,249) |
| Other NonOperating Income | 25 | 3,324 | 3,349 |
| Investment Earnings | 65 | 253 | 318 |
| Total NonOperating Revenues | <u>(30,406)</u> | <u>(368,176)</u> | <u>(398,582)</u> |
| <u>TRANSFERS</u> | | | |
| Transfers In | <u>66,982</u> | <u>405,331</u> | <u>472,313</u> |
| CHANGE IN NET POSITION | (230,293) | (112,760) | (343,053) |
| NET POSITION AT BEGINNING OF YEAR, AS RESTATED | <u>2,096,616</u> | <u>(303,500)</u> | <u>1,793,116</u> |
| NET POSITION AT END OF YEAR | <u>\$ 1,866,323</u> | <u>\$ (416,260)</u> | <u>\$ 1,450,063</u> |

CITY OF ROLLINGWOOD, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | ENTERPRISE FUNDS | | |
|----------------------------------------------------------------------------|------------------|-------------------|--------------------|
| | WATER | WASTEWATER | TOTAL |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Cash Received from Customers | \$ 707,184 | \$ 653,929 | \$ 1,361,113 |
| Cash Paid to Employees for Services | (125,468) | (124,221) | (249,689) |
| Cash Paid to Suppliers for Goods and Services | (442,160) | (396,236) | (838,396) |
| Net Cash Provided by (Used in) Operating Activities | <u>139,556</u> | <u>133,472</u> | <u>273,028</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | | |
| Acquisition and Construction of Capital Assets | (736,542) | - | (736,542) |
| Principal Paid on Bonded Debt | (34,371) | (267,362) | (301,733) |
| Nonoperating Income | 25 | 3,324 | 3,349 |
| Interest Paid on Bond and Debt | (32,611) | (373,003) | (405,614) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(803,499)</u> | <u>(637,041)</u> | <u>(1,440,540)</u> |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u> | | | |
| Transfers from Other Funds | 66,982 | 405,331 | 472,313 |
| Transfers to Other Funds | - | - | - |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>66,982</u> | <u>405,331</u> | <u>472,313</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Interest Received | 65 | 253 | 318 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (596,896) | (97,985) | (694,881) |
| CASH AND CASH EQUIVALENTS - BEGINNING | <u>693,751</u> | <u>412,523</u> | <u>1,106,274</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 96,855</u> | <u>\$ 314,538</u> | <u>\$ 411,393</u> |
| RESTRICTED | \$ 96,855 | | |
| UNRESTRICTED | - | | |
| | <u>\$ 96,855</u> | | |

| | ENTERPRISE FUNDS | | |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| | WATER | WASTEWATER | TOTAL |
| <u>RECONCILIATION OF OPERATING INCOME TO NET</u> | | | |
| <u>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u> | | | |
| Operating Income (Loss) | \$ (266,869) | \$ (149,915) | \$ (416,784) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | |
| Depreciation | 131,914 | 317,825 | 449,739 |
| Changes in Assets and Liabilities | | | |
| Decrease (Increase) in Assets | | | |
| Accounts Receivable | (46,296) | (35,243) | (81,539) |
| Prepaid Expenses | - | - | - |
| Net Pension Asset | 1,687 | 1,687 | 3,374 |
| Increase (Decrease) in Liabilities | | | |
| Accounts Payable | (76,150) | (1,118) | (77,268) |
| Accrued Expenses | 4,108 | 4,108 | 8,216 |
| Due to Other Funds | 376,847 | - | 376,847 |
| Deferred Revenue | - | (3,872) | (3,872) |
| Customer Deposits | 14,315 | - | 14,315 |
| | | | - |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 139,556</u> | <u>\$ 133,472</u> | <u>\$ 273,028</u> |

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CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Rollingwood, Texas ("the City"), are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Government Accounting Standards Board (GASB). A summary of the City's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Reporting Entity

The City, for financial purposes, includes all of the activities and funds relevant to the operations of the City of Rollingwood. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- The organization is legally separate (can sue and be sued in its name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City
- The exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when:

- The economic resources received or held by the organization are entirely for the direct benefit of the City, its component units or its constituents; and
- The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and
- Such economic resources are significant to the City.

Based on these criteria, the City has one component unit as described below. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

Rollingwood Community Development Corporation ("RCDC") is a non-profit corporation organized under the laws of the State of Texas to provide economic development in and for the benefit of the City. The RCDC is presented discretely in the annual financial report as a governmental-type because the City appoints the board of directors and approves the annual budget.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Debt Service Fund: This fund is used to account for ad valorem tax assessed for the purpose of servicing general obligation debt.

In addition, the City reports the following fund types:

Special Revenue Funds: These funds are used to separately account for funds related to grants and contracts.

The City reports the following major proprietary funds:

Water Fund: This fund is used to account for the activities of the City's water operations.

Wastewater Fund: This fund is used to account for the activities of the City's wastewater operations.

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Revenues from local sources consist primarily of property and sales taxes. Property tax revenues and sales tax revenues are recognized under the susceptible-to-accrual concept. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

The City adopted the provisions of GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under the provisions of this statement, governments will also present a Statement of Net Position and change the caption "Net Assets" to "Net Position", and the statement titles and captions have been changed in conformity with the statement.

The City also adopted the provisions of GASB No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB No. 65 requires that the debt issuance costs (except for any portion that is a prepayment of insurance) no longer be reported in statements of net position because the GASB has determined that they do not meet the definition of assets, liabilities, deferred outflows of resources, or deferred inflows of resources.

During fiscal year 2015, the City changed accounting policies related to reporting of net pension liability, deferred outflows of resources, and deferred inflows of resources in a statement of net financial position by adopting GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27." Accordingly, the effect of the accounting change is reported on the statement of net position, and the statement of activities for the current year.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables and Payables

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the year end.

F. Compensated Absences

On retirement or death of certain employees, the City pays accrued vacation leave in a lump sum payment to such employee or his/her estate. Vacation may accrue up to 20 days.

G. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

H. Fund Balance

The City adopted GASB No. 54, Governmental Accounting Standards Board Statement Number 54 (GASB No. 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB No. 54 changed the way we look at cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes. Five categories of cash balances were created and defined by GASB No. 54. These five categories are as follows:

- Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted - These funds are governed by externally enforceable restrictions.
- Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned - For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the council, such as a city administrator or finance director. For example, during the budget process, the council decided to use some existing fund balance to support activities in the upcoming year.
- Unassigned - This classification is the default for all funds that do not fit into the other categories.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Balance (Continued)

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

I. Discretely Presented Component Units

The component unit column on the government-wide financial statements includes the financial data of the City's component unit, Rollingwood Community Development Corporation ("RCDC").

The component unit is presented in a separate column to emphasize that it is legally separate from the primary government. Financial statements are presented in the supplementary information section of the statements. RCDC contributed \$136,626 to the City to be used for capital improvements.

NOTE 2: DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

A. Cash Deposits

At September 30, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$850,028 and the bank balance was \$843,436.

The City's cash deposits at September 30, 2015, and during the year ended September 30, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The component unit's cash carrying balance was \$88,335 with a bank balance of \$88,335 which is entirely collateralized by the FDIC. The amount in TexPool was \$119,375 at September 30, 2015.

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions:

- Obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas
- Certificates of deposit
- Certain municipal securities
- Money market savings accounts
- Repurchase agreements
- Bankers acceptances
- Mutual funds
- Investment pools
- Guaranteed investment contracts
- Common trust funds

The City's cash and investments are shown below:

| INVESTMENT TYPE | REPORTED AT FAIR VALUE | WEIGHTED AVERAGE MATURITY (YEARS) | RATING | |
|-------------------------------------|---------------------------|--------------------------------------|---------|------|
| | | | MOODY'S | S&P |
| TexPool | \$ 505,976 | n/a | AAA | AAAm |
| Cash on Hand | 1,834 | n/a | n/a | n/a |
| Bank Deposits | <u>850,028</u> | n/a | n/a | n/a |
| Total Cash and Cash Equivalents | <u>\$ 1,357,838</u> | | | |
| Unrestricted | \$ 96,855 | | | |
| Restricted | <u>1,260,983</u> | | | |
| | <u>\$ 1,357,838</u> | | | |

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of the City, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

by the U.S. government and does not require that these investments be rated. The City's policy is to comply with state law. At year end, all of the City's investments meet the State's requirements.

At September 30, 2015 the City's investments are rated as to credit quality as shown in the preceding table.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The City's investment policy requires that securities be registered in the name of the City. All safekeeping receipts for investment instruments are held in accounts in the City's name, and all securities are registered in the name of the City.

The City was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

State law and the City's policy place no limit on the amount the City may invest in any one issuer. The City was not exposed to concentration of credit risk.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the City manages its interest rate risk by limiting the weighted average maturity of any investment owned by the City to the maximum of two years. The investment strategy for operating funds requires a dollar weighed average maturity of 365 days or less. Debt service funds cannot be invested in securities that have a stated final maturity date that exceeds the debt service payment date. Investment of debt service reserve funds and special project funds require high quality securities with short-term maturities. Eligible investment pools must have a weighted average maturity of no greater than 90 days. The City's exposure to interest rate risk at September 30, 2015 is summarized in the preceding table as the weighted average days to maturity.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

NOTE 3: 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 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 the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 3: PROPERTY TAXES (CONTINUED)

Allowances for uncollectible tax receivables within the General Fund is based upon 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.

NOTE 4: CAPITAL ASSETS

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of the normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$2,500 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

| <u>ASSET</u> | <u>YEARS</u> |
|------------------------|--------------|
| Infrastructure | 25 |
| Buildings | 40 |
| Equipment | 3-25 |
| Sewer Line Connections | 33 |

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CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: CAPITAL ASSETS (CONTINUED)

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

GOVERNMENTAL ACTIVITIES:

| | <u>BALANCE</u> <u>SEPTEMBER 30,</u> <u>2014</u> | <u>ADDITIONS</u> | <u>DISPOSALS</u> | <u>BALANCE</u> <u>SEPTEMBER 30,</u> <u>2015</u> |
|-------------------------------------------------|-------------------------------------------------------|---------------------|------------------|-------------------------------------------------------|
| <u>Capital Assets not being Depreciated -</u> | | | | |
| Land | \$ 321,438 | \$ - | \$ - | \$ 321,438 |
| <u>Capital Assets being Depreciated -</u> | | | | |
| Buildings and Improvements | 721,038 | - | - | 721,038 |
| Equipment | 658,378 | 48,626 | - | 707,004 |
| Infrastructure | <u>926,391</u> | <u>1,289,475</u> | <u>-</u> | <u>2,215,866</u> |
| Total Capital Assets being Depreciated | <u>2,305,807</u> | <u>1,338,101</u> | <u>-</u> | <u>3,643,908</u> |
| <u>Less Accumulated Depreciation -</u> | | | | |
| Buildings and Improvements | (146,923) | (16,408) | - | (163,331) |
| Equipment | (495,985) | (30,187) | - | (526,172) |
| Infrastructure | <u>(130,468)</u> | <u>(86,368)</u> | <u>-</u> | <u>(216,836)</u> |
| Total Accumulated Depreciation | <u>(773,376)</u> | <u>(132,963)</u> | <u>-</u> | <u>(906,339)</u> |
| Total Capital Assets being Depreciated - Net | <u>1,532,431</u> | <u>1,205,138</u> | <u>-</u> | <u>2,737,569</u> |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET | <u>\$ 1,853,869</u> | <u>\$ 1,205,138</u> | <u>\$ -</u> | <u>\$ 3,059,007</u> |

Depreciation was charged to functions as follows:

| | | |
|----------------------|----|----------------|
| General Government | \$ | 46,057 |
| Public Works | | 1,403 |
| Sanitation | | 10,390 |
| Public Safety | | 58,487 |
| Court | | 7,386 |
| Parks and Recreation | | 5,168 |
| Streets | | <u>4,072</u> |
| Total | \$ | <u>132,963</u> |

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES:

| | BALANCE SEPTEMBER 30, 2014 | ADDITIONS | DISPOSALS | BALANCE SEPTEMBER 30, 2015 |
|-------------------------------------------------|----------------------------------|--------------|----------------|----------------------------------|
| <u>Assets Not Being Depreciated -</u> | | | | |
| Construction In Progress | \$ 461,579 | \$ 736,542 | \$ (1,198,121) | \$ - |
| <u>Assets Depreciated -</u> | | | | |
| Water System - Plant | 3,139,624 | 1,198,121 | - | 4,337,745 |
| Wastewater System | 12,283,781 | - | - | 12,283,781 |
| Wastewater System - Connections | 172,927 | - | - | 172,927 |
| Equipment - Water | 29,678 | - | - | 29,678 |
| Equipment - Wastewater | 61,962 | - | - | 61,962 |
| Total Capital Assets being Depreciated - Net | 16,149,551 | 1,934,663 | (1,198,121) | 16,886,093 |
| <u>Less Accumulated Depreciation -</u> | | | | |
| Water System - Plant | (1,059,567) | (131,446) | - | (1,191,013) |
| Wastewater System | (766,786) | (307,095) | - | (1,073,881) |
| Wastewater System - Connections | (47,160) | (5,240) | - | (52,400) |
| Equipment - Water | (27,807) | (468) | - | (28,275) |
| Equipment - Wastewater | (21,628) | (5,490) | - | (27,118) |
| Total Accumulated Depreciation | (1,922,948) | (449,739) | - | (2,372,687) |
| Total Capital Assets being Depreciated - Net | 13,765,024 | 748,382 | - | 14,513,406 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| CAPITAL ASSETS - NET | \$ 14,226,603 | \$ 1,484,924 | \$ (1,198,121) | \$ 14,513,406 |

NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2015 consist of the following:

| RECEIVABLE FUND | PAYABLE FUND | PURPOSE | AMOUNT |
|-----------------|--------------|--------------------|------------|
| General Fund | Water Fund | Water Improvements | \$ 376,847 |

CITY OF ROLLINGWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers during the year ended September 30, 2015 were the result of normal transactions between the funds and consisted of the following:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|---------------------|----------------------|
| General Fund | \$ 88,310 | \$ - |
| Debt Service Fund | 99,736 | 426,449 |
| Nonmajor Governmental Funds | - | 233,910 |
| Water Fund | 66,982 | - |
| Wastewater Fund | <u>405,331</u> | <u>-</u> |
| Totals | <u>\$ 660,359</u> | <u>\$ 660,359</u> |

NOTE 6: RESTATEMENT OF NET POSITION

In fiscal year 2015, the City corrected the amount of accumulated depreciation as a result of an excess of depreciation expense recorded in prior years. In addition, during fiscal year 2015, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. With the adoption of this standard, the City must recognize a net pension asset for their defined-benefit pension plan. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively.

The effect on the beginning net position is as follows:

| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>WATER FUND</u> | <u>WASTEWATER FUND</u> |
|-------------------------------------------------|------------------------------------|-------------------------------------|-----------------------|----------------------------|
| Net Position, beginning, as previously reported | \$ 1,980,636 | \$ 1,704,642 | \$ 2,024,092 | \$ (319,450) |
| Accumulated Depreciation | 161,114 | 56,574 | 56,574 | - |
| Net Pension Asset | <u>101,014</u> | <u>31,900</u> | <u>15,950</u> | <u>15,950</u> |
| Net Position, beginning, as restated | <u>\$ 2,242,764</u> | <u>\$ 1,793,116</u> | <u>\$ 2,096,616</u> | <u>\$ (303,500)</u> |

NOTE 7: EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

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

All eligible employees of the City are required to participate in TMRS.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 7: RETIREMENT PLAN (CONTINUED)

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty-five (25) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 6%, and the City matching percent is currently 2 to 1.

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|------------------------------------------------------------------|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 5 |
| Inactive employees entitled to but not yet receiving benefits | 16 |
| Active employees | <u>14</u> |
| | <u>35</u> |

C. Contributions

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

Employees for the City of Rollingwood were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.84% and 6.52% for calendar years 2014 and 2015 respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$49,439, and were equal to the required contributions.

D. Net Pension Asset

The City's Net Pension Asset was measured as of December 31, 2014, and the Total Pension Liability (Asset) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 7: RETIREMENT PLAN (CONTINUED)

D. Net Pension Asset (Continued)

Actuarial Assumptions:

The Total Pension Asset in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|-------------------------------------------------------------------|
| Inflation | 3.0% per year |
| Overall Payroll Growth | 3.0% per year |
| Investment Rate of Return | 7.0%, net of pension plan investment expense, including inflation |

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

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

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF ROLLINGWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE 7: RETIREMENT PLAN (CONTINUED)

D. Net Pension Asset (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the Total Pension Asset was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Asset.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 7: RETIREMENT PLAN (CONTINUED)

D. Net Pension Asset (Continued)

Changes in the Net Pension Liability (Asset)

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
|------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------|-----------------------------------------------|
| Balance at December 31, 2013 | \$ 1,406,359 | \$ 1,509,612 | \$ (103,253) |
| Changes for the year: | | | |
| Service Cost | 96,840 | - | 96,840 |
| Interest | 100,421 | - | 100,421 |
| Change of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | 67,358 | - | 67,358 |
| Changes of Assumptions | - | - | - |
| Contributions - Employer | - | 39,464 | (39,464) |
| Contributions - Employee | - | 48,923 | (48,923) |
| Net Investment Income | - | 86,366 | (86,366) |
| Benefit Payments, Including Refunds of Employee Contributions | (40,399) | (40,399) | - |
| Administrative Expense | - | (902) | 902 |
| Other Changes | - | (75) | 75 |
| Net Changes | <u>224,220</u> | <u>133,377</u> | <u>90,843</u> |
| Balance at December 31, 2014 | <u>\$ 1,630,579</u> | <u>\$ 1,642,989</u> | <u>\$ (12,410)</u> |

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension asset of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

| | 1% Decrease in Discount Rate (6.0%) | Discount Rate (7.0%) | 1% Increase in Discount Rate (8.0%) |
|--------------------------------------|----------------------------------------|----------------------|----------------------------------------|
| City's Net Pension Liability (Asset) | \$ 234,769 | \$ (12,410) | \$ (213,585) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

CITY OF ROLLINGWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE 7: RETIREMENT PLAN (CONTINUED)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$63,609.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|-------------------------------------------------------------|-----------------------------------|----------------------------------|
| Difference Between Expected and Actual Economic Experience | \$ - | \$ - |
| Changes in Actuarial Assumptions | - | - |
| Difference Between Projected and Actual Investment Earnings | 66,697 | - |
| Contributions Subsequent to the Measurement Date | 39,754 | - |
| Total | \$ 106,451 | \$ - |

The City reported \$39,754 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension asset for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|------------|----|--------|
| 2016 | \$ | 19,968 |
| 2017 | | 19,968 |
| 2018 | | 19,968 |
| 2019 | | 6,793 |
| 2020 | | - |
| Thereafter | | - |
| Total | \$ | 66,697 |

F. Supplementary Death Benefits Fund

The City also participates in the cost sharing multi-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.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 8: HEALTH CARE COVERAGE

During the year ended September 30, 2015, employees of the City were covered by a health insurance plan (the Plan). The City contributed \$460 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. 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 third party administrator is renewable January 1, 2016, and terms of coverage and contribution costs are included in the contractual provisions.

NOTE 9: LONG-TERM DEBT

The City had a wastewater and transportation agreement with the Lower Colorado River Authority (LCRA) to provide wastewater treatment and disposal services in the Rollingwood services area. In July 2012 the City issued General Obligation Bonds Taxable Series 2012A, and General Obligation Bonds Series 2012B. The proceeds from the bonds were used to purchase the wastewater system from LCRA. In addition, in 2014, the City issued \$2,835,000 General Obligations Bonds, Series 2014 for water and street improvements.

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CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 9: LONG-TERM DEBT (CONTINUED)

The City's debt consists of the following:

| SERIES AND ORIGINAL ISSUE AMOUNT | BEGINNING BALANCE | INCREASES | DECREASES | ENDING BALANCE | DUE WITHIN ONE YEAR |
|-----------------------------------------|----------------------|-------------|---------------------|----------------------|------------------------|
| <u>GOVERNMENTAL ACTIVITIES:</u> | | | | | |
| General Obligation Bonds - Series 2014 | \$ 1,941,975 | \$ - | \$ (68,500) | \$ 1,873,475 | \$ 71,925 |
| Premium on Bonds | <u>118,639</u> | <u>-</u> | <u>(6,245)</u> | <u>112,394</u> | <u>-</u> |
| Total Governmental Activities Bonds | <u>\$ 2,060,614</u> | <u>\$ -</u> | <u>\$ (74,745)</u> | <u>\$ 1,985,869</u> | <u>\$ 71,925</u> |
| <u>BUSINESS-TYPE ACTIVITIES:</u> | | | | | |
| General Obligation Bonds - Series 2012A | \$ 2,510,000 | \$ - | \$ (250,000) | \$ 2,260,000 | \$ 255,000 |
| General Obligation Bonds - Series 2012B | 9,665,000 | - | - | 9,665,000 | - |
| General Obligation Bonds - Series 2014 | <u>893,025</u> | <u>-</u> | <u>(31,500)</u> | <u>861,525</u> | <u>33,075</u> |
| Total Bond Obligations | 13,068,025 | - | (281,500) | 12,786,525 | 288,075 |
| Premium on Bonds | <u>245,232</u> | <u>-</u> | <u>(16,910)</u> | <u>228,322</u> | <u>-</u> |
| Total Business-Type Activities Bonds | <u>\$ 13,313,257</u> | <u>\$ -</u> | <u>\$ (298,410)</u> | <u>\$ 13,014,847</u> | <u>\$ 288,075</u> |

Interest rates on bonds range from 2% to 4%.

Future maturities of the bonds are as follows:

| FISCAL YEAR | GOVERNMENTAL ACTIVITIES | | | BUSINESS-TYPE ACTIVITIES | | |
|----------------|-------------------------|-------------------|---------------------|--------------------------|---------------------|----------------------|
| | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL |
| 2016 | \$ 71,925 | \$ 64,082 | \$ 136,007 | \$ 288,075 | \$ 437,088 | \$ 725,163 |
| 2017 | 71,925 | 61,924 | 133,849 | 298,075 | 428,446 | 726,521 |
| 2018 | 75,350 | 59,766 | 135,116 | 304,650 | 419,504 | 724,154 |
| 2019 | 78,775 | 57,506 | 136,281 | 316,225 | 410,364 | 726,589 |
| 2020 | 82,200 | 54,355 | 136,555 | 327,800 | 400,515 | 728,315 |
| 2021-2025 | 462,375 | 220,673 | 683,048 | 1,732,625 | 1,874,817 | 3,607,442 |
| 2026-2030 | 534,300 | 140,836 | 675,136 | 1,955,700 | 1,608,614 | 3,564,314 |
| 2031-2035 | 496,625 | 44,234 | 540,859 | 2,238,375 | 1,284,216 | 3,522,591 |
| 2036-2040 | - | - | - | 2,425,000 | 876,775 | 3,301,775 |
| 2041-2045 | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,900,000</u> | <u>355,200</u> | <u>3,255,200</u> |
| | <u>\$ 1,873,475</u> | <u>\$ 703,376</u> | <u>\$ 2,576,851</u> | <u>\$ 12,786,525</u> | <u>\$ 8,095,539</u> | <u>\$ 20,882,064</u> |

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 11: NET POSITION DEFICIT

The wastewater fund has a cumulative net position deficit of \$416,260. Management intends to transfer funds from the general fund to address the deficit.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ROLLINGWOOD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | BUDGET AMOUNTS | | 2015 ACTUAL | VARIANCE WITH FINAL BUDGET |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | ORIGINAL | FINAL | | |
| <u>REVENUES</u> | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 747,204 | \$ 771,256 | \$ 754,503 | \$ (16,753) |
| Sales Taxes | 425,000 | 449,890 | 436,315 | (13,575) |
| Franchise and Telecommunications Fees | 159,650 | 176,350 | 175,040 | (1,310) |
| Licenses and Fees | 88,740 | 103,640 | 212,907 | 109,267 |
| Fines and Forfeitures | 58,580 | 61,540 | 36,374 | (25,166) |
| Contributions | 194,000 | 182,200 | 132,486 | (49,714) |
| Other Income | 19,000 | 19,000 | 9,292 | (9,708) |
| Interest | 120 | 130 | 238 | 108 |
| | <u>1,692,294</u> | <u>1,764,006</u> | <u>1,757,155</u> | <u>(6,851)</u> |
| <u>EXPENDITURES</u> | | | | |
| General Government | 682,793 | 519,260 | 540,907 | (21,647) |
| Public Works | 21,000 | 33,330 | 16,477 | 16,853 |
| Sanitation | 121,300 | 122,400 | 122,021 | 379 |
| Public Safety | 664,941 | 783,865 | 686,883 | 96,982 |
| Court | 97,260 | 102,650 | 86,741 | 15,909 |
| Parks and Recreation | 39,390 | 41,160 | 60,696 | (19,536) |
| Streets | 234,274 | 67,070 | 47,831 | 19,239 |
| Capital Projects | 452,610 | 136,700 | 1,338,101 | (1,201,401) |
| | <u>2,313,568</u> | <u>1,806,435</u> | <u>2,899,657</u> | <u>(1,093,222)</u> |
| Excess (Deficiency) of Revenues over (Under) Expenditures | (621,274) | (42,429) | (1,142,502) | (1,100,073) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | 514,274 | 67,070 | 88,310 | (21,240) |
| Transfers Out | - | (25,000) | - | 25,000 |
| | <u>514,274</u> | <u>42,070</u> | <u>88,310</u> | <u>46,240</u> |
| Net Change in Fund Balances | (107,000) | (359) | (1,054,192) | (1,053,833) |
| Total Fund Balance–Beginning of Year | <u>2,195,294</u> | <u>2,195,294</u> | <u>2,195,294</u> | <u>-</u> |
| Total Fund Balance–End of Year | <u>\$ 2,088,294</u> | <u>\$ 2,194,935</u> | <u>\$ 1,141,102</u> | <u>\$ (1,053,833)</u> |

CITY OF ROLLINGWOOD, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
*LAST 10 FISCAL YEARS

| | 2014 |
|------------------------------------------------------------------------------------|--------------|
| Total Pension Liability (Asset) | |
| Service Cost | \$ 96,840 |
| Interest on the Total Pension Liability (Asset) | 100,421 |
| Changes of Benefit Terms | - |
| Difference Between Expected and Actual Experience | 67,358 |
| Change of Assumptions | - |
| Benefit Payments, Including Refunds of Employee Contributions | (40,399) |
| Net Change in Total Pension Liability (Asset) | 224,220 |
| Total Pension Liability - Beginning | 1,406,359 |
| Total Pension Liability - Ending (a) | \$ 1,630,579 |
| Plan Fiduciary Net Position | |
| Contributions - Employer | \$ 39,464 |
| Contributions - Employee | 48,923 |
| Net Investment Income | 86,366 |
| Benefit Payments, Including Refunds of Employee Contributions | (40,399) |
| Administrative Expense | (902) |
| Other | (75) |
| Net Change in Plan Fiduciary Net Position | 133,377 |
| Plan Fiduciary Net Position - Beginning | 1,509,612 |
| Plan Fiduciary Net Position - Ending (b) | 1,642,989 |
| Net Pension Liability (Asset) (a) - (b) | \$ (12,410) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) | 100.76% |
| Covered Employee Payroll | \$ 815,386 |
| Net Pension Liability (Asset) as a Percentage of Total Covered Employee Payroll | -1.52% |

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF ROLLINGWOOD, TEXAS
SCHEDULE OF CONTRIBUTIONS
*LAST 10 FISCAL YEARS

| | <u>2015</u> |
|--------------------------------------------------------------------------|-------------------|
| Actuarially Determined Contributions | \$ 49,439 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>49,439</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| Covered Employee Payroll | <u>\$ 815,383</u> |
| Contributions as a Percentage of Covered Employee Payroll | 6.06% |

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

NOTE 1: BUDGETARY INFORMATION

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year-end.

The original budget for the general fund is adopted by the City Council by September 30. Budgetary preparation and control is exercised at the department level. Both the original and final budget is included.

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 25 Years |
| Asset Valuation Method | 10 Year Smoothed Market, 15% Soft Corridor |
| Inflation | 3.00% |
| Salary Increases | 3.5% to 12.00% Including Inflation |
| Investment Rate of Return | 7.00% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

Other Information:

There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

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CITY OF ROLLINGWOOD, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | SPECIAL REVENUE FUNDS | | | | | Special |
|----------------------------------------|-----------------------|-------------------|---------------------|---------------------|----------------------|------------------------|
| | Street Maintenance | Court Security | Court Technology | Court Efficiency | Police Forfeiture | Revenue Funds Total |
| <u>ASSETS</u> | | | | | | |
| Cash and Cash Equivalents | \$ 682 | \$ 15,321 | \$ 4,548 | \$ 114 | \$ 648 | \$ 21,313 |
| Sales Tax Receivable | <u>7,806</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,806</u> |
| TOTAL ASSETS | <u>\$ 8,488</u> | <u>\$ 15,321</u> | <u>\$ 4,548</u> | <u>\$ 114</u> | <u>\$ 648</u> | <u>\$ 29,119</u> |
| <u>LIABILITIES</u> | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ 63 | \$ - | \$ - | \$ 63 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>63</u> | <u>-</u> | <u>-</u> | <u>63</u> |
| <u>FUND BALANCES</u> | | | | | | |
| Reserved for Street Maintenance | 8,488 | - | - | - | - | 8,488 |
| Reserved for Municipal Court | - | 15,321 | 4,485 | 114 | - | 19,920 |
| Reserved for Police Department | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>648</u> | <u>648</u> |
| Total Fund Balances | <u>8,488</u> | <u>15,321</u> | <u>4,485</u> | <u>114</u> | <u>648</u> | <u>29,056</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 8,488</u> | <u>\$ 15,321</u> | <u>\$ 4,548</u> | <u>\$ 114</u> | <u>\$ 648</u> | <u>\$ 29,119</u> |

CITY OF ROLLINGWOOD, TEXAS
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | SPECIAL REVENUE FUNDS | | | | | Special |
|--------------------------------------------------------------|-----------------------|-------------------|---------------------|---------------------|----------------------|------------------------|
| | Street Maintenance | Court Security | Court Technology | Court Efficiency | Police Forfeiture | Revenue Funds Total |
| <u>REVENUES</u> | | | | | | |
| Sales Tax | \$ 107,663 | \$ - | \$ - | \$ - | \$ - | \$ 107,663 |
| Fees | <u>-</u> | <u>1,376</u> | <u>1,842</u> | <u>-</u> | <u>632</u> | <u>3,850</u> |
| TOTAL REVENUES | 107,663 | 1,376 | 1,842 | - | 632 | 111,513 |
| <u>EXPENDITURES</u> | | | | | | |
| Public Safety | - | - | 2,266 | - | - | 2,266 |
| Capital Outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>-</u> | <u>-</u> | <u>2,266</u> | <u>-</u> | <u>-</u> | <u>2,266</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 107,663 | 1,376 | (424) | - | 632 | 109,247 |
| <u>TRANSFERS</u> | | | | | | |
| Transfers In | - | - | - | - | - | - |
| Transfers Out | <u>(233,910)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(233,910)</u> |
| TOTAL TRANSFERS | <u>(233,910)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(233,910)</u> |
| NET CHANGE IN FUND BALANCE | (126,247) | 1,376 | (424) | - | 632 | (124,663) |
| TOTAL FUND BALANCE - BEGINNING | <u>134,735</u> | <u>13,945</u> | <u>4,909</u> | <u>114</u> | <u>16</u> | <u>153,719</u> |
| TOTAL FUND BALANCE - END OF YEAR | <u>\$ 8,488</u> | <u>\$ 15,321</u> | <u>\$ 4,485</u> | <u>\$ 114</u> | <u>\$ 648</u> | <u>\$ 29,056</u> |

CITY OF ROLLINGWOOD, TEXAS
BALANCE SHEET
COMPONENT UNIT
SEPTEMBER 30, 2015

ROLLINGWOOD COMMUNITY
DEVELOPMENT CORPORATION

ASSETS

| | |
|-----------------------------------|-------------------|
| Cash and Cash Equivalents | \$ 207,710 |
| Accounts Receivable - Sales Taxes | <u>7,894</u> |
| TOTAL ASSETS | <u>\$ 215,604</u> |

LIABILITIES

| | |
|---------------------------------------|-------------|
| Accounts Payable to Other Governments | <u>\$ -</u> |
| TOTAL LIABILITIES | <u>-</u> |

NET POSITION

| | |
|------------------------------------|-------------------|
| Unrestricted Net Position | <u>215,604</u> |
| TOTAL NET POSITION | <u>215,604</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 215,604</u> |

CITY OF ROLLINGWOOD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

ROLLINGWOOD COMMUNITY
DEVELOPMENT CORPORATION

REVENUES

| | | |
|----------------|----|----------------|
| Sales Taxes | \$ | 107,755 |
| Interest | | <u>72</u> |
| TOTAL REVENUES | | <u>107,827</u> |

EXPENDITURES

Current:

| | | |
|---------------------------|--|----------------|
| Contributions to the City | | 133,625 |
| Administration | | <u>3,000</u> |
| TOTAL EXPENDITURES | | <u>136,625</u> |

CHANGE IN NET POSITION

(28,798)

| | | |
|----------------------------------|----|-----------------------|
| NET POSITION - BEGINNING OF YEAR | | <u>244,402</u> |
| NET POSITION - END OF YEAR | \$ | <u><u>215,604</u></u> |

COMPLIANCE SECTION

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

To the Members of the City Council
City of Rollingwood, Texas
403 Nixon Drive
Rollingwood, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rollingwood, Texas, (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Rollingwood, Texas' basic financial statements, and have issued our report thereon dated March 16, 2016.

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 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.

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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.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

March 16, 2016