

# 2019

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the Year Ended September 30, 2019*

**CITY OF ROCKWALL, TEXAS**

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***COMPREHENSIVE  
ANNUAL FINANCIAL REPORT***

of the

**City of Rockwall, Texas**

**For the Year Ended  
September 30, 2019**

**Prepared by**

**Finance Department**

**Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance**



# City of Rockwall, Texas

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## City of Rockwall

*The New Horizon*

October 12, 2020

To the Honorable Mayor,  
Members of the City Council,  
And the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2019, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) The valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Brooks, Watson & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2019, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.97 square miles and an estimated population of 44,520.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted in 2005 and again in 2015. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

#### **Local Economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's local economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 8.62% in our local sales tax revenues. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 8.76%. The most recent five-year average is 9.25% per annum. The City's largest taxpayers are varied and include industry, retail developments, multi-family properties, and medical facilities. Table D-12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to successfully market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Interstate Wire and Agave Wire commenced construction on their 227,610 square foot facility which will produce electronic and electrical wire and cabling.
- Karat by Lollicup USA completed construction on their project in 2019. The building is in excess of 600,000 square feet with taxable value expected to exceed \$59,000,000 after the first full year of operations.
- The Harbor retail development, under new ownership and significant new investment has welcomed several new restaurant tenants and seen the expansion and modernization of the Cinemark Theatre. A new Condo project in the immediate vicinity will begin leasing in early 2020.
- Downtown Rockwall has become the destination that the downtown renovation project was undertaken to create. The area includes a mix of professional, retail,

restaurant, and service locations. City staff work closely with the merchants association to sponsor multiple shopping – entertainment events and more than 75 free live concerts per year. The City has seen a 13.48% increase in sales taxes in the downtown area in the last five years.

### Long-term Planning

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

### Financial Policies

The City Council adopted financial policies in 2001 which have guided the City, allowing us to build a strong fund balance, and reinforcing the city’s philosophy to budget conservatively for both revenues and expenditures. The general fund reserve policy is reviewed annually. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level were available to fund capital purchases in 2019.

### Budget Overview

The City Manager proposes a balanced budget to the City Council each year by August 1. Public hearings are conducted to receive comments and priorities of the community at large. The City Council must adopt the operating budget and set the City’s tax rate for the next year by October 1<sup>st</sup> of each year.

### Capital Improvement Planning

In May 2018, voters approved a proposition to begin the rehabilitation and reconstruction of \$85,000,000 of aging residential streets which would include utility relocations and drainage system improvement. A pavement assessment was conducted on all city streets and alleys which gave an index score to each one. This coupled with traffic load data and the condition of the drainage system are factors in the streets chosen for the program. Design work began in 2019 on several of the projects and construction work will be phased over several years to minimize the impact of the debt issuance. The remaining street rehabilitation projects which were approved in the 2012 bond election saw construction begin in early 2019 and take approximately 24 months for each to be completed.

## Strategic Planning

The City Council and staff worked on an updated strategic planning document with the goal of a simplified, easy to understand final product. The initial stage of the plan included looking at the current breakdown between the residential and commercial tax base and whether or not the current land use plan will allow that mix to be maintained or improved in order to decrease the tax burden on residential properties. It was determined that sufficient non-residential land uses are planned but that any change from non-residential to residential zoning needs to be evaluated in light of the city's strategic goals. The City receives higher sales taxes per capita than other area cities, pointing to the City's long standing status as a regional shopping destination. As cities to the east grow and add retailers the City will strive to add specialty retailers to continue the regional draw. A citizen committee was formed to work with the City Planning Department staff to make amendments to the Comprehensive Plan and develop an I-30 Corridor plan both of which were adopted in 2019. This work resulted in a guide for future developers which broke the City into sub-districts with design principles and density guidelines for each area. The impending reconstruction project for I-30 (details below) will result in the largest public works investment in Rockwall County's history. The project's impact to area businesses will be extensive. Recognizing this, the City of Rockwall will be working with area retailers, shopping center owners, the Chamber of Commerce and the other cities along the route to develop a coordinated marketing approach to ensure shoppers know the area is still open for business during the several years of construction activities.

## Future Development

### Transportation

The majority of the City's main thoroughfares are state facilities. TxDOT has been planning for the widening of SH205 in the 3 counties it serves. The City Council and staff worked closely with TxDOT to come to agreement to move the current SH205 to existing John King Boulevard to the East. This had long been the City's desire but previous attempts had not come to fruition. This change will allow the present course of SH205 to become a city street with the ability for traffic flow and speed limits to be managed by the City.

TxDOT has been working on the plans for I-30 which runs through Rockwall County and is the link between the eastern counties and downtown Dallas. The project will add main travel lanes in both directions as well as three-lane service roads extending across Lake Ray Hubbard. This is expected to ease traffic issues when accidents occur on the main lanes. The project is expected to be ready to let in 2022 and is fully funded by TxDOT

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allows funding for the advance planning and design of several major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction. The Consortium was successful in securing new state funding for both SH276 and FM 3549 widening projects after the state-wide referendums provided new dollars for the state's highway system. The projects are both under construction with expected completion in 2021. The work of the Consortium which allows projects to be designed and ready to bid when dollars are available is crucial in getting these new funds.

### Retail / Entertainment

"The Harbor" development is situated on the shores of Lake Ray Hubbard at I-30 and had new restaurant openings in 2019 including Giovanni and Rodeo Goat. The Marriott Springhill Suites with 105 suites and conference space added to the area's existing full service Hilton Hotel and Conference Center which recently underwent updating to all rooms and common areas has fostered synergies in their efforts to attract conferences which benefit the development and the City

In 2019 construction began on 245 luxury condo units overlooking the Harbor area with residents expected to begin moving in during early 2020 adding the residential component which has been long anticipated. Two additional condo projects are in design and should break ground in 2020.

In conjunction with private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line.

The City designation as the "Free Live Music Capital of North Texas" by the Texas Legislature is supported by the more than 100 concerts at the public venues at the Harbor and San Jacinto Plaza in Downtown Rockwall. The Main Street Advisory Board and "Friends of Downtown Rockwall", citizen volunteer group, work to plan special events to bring shoppers downtown. The many shops in the Downtown area provide a wide variety of shopping opportunities and vacancies are rare and filled quickly.

### Utilities

The water and wastewater rates were increased in 2019. The City purchases treated water as a founding member city of the North Texas Municipal Water District. Water

consumption in fiscal year 2019 consumption remained relatively flat when compared to the prior year, while sales decreased by 6% over the prior fiscal year. The City’s water system is recognized with the Texas Commission on Environmental Quality’s “Superior” rating.

The City actively works to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations. It remains the City’s desire to be the water provider for all residents in our city limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below.

Outstanding General Obligation Debt at 9-30-19 (net of Debt Service)	\$102,251,178
Estimated Population	44,520
G.O. Debt Per Capita	\$2,297
Net G.O. Debt per Assessed Value	1.79%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Sales Tax (REDC)</u>
Standard & Poor’s Rating Group	AA+	A-
Moody’s Investor Service Inc.	Aa2	A1

**ACKNOWLEDGEMENTS**

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

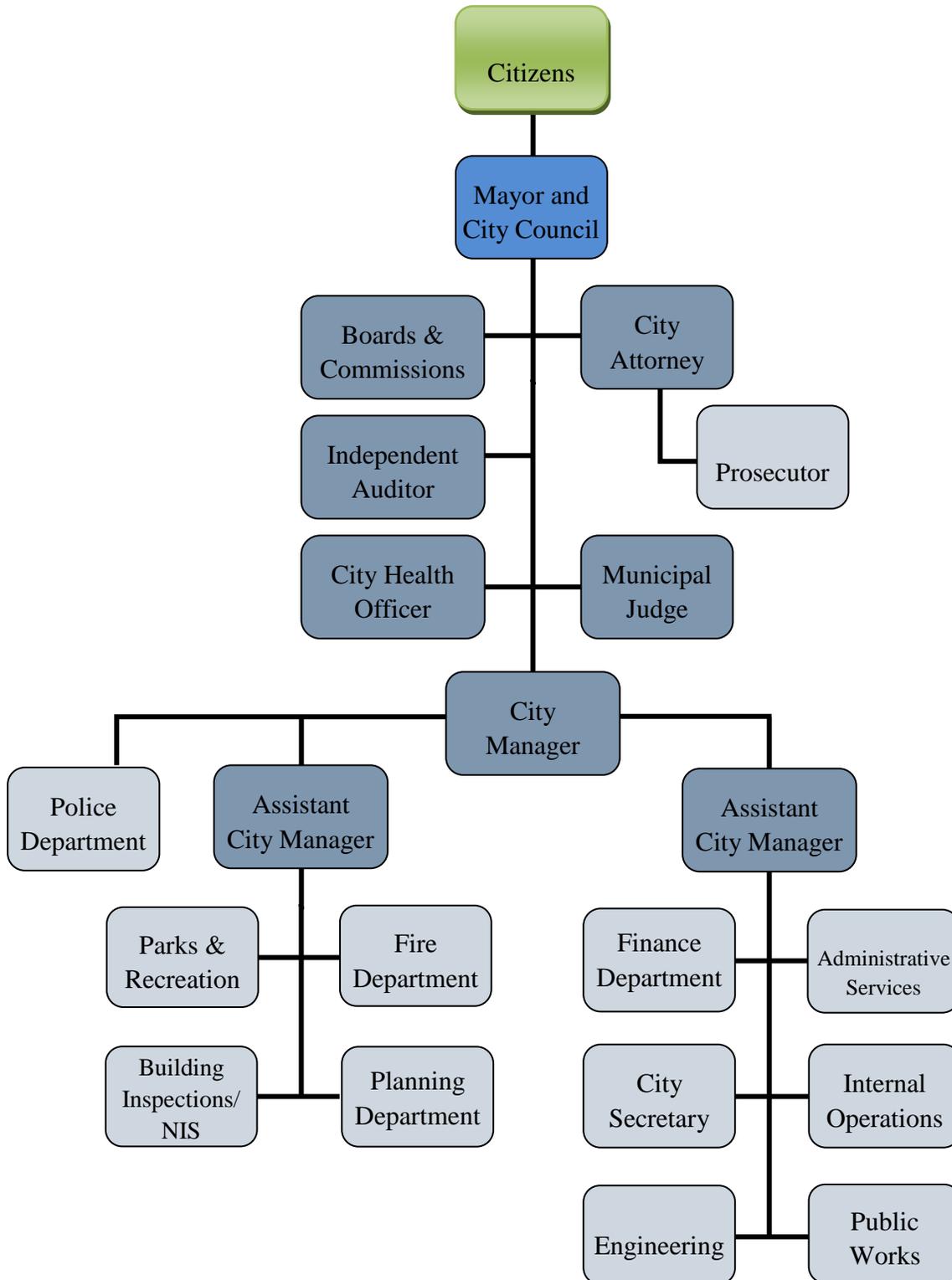


Richard R. Crowley  
City Manager



Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

# City of Rockwall Organization Chart



**City of Rockwall, Texas**  
*ELECTED AND APPOINTED OFFICIALS*  
September 30, 2019

**City Council**

Jim Pruitt	Mayor
Dana K. Macalik	Mayor Pro-Tempore
Bennie Daniels	Council Member 1
John Hohenshelt	Council Member 2
Kevin Fowler	MCouncil Member 3
Trace Johannesen	Council Member 4
Patrick Trowbridge	Council Member 6

**Appointed Officials**

Rick Crowley	City Manager
Mary Smith	Assistant City Manager/Director of Finance
Joey Boyd	Assistant City Manager/Director of Internal Operatitons
Cheryl Dunlop	Director of Administrative Services
Kirk Aldridge	Interim Police Chief
Kenneth Cullins	Fire Chief
Ryan Miller	Director of Planning and Zoning
Amy Williams	Director of Public Works/City Engineer
Travis Sales	Director of Parks and Recreation



***FINANCIAL SECTION***





## *INDEPENDENT AUDITOR'S REPORT*

To the Honorable Mayor and  
Members of the City Council  
City of Rockwall, Texas:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas (the "City") as of and for the year ended September 30, 2019, 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**

The City's 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. 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 opinion.

## **Opinion**

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 units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, 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.

## **Emphasis of Matter**

As discussed in Note V.D. to the financial statements, the City has restated beginning fund balance/net position within governmental, business-type, discretely presented component unit activities, the general fund, and the G/O bonds capital projects fund due to various accounting errors occurring in the prior year. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
October 12, 2020



# City of Rockwall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2019

Hey The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- The City's total net position was \$232,662,692 as of September 30, 2019. The City had an overall increase in net position of \$5,807,852.
- During the year, the City's governmental activities expenses were \$2,883,353 less than the \$56,276,305 generated in program revenues, taxes, other revenues and transfers.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities, net of deferred inflows and deferred outflows of resources at the close of the fiscal year ending September 30, 2019 by \$131,863,978 (net position).
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$14,692,432 or approximately 38.5 percent of the total general fund operating expenditures and transfers out.
- The City's total outstanding general obligation bonds and certificates of obligation for governmental activities decreased by \$7,095,000 during fiscal year 2019. More detailed information is given in the notes section.

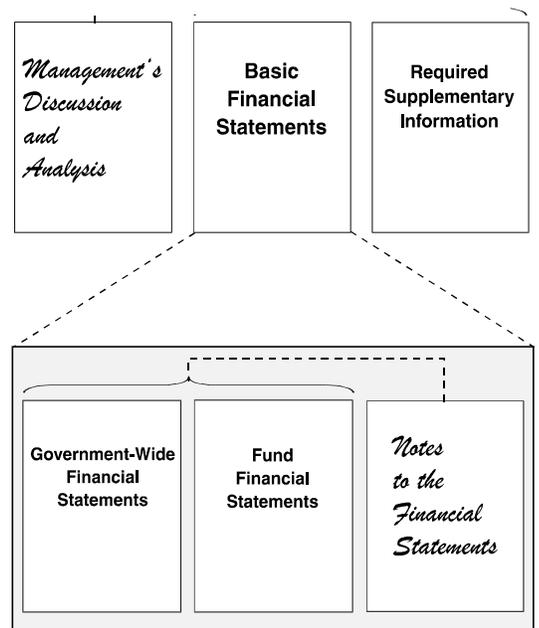
#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

**Figure A-1, Required Components of the City's Annual Financial Report**



# City of Rockwall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

### September 30, 2019

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements, followed by a section of required supplementary information, further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-2. Major Features of the City of Rockwall's Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	◆ Statement of net position	◆ Balance Sheet	◆ Statement of net position
	◆ Statement of activities	◆ Statement of revenues, expenditures & changes in fund balances	◆ Statement of revenues, expenses & changes in fund net position ◆ Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-Wide Financial Statements**

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

**City of Rockwall, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2019**

The *statement of net position* presents information on all of the city of Rockwall'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 condition of the City of Rockwall is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City's basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. We report the City's water and sewer system here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City's Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit's Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements are found on pages 20-25 of this report.

**City of Rockwall, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2019

**Reporting the City's Most Significant Funds**

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains twenty individual governmental funds. 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, Debt Service fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self-insurance funds.

# City of Rockwall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of assets and liabilities of the agency fund. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall, Texas. This information is required by accounting principles generally accepted in the United States of America.

**City of Rockwall, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

**CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION**

At the end of fiscal year 2019, the City's net position (assets exceeding liabilities) totaled \$232,662,692. The table below reflects the condensed Statement of Net Position.

The largest portion of the City's net position (87%) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 32,832,050	\$ 17,463,963	\$ 50,296,013	\$ 34,333,360	\$ 18,033,995	\$ 52,367,355
Capital assets, net	196,862,175	115,001,332	311,863,507	200,260,690	114,840,989	315,101,679
<b>Total Assets</b>	<b>229,694,225</b>	<b>132,465,295</b>	<b>362,159,520</b>	<b>234,594,050</b>	<b>132,874,984</b>	<b>367,469,034</b>
<b>Outflows of Resources</b>	<b>5,766,756</b>	<b>1,848,873</b>	<b>7,615,629</b>	<b>201,976</b>	<b>1,382,502</b>	<b>1,584,478</b>
Current liabilities	12,337,479	5,455,800	17,793,279	12,307,798	5,930,300	18,238,098
Long-term liabilities	89,403,140	27,856,492	117,259,632	92,174,995	30,366,755	122,541,750
<b>Total Liabilities</b>	<b>101,740,619</b>	<b>33,312,292</b>	<b>135,052,911</b>	<b>104,482,793</b>	<b>36,297,055</b>	<b>140,779,848</b>
<b>Deferred Inflows of Resources</b>	<b>1,856,384</b>	<b>203,162</b>	<b>2,059,546</b>	<b>1,332,608</b>	<b>86,216</b>	<b>1,418,824</b>
Net Position:						
Net investment in capital assets	116,382,345	86,724,419	203,106,764	113,288,647	84,819,687	198,108,334
Restricted	5,903,520	1,990,887	7,894,407	11,813,320	1,690,582	13,503,902
Unrestricted	9,578,113	12,083,408	21,661,521	3,878,658	11,363,946	15,242,604
<b>Total Net Position</b>	<b>\$ 131,863,978</b>	<b>\$ 100,798,714</b>	<b>\$ 232,662,692</b>	<b>\$ 128,980,625</b>	<b>\$ 97,874,215</b>	<b>\$ 226,854,840</b>

A portion of the City of Rockwall's governmental and business-type activities net position, \$7,894,407 or 3% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position, \$21,661,521, may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Rockwall, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,785,850	\$ 31,769,332	\$ 36,555,182	\$ 7,017,274	\$ 29,691,355	\$ 36,708,629
Operating grants	1,272,678	-	1,272,678	411,439	-	411,439
Capital contributions	792,240	354,542	1,146,782	44,793	7,707,536	7,752,329
General revenues:						
Property tax	22,916,157	-	22,916,157	21,984,955	-	21,984,955
Sales tax	19,497,488	-	19,497,488	17,536,887	-	17,536,887
Franchise and local taxes	3,514,855	-	3,514,855	3,348,981	-	3,348,981
Hotel occupancy taxes	860,995	-	860,995	413,112	-	413,112
Investment income	703,092	269,238	972,330	450,548	122,799	573,347
Other revenues	909,850	44,117	953,967	374,176	19,579	393,755
<b>Total Revenues</b>	<b>55,253,205</b>	<b>32,437,229</b>	<b>87,690,434</b>	<b>51,582,165</b>	<b>37,541,269</b>	<b>89,123,434</b>
<b>Expenses</b>						
General government	10,623,023	-	10,623,023	12,609,479	-	12,609,479
Public safety	18,040,820	-	18,040,820	16,819,647	-	16,819,647
Public works	12,631,449	-	12,631,449	3,195,355	-	3,195,355
Parks and recreation	6,750,655	-	6,750,655	5,450,380	-	5,450,380
Community development	2,060,063	-	2,060,063	1,965,366	-	1,965,366
Interest and fiscal charges	3,286,942	1,065,118	4,352,060	3,828,514	887,794	4,716,308
Water and sewer	-	27,424,512	27,424,512	-	24,444,844	24,444,844
<b>Total Expenses</b>	<b>53,392,952</b>	<b>28,489,630</b>	<b>81,882,582</b>	<b>43,868,741</b>	<b>25,332,638</b>	<b>69,201,379</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	1,860,253	3,947,599	5,807,852	7,713,424	12,208,631	19,922,055
Transfers	1,023,100	(1,023,100)	-	(329,950)	329,950	-
<b>Total</b>	<b>1,023,100</b>	<b>(1,023,100)</b>	<b>-</b>	<b>(329,950)</b>	<b>329,950</b>	<b>-</b>
<b>Change in Net Position</b>	<b>2,883,353</b>	<b>2,924,499</b>	<b>5,807,852</b>	<b>7,383,474</b>	<b>12,538,581</b>	<b>19,922,055</b>
Beginning Net Position	128,980,625	97,874,215	226,854,840	121,597,151	85,335,634	206,932,785
<b>Ending Net Position</b>	<b>\$ 131,863,978</b>	<b>\$ 100,798,714</b>	<b>\$ 232,662,692</b>	<b>\$ 128,980,625</b>	<b>\$ 97,874,215</b>	<b>\$ 226,854,840</b>

# City of Rockwall, Texas

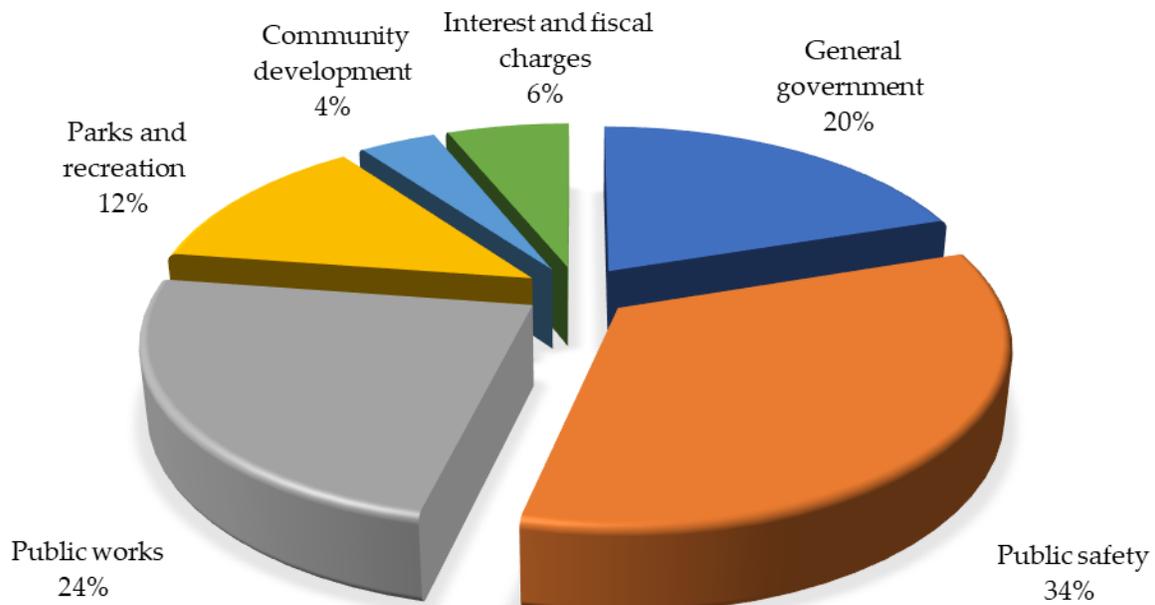
## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

### Governmental Activities

The City's total revenues of governmental activities, including transfers, were \$56,276,305. A significant portion 41%, of the City's revenues came from property taxes. Another 35% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues remains stable as the City responds to the increases in assessed value of existing properties by reducing the ad valorem tax rate to a rate sufficient to generate the same revenues in the new year as were generated in the prior year. The City Council has chosen to lower the tax rate each of the last five years. Total assessed values of the properties in the City increased by 9%. The City adopted a property tax rate of 40.21 cents per \$100 of assessed valuation for fiscal year 2019. Growth in the assessed valuation and conservative budgets allowed the City to lower the rate for fiscal year 2018 by 2.15 cents per hundred dollars of assessed valuation. Sales tax revenue increased over the prior year by 11% which was most influenced by increases in same stores sales and the growing regional population. Housing starts were consistent with recent years and remain predominately the construction of larger homes on larger tracts resulting in significantly higher price points. Developers started infrastructure work on several projects including additional phases of Stone Creek, Breezy Hill, and the new subdivision, Ladera Rockwall and Saddle Star South in 2019. The permit revenues increased by 4% due in large part to projects in the Technology Park and the Harbor area. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and named the wealthiest county in Texas.

### Governmental Activities - Expenses



# City of Rockwall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

The total cost of all programs and services were \$53,392,952. Of this total, \$18,040,820 (34%) were for the public safety functions in the Police and Fire Departments. The Fire department continues to increase staffing adding 6 firefighter positions as the city grows and mature the combined paid/volunteer department. The city's strategic planning was accepted by Council in 2018 and includes an ongoing focus on the staffing ratios and service needs of the area. The Public Works Department represents 24% of the City's costs due to street construction and rehabilitation projects underway in 2019. A study was previously funded to determine the pavement condition of all streets and alleys in the City limits. The results were evaluated and employed in the budget process for 2019 to determine priorities for maintenance projects which could reasonably be expected to improve the roadway and extend the time before more extensive repairs or replacement would be required in future capital projects.

### **Business-Type Activities**

The City's business-type activities recorded an increase of \$2,924,499 in net position. Retail water sales decreased by 6% due to an extremely wet summer resulting in decreased consumption for irrigation purposes. The City's rates were increased to be effective in January 2019. The City implemented a conservation focused water rate structure in 2001 and increases the rate tiers each time new rates are adopted. The rates for sewer were also increased for January 2019. Total sewer charges increased by 15% for the fiscal year. The city employs winter averaging to calculate sewer billing so revenues were largely not affected by restrictions on irrigating lawns. Water and sewer charges were \$30,374,422 which is an increase of \$3,270,539 over the prior year.

Water and sewer impact fees (Capital recovery fees) totaled \$1,394,910 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system's initial costs in building assets to serve new growth. Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

### **Component Units**

The Rockwall Economic Development Corporation (REDC) reported revenues including the ½-cent sales tax, authorized under the Type A Corporation statutes, of \$6,392,464. Assets managed by the corporation include an inventory of 218 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

### **ANALYSIS OF INDIVIDUAL FUNDS**

The City's *General Fund* reported an ending unassigned fund balance of \$14,692,432. The largest source of general fund revenue is sales tax, it accounted for \$19,135,026 (48%) of total general fund revenue. Ad valorem property taxes account for \$12,356,485 (31%) of general fund

# City of Rockwall, Texas

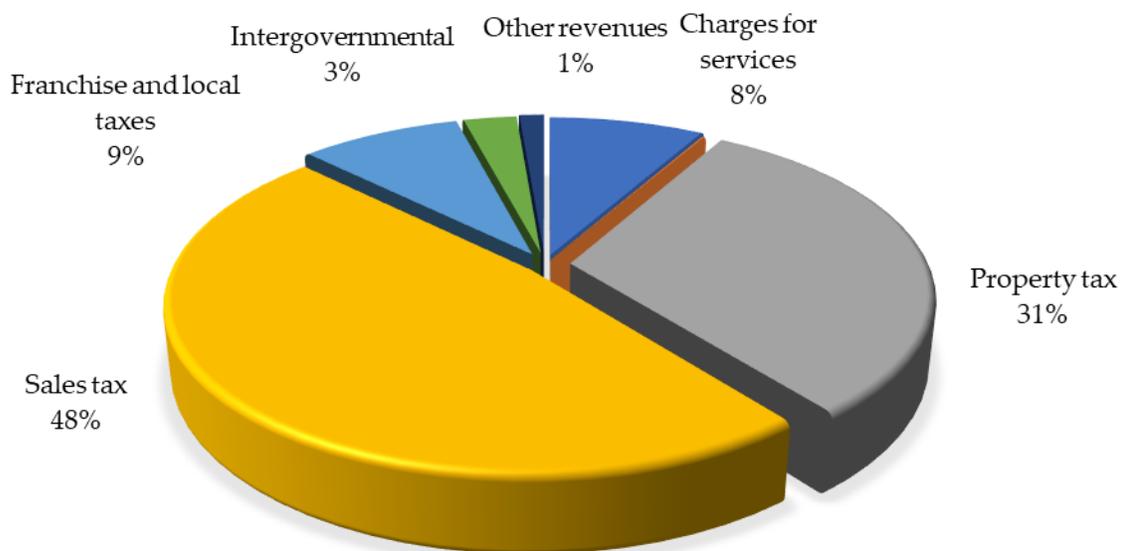
## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

revenues. The City's property tax rate is split between maintenance/operations and debt service. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows. The unassigned balance increased by \$1,807,154 or 15% due to stronger than anticipated sales tax and permit revenue sources as well as less than appropriated expenditures in each department.

### Revenues by Source – General Fund

#### General Fund - Revenues



The City's *Debt Service Fund* reported an increase in fund balance of \$1,352,256. Property tax collections for debt service requirements were \$9,943,010. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City's bond election in 2005 and again in 2012 which authorized more than \$92,831,000 in projects. After extensive study, the City adopted a Roadway Impact Fee which was updated in 2014, will be evaluated again in 2019 and from which generated \$635,812 in new revenue to this fund in fiscal year 2019. The City Council chooses to budget a portion of this fund balance each year toward meeting the City's current debt service obligations. This allows the use of the debt service fund reserves to lessen the effect of new debt issues on the property tax rate each year.

# City of Rockwall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

The *G.O. Bonds Capital Projects Fund* reported a restricted fund balance of \$494,102, a decrease of \$5,556,781 from the prior year. For the final two road projects approved in the 2012 election, engineering design was completed and bids were received. The construction commenced in early 2019 and will continue for 23 months.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2019, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$36,516,850 increased to \$36,853,000 while revenue estimates increased from \$37,902,500 to \$38,483,800. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$11,119,928 however due to the budget adjustments mentioned above the fund balance was re-estimated to be \$11,395,228.

General fund revenues ultimately were \$39,863,514, a positive variance of \$1,379,714 over the amended budget estimate, reflecting a greater than anticipated increase in sales tax collections and construction permits late in the budget year. Actual general fund total expenditures were \$34,932,792 or \$1,920,208 less than final projections. Final expenditures in each department were generally less than anticipated. The City ended the year with a fund balance of \$14,695,155, or \$1,810,377 more than the prior year. The increase is due to sales taxes and permit revenues exceeding early estimates and departments spending less than anticipated.

### Capital Assets

At the end of the fiscal year 2019 the City had \$311,863,507 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 17,756,083	\$ 17,756,083	\$ 534,078	\$ 534,078	\$ 18,290,161	\$ 18,290,161
Buildings & systems	11,857,542	12,078,705	5,812,093	5,914,444	17,669,635	17,993,149
Improvements other than buildings	15,885,580	16,982,085	99,964,129	100,462,583	115,849,709	117,444,668
Machinery & equipment	5,603,255	5,892,948	2,731,216	2,977,663	8,334,471	8,870,611
Infrastructure	139,873,307	142,080,479	-	-	139,873,307	142,080,479
Construction in progress	5,886,408	5,470,388	5,959,816	4,952,221	11,846,224	10,422,609
	<u>\$ 196,862,175</u>	<u>\$ 200,260,690</u>	<u>\$ 115,001,332</u>	<u>\$ 114,840,989</u>	<u>\$ 311,863,507</u>	<u>\$ 315,101,677</u>

# City of Rockwall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

The results of the street and alley condition assessment conducted in 2016 were used to develop a capital improvement program which included \$85 million of street reconstruction projects which was approved by the voters in May 2018. Projects have been prioritized and design will be undertaken on many of the projects in 2019 with construction timing and debt issuance phased over the next 8-10 years.

Additional information regarding the City's capital assets is found in note IV-D on pages 62-64.

### Debt

At year-end, the City had \$107,008,374 in bonds and capitalized leases shown in Table 4.

**Table 4**  
**City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 73,500,000	\$ 79,880,000	\$ 16,700,000	\$ 18,705,000	\$ 90,200,000	\$ 98,585,000
Certificates of obligation	6,305,000	7,020,000	6,995,000	7,565,000	13,300,000	14,585,000
Capital Lease obligations	-	-	3,508,374	3,881,713	3,508,374	3,881,713
	<u>\$ 79,805,000</u>	<u>\$ 86,900,000</u>	<u>\$ 27,203,374</u>	<u>\$ 30,151,713</u>	<u>\$ 107,008,374</u>	<u>\$ 117,051,713</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 1.79% or \$2,297 per capita.

The City's bond ratings at September 30, 2019 were as follows:

	<u>General Obligation</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	AA+	A-
Moody's Investor Service Inc.	Aa2	A1

Additional information on long-term debt may be found in note IV-F, on pages 65-71 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rate, and fees that will be charged for the business-type activities. The City conservatively budgeted a 3% increase in sales tax revenue and modest increases in other revenues.

# City of Rockwall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Fort Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district

and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 3.1%, below national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2020. The budgeted revenues for fiscal year 2020 total \$37,905,500 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate was reduced to 38.7990 cents per hundred dollars of assessed value due to growth in assessed values.

The City adopted written financial policies in 2001, which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City's fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The projected ending general fund balance for 2019 provides approximately 4.3 months of reserves for the City. The 2019 budget reflects planned expenditures from reserves including multiple vehicle replacements and parking lot repairs. Street and alley maintenance funding was increased by \$1.1million dollars as well.

The 2020 budget expenditures include the addition of a mental health officer in the Police department, 4 maintenance workers for the Parks department, and 3 new firefighters. The fire department continues to grow its paid staff with the addition of these 3 full-time firefighters along with three Captain position promotions. These changes were made in the Fire department as a result of strategic planning work finalized during the year.

A comprehensive water and sewer rate study was developed during 2018 with rate recommendations over the next several years. This included looking at the North Texas Municipal Water District projected rates for treated water over the next five years and well as budget planning and capital planning for the City's own operations and projects. Infrastructure asset management software was implemented in 2018 as well. A phased program to add generators to each wastewater lift station will continue in 2020 as well as the addition on one new maintenance employee.

**City of Rockwall, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2019

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information, contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email: [msmith@rockwall.com](mailto:msmith@rockwall.com).

## ***BASIC FINANCIAL STATEMENTS***

**City of Rockwall, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 20,951,453	\$ 8,228,296	\$ 29,179,749
Investments	5,311,697	6,147	5,317,844
Taxes receivable, net	5,359,230	-	5,359,230
Receivables, net	1,164,733	4,824,249	5,988,982
Due from other governments	-	2,161,582	2,161,582
Internal balances	15,604	(15,604)	-
Due from component units	26,610	-	26,610
Inventories	2,723	263,275	265,998
Restricted assets:			
Cash	-	1,270,887	1,270,887
Investments	-	720,000	720,000
Receivables, net	-	5,131	5,131
<b>Total Current Assets</b>	<b>32,832,050</b>	<b>17,463,963</b>	<b>50,296,013</b>
Noncurrent assets:			
Land held for sale	-	-	-
Capital assets:			
Non-depreciable	23,642,491	6,493,894	30,136,385
Net depreciable capital assets	173,219,684	108,507,438	281,727,122
<b>Total Assets</b>	<b>229,694,225</b>	<b>132,465,295</b>	<b>362,159,520</b>
<b>Deferred Outflows of Resources</b>			
Pension contributions	2,095,814	229,365	2,325,179
OPEB contributions	2,587	283	2,870
Pension investment experience	3,620,638	396,241	4,016,879
Deferred charge on refunding	47,717	1,222,984	1,270,701
<b>Total Deferred Outflows of Resources</b>	<b>5,766,756</b>	<b>1,848,873</b>	<b>7,615,629</b>

<b>Component Units</b>	
<b>Rockwall EDC</b>	<b>Technology Park</b>
\$ 8,125,145	\$ 38,665
300,000	-
1,114,057	-
6,615	5,882
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>9,545,817</u>	<u>44,547</u>
12,353,261	-
-	-
14,416	-
<u>12,367,677</u>	<u>-</u>
<u>21,913,494</u>	<u>44,547</u>
28,323	-
35	-
48,930	-
9,776	-
<u>87,064</u>	<u>-</u>

**City of Rockwall, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2019**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b><u>Liabilities</u></b>			
Accounts payable	3,804,083	1,567,781	5,371,864
Due to primary government	-	-	-
Customer deposits	-	612,375	612,375
Compensated absences, current	1,333,748	90,259	1,424,007
Accrued interest payable	509,648	210,379	720,027
Long-term debt - current	6,690,000	2,975,006	9,665,006
<b>Total Current Liabilities</b>	<b>12,337,479</b>	<b>5,455,800</b>	<b>17,793,279</b>
Noncurrent liabilities:			
Net pension liability	13,985,533	1,530,571	15,516,104
OPEB liability	484,615	53,036	537,651
Compensated absences, noncurrent	444,582	30,086	474,668
Long-term debt - due in more than one year	74,488,410	26,242,799	100,731,209
<b>Total Noncurrent Liabilities</b>	<b>89,403,140</b>	<b>27,856,492</b>	<b>117,259,632</b>
<b>Total Liabilities</b>	<b>101,740,619</b>	<b>33,312,292</b>	<b>135,052,911</b>
<b><u>Deferred Inflows of Resources</u></b>			
OPEB assumption changes	9,969	1,091	11,060
Pension expected vs. actual experience	1,846,415	202,071	2,048,486
<b>Total Deferred Inflows of Resources</b>	<b>1,856,384</b>	<b>203,162</b>	<b>2,059,546</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	116,382,345	86,724,419	203,106,764
Restricted for:			
Public safety	378,148	-	378,148
Capital projects and acquisitions	-	720,000	720,000
Debt service	5,083,470	1,270,887	6,354,357
Economic development	-	-	-
Tourism	441,902	-	441,902
Unrestricted	9,578,113	12,083,408	21,661,521
<b>Total Net Position</b>	<b>\$ 131,863,978</b>	<b>\$ 100,798,714</b>	<b>\$ 232,662,692</b>

See Notes to Financial Statements.

<b>Component Units</b>	
<b>Rockwall EDC</b>	<b>Technology Park</b>
84,889	49,395
19,639	6,971
-	-
10,506	-
114,112	-
1,410,000	-
<u>1,639,146</u>	<u>56,366</u>
189,004	-
6,549	-
3,502	-
16,670,894	-
<u>16,869,949</u>	<u>-</u>
<u>18,509,095</u>	<u>56,366</u>
135	-
24,953	-
<u>25,088</u>	<u>-</u>
1,134,704	-
-	-
-	-
-	-
2,331,671	-
-	-
-	(11,819)
<u>\$ 3,466,375</u>	<u>\$ (11,819)</u>

# City of Rockwall, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 10,623,023	\$ 3,132,994	\$ 567,869	\$ -
Public safety	18,040,820	-	649,774	42,242
Public works	12,631,449	1,652,856	-	-
Parks and recreation	6,750,655	-	55,035	749,998
Community development	2,060,063	-	-	-
Interest and fiscal charges	3,286,942	-	-	-
<b>Total Governmental Activities</b>	<b>53,392,952</b>	<b>4,785,850</b>	<b>1,272,678</b>	<b>792,240</b>
<b>Business-Type Activities</b>				
Water and sewer	28,489,630	31,769,332	-	354,542
<b>Total Business-Type Activities</b>	<b>28,489,630</b>	<b>31,769,332</b>	<b>-</b>	<b>354,542</b>
<b>Total Primary Government</b>	<b>\$ 81,882,582</b>	<b>\$ 36,555,182</b>	<b>\$ 1,272,678</b>	<b>1,146,782</b>
<b>Component Units</b>				
Rockwall EDC	3,280,592	-	-	-
Technology Park	210,288	-	-	-
<b>Total Component Units</b>	<b>\$ 3,490,880</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### General Revenues:

Taxes  
 Property taxes  
 Sales taxes  
 Franchise and local taxes  
 Hotel occupancy taxes  
 Assessments revenue  
 Other revenues  
 Investment income

Transfers

### Total General Revenues and Transfers

### Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Rockwall EDC	Technology Park
\$ (6,922,160)	\$ -	\$ (6,922,160)	\$ -	\$ -
(17,348,804)	-	(17,348,804)	-	-
(10,978,593)	-	(10,978,593)	-	-
(5,945,622)	-	(5,945,622)	-	-
(2,060,063)	-	(2,060,063)	-	-
(3,286,942)	-	(3,286,942)	-	-
<u>(46,542,184)</u>	<u>-</u>	<u>(46,542,184)</u>	<u>-</u>	<u>-</u>
-	3,634,244	3,634,244	-	-
-	3,634,244	3,634,244	-	-
<u>(46,542,184)</u>	<u>3,634,244</u>	<u>(42,907,940)</u>	<u>-</u>	<u>-</u>
			(3,280,592)	-
			-	(210,288)
			<u>(3,280,592)</u>	<u>(210,288)</u>
22,916,157	-	22,916,157	-	-
19,497,488	-	19,497,488	6,392,464	-
3,514,855	-	3,514,855	-	-
860,995	-	860,995	-	-
-	-	-	-	179,322
909,850	44,117	953,967	12,989	-
703,092	269,238	972,330	210,740	176
1,023,100	(1,023,100)	-	-	-
<u>49,425,537</u>	<u>(709,745)</u>	<u>48,715,792</u>	<u>6,616,193</u>	<u>179,498</u>
2,883,353	2,924,499	5,807,852	3,335,601	(30,790)
128,980,625	97,874,215	226,854,840	130,774	18,971
<u>\$ 131,863,978</u>	<u>\$ 100,798,714</u>	<u>\$ 232,662,692</u>	<u>\$ 3,466,375</u>	<u>\$ (11,819)</u>

# City of Rockwall, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2019

	General	Debt Service	G/O Bonds - Capital Projects
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 8,834,924	\$ 4,618,162	\$ 1,365,114
Investments	3,799,438	-	-
Taxes receivable, net	3,667,323	232,251	-
Franchise tax receivables	1,297,794	-	-
Fines receivable	188,666	-	-
Accounts receivable	70,340	-	-
Other receivables	16,705	-	-
Interest receivable	16,759	-	-
Due from other funds	17,815	-	-
Due from component units	41,939	-	-
Inventories	2,723	-	-
<b>Total Assets</b>	<b>\$ 17,954,426</b>	<b>\$ 4,850,413</b>	<b>\$ 1,365,114</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 2,094,724	\$ -	\$ 871,012
Seizures payable	-	-	-
Due to other governments	161,730	-	-
Due to component units	15,329	-	-
Due to other funds	7,518	-	-
<b>Total Liabilities</b>	<b>2,279,301</b>	<b>-</b>	<b>871,012</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	262,926	213,750	-
Unavailable revenue - fines and forfeitures	128,294	-	-
Unavailable revenue - franchise taxes	588,750	-	-
Unavailable revenue - assessments	-	-	-
Unavailable revenue - grants	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>979,970</b>	<b>213,750</b>	<b>-</b>
<b><u>Fund Balances</u></b>			
Nonspendable:			
Inventories	2,723	-	-
Committed for:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Parks and recreation	-	-	-
Capital projects	-	-	-
Capital acquisitions	-	-	-
Restricted for:			
Debt service	-	4,636,663	-
Public safety	-	-	-
Tourism	-	-	-
Capital projects	-	-	494,102
Unassigned	14,692,432	-	-
<b>Total Fund Balances</b>	<b>14,695,155</b>	<b>4,636,663</b>	<b>494,102</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 17,954,426</b>	<b>\$ 4,850,413</b>	<b>\$ 494,102</b>

See Notes to Financial Statements.

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,815,677	\$ 18,633,877
1,512,259	5,311,697
161,862	4,061,436
-	1,297,794
-	188,666
872,263	942,603
-	16,705
-	16,759
7,018	24,833
-	41,939
-	2,723
<u>\$ 6,369,079</u>	<u>\$ 30,539,032</u>
\$ 124,686	\$ 3,090,422
31,841	31,841
-	161,730
-	15,329
1,386	8,904
<u>157,913</u>	<u>3,308,226</u>
144,220	620,896
-	128,294
-	588,750
115,017	115,017
393,244	393,244
<u>652,481</u>	<u>1,846,201</u>
-	2,723
107,161	107,161
222,375	222,375
474,615	474,615
1,005,431	1,005,431
623,986	623,986
1,858,260	1,858,260
446,807	5,083,470
378,148	378,148
441,902	441,902
-	494,102
-	14,692,432
<u>5,558,685</u>	<u>25,384,605</u>
<u>\$ 5,716,598</u>	<u>\$ 28,692,831</u>

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# City of Rockwall, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2019

<b>Fund Balances - Total Governmental Funds</b>	\$	25,384,605
 <b>Adjustments for the Statement of Net Position:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		23,642,491
Capital assets - net depreciable		173,219,684
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
		1,846,201
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time		
Pension assumption changes		(1,846,415)
OPEB assumption changes		(9,969)
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditures) until then		
Pension contributions		2,095,814
Pension investment experience		3,620,638
OPEB contributions		2,587
Internal service funds are used by management to charge the cost of employee benefits and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		
Net position - governmental activities		1,797,161
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(509,648)
Deferred charges:		
On refunding		47,717
Bond discount		155,635
Bond premium		(1,529,045)
Net pension liability		(13,985,533)
OPEB liability		(484,615)
Compensated absences		(1,778,330)
Non-current liabilities due in one year		(6,690,000)
Non-current liabilities due in more than one year		(73,115,000)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>131,863,978</u></b>

See Notes to Financial Statements.

# City of Rockwall, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	General	Debt Service	G/O Bonds - Capital Projects
<b>Revenues</b>			
Property tax	\$ 12,356,485	\$ 9,943,010	\$ -
Sales tax	19,135,026	-	-
Franchise and local taxes	3,408,880	-	-
Hotel occupancy taxes	-	-	-
License and permits	1,553,938	-	-
Intergovernmental	1,126,176	-	-
Charges for services	1,027,896	635,812	-
Fines and forfeitures	695,536	-	-
Investment income	353,491	161,915	127,117
Other revenue	170,586	-	-
Contributions and donations	35,500	-	-
<b>Total Revenues</b>	39,863,514	10,740,737	127,117
<b>Expenditures</b>			
Current:			
Administration	4,856,025	-	-
Finance	701,499	-	-
Mayor/council	100,810	-	-
Police	11,620,540	-	-
Fire	4,885,836	-	-
Municipal court	395,972	-	-
Public works	5,370,529	-	-
Parks and recreation	4,830,650	-	-
Community development	2,170,931	-	-
Debt Service:			
Principal	-	6,235,000	-
Interest and fiscal charges	-	3,143,231	-
Administrative charges	-	10,250	-
Capital outlay	-	-	5,620,210
<b>Total Expenditures</b>	34,932,792	9,388,481	5,620,210
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	4,930,722	1,352,256	(5,493,093)
<b>Other Financing Sources (Uses)</b>			
Transfers in	77,655	-	-
Transfers (out)	(3,198,000)	-	(63,688)
<b>Total Other Financing Sources (Uses)</b>	(3,120,345)	-	(63,688)
<b>Net Change in Fund Balances</b>	1,810,377	1,352,256	(5,556,781)
Beginning fund balances	12,884,778	3,284,407	6,050,883
<b>Ending Fund Balances</b>	\$ 14,695,155	\$ 4,636,663	\$ 494,102

See Notes to Financial Statements.

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 377,235	\$ 22,676,730
362,462	19,497,488
-	3,408,880
860,995	860,995
98,918	1,652,856
79,250	1,205,426
742,137	2,405,845
-	695,536
60,569	703,092
681,280	851,866
424,006	459,506
3,686,852	54,418,220
525,324	5,381,349
-	701,499
-	100,810
195,335	11,815,875
5,614	4,891,450
-	395,972
-	5,370,529
449,975	5,280,625
-	2,170,931
860,000	7,095,000
287,166	3,430,397
-	10,250
893,303	6,513,513
3,216,717	53,158,200
470,135	1,260,020
649,788	727,443
(77,655)	(3,339,343)
572,133	(2,611,900)
1,042,268	(1,351,880)
4,516,417	26,736,485
\$ 5,558,685	\$ 25,384,605

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# City of Rockwall, Texas

## *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES*

**For the Year Ended September 30, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(1,351,880)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		8,352,381
Capital contributions		134,895
Depreciation expense		(11,862,743)
Adjustment for capital asset disposals		(23,051)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		723,141
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Some 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		3,439
Accrued interest		49,656
Pension expense		(707,495)
OPEB expense		(43,524)

Internal service funds are used by management to charge the cost of employee benefits and workers' compensation to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities		409,485
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of deferred charges on refunding		(8,109)
Amortization of debt premium/discount		112,158
Principal payments		7,095,000

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,883,353</b>
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See Notes to Financial Statements.

**City of Rockwall, Texas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS (Page 1 of 2)**  
**September 30, 2019**

	Business-Type		
	Activities	Internal Service Funds	
	Water and Sewer	Employee Benefits	Workers' Compensation
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 8,228,296	\$ 1,333,000	\$ 984,576
Investments	6,147	-	-
Accounts receivable, net	4,824,249	-	-
Due from other governments	2,161,582	-	-
Due from other funds	-	250,000	1,684
Inventories	263,275	-	-
Restricted assets:			
Restricted cash	1,270,887	-	-
Restricted investments	720,000	-	-
Restricted receivables	5,131	-	-
<b>Total Current Assets</b>	<b>17,479,567</b>	<b>1,583,000</b>	<b>986,260</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets:			
Non-depreciable	6,493,894	-	-
Net depreciable capital assets	108,507,438	-	-
<b>Total Noncurrent Assets</b>	<b>115,001,332</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>132,480,899</b>	<b>1,583,000</b>	<b>986,260</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred charge on refunding	1,222,984	-	-
Pension contributions	229,365	-	-
OPEB contributions	283	-	-
Pension investment experience	396,241	-	-
<b>Total Deferred Outflows of Resources</b>	<b>1,848,873</b>	<b>-</b>	<b>-</b>

See Notes to Financial Statements.

**Internal Service**

**Funds**  

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**Total**

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\$ 2,317,576

-

-

-

251,684

-

-

-

-

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2,569,260

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-

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-

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2,569,260

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**City of Rockwall, Texas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS (Page 2 of 2)**  
**September 30, 2019**

	Water and Sewer	Internal Service Funds	
		Employee Benefits	Workers' Compensation
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ 1,567,781	\$ 474,510	\$ 45,580
Customer deposits	612,375	-	-
Compensated absences, current	90,259	-	-
Capital lease obligations	395,006	-	-
Bonds and certificates of obligation	2,580,000	-	-
Accrued interest	210,379	-	-
Due to other funds	15,604	1,184	250,825
<b>Total Current Liabilities</b>	<b>5,471,404</b>	<b>475,694</b>	<b>296,405</b>
<b><u>Noncurrent Liabilities</u></b>			
Compensated absences, noncurrent	30,086	-	-
Capital lease obligations	3,113,368	-	-
Bonds and certificates of obligation	23,129,431	-	-
Net pension liability	1,530,571	-	-
OPEB liability	53,036	-	-
<b>Total Liabilities</b>	<b>33,327,896</b>	<b>475,694</b>	<b>296,405</b>
<b><u>Deferred Inflows of Resources</u></b>			
OPEB assumption changes	1,091	-	-
Pension expected experience vs. actual	202,071	-	-
<b>Total Deferred Inflows of Resources</b>	<b>203,162</b>	<b>-</b>	<b>-</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	86,724,419	-	-
Restricted for:			
Debt service	1,270,887	-	-
Capital projects	720,000	-	-
Unrestricted	12,083,408	1,107,306	689,855
<b>Total Net Position</b>	<b>\$ 100,798,714</b>	<b>\$ 1,107,306</b>	<b>\$ 689,855</b>

See Notes to Financial Statements.

**Internal Service**

**Funds**

**Total**

\$	520,090
	-
	-
	-
	-
	-
	252,009
	<u>772,099</u>

	-
	-
	-
	-
	-
	-
	<u>772,099</u>

	-
	-
	<u>-</u>
	<u>-</u>

	-
	-
	-
	1,797,161
\$	<u>1,797,161</u>

# City of Rockwall, Texas

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2019

	Business-Type		
	Activities	Internal Service Funds	
	Water and Sewer	Employee Benefits	Workers' Compensation
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 30,374,422	\$ 836,183	\$ -
Impact fees	1,394,910	-	-
Other revenue	44,117	28,000	500
<b>Total Operating Revenues</b>	<b>31,813,449</b>	<b>864,183</b>	<b>500</b>
<b><u>Operating Expenses</u></b>			
Personnel expenses	2,521,417	-	-
Supplies	826,469	-	-
Operations	210,582	-	-
Utilities	375,803	-	-
Contractual services	20,169,816	4,017,534	144,661
Depreciation	3,316,744	-	-
<b>Total Operating Expenses</b>	<b>27,420,831</b>	<b>4,017,534</b>	<b>144,661</b>
<b>Operating Income (Loss)</b>	<b>4,392,618</b>	<b>(3,153,351)</b>	<b>(144,161)</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	269,238	58,204	13,793
Interest expense	(1,065,118)	-	-
Fiscal charges	(3,681)	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(799,561)</b>	<b>58,204</b>	<b>13,793</b>
<b>Income Before Capital Contributions and Transfers</b>	<b>3,593,057</b>	<b>(3,095,147)</b>	<b>(130,368)</b>
<b><u>Capital Contributions and Transfers</u></b>			
Capital grants and contributions	354,542	-	-
Transfers in	-	3,400,000	485,000
Transfers (out)	(1,023,100)	(250,000)	-
<b>Total Capital Contributions and Transfers</b>	<b>(668,558)</b>	<b>3,150,000</b>	<b>485,000</b>
<b>Change in Net Position</b>	<b>2,924,499</b>	<b>54,853</b>	<b>354,632</b>
Beginning net position	97,874,215	1,052,453	335,223
<b>Ending Net Position</b>	<b>\$ 100,798,714</b>	<b>\$ 1,107,306</b>	<b>\$ 689,855</b>

See Notes to Financial Statements.

**Internal Service  
Funds**

<b>Total</b>	
\$	836,183
	-
	28,500
	<u>864,683</u>
	-
	-
	-
	-
	4,162,195
	-
	<u>4,162,195</u>
	<u>(3,297,512)</u>
	71,997
	-
	-
	<u>71,997</u>
	<u>(3,225,515)</u>
	-
	3,885,000
	(250,000)
	<u>3,635,000</u>
	409,485
	1,387,676
\$	<u><u>1,797,161</u></u>

# City of Rockwall, Texas

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2019

	Business-Type		
	Activities	Internal Service Funds	
	Water and Sewer	Employee Benefits	Workers' Compensation
<b><u>Cash Flows from Operating Activities</u></b>			
Payments to employees	\$ (2,459,719)	\$ -	\$ -
Payments to suppliers	(23,322,230)	(4,282,218)	(194,903)
Receipts from customers	30,851,827	913,229	1,894
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>5,069,878</b>	<b>(3,368,989)</b>	<b>(193,009)</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Receipts from internal service fund	-	-	250,825
Transfers in	-	3,400,000	485,000
Transfers (out)	(1,023,100)	(250,000)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(1,023,100)</b>	<b>3,150,000</b>	<b>735,825</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition and construction of capital assets	(3,122,543)	-	-
Interest paid on capital debt	(1,076,829)	-	-
Principal paid on capital debt	(2,948,339)	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(7,147,711)</b>	<b>-</b>	<b>-</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Acquisition (purchase) of investments	(136,766)	1,224,246	394,459
Interest on investments	269,238	58,204	13,793
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>132,472</b>	<b>1,282,450</b>	<b>408,252</b>
<b>Net Increase (Decrease) in Cash and Cash</b>	<b>(2,968,461)</b>	<b>1,063,461</b>	<b>951,068</b>
Beginning cash and cash equivalents	12,467,644	269,539	33,508
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 9,499,183</b>	<b>\$ 1,333,000</b>	<b>\$ 984,576</b>

See Notes to Financial Statements.

**Internal Service  
Funds**

**Total**

\$ -  
(4,477,121)  
915,123  
(3,561,998)

250,825  
3,885,000  
(250,000)

3,885,825

-  
-  
-  
-

1,618,705  
71,997  
1,690,702

2,014,529  
303,047  
2,317,576

\$ 2,317,576

# City of Rockwall, Texas

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2019

	Business-Type		
	Activities	Internal Service Funds	
	Water and Sewer	Employee Benefits	Workers' Compensation
<b><u>Reconciliation of Operating Income (Loss)</u></b>			
<b><u>to Net Cash Provided (Used) by Operating Activities</u></b>			
Operating Income (Loss)	\$ 4,392,618	\$ (3,153,351)	\$ (144,161)
Adjustments to reconcile operating income (loss) to net cash provided (used):			
Depreciation	3,316,744	-	-
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Accounts receivable	(983,399)	49,046	1,394
Inventory	90,852	-	-
Restricted accrued interest	(1,120)	-	-
Due from other funds	-	(250,000)	(1,684)
Grant receivables	(1,383,600)	-	-
<b>Increase (Decrease) in:</b>			
Accounts payable	(461,296)	115,158	(48,558)
Due to other funds	15,604	(129,842)	-
Compensated absences	(24,475)	-	-
Deferred outflows - pension contributions	(13,582)	-	-
Deferred outflows - OPEB contributions	(38)	-	-
Deferred inflows - OPEB assumption changes	4,864	-	-
Deferred outflows - pension investment experience	(600,402)	-	-
Deferred inflows - pension expected experience vs. actual	115,854	-	-
Net pension liability	575,558	-	-
OPEB liability	3,919	-	-
Customer deposits	21,777	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 5,069,878</u></b>	<b><u>\$ (3,368,989)</u></b>	<b><u>\$ (193,009)</u></b>

### **Schedule of Non-Cash Capital and Related Financing Activities**

Capital assets contributed by developer	\$ 354,542	\$ -	\$ -
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See Notes to Financial Statements.

**Internal Service  
Funds**  

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**Total**

---

\$ (3,297,512)

-

50,440

-

-

(251,684)

-

66,600

(129,842)

-

-

-

-

-

-

-

-

-

\$ (3,561,998)

\$ 354,542

**City of Rockwall, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**September 30, 2019**

			<u>Agency Fund Special Escrow</u>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$	2,132,347	
Investments		1,228,227	
Interest receivable		7,502	
<b>Total Assets</b>		<u>3,368,076</u>	
 <b><u>Liabilities</u></b>			
Due to developers		3,368,076	
<b>Total Liabilities</b>	\$	<u>3,368,076</u>	

See Notes to Financial Statements.

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) applicable to government units. The following is a summary of the more significant accounting policies.

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**B. Reporting Entity**

For financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### Discretely Presented Component Units

#### Rockwall Economic Development Corporation ("REDC")

The Rockwall Economic Development Corporation ("REDC") is governed by a seven-member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities. The funds of REDC are composed of governmental fund types. Stand-alone financial statements for REDC as of and for the fiscal year ended September 30, 2019 are not prepared.

#### Rockwall Technology Park Association ("RTPA")

The Rockwall Technology Park Association ("RTPA") provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2019, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discretely presented component unit of the City. RTPA, is effectively controlled by the City through REDC and thus provides a potential financial benefit or burden to the City. The funds of RTPA are composed of governmental fund types. Stand-alone financial statements RTPA as of and for the fiscal year ended September 30, 2019 are not prepared.

### C. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has two discretely presented component units which are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category;

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

### **General Fund**

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

### **Debt Service Fund**

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

### **G.O. Bonds Capital Projects Fund**

The G.O. Bonds Capital Projects Fund accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The City reports the following major proprietary fund:

### **Water and Sewer Fund**

The Water and Sewer Fund operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

### **Internal Service Funds**

The Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### Special Revenue Funds

The Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects.)

### Fiduciary Funds

The Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

### D. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, pension and other postemployment benefit trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

**City of Rockwall, Texas**  
*NOTES TO THE FINANCIAL STATEMENTS, Continued*  
September 30, 2019

**E. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity or Net Position**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools
- SEC registered, no load money market mutual funds

**2. Fair Value**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

#### **4. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

#### **5. Restricted Assets**

Certain proceeds of enterprise fund certificates of obligation are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

#### **6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, and capital items received in a service concession arrangement are reported at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	20 to 30 years
Building Improvements	20 to 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 to 10 years

### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows / inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has three items that qualify for reporting in this category. One example is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines and forfeitures and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

### 8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

Net Pension Liability is valued using an actuarial model and represents the difference between the plan fiduciary net position and the net pension liability consistent with GASB statement no. 68. The portion of this liability presented as a current liability is based on actuarially calculations for estimated future payments of benefits and refunds over the twelve months following yearend.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

### **9. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### **10. Other Postemployment Benefits (“OPEB”)**

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

### **11. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### **12. Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### 13. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### 14. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## F. Revenues and Expenditures/Expenses

### 1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### 2. 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. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

### 3. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

### 4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund, is charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles. The City did not adopt budgets for the following special revenue funds: Emergency Siren, Art in Public Places, and Vehicle Acquisition funds. Budgeted amounts are as originally adopted or as amended by the City Council. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council, therefore, the fund level is the legal level of control. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

#### A. Restricted Net Position

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

provisions or enabling legislation. Total restricted fund balance for governmental funds was \$6,397,622, of which, \$820,050 is restricted by enabling legislation.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. In addition, irrevocable letters of credit at 100% of the principal amounts of the deposits may be used to collateralize deposits. The City's deposits, as well as those of the City's component units, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2019.

As of September 30, 2019, the primary government had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
US Treasury bills	\$ 7,266,071	2.03
External investment pools	20,879,350	0.09
Total value	<u>\$ 28,145,421</u>	
Portfolio weighted average maturity		0.59

As of September 30, 2019, the Rockwall Economic Development Corporation had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposits	\$ 300,000	0.38
External investment pools	8,023,246	0.09
Total value	<u>\$ 8,323,246</u>	
Portfolio weighted average maturity		0.09

*Interest rate risk:* In compliance with the City's Investment Policy, as of September 30, 2019, the City minimized the interest rate risk, related to current events market turmoil in the portfolio by: limiting the effective duration of security types not to exceed two years with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market mutual funds, or similar government investment pools.

*Credit risk:* The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

*Custodial credit risk – deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2019, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments:* For an investment, this 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. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

### **TexasTERM**

TexasTERM is an external investment pool operated by a private asset management corporation and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Investments Act provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The City participates in both investment options operated by TexasTERM – a daily investment pool (TexasDAILY) and a long-term investment pool (TexasTERM). At September 30, 2019, the fair value of the position in both the TexasTERM and the TexasDAILY approximate fair value of the shares. There were no limitations or restrictions on withdrawals.

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**B. Receivables**

The following comprise receivable balances of the primary government at year end:

	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Governmental</b>	<b>Water &amp; Sewer</b>	<b>Total</b>
Property taxes	\$ 284,246	\$ 232,251	\$ 241	\$ -	\$ 516,738
Sales tax	3,295,568	-	46,604	-	3,342,172
Franchise taxes	1,297,794	-	-	-	1,297,794
Municipal court	314,446	-	-	-	314,446
Assessments	-	-	115,017	-	115,017
Utility services	-	-	-	6,363,539	6,363,539
Accounts	70,340	-	872,263	-	942,603
Other	120,973	-	-	2,161,582	2,282,555
Allowance	(125,780)	-	-	(1,539,290)	(1,665,070)
<b>Total</b>	<b>\$ 5,257,587</b>	<b>\$ 232,251</b>	<b>\$ 1,034,125</b>	<b>\$ 6,985,831</b>	<b>\$ 13,509,794</b>

The following comprise receivable balances of the component units at year end:

	<b>Rockwall EDC</b>	<b>Technology Park</b>	<b>Total</b>
Sales taxes	\$ 1,114,057	\$ -	\$ 1,114,057
Other	6,615	5,882	12,497
<b>Total</b>	<b>\$ 1,120,672</b>	<b>\$ 5,882</b>	<b>\$ 1,126,554</b>

Governmental funds report unearned revenue and deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**City of Rockwall, Texas**  
*NOTES TO THE FINANCIAL STATEMENTS, Continued*  
**September 30, 2019**

At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental fund were as follows:

	<u>Unavailable</u>	<u>Total</u>
Delinquent property taxes receivable (general fund)	\$ 262,926	\$ 262,926
Delinquent property taxes receivable (debt service fund)	213,750	213,750
Delinquent property taxes receivable (nonmajor fund)	144,220	144,220
Delinquent fines and forfeitures receivable (general fund)	128,294	128,294
Deferred franchise taxes revenue receivable (general fund)	588,750	588,750
Deferred grant revenue receivable (nonmajor fund)	393,244	393,244
Deferred assessments receivable (nonmajor fund)	115,017	115,017
<b>Total</b>	<u>\$ 1,846,201</u>	<u>\$ 1,846,201</u>

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**C. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 17,756,083	\$ -	\$ -	\$ 17,756,083
Construction in progress	5,470,388	5,719,716	(5,303,696)	5,886,408
Total capital assets not being depreciated	<u>23,226,471</u>	<u>5,719,716</u>	<u>(5,303,696)</u>	<u>23,642,491</u>
Capital assets, being depreciated:				
Buildings	20,378,693	295,184	129,729	20,803,606
Improvements other than buildings	33,413,398	642,676	(15,252)	34,040,822
Machinery and equipment	17,975,366	1,251,014	(908,811)	18,317,569
Infrastructure	243,969,784	578,686	5,173,968	249,722,438
Total capital assets being depreciated	<u>315,737,241</u>	<u>2,767,560</u>	<u>4,379,634</u>	<u>322,884,435</u>
Less accumulated depreciation				
Buildings	(8,299,987)	(646,077)	-	(8,946,064)
Improvements other than buildings	(16,431,310)	(1,729,270)	5,338	(18,155,242)
Machinery and equipment	(12,082,418)	(1,527,570)	895,674	(12,714,314)
Infrastructure	(101,889,305)	(7,959,826)	-	(109,849,131)
Total accumulated depreciation	<u>(138,703,020)</u>	<u>(11,862,743)</u>	<u>901,012</u>	<u>(149,664,751)</u>
Net capital assets being depreciated	177,034,221	(9,095,183)	5,280,646	173,219,684
<b>Total Capital Assets</b>	<u>\$ 200,260,692</u>	<u>\$ (3,375,467)</u>	<u>\$ (23,050)</u>	<u>\$ 196,862,175</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 791,021
Public safety	1,325,428
Public works	8,273,245
Recreation and leisure	1,473,049
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 11,862,743</u>

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 534,078	\$ -	\$ -	\$ 534,078
Construction in progress	4,952,221	2,644,081	(1,636,486)	5,959,816
Total capital assets not being depreciated	<u>5,486,299</u>	<u>2,644,081</u>	<u>(1,636,486)</u>	<u>6,493,894</u>
Capital assets, being depreciated:				
Buildings	198,109	-	-	198,109
Improvements other than buildings	133,230,372	551,548	1,152,330	134,934,250
Sewer treatment plants and pump station	12,516,072	281,456	(12,123)	12,785,405
Machinery and equipment	7,933,502	-	-	7,933,502
Total capital assets being depreciated	<u>153,878,055</u>	<u>833,004</u>	<u>1,140,207</u>	<u>155,851,266</u>
Less accumulated depreciation				
Buildings	(146,479)	-	-	(146,479)
Improvements other than buildings	(32,767,789)	(2,686,488)	484,156	(34,970,121)
Sewer treatment plants and pump station	(6,655,655)	(381,410)	12,123	(7,024,942)
Machinery and equipment	(4,953,440)	(248,846)	-	(5,202,286)
Total accumulated depreciation	<u>(44,523,363)</u>	<u>(3,316,744)</u>	<u>496,279</u>	<u>(47,343,828)</u>
Net capital assets being depreciated	109,354,692	(2,483,740)	1,636,486	108,507,438
<b>Total Capital Assets</b>	<u>\$ 114,840,991</u>	<u>\$ 160,341</u>	<u>\$ -</u>	<u>\$ 115,001,332</u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 3,316,744
<b>Total Business-type Activities Depreciation Expense</b>	<u>\$ 3,316,744</u>

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

A summary of changes in component unit (Rockwall EDC) capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Furniture and fixtures	\$ 54,767	\$ -	\$ -	\$ 54,767
Total capital assets being depreciated	<u>54,767</u>	<u>-</u>	<u>-</u>	<u>54,767</u>
Less accumulated depreciation				
Furniture and fixtures	(36,608)	(3,743)	-	(40,351)
Total accumulated depreciation	<u>(36,608)</u>	<u>(3,743)</u>	<u>-</u>	<u>(40,351)</u>
Net capital assets being depreciated	<u>18,159</u>	<u>(3,743)</u>	<u>-</u>	<u>14,416</u>
<b>Total Capital Assets</b>	<u>\$ 18,159</u>	<u>\$ (3,743)</u>	<u>\$ -</u>	<u>\$ 14,416</u>

Depreciation was charged to the following activities as follows:

Rockwall EDC	\$ 3,743
<b>Total Depreciation Expense</b>	<u>\$ 3,743</u>

Rockwall EDC maintains land held for sale and utilizes it for various economic development and incentive agreements. The land is classified as land held for sale on the Statement of Net Position. During the year, Rockwall EDC acquired \$107,648 worth of land assets and sold land assets with a book value of \$155,622. The land assets were sold for \$154,040, resulting in a minimal loss of \$1,582. The total cost of land held for sale amounted to \$12,353,261 as of September 30, 2019.

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**D. Long-term Debt**

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2019.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retired</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 79,880,000	\$ -	\$ (6,380,000)	\$ 73,500,000	\$ 6,120,000
Certificate of Obligation Bonds	7,020,000	-	(715,000)	6,305,000	570,000
Less deferred amounts:					
For discounts	(169,576)	-	13,941	(155,635)	-
For premiums	1,655,144	-	(126,099)	1,529,045	-
<b>Total Governmental Activities</b>	<b>\$ 88,385,568</b>	<b>\$ -</b>	<b>\$ (7,207,158)</b>	<b>\$ 81,178,410</b>	<b>\$ 6,690,000</b>
			<b>Long-term liabilities due in more than one year</b>	<b>\$ 74,488,410</b>	
<b>Business-Type Activities:</b>					
General Obligation Refunding Bonds	\$ 18,705,000	\$ -	\$ (2,005,000)	\$ 16,700,000	\$ 1,980,000
Certificate of Obligation Bonds	7,565,000	-	(570,000)	6,995,000	600,000
Less deferred amounts:					
For discounts	(20,378)	-	1,332	(19,046)	-
For premiums	2,333,132	-	(299,655)	2,033,477	-
Total Bonds Payable	28,582,754	-	(2,873,323)	25,709,431	2,580,000
Capital leases	3,881,713	-	(373,339)	3,508,374	395,006
<b>Total Business-Type Activities</b>	<b>\$ 32,464,467</b>	<b>\$ -</b>	<b>\$ (3,246,662)</b>	<b>\$ 29,217,805</b>	<b>\$ 2,975,006</b>
			<b>Long-term liabilities due in more than one year</b>	<b>\$ 26,242,799</b>	
<b>Component Unit Activities (Rockwall EDC):</b>					
Bonds payable	\$ 19,705,000	\$ -	\$ (1,730,000)	\$ 17,975,000	\$ 1,410,000
Less deferred amounts:					
For discounts	(61,697)	-	6,466	(55,231)	-
For premiums	177,706	-	(16,581)	161,125	-
<b>Total Component Unit Activities</b>	<b>\$ 19,821,009</b>	<b>\$ -</b>	<b>\$ (1,740,115)</b>	<b>\$ 18,080,894</b>	<b>\$ 1,410,000</b>
			<b>Long-term liabilities due in more than one year</b>	<b>\$ 16,670,894</b>	

# City of Rockwall, Texas

## *NOTES TO THE FINANCIAL STATEMENTS, Continued*

September 30, 2019

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund.

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

Long-term debt at year end was comprised of the following debt issues:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>General Obligation Bonds:</b>			
\$9,065,000 General Obligation Bond, Series 2009, due in installments through 2029, interest at 2% to 4.6%	\$ 2,765,000	\$ -	\$ 2,765,000
\$8,535,000 General Obligation Refunding & Improv. Bond, Series 2011, due in installments through 2031, interest at 2% to 5%	6,400,000	-	6,400,000
\$5,740,000 General Obligation Refunding & Improv. Bond, Series 2011, due in installments through 2031, interest at 2% to 5%	-	1,235,000	1,235,000
\$7,905,000 General Obligation Bond, Series 2013, due in installments through 2033, interest at 2% to 5%	6,110,000	-	6,110,000
\$9,820,000 General Obligation Refunding Bond, Series 2014, due in installments through 2025, interest at 2.16% to 3.65%	8,440,000	-	8,440,000
\$2,340,000 General Obligation Refunding Bonds, Series 2015, due in installments through 2026, interest at 1.79%	1,640,000	-	1,640,000
\$2,800,000 General Obligation Refunding Bonds, Series 2015, due in installments through 2025, interest at 1.79%	-	1,660,000	1,660,000
\$59,220,000 General Obligation Refunding Bonds, Series 2016, due in installments through 2037, interest at 2% to 5%	48,145,000	13,805,000	61,950,000
<b>Total General Obligation Bonds</b>	<u>\$ 73,500,000</u>	<u>\$ 16,700,000</u>	<u>\$ 90,200,000</u>
<b>Certificates of Obligation:</b>			
\$5,125,000 Certificates of Obligation, Series 2009, due in annual installments through 2029, interest at 2% to 4.6%	\$ 1,190,000	\$ -	\$ 1,190,000
\$4,675,000 Certificates of Obligation, Series 2011A, due in annual installments through 2031 interest at 2% to 4.25%	3,285,000	-	3,285,000
\$1,330,000 Certificates of Obligation, Series 2011B, due in annual installments through 2031 interest at 2% to 5.3%	1,045,000	-	1,045,000
\$2,625,000 Certificates of Obligation, Series 2013, due in annual installments through 2033 interest at 2% to 4.375%	785,000	-	785,000
\$3,480,000 Certificates of Obligation, Series 2013, due in annual installments through 2031 interest at 2% to 4.375%	-	2,680,000	2,680,000
\$5,570,000 General Obligation Refunding Bonds, Series 2016, due in installments through 2035, interest at 2% to 3%	-	4,315,000	4,315,000
<b>Total Certificates of Obligation</b>	<u>\$ 6,305,000</u>	<u>\$ 6,995,000</u>	<u>\$ 13,300,000</u>

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
Less deferred amounts:			
Discounts and premiums	\$ 1,373,410	\$ 2,014,431	\$ 3,387,841
Capital Leases Payable:			
\$2,013,434 Capital lease payable to BNY Mellon, due in annual installments through 2025, interest at 3.75% to 4.625%	-	803,374	803,374
\$2,145,000 Capital lease payable to BNY Mellon, due in annual installments of through 2026, interest at 4.5% to 4.75%	-	1,000,000	1,000,000
\$2,965,000 Capital lease payable to BNY Mellon, due in annual installments of through 2028, interest at 3.5% to 5.75%	-	1,705,000	1,705,000
Total Capital Leases Payable	-	3,508,374	3,508,374
<b>Total Long-term Debt</b>	\$ 81,178,410	\$ 29,217,805	\$ 110,396,215

	<b>Component Unit Activities</b>
<b>Tax and Revenue Certificates of Obligation:</b>	
\$7,610,000 Series 2013 Combination Tax & Rev. Certificates of Obligation due in installments through August 2033 at 2% to 4.375%	\$ 5,860,000
\$3,760,000 Series 2013 Sales Tax & Revenue Bonds due in installments through August 2033, interest at 1.648% to 5.815%	3,580,000
<b>Total Certificates of Obligation</b>	\$ 9,440,000

<b>General Obligation Refunding Bonds:</b>	
\$3,565,000 Series 2015 General Obligation Refunding Bonds due in installments through August 2026, interest at 1.79%	2,495,000
\$3,585,000 Series 2016 General Obligation Refunding Bonds due in installments through August 2028, interest at 2% to 5%	3,280,000
\$3,165,000 Series 2017 General Obligation Refunding Bonds due in installments through August 2028, interest at 3%	2,760,000
<b>Total General Obligation Refunding Bonds</b>	\$ 8,535,000

Less deferred amounts:	
Discounts and premiums	105,894
<b>Total Long-term Debt</b>	\$ 18,080,894

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

The annual requirements to amortize the City's long-term activities debt issues outstanding at year end were as follows:

Governmental Activities

Year ending September 30,	Certificates of Obligation		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 570,000	\$ 263,190	\$ 6,120,000	\$ 2,862,651	\$ 6,690,000	\$ 3,125,841
2021	590,000	242,565	5,615,000	2,611,939	6,205,000	2,854,504
2022	615,000	218,965	5,845,000	2,384,453	6,460,000	2,603,418
2023	640,000	194,365	6,080,000	2,143,294	6,720,000	2,337,659
2024	450,000	168,615	6,365,000	1,891,512	6,815,000	2,060,127
2025	470,000	149,870	6,640,000	1,626,487	7,110,000	1,776,357
2026	495,000	130,285	6,440,000	1,348,943	6,935,000	1,479,228
2027	515,000	109,390	4,945,000	1,051,088	5,460,000	1,160,478
2028	530,000	87,250	4,565,000	900,068	5,095,000	987,318
2029	555,000	64,290	3,965,000	749,205	4,520,000	813,495
2030	430,000	39,445	2,755,000	612,181	3,185,000	651,626
2031	445,000	20,067	2,865,000	516,069	3,310,000	536,136
2032	-	-	2,440,000	413,094	2,440,000	413,094
2033	-	-	2,565,000	294,469	2,565,000	294,469
2034	-	-	2,065,000	209,750	2,065,000	209,750
2035	-	-	2,140,000	147,800	2,140,000	147,800
2036	-	-	1,610,000	83,600	1,610,000	83,600
2037	-	-	480,000	19,200	480,000	19,200
	<u>\$ 6,305,000</u>	<u>\$ 1,688,297</u>	<u>\$ 73,500,000</u>	<u>\$ 19,865,800</u>	<u>\$ 79,805,000</u>	<u>\$ 21,554,097</u>

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

Business-type Activities

Year ending September 30,	Certificates of Obligation		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 600,000	\$ 236,206	\$ 1,980,000	\$ 697,289	\$ 2,580,000	\$ 933,495
2021	400,000	218,206	2,065,000	610,746	2,465,000	828,952
2022	420,000	204,706	2,165,000	520,102	2,585,000	724,808
2023	430,000	190,506	1,820,000	424,980	2,250,000	615,486
2024	440,000	178,606	1,900,000	342,968	2,340,000	521,574
2025	460,000	163,706	1,990,000	257,116	2,450,000	420,822
2026	405,000	148,106	1,785,000	166,925	2,190,000	315,031
2027	420,000	134,106	1,875,000	77,675	2,295,000	211,781
2028	435,000	119,606	1,120,000	30,800	1,555,000	150,406
2029	450,000	104,556	-	-	450,000	104,556
2030	465,000	88,431	-	-	465,000	88,431
2031	480,000	71,794	-	-	480,000	71,794
2032	500,000	54,300	-	-	500,000	54,300
2033	520,000	36,069	-	-	520,000	36,069
2034	280,000	17,100	-	-	280,000	17,100
2035	290,000	8,700	-	-	290,000	8,700
	<u>\$ 6,995,000</u>	<u>\$ 1,974,706</u>	<u>\$ 16,700,000</u>	<u>\$ 3,128,600</u>	<u>\$ 23,695,000</u>	<u>\$ 5,103,306</u>

Year ending September 30,	Capital Leases	
	Principal	Interest
2020	\$ 395,006	\$ 175,981
2021	413,340	157,306
2022	430,007	137,599
2023	451,674	116,705
2024	483,341	94,604
2025	505,008	70,832
2026	375,000	45,827
2027	220,000	26,163
2028	235,000	13,513
	<u>\$ 3,508,374</u>	<u>\$ 838,528</u>

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

The following is an analysis of equipment leased under a capital lease as of September 30, 2019:

	<u>Business-Type Activities</u>	
Machinery and equipment	\$	7,123,434
(Less) accumulated depreciation		<u>(4,502,165)</u>
<b>Total</b>	<b>\$</b>	<b><u>2,621,269</u></b>

The annual requirements to amortize the discretely presented component unit long-term activities debt issues outstanding at year end were as follows:

EDC

<u>Year ending September 30,</u>	<u>Certificates of Obligation</u>		<u>General Obligation Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 775,000	\$ 511,402	\$ 635,000	\$ 188,486	\$ 1,410,000	\$ 699,887
2021	800,000	486,594	660,000	167,489	1,460,000	654,083
2022	835,000	457,033	675,000	145,564	1,510,000	602,597
2023	870,000	425,653	700,000	123,049	1,570,000	548,702
2024	900,000	392,509	725,000	99,444	1,625,000	491,953
2025	935,000	356,831	750,000	74,750	1,685,000	431,581
2026	970,000	319,729	780,000	49,127	1,750,000	368,856
2027	1,010,000	281,203	420,000	22,325	1,430,000	303,528
2028	1,040,000	240,991	430,000	11,825	1,470,000	252,816
2029	735,000	199,505	-	-	735,000	199,505
2030	775,000	163,886	-	-	775,000	163,886
2031	810,000	126,253	-	-	810,000	126,253
2032	850,000	86,280	-	-	850,000	86,280
2033	895,000	44,268	-	-	895,000	44,268
	<u>\$ 12,200,000</u>	<u>\$ 4,092,139</u>	<u>\$ 5,775,000</u>	<u>\$ 882,058</u>	<u>\$ 17,975,000</u>	<u>\$ 4,974,197</u>

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### E. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year. In general, the City uses the general fund to liquidate governmental other long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 1,781,768	\$ 1,297,928	\$ (1,301,366)	\$ 1,778,330	\$ 1,333,748
<b>Total Governmental Activities</b>	<b>\$ 1,781,768</b>	<b>\$ 1,297,928</b>	<b>\$ (1,301,366)</b>	<b>\$ 1,778,330</b>	<b>\$ 1,333,748</b>
<b>Other Long-term Liabilities Due in More than One Year</b>				\$ 444,582	
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 144,820	\$ 144,923	\$ (169,398)	\$ 120,345	\$ 90,259
<b>Total Business-Type Activities</b>	<b>\$ 144,820</b>	<b>\$ 144,923</b>	<b>\$ (169,398)</b>	<b>\$ 120,345</b>	<b>\$ 90,259</b>
<b>Other Long-term Liabilities Due in More than One Year</b>				\$ 30,086	
<b>Component Unit Activities - Rockwall EDC:</b>					
Compensated Absences	\$ 13,422	\$ 11,788	\$ (11,202)	\$ 14,008	\$ 10,506
<b>Total Component Unit Activities</b>	<b>\$ 13,422</b>	<b>\$ 11,788</b>	<b>\$ (11,202)</b>	<b>\$ 14,008</b>	<b>\$ 10,506</b>
<b>Other Long-term Liabilities Due in More than One Year</b>				\$ 3,502	

### F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2008, 2011, 2015 and 2016 revenue refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding certificates of obligation. Current year balances for governmental activities totaled \$47,717. Current year amortization expense for governmental activities totaled \$8,109. Current year balances for business-type activities totaled \$1,222,984. Current year amortization expense for business-type activities totaled \$143,880.

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**G. Interfund Transactions**

The compositions of interfund due to/from balances as of the year ended September 30, 2019 were as follows:

<u>Receivable fund:</u>	<u>Payable fund:</u>				<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Internal Service Funds</u>	
General	\$ -	\$ 1,386	\$ 15,604	\$ 825	\$ 17,815
Nonmajor governmental	7,018	-	-	-	7,018
Internal service funds	500	-	-	251,184	251,684
<b>Total</b>	<b>\$ 7,518</b>	<b>\$ 1,386</b>	<b>\$ 15,604</b>	<b>\$ 252,009</b>	<b>\$ 276,517</b>

The compositions of primary government and component unit due to/from balances as of the year ended September 30, 2019 were as follows:

<u>Receivable fund:</u>	<u>Payable fund:</u>		<u>Total</u>
	<u>Rockwall EDC</u>	<u>Technology Park</u>	
General	\$ 19,639	\$ 6,971	\$ 26,610
<b>Total</b>	<b>\$ 19,639</b>	<b>\$ 6,971</b>	<b>\$ 26,610</b>

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

Transfers between the primary government during the 2019 year were as follows:

Transfer In:	Transfer Out					Total
	General	G/O Bonds	Nonmajor Governmental	Water & Sewer	Employee Benefits - ISF	
General	\$ -	\$ -	\$ 77,655	\$ -	\$ -	\$ 77,655
Nonmajor governmental	518,000	63,688	-	68,100	-	649,788
Employee Benefits - ISF	2,500,000	-	-	900,000	-	3,400,000
Workers' Compensation - ISF	180,000	-	-	55,000	250,000	485,000
<b>Total</b>	<b>\$ 3,198,000</b>	<b>\$ 63,688</b>	<b>\$ 77,655</b>	<b>\$ 1,023,100</b>	<b>\$ 250,000</b>	<b>\$ 4,612,443</b>

Transfers between funds were primarily to support debt service requirements and operation of funds.

### H. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related assets have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the debt issues as of September 30, 2019, is \$3,508,374. See Note IV.D. for the annual requirements to amortize the bonds as of September 30, 2019.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

## V. OTHER INFORMATION

### A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$100,000 per covered individual, or approximately \$2,698,472 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2019.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$100,000 per occurrence with a maximum City liability of \$300,000 per year.

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements.

Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Workers' Compensation	
	2019	2018	2019	2018
Claims payable, beg. of the year	\$ 357,782	\$ 395,627	\$ 93,948	\$ 76,389
Claims incurred	3,343,065	2,863,449	(102)	137,856
Payment on claims	(3,243,093)	(2,901,294)	(48,267)	(120,297)
<b>Total</b>	\$ 457,754	\$ 357,782	\$ 45,579	\$ 93,948

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### B. Contingent Liabilities

The City is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the City does not expect them to have a materially adverse effect on the basic financial statements.

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

### C. Pension Plans

#### Texas Municipal Retirement Systems

##### **Plan Description**

The City of Rockwall participates as one of 887 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](http://www.tmr.com).

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

##### **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.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

### Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	98
Active employees	273
<b>Total</b>	<b>479</b>

### 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 Rockwall were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Rockwall were 16.14% and 15.61% in calendar years 2018 and 2019, respectively. The City voluntarily elected to contribute 16.21% which is more than the required rates. The City's contributions to TMRS for the year ended September 30, 2019, totaled \$3,261,764, and were \$91,082 more than the required contributions.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

### Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, 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 Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

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.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

### **Discount Rate:**

The discount rate used to measure the Total Pension Liability was 6.75%. 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 Liability. Of the total pension liability, \$15,516,104 is related to the primary government and \$189,004 is attributable to discretely presented component units.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### Changes in the Net Pension Liability:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
<b>Balance at 12/31/2017</b>	\$ 88,546,874	\$ 78,747,534	\$ 9,799,340
Changes for the year:			
Service Cost	3,626,966	-	3,626,966
Interest	5,990,905	-	5,990,905
Difference between expected and actual experience	-	-	-
	(1,650,948)	-	(1,650,948)
Changes of assumptions	-	-	-
Contributions – employer	-	3,122,311	(3,122,311)
Contributions – employee	-	1,348,315	(1,348,315)
Net investment income	-	(2,361,502)	2,361,502
Benefit payments, including refunds of emp. contributions	(3,212,408)	(3,212,408)	-
Administrative expense	-	(45,589)	45,589
Other changes	-	(2,380)	2,380
Net changes	4,754,515	(1,151,253)	5,905,768
<b>Balance at 12/31/18</b>	<u>\$ 93,301,389</u>	<u>\$ 77,596,281</u>	<u>\$ 15,705,108</u>

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

#### Primary Government:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
<u>\$ 29,547,668</u>	<u>\$ 15,516,104</u>	<u>\$ 4,077,098</u>

#### Component Units:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
<u>\$ 359,924</u>	<u>\$ 189,004</u>	<u>\$ 49,664</u>

#### Total:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
<u>\$ 29,907,592</u>	<u>\$ 15,705,108</u>	<u>\$ 4,126,762</u>

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### 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](http://www.tmr.com).

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2019, the City recognized pension expense of \$4,056,161. Of this amount, \$4,007,347 is related to the primary government and \$48,814 is attributable to discretely presented component units.

At September 30, 2019, 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
<b>Primary Government:</b>			
Difference between projected and actual investment earnings	\$ -	\$	2,048,486
Pension investment experience	4,016,879		-
Contributions subsequent to the measurement date	2,325,179		-
<b>Component Units:</b>			
Difference between projected and actual investment earnings	-		24,953
Pension investment experience	48,930		-
Contributions subsequent to the measurement date	28,323		-
<b>Total</b>	\$ 6,419,311	\$	2,073,439

The primary government and component units reported \$2,325,179 and \$28,323, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020.

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2019	\$ 917,032
2020	112,692
2021	128,899
2022	1,181,927
2023	(287,230)
Thereafter	(60,950)
	\$ 1,992,370

### **Other Postemployment Benefits**

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

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

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

### **Employees covered by benefit terms**

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	27
Active employees	273
<b>Total</b>	<b>376</b>

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

The City's contributions to the TMRS SDBF for the years ended 2019 and 2018 were \$4,024 and \$4,100, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates  
(*RETIREE-only portion of the rate*)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2017	0.03%	0.03%	100.0%
2018	0.02%	0.02%	100.0%
2019	0.02%	0.02%	100.0%

### Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

### Actuarial assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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 Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease (2.71%)	Current Discount Rate Assumption 3.71%	1% Increase (4.71%)
\$ 664,348	\$ 544,200	\$ 451,968

**Changes in the Total OPEB Liability:**

	Total OPEB Liability
<b>Balance at 12/31/17</b>	\$ 548,790
Changes for the year:	
Service Cost	34,671
Interest	18,675
Difference between expected and actual experience	(9,879)
Changes of assumptions	(44,205)
Benefit payments	(3,852)
Net changes	(4,590)
<b>Balance at 12/31/18</b>	<b>\$ 544,200</b>

# City of Rockwall, Texas

## NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$52,611. Of this amount, \$51,978 is related to the primary government and \$633 is attributable to discretely presented component units.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Primary Government:</b>		
Assumption changes	\$ -	\$ 11,060
Contributions subsequent to the measurement date	2,870	-
<b>Component Units:</b>		
Assumption changes	-	135
Contributions subsequent to the measurement date	35	-
<b>Total</b>	\$ 2,905	\$ 11,195

The primary government and component units reported \$2,870 and \$35, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2019	\$ (735)
2020	(735)
2021	(735)
2022	(735)
2023	(735)
Thereafter	(7,520)
	\$ (11,195)

**City of Rockwall, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**D. Restatement**

The City restated its beginning net position within governmental activities, business-type activities, discrete component unit activities to properly reflect corrections of accounting errors relating to pension liability balances, compensated absences, bonds payable, deferred charges on debt, and property tax balances.

The restatement of beginning net position/fund balance is as follows:

	<u>Governmental Activities</u>	<u>General</u>	<u>G/O Bonds - Debt Service</u>
Prior year ending net position/fund balance, as reported	\$ 129,548,821	\$ 12,825,308	\$ 3,277,958
Correction to pension liability balances	(296,385)	-	-
Correction to bond payables	(72,042)	-	-
Correction to deferred charge on debt	(16,217)	-	-
Correction to property tax balances	(183,552)	59,470	6,449
Restated beginning net position/fund balance	<u>\$ 128,980,625</u>	<u>\$ 12,884,778</u>	<u>\$ 3,284,407</u>

	<u>Business-Type Activities</u>	<u>Water &amp; Sewer</u>
Prior year ending net position/fund balance, as reported	\$ 97,790,274	\$ 97,790,274
Correction to pension liability balances	(46,470)	(46,470)
Correction to deferred charges on debt	130,411	130,411
Restated beginning net position/fund balance	<u>\$ 97,874,215</u>	<u>\$ 97,874,215</u>

	<u>Rockwall EDC</u>
Prior year ending net position/fund balance, as reported	\$ 40,069
Correction to pension liability balances	90,705
Restated beginning net position/fund balance	<u>\$ 130,774</u>

**F. Subsequent Events**

On November 5, 2019, the City purchased two 2018 rescue pumper trucks totaling \$1,241,700.

On January 7, 2020, the REDC issued sales tax revenue refunding and improvement bonds totaling \$9,780,000 due in semi-annual installments through 2039, with interest rates from 3-3.15%

There were no additional subsequent events through October 12, 2020, the date the financial statements were issued.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property tax	\$ 12,415,000	\$ 12,415,000	\$ 12,356,485	\$ (58,515)
Sales tax	18,096,350	18,170,400	19,135,026	964,626
Franchise and local taxes	3,172,750	3,425,000	3,408,880	(16,120)
License and permits	1,384,500	1,437,500	1,553,938	116,438
Intergovernmental	1,070,900	1,140,900	1,126,176	(14,724)
Charges for services	631,000	808,000	1,027,896	219,896
Fines and forfeitures	900,000	744,000	695,536	(48,464)
Investment income	85,000	215,000	353,491	138,491
Contributions and donations	35,500	35,500	35,500	-
Other revenue	111,500	92,500	170,586	78,086
<b>Total Revenues</b>	<b>37,902,500</b>	<b>38,483,800</b>	<b>39,863,514</b>	<b>1,379,714</b>
<b>Expenditures</b>				
Current:				
Administration	4,957,850	5,047,350	4,856,025	191,325
Finance	835,450	838,950	701,499	137,451
Mayor/council	124,250	123,950	100,810	23,140
Police	12,104,250	12,150,900	11,620,540	530,360
Fire	4,976,200	5,148,150	4,885,836	262,314
Municipal court	450,100	425,600	395,972	29,628
Public works	5,591,600	5,579,500	5,370,529	208,971
Parks and recreation	4,973,200	5,113,150	4,830,650	282,500
Community development	2,503,950	2,425,450	2,170,931	254,519
<b>Total Expenditures</b>	<b>36,516,850</b>	<b>36,853,000</b>	<b>34,932,792</b>	<b>1,920,208</b>
<b>Revenues Over (Under) Expenditures</b>	<b>1,385,650</b>	<b>1,630,800</b>	<b>4,930,722</b>	<b>3,299,922</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	37,500	77,650	77,655	5
Transfers (out)	(3,188,000)	(3,198,000)	(3,198,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(3,150,500)</b>	<b>(3,120,350)</b>	<b>(3,120,345)</b>	<b>5</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,764,850)</b>	<b>\$ (1,489,550)</b>	<b>1,810,377</b>	<b>\$ 3,299,927</b>
Beginning fund balance			12,884,778	
<b>Ending Fund Balance</b>			<b>\$ 14,695,155</b>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

# City of Rockwall, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Years Ended December 31,

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
Total pension liability			
Service cost	\$ 3,626,966	\$ 3,622,782	\$ 3,383,642
Interest	5,990,905	5,577,249	5,158,244
Differences between expected and actual experience	(1,650,948)	(306,042)	(357,796)
Changes of assumptions	-	-	-
Benefit payments, including refunds of participant contributions	(3,212,408)	(2,323,270)	(1,869,095)
<b>Net change in total pension liability</b>	<u>4,754,515</u>	<u>6,570,719</u>	<u>6,314,995</u>
<b>Total pension liability - beginning</b>	<u>88,546,874</u>	<u>81,976,155</u>	<u>75,661,160</u>
<b>Total pension liability - ending (a)</b>	<u>93,301,389</u>	<u>88,546,874</u>	<u>81,976,155</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 3,122,311	\$ 3,102,508	\$ 2,897,712
Contributions - members	1,348,315	1,338,937	1,250,554
Net investment income	(2,361,502)	9,340,684	4,123,871
Benefit payments, including refunds of participant contributions	(3,212,408)	(2,323,270)	(1,869,095)
Administrative expenses	(45,589)	(48,368)	(46,547)
Other	(2,380)	(2,451)	(2,508)
<b>Net change in plan fiduciary net position</b>	<u>(1,151,253)</u>	<u>11,408,040</u>	<u>6,353,987</u>
<b>Plan fiduciary net position - beginning</b>	<u>78,747,534</u>	<u>67,339,494</u>	<u>60,985,507</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 77,596,281</u>	<u>\$ 78,747,534</u>	<u>\$ 67,339,494</u>
<b>Fund's net pension liability - ending (a) - (b)</b>	<u>\$ 15,705,108</u>	<u>\$ 9,799,340</u>	<u>\$ 14,636,661</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	83%	89%	82%
<b>Covered payroll</b>	\$ 19,261,637	\$ 19,127,677	\$ 17,865,058
<b>Fund's pension liability as a percentage of covered payroll</b>	82%	51%	82%

**Notes to schedule:**

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<u>12/31/2015</u>	<u>12/31/2014</u>	<sup>1</sup>
\$ 3,357,626	\$ 2,947,094	
4,940,548	4,544,927	
(458,262)	(114,323)	
(108,126)	-	
<u>(1,942,137)</u>	<u>(1,920,326)</u>	
<u>5,789,649</u>	<u>5,457,372</u>	
<u>69,871,511</u>	<u>64,414,139</u>	
<u>75,661,160</u>	<u>69,871,511</u>	
\$ 2,950,480	\$ 2,761,413	
1,255,523	1,202,324	
86,617	3,067,672	
(1,942,137)	(1,920,326)	
(52,749)	(32,021)	
(2,605)	(2,633)	
<u>2,295,129</u>	<u>5,076,429</u>	
<u>58,690,378</u>	<u>53,613,949</u>	
<u>\$ 60,985,507</u>	<u>\$ 58,690,378</u>	
<u>\$ 14,675,653</u>	<u>\$ 11,181,133</u>	

	81%		84%
\$ 17,936,037		\$ 16,626,112	
	82%		67%

# City of Rockwall, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2019	9/30/2018	9/30/2017
Actuarially determined employer contributions	\$ 3,261,764	\$ 3,158,177	\$ 2,897,712
Contributions in relation to the actuarially determined contribution	\$ 3,170,682	\$ 3,158,177	\$ 2,897,712
Contribution deficiency (excess)	\$ 91,082	\$ -	\$ -
Annual covered payroll	\$ 20,121,925	\$ 19,304,266	\$ 17,865,058
Employer contributions as a percentage of covered payroll	15.76%	16.36%	16.22%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**Valuation Date:**

Notes 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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
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:**

Notes There were no benefit changes during the year.

<u>9/30/2016</u>	<u>9/30/2015</u> <sup>1</sup>
\$ 2,950,480	\$ 2,761,413
<u>\$ 2,950,480</u>	<u>\$ 2,761,413</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 17,936,037	\$ 16,626,112
16.45%	16.61%

# City of Rockwall, Texas

## SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	12/31/2018	12/31/2017 <sup>1</sup>
Total OPEB liability		
Service cost	\$ 34,671	\$ 30,604
Interest	18,675	17,740
Differences between expected and actual experience	(9,879)	-
Changes of assumptions	(44,205)	48,353
Benefit payments	(3,852)	(3,826)
<b>Net changes</b>	<b>(4,590)</b>	<b>92,871</b>
<b>Total OPEB liability - beginning</b>	<b>\$ 548,790</b>	<b>\$ 455,919</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 544,200</b>	<b>\$ 548,790 <sup>2</sup></b>
<b>Covered payroll</b>	<b>\$ 19,261,637</b>	<b>\$ 19,127,677</b>
<b>Fund's net position as a percentage of covered payroll</b>	<b>2.83%</b>	<b>2.87%</b>

**Notes to schedule:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<sup>2</sup> No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

***COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES***

**City of Rockwall, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2019**

	<u>Debt Service - Harbor</u>	<u>Capital Projects</u>	<u>Technology Acquisition</u>	<u>Special Revenue Funds Cemetery</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 399,962	\$ 190,592	\$ 51,568	\$ 81,584
Investments	-	431,608	1,080,651	-
Accounts receivable	144,220	1,786	1,041	-
Taxes receivable, net	46,845	-	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 591,027</b>	<b>\$ 623,986</b>	<b>\$ 1,133,260</b>	<b>\$ 81,584</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Seizures payable	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	144,220	-	-	-
Unavailable revenue - grants	-	-	-	-
Unavailable revenue - assessments	-	-	-	-
<b>Deferred Inflows of Resources</b>	<b>144,220</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Committed for:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	81,584
Capital projects	-	623,986	-	-
Capital acquisitions	-	-	1,133,260	-
Restricted for:				
Debt service - Harbor	446,807	-	-	-
Public safety	-	-	-	-
Tourism	-	-	-	-
<b>Total Fund Balances</b>	<b>446,807</b>	<b>623,986</b>	<b>1,133,260</b>	<b>81,584</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 446,807</b>	<b>\$ 623,986</b>	<b>\$ 1,133,260</b>	<b>\$ 81,584</b>

See Notes to Financial Statements.

**Special Revenue Funds**

<u>Public Safety</u>	<u>Recreational Development</u>	<u>Radio System</u>	<u>Street Improvements</u>	<u>Hotel Occupancy Tax</u>	<u>Fire Equipment</u>
\$ 66,535	\$ 781,160	\$ -	\$ 474,615	\$ 182,882	\$ 180,533
-	-	-	-	-	-
-	428,657	-	-	260,323	-
-	-	-	115,017	-	-
6,399	-	-	-	-	-
<u>\$ 72,934</u>	<u>\$ 1,209,817</u>	<u>\$ -</u>	<u>\$ 589,632</u>	<u>\$ 443,205</u>	<u>\$ 180,533</u>
\$ 13,827	\$ 62,803	\$ -	\$ -	\$ 1,234	\$ 5,720
1,169	148	-	-	69	-
-	-	-	-	-	-
<u>14,996</u>	<u>62,951</u>	<u>-</u>	<u>-</u>	<u>1,303</u>	<u>5,720</u>
-	-	-	-	-	-
-	393,244	-	-	-	-
-	-	-	115,017	-	-
<u>-</u>	<u>393,244</u>	<u>-</u>	<u>115,017</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	174,813
-	-	-	474,615	-	-
-	753,622	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
57,938	-	-	-	-	-
-	-	-	-	441,902	-
<u>57,938</u>	<u>753,622</u>	<u>-</u>	<u>474,615</u>	<u>441,902</u>	<u>174,813</u>
<u>\$ 72,934</u>	<u>\$ 816,573</u>	<u>\$ -</u>	<u>\$ 474,615</u>	<u>\$ 443,205</u>	<u>\$ 180,533</u>

**City of Rockwall, Texas**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2019**

	Special Revenue Funds				
	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 50,239	\$ 107,161	\$ 24,342	\$ 13,220	\$ 134,233
Investments	-	-	-	-	-
Accounts receivable	26,230	-	-	10,000	6
Taxes receivable, net	-	-	-	-	-
Due from other funds	619	-	-	-	-
<b>Total Assets</b>	<b>\$ 77,088</b>	<b>\$ 107,161</b>	<b>\$ 24,342</b>	<b>\$ 23,220</b>	<b>\$ 134,239</b>
<b><u>Liabilities</u></b>					
Accounts payable	\$ 38,664	\$ -	\$ -	\$ -	\$ 2,438
Due to other funds	-	-	-	-	-
Seizures payable	-	-	-	-	-
<b>Total Liabilities</b>	<b>38,664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,438</b>
<b><u>Deferred Inflows of Resources</u></b>					
Unavailable revenue - property tax	-	-	-	-	-
Unavailable revenue - grants	-	-	-	-	-
Unavailable revenue - assessments	-	-	-	-	-
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>					
Committed for:					
General government	-	107,161	-	-	-
Public safety	-	-	24,342	23,220	-
Public works	-	-	-	-	-
Parks and recreation	38,424	-	-	-	131,801
Capital projects	-	-	-	-	-
Capital acquisitions	-	-	-	-	-
Restricted for:					
Debt service - Harbor	-	-	-	-	-
Public safety	-	-	-	-	-
Tourism	-	-	-	-	-
<b>Total Fund Balances</b>	<b>38,424</b>	<b>107,161</b>	<b>24,342</b>	<b>23,220</b>	<b>131,801</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 77,088</b>	<b>\$ 107,161</b>	<b>\$ 24,342</b>	<b>\$ 23,220</b>	<b>\$ 134,239</b>

See Notes to Financial Statements.

**Special Revenue Funds**

<u>Narcotics</u>	<u>Vehicle</u>	
<u>Unit</u>	<u>Acquisition</u>	<u>Total</u>
\$ 352,051	\$ 725,000	\$ 3,815,677
-	-	1,512,259
-	-	872,263
-	-	161,862
-	-	7,018
<u>\$ 352,051</u>	<u>\$ 725,000</u>	<u>\$ 6,369,079</u>
\$ -	\$ -	\$ 124,686
-	-	1,386
31,841	-	31,841
<u>31,841</u>	<u>-</u>	<u>157,913</u>
-	-	144,220
-	-	393,244
-	-	115,017
<u>-</u>	<u>-</u>	<u>652,481</u>
-	-	107,161
-	-	222,375
-	-	474,615
-	-	1,005,431
-	-	623,986
-	725,000	1,858,260
-	-	446,807
320,210	-	378,148
-	-	441,902
<u>320,210</u>	<u>725,000</u>	<u>5,558,685</u>
<u>\$ 352,051</u>	<u>\$ 725,000</u>	<u>\$ 5,716,598</u>

# City of Rockwall, Texas

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	<u>Debt Service - Harbor</u>	<u>Capital Projects</u>	<u>Technology Acquisition</u>	<u>Special Revenue Funds Cemetery</u>
<b>Revenues</b>				
Property taxes	\$ 377,235	\$ -	\$ -	\$ -
Sales taxes	362,462	-	-	-
Hotel occupancy taxes	-	-	-	-
Fines and fees	-	-	-	-
Other revenue	-	-	454,330	5,725
Charges for services	-	-	-	-
Intergovernmental revenue	-	-	-	-
Contributions and donations	-	-	-	-
Investment income	-	12,743	17,357	1,491
<b>Total Revenues</b>	<u>739,697</u>	<u>12,743</u>	<u>471,687</u>	<u>7,216</u>
<b>Expenditures</b>				
Administration	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Cultural and recreation	-	-	-	3,092
Debt service:				
Principal	860,000	-	-	-
Interest	287,166	-	-	-
Capital outlay	-	-	560,487	-
<b>Total Expenditures</b>	<u>1,147,166</u>	<u>-</u>	<u>560,487</u>	<u>3,092</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(407,469)</u>	<u>12,743</u>	<u>(88,800)</u>	<u>4,124</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	203,100	-
Transfers (out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>203,100</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(407,469)	12,743	114,300	4,124
Beginning fund balances	854,276	611,243	1,018,960	77,460
<b>Ending Fund Balances</b>	<u>\$ 446,807</u>	<u>\$ 623,986</u>	<u>\$ 1,133,260</u>	<u>\$ 81,584</u>

See Notes to Financial Statements.

**Special Revenue Funds**

<u>Public Safety</u>	<u>Recreational Development</u>	<u>Radio System</u>	<u>Street Improvements</u>	<u>Hotel Occupancy Tax</u>	<u>Fire Equipment</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	860,995	-
40,668	-	-	-	-	58,250
-	8,500	-	56,104	-	-
-	737,832	-	-	-	-
31,767	-	-	-	-	-
12,217	401,354	-	-	-	-
2,183	10,878	-	7,477	-	4,405
<u>86,835</u>	<u>1,158,564</u>	<u>-</u>	<u>63,581</u>	<u>860,995</u>	<u>62,655</u>
-	-	-	-	428,840	-
172,681	-	-	-	-	-
-	-	-	-	-	5,614
-	434,163	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	175,797	-	-	-	104,148
<u>172,681</u>	<u>609,960</u>	<u>-</u>	<u>-</u>	<u>428,840</u>	<u>109,762</u>
<u>(85,846)</u>	<u>548,604</u>	<u>-</u>	<u>63,581</u>	<u>432,155</u>	<u>(47,107)</u>
73,000	-	-	-	-	-
<u>(37,500)</u>	<u>-</u>	<u>(40,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>
35,500	-	(40,155)	-	-	-
<u>(50,346)</u>	<u>548,604</u>	<u>(40,155)</u>	<u>63,581</u>	<u>432,155</u>	<u>(47,107)</u>
108,284	205,018	40,155	411,034	9,747	221,920
<u>\$ 57,938</u>	<u>\$ 753,622</u>	<u>\$ -</u>	<u>\$ 474,615</u>	<u>\$ 441,902</u>	<u>\$ 174,813</u>

# City of Rockwall, Texas

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)

### NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	Special Revenue Funds				
	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Hotel occupancy taxes	-	-	-	-	-
Fines and fees	-	-	-	-	-
Other revenue	32,939	-	-	-	-
Charges for services	-	-	4,305	-	-
Intergovernmental revenue	47,483	-	-	-	-
Contributions and donations	-	-	-	10,000	435
Investment income	181	2,344	-	-	1,510
<b>Total Revenues</b>	80,603	2,344	4,305	10,000	1,945
<b>Expenditures</b>					
Administration	92,644	3,840	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Cultural and recreation	-	-	-	1,776	10,944
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	92,644	3,840	-	1,776	10,944
<b>Revenues Over (Under)</b>					
<b>Expenditures</b>	(12,041)	(1,496)	4,305	8,224	(8,999)
<b>Other Financing Sources (Uses)</b>					
Transfers in	10,000	-	-	-	63,688
Transfers (out)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	10,000	-	-	-	63,688
<b>Net Change in Fund Balances</b>	(2,041)	(1,496)	4,305	8,224	54,689
Beginning fund balances	40,465	108,657	20,037	14,996	77,112
<b>Ending Fund Balances</b>	\$ 38,424	\$ 107,161	\$ 24,342	\$ 23,220	\$ 131,801

See Notes to Financial Statements.

<b>Special Revenue Funds</b>		
<b>Narcotics</b>	<b>Vehicle</b>	
<b>Unit</b>	<b>Acquisition</b>	<b>Total</b>
\$ -	\$ -	\$ 377,235
-	-	362,462
-	-	860,995
-	-	98,918
123,682	-	681,280
-	-	742,137
-	-	79,250
-	-	424,006
-	-	60,569
<u>123,682</u>	<u>-</u>	<u>3,686,852</u>
-	-	525,324
22,654	-	195,335
-	-	5,614
-	-	449,975
-	-	860,000
-	-	287,166
52,871	-	893,303
<u>75,525</u>	<u>-</u>	<u>3,216,717</u>
<u>48,157</u>	<u>-</u>	<u>470,135</u>
-	300,000	649,788
-	-	(77,655)
-	300,000	572,133
48,157	300,000	1,042,268
272,053	425,000	4,516,417
<u>\$ 320,210</u>	<u>\$ 725,000</u>	<u>\$ 5,558,685</u>

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**G/O BONDS DEBT SERVICE**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Property tax	\$ 9,984,200	\$ 9,984,200	\$ 9,943,010	\$ (41,190)
Charges for services	350,000	600,000	635,812	35,812
Investment income	33,000	133,000	161,915	28,915
<b>Total Revenues</b>	<u>10,367,200</u>	<u>10,717,200</u>	<u>10,740,737</u>	<u>23,537</u>
<b><u>Expenditures</u></b>				
Debt Service:				
Principal	6,775,500	6,775,000	6,235,000	540,000
Interest and fiscal charges	3,495,450	3,495,450	3,143,231	352,219
Administrative charges	20,000	20,000	10,250	9,750
<b>Total Expenditures</b>	<u>10,290,950</u>	<u>10,290,450</u>	<u>9,388,481</u>	<u>901,969</u>
<b>Revenues Over (Under)</b>	<u>76,250</u>	<u>426,750</u>	<u>1,352,256</u>	<u>925,506</u>
<b>Net Change in Fund Balances</b>	<u>\$ 76,250</u>	<u>\$ 426,750</u>	<u>1,352,256</u>	<u>\$ 925,506</u>
Beginning fund balances			<u>3,284,407</u>	
<b>Ending Fund Balances</b>			<u>\$ 4,636,663</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE - HARBOR**  
**For the Year Ended September 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Property taxes	\$ 370,200	\$ 377,600	\$ 377,235	\$ (365)
Sales taxes	331,000	331,000	362,462	31,462
Contributions and donations	16,050	16,050	-	(16,050)
<b>Total Revenues</b>	<b>717,250</b>	<b>724,650</b>	<b>739,697</b>	<b>15,047</b>
<b><u>Expenditures</u></b>				
Debt Service:				
Principal	860,000	860,000	860,000	-
Interest and fiscal charges	226,550	287,150	287,166	(16)
<b>Total Expenditures</b>	<b>1,086,550</b>	<b>1,147,150</b>	<b>1,147,166</b>	<b>(16)</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(369,300)</b>	<b>(422,500)</b>	<b>(407,469)</b>	<b>15,031</b>
<b>Net Change in Fund Balances</b>	<b>\$ (369,300)</b>	<b>\$ (422,500)</b>	<b>(407,469)</b>	<b>\$ 15,031</b>
Beginning fund balances			854,276	
<b>Ending Fund Balances</b>			<b>\$ 446,807</b>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CEMETERY**  
**For the Year Ended September 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Other income	\$ 7,000	\$ 7,000	\$ 5,725	\$ (1,275)
Permits	1,500	1,500	-	(1,500)
Investment income	-	1,000	1,491	491
<b>Total Revenues</b>	<b>8,500</b>	<b>9,500</b>	<b>7,216</b>	<b>(2,284)</b>
<b><u>Expenditures</u></b>				
Cultural and recreation	10,000	10,000	3,092	6,908
<b>Total Expenditures</b>	<b>10,000</b>	<b>10,000</b>	<b>3,092</b>	<b>6,908</b>
<b>Revenues Over (Under)</b>	<b>(1,500)</b>	<b>(500)</b>	<b>4,124</b>	<b>4,624</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,500)</b>	<b>\$ (500)</b>	<b>4,124</b>	<b>\$ 4,624</b>
Beginning fund balances			77,460	
<b>Ending Fund Balances</b>			<b>\$ 81,584</b>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**PUBLIC SAFETY**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Fines and fees	\$ 57,000	\$ 43,000	\$ 40,668	\$ (2,332)
Intergovernmental revenue	31,250	31,750	31,767	17
Contributions and donations	2,000	8,900	12,217	3,317
Investment income	50	1,650	2,183	533
<b>Total Revenues</b>	<u>90,300</u>	<u>85,300</u>	<u>86,835</u>	<u>1,535</u>
<b><u>Expenditures</u></b>				
Police	158,750	182,100	172,681	9,419
<b>Total Expenditures</b>	<u>158,750</u>	<u>182,100</u>	<u>172,681</u>	<u>9,419</u>
<b>Revenues Over (Under)</b>	<u>(68,450)</u>	<u>(96,800)</u>	<u>(85,846)</u>	<u>10,954</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	73,000	73,000	73,000	-
Transfers (out)	(37,500)	(37,500)	(37,500)	-
<b>Total Other Financing Sources (Uses)</b>	<u>35,500</u>	<u>35,500</u>	<u>35,500</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>\$ (32,950)</u>	<u>\$ (61,300)</u>	<u>(50,346)</u>	<u>\$ 10,954</u>
Beginning fund balances			108,284	
<b>Ending Fund Balances</b>			<u>\$ 57,938</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**RECREATIONAL DEVELOPMENT**  
**For the Year Ended September 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Other revenue	\$ -	\$ 2,000	\$ 8,500	\$ 6,500
Charges for services	704,500	766,500	737,832	(28,668)
Contributions and donations	340,000	340,000	401,354	61,354
Investment income	-	9,000	10,878	1,878
<b>Total Revenues</b>	<b>1,044,500</b>	<b>1,117,500</b>	<b>1,158,564</b>	<b>41,064</b>
<b><u>Expenditures</u></b>				
Cultural and recreation	913,500	928,500	434,163	494,337
Capital outlay	173,000	173,000	175,797	(2,797)
<b>Total Expenditures</b>	<b>1,086,500</b>	<b>1,101,500</b>	<b>609,960</b>	<b>491,540</b>
<b>Revenues Over (Under)</b>	<b>(42,000)</b>	<b>16,000</b>	<b>548,604</b>	<b>532,604</b>
<b>Net Change in Fund Balances</b>	<b>\$ (42,000)</b>	<b>\$ 16,000</b>	<b>548,604</b>	<b>\$ 532,604</b>
Beginning fund balances			205,018	
<b>Ending Fund Balances</b>			<b>\$ 753,622</b>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**RADIO SYSTEM**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers (out)	-	(40,150)	(40,155)	(5)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(40,150)</u>	<u>(40,155)</u>	<u>(5)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ (40,150)</u>	<u>(40,155)</u>	<u>\$ (5)</u>
Beginning fund balances			40,155	
<b>Ending Fund Balances</b>			<u>\$ -</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**STREET IMPROVEMENTS**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Investment income	\$ -	\$ 5,600	\$ 7,477	\$ 1,877
Other revenue	-	40,700	56,104	15,404
<b>Total Revenues</b>	<u>-</u>	<u>46,300</u>	<u>63,581</u>	<u>17,281</u>
<b><u>Expenditures</u></b>				
Capital outlay	73,500	73,500	-	73,500
<b>Total Expenditures</b>	<u>73,500</u>	<u>73,500</u>	<u>-</u>	<u>73,500</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(73,500)</u>	<u>(27,200)</u>	<u>63,581</u>	<u>90,781</u>
<b>Net Change in Fund Balances</b>	<u>\$ (73,500)</u>	<u>\$ (27,200)</u>	<u>63,581</u>	<u>\$ 90,781</u>
Beginning fund balances			411,034	
<b>Ending Fund Balances</b>			<u>\$ 474,615</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOTEL OCCUPANCY TAX**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Hotel occupancy taxes	\$ 833,000	\$ 833,000	\$ 860,995	\$ 27,995
<b>Total Revenues</b>	<u>833,000</u>	<u>833,000</u>	<u>860,995</u>	<u>27,995</u>
<b><u>Expenditures</u></b>				
Administration	509,660	512,360	428,840	83,520
<b>Total Expenditures</b>	<u>509,660</u>	<u>512,360</u>	<u>428,840</u>	<u>83,520</u>
<b>Revenues Over (Under) Expenditures</b>	<u>323,340</u>	<u>320,640</u>	<u>432,155</u>	<u>111,515</u>
<b>Net Change in Fund Balances</b>	<u>\$ 323,340</u>	<u>\$ 320,640</u>	<u>432,155</u>	<u>\$ 111,515</u>
Beginning fund balances			9,747	
<b>Ending Fund Balances</b>			<u>\$ 441,902</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FIRE EQUIPMENT**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Fines and fees	\$ 58,250	\$ 58,250	\$ 58,250	\$ -
Investment income	-	4,000	4,405	405
<b>Total Revenues</b>	<u>58,250</u>	<u>62,250</u>	<u>62,655</u>	<u>405</u>
<b><u>Expenditures</u></b>				
Fire	16,000	16,000	5,614	10,386
Capital outlay	121,400	121,400	104,148	17,252
<b>Total Expenditures</b>	<u>137,400</u>	<u>137,400</u>	<u>109,762</u>	<u>27,638</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(79,150)</u>	<u>(75,150)</u>	<u>(47,107)</u>	<u>28,043</u>
<b>Net Change in Fund Balances</b>	<u>\$ (79,150)</u>	<u>\$ (75,150)</u>	<u>(47,107)</u>	<u>\$ 28,043</u>
Beginning fund balances			<u>221,920</u>	
<b>Ending Fund Balances</b>			<u>\$ 174,813</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**AVIATION**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Other revenue	\$ 40,000	\$ 37,000	\$ 32,939	\$ (4,061)
Intergovernmental revenue	45,300	40,300	47,483	7,183
Investment income	-	-	181	181
<b>Total Revenues</b>	<u>85,300</u>	<u>77,300</u>	<u>80,603</u>	<u>3,303</u>
<b><u>Expenditures</u></b>				
Administration	105,500	116,300	92,644	23,656
<b>Total Expenditures</b>	<u>105,500</u>	<u>116,300</u>	<u>92,644</u>	<u>23,656</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(20,200)</u>	<u>(39,000)</u>	<u>(12,041)</u>	<u>26,959</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	10,000	10,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>\$ (20,200)</u>	<u>\$ (29,000)</u>	<u>(2,041)</u>	<u>\$ 26,959</u>
Beginning fund balances			<u>40,465</u>	
<b>Ending Fund Balances</b>			<u>\$ 38,424</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**RECYCLING**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Investment income	\$	\$ 1,500	\$ 2,344	\$ 844
<b>Total Revenues</b>	<u>-</u>	<u>1,500</u>	<u>2,344</u>	<u>844</u>
<b><u>Expenditures</u></b>				
Administration	5,000	5,000	3,840	1,160
<b>Total Expenditures</b>	<u>5,000</u>	<u>5,000</u>	<u>3,840</u>	<u>1,160</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(5,000)</u>	<u>(3,500)</u>	<u>(1,496)</u>	<u>2,004</u>
<b>Net Change in Fund Balances</b>	<u>\$ (5,000)</u>	<u>\$ (3,500)</u>	<u>(1,496)</u>	<u>\$ 2,004</u>
Beginning fund balances			108,657	
<b>Ending Fund Balances</b>			<u>\$ 107,161</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DOWNTOWN IMPROVEMENT**  
**For the Year Ended September 30, 2019**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Revenues</u></b>			
Contributions and donations	\$ 10,000	\$ 10,000	\$ -
<b>Total Revenues</b>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
<b><u>Expenditures</u></b>			
Cultural and recreation	10,000	1,776	8,224
Administration	2,500	-	2,500
<b>Total Expenditures</b>	<u>12,500</u>	<u>1,776</u>	<u>10,724</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(2,500)</u>	<u>8,224</u>	<u>10,724</u>
<b>Net Change in Fund Balances</b>	<u>\$ (2,500)</u>	<u>8,224</u>	<u>\$ 10,724</u>
Beginning fund balances		14,996	
<b>Ending Fund Balances</b>		<u>\$ 23,220</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**NARCOTICS UNIT**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Other revenue	\$ -	\$ 75,100	\$ 123,682	\$ 48,582
<b>Total Revenues</b>	<u>-</u>	<u>75,100</u>	<u>123,682</u>	<u>48,582</u>
<b><u>Expenditures</u></b>				
Police	45,000	23,150	22,654	496
Capital outlay	27,000	55,000	52,871	2,129
<b>Total Expenditures</b>	<u>72,000</u>	<u>78,150</u>	<u>75,525</u>	<u>2,625</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(72,000)</u>	<u>(3,050)</u>	<u>48,157</u>	<u>51,207</u>
<b>Net Change in Fund Balances</b>	<u>\$ (72,000)</u>	<u>\$ (3,050)</u>	<u>48,157</u>	<u>\$ 51,207</u>
Beginning fund balances			<u>272,053</u>	
<b>Ending Fund Balances</b>			<u>\$ 320,210</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Rockwall, Texas**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUND**  
**SPECIAL ESCROW FUND**  
**For the Year Ended September 30, 2019**

	<u>Balance</u> <u>October 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30, 2019</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 2,351,163	\$ -	\$ (218,816)	\$ 2,132,347
Investments	5,497	1,222,730	-	1,228,227
Interest receivable	-	7,502	-	7,502
<b>Total Assets</b>	<u>2,356,660</u>	<u>1,230,232</u>	<u>(218,816)</u>	<u>3,368,076</u>
<b><u>Liabilities</u></b>				
Due to developers	2,356,660	1,011,416	-	3,368,076
<b>Total Liabilities</b>	<u>\$ 2,356,660</u>	<u>\$ 1,011,416</u>	<u>\$ -</u>	<u>\$ 3,368,076</u>

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## STATISTICAL SECTION

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

<b>Contents</b>	<b>Page</b>
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	122
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	134
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	148
Demographic and Economic Information - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	159
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	162

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

# City of Rockwall, Texas

## NET POSITION BY COMPONENT

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 116,382,345	\$ 113,288,647	\$ 105,564,842	\$ 95,507,167
Restricted	5,903,520	11,813,320	15,629,382	14,270,758
Unrestricted	9,578,113	3,878,658	402,927	2,075,864
<b>Total governmental activities net position</b>	<u>\$ 131,863,978</u>	<u>\$ 128,980,625</u>	<u>\$ 121,597,151</u>	<u>\$ 111,853,789</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 86,724,419	\$ 84,819,687	\$ 73,291,095	\$ 66,473,007
Restricted	1,990,887	1,690,582	4,355,395	6,727,108
Unrestricted	12,083,408	11,363,946	7,689,144	3,886,649
<b>Total business-type activities net position</b>	<u>\$ 100,798,714</u>	<u>\$ 97,874,215</u>	<u>\$ 85,335,634</u>	<u>\$ 77,086,764</u>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 203,106,764	\$ 198,108,334	\$ 178,855,937	\$ 161,980,174
Restricted	7,894,407	13,503,902	19,984,777	20,997,866
Unrestricted	21,661,521	15,242,604	8,092,071	5,962,513
<b>Total primary government net position</b>	<u>\$ 232,662,692</u>	<u>\$ 226,854,840</u>	<u>\$ 206,932,785</u>	<u>\$ 188,940,553</u>

Source: City audited financial records

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 95,193,217	\$ 86,446,064	\$ 89,523,344	\$ 89,851,392	\$ 91,085,278	\$ 89,101,460
7,930,007	10,584,073	2,353,423	16,124,192	1,774,193	11,788,623
4,740,983	11,180,566	14,253,372	238,981	13,400,417	4,308,457
<u>\$ 107,864,207</u>	<u>\$ 108,210,703</u>	<u>\$ 106,130,139</u>	<u>\$ 106,214,565</u>	<u>\$ 106,259,888</u>	<u>\$ 105,198,540</u>
\$ 65,822,647	\$ 61,795,531	\$ 60,558,579	\$ 58,888,435	\$ 58,139,970	\$ 54,288,096
2,688,018	4,555,652	2,125,250	2,306,207	2,992,291	6,221,719
3,831,828	1,736,457	3,208,557	4,300,793	6,124,975	5,340,103
<u>\$ 72,342,493</u>	<u>\$ 68,087,640</u>	<u>\$ 65,892,386</u>	<u>\$ 65,495,435</u>	<u>\$ 67,257,236</u>	<u>\$ 65,849,918</u>
\$ 161,015,864	\$ 148,241,595	\$ 150,081,923	\$ 148,739,827	\$ 149,225,248	\$ 143,389,556
10,618,026	15,139,725	4,478,673	18,430,399	4,766,484	18,010,342
8,572,811	12,917,023	17,461,929	4,539,774	19,525,392	9,648,560
<u>\$ 180,206,701</u>	<u>\$ 176,298,343</u>	<u>\$ 172,022,525</u>	<u>\$ 171,710,000</u>	<u>\$ 173,517,124</u>	<u>\$ 171,048,458</u>

# City of Rockwall, Texas

## CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2019	2018	2017	2016
<b>Expenses</b>				
Governmental activities:				
Administration	\$ 9,414,533	\$ 10,366,228	\$ 11,433,740	\$ 7,993,510
Finance	711,708	1,686,266	1,350,581	1,345,039
Mayor/Council	100,810	127,123	130,560	107,998
Municipal Court	395,972	429,862	439,986	395,127
Police / Fire	18,040,820	16,819,647	15,931,984	15,268,593
Public Works	12,631,449	3,195,355	3,517,130	12,889,840
Community Development	2,060,063	1,965,366	1,973,607	1,778,965
Parks and Recreation	6,750,655	5,450,380	5,016,834	2,157,430
Interest on long-term debt	3,286,942	3,828,514	4,027,789	4,165,018
<b>Total governmental activities</b>	<u>53,392,952</u>	<u>43,868,741</u>	<u>41,901,084</u>	<u>44,253,356</u>
Business-type activities:				
Water and Sewer	28,489,630	25,332,638	21,541,809	19,608,273
<b>Total business-type activities expenses</b>	<u>28,489,630</u>	<u>25,332,638</u>	<u>21,541,809</u>	<u>19,608,273</u>
<b>Total primary government expenses</b>	<u>81,882,582</u>	<u>69,201,379</u>	<u>63,442,893</u>	<u>63,861,629</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services	\$ 4,785,850	\$ 7,017,274	\$ 7,522,068	\$ 6,591,258
Operating grants & contributions	1,272,678	411,439	1,942,620	196,662
Capital grants & contributions	792,240	44,793	-	-
<b>Total governmental activities program revenues</b>	<u>6,850,768</u>	<u>7,473,506</u>	<u>9,464,688</u>	<u>6,787,920</u>
Business-type activities:				
Charges for services	31,769,332	29,691,355	24,519,314	22,163,656
Capital grants & contributions	354,542	7,707,536	6,016,867	3,049,464
<b>Total business-type activities program revenues</b>	<u>32,123,874</u>	<u>37,398,891</u>	<u>30,536,181</u>	<u>25,213,120</u>
<b>Total primary government program revenues</b>	<u>38,974,642</u>	<u>44,872,397</u>	<u>40,000,869</u>	<u>32,001,040</u>

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 9,814,689	\$ 10,114,318	\$ 8,977,258	\$ 9,457,080	\$ 8,989,173	\$ 8,627,187
1,003,849	1,089,078	951,808	1,360,201	1,331,943	1,294,888
116,572	94,747	102,993	106,959	111,494	116,372
396,256	415,220	357,208	358,745	362,149	353,147
13,556,363	13,351,763	12,614,209	11,839,154	11,157,766	11,351,115
5,438,890	7,653,406	8,651,550	8,398,043	8,008,701	6,669,448
1,724,660	1,699,428	2,432,153	1,185,114	1,203,407	1,210,519
3,981,748	3,185,425	4,825,050	6,003,610	5,843,647	5,805,241
5,302,942	4,853,042	4,714,902	4,666,567	4,554,433	4,717,319
<u>39,819,292</u>	<u>40,857,382</u>	<u>42,215,122</u>	<u>41,549,568</u>	<u>39,757,127</u>	<u>38,380,829</u>
<u>17,278,731</u>	<u>17,071,406</u>	<u>16,723,552</u>	<u>15,549,248</u>	<u>14,715,610</u>	<u>13,916,192</u>
<u>17,278,731</u>	<u>17,071,406</u>	<u>16,723,552</u>	<u>15,549,248</u>	<u>14,715,610</u>	<u>13,916,192</u>
<u>57,098,023</u>	<u>57,928,788</u>	<u>58,938,674</u>	<u>57,098,816</u>	<u>54,472,737</u>	<u>52,297,021</u>
\$ 5,937,329	\$ 5,161,016	\$ 3,462,858	\$ 3,582,160	\$ 3,203,842	\$ 3,086,929
418,309	432,146	358,808	660,140	366,656	59,303
57,286	107,342	3,411,221	2,012,936	4,525,403	4,437,478
<u>6,412,924</u>	<u>5,700,504</u>	<u>7,232,887</u>	<u>6,255,236</u>	<u>8,095,901</u>	<u>7,583,710</u>
18,573,676	15,506,885	15,118,907	14,064,514	14,706,570	11,932,337
4,713,024	4,829,708	3,426,328	1,178,672	2,157,402	1,992,680
<u>23,286,700</u>	<u>20,336,593</u>	<u>18,545,235</u>	<u>15,243,186</u>	<u>16,863,972</u>	<u>13,925,017</u>
<u>29,699,624</u>	<u>26,037,097</u>	<u>25,778,122</u>	<u>21,498,422</u>	<u>24,959,873</u>	<u>21,508,727</u>

**City of Rockwall, Texas**  
**CHANGES IN NET POSITION (Continued)**  
**Last Ten Fiscal Years (Unaudited)**  
**(accrual basis of accounting)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net (Expense)/Revenue				
Governmental activities	(46,542,184)	(36,395,235)	(32,436,396)	(37,465,436)
Business-type activities	3,634,244	12,066,253	8,994,372	5,604,847
<b>Total primary government net expense</b>	<u>(42,907,940)</u>	<u>(24,328,982)</u>	<u>(23,442,024)</u>	<u>(31,860,589)</u>
<b>General Revenues and Transfers</b>				
Governmental activities:				
Property taxes	22,916,157	21,984,955	21,470,363	20,966,521
Sales taxes	19,497,488	17,949,999	17,132,733	16,331,411
Other	5,988,792	4,173,705	3,561,607	3,454,314
Transfers	1,023,100	(329,950)	986,650	949,250
<b>Total governmental activities</b>	<u>49,425,537</u>	<u>43,778,709</u>	<u>43,151,353</u>	<u>41,701,496</u>
Business-type activities:				
Other	313,355	142,378	151,304	88,673
Transfers	(1,023,100)	329,950	(986,650)	(949,250)
<b>Total business-type activities</b>	<u>(709,745)</u>	<u>472,328</u>	<u>(835,346)</u>	<u>(860,577)</u>
<b>Total primary government</b>	<u>48,715,792</u>	<u>44,251,037</u>	<u>42,316,007</u>	<u>40,840,919</u>
<b>Change in Net Position</b>				
Governmental activities	2,883,353	7,383,474	10,714,957	4,236,060
Business-type activities	2,924,499	12,538,581	8,159,026	4,744,270
<b>Total primary government</b>	<u>\$ 5,807,852</u>	<u>\$ 19,922,055</u>	<u>\$ 18,873,983</u>	<u>\$ 8,980,330</u>

Source: City audited financial records

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
(33,406,368)	(35,156,878)	(34,982,235)	(35,294,332)	(31,661,226)	(30,797,119)
6,007,969	3,265,187	1,821,683	(306,062)	2,148,362	8,825
<u>(27,398,399)</u>	<u>(31,891,691)</u>	<u>(33,160,552)</u>	<u>(35,600,394)</u>	<u>(29,512,864)</u>	<u>(30,788,294)</u>
20,432,488	18,438,330	17,870,887	17,321,016	17,204,239	16,735,510
15,171,326	14,341,277	14,045,093	12,720,023	11,526,555	10,833,397
4,312,446	3,365,885	3,310,417	3,613,020	3,011,917	3,285,081
936,500	1,091,950	1,217,550	1,594,950	979,863	1,511,785
<u>40,852,760</u>	<u>37,237,442</u>	<u>36,443,947</u>	<u>35,249,009</u>	<u>32,722,574</u>	<u>32,365,773</u>
11,798	22,017	180,858	139,212	238,819	203,622
(936,500)	(1,091,950)	(1,217,550)	(1,594,950)	(979,863)	(1,511,785)
<u>(924,702)</u>	<u>(1,069,933)</u>	<u>(1,036,692)</u>	<u>(1,455,738)</u>	<u>(741,044)</u>	<u>(1,308,163)</u>
<u>39,928,058</u>	<u>36,167,509</u>	<u>35,407,255</u>	<u>33,793,271</u>	<u>31,981,530</u>	<u>31,057,610</u>
7,446,392	2,080,564	1,461,712	(45,323)	1,061,348	1,568,654
5,083,267	2,195,254	784,991	(1,761,800)	1,407,318	(1,299,338)
<u>\$ 12,529,659</u>	<u>\$ 4,275,818</u>	<u>\$ 2,246,703</u>	<u>\$ (1,807,123)</u>	<u>\$ 2,468,666</u>	<u>\$ 269,316</u>

**City of Rockwall, Texas**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years (Unaudited)**  
**(accrual basis of accounting)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>General Fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Non-spendable	2,723	-	-	-
Committed	-	-	-	-
Unreserved	-	-	-	-
Unassigned	14,692,432	12,884,778	10,827,051	11,165,872
<b>Total general fund</b>	<u>\$ 14,695,155</u>	<u>\$ 12,884,778</u>	<u>\$ 10,827,051</u>	<u>\$ 11,165,872</u>
<b>All other governmental funds</b>				
Restricted	\$ 1,314,152	\$ 860,725	\$ 592,611	\$ (86,775)
Restricted for Debt Service	5,083,470	-	-	-
Committed	4,291,828	-	-	-
Committed for Debt Service	-	3,277,958	3,828,849	2,201,438
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Assigned	-	9,713,024	12,787,803	13,628,545
Unassigned	-	-	-	-
<b>Total all other governmental funds</b>	<u>\$ 10,689,450</u>	<u>\$ 13,851,707</u>	<u>\$ 17,209,263</u>	<u>\$ 15,743,208</u>

Source: City audited financial records

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	23,038	-	-
-	-	2,514	1,120	2,116	-
-	-	-	-	-	-
-	-	-	-	-	9,159,333
11,476,929	10,305,640	11,273,469	9,893,803	10,085,001	-
<u>\$ 11,476,929</u>	<u>\$ 10,305,640</u>	<u>\$ 11,275,983</u>	<u>\$ 9,917,961</u>	<u>\$ 10,087,117</u>	<u>\$ 9,159,333</u>
\$ 127,659	\$ (88,096)	328,435	1,511,561	1,641,992	-
-	-	-	-	-	-
-	-	2,973,086	2,722,094	2,608,081	-
936,770	460,648	772,045	-	-	930,290
-	-	-	-	-	2,320,833
-	-	-	-	-	10,319,501
8,859,209	12,396,173	15,535,782	14,549,510	16,652,507	-
-	-	-	-	-	-
<u>\$ 9,923,638</u>	<u>\$ 12,768,725</u>	<u>\$ 19,609,348</u>	<u>\$ 18,783,165</u>	<u>\$ 20,902,580</u>	<u>\$ 13,570,624</u>

**City of Rockwall, Texas**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years (Unaudited)**  
**(accrual basis of accounting)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>				
Ad valorem taxes, penalty and interest	\$ 22,676,730	\$ 21,889,749	\$ 21,364,031	\$ 20,946,082
Sales and hotel occupancy taxes	20,358,483	17,949,998	17,132,733	16,331,411
Franchise taxes	3,408,880	3,255,645	3,154,432	3,186,160
Charges for services	2,405,845	2,364,134	2,431,114	1,765,734
Permits	1,652,856	1,487,961	1,772,362	1,233,776
Municipal court	695,536	938,043	1,042,793	1,152,543
Intergovernmental	1,205,426	943,848	1,012,738	831,958
Interest income	703,092	401,167	141,210	105,047
Miscellaneous	851,866	611,405	538,312	315,876
Contributions and donations	459,506	424,128	1,780,277	90,812
<b>Total Revenues</b>	<u>54,418,220</u>	<u>50,266,078</u>	<u>50,370,002</u>	<u>45,959,399</u>
<b>Expenditures</b>				
Current:				
Mayor/council	100,810	127,123	130,560	107,998
Administration	4,590,328	4,772,422	4,859,771	4,348,317
Finance	701,499	1,178,791	1,183,815	1,017,359
Municipal court	395,972	429,862	439,986	389,914
Police	11,129,210	11,126,009	11,053,569	10,660,642
Fire	4,530,268	4,272,346	3,876,111	3,425,461
Public works	5,370,529	5,102,468	5,796,784	5,036,475
Community development	2,170,931	1,965,366	1,973,607	1,778,733
Parks and recreation	5,280,625	3,990,911	3,974,766	3,157,568
Total current	<u>34,270,172</u>	<u>32,965,298</u>	<u>33,288,969</u>	<u>29,922,467</u>
Capital outlay	<u>8,352,381</u>	<u>4,988,574</u>	<u>3,417,903</u>	<u>5,934,578</u>
Principal	\$ 7,095,000	\$ 6,040,000	\$ 6,040,000	\$ 6,560,000
Interest	3,430,397	3,665,504	3,868,544	3,945,758
Bond issuance costs	-	-	-	231,376
Fiscal charges	10,250	12,500	14,000	25,855
Total debt services	<u>10,535,647</u>	<u>9,718,004</u>	<u>9,922,544</u>	<u>10,762,989</u>
Total expenditures	<u>53,158,200</u>	<u>47,671,876</u>	<u>46,629,416</u>	<u>46,620,034</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,260,020</u>	<u>2,594,202</u>	<u>3,740,586</u>	<u>(660,635)</u>

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 20,441,533	\$ 18,416,548	\$ 17,890,435	\$ 17,338,798	\$ 17,329,982	\$ 16,560,766
15,171,325	14,341,278	14,045,093	12,720,023	11,526,555	10,833,397
3,927,501	3,016,446	2,748,707	2,879,585	2,604,569	2,728,251
1,802,529	1,346,695	1,049,134	1,383,158	710,007	713,760
1,277,011	1,019,605	1,119,438	1,076,770	765,500	651,108
1,177,416	1,161,283	1,050,955	1,141,742	1,157,838	1,173,907
774,205	624,045	440,250	835,948	478,037	506,100
88,724	51,672	(21,660)	114,588	136,878	60,429
440,246	525,865	795,304	795,150	661,379	569,258
388,236	527,008	44,929	727,361	364,975	148,512
<u>45,488,726</u>	<u>41,030,445</u>	<u>39,162,585</u>	<u>39,013,123</u>	<u>35,735,720</u>	<u>33,945,488</u>
116,572	94,747	102,995	106,958	111,494	116,372
4,221,318	3,997,844	3,821,755	3,690,167	3,402,793	3,353,637
948,974	985,734	924,415	1,245,790	1,211,261	1,189,250
396,256	415,220	349,536	337,537	335,082	333,234
9,934,841	9,539,572	8,847,655	8,299,514	7,982,280	8,083,075
3,153,514	2,766,298	2,383,832	2,347,279	2,146,012	2,179,372
4,559,460	4,174,815	2,153,427	2,285,737	2,122,710	1,577,760
1,724,660	1,699,428	1,139,859	1,164,786	1,178,982	1,130,169
3,227,161	2,907,884	4,892,456	4,689,177	4,590,161	4,529,739
<u>28,282,756</u>	<u>26,581,542</u>	<u>24,615,930</u>	<u>24,166,945</u>	<u>23,080,775</u>	<u>22,492,608</u>
<u>4,595,717</u>	<u>8,323,244</u>	<u>11,163,046</u>	<u>8,194,244</u>	<u>7,810,972</u>	<u>7,676,178</u>
\$ 6,809,632	\$ 6,803,038	\$ 5,268,038	\$ 4,933,038	\$ 4,278,038	\$ 4,458,038
5,091,670	4,630,739	4,613,787	4,820,183	4,570,301	4,766,488
-	74,581	90,615	44,305	150,900	-
39,250	14,800	10,500	8,800	11,200	7,032
<u>11,940,552</u>	<u>11,523,158</u>	<u>9,982,940</u>	<u>9,806,326</u>	<u>9,010,439</u>	<u>9,231,558</u>
<u>44,819,025</u>	<u>46,427,944</u>	<u>45,761,916</u>	<u>42,167,515</u>	<u>39,902,186</u>	<u>39,400,344</u>
<u>669,701</u>	<u>(5,397,499)</u>	<u>(6,599,331)</u>	<u>(3,154,392)</u>	<u>(4,166,466)</u>	<u>(5,454,856)</u>

# City of Rockwall, Texas

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

### Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Other financing sources (uses):</b>				
Transfers in	727,443	1,280,466	1,316,687	540,350
Transfers out	(3,339,343)	(5,240,416)	(3,930,037)	(3,131,100)
Bonds issued	-	-	-	8,076,711
Capital Leases	-	-	-	-
Refunding bonds issued	-	-	-	53,221,012
Accrued interest on bonds issued	-	-	-	-
Premium (discounts) on bonds issued	-	-	-	6,769,228
Payment to refunded bond escrow agent	-	-	-	(59,060,574)
Prior Period Adjustment	-	-	-	(246,478)
Total other financing sources (uses)	<u>(2,611,900)</u>	<u>(3,959,950)</u>	<u>(2,613,350)</u>	<u>6,169,149</u>
Net change in fund balances	<u>\$ (1,351,880)</u>	<u>\$ (1,365,748)</u>	<u>\$ 1,127,236</u>	<u>\$ 5,508,514</u>
Debt service as a percentage of noncapital expenditures	23.5%	22.7%	22.9%	25.8%

Source: City audited financial records

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
689,000	2,769,639	2,277,550	2,217,035	3,456,450	1,478,835
(3,032,500)	(5,257,689)	(4,215,000)	(3,502,085)	(2,913,587)	(2,304,050)
-	9,820,000	10,530,000	2,150,000	13,210,000	-
-	-	-	-	-	330,870
-	-	-	-	-	-
-	-	-	-	-	-
-	-	221,417	-	325,248	-
-	(9,745,419)	-	-	(1,651,905)	-
-	-	-	-	-	-
<u>(2,343,500)</u>	<u>(2,413,469)</u>	<u>8,813,967</u>	<u>864,950</u>	<u>12,426,206</u>	<u>(494,345)</u>
<u>\$ (1,673,799)</u>	<u>\$ (7,810,968)</u>	<u>\$ 2,214,636</u>	<u>\$ (2,289,442)</u>	<u>\$ 8,259,740</u>	<u>\$ (5,949,201)</u>
29.6%	30.0%	28.6%	28.7%	27.6%	29.1%

**City of Rockwall, Texas**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years (Unaudited)**  
**(accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2010	\$ 16,560,766	\$ 10,833,397	\$ 2,728,251	\$ 30,122,414
2011	17,329,982	11,526,555	2,604,569	31,461,106
2012	17,338,798	12,720,023	2,879,585	32,938,406
2013	17,890,435	14,045,093	2,748,707	34,684,235
2014	18,438,330	14,341,277	3,093,257	35,872,864
2015	20,441,533	15,171,325	3,927,501	39,540,359
2016	20,946,082	16,331,411	3,186,160	40,463,653
2017	21,364,031	17,132,733	3,154,432	41,651,196
2018	21,889,749	17,949,998	3,255,645	43,095,392
2019	22,676,730	19,497,488	3,408,880	45,583,098

**City of Rockwall, Texas**  
**UTILITY SERVICE REVENUE**  
**Last Ten Fiscal Years (Unaudited)**  
**(accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2010	\$ 6,917,587	\$ 2,864,595	\$ 9,782,182
2011	8,547,662	3,406,283	11,953,945
2012	7,780,095	3,720,357	11,500,451
2013	8,285,306	4,255,951	12,541,257
2014	8,140,267	4,901,303	13,041,570
2015	10,220,088	5,511,705	15,731,793
2016	12,738,912	6,360,126	19,099,038
2017	13,443,511	7,092,057	20,535,568
2018	14,994,386	7,347,007	22,341,393
2019	14,131,403	8,475,098	22,606,500

# City of Rockwall, Texas

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Tax Year	Estimated Market Value		
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal
2010	2009	\$ 2,207,188,025	\$ 1,034,428,814	\$ 343,770,085
2011	2010	2,276,011,463	1,042,597,193	337,323,537
2012	2011	2,316,829,222	1,041,610,117	337,423,698
2013	2012	2,400,322,618	1,029,298,627	345,365,078
2014	2013	2,437,302,085	1,126,527,658	385,352,763
2015	2014	2,645,861,999	1,318,998,496	438,951,140
2016	2015	2,897,340,628	1,324,784,283	426,923,073
2017	2016	3,250,135,202	1,410,522,815	457,736,898
2018	2017	3,693,500,936	1,518,970,591	493,995,150
2019	2018	4,036,275,136	1,518,970,591	602,331,844

Source: Rockwall Central Appraisal District

<b>Less:</b>			
<b>Tax Exempt</b>		<b>Total Taxable</b>	<b>Total Direct</b>
<b>Property</b>		<b>Assessed Value</b>	<b>Tax Rate</b>
<hr/>		<hr/>	
\$	245,497,304	\$	3,339,889,620
	249,159,269		3,406,772,924
	264,503,280		3,431,359,757
	278,144,322		3,496,842,001
	280,459,789		3,668,722,717
	302,418,574		4,101,393,061
	334,889,710		4,314,158,274
	400,924,193		4,717,470,722
	463,427,475		5,243,039,202
	455,282,292		5,702,295,279

# City of Rockwall, Texas

## PROPERTY TAX EXEMPTIONS

Last Ten Fiscal Years (Unaudited)

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Freeport Exemption</u>
2010	\$ 117,336,354	\$ 6,522,310	\$ 101,284,160	\$ 25,091,542
2011	123,493,766	8,781,840	99,301,400	20,804,929
2012	130,833,284	10,360,860	105,251,440	20,979,952
2013	133,480,470	10,577,050	106,197,190	23,803,292
2014	139,936,532	12,780,746	102,226,360	25,071,144
2015	148,647,965	14,905,177	109,426,700	22,030,705
2016	162,365,290	20,961,691	107,887,230	28,084,128
2017	162,472,841	23,628,158	109,384,390	25,288,620
2018	169,304,945	28,450,789	120,809,076	27,839,131
2019	177,252,532	39,833,915	126,796,575	34,593,453

**City of Rockwall, Texas**  
**SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY**  
**Last Ten Fiscal Years (Unaudited)**  
**(accrual basis of accounting)**

<b>Fiscal Year</b>	<b>Total Sales Tax Collections</b>	<b>Percent of Ad Valorem Tax Levy</b>	<b>Equivalent of Ad Valorem Tax Rate</b>
2010	10,833,397	65.80%	0.32
2011	11,526,555	68.74%	0.34
2012	12,720,023	75.10%	0.37
2013	14,045,093	81.16%	0.40
2014	14,341,277	78.98%	0.39
2015	15,171,325	75.62%	0.37
2016	16,331,411	77.45%	0.35
2017	17,132,733	81.25%	0.36
2018	17,949,999	82.74%	0.34
2019	19,497,488	86.70%	0.34

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**City of Rockwall, Texas**  
***DIRECT AND OVERLAPPING PROPERTY TAX RATES***  
**Last Ten Fiscal Years (Unaudited)**

<u>Fiscal Year</u>	<u>City of Rockwall</u>			<u>Overlapping Rates</u>		
	<u>M&amp;O</u>	<u>Debt</u>	<u>Total</u>	<u>School</u>	<u>County</u>	<u>Total</u>
2010	0.2453	0.2578	0.5031	1.4700	0.3750	2.3481
2011	0.2562	0.2469	0.5031	1.4700	0.3864	2.3595
2012	0.2563	0.2468	0.5031	1.4700	0.3864	2.3595
2013	0.2619	0.2406	0.5025	1.4700	0.3864	2.3589
2014	0.2363	0.2662	0.5025	1.4600	0.3959	2.3584
2015	0.2207	0.2748	0.4955	1.4400	0.3959	2.3314
2016	0.2342	0.2511	0.4853	1.4400	0.3959	2.3212
2017	0.2386	0.2157	0.4543	1.4650	0.3759	2.2952
2018	0.2454	0.1782	0.4236	1.4400	0.3498	2.2134
2019	0.2229	0.1792	0.4021	1.4300	0.3284	2.1605

**City of Rockwall, Texas**  
**PRINCIPAL PROPERTY TAX PAYERS**  
**Current and Nine Years Ago (Unaudited)**

Taxpayer	2019		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Excel Rockwall, LP	\$ 60,891,330	1	1.07%
Allen Foods/Bimbo Bakeries	44,925,542	2	0.79%
Star Hubbard LLC	38,411,587	3	0.67%
Rockwall Regional Hospital, LLP	36,650,751	4	0.64%
Whitmore Manufacturing CO	36,297,410	5	0.64%
Rockwall Crossing LTD	34,786,390	6	0.61%
Rockwall Dunhill LLC	31,009,650	7	0.54%
2055 Summer Lee Rockwall (Hilton)	29,010,580	8	0.51%
Lollicup USA	28,247,789	9	0.50%
Oncor Electric Delivery Service	26,743,720	10	0.47%
Continental Pet Technology	-	-	-
Mariah Bay Development Inc.	-	-	-
Wal-mart	-	-	-
Subtotal	\$ 306,083,419		5.37%
Total Taxable Value	\$ 5,702,295,279		100.00%

Source: Rockwall Central Appraisal District

Note: Includes real property and business personal property for each entity

**2010**

<b>Taxable Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Valuation</b>
\$ 50,948,210	1	1.65%
-	-	-
-	-	-
36,925,810	3	1.20%
-	-	-
22,646,520	8	0.73%
25,000,000	6	0.81%
29,160,780	5	0.95%
-	-	-
21,633,760	9	0.70%
37,595,890	2	1.22%
30,981,690	4	1.00%
23,474,360	7	0.76%
\$ 278,367,020		9.03%
3,083,191,753		100.00%

**City of Rockwall, Texas**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years (Unaudited)**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Total Current Year Collections</b>	<b>Percent of Levy Collected During Fiscal Period</b>	<b>Delinquent Tax Collections</b>
2010	2009	\$ 16,465,193	\$ 16,182,308	98.28%	\$ 233,740
2011	2010	16,768,511	16,616,216	99.09%	95,906
2012	2011	16,937,674	16,780,370	99.07%	88,353
2013	2012	17,306,465	17,205,265	99.42%	-
2014	2013	18,157,980	18,055,096	99.43%	-
2015	2014	20,063,663	19,951,271	99.44%	-
2016	2015	20,561,430	20,538,371	99.89%	139,645
2017	2016	21,086,975	21,119,819	100.16%	218,207
2018	2017	21,695,004	21,663,720	99.86%	210,894
2019	2018	22,488,162	22,340,361	99.34%	207,447

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Tax Levy</u>
\$ 16,416,048	99.70%
16,712,122	99.66%
16,868,723	99.59%
17,205,265	99.42%
18,055,096	99.43%
19,951,271	99.44%
20,678,016	100.57%
21,338,026	101.19%
21,874,614	100.83%
22,547,808	100.27%

# City of Rockwall, Texas

## TOP TEN WATER CUSTOMERS

Last Ten Fiscal Years (Unaudited)

	2019		
Customer	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	54,511,300	1	1.64%
Rockwall I.S.D.	33,549,100	2	1.01%
AstroChef Inc, Pegasus Foods	14,127,900	3	0.42%
Star Hubbard LLC	13,291,100	4	0.40%
Rockwall Surgery Center	12,442,200	5	0.37%
Walden Residential	12,260,300	6	0.37%
Graham Packaging Continental PET	11,501,400	7	0.35%
IX MC 923 Yellow Jacket LP	11,342,100	8	0.34%
Excel Rockwall, L.P.	11,304,800	9	0.34%
Allen Food Bakeries, Inc	11,077,800	10	0.33%
D.W.C./Highlife Properties	-	-	-
PA Harbor Retail	-	-	-
Rockwall Nursing Home	-	-	-
Rockwall Crossing Ltd.	-	-	-
Subtotal	185,408,000		5.57%
Total Water Usage	3,328,073,158		100.00%

2010

<u>Water Usage</u>	<u>Rank</u>	<u>Percentage of Total Water Usage</u>
55,989,000	1	1.92%
40,715,900	2	1.40%
-		-
14,100,400	6	0.48%
-	-	-
11,754,000	7	0.40%
9,590,300	10	0.33%
17,258,600	3	0.59%
-	-	-
-	-	-
16,933,800	4	0.58%
16,153,700	5	0.55%
11,046,400	8	0.38%
10,028,300	9	0.34%
<u>203,570,400</u>		<u>6.99%</u>
<u>2,913,744,835</u>		<u>100.00%</u>

**City of Rockwall, Texas**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years (Unaudited)**

Fiscal Year	Governmental Activities				Business-Type Activities	
	General Obligation Bonds	Certificates of Obligation	Discounts and Premiums	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation
2010	\$ 83,271,784	\$ 20,875,000	\$ 1,783,124	\$ 278,034	\$ 113,216	\$ 25,005,000
2011	88,473,746	23,050,000	2,004,225	236,589	91,254	28,205,000
2012	84,675,708	24,065,000	1,906,421	193,299	69,292	27,145,000
2013	88,562,670	25,440,000	2,036,645	148,083	47,330	29,510,000
2014	87,404,632	16,935,000	1,921,161	100,855	25,638	27,900,000
2015	85,790,000	14,610,000	1,817,822	51,525	-	26,220,000
2016	90,400,000	8,580,000	1,709,884	-	-	31,230,000
2017	85,235,000	7,705,000	1,597,726	-	19,830,000	8,910,000
2018	79,880,000	7,020,000	1,485,568	-	18,705,000	7,565,000
2019	73,500,000	6,305,000	1,373,410	-	16,700,000	6,995,000

Note: See Table 20 for personal income and population data  
\*Debt is shown gross of deferred amounts

**Business-Type Activities**

<b>Water and Sewer Revenue Bonds</b>	<b>Discounts and Premiums</b>	<b>Capitalized Lease Obligations</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
\$ 10,775,000	\$ 44,102	\$ 7,080,083	\$ 149,225,343	8.84%	\$ 4,257
5,215,000	193,106	6,710,000	154,178,920	8.19%	4,189
4,550,000	181,984	6,321,743	149,108,447	7.54%	3,864
3,865,000	235,920	5,910,072	155,755,720	7.62%	4,019
3,495,000	248,709	5,485,067	143,516,062	6.72%	3,587
3,235,000	210,342	5,041,729	136,976,418	6.06%	3,347
-	2,907,590	4,571,724	139,399,198	6.17%	3,406
-	2,750,454	4,233,385	130,261,565	5.37%	3,093
-	2,312,754	3,881,713	120,850,035	4.70%	2,762
-	2,014,431	3,508,374	110,396,215	4.06%	2,480

**City of Rockwall, Texas**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years (Unaudited)**

Fiscal Year	Governmental and Business Type Activities				Unamortized Premium (Discount)
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Gross Bonded Debt	
2010	\$ 83,271,784	\$ 45,880,000	\$ -	\$ 129,151,784	\$ 1,859,751
2011	88,473,746	51,255,000	-	139,728,746	2,004,225
2012	84,675,708	51,210,000	-	135,885,708	2,046,038
2013	88,562,670	54,950,000	-	143,512,670	2,218,052
2014	87,404,632	44,835,000	-	132,239,632	2,105,454
2015	85,790,000	40,830,000	-	126,620,000	1,992,856
2016	90,400,000	39,810,000	-	130,210,000	1,709,884
2017	105,065,000	16,615,000	-	121,680,000	1,597,726
2018	98,585,000	14,585,000	-	113,170,000	3,798,322
2019	90,200,000	13,300,000	-	103,500,000	3,387,841

Note: See Table 20 for population data and Table 9 for property value data

\*Deferred amounts include unamortized premium (discount) and loss on refunding

<b>Less: Debt Service Fund Balance</b>	<b>Net Bonded Debt</b>	<b>Percentage of Actual Taxable Value</b>	<b>Per Capita</b>
\$ 930,290	\$ 130,081,245	3.89%	\$ 3,711
1,426,272	140,306,699	4.12%	3,812
1,221,201	136,710,545	3.98%	3,543
772,045	144,958,677	4.15%	3,740
460,648	133,884,438	3.65%	3,346
936,770	127,676,086	3.11%	3,119
2,201,438	129,718,446	3.01%	3,169
3,828,849	119,448,877	2.53%	2,836
3,284,407	113,683,915	2.17%	2,598
4,636,663	102,251,178	1.79%	2,297

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**City of Rockwall, Texas**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of September 30, 2019 (Unaudited)**

<u>Governmental Unit</u>	<u>Net General Obligation Bonded Debt Outstanding (1)</u>	<u>Percentage Applicable to the City of Rockwall (2)</u>	<u>Amounts Applicable to the City of Rockwall</u>
Direct:			
City of Rockwall - debt repaid with property taxes	\$ 79,805,000	100.00%	\$ 79,805,000
Indirect:			
Rockwall Independent School District	515,570,826	59.99%	309,290,939
Rockwall County	92,120,000	47.74%	43,978,088
Total Indirect	607,690,826		353,269,027
Total Direct and Overlapping Bonded Debt	\$ 687,495,826		\$ 433,074,027
Average debt per capita			\$ 11,175

Source: Municipal Advisory Council of Texas Annual Report

- (1) Includes all Governmental Activities General Obligation Bonds, Contractual Obligations, Certificates of Obligation and Capital Leases

The percentage of overlapping debt applicable is estimated using taxable assessed property values.

- (2) Applicable percentages were estimated by determining the portion of each governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable value.

**City of Rockwall, Texas**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years (Unaudited)**

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.4021	0.4236	0.4543	0.4853	0.4955	0.5025
Legal Debt Margin	<u>2.0979</u>	<u>2.0764</u>	<u>2.0457</u>	<u>2.0147</u>	<u>2.0045</u>	<u>1.9975</u>

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
2.50	2.50	2.50	2.50
0.5025	0.5031	0.5031	0.5031
<u>1.9975</u>	<u>1.9969</u>	<u>1.9969</u>	<u>1.9969</u>

# City of Rockwall, Texas

## PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements	
				Principal	Interest
2010	\$ 12,644,083	\$ 9,871,989	\$ 2,772,094	\$ 895,000	\$ 507,658
2011	15,439,747	10,805,039	4,634,708	740,000	360,448
2012	14,809,266	11,463,657	3,345,609	665,000	219,253
2013	16,096,968	11,885,957	4,211,011	685,000	191,306
2014	16,378,963	12,610,238	3,768,725	260,000	147,294
2015	19,748,474	13,657,885	6,090,589	270,000	136,894
2016	23,406,369	15,252,009	8,154,360	-	-
2017	26,262,806	17,163,431	9,099,375	-	-
2018	28,850,782	18,680,374	10,170,408	-	-
2019	31,813,449	24,104,087	7,709,362	-	-

Note: Direct operating expenses excludes depreciation

**Annual Revenue Debt  
Service Requirements**

---

<b>Total</b>	<b>Coverage</b>
\$ 1,402,658	1.98
1,100,448	4.21
884,253	3.78
876,306	4.81
407,294	9.25
406,894	14.97
-	-
-	-
-	-
-	-

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**City of Rockwall, Texas**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years (Unaudited)**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars) (3)</b>	<b>Per Capita Personal Income (1)</b>	<b>RISD School Enrollment (2)</b>	<b>Unemployment Rate (%) (1)</b>
2010	35,050	1,687,272	48,139	13,732	6.6
2011	36,810	1,881,580	51,116	13,965	6.7
2012	38,586	1,976,529	51,224	14,213	5.1
2013	38,755	2,044,742	52,761	14,359	5.3
2014	40,008	2,135,587	53,379	14,626	4.2
2015	40,929	2,259,553	55,627	15,468	3.3
2016	41,519	2,309,577	55,627	15,512	3.1
2017	42,120	2,424,806	57,569	15,822	3.7
2018	43,750	2,568,869	58,717	16,295	3.3
2019	44,520	2,715,854	61,003	16,587	3.1

Source: (1) Federal Reserve Bank Economic Research  
(2) Rockwall Independent School District - private schools not included  
(3) Bureau of Economic Analysis US Dept. of Commerce

**City of Rockwall, Texas**  
**PRINCIPAL EMPLOYERS**  
**Current and Nine Years Ago (Unaudited)**

<b>Employer</b>	<b>2019</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Rockwall Independent School District	1,885	1	8.97%
L-3 Harris Technologies	700	2	3.33%
Texas Health Presbyterian Hospital	600	3	2.85%
Wal-Mart Superstore	450	4	2.14%
Pegasus Foods	450	5	2.14%
Channell Commercial	380	6	1.81%
Rockwall County	315	7	1.50%
City of Rockwall	295	8	1.40%
Texas Star Express	275	9	1.31%
Whitmore Manufacturing Co	225	10	1.07%
Special Products	-	-	-
Target	-	-	-
Rockwall Nursing Home	-	-	-
Kohl's Department Store	-	-	-
Subtotal	<u>5,575</u>		<u>26.52%</u>
Total	<u><u>21,025</u></u>		<u><u>100.00%</u></u>

Sources: Rockwall Economic Development Corporation  
North Central Texas Council of Governments

2010

<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
1,896	1	10.89%
-	-	-
419	4	2.41%
450	3	2.59%
-	-	-
-	-	-
298	5	1.71%
256	6	1.47%
484	2	2.78%
-	-	-
205	7	1.18%
200	8	1.15%
160	9	0.92%
140	10	0.80%
<hr/> 4,508		<hr/> 25.90%
<hr/> <hr/> 17,407		<hr/> <hr/> 100.00%

**City of Rockwall, Texas**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY**  
**FUNCTION/PROGRAM**  
**Last Ten Fiscal Years (Unaudited)**

<b>Function/Program</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Administration	28	27	27	27	26	26
Finance	5.5	5.5	5.5	5.5	5	5
Municipal Court	5	5	5	5	5	5
Fire	36	29	29	26	26	23
Police	108	105	103	102	101.5	100.5
Community Development	21	20	20	19	19	19
Parks & Recreation	30	30	30	30	30	29
Public Works	21	21	21	21	21	21
Water/Sewer	41	38	36	33	33	34
<b>Total</b>	<b>295.50</b>	<b>280.50</b>	<b>276.50</b>	<b>268.50</b>	<b>266.50</b>	<b>262.50</b>

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
25	21	21	22
5	8	8	8
4	4	4	4
19	17	17	17
97	92.5	91.5	90.5
24.5	29.5	29.5	29.5
25	26	26	26
21	21	21	21
34	37	37	38
<u>254.50</u>	<u>256.00</u>	<u>255.00</u>	<u>256.00</u>

**City of Rockwall, Texas**  
**OPERATING INDICATORS BY FUNCTION**  
**Last Ten Fiscal Years (Unaudited)**

<b>Function</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Finance</b>				
Invoices processed	12,987	12,613	12,940	12,286
Payroll checks issued	11,875	11,476	12,044	11,213
Purchase orders issued	2,437	2,480	2,389	2,141
<b>Municipal Court</b>				
Violations Processed	8,136	10,570	12,124	11,171
<b>Fire</b>				
Employees (paid)	36	30	29	26
Volunteers	32	32	38	48
Fire Calls (City and County)	2,672	2,496	1,684	1,240
* FY18 includes initial year of First Responder Program calls				
<b>Police</b>				
Employees (uniformed)	84	82	81	79
Employees (civilian)	24.0	23.0	23.0	24.0
Calls for Service*	18,435	16,676	18,101	17,553
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.				
<b>Community Development</b>				
# permits - New commercial construction	21	16	20	16
Value - New commercial construction	148,369,487	80,969,465	107,317,132	34,712,638
# permits - New residential construction	297	341	370	341
Value - New residential construction	-	79,618,273	84,226,817	80,982,059
<b>Parks &amp; Recreation</b>				
The Center facility usage	25,000	48,052	47,759	46,946
Special event attendance	148,775	90,200	89,450	86,150
# recreation participants (youth & adult)	11,397	8,716	5,600	5,433

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
13,782	14,518	15,351	15,772	15,582	16,613
11,093	10,118	9,650	10,065	10,500	9,356
2,135	1,939	2,002	2,150	2,269	2,391
13,135	16,950	15,208	16,859	16,361	17,261
26	23	19	17	17	17
34	30	29	35	41	38
902	723	913	831	1,059	771
78	78	76	72	71	71
22.5	22.5	21	20	20	20
18,152	17,391	16,317	18,267	21,490	30,569
19	12	25	14	21	4
44,764,279	13,645,795	55,921,000	36,578,259	15,446,160	10,969,950
346	257	272	218	185	212
79,262,932	59,868,007	56,266,387	39,815,104	36,244,834	40,293,359
62,991	78,350	84,000	81,500	84,001	68,665
80,000	81,000	83,000	85,000	80,000	95,000
4,711	4,900	4,700	4,500	3,268	3,428

**City of Rockwall, Texas**  
**OPERATING INDICATORS BY FUNCTIONS (Continued)**  
**Last Ten Fiscal Years (Unaudited)**

<b>Function</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Public Works</b>				
Streets - sq yd concrete street repair	6,320	2,248	1,263.90	1,262.94
\$ spent on concrete/asphalt street repair	\$ 2,482,129	\$ 1,015,920	\$ 834,308	\$ 749,128
Miles of public street maintained by City*	225.99	225.99	218.45	215.81
* Beginning in 2011, mileage calculations have changed and software advances have allowed for a more accurate count				
<b>Water/Sewer</b>				
Water customers	16,506	16,296	15,902	15,557
Sewer customers	13,802	13,583	13,212	12,944
Average daily water consumption (gal)	9,544,744	7,746,687	7,826,181	5,595,421
Peak daily water consumption (gal)	20,877,020	20,871,860	16,631,760	16,342,090
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	12,000,000

Source: City departments

Note: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

Note: Miles of streets FY 2016 of 284 included city, state and private

Note: Residential Permit Values can no longer be accumulated per Texas Legislature as of FY2019

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
5,407.00	3,872.00	2,333.00	4,316.37	2,276.40	2,851.55
\$ 806,081	\$ 909,163	\$ 712,451	\$ 654,243	\$ 602,167	\$ 575,446
211.65	188.18	185.67	184.06	183.05	196.10
15,147	14,874	14,599	13,416	13,044	12,859
12,644	13,215	12,968	12,137	11,891	11,651
5,813,542	6,210,113	8,158,146	8,322,890	9,943,169	7,434,917
17,497,100	12,930,773	15,728,969	20,230,443	21,739,681	16,969,865
12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000

**City of Rockwall, Texas**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years (Unaudited)**

<b>Function/Program</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Fire</b>				
Number of stations	4	4	4	4
Number of fire engines/trucks	12	12	12	13
<b>Police</b>				
Number of stations	1	1	1	1
Number of patrol units	41	41	41	41
<b>Parks &amp; Recreation</b>				
Parks acres (developed)	620	620	620	598
Playgrounds	28	28	28	26
Picnic areas	38	37	37	35
Swimming pools	2	2	2	2
<b>Public Works</b>				
\$ Spent on new construction	\$ 4,706,475	\$ 3,848,535	\$ 1,026,792	\$ 3,510,781
Miles of public streets	225.99	225.56	218.45	215.81
<b>Water/Sewer</b>				
Water mains (miles)	334.27	323.61	318.56	300.69
Sanitary sewers (miles)	268.88	255.22	251.66	237.13

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
4	4	4	4	4	4
13	13	13	15	15	14
1	1	1	1	1	1
40	42	42	42	42	42
586	538	538	538	538	538
25	25	25	25	25	25
32	32	32	32	32	32
2	2	2	2	2	2
\$ 8,751,606	\$ 4,760,116	\$ 3,567,315	\$ 2,164,305	\$ 1,079,938	\$ 2,596,948
211.65	188.18	185.67	184.06	183.05	196.10
302.77	287.91	287.91	276.94	265.82	269.82
241.21	231.91	231.91	218.88	222.62	215.88

**CITY OF ROCKWALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2018**

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**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2018**

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**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2018**

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***INTRODUCTORY SECTION***

July 8, 2019

To the Honorable Mayor,  
Members of the City Council,  
And the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2018, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) The valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2018, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.824 square miles and an estimated population of 43,750.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted in 2005 and again in 2015. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### **Local Economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's local economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 4.91% in our local sales tax revenues. The City has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 9.35%. The most recent five-year average is 6.85% per annum. During the downturn in the economy, 2008 – 2012, growth in the tax base slowed but remained positive each year. The City's largest taxpayers are varied and include industry, retail developments, multi-family properties, and medical facilities. Table D-12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to successfully market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Pratt Industries completed construction on their 391,600 square foot facility which serves the recycled paper goods industry providing shipping ready boxes to customers including Amazon.
- Lollicup USA commenced construction on their project mid-2018. The building will be in excess of 600,000 square feet and the taxable value is projected to be approximately \$30,000,000 in the first full year of operation.
- The Harbor retail development, under new ownership and significant investment has welcomed several new restaurant tenants and seen the expansion and modernization of the Cinemark Theatre.
- Downtown Rockwall has become the destination that the downtown renovation project was undertaken to create. The area includes a mix of professional, retail, restaurant, and service locations. City staff work closely with the merchants association to sponsor multiple shopping – entertainment events and more than 75 free live concerts per year. The City has seen a 23.71% increase in sales taxes in the downtown area in the last five years.

### **Long-term Planning**

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

### **Financial Policies**

The City Council adopted financial policies in 2001 which have guided the City, allowing us to build a strong fund balance, and reinforcing the City's philosophy to budget conservatively for

both revenues and expenditures. The general fund reserve policy is reviewed annually and updated most recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level were available to fund capital purchases in 2018.

### Budget Overview

The City Manager proposes a balanced budget to the City Council each year by August 1. Public hearings are conducted to receive comments and priorities of the community at large. The City Council must adopt the operating budget and set the City's tax rate for the next year by October 1<sup>st</sup> of each year.

### Capital Improvement Planning

In May 2018, voters approved a proposition to begin the rehabilitation and reconstruction of \$85,000,000 of aging residential streets and to include utility relocations and drainage system improvement. A pavement assessment was conducted on all city streets and alleys which gave an index score to each one. This coupled with traffic load data and the condition of the drainage system will be factors in the streets chosen for the program. Design work will begin immediately on several of the projects and construction work will be phased over several years to minimize the impact of the debt issuance. The remaining street rehabilitation projects which were approved in the 2012 bond election have been engineered and construction will commence in early 2019 and take approximately 24 months for each to be completed.

### Strategic Planning

The City Council and staff worked on an updated strategic planning document with the goal of a simplified, easy to understand final product. The initial stage of the plan included looking at the current breakdown between the residential and commercial tax base and whether or not the current land use plan will allow that mix to be maintained or improved in order to decrease the tax burden on residential properties. It was determined that sufficient non-residential land uses are planned but that any change from non-residential to residential zoning needs to be evaluated in light of the City's strategic goals. The City receives higher sales taxes per capita than other area cities, pointing to the City's long standing status as a regional shopping destination. As cities to the east grow and add retailers, the City will strive to add specialty retailers to continue the regional draw. A citizen committee was formed to work with the City Planning Department staff to make amendments to the Comprehensive Plan and develop an I-30 Corridor plan. This work has resulted in a guide for future developers and has the City broken down into sub-districts with design principles and density guidelines for each area. The I-30 Corridor plan is being finalized and will be considered by Council in early 2019. The impending reconstruction project for I-30 (details below) will result in the largest public works investment in Rockwall County's history. The project's impact to area businesses will be extensive. Recognizing this, the City of Rockwall will be working with area retailers, shopping center owners, the Chamber of Commerce and the other cities along the route to develop a coordinated marketing approach to ensure shoppers know the area is still open for business during the several years of construction activities.

## Future Development

### Transportation

The majority of the City's main thoroughfares are state facilities. TxDOT has been planning for the widening of SH205 in the 3 counties it serves. The City Council and staff worked closely with TxDOT to come to agreement to move the current SH205 to existing John King Boulevard to the East. This had long been the City's desire but previous attempts had not come to fruition. This change will allow the present course of SH205 to become a city street with the ability for traffic flow and speed limits to be managed by the City.

TxDOT has been working on the widening of I-30 which runs through Rockwall County and is the link between the eastern counties and downtown Dallas. The project will add main travel lanes in both directions as well as three-lane service roads extending across Lake Ray Hubbard. This is expected to ease traffic issues when accidents occur on the main lanes. The project is expected to be ready to let in 2022.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allow funding for the advance planning and design of several major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction. The Consortium was successful in securing new state funding for both SH276 and FM 3549 widening projects after the state-wide referendums provided new dollars for the state's highway system. The fact that the projects were in design and would be ready to bid when dollars were made available was crucial in getting these new funds.

### Retail / Entertainment

"The Harbor" development is situated on the shores of Lake Ray Hubbard at I-30. The retail center came under new ownership in 2017 with many positive changes being pursued. Several new restaurant openings were celebrated in 2018. The addition of a Marriott Springhill Suites with 105 suites and conference space to the area's existing full service Hilton Hotel and Conference Center has fostered synergies in their efforts to attract conferences which benefit the development and the City.

In conjunction with private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line.

The City's extremely successful 12-week Concert on the Lake Series managed by the City's Recreation Department draws more than 5,000 attendees each Thursday evening for a free concert. The term "Free Live Music Capital of North Texas" has been coined and officially designated by the Texas Legislature to describe the many opportunities available year round in public venues.

The annual Founder's Day activities and headliner concert draws thousands to enjoy a day of free activities each May. A Farmer's Market brings visitors downtown Saturdays from May to October. The annual "Rib Rub and Run" BBQ contest draws more than 50 teams to the

downtown square. The Main Street Advisory Board and “Friends of Downtown Rockwall”, citizen volunteer group, worked to plan more special events to bring shoppers downtown. Live musical entertainment each Thursday, Friday and Saturday evening on the newly opened San Jacinto Plaza brings people out to enjoy a relaxing evening downtown. The many shops in the Downtown area provide a wide variety of shopping opportunities and vacancies are rare and filled quickly.

Utilities

The water and wastewater rates were last increased in 2017. The City purchases treated water as a founding member city of the North Texas Municipal Water District. Recovery from years of drought and conservation restrictions has taken several years to occur. Water consumption in fiscal year 2018 consumption increased by 15.2% over its previous high year in 2012 while sales increased 11.5% over the prior fiscal year. The City’s water system is recognized with the Texas Commission on Environmental Quality’s “Superior” rating.

The City actively works to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations. It remains the City’s desire to be the provider for all residents in our city limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below.

Outstanding General Obligation Debt at 9-30-18 (net of Debt Service)	\$111,377,610
Estimated Population	42,120
G.O. Debt Per Capita	\$2,546
Net G.O. Debt per Assessed Value	2.12%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Sales Tax (REDC)</u>
Standard & Poor’s Rating Group	AA+	A-
Moody’s Investor Service Inc.	Aa2	A1

**ACKNOWLEDGEMENTS**

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

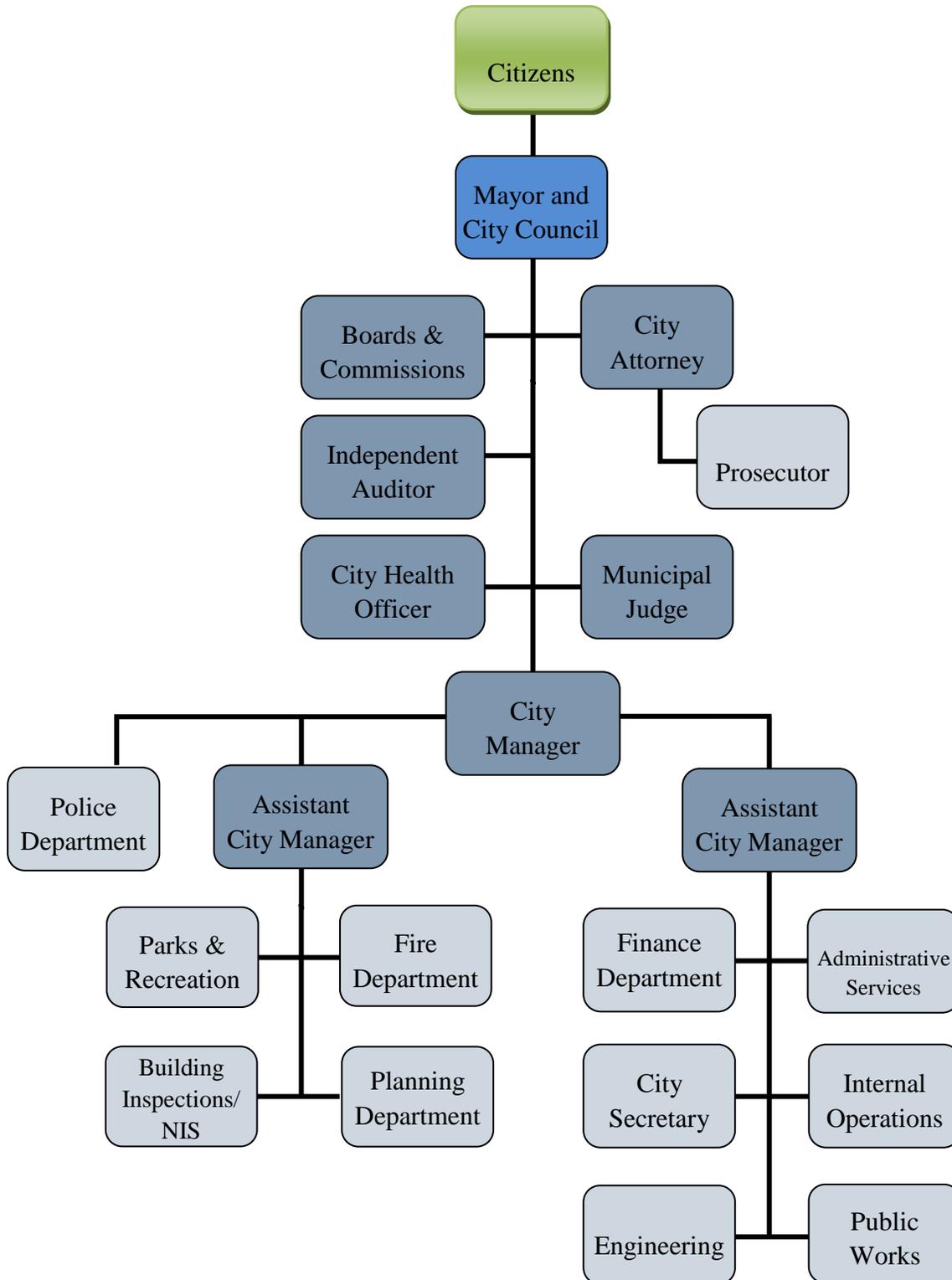


Richard R. Crowley  
City Manager



Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2018

**City Council**

Jim Pruitt, Mayor  
Bennie Daniels, Councilmember Place 1  
Kevin Fowler, Mayor Pro-Tempore  
John Hohenshelt, Councilmember Place 2  
Dennis Lewis, Councilmember Place 4  
Dana Macalik, Councilmember Place 5  
Mike Townsend, Councilmember Place 6

**City Staff**

Rick Crowley, City Manager  
Mary Smith, Assistant City Manager  
Brad Griggs, Assistant City Manager  
Cheryl Dunlop, Director of Administrative Services  
Kirk Riggs, Chief of Police  
Kenneth Cullins, Fire Chief  
Ryan Miller, Director of Planning and Zoning  
Amy Williams, Director of Public Works/City Engineer  
Joey Boyd, Director of Internal Operations

***FINANCIAL SECTION***

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2018, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the Texas Municipal Retirement System Schedule of changes in Net Pension Liability (Asset) and Related Ratios on pages 12-22 and 69-72 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 Rockwall, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statement and schedules 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 non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Tox, Byrd + Company, P.C.*

Dallas, Texas  
July 8, 2019

## MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall’s financial performance provides an overview and analysis of the City’s financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City’s total net position was \$227,339,096 at September 30, 2018.
- During the year, the City’s governmental activities expenses were \$7,383,474 less than the \$50,922,265 generated in program revenues, taxes, other revenues and transfers.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities, net of deferred inflows and deferred outflows of resources at the close of the fiscal year ending September 30, 2018 by \$129,548,822 (net position).
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$12,825,308 or approximately 36.7 percent of the total general fund operating expenditures and transfers out.
- The City’s total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) decreased by \$6,040,000 during fiscal year 2018. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.

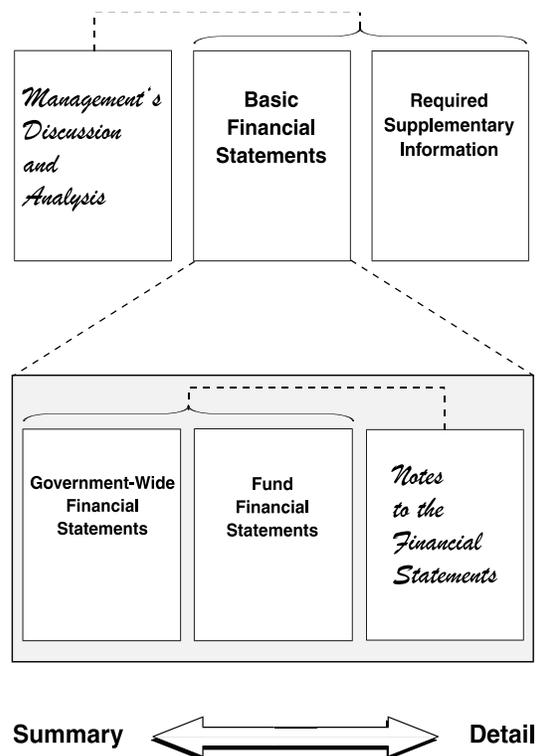
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements, followed by a section of required supplementary information, further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	◆ Statement of net position	◆ Balance Sheet	◆ Statement of net position
	◆ Statement of activities	◆ Statement of revenues, expenditures & changes in fund balances	◆ Statement of revenues, expenses & changes in fund net position ◆ Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City of Rockwall’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 condition of the City of Rockwall is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. We report the City’s water and sewer system here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements are found on pages 23-24 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 21 individual governmental funds. 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, Debt Service fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self-insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of assets and liabilities of the agency fund. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2018, the City's net position (assets exceeding liabilities) totaled \$227,339,096. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

The largest portion of the City's net position (87.1%) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 34,517,014	\$ 33,708,753	\$ 18,033,995	\$ 16,466,005	\$ 52,551,009	\$ 50,174,758
Capital Assets	<u>200,260,690</u>	<u>198,678,101</u>	<u>114,840,989</u>	<u>106,264,480</u>	<u>315,101,679</u>	<u>304,942,581</u>
Total Assets	<u>234,777,704</u>	<u>232,386,854</u>	<u>132,874,984</u>	<u>122,730,485</u>	<u>367,652,688</u>	<u>355,117,339</u>
Deferred Outflows	<u>224,721</u>	<u>4,401,720</u>	<u>1,265,438</u>	<u>1,686,300</u>	<u>1,490,159</u>	<u>6,088,020</u>
Non-current liabilities	99,251,456	109,230,046	33,586,879	35,871,248	132,838,335	145,101,294
Other liabilities	<u>5,100,740</u>	<u>4,107,244</u>	<u>2,683,638</u>	<u>3,229,859</u>	<u>7,784,378</u>	<u>7,337,103</u>
Total Liabilities	<u>104,352,196</u>	<u>113,337,290</u>	<u>36,270,517</u>	<u>39,101,107</u>	<u>140,622,713</u>	<u>152,438,397</u>
Deferred Inflows	<u>1,101,407</u>	<u>882,538</u>	<u>79,631</u>	<u>69,888</u>	<u>1,181,038</u>	<u>952,426</u>
Net Position						
Invested in capital assets,						
net of related debt	113,360,690	105,653,101	84,689,276	73,291,095	198,049,966	178,944,196
Restricted for debt service	4,132,234	4,421,460	1,086,032	1,055,524	5,218,266	5,476,984
Restricted for capital projects	7,681,086	11,207,922	604,550	3,299,871	8,285,636	14,507,793
Unrestricted	<u>4,374,812</u>	<u>1,286,263</u>	<u>11,410,416</u>	<u>7,599,300</u>	<u>15,785,228</u>	<u>8,885,563</u>
Total net position	<u>\$ 129,548,822</u>	<u>\$ 122,568,746</u>	<u>\$ 97,790,274</u>	<u>\$ 85,245,790</u>	<u>\$ 227,339,096</u>	<u>\$ 207,814,536</u>

A portion of the City of Rockwall's governmental and business-type activities net position, \$13,503,902 or 5.9% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position, \$15,785,228, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net position for the year ended September 30, 2018.

**Table 2**  
**Changes in Net Position**

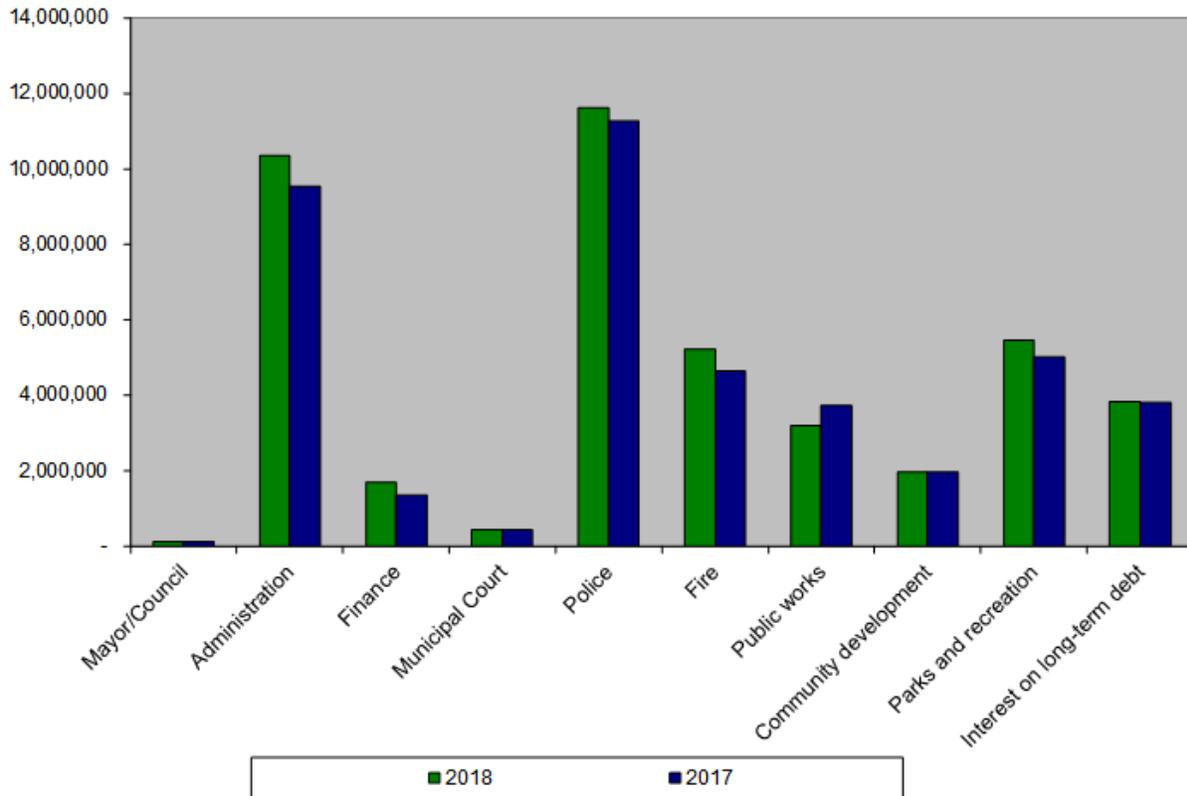
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$7,017,274	\$7,522,068	\$27,103,883	\$24,519,314	\$34,121,157	\$32,041,382
Operating grants & contributions	411,439	1,942,620	-	-	411,439	1,942,620
Capital grants & contributions	44,793	-	7,707,536	6,016,867	7,752,329	6,016,867
General Revenues:						
Property taxes	21,984,955	21,470,363	-	-	21,984,955	21,470,363
Sales taxes	17,949,999	17,132,733	-	-	17,949,999	17,132,733
Other	<u>4,173,705</u>	<u>3,561,607</u>	<u>142,378</u>	<u>151,304</u>	<u>4,316,083</u>	<u>3,712,911</u>
Total revenues	<u>51,582,165</u>	<u>51,629,391</u>	<u>34,953,797</u>	<u>30,687,485</u>	<u>86,535,962</u>	<u>82,316,876</u>
Program expenses:						
Mayor/Council	127,123	130,560	-	-	127,123	130,560
Administration	10,366,228	9,537,562	-	-	10,366,228	9,537,562
Finance	1,686,266	1,350,581	-	-	1,686,266	1,350,581
Municipal Court	429,862	439,986	-	-	429,862	439,986
Police	11,605,343	11,279,010	-	-	11,605,343	11,279,010
Fire	5,214,304	4,652,974	-	-	5,214,304	4,652,974
Public works	3,195,355	3,723,557	-	-	3,195,355	3,723,557
Community development	1,965,366	1,973,607	-	-	1,965,366	1,973,607
Parks and recreation	5,450,380	5,016,834	-	-	5,450,380	5,016,834
Interest on long-term debt	3,828,514	3,796,413	-	-	3,828,514	3,796,413
Water and sewer	-	-	<u>22,698,696</u>	<u>21,541,809</u>	<u>22,698,696</u>	<u>21,541,809</u>
Total expenses	<u>43,868,741</u>	<u>41,901,084</u>	<u>22,698,696</u>	<u>21,541,809</u>	<u>66,567,437</u>	<u>63,442,893</u>
Increase (decrease) in net position						
before transfers	7,713,424	9,728,307	12,255,101	9,145,676	19,968,525	18,873,983
Transfers	<u>(329,950)</u>	<u>986,650</u>	<u>329,950</u>	<u>(986,650)</u>	-	-
Increase (decrease) in net position	7,383,474	10,714,957	12,585,051	8,159,026	19,968,525	18,873,983
Net position, October 1	<u>122,568,746</u>	<u>111,853,789</u>	<u>85,245,790</u>	<u>77,086,764</u>	<u>207,814,536</u>	<u>188,940,553</u>
Prior Period Adjustment	<u>(403,399)</u>	-	<u>(40,567)</u>	-	<u>(443,966)</u>	-
Net position, September 30	<u>\$129,548,821</u>	<u>\$122,568,746</u>	<u>\$ 97,790,274</u>	<u>\$ 85,245,790</u>	<u>\$227,339,095</u>	<u>\$207,814,536</u>

## Governmental Activities

The City's total revenues of governmental activities were \$51,582,165. A significant portion 42.6%, of the City's revenues came from property taxes. Another 34.8% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new - properties and increases in assessed valuation throughout the City. The City Council has chosen to lower the tax rate each of the last five years. Total assessed values of the properties in the City increased by 12.2%. The City adopted a property tax rate of 42.36 cents per \$100 of assessed valuation for fiscal year 2018. Growth in the assessed valuation and conservative budgets allowed the City to lower the rate for fiscal year 2018 by 3.07 cents per hundred dollars of assessed valuation. Sales tax revenue increased over the prior year by 4.77% which was most influenced by increases in same stores sales. Housing starts were consistent with recent years and remain predominately the construction of larger homes on larger tracts resulting in significantly higher price points. Developers started infrastructure work on several projects including additional phases of Stone

Creek, Breezy Hill, and the new subdivision, Lakes of Somerset in 2018. The permit revenues increased by 19.1% due in large part to projects in the Technology Park. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and named the wealthiest county in Texas.

### Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$43,868,741. Of this total, \$11,605,343 (26.5%) was for the Police Department. The department decreased expenditures for fiscal year 2018 when compared to the prior year due to the addition of several pieces of equipment and vehicles in 2017. Fire Department costs were \$5,214,304 (11.9%) which was an increase of 10.3% over the prior year and was reflective of the City’s efforts to continue to grow and mature our combination paid/volunteer Fire Department. The City’s strategic planning was accepted by Council in 2018 and includes an ongoing focus on the staffing ratios and service needs of the area. The Public Works Department represents 7.28% of the City’s costs due to street construction and rehabilitation projects underway in 2018. A study was previously funded to determine the pavement condition of all streets and alleys in the City limits. The results were evaluated and employed in the budget process for 2018 to determine priorities for maintenance projects which could reasonably be expected to improve the roadway and extend the time before more extensive repairs or replacement would be required in future capital projects.

### Business-Type Activities

The City’s business-type activities recorded an increase of \$12,585,051 in net position. Retail water sales increased by 11.5% due to increased rates and stronger demand. After years of lower water consumption due to drought restrictions, the City’s water consumption increased beyond previously set maximums by 15.2%. The City’s rates were increased each year from 2013 - 2017. With higher sales, the City did not have to increase rates for 2018. The City implemented a conservation focused water rate structure in 2001 and

increases the rate tiers each time new rates are adopted. The rates for sewer were also increased each of those years and not changed for 2018. Total sewer charges increased by 3.6% for the fiscal year. The City employs winter averaging to calculate sewer billing so revenues were largely not affected by restrictions on irrigating lawns. Water and sewer charges were \$22,341,393, which is an increase of \$1,805,825 over the prior year.

Water and sewer impact fees (Capital recovery fees) totaled \$1,604,521 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system’s initial costs in building assets to serve new growth. Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

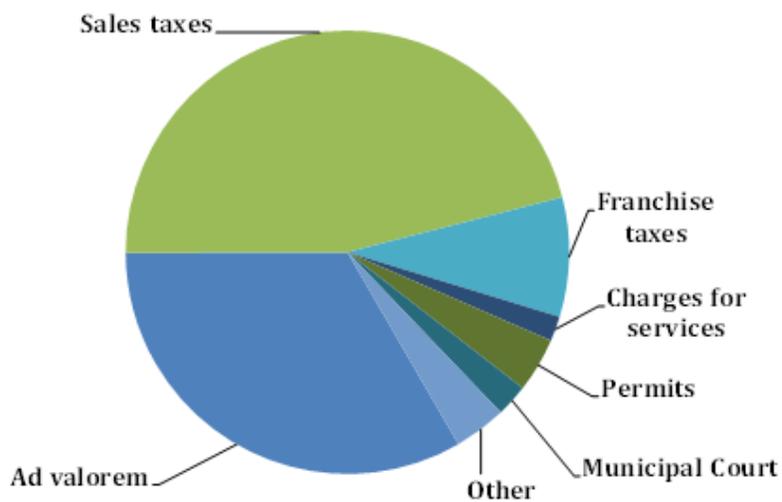
**Component Units**

The Rockwall Economic Development Corporation (REDC) reported revenues including the ½-cent sales tax, authorized under the Type A Corporation statutes, of \$5,756,918. Assets managed by the corporation include an inventory of 218 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

**ANALYSIS OF INDIVIDUAL FUNDS**

The City’s *General Fund* reported an ending unassigned fund balance of \$12,825,308. The largest source of general fund revenue is sales tax, it accounted for \$17,236,307 (46.1%) of total general fund revenue. Ad valorem property taxes account for \$12,454,267 (33.3%) of general fund revenues. The City’s property tax rate is split between maintenance/operations and debt service. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City’s financial policies. This “reserve” balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows. The unassigned balance increased by \$1,998,257 or 18.5% due to stronger than anticipated sales tax and permit revenue sources as well as less than appropriated expenditures in each department.

**Revenues by Source – General Fund**



The City's *Debt Service Fund* reported an increase in fund balance of \$794,109 before transfers out. Property tax collections for debt service requirements were \$9,075,928. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City's bond election in 2005 and again in 2012 which authorized more than \$92,831,000 in projects. After extensive study, the City adopted a Roadway Impact Fee which was updated in 2014, will be evaluated again in 2019 and from which generated \$865,874 in new revenue to this fund in fiscal year 2018. The City Council chooses to budget a portion of this fund balance each year toward meeting the City's current debt service obligations. This allows the use of the debt service fund reserves to lessen the effect of new debt issues on the property tax rate each year.

The *Recreation Development Fund* was established to assign funding from certain recreation programs and concessions to the development of new recreation opportunities across the City. The City was successful in leveraging developer provided park land and equipment fees for grant match in order to be awarded two state grants for the development of Stone Creek and Breezy Hill neighborhood parks in 2018.

The *G.O. Bonds Capital Projects Fund* reported an assigned fund balance of \$6,050,883, a decrease of \$3,747,860 from the prior year. For the final two road projects approved in the 2012 election, engineering design is nearing completion and bidding is expected to occur in the Fall 2018 with construction beginning shortly thereafter.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2018, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$32,943,030 increased to \$33,155,000 while revenue estimates increased from \$36,066,050 to \$37,218,050. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$10,822,071 however due to the budget adjustments mentioned above the fund balance was re-estimated to be \$11,699,601.

General fund revenues ultimately were \$37,419,597, a positive variance of \$201,547 over the amended budget estimate, reflecting a greater than anticipated increase in sales tax collections and construction permits late in the budget year. Actual general fund total expenditures were \$32,230,840 or \$924,160 less than final projections. Final expenditures in each department were generally less than anticipated. The City ended the year with a fund balance of \$12,825,308, or 1,998,257 more than the prior year. The increase is due to sales taxes and permit revenues exceeding early estimates and departments spending less than anticipated.

### Capital Assets

At the end of the fiscal year 2018 the City had \$315,101,679 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3  
Capital Assets at Year-End**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land	\$17,756,083	\$17,928,772	\$ 534,078	\$ 534,078	\$ 18,290,161	\$ 18,462,850
Buildings & systems	12,078,706	12,454,192	5,912,047	6,163,291	17,993,149	18,617,483
Improvements other than buildings	16,982,088	17,329,057	100,462,583	95,568,947	117,444,670	112,898,004
Machinery & equipment	5,892,948	6,269,309	2,980,062	2,807,035	8,870,611	9,076,344
Infrastructure	142,080,479	142,161,789	-	-	142,080,479	142,161,789
Construction in progress	5,470,388	2,534,984	4,952,221	1,191,129	10,422,609	3,726,113
	<u>\$ 200,260,692</u>	<u>\$ 198,678,103</u>	<u>\$ 114,840,991</u>	<u>\$ 106,264,482</u>	<u>\$ 315,101,679</u>	<u>\$ 304,942,583</u>

The results of the street and alley condition assessment conducted in 2016 were used to develop a capital improvement program which included \$85 million of street reconstruction projects which was approved by the voters in May 2018. Projects have been prioritized and design will be undertaken on most of the projects in 2019 with construction timing and debt issuance phased over the next 8-10 years.

Additional information regarding the City’s capital assets is found in note III-D on pages 46-48.

Debt

At year-end, the City had \$117,051,713 in bonds and capitalized leases shown in Table 4.

**Table 4  
City of Rockwall Outstanding Debt**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
General obligation bonds	\$ 79,880,000	\$ 85,235,000	\$ 18,705,000	\$ 19,830,000	\$ 98,585,000	\$ 105,065,000
Certificates of obligation	7,020,000	7,705,000	7,565,000	8,910,000	14,585,000	16,615,000
Capital Lease obligations	-	-	3,881,713	4,233,385	3,881,713	4,233,385
	<u>\$ 86,900,000</u>	<u>\$ 92,940,000</u>	<u>\$ 30,151,713</u>	<u>\$ 32,973,385</u>	<u>\$ 117,051,713</u>	<u>\$ 125,913,385</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 2.12% or \$2,546 per capita.

The City’s bond ratings at September 30, 2018 were as follows:

	<u>General Obligation</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA+	A-
Moody’s Investor Service Inc.	Aa2	A1

Additional information on long-term debt may be found in note III-F, on pages 50-56 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2019 budget, tax rate, and fees that will be charged for the business-type activities. The City conservatively budgeted a 3% increase in sales tax revenue and modest increases in other revenues.

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Fort Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 3.3%, below national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2019. The budgeted revenues for fiscal year 2019 total \$37,902,500 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate was reduced to 40.21 cents per hundred dollars of assessed value due to growth in assessed values.

The City's financial policies require that revenues and expenditures be projected conservatively. The fund balance policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The projected ending general fund balance for 2019 provides approximately 3.7 months of reserves for the City. The 2019 budget reflects planned expenditures from reserves including multiple vehicle replacements, parking lot repairs, and new permit and inspections software. Street and alley maintenance funding was increased by \$1.1million dollars as well.

The 2019 budget expenditures include the addition of three school resource officers (SRO) and a sergeant for that unit. The SRO expenses are shared with Rockwall ISD which reimburses the City for 75% of those expenses. The fire department continues to grow its paid staff with the addition of 6 full-time firefighters along with three Lieutenant positions and a Training Officer. These changes were made in the Fire department as a result of strategic planning work finalized during the year.

A comprehensive water and sewer rate study was developed during 2018 with rate recommendations over the next several years. This included looking at the North Texas Municipal Water District projected rates for treated water over the next five years as well as budget planning and capital planning for the City's own operations and projects. Infrastructure asset management software was implemented in 2018 as well. A phased program to add generators to each wastewater lift station will continue in 2019.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information, contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email: msmith@rockwall.com.

***BASIC FINANCIAL STATEMENTS***

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,101,639	\$ 4,906,394	\$ 7,008,033	\$ 1,275,272
Investments	25,902,384	6,290,655	32,193,039	5,709,348
Receivables (net of allowance for uncollectibles)	3,828,133	4,618,832	8,446,965	33,006
Due from other governments	2,682,624	-	2,682,624	894,208
Inventories	2,234	354,127	356,361	12,401,235
Restricted assets:				
Cash and cash equivalents	-	783,226	783,226	-
Investments	-	1,076,750	1,076,750	-
Accrued interest	-	4,011	4,011	-
Capital assets (net of accumulated depreciation)				
Land	17,756,083	534,078	18,290,161	-
Building and system	12,078,705	5,914,444	17,993,149	-
Improvements other than buildings	16,982,087	100,462,583	117,444,670	-
Machinery and equipment	5,892,948	2,977,663	8,870,611	18,159
Infrastructure	142,080,479	-	142,080,479	-
Construction in progress	5,470,388	4,952,221	10,422,609	-
Total assets	<u>234,777,704</u>	<u>132,874,984</u>	<u>367,652,688</u>	<u>20,331,228</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred bond issue cost - insurance	-	-	-	-
Deferred charge on refunding	72,043	1,236,453	1,308,496	16,293
Pension contributions after 12/31/17	1,979,802	209,937	2,189,739	(51,646)
Pension investment experience	(1,867,074)	(184,970)	(2,052,044)	55,076
OPEB contributions after 12/31/17	2,433	245	2,678	56
Change in Assumptions - OPEB	37,517	3,773	41,290	864
Total deferred outflows of resources	<u>224,721</u>	<u>1,265,438</u>	<u>1,490,159</u>	<u>20,643</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	4,887,461	2,093,040	6,980,501	224,587
Due to other governments	213,279	-	213,279	-
Customer deposits	-	590,598	590,598	-
Pension liability	8,667,741	928,475	9,596,216	203,121
Liabilities payable from restricted assets:				
Noncurrent liabilities:				
Due within one year	7,651,887	3,274,148	10,926,035	1,748,810
Due in more than one year	82,931,828	29,384,256	112,316,084	18,098,157
Total liabilities	<u>104,352,196</u>	<u>36,270,517</u>	<u>140,622,713</u>	<u>20,274,675</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - other	544,804	-	544,804	-
Pension actual experience vs assumptions	556,603	79,631	636,234	18,156
Total deferred inflows of resources	<u>1,101,407</u>	<u>79,631</u>	<u>1,181,038</u>	<u>18,156</u>
<b>NET POSITION</b>				
Net investment in capital assets	113,360,690	84,689,276	198,049,966	18,159
Restricted for:				
Debt service	4,132,234	1,086,032	5,218,266	-
Capital projects	7,681,086	604,550	8,285,636	-
Unrestricted	4,374,812	11,410,416	15,785,228	40,881
Total net position	<u>\$ 129,548,822</u>	<u>\$ 97,790,274</u>	<u>\$ 227,339,096</u>	<u>\$ 59,040</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
Mayor/council	\$ 127,123	\$ -	\$ -	\$ -	\$ (127,123)		\$ (127,123)	
Administration	10,366,228	1,091,863	24,670	-	(9,249,695)		(9,249,695)	
Finance	1,686,266	11,850	-	-	(1,674,416)		(1,674,416)	
Municipal court	429,862	922,810	-	-	492,948		492,948	
Police	11,605,343	999,896	7,182	-	(10,598,265)		(10,598,265)	
Fire	5,214,304	62,375	17,434	-	(5,134,495)		(5,134,495)	
Public works	3,195,355	1,483,197	21,217	-	(1,690,941)		(1,690,941)	
Community development	1,965,366	1,588,987	-	-	(376,379)		(376,379)	
Parks and recreation	5,450,380	856,296	340,936	44,793	(4,208,355)		(4,208,355)	
Interest on long-term debt	3,828,514	-	-	-	(3,828,514)		(3,828,514)	
Total governmental activities	<u>43,868,741</u>	<u>7,017,274</u>	<u>411,439</u>	<u>44,793</u>	<u>(36,395,235)</u>		<u>(36,395,235)</u>	
Business-type activities:								
Water and sewer	22,698,696	27,103,883	-	7,707,536		\$ 12,112,723	12,112,723	
Total business-type activities	<u>22,698,696</u>	<u>27,103,883</u>	<u>-</u>	<u>7,707,536</u>		<u>12,112,723</u>	<u>12,112,723</u>	
Total primary government	<u>\$ 66,567,437</u>	<u>\$ 34,121,157</u>	<u>\$ 411,439</u>	<u>\$ 7,752,329</u>	<u>(36,395,235)</u>	<u>12,112,723</u>	<u>(24,282,512)</u>	
<b>COMPONENT UNITS:</b>								
Economic Development Corporation	\$ 2,939,026	\$ -	\$ -	\$ -				\$ (2,939,026)
Rockwall Technology Park Association	194,093	193,444	-	-				(649)
Total component units	<u>\$ 3,133,119</u>	<u>\$ 193,444</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(2,939,675)</u>
General revenues:								
Ad valorem taxes, penalty and interest					21,984,955	-	21,984,955	-
Sales taxes					17,949,999	-	17,949,999	5,756,918
Franchise taxes					3,348,981	-	3,348,981	-
Miscellaneous					374,176	19,579	393,755	8,506
Unrestricted investment earnings					450,548	122,799	573,347	71,961
Transfers					(329,950)	329,950	-	-
Total general revenues and transfers					<u>43,778,709</u>	<u>472,328</u>	<u>44,251,037</u>	<u>5,837,385</u>
Change in net position					7,383,474	12,585,051	19,968,525	2,897,710
Net position at beginning of year					122,568,746	85,245,790	207,814,536	(2,829,378)
Prior period adjustment - OPEB Contributions					(403,399)	(40,567)	(443,966)	(9,292)
Net position at end of year					<u>\$ 129,548,821</u>	<u>\$ 97,790,274</u>	<u>\$ 227,339,095</u>	<u>\$ 59,040</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 119,047	\$ 34,180	\$ 5,497	\$ 1,639,868	\$ 1,798,592
Investments	10,981,995	3,231,724	6,862,266	3,207,694	24,283,679
Receivables (net of allowances for uncollectibles):					
Taxes - delinquent	321,221	283,625	-	241	605,087
Franchise taxes	1,209,998	-	-	-	1,209,998
Fines	207,174	-	-	-	207,174
Accrued interest	11,606	-	7,555	2,705	21,866
Accounts	324,316	-	-	676,993	1,001,309
Assessments	-	-	-	107,432	107,432
Other receivables	91,938	-	-	-	91,938
Due from other funds	532,889	-	-	-	532,889
Due from other governments	2,645,366	-	-	37,258	2,682,624
Inventory	2,234	-	-	-	2,234
	<u>16,447,784</u>	<u>3,549,529</u>	<u>6,875,318</u>	<u>5,672,191</u>	<u>32,544,822</u>
Total assets	<u>\$ 16,447,784</u>	<u>\$ 3,549,529</u>	<u>\$ 6,875,318</u>	<u>\$ 5,672,191</u>	<u>\$ 32,544,822</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,436,389	\$ -	\$ 824,435	\$ 81,195	\$ 3,342,019
Due to other governments	213,279	-	-	-	213,279
Due to other funds	-	-	-	401,622	401,622
Total liabilities	<u>2,649,668</u>	<u>-</u>	<u>824,435</u>	<u>482,817</u>	<u>3,956,920</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	359,369	271,571	-	-	630,940
Unavailable revenue - developer contribution	-	-	-	128,153	128,153
Unavailable revenue - fines	96,681	-	-	-	96,681
Unavailable revenue - other	516,758	-	-	544,804	1,061,562
Total deferred inflows of resources	<u>972,808</u>	<u>271,571</u>	<u>-</u>	<u>672,957</u>	<u>1,917,336</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	854,276	854,276
Committed	-	3,277,958	-	-	3,277,958
Assigned	-	-	6,050,883	3,662,141	9,713,024
Unassigned	12,825,308	-	-	-	12,825,308
Total fund balances	<u>12,825,308</u>	<u>3,277,958</u>	<u>6,050,883</u>	<u>4,516,417</u>	<u>26,670,566</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,447,784</u>	<u>\$ 3,549,529</u>	<u>\$ 6,875,318</u>	<u>\$ 5,672,191</u>	<u>\$ 32,544,822</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet	\$ 26,670,566
Amounts reported for governmental activities in the statement of net assets are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position	
	1,387,676
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	630,940
Franchise taxes receivable	482,775
Intergovernmental receivable	33,982
Contributions receivable	128,153
The following assets are not available to pay for current period expenditures and are not accrued in the funds:	
Court fines receivable	96,681
The following assets are not current financial resources and are not reported in the funds:	
Capital assets used in governmental activities (net of accumulated depreciation of \$132,749,149)	200,260,690
Deferred outflows and inflows of resources are not reported in the governmental funds:	
Deferred charges on refunding	72,043
Pension contributions after measurement date	1,979,802
OPEB contributions after 12/31/17	2,433
Change in Assumptions - OPEB	37,517
Difference in projected and actual earnings on pension assets	(1,867,074)
Changes in actuarial assumptions used to determine pension liability	(556,603)
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(1,781,767)
Bonds payable	(88,313,525)
Pension liability	(8,667,741)
OPEB Liability	(488,423)
Accrued interest payable	(559,304)
	\$ 129,548,821

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes, penalty and interest	\$ 12,454,267	\$ 9,075,928	\$ -	\$ 359,554	\$ 21,889,749
Sales taxes	17,236,307	-	-	713,691	17,949,998
Franchise taxes	3,255,645	-	-	-	3,255,645
Charges for services	677,888	865,874	-	820,372	2,364,134
Permits	1,486,911	-	-	1,050	1,487,961
Municipal court	884,192	-	-	53,851	938,043
Intergovernmental	898,842	-	-	45,006	943,848
Investment earnings net of change in fair value of investments	134,818	148,489	108,690	9,170	401,167
Miscellaneous	345,934	-	-	265,471	611,405
Contributions and donations	44,793	-	-	379,335	424,128
Total revenues	<u>37,419,597</u>	<u>10,090,291</u>	<u>108,690</u>	<u>2,647,500</u>	<u>50,266,078</u>
Expenditures:					
Current:					
Mayor/council	127,123	-	-	-	127,123
Administration	4,573,412	-	-	199,010	4,772,422
Finance	690,277	-	-	488,514	1,178,791
Municipal court	429,862	-	-	-	429,862
Police	10,790,877	-	-	141,061	10,931,938
Fire	4,262,926	-	-	9,420	4,272,346
Public works	4,574,434	-	-	404,040	4,978,474
Community development	1,965,366	-	-	-	1,965,366
Parks and recreation	3,899,966	-	-	-	3,899,966
Total current	<u>31,314,243</u>	<u>-</u>	<u>-</u>	<u>1,242,045</u>	<u>32,556,288</u>
Capital outlay:					
Administration	60,520	-	3,201,634	76,927	3,339,081
Finance	-	-	-	507,475	507,475
Police	442,291	-	-	55,253	497,544
Fire	-	-	-	71,021	71,021
Public works	208,900	-	-	-	208,900
Parks and recreation	204,886	-	-	568,677	773,563
Total capital outlay	<u>916,597</u>	<u>-</u>	<u>3,201,634</u>	<u>1,279,353</u>	<u>5,397,584</u>
Debt service:					
Principal	-	5,980,000	-	60,000	6,040,000
Interest and fiscal charges	-	3,303,682	-	361,822	3,665,504
Fiscal charges	-	12,500	-	-	12,500
Total debt service	<u>-</u>	<u>9,296,182</u>	<u>-</u>	<u>421,822</u>	<u>9,718,004</u>
Total expenditures	<u>32,230,840</u>	<u>9,296,182</u>	<u>3,201,634</u>	<u>2,943,220</u>	<u>47,671,876</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,188,757</u>	<u>794,109</u>	<u>(3,092,944)</u>	<u>(295,720)</u>	<u>2,594,202</u>
Other financing sources (uses):					
Transfers in	25,000	-	-	1,255,466	1,280,466
Transfers out	(3,215,500)	(1,345,000)	(654,916)	(25,000)	(5,240,416)
Total other financing sources (uses)	<u>(3,190,500)</u>	<u>(1,345,000)</u>	<u>(654,916)</u>	<u>1,230,466</u>	<u>(3,959,950)</u>
Net change in fund balances	1,998,257	(550,891)	(3,747,860)	934,746	(1,365,748)
Fund balances, October 1	<u>10,827,051</u>	<u>3,828,849</u>	<u>9,798,743</u>	<u>3,581,671</u>	<u>28,036,314</u>
Fund balances, September 30	<u>\$ 12,825,308</u>	<u>\$ 3,277,958</u>	<u>\$ 6,050,883</u>	<u>\$ 4,516,417</u>	<u>\$ 26,670,566</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - governmental funds	\$ (1,365,748)
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets.	623,043
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	95,205
Assessments receivable	6,689
Franchise taxes receivable	93,336
Court fines receivable	(10,836)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays, net of donated capital assets and retirements in the current period.	2,164,107
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization in the current period, net of additions for debt issue cost incurred.	(126,100)
Expenditures are recognized in the governmental fund when paid. However, the Statement of Activities is presented on an accrual basis and expenses are reported when incurred. The following is the net difference in pension & OPEB costs	(28,342)
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	(38,351)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments (\$6,040,000) and bond premium amortization (\$13,941) in the current period.	6,053,941
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	<u>(83,470)</u>
	<u>\$ 7,383,474</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018

	Business-type Activities <u>Enterprise Fund</u> Water and Sewer	Governmental Activities <u>Internal</u> Service Funds
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,906,394	\$ 303,047
Investments	6,290,655	1,618,705
Receivables (net of allowances for uncollectibles):		
Interest		
Accounts	3,840,850	-
Due from other entities	777,982	-
Inventory	354,127	-
Restricted assets:		
Cash and cash equivalents	783,226	-
Investments	1,076,750	-
Accrued interest	4,011	-
Total current assets	<u>18,033,995</u>	<u>1,972,192</u>
Noncurrent assets:		
Capital assets not being depreciated	5,486,299	-
Capital assets being depreciated, net	<u>109,354,690</u>	-
Total noncurrent assets	<u>114,840,989</u>	<u>-</u>
Total Assets	<u>132,874,984</u>	<u>1,972,192</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred charge on refunding	1,236,453	-
Pension contributions after 12/31/17	209,937	-
Pension investment experience	(184,970)	-
OPEB contributions after 12/31/17	245	-
Change in Assumptions - OPEB	<u>3,773</u>	-
Total Deferred Outflow of Resources	<u>1,265,438</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	2,029,074	453,490
Customer deposits	590,598	-
Due to other funds	-	131,026
General obligation bonds payable - current	2,575,000	-
Liabilities payable from restricted assets:		
Obligations under capital leases - current	373,339	-
Accrued interest payable	<u>63,966</u>	-
Total current liabilities	<u>5,631,977</u>	<u>584,516</u>
Noncurrent liabilities:		
General obligation bonds payable	26,007,754	-
Obligations under capital leases	3,508,374	-
Pension liability	928,475	-
OPEB Liability	49,117	-
Liability for compensated absences	<u>144,820</u>	-
Total noncurrent liabilities	<u>30,638,540</u>	<u>-</u>
Total Liabilities	<u>36,270,517</u>	<u>584,516</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension actual experience vs assumptions	<u>79,631</u>	-
Total Deferred Inflow of Resources	<u>79,631</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	84,689,276	-
Restricted for debt service	1,086,032	-
Restricted for construction	604,550	-
Unrestricted	<u>11,410,416</u>	<u>1,387,676</u>
Total Net Assets	<u>\$ 97,790,274</u>	<u>\$ 1,387,676</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 27,103,883	\$ 1,053,812
Total operating revenues	<u>27,103,883</u>	<u>1,053,812</u>
<b>OPERATING EXPENSES:</b>		
Personnel services	2,213,840	-
Contractual services	15,096,514	4,138,649
Materials and supplies	620,575	-
Operations	362,139	-
Utilities	387,306	-
Depreciation and amortization	3,129,097	-
Total operating expenses	<u>21,809,471</u>	<u>4,138,649</u>
Operating Income (Loss)	<u>5,294,412</u>	<u>(3,084,837)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	122,799	49,380
Miscellaneous income	19,579	28,500
Capital recovery fees	1,604,521	-
Paying agent fees	(1,431)	-
Interest and fiscal charges	(887,794)	-
Total non-operating revenues (expenses)	<u>857,674</u>	<u>77,880</u>
Gain (loss) before transfers and capital contributions	<u>6,152,086</u>	<u>(3,006,957)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
Capital contributions	6,103,015	-
Transfers in	1,345,000	3,880,000
Transfers out	(1,015,050)	(250,000)
Total transfers and capital contributions	<u>6,432,965</u>	<u>3,630,000</u>
Increase (decrease) in net assets	12,585,051	623,043
Net position, October 1	85,245,790	764,633
Prior period adjustment - OPEB Contributions	<u>(40,567)</u>	<u></u>
Net position, September 30	<u>\$ 97,790,274</u>	<u>\$ 1,387,676</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and Sewer</u>	<u>Service Funds</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 27,468,635	\$ 1,033,266
Cash paid to employees for services	(2,214,226)	-
Cash paid to suppliers for goods and services	(15,667,592)	(4,131,416)
Net cash provided (used) by operating activities	<u>9,586,817</u>	<u>(3,098,150)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash paid to other funds	(1,015,050)	-
Cash received from other funds	928,060	3,756,630
Net cash provided (used) by non-capital financing activities	<u>(86,990)</u>	<u>3,756,630</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or construction of capital assets	(5,602,592)	-
Capital recovery fees received	1,604,521	-
Principal paid on capital debt	(3,259,372)	-
Interest and fees paid on capital debt	(894,635)	-
Net cash used in capital and related financing activities	<u>(8,152,078)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(564,011)	(580,648)
Proceeds from sales and maturities of investments	2,707,178	-
Interest and dividends received	122,799	49,380
Net cash used in (provided by) investing activities	<u>2,265,966</u>	<u>(531,268)</u>
Net increase (decrease) in cash and cash equivalents	3,613,715	127,212
Cash and cash equivalents at beginning of year	2,075,905	226,522
Cash and cash equivalents at end of year	<u>\$ 5,689,620</u>	<u>\$ 353,734</u>
<b>Reported on Statement of Net Position</b>		
Unrestricted cash	\$ 4,906,394	\$ 303,047
Restricted cash	783,226	-
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating Income (loss)	\$ 5,294,412	\$ (3,084,837)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	3,129,097	-
Miscellaneous income	-	28,500
Change in Assets and Liabilities:		
Decrease (increase) in assets:		
Receivables	316,322	(49,046)
Inventories	(56,016)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	850,947	7,233
Customer deposits	48,430	-
Pension liability	1,682	-
OPEB liability	4,532	-
Compensated absences	(2,589)	-
Net cash provided (used) by operating activities	<u>\$ 9,586,817</u>	<u>\$ (3,098,150)</u>
<b>Non-cash investing and financing activities:</b>		
Capital contributions	<u>\$ 1,604,521</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 AGENCY FUNDS  
 SEPTEMBER 30, 2018

	Agency Fund
	Special Escrow
	Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 243,944
Investments	2,112,716
Total assets	\$ 2,356,660
<b>LIABILITIES</b>	
Due to developers	\$ 2,356,660
Total liabilities	\$ 2,356,660

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a seven member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2018, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discrete component unit of the City. RTPA, is effectively controlled by the City through REDC and thus provides a potential financial benefit or burden to the City.

The funds of both REDC and RTPA are composed of governmental fund types. Stand-alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2018 are not prepared.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Assets, liabilities, and net position or equity*

Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items "a" through "d" above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2018, the City has the recurring fair value measurements for coupon and discount agencies and treasury notes of \$6,971,170 valued using quoted prices for similar assets in active markets. (Level 2 inputs).

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for un-collectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for un-collectibles.

Property taxes are levied on October 1st by the City based on the January 1st property values as assessed by the Rockwall Central Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

Long-term obligations

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

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

Fund equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact are classified as non-spendable fund balance.

Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation are classified as restricted fund balance.

Amounts that are available for any purpose are classified as unassigned fund balance; these amounts can be reported only in the City's General Fund.

Fund balance amount represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. The City has not established a formal policy to set forth a minimum level for fund balances.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2018, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

Emergency Siren Fund  
Art in Public Places Fund  
Vehicle Acquisition

7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$20,852 in the Public Safety fund due to an unforeseen computer equipment failure which necessitated the purchase of new hardware for the Municipal Court from court technology fees accounted for in this fund.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2018, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$783,226, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2018, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments

At September 30, 2018, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2 - 6	7 - 12	13 - 24+
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Mortgage Corp.	\$ 437,759	\$ -	\$ -	\$ -	\$ 437,759
Federal National Mortgage Assoc.	2,473,134	-	-	1,131,149	1,341,985
Federal Farm Credit Bank	2,103,420	-	-	-	2,103,420
Federal Home Loan Bank	461,528	-	-	-	461,528
Treasury bills and notes	1,495,328	-	-	-	1,495,328
	6,971,169	-	-	1,131,149	5,840,020
Money Market Funds	28,411,336	28,341,334	-	-	-
Total Primary Government	35,382,505	28,341,334	-	1,131,149	5,840,020
<b>Discretely Presented Component Units</b>					
Rockwall Economic Development					
Money Market Funds	5,709,348	5,709,348	-	-	-
Total Discretely Presented Component Units	5,709,348	5,709,348	-	-	-
<b>Total Reporting Entity</b>	<b>\$ 41,091,853</b>	<b>\$ 34,050,682</b>	<b>\$ -</b>	<b>\$ 1,131,149</b>	<b>\$ 5,840,020</b>

Investments are reported in the Statement of net position as follows:

Governmental activities	\$ 25,902,384
Business-type activities	7,367,405
Fiduciary Fund	2,112,716
Discretely presented component units:	
Rockwall Economic Development Corporation	5,709,348
	<u>\$ 41,091,853</u>

The City has invested with money market funds with ratings from Aaa to AAA.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

B. Receivables

Receivable as of year-end for the government’s individual major funds and non-major, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>GO Bonds Capital</u>	<u>Nonmajor and Other</u>	<u>Water and Sewer</u>
Taxes receivable - delinquent	\$ 321,221	\$ 283,625	\$ -	\$ 241	\$ -
Fines receivable	345,290				
Allowance for uncollectibles	\$ (138,116)	\$ -	\$ -	\$ -	\$ -
	<u>\$ 207,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Accrued Interest	<u>\$ 11,606</u>	<u>\$ -</u>	<u>\$ 7,555</u>	<u>\$ 2,705</u>	<u>\$ -</u>
Accounts receivable	\$ 324,316	\$ -	\$ -	\$ 676,993	\$ 5,253,122
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,412,272)</u>
Net other receivables	<u>\$ 324,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,993</u>	<u>\$ 3,840,850</u>
Assessments receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,432</u>	<u>\$ -</u>
Other receivables	<u>\$ 91,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 359,369	\$ -
Contract receivable not yet due (General Fund)	516,758	-
Fines receivable (General Fund)	96,681	-
Delinquent property taxes receivable (Debt Service Fund)	271,571	-
Developer contribution receivable (Harbor Debt Service)	128,153	-
Grants receivable (Recreational Development)	393,244	-
Assessments receivable not yet due (Street Improvements)	107,433	-
Seizures not awarded (Narcotics Unit)	<u>44,127</u>	<u>44,127</u>
	<u>\$ 1,917,336</u>	<u>\$ 44,127</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2018 was as follows:

	Balance 9/30/2017	Additions	Retirements	Completed Construction	Balance 9/30/2018
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 17,928,772	\$ -	\$ (172,689)	\$ -	\$ 17,756,083
Construction in progress	2,534,984	4,165,334	-	(1,229,930)	5,470,388
Total capital assets not being depreciated	<u>20,463,756</u>	<u>4,165,334</u>	<u>(172,689)</u>	<u>(1,229,930)</u>	<u>23,226,471</u>
Capital assets being depreciated:					
Buildings	20,107,049	271,644	-	-	20,378,693
Improvements other than buildings	33,954,989	1,349,604	(1,891,195)	-	33,413,398
Machinery and equipment	20,858,202	1,324,497	(4,207,333)	-	17,975,366
Infrastructure	236,043,256	6,696,598	-	1,229,930	243,969,784
Total capital assets being depreciated	<u>310,963,496</u>	<u>9,642,343</u>	<u>(6,098,528)</u>	<u>1,229,930</u>	<u>315,737,241</u>
Less accumulated depreciation for:					
Buildings	(7,652,857)	(647,130)	-	-	(8,299,987)
Improvements other than buildings	(16,625,932)	(1,696,573)	1,891,195	-	(16,431,310)
Machinery and equipment	(14,588,893)	(1,711,873)	4,218,348	-	(12,082,418)
Infrastructure	(93,881,467)	(8,007,838)	-	-	(101,889,305)
Total accumulated depreciation	<u>(132,749,149)</u>	<u>(12,063,414)</u>	<u>6,109,543</u>	<u>-</u>	<u>(138,703,020)</u>
Total capital assets being depreciated, net	<u>178,214,347</u>	<u>(2,421,071)</u>	<u>11,015</u>	<u>1,229,930</u>	<u>177,034,221</u>
Governmental activities capital assets, net	<u>\$ 198,678,103</u>	<u>\$ 1,744,263</u>	<u>\$ (161,674)</u>	<u>\$ -</u>	<u>\$ 200,260,692</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

	Balance 9/30/2017	Additions	Retirements	Completed Construction	Balance 9/30/2018
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 534,078	\$ -	\$ -	\$ -	\$ 534,078
Construction in progress	1,191,129	5,097,380	-	(1,336,288)	4,952,221
Total capital assets not being depreciated	<u>1,725,207</u>	<u>5,097,380</u>	<u>-</u>	<u>(1,336,288)</u>	<u>5,486,299</u>
Capital assets being depreciated:					
Buildings	198,109	-	-	-	198,109
Improvements other than buildings	125,791,068	6,103,016	-	1,336,288	133,230,372
Sewage treatment plants and pump station	12,516,072	-	-	-	12,516,072
Machinery and equipment	7,469,185	505,211	(40,894)	-	7,933,502
Total capital assets being depreciated	<u>145,974,434</u>	<u>6,608,227</u>	<u>(40,894)</u>	<u>1,336,288</u>	<u>153,878,055</u>
Less accumulated depreciation for:					
Buildings	(146,479)	-	-	-	(146,479)
Improvements other than buildings	(30,222,121)	(2,545,668)	-	-	(32,767,789)
Sewage treatment plants and pump station	(6,406,808)	(248,847)	-	-	(6,655,655)
Machinery and equipment	(4,659,751)	(334,583)	40,894	-	(4,953,440)
Total accumulated depreciation	<u>(41,435,159)</u>	<u>(3,129,098)</u>	<u>40,894</u>	<u>-</u>	<u>(44,523,363)</u>
Total capital assets being depreciated, net	<u>104,539,275</u>	<u>3,479,129</u>	<u>-</u>	<u>1,336,288</u>	<u>109,354,692</u>
Business type activities capital assets, net	<u>\$ 106,264,482</u>	<u>\$ 8,576,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,840,991</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$ 753,699
Police	880,418
Fire	697,034
Public Works	8,297,748
Parks & Recreation	<u>1,434,515</u>

Total depreciation expense - governmental activities \$ 12,063,414

Business-type activities

Water and Sewer	<u>\$ 3,129,098</u>
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CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

Construction commitments

The City has active construction projects as of September 30, 2018. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Facilities Project	\$ <u>58,200</u>	\$ <u>71,528</u>
Street Reconstruction	\$ <u>2,248,788</u>	\$ <u>434,366</u>
 Water/Wastewater Project	 \$ <u>4,599,451</u>	 \$ <u>1,041,937</u>

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2018 was as follows:

	<u>Balance 9/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Balance 9/30/2018</u>
Capital assets being depreciated:					
Furniture and fixtures	\$ <u>54,767</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>54,767</u>
Total capital assets being depreciated	<u>54,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,767</u>
Less accumulated depreciation for:					
Furniture and fixtures	<u>(31,952)</u>	<u>(4,656)</u>	<u>-</u>	<u>-</u>	<u>(36,608)</u>
Total accumulated depreciation	<u>(31,952)</u>	<u>(4,656)</u>	<u>-</u>	<u>-</u>	<u>(36,608)</u>
Total capital assets being depreciated, net	<u>\$ 22,815</u>	<u>\$ (4,656)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,159</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Inter-fund receivables, payables, and transfers

The composition of inter-fund balances as of September 30, 2018 is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 532,890	\$ -
Non-major Governmental Funds	-	401,622
Internal Service Funds	-	131,026
Discretely Presented Component Unit	<u>-</u>	<u>242</u>
Totals	<u>\$ 532,890</u>	<u>\$ 532,890</u>

The outstanding balances between funds result primarily from the time delay between the dates that inter-fund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

The composition of inter-fund transfers for the year ended September 30, 2018 is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds		
General Fund	\$ 25,000	\$ 3,215,500
Non-major Governmental Funds	1,255,466	2,024,916
Water and Sewer Enterprise Fund	1,345,000	1,015,050
Internal Service Funds	<u>3,880,000</u>	<u>250,000</u>
Total	<u>\$ 6,505,466</u>	<u>\$ 6,505,466</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2018 is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2018
<b>Governmental Activities</b>					
General Obligation Bonds:					
Improvements	9,065,000	2009	2029	2.0% - 4.6%	3,510,000
Improvements and refunding	8,535,000	2011	2031	2.0% - 5.0%	6,700,000
Improvements	7,905,000	2013	2033	2.0% - 5.0%	6,430,000
Refunding	9,820,000	2014	2025	2.15% - 3.65%	9,325,000
Refunding	2,340,000	2015	2026	1.790%	1,855,000
Refunding	59,220,000	2015	2037	2.0% - 5.0%	52,060,000
Total General Obligation Bonds					<u>79,880,000</u>
Certificates of Obligation Bonds:					
Improvements	5,125,000	2009	2029	2.00% - 4.60%	1,445,000
Improvements	4,675,000	2011	2031	2.00% - 4.25%	3,500,000
Improvements	1,330,000	2011	2031	2.00% - 5.30%	1,110,000
Improvements	2,625,000	2013	2033	2.00% - 4.38%	965,000
Total Certificates of Obligation					<u>7,020,000</u>
Total Governmental Activities General Obligation Debt					<u>86,900,000</u>
<b>Business-type Activities</b>					
General Obligation Bonds:					
Improvements	5,740,000	2011	2031	2.00% - 5.00%	1,730,000
Improvements	2,800,000	2015	2025	1.79%	1,920,000
Improvements	15,550,000	2016	2028	2.00% - 5.00%	15,055,000
Total General Obligation Bonds					<u>18,705,000</u>
Certificates of Obligation:					
Improvements	3,480,000	2013	2031	2.00% - 4.375%	2,820,000
Improvements	5,570,000	2016	2035	3.00%	4,745,000
Total Certificates of Obligation					<u>7,565,000</u>
Total Business Type Activities General Obligation Debt					<u>26,270,000</u>
Total General Debt					<u>\$ 113,170,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 7,095,000	\$ 3,430,397	\$ 2,575,000	\$ 1,038,949	\$ 14,139,346
2020	6,690,000	3,125,841	2,580,000	933,495	13,329,336
2021	6,205,000	2,854,504	2,465,000	828,952	12,353,456
2022	6,460,000	2,603,418	2,585,000	724,808	12,373,226
2023	6,720,000	2,337,659	2,250,000	615,486	11,923,145
2024 - 2028	31,415,000	7,463,606	10,830,000	1,619,615	51,328,221
2029 - 2033	16,020,000	2,708,820	2,415,000	355,150	21,498,970
2034 - 2037	6,295,000	460,350	570,000	25,800	7,351,150
	<u>\$ 86,900,000</u>	<u>\$ 24,984,595</u>	<u>\$ 26,270,000</u>	<u>\$ 6,142,255</u>	<u>\$ 144,296,850</u>

Capitalized lease obligations

The City has entered into contracts with North Texas Municipal Water District (NTMWD), a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of certain water and plants and to provide treated water to the City. The contractual obligations have been treated as capitalized lease obligations.

Capitalized lease obligations outstanding as of September 30, 2018 are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2018
Capital Leases					
Business-type activities					
Ground storage facility	\$ 2,013,434	2005	2025	various	\$ 916,713
Pump station	2,145,000	2006	2026	various	1,115,000
Buffalo Creek plant	2,960,000	2008	2028	various	<u>1,850,000</u>
					<u>3,881,713</u>
Total Capitalized Lease Obligations					<u>\$ 3,881,713</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Future minimum lease payments under capitalized lease obligations as of September 30, 2018 are as follows:

<u>Year</u>	<u>Business-type Activities</u>	<u>Total</u>
2019	\$ 566,822	\$ 566,822
2020	570,987	570,987
2021	570,645	570,645
2022	567,605	567,605
2023	568,379	568,379
2024 - 2028	<u>2,069,286</u>	<u>2,069,286</u>
Total payments	4,913,724	4,913,724
Less imputed interest	<u>(1,032,011)</u>	<u>(1,032,011)</u>
Total Capital Lease Obligations	<u>\$ 3,881,713</u>	<u>\$ 3,881,713</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2018 was as follows:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 85,235,000	\$ -	\$ (5,355,000)	\$ 79,880,000	\$ 6,380,000
Certificates of obligation	7,705,000	-	(685,000)	7,020,000	715,000
Unamortized premium (discount)	<u>1,597,726</u>	<u>-</u>	<u>(112,158)</u>	<u>1,485,568</u>	<u>112,158</u>
Total bonds payable	94,537,726	-	(6,152,158)	88,385,568	7,207,158
OPEB Liability	-	488,423	-	488,423	-
Compensated absences	<u>1,698,298</u>	<u>83,470</u>	<u>-</u>	<u>1,781,768</u>	<u>444,729</u>
Governmental activity long-term liabilities	<u>\$ 96,236,024</u>	<u>\$ 571,893</u>	<u>\$ (6,152,158)</u>	<u>\$ 90,655,759</u>	<u>\$ 7,651,887</u>
<b>Business-type activities:</b>					
General obligation bonds and certificates	\$ 28,740,000	-	(2,470,000)	\$ 26,270,000	\$ 2,575,000
Unamortized premium (discount)	<u>2,609,080</u>	<u>-</u>	<u>(296,326)</u>	<u>2,312,754</u>	<u>298,323</u>
Total bonds payable	31,349,080	-	(2,766,326)	28,582,754	2,873,323
Capital lease obligations	4,233,385	-	(351,672)	3,881,713	373,339
OPEB Liability	-	49,117	-	49,117	-
Compensated absences	<u>147,409</u>	<u>-</u>	<u>(2,589)</u>	<u>144,820</u>	<u>27,486</u>
Business-type activities	<u>\$ 35,729,874</u>	<u>\$ 49,117</u>	<u>\$ (3,120,587)</u>	<u>\$ 32,658,404</u>	<u>\$ 3,274,148</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2018:

<u>Year Authorized</u>	<u>General Obligation Bonds</u>		<u>Balance Unissued 9/30/2018</u>
	<u>Amount Authorized</u>	<u>Amount Issued</u>	
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2012	27,800,000	(7,905,000)	19,895,000
2018	<u>85,000,000</u>	<u>-</u>	<u>85,000,000</u>
Totals	<u>\$ 118,400,000</u>	<u>\$ (12,105,000)</u>	<u>\$ 106,295,000</u>

<u>Year Authorized</u>	<u>Revenue Bonds</u>		<u>Balance Unissued 9/30/2018</u>
	<u>Amount Authorized</u>	<u>Amount Issued</u>	
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Totals	<u>\$ 3,540,000</u>	<u>\$ (1,060,000)</u>	<u>\$ 2,480,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2018:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/2018</u>
Sales Tax Revenue Bonds:					
Improvements	4,595,000	2013	2033	2% - 4.00%	\$ 3,760,000
Improvements	2,405,000	2012	2019	2.00%	365,000
Refunding	3,165,000	2017	2028	3.00%	<u>3,025,000</u>
Total Sales Tax Revenue Bonds					<u>7,150,000</u>
Certificates of Obligation					
Infrastructure improvements	7,610,000	2013	2033	1.65% - 5.82%	6,170,000
Refunding	3,565,000	2015	2025	1.79%	2,825,000
Refunding	3,585,000	2016	2028	2.00% - 5.00%	<u>3,560,000</u>
Total Certificates of Obligation					<u>12,555,000</u>
Total					<u>\$ 19,705,000</u>

Annual debt service requirements to maturity for REDC debt are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 1,730,000	\$ 753,730	\$ 2,483,730
2020	1,410,000	699,887	2,109,887
2021	1,460,000	654,083	2,114,083
2022	1,510,000	602,597	2,112,597
2023	1,570,000	548,702	2,118,702
2024 - 2028	7,960,000	1,848,735	9,808,735
2029 - 2033	<u>4,065,000</u>	<u>620,192</u>	<u>4,685,192</u>
Total	<u>\$ 19,705,000</u>	<u>\$ 5,727,926</u>	<u>\$ 25,432,926</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2018 was as follows:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due Within One Year
Sales tax revenue bonds	\$ 14,540,000	\$ 3,165,000	\$ (4,170,000)	\$ 13,535,000	\$ 1,420,000
Certificates of obligation	6,755,000	-	(585,000)	6,170,000	310,000
Unamortized premium (discount)	<u>132,273</u>	<u>-</u>	<u>(16,264)</u>	<u>116,009</u>	<u>16,264</u>
Total bonds payable	21,427,273	3,165,000	(4,771,264)	19,821,009	1,746,264
Compensated absences	<u>20,465</u>	<u>-</u>	<u>(7,043)</u>	<u>13,422</u>	<u>2,546</u>
Total	<u>\$ 21,447,738</u>	<u>\$ 3,165,000</u>	<u>\$ (4,778,307)</u>	<u>\$ 19,834,431</u>	<u>\$ 1,748,810</u>

4. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$100,000 per covered individual, or approximately \$2,698,472 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2018.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a maximum City liability of \$600,000 per year.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

A. Risk management – continued

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements.

Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Worker's Compensation	
	2018	2017	2018	2017
Claims payable beginning of the year	\$ 395,627	\$ 179,290	\$ 76,389	\$ 152,373
Claims incurred	2,863,449	4,161,875	137,856	177,722
Payment on claims	<u>(2,901,294)</u>	<u>(3,945,538)</u>	<u>(120,297)</u>	<u>(253,706)</u>
	<u>\$ 357,782</u>	<u>\$ 395,627</u>	<u>\$ 93,948</u>	<u>\$ 76,389</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

B. North Texas Municipal Water District – continued

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related assets have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2018, is \$3,881,713 See Note 3F for the annual requirements to amortize the bonds as of September 30, 2018.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 3F above, the general revenues of the City are contingently liable in the amount of \$26,270,000 for general obligation bonds and certificates of obligation which are currently outstanding and recorded as obligations of the Enterprise Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

C. Contingent liabilities and commitments – continued

The City contracts for solid waste disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2018, these commitments totaled \$5,604,454.

D. Defined Benefit Pension Plans

Plan Description:

The City participates as one of 866 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.tmrs.com](http://www.tmrs.com).

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

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 actuarially equivalent 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Benefits Provided - continued:

Beginning in 1993, the City granted an annually repeating (automatic) basis for a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1993, the City provided an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index. (CPI).

A summary of plan provisions for the City are as follows:

Employee Deposit Rate	7%
Matching Ratio (City to Employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Cost	100% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

Employees covered by benefit terms –

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	92
Inactive employees entitled to but not yet receiving benefits	90
Active employees	271
	<u>453</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting 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 Rockwall were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2018, the City made contributions of 16.58%, for calendar year 2017 and 16.36% in 2018 which exceeded the actuarially determined city contribution by .05%.

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, 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 Combined Health Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Actuarial assumptions used in the December 31, 2017 valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. 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 2017 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% effective January 1, 2018. 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 needs of TMRS.

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.

The long-term expected rate of return on pension plan investments was determine 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. 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	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	<u>100.00%</u>	

Discount Rate –

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of each cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan members. 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 Liability.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Changes in the Net Pension Liability –

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$ 81,976,155	\$ 67,339,495	\$ 14,636,660
Changes for the year:			
Service cost	3,622,782	-	3,622,782
Interest	5,577,249	-	5,577,249
Change in benefit terms	-	-	-
Difference between expected and actual experience	(306,042)	-	(306,042)
Changes in assumptions	-	-	-
Contribution - employer	-	3,102,508	(3,102,508)
Contribution - employee	-	1,338,937	(1,338,937)
Net investment income	-	9,340,684	(9,340,684)
Benefit payments, including refunds of employee contributions	(2,323,270)	(2,323,270)	-
Administrative expense	-	(48,368)	48,368
Other changes	-	(2,451)	2,451
Net changes	<u>6,570,719</u>	<u>11,408,040</u>	<u>(4,837,321)</u>
Balance at 12/31/2017	<u>\$ 88,546,874</u>	<u>\$ 78,747,535</u>	<u>\$ 9,799,339</u>

Sensitivity of the net pension liability to changes in the discount rate –

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 23,453,046	\$ 9,799,339	\$ (1,330,293)

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

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](http://www.tmr.com). Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2018, the City recognized pension expense of \$3,158,177. This amount is included as part of Personnel Services expenses within the functional program activities.

At September 30, 2018, the City reported deferred outflow and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Contributions subsequent to the measurement date	\$ 2,236,003	\$ -
Difference between projected and actual investment earnings	-	2,094,880
Differences between actuarial assumptions and actual experience	-	823,147
Changes in actuarial assumptions used	-	61,521
Total	<u>\$ 2,236,003</u>	<u>\$ 2,979,548</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,236,003 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2018 (i.e. recognized in the City’s financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended <u>December 31,</u>	<u>Amount</u>
2018	\$ (216,299)
2019	(353,360)
2020	(1,157,700)
2021	(1,141,493)
2022	(88,466)
Thereafter	<u>(22,230)</u>
Total	<u>\$ (2,979,548)</u>

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$15,775 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 2 active participants currently covered by the Fund and payments are being made to 36 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

E. Post-Employment Benefits Other Than Pensions

Benefit Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan with benefit payments treated as being equal to the employer's yearly contribution for retirees.

Benefits Provided

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

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

E. Post-Employment Benefits Other Than Pensions – continued

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Membership \*

Number of

- Inactive employees or beneficiaries currently receiving benefits	64
- Inactive employees entitled to but not yet receiving benefits	27
- Active employees	<u>271</u>
- Total	<u><u>362</u></u>

\* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.)

Total OPEB Liability

The City’s total OPEB liability of \$548,790 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.50% to 10.5% including inflation
Discount rate	3.31%
Retirees' share of benefit related costs	\$ 0

The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2017.

Mortality rates – service retirees

RP 2000 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.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

E. Post-Employment Benefits Other Than Pensions – continued

Mortality rates – disabled retirees

RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$ 455,919
Changes for the year	
Service Cost	30,604
Interest on Total OPEB Liability	17,740
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	48,353
Benefit payments **	<u>(3,826)</u>
Net Changes	<u>92,871</u>
Total OPEB Liability - end of year	<u>\$ 548,790</u>

\*\* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate –

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate:

	1 % Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB Liability	\$ 674,586	\$ 548,790	\$ 452,486

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

E. Post-Employment Benefits Other Than Pensions – continued

Deferred Outflows of Resources and Deferred Inflows of Resources, by year, to be recognized in Future OPEB Expense (excluding City-provided contributions made subsequent to the measurement date)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$2,734 will be recognized as a reduction of the net OPEB liability for the measurement year ending December 31, 2018 (i.e. recognized in the City’s financial statements for the year ending September 30, 2019). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Net deferred outflows (inflows) of resources
2018	\$ 6,199
2019	6,199
2020	6,199
2021	6,199
2022	6,199
Thereafter	<u>11,159</u>
Total	<u>\$ 42,154</u>

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 8, 2019, which is the date the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes, penalty and interest	\$ 12,334,700	\$ 12,354,700	\$ 12,454,267	\$ 99,567
Sales taxes	16,435,000	17,534,000	17,236,307	(297,693)
Franchise taxes	3,205,000	3,237,500	3,255,645	18,145
Charges for services	576,250	626,250	677,888	51,638
Permits	1,314,000	1,416,500	1,486,911	70,411
Municipal court	1,117,000	905,000	884,192	(20,808)
Intergovernmental	897,600	897,600	898,842	1,242
Interest income	75,000	85,000	134,818	49,818
Miscellaneous	111,500	116,500	345,934	229,434
Contributions and donations	-	45,000	44,793	(207)
Total revenues	<u>36,066,050</u>	<u>37,218,050</u>	<u>37,419,597</u>	<u>201,547</u>
Expenditures:				
Current:				
Mayor/council	125,950	125,400	127,123	(1,723)
Administration	4,655,050	4,663,700	4,573,412	90,288
Finance	788,050	781,050	690,277	90,773
Municipal court	463,200	444,000	429,862	14,138
Police	11,093,500	11,025,000	10,790,877	234,123
Fire	4,083,750	4,328,150	4,262,926	65,224
Public works	4,249,850	4,222,700	4,574,434	(351,734)
Community development	2,051,750	2,030,750	1,965,366	65,384
Parks and recreation	4,450,750	4,553,750	3,899,966	653,784
Total current	<u>31,961,850</u>	<u>32,174,500</u>	<u>31,314,243</u>	<u>860,257</u>
Capital outlay:				
Administration	69,400	69,400	60,520	8,880
Police	447,530	455,950	442,291	13,659
Fire	20,100	-	-	-
Public works	226,150	226,150	208,900	17,250
Parks and recreation	218,000	229,000	204,886	24,114
Total capital outlay	<u>981,180</u>	<u>980,500</u>	<u>916,597</u>	<u>63,903</u>
Total expenditures	<u>32,943,030</u>	<u>33,155,000</u>	<u>32,230,840</u>	<u>924,160</u>
Excess of revenues over expenditures	<u>3,123,020</u>	<u>4,063,050</u>	<u>5,188,757</u>	<u>1,125,707</u>
Other financing sources (uses):				
Transfers in	25,000	25,000	25,000	-
Transfers out	(3,153,000)	(3,215,500)	(3,215,500)	-
Total other financing sources (uses)	<u>(3,128,000)</u>	<u>(3,190,500)</u>	<u>(3,190,500)</u>	<u>-</u>
Net change in fund balances	(4,980)	872,550	1,998,257	1,125,707
Fund balances, October 1	<u>10,827,051</u>	<u>10,827,051</u>	<u>10,827,051</u>	<u>-</u>
Fund balances, September 30	<u>\$ 10,822,071</u>	<u>\$ 11,699,601</u>	<u>\$ 12,825,308</u>	<u>\$ 1,125,707</u>

CITY OF ROCKWALL, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
LAST FOUR FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)

Plan Year	2014	2015	2016	2017
<b>A. Total Pension Liability</b>				
Service cost	\$ 2,947,094	\$ 3,357,626	\$ 3,383,642	\$ 3,622,782
Interest (on the Total Pension Liability)	4,544,927	4,940,548	5,158,244	5,577,249
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(114,323)	(458,262)	(357,796)	(306,042)
Change of assumptions	-	(108,126)	-	-
Benefits payments, including refunds of employee contributions	<u>(1,920,326)</u>	<u>(1,942,137)</u>	<u>(1,869,095)</u>	<u>(2,323,270)</u>
<b>Net Change in Total Pension Liability</b>	5,457,372	5,789,649	6,314,995	6,570,719
<b>Total Pension Liability - Beginning</b>	<u>64,414,139</u>	<u>69,871,511</u>	<u>75,661,160</u>	<u>81,976,155</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 69,871,511</u>	<u>\$ 75,661,160</u>	<u>\$ 81,976,155</u>	<u>\$ 88,546,874</u>
<b>B. Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 2,761,413	\$ 2,950,480	\$ 2,897,712	\$ 3,102,508
Contributions - employee	1,202,324	1,255,523	1,250,554	1,338,937
Net investment income	3,067,672	86,617	4,123,871	9,340,684
Benefit payments, including refunds of employee contributions	(1,920,326)	(1,942,137)	(1,869,095)	(2,323,270)
Administrative expense	(32,021)	(52,749)	(46,547)	(48,368)
Other	<u>(2,633)</u>	<u>(2,605)</u>	<u>(2,508)</u>	<u>(2,451)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	5,076,429	2,295,129	6,353,987	11,408,040
<b>Plan Fiduciary Net Position - Beginning</b>	<u>53,613,949</u>	<u>58,690,378</u>	<u>60,985,507</u>	<u>67,339,494</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 58,690,378</u>	<u>\$ 60,985,507</u>	<u>\$ 67,339,494</u>	<u>\$ 78,747,534</u>
<b>C. Net Pension Liability - Ending (a) - (b)</b>	\$ 11,181,133	\$ 14,675,652	\$ 14,636,660	\$ 9,799,340
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	84.00%	80.60%	82.15%	88.93%
<b>E. Covered Employee Payroll</b>	16,626,112	17,936,037	17,865,058	19,127,677
<b>F. Net Pension Liability as a Percentage of Total Pension Liability</b>	67.25%	81.82%	81.93%	51.23%

Data presented is based on December 31, 2017

CITY OF ROCKWALL, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
LAST FOUR FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)

Plan Year	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 2,761,413	\$ 2,950,480	\$ 2,897,712	\$ 3,102,508
Contributions in relation to the actuarially determined contribution	\$ 2,761,413	\$ 2,950,480	\$ 2,897,712	\$ 3,102,508
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 16,626,112	\$ 17,936,037	\$ 17,865,058	\$ 19,127,677
Contributions as a percentage of covered employee payroll	16.61%	16.45%	16.22%	16.22%

**Notes to Schedule of Contributions**

Notes 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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information**

Notes There were no benefit changes during the year.

CITY OF ROCKWALL, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION OPEB  
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS  
 LAST FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)

Measurement Year	2017
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$ 455,919
Changes for the year	
Service Cost	30,604
Interest on Total OPEB Liability	17,740
Changes in assumptions or other inputs	48,353
Benefit payments **	<u>(3,826)</u>
Net Changes	<u>92,871</u>
Total OPEB Liability - end of year	<u>\$ 548,790</u>

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

Changes in assumptions reflect a change in the discount rate from 3.78% as of December 31, 2016 to 3.31% as of December 31, 2017.

\*\* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

***COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES  
AS SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	Special Revenue Funds	Harbor Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 933,047	\$ 501,446	\$ 205,375	\$ 1,639,868
Investments	1,427,490	315,331	1,464,873	3,207,694
Receivables (net of allowances for uncollectibles):				
Taxes - delinquent	-	241	-	241
Interest	-	-	2,705	2,705
Accounts	548,840	128,153	-	676,993
Assessments	107,432	-	-	107,432
Due from other funds	-	-	-	-
Due from other governments	-	37,258	-	37,258
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ <u>3,016,809</u>	\$ <u>982,429</u>	\$ <u>1,672,953</u>	\$ <u>5,672,191</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 38,445	\$ -	\$ 42,750	\$ 81,195
Due to other funds	401,622	-	-	401,622
Total liabilities	<u>440,067</u>	<u>-</u>	<u>42,750</u>	<u>482,817</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - developer contribution	-	128,153	-	128,153
Unavailable revenue - other	544,804	-	-	544,804
Total Deferred Inflows of Resources	<u>544,804</u>	<u>128,153</u>	<u>-</u>	<u>672,957</u>
<b>FUND BALANCES:</b>				
Restricted	-	854,276	-	854,276
Assigned	2,031,938	-	1,630,203	3,662,141
Total fund balances	<u>2,031,938</u>	<u>854,276</u>	<u>1,630,203</u>	<u>4,516,417</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>3,016,809</u>	\$ <u>982,429</u>	\$ <u>1,672,953</u>	\$ <u>5,672,191</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds	Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ -	\$ 359,554	\$ -	\$ 359,554
Sales taxes	413,112	300,579	-	713,691
Charges for services	820,372	-	-	820,372
Permits	1,050	-	-	1,050
Municipal court	53,851	-	-	53,851
Intergovernmental	45,006	-	-	45,006
Investment earnings net of change in fair value of investments	18,247	2,137	(11,214)	9,170
Miscellaneous	265,471	-	-	265,471
Contributions and donations	358,118	21,217	-	379,335
Total revenues	<u>1,975,227</u>	<u>683,487</u>	<u>(11,214)</u>	<u>2,647,500</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	199,010	-	-	199,010
Finance	488,514	-	-	488,514
Police	141,061	-	-	141,061
Fire	9,420	-	-	9,420
Parks and recreation	404,040	-	-	404,040
Total current	<u>1,242,045</u>	<u>-</u>	<u>-</u>	<u>1,242,045</u>
<b>Capital outlay:</b>				
Administration	76,927	-	-	76,927
Finance	-	-	507,475	507,475
Police	55,253	-	-	55,253
Fire	32,867	-	38,154	71,021
Parks and recreation	568,677	-	-	568,677
Public works	-	-	-	-
Total capital outlay	<u>733,724</u>	<u>-</u>	<u>545,629</u>	<u>1,279,353</u>
<b>Debt service:</b>				
Principal	-	60,000	-	60,000
Interest	-	361,822	-	361,822
Total debt service	<u>-</u>	<u>421,822</u>	<u>-</u>	<u>421,822</u>
Total expenditures	<u>1,975,769</u>	<u>421,822</u>	<u>545,629</u>	<u>2,943,220</u>
Excess of revenues over (under) expenditures	<u>(542)</u>	<u>261,665</u>	<u>(556,843)</u>	<u>(295,720)</u>
<b>Other financing sources (uses):</b>				
Transfers in	477,599	-	777,867	1,255,466
Transfers out	(25,000)	-	-	(25,000)
Total other financing sources (uses)	<u>452,599</u>	<u>-</u>	<u>777,867</u>	<u>1,230,466</u>
Net change in fund balances	452,057	261,665	221,024	934,746
Fund balances, October 1	<u>1,579,881</u>	<u>592,611</u>	<u>1,409,179</u>	<u>3,581,671</u>
Fund balances, September 30	<u>\$ 2,031,938</u>	<u>\$ 854,276</u>	<u>\$ 1,630,203</u>	<u>\$ 4,516,417</u>

## NONMAJOR GOVERNMENTAL FUNDS

### *SPECIAL REVENUE FUNDS*

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Public Safety – established to account for donations, court fees, and other public safety committed revenues.

Recreational Development – established to account for the annual lease income from marinas and golf course.

Radio System – established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Occupancy Tax – established to account for the annual income from hotel occupancy taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement – established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places – established to account for donations received for developing art displays in public areas such as parks.

Narcotics Unit – established to account for revenues and expenditures related to a seized funds and forfeitures.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2018

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Narcotics Unit	Vehicle Acquisition	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS</b>															
Cash and cash equivalents	\$ 8,352	\$ 9,526	\$ 3,464	\$ 40,511	\$ 64,446	\$ -	\$ 17,696	\$ 24,627	\$ -	\$ 5,037	\$ 4,996	\$ 7,112	\$ 322,280	\$ 425,000	\$ 933,047
Investments	69,108	101,204	504,298	-	346,589	-	204,224	8,410	108,657	15,000	-	70,000	-	-	1,427,490
Receivables (net of allowances for uncollectibles):															
Accounts	-	-	418,002	15,469	-	96,984	-	8,385	-	-	10,000	-	-	-	548,840
Assessments	-	-	-	-	107,432	-	-	-	-	-	-	-	-	-	107,432
Total assets	<u>\$ 77,460</u>	<u>\$ 110,730</u>	<u>\$ 925,764</u>	<u>\$ 55,980</u>	<u>\$ 518,467</u>	<u>\$ 96,984</u>	<u>\$ 221,920</u>	<u>\$ 41,422</u>	<u>\$ 108,657</u>	<u>\$ 20,037</u>	<u>\$ 14,996</u>	<u>\$ 77,112</u>	<u>\$ 322,280</u>	<u>\$ 425,000</u>	<u>\$ 3,016,809</u>
<b>LIABILITIES</b>															
Liabilities:															
Accounts payable and accrued liabilities	\$ -	\$ 2,446	\$ 12,817	\$ 15,825	\$ -	\$ 300	\$ -	\$ 957	\$ -	\$ -	\$ -	\$ -	\$ 6,100	\$ -	\$ 38,445
Due to other funds	-	-	314,685	-	-	86,937	-	-	-	-	-	-	-	-	401,622
Total liabilities	<u>-</u>	<u>2,446</u>	<u>327,502</u>	<u>15,825</u>	<u>-</u>	<u>87,237</u>	<u>-</u>	<u>957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,100</u>	<u>-</u>	<u>440,067</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>															
Unavailable revenue - other	-	-	393,244	-	107,433	-	-	-	-	-	-	-	44,127	-	544,804
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>393,244</u>	<u>-</u>	<u>107,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,127</u>	<u>-</u>	<u>544,804</u>
<b>FUND BALANCES</b>															
Committed	<u>77,460</u>	<u>108,284</u>	<u>205,018</u>	<u>40,155</u>	<u>411,034</u>	<u>9,747</u>	<u>221,920</u>	<u>40,465</u>	<u>108,657</u>	<u>20,037</u>	<u>14,996</u>	<u>77,112</u>	<u>272,053</u>	<u>425,000</u>	<u>2,031,938</u>
Total fund balances	<u>77,460</u>	<u>108,284</u>	<u>205,018</u>	<u>40,155</u>	<u>411,034</u>	<u>9,747</u>	<u>221,920</u>	<u>40,465</u>	<u>108,657</u>	<u>20,037</u>	<u>14,996</u>	<u>77,112</u>	<u>272,053</u>	<u>425,000</u>	<u>2,031,938</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances															
	<u>\$ 77,460</u>	<u>\$ 110,730</u>	<u>\$ 925,764</u>	<u>\$ 55,980</u>	<u>\$ 518,467</u>	<u>\$ 96,984</u>	<u>\$ 221,920</u>	<u>\$ 41,422</u>	<u>\$ 108,657</u>	<u>\$ 20,037</u>	<u>\$ 14,996</u>	<u>\$ 77,112</u>	<u>\$ 322,280</u>	<u>\$ 425,000</u>	<u>\$ 3,016,809</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Narcotics Unit	Vehicle Acquisition	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>Revenues:</b>															
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 413,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 413,112
Charges for services	-	-	744,017	15,469	-	-	58,250	-	-	2,636	-	-	-	-	820,372
Permits	1,050	-	-	-	-	-	-	-	-	-	-	-	-	-	1,050
Municipal court	-	53,851	-	-	-	-	-	-	-	-	-	-	-	-	53,851
Intergovernmental	-	30,336	-	-	-	-	-	14,670	-	-	-	-	-	-	45,006
Investment earnings net of change in fair value of investments	1,159	1,859	4,982	-	4,781	-	3,675	-	1,791	-	-	-	-	-	18,247
Miscellaneous	10,800	-	-	-	131,103	-	-	35,415	-	-	-	-	88,153	-	265,471
Contributions and donations	-	7,182	340,581	-	-	-	-	-	-	-	10,000	355	-	-	358,118
<b>Total revenues</b>	<b>13,009</b>	<b>93,228</b>	<b>1,089,580</b>	<b>15,469</b>	<b>135,884</b>	<b>413,112</b>	<b>61,925</b>	<b>50,085</b>	<b>1,791</b>	<b>2,636</b>	<b>10,000</b>	<b>355</b>	<b>88,153</b>	<b>-</b>	<b>1,975,227</b>
<b>Expenditures:</b>															
<b>Current:</b>															
Administration	-	-	-	155,841	-	-	-	36,829	3,840	-	2,500	-	-	-	199,010
Finance	-	-	-	-	-	488,514	-	-	-	-	-	-	-	-	488,514
Police	-	115,202	-	-	-	-	-	-	-	-	-	-	25,859	-	141,061
Fire	-	-	-	-	-	-	9,420	-	-	-	-	-	-	-	9,420
Parks and recreation	4,400	-	396,640	-	-	-	-	-	-	-	3,000	-	-	-	404,040
<b>Total current</b>	<b>4,400</b>	<b>115,202</b>	<b>396,640</b>	<b>155,841</b>	<b>-</b>	<b>488,514</b>	<b>9,420</b>	<b>36,829</b>	<b>3,840</b>	<b>-</b>	<b>5,500</b>	<b>-</b>	<b>25,859</b>	<b>-</b>	<b>1,242,045</b>
<b>Capital outlay:</b>															
Police	-	-	-	-	-	-	-	-	-	-	-	-	55,253	-	55,253
Administration	-	-	-	53,042	23,885	-	-	-	-	-	-	-	-	-	76,927
Fire	-	-	-	-	-	-	32,867	-	-	-	-	-	-	-	32,867
Parks and recreation	-	-	568,157	-	-	-	-	-	-	-	-	520	-	-	568,677
<b>Total capital outlay</b>	<b>-</b>	<b>-</b>	<b>568,157</b>	<b>53,042</b>	<b>23,885</b>	<b>-</b>	<b>32,867</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>520</b>	<b>55,253</b>	<b>-</b>	<b>733,724</b>
<b>Debt Service:</b>															
<b>Total expenditures</b>	<b>4,400</b>	<b>115,202</b>	<b>964,797</b>	<b>208,883</b>	<b>23,885</b>	<b>488,514</b>	<b>42,287</b>	<b>36,829</b>	<b>3,840</b>	<b>-</b>	<b>5,500</b>	<b>520</b>	<b>81,112</b>	<b>-</b>	<b>1,975,769</b>
<b>Excess of revenues over (under) expenditures</b>	<b>8,609</b>	<b>(21,974)</b>	<b>124,783</b>	<b>(193,414)</b>	<b>111,999</b>	<b>(75,402)</b>	<b>19,638</b>	<b>13,256</b>	<b>(2,049)</b>	<b>2,636</b>	<b>4,500</b>	<b>(165)</b>	<b>7,041</b>	<b>-</b>	<b>(542)</b>
<b>Other financing sources (uses):</b>															
Transfers in	-	-	-	95,500	-	-	-	10,000	-	-	-	72,099	-	300,000	477,599
Transfers out	-	(25,000)	-	-	-	-	-	-	-	-	-	-	-	-	(25,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(25,000)</b>	<b>-</b>	<b>95,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,099</b>	<b>-</b>	<b>300,000</b>	<b>452,599</b>
<b>Net change in fund balances</b>	<b>8,609</b>	<b>(46,974)</b>	<b>124,783</b>	<b>(97,914)</b>	<b>111,999</b>	<b>(75,402)</b>	<b>19,638</b>	<b>23,256</b>	<b>(2,049)</b>	<b>2,636</b>	<b>4,500</b>	<b>71,934</b>	<b>7,041</b>	<b>300,000</b>	<b>452,057</b>
<b>Fund balances, October 1</b>	<b>68,851</b>	<b>155,258</b>	<b>80,235</b>	<b>138,069</b>	<b>299,035</b>	<b>85,149</b>	<b>202,282</b>	<b>17,209</b>	<b>110,706</b>	<b>17,401</b>	<b>10,496</b>	<b>5,178</b>	<b>265,012</b>	<b>125,000</b>	<b>1,579,881</b>
<b>Fund balances, September 30</b>	<b>\$ 77,460</b>	<b>\$ 108,284</b>	<b>\$ 205,018</b>	<b>\$ 40,155</b>	<b>\$ 411,034</b>	<b>\$ 9,747</b>	<b>\$ 221,920</b>	<b>\$ 40,465</b>	<b>\$ 108,657</b>	<b>\$ 20,037</b>	<b>\$ 14,996</b>	<b>\$ 77,112</b>	<b>\$ 272,053</b>	<b>\$ 425,000</b>	<b>\$ 2,031,938</b>

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 1,000	\$ 1,500	\$ 1,050	\$ (450)
Investment earnings net of change in fair value of investments	-	-	1,159	1,159
Miscellaneous	2,000	7,000	10,800	3,800
Total revenues	<u>3,000</u>	<u>8,500</u>	<u>13,009</u>	<u>4,509</u>
Expenditures:				
Current:				
Parks and recreation	10,000	10,000	4,400	5,600
Total current	<u>10,000</u>	<u>10,000</u>	<u>4,400</u>	<u>5,600</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>4,400</u>	<u>5,600</u>
Net change in fund balances	(7,000)	(1,500)	8,609	10,109
Fund balances, October 1	<u>68,851</u>	<u>68,851</u>	<u>68,851</u>	<u>-</u>
Fund balances, September 30	<u>\$ 61,851</u>	<u>\$ 67,351</u>	<u>\$ 77,460</u>	<u>\$ 10,109</u>

CITY OF ROCKWALL, TEXAS  
PUBLIC SAFETY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 66,000	\$ 57,000	\$ 53,851	\$ (3,149)
Intergovernmental	30,350	30,350	30,336	(14)
Investment earnings net of change in fair value of investments	50	50	1,859	1,809
Contributions and donations	2,000	5,500	7,182	1,682
Total revenues	<u>98,400</u>	<u>92,900</u>	<u>93,228</u>	<u>328</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Police	83,600	94,350	115,202	(20,852)
Total current	<u>83,600</u>	<u>94,350</u>	<u>115,202</u>	<u>(20,852)</u>
Total expenditures	<u>83,600</u>	<u>94,350</u>	<u>115,202</u>	<u>(20,852)</u>
Excess of revenues over (under) expenditures	<u>14,800</u>	<u>(1,450)</u>	<u>(21,974)</u>	<u>(20,524)</u>
<b>Other financing sources (uses):</b>				
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	(10,200)	(26,450)	(46,974)	(20,524)
Fund balances, October 1	<u>155,258</u>	<u>155,258</u>	<u>155,258</u>	<u>-</u>
Fund balances, September 30	<u>\$ 145,058</u>	<u>\$ 128,808</u>	<u>\$ 108,284</u>	<u>\$ (20,524)</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 541,500	\$ 704,500	\$ 744,017	\$ 39,517
Investment earnings net of change in fair value of investments	-	-	4,982	4,982
Contributions and donations	443,250	738,250	340,581	(397,669)
Total revenues	<u>984,750</u>	<u>1,442,750</u>	<u>1,089,580</u>	<u>(353,170)</u>
Expenditures:				
Current:				
Parks and recreation	414,100	420,100	396,640	23,460
Total current	<u>414,100</u>	<u>420,100</u>	<u>396,640</u>	<u>23,460</u>
Capital outlay:				
Parks and recreation	599,350	599,350	568,157	31,193
Total capital outlay	<u>599,350</u>	<u>599,350</u>	<u>568,157</u>	<u>31,193</u>
Total expenditures	<u>1,013,450</u>	<u>1,019,450</u>	<u>964,797</u>	<u>54,653</u>
Excess of revenues over (under) expenditures	<u>(28,700)</u>	<u>423,300</u>	<u>124,783</u>	<u>(298,517)</u>
Net change in fund balances	(28,700)	423,300	124,783	(298,517)
Fund balances, October 1	<u>80,235</u>	<u>80,235</u>	<u>80,235</u>	<u>-</u>
Fund balances, September 30	<u>\$ 51,535</u>	<u>\$ 503,535</u>	<u>\$ 205,018</u>	<u>\$ (298,517)</u>

CITY OF ROCKWALL, TEXAS  
RADIO SYSTEM FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 19,200	\$ 33,050	\$ 15,469	\$ (17,581)
Total revenues	<u>19,200</u>	<u>33,050</u>	<u>15,469</u>	<u>(17,581)</u>
Expenditures:				
Current:				
Administration	99,150	166,450	155,841	10,609
Total current	<u>99,150</u>	<u>166,450</u>	<u>155,841</u>	<u>10,609</u>
Capital outlay:				
Administration	100,000	100,000	53,042	46,958
Total capital outlay	<u>100,000</u>	<u>100,000</u>	<u>53,042</u>	<u>46,958</u>
Total expenditures	<u>199,150</u>	<u>266,450</u>	<u>208,883</u>	<u>57,567</u>
Excess of revenues over (under) expenditures	<u>(179,950)</u>	<u>(233,400)</u>	<u>(193,414)</u>	<u>(39,986)</u>
Other financing sources:				
Transfers in	43,000	95,500	95,500	-
Total other financing sources	<u>43,000</u>	<u>95,500</u>	<u>95,500</u>	<u>-</u>
Net change in fund balances	(136,950)	(137,900)	(97,914)	39,986
Fund balances, October 1	<u>138,069</u>	<u>138,069</u>	<u>138,069</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,119</u>	<u>\$ 169</u>	<u>\$ 40,155</u>	<u>\$ 39,986</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings net of change in fair value of investments	\$ -	\$ 4,781	\$ 4,781	\$ -
Miscellaneous	-	-	131,103	131,103
Total revenues	<u>-</u>	<u>4,781</u>	<u>135,884</u>	<u>131,103</u>
Expenditures:				
Capital outlay:				
Administration	23,150	23,900	23,885	15
Total capital outlay	<u>23,150</u>	<u>23,900</u>	<u>23,885</u>	<u>15</u>
Total expenditures	<u>23,150</u>	<u>23,900</u>	<u>23,885</u>	<u>15</u>
Excess of revenues over (under) expenditures	<u>(23,150)</u>	<u>(19,119)</u>	<u>111,999</u>	<u>131,118</u>
Other financing sources (uses):				
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(23,150)	(19,119)	111,999	131,118
Fund balances, October 1	<u>299,035</u>	<u>299,035</u>	<u>299,035</u>	<u>-</u>
Fund balances, September 30	<u>\$ 275,885</u>	<u>\$ 279,916</u>	<u>\$ 411,034</u>	<u>\$ 131,118</u>

CITY OF ROCKWALL, TEXAS  
HOTEL OCCUPANCY TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 450,000	\$ 450,000	\$ 413,112	\$ (36,888)
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>413,112</u>	<u>(36,888)</u>
Expenditures:				
Current:				
Finance	505,630	509,130	488,514	20,616
Total expenditures	<u>505,630</u>	<u>509,130</u>	<u>488,514</u>	<u>20,616</u>
Net change in fund balances	(55,630)	(59,130)	(75,402)	(16,272)
Fund balances, October 1	<u>85,149</u>	<u>85,149</u>	<u>85,149</u>	<u>-</u>
Fund balances, September 30	<u>\$ 29,519</u>	<u>\$ 26,019</u>	<u>\$ 9,747</u>	<u>\$ (16,272)</u>

CITY OF ROCKWALL, TEXAS  
FIRE EQUIPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 58,250	\$ 58,250	\$ 58,250	\$ -
Investment earnings net of change in fair value of investments	-	-	3,675	3,675
Total revenues	<u>58,250</u>	<u>58,250</u>	<u>61,925</u>	<u>3,675</u>
Expenditures:				
Current:				
Fire	<u>11,000</u>	<u>11,000</u>	<u>9,420</u>	<u>1,580</u>
Total current	<u>11,000</u>	<u>11,000</u>	<u>9,420</u>	<u>1,580</u>
Capital outlay:				
Fire	<u>145,850</u>	<u>95,850</u>	<u>32,867</u>	<u>62,983</u>
Total capital outlay	<u>145,850</u>	<u>95,850</u>	<u>32,867</u>	<u>62,983</u>
Total expenditures	<u>156,850</u>	<u>106,850</u>	<u>42,287</u>	<u>64,563</u>
Net change in fund balances	(98,600)	(48,600)	19,638	68,238
Fund balances, October 1	<u>202,282</u>	<u>202,282</u>	<u>202,282</u>	<u>-</u>
Fund balances, September 30	<u>\$ 103,682</u>	<u>\$ 153,682</u>	<u>\$ 221,920</u>	<u>\$ 68,238</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 17,000	\$ 17,000	\$ 14,670	\$ (2,330)
Miscellaneous	36,000	37,000	35,415	(1,585)
Total revenues	<u>53,000</u>	<u>54,000</u>	<u>50,085</u>	<u>(3,915)</u>
Expenditures:				
Current:				
Administration	49,000	54,150	36,829	17,321
Total expenditures	<u>49,000</u>	<u>54,150</u>	<u>36,829</u>	<u>17,321</u>
Excess of revenues over (under) expenditures	4,000	(150)	13,256	13,406
Other financing sources (uses):				
Transfers in	-	10,000	10,000	-
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	4,000	9,850	23,256	13,406
Fund balances, October 1	<u>17,209</u>	<u>17,209</u>	<u>17,209</u>	<u>-</u>
Fund balances, September 30	<u>\$ 21,209</u>	<u>\$ 27,059</u>	<u>\$ 40,465</u>	<u>\$ 13,406</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Investment earnings net of change in fair value of investments	-	-	1,791	1,791
Total revenues	<u>-</u>	<u>-</u>	<u>1,791</u>	<u>1,791</u>
Expenditures:				
Current:				
Administration	3,850	3,850	3,840	10
Total expenditures	<u>3,850</u>	<u>3,850</u>	<u>3,840</u>	<u>10</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,850)</u>	<u>(3,850)</u>	<u>(2,049)</u>	<u>1,801</u>
Other financing sources (uses):				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,850)	(3,850)	(2,049)	1,801
Fund balances, October 1	<u>110,706</u>	<u>110,706</u>	<u>110,706</u>	<u>-</u>
Fund balances, September 30	<u>\$ 106,856</u>	<u>\$ 106,856</u>	<u>\$ 108,657</u>	<u>\$ 1,801</u>

CITY OF ROCKWALL, TEXAS  
NARCOTICS UNIT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ 10,000	\$ 88,153	\$ 78,153
Total revenues	<u>-</u>	<u>10,000</u>	<u>88,153</u>	<u>78,153</u>
Expenditures:				
Current:				
Police	45,000	48,200	25,859	22,341
Total current	<u>45,000</u>	<u>48,200</u>	<u>25,859</u>	<u>22,341</u>
Capital outlay:				
Police	38,000	44,000	55,253	(11,253)
Total capital outlay	<u>38,000</u>	<u>44,000</u>	<u>55,253</u>	<u>(11,253)</u>
Total expenditures	<u>83,000</u>	<u>92,200</u>	<u>81,112</u>	<u>11,088</u>
Excess of revenues over (under) expenditures	<u>(83,000)</u>	<u>(82,200)</u>	<u>7,041</u>	<u>89,241</u>
Other financing sources:				
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(83,000)	(82,200)	7,041	89,241
Fund balances, October 1	<u>265,012</u>	<u>265,012</u>	<u>265,012</u>	<u>-</u>
Fund balances, September 30	<u>\$ 182,012</u>	<u>\$ 182,812</u>	<u>\$ 272,053</u>	<u>\$ 89,241</u>

CITY OF ROCKWALL, TEXAS  
DOWNTOWN IMPROVEMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Contributions and donations	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Expenditures:				
Current:				
Administration	5,000	5,000	3,000	2,000
Parks and recreation	3,500	6,000	2,500	3,500
Total current	<u>8,500</u>	<u>11,000</u>	<u>5,500</u>	<u>5,500</u>
Total expenditures	<u>8,500</u>	<u>11,000</u>	<u>5,500</u>	<u>5,500</u>
Excess of revenues over (under) expenditures	<u>1,500</u>	<u>(1,000)</u>	<u>4,500</u>	<u>5,500</u>
Net change in fund balances	1,500	(1,000)	4,500	5,500
Fund balances, October 1	<u>10,496</u>	<u>10,496</u>	<u>10,496</u>	<u>-</u>
Fund balances, September 30	<u>\$ 11,996</u>	<u>\$ 9,496</u>	<u>\$ 14,996</u>	<u>\$ 5,500</u>

***DEBT SERVICE FUND***

**The debt service fund is used to account for the accumulation of resources and payment of bond principal and interest from governmental resources.**

CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 8,854,300	\$ 8,921,300	\$ 9,075,928	\$ 154,628
Charges for services	350,000	815,000	865,874	50,874
Investment earnings net of change in fair value of investments	12,000	33,000	148,489	115,489
Total revenues	<u>9,216,300</u>	<u>9,769,300</u>	<u>10,090,291</u>	<u>320,991</u>
<b>Debt service:</b>				
Principal	7,670,500	7,670,500	5,980,000	1,690,500
Interest	3,533,000	3,533,000	3,303,682	229,318
Fiscal charges	20,000	20,000	12,500	7,500
Total debt service	<u>11,223,500</u>	<u>11,223,500</u>	<u>9,296,182</u>	<u>1,927,318</u>
Total expenditures	<u>11,223,500</u>	<u>11,223,500</u>	<u>9,296,182</u>	<u>1,927,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,007,200)</u>	<u>(1,454,200)</u>	<u>794,109</u>	<u>2,248,309</u>
Net change in fund balances	(2,007,200)	(1,454,200)	794,109	2,248,309
Fund balances, October 1	<u>3,828,849</u>	<u>3,828,849</u>	<u>3,828,849</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,821,649</u>	<u>\$ 2,374,649</u>	<u>\$ 4,622,958</u>	<u>\$ 2,248,309</u>

CITY OF ROCKWALL, TEXAS  
HARBOR DEBT SERVICE  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 365,850	\$ 365,850	\$ 359,554	\$ (6,296)
Sales tax	314,500	326,500	300,579	(25,921)
Investment earnings net of change in fair value of investments			2,137	2,137
Contributions and donations	21,900	21,900	21,217	(683)
Total revenues	<u>702,250</u>	<u>714,250</u>	<u>683,487</u>	<u>(30,763)</u>
<b>Debt service:</b>				
Principal	270,000	270,000	60,000	210,000
Interest	435,100	435,100	361,822	73,278
Total debt service	<u>705,100</u>	<u>705,100</u>	<u>421,822</u>	<u>283,278</u>
Total expenditures	<u>705,100</u>	<u>705,100</u>	<u>421,822</u>	<u>283,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,850)</u>	<u>9,150</u>	<u>261,665</u>	<u>252,515</u>
Net change in fund balances	(2,850)	9,150	261,665	252,515
Fund balances, October 1	<u>592,611</u>	<u>592,611</u>	<u>592,611</u>	<u>-</u>
Fund balances, September 30	<u>\$ 589,761</u>	<u>\$ 601,761</u>	<u>\$ 854,276</u>	<u>\$ 252,515</u>

## *CAPITAL PROJECTS FUNDS*

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project – established to account for revenues and expenditures related to the construction of the 205 Bypass roadway project.

The Harbor/TIF Capital Projects Fund – established to account for improvements in the Tax Increment Reinvestment Zone using the proceeds from the issuance of bonds.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2018

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 190,592	\$ 14,783	\$ 205,375
Investments	418,865	1,046,008	1,464,873
Receivables (net of allowances for uncollectibles):			
Accrued Interest	<u>1,786</u>	<u>919</u>	<u>2,705</u>
Total assets	<u>\$ 611,243</u>	<u>\$ 1,061,710</u>	<u>\$ 1,672,953</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 42,750	\$ 42,750
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>42,750</u>	<u>42,750</u>
<b>FUND BALANCES:</b>			
Assigned	<u>611,243</u>	<u>1,018,960</u>	<u>1,630,203</u>
Total fund balances	<u>611,243</u>	<u>1,018,960</u>	<u>1,630,203</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 611,243</u>	<u>\$ 1,061,710</u>	<u>\$ 1,672,953</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-2)</u>
Revenues:			
Investment earnings net of change in fair value of investments	\$ (2,769)	\$ (8,445)	\$ (11,214)
Total revenues	<u>(2,769)</u>	<u>(8,445)</u>	<u>(11,214)</u>
Expenditures:			
Capital outlay:			
Finance	-	507,475	507,475
Fire	-	38,154	38,154
Public works	-	-	-
Total capital outlay	<u>-</u>	<u>545,629</u>	<u>545,629</u>
Total expenditures	<u>-</u>	<u>545,629</u>	<u>545,629</u>
Excess of revenues over (under) expenditures	<u>(2,769)</u>	<u>(554,074)</u>	<u>(556,843)</u>
Other financing sources (uses):			
Transfers in	-	777,867	777,867
Total other financing sources (uses)	<u>-</u>	<u>777,867</u>	<u>777,867</u>
Net change in fund balances	(2,769)	223,793	221,024
Fund balances, October 1	<u>614,012</u>	<u>795,167</u>	<u>1,409,179</u>
Fund balances, September 30	<u>\$ 611,243</u>	<u>\$ 1,018,960</u>	<u>\$ 1,630,203</u>

### *INTERNAL SERVICE FUNDS*

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2018

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 269,539	\$ 33,508	\$ 303,047
Investments	1,224,246	394,459	1,618,705
Receivables (net of allowances for uncollectibles):			
Other	<u>49,046</u>	<u>1,394</u>	<u>50,440</u>
Total current assets	<u>1,542,831</u>	<u>429,361</u>	<u>1,972,192</u>
 Total Assets	 <u>\$ 1,542,831</u>	 <u>\$ 429,361</u>	 <u>\$ 1,972,192</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 359,352	\$ 94,138	\$ 453,490
Due to other funds	<u>131,026</u>	<u>-</u>	<u>131,026</u>
Total current liabilities	<u>490,378</u>	<u>94,138</u>	<u>584,516</u>
Total Liabilities			
 <b>NET ASSETS</b>			
Unrestricted	<u>1,052,453</u>	<u>335,223</u>	<u>1,387,676</u>
 Total Net Position	 <u>\$ 1,052,453</u>	 <u>\$ 335,223</u>	 <u>\$ 1,387,676</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,053,812	\$ -	\$ 1,053,812
Total operating revenues	<u>1,053,812</u>	<u>-</u>	<u>1,053,812</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	3,846,963	291,686	4,138,649
Total operating expenses	<u>3,846,963</u>	<u>291,686</u>	<u>4,138,649</u>
Operating loss	<u>(2,793,151)</u>	<u>(291,686)</u>	<u>(3,084,837)</u>
<b>NON-OPERATING REVENUES:</b>			
Investment earnings net of change in fair value of investments	45,858	3,522	49,380
Miscellaneous income	28,000	500	28,500
Total non-operating revenues	<u>73,858</u>	<u>4,022</u>	<u>77,880</u>
Loss before transfers and capital contributions	<u>(2,719,293)</u>	<u>(287,664)</u>	<u>(3,006,957)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Transfers in	3,400,000	480,000	3,880,000
Transfers out	(250,000)	-	(250,000)
Total transfers and capital contributions	<u>3,150,000</u>	<u>480,000</u>	<u>3,630,000</u>
Increase in net assets	430,707	192,336	623,043
Net position, October 1	<u>621,746</u>	<u>142,887</u>	<u>764,633</u>
Net position, September 30	<u>\$ 1,052,453</u>	<u>\$ 335,223</u>	<u>\$ 1,387,676</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-9)</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 1,032,766	\$ 500	\$ 1,033,266
Cash paid to suppliers for goods and services	<u>(3,855,889)</u>	<u>(275,527)</u>	<u>(4,131,416)</u>
Net cash used by operating activities	<u>(2,823,123)</u>	<u>(275,027)</u>	<u>(3,098,150)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash received from other funds	<u>3,276,776</u>	<u>479,854</u>	<u>3,756,630</u>
Net cash provided by non-capital financing activities	<u>3,276,776</u>	<u>479,854</u>	<u>3,756,630</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	(400,858)	(179,790)	(580,648)
Interest and dividends received	<u>45,858</u>	<u>2,128</u>	<u>47,986</u>
Net cash used by investing activities	<u>(355,000)</u>	<u>(177,662)</u>	<u>(532,662)</u>
Net decrease in cash and cash equivalents	98,653	27,165	125,818
Cash and cash equivalents at beginning of year	<u>170,886</u>	<u>6,343</u>	<u>177,229</u>
Cash and cash equivalents at end of year	<u>\$ 269,539</u>	<u>\$ 33,508</u>	<u>\$ 303,047</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (2,793,151)	\$ (291,686)	\$ (3,084,837)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	28,000	500	28,500
Decrease (increase) in assets:			
Receivables	(49,046)	-	(49,046)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>(8,926)</u>	<u>16,159</u>	<u>7,233</u>
Net cash used by operating activities	<u>\$ (2,823,123)</u>	<u>\$ (275,027)</u>	<u>\$ (3,098,150)</u>

### ***AGENCY FUND***

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2018</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,914	\$ 787,033	\$ 551,003	\$ 243,944
Investments	<u>1,628,142</u>	<u>484,574</u>	<u>-</u>	<u>2,112,716</u>
Total assets	<u>\$ 1,636,056</u>	<u>\$ 1,271,607</u>	<u>\$ 551,003</u>	<u>\$ 2,356,660</u>
<b>LIABILITIES</b>				
Due to developers	<u>\$ 1,636,056</u>	<u>\$ 845,187</u>	<u>\$ 124,583</u>	<u>\$ 2,356,660</u>
Total liabilities	<u>\$ 1,636,056</u>	<u>\$ 845,187</u>	<u>\$ 124,583</u>	<u>\$ 2,356,660</u>

***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS***

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Governmental funds capital assets:		
Land	\$ 17,756,083	\$ 17,928,772
Buildings	20,378,691	20,107,047
Improvements other than buildings	33,413,397	33,954,988
Machinery and equipment	17,964,351	20,858,202
Infrastructure	243,969,785	236,043,257
Construction in progress	<u>5,470,388</u>	<u>2,534,984</u>
Total governmental funds capital assets	<u>\$ 338,952,695</u>	<u>\$ 331,427,250</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 158,326,675	\$ 158,358,189
General government	51,404,532	52,441,413
Grants and entitlements	3,815,769	3,578,386
Developer contributions	<u>125,405,719</u>	<u>117,049,262</u>
Total investments in governmental funds capital assets	<u>\$ 338,952,695</u>	<u>\$ 331,427,250</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2018

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 5,852,474	\$ 6,436,762	\$ 4,408,393	\$ 2,641,548	\$ -	\$ 58,200	\$ 19,397,377
Public works	8,499,781	357,984	2,415,525	1,925,045	243,969,785	5,412,188	262,580,308
Public safety	1,020,430	3,691,075	235,991	5,142,048	-	-	10,089,544
Recreation/development	2,383,398	2,472,214	26,344,333	1,588,362	-	-	32,788,307
Fire equipment	<u>-</u>	<u>7,420,656</u>	<u>9,155</u>	<u>6,667,347</u>	<u>-</u>	<u>-</u>	<u>14,097,158</u>
Total governmental capital assets	<u>\$ 17,756,083</u>	<u>\$ 20,378,691</u>	<u>\$ 33,413,397</u>	<u>\$ 17,964,350</u>	<u>\$ 243,969,785</u>	<u>\$ 5,470,388</u>	<u>\$ 338,952,694</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Function and Activity</u>	<u>Capital Assets Balance 10/1/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Capital Assets Balance 9/30/18</u>
General government	\$ 25,134,271	\$ 253,557	\$ (3,779,896)	\$ -	\$ 21,607,932
Public works	249,202,341	11,349,727	(224,187)	41,872	260,369,753
Public safety	10,289,903	995,532	(1,112,668)	(83,225)	10,089,542
Recreation/development	31,690,695	2,420,084	(1,363,822)	41,353	32,788,310
Fire equipment	<u>15,110,039</u>	<u>18,708</u>	<u>(1,031,589)</u>	<u>-</u>	<u>14,097,158</u>
Total governmental funds capital assets	<u>\$ 331,427,249</u>	<u>\$ 15,037,608</u>	<u>\$ (7,512,162)</u>	<u>\$ -</u>	<u>\$ 338,952,695</u>

***DISCRETELY PRESENTED COMPONENT UNITS***

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.**

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2018

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,258,160	\$ 17,112	\$ 1,275,272
Investments	5,709,348	-	5,709,348
Receivables (net of allowances for uncollectibles):			
Interest	272	-	272
Accounts	4,705	28,029	32,734
Due from other governments	894,208	-	894,208
Inventory	12,401,235	-	12,401,235
Restricted assets:			
Capital assets (net of accumulated depreciation)			
Machinery and equipment	18,159	-	18,159
Total assets	20,286,087	45,141	20,331,228
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	16,293	-	16,293
Pension contributions after 12/31/17	(51,646)	-	(51,646)
Pension investment experience	55,076	-	55,076
OPEB contributions after 12/31/17	56	-	56
Change in Assumptions - OPEB	864	-	864
Total Deferred Outflows of Resources	20,643	-	20,643
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	198,417	26,170	224,587
Liabilities payable from restricted assets	-	-	-
Noncurrent liabilities:			
Pension liability	203,121	-	203,121
OPEB liability	11,250	-	11,250
Due within one year	1,748,810	-	1,748,810
Due in more than one year	18,086,907	-	18,086,907
Total liabilities	20,248,505	26,170	20,274,675
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension actual experience vs assumptions	18,156	-	18,156
Total deferred inflows of resources	18,156	-	18,156
<b>NET POSITION</b>			
Net Investment in capital assets	18,159	-	18,159
Unrestricted	21,910	18,971	40,881
Total Net Position	\$ 40,069	\$ 18,971	\$ 59,040

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF ACTIVITIES  
 DISCRETELY COMPONENT UNITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Component Units		
				Rockwall Economic Development Corporation	Rockwall Technology Park	Total
<b>DISCRETE COMPONENT UNITS:</b>						
Rockwall Economic Development Corporation						
Administration	\$ 2,114,510	\$ -	\$ -	\$ (2,114,510)	\$ -	\$ (2,114,510)
Interest on long-term debt	824,516	-	-	(824,516)	-	(824,516)
Total Rockwall Economic Development Corporation	2,939,026	-	-	(2,939,026)	-	(2,939,026)
Rockwall Technology Park Association						
Administration	194,093	193,444	-	-	(649)	(649)
	\$ 3,133,119	\$ 193,444	\$ -	(2,939,026)	(649)	(2,939,675)
General revenues:						
Ad valorem taxes, penalty and interest				-	-	-
Sales taxes				5,756,918	-	5,756,918
Franchise taxes				-	-	-
Miscellaneous				8,506	-	8,506
Unrestricted investment earnings				71,961	-	71,961
Transfers				-	-	-
Total general revenues and transfers				5,837,385	-	5,837,385
Change in net position				2,898,359	(649)	2,897,710
Net position at beginning of year				(2,848,998)	19,620	(2,829,378)
Prior period adjustment - OPEB Contributions				(9,292)	-	(9,292)
Net position at end of year				\$ 40,069	\$ 18,971	\$ 59,040

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 DISCRETELY PRESENTED COMPONENT UNITS  
 SEPTEMBER 30, 2018

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,258,160	\$ 17,112	\$ 1,275,272
Investments	5,709,348	-	5,709,348
Receivables (net of allowances for uncollectibles):			
Interest	272	-	272
Accounts	4,705	28,029	32,734
Due from other funds	-	-	-
Due from other governments	894,208	-	894,208
Inventory	<u>12,401,235</u>	<u>-</u>	<u>12,401,235</u>
 Total assets	 <u>\$ 20,267,928</u>	 <u>\$ 45,141</u>	 <u>\$ 20,313,069</u>
 <b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 90,080	\$ 26,170	\$ 116,250
Due to other funds	<u>242</u>	<u>-</u>	<u>242</u>
Total liabilities	<u>90,322</u>	<u>26,170</u>	<u>116,492</u>
 Fund balances:			
Nonspendable	12,401,235	-	12,401,235
Restricted	<u>7,776,371</u>	<u>18,971</u>	<u>7,795,342</u>
Total fund balances	<u>20,177,606</u>	<u>18,971</u>	<u>20,196,577</u>
 Total liabilities and fund balances	 <u>\$ 20,267,928</u>	 <u>\$ 45,141</u>	 <u>\$ 20,313,069</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

Total fund balances - discretely presented component units	\$ 20,196,577
Amounts reported for discretely presented component units in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,159
Payables for bond principal which are not due in the current period are not reported in the funds.	(19,822,295)
Payables for bond interest which are not due in the current period are not reported in the funds.	(108,095)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(13,422)
Payables for pension & OPEB liabilities which are not due in the current period are not reported in the funds	(214,371)
Deferred outflows of resources are not considered available funds and are not recorded in governmental funds:	
Pension contributions	(51,646)
Investment experience	55,076
Charges on refunding	16,292
OPEB contributions after 12/31/17	56
Change in Assumptions - OPEB	864
Deferred inflows or resources are not considered available funds and are not recorded in governmental funds	
Pension actual experience vs assumptions	<u>(18,156)</u>
Net assets of discretely presented component units	<u><u>\$ 59,039</u></u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Rockwall Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>Revenues:</b>			
Sales taxes	\$ 5,756,918	\$ -	\$ 5,756,918
Investment earnings net of change in fair value of investments	71,961	-	71,961
Assessments	-	193,444	193,444
Miscellaneous	8,506	-	8,506
Total revenues	<u>5,837,385</u>	<u>193,444</u>	<u>6,030,829</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Administration	714,936	194,093	909,029
Total current	<u>714,936</u>	<u>194,093</u>	<u>909,029</u>
<b>Capital outlay:</b>			
Administration	1,260,987	-	1,260,987
Total capital outlay	<u>1,260,987</u>	<u>-</u>	<u>1,260,987</u>
<b>Debt service:</b>			
Principal	1,780,000	-	1,780,000
Interest	781,921	-	781,921
Bond issuance costs	46,908	-	46,908
Fiscal charges	3,500	-	3,500
Total debt service	<u>2,612,329</u>	<u>-</u>	<u>2,612,329</u>
Total expenditures	<u>4,588,252</u>	<u>194,093</u>	<u>4,782,345</u>
Excess of revenues over (under) expenditures	1,249,133	(649)	1,248,484
<b>Other financing sources (uses)</b>			
Bonds issued	3,165,000	-	3,165,000
Payment of bond refunding escrow agent	<u>(3,157,792)</u>	<u>-</u>	<u>(3,157,792)</u>
Total other financing sources (uses)	<u>7,208</u>	<u>-</u>	<u>7,208</u>
Net change in fund balances	1,256,341	(649)	1,255,692
Fund balances, October 1	<u>18,921,265</u>	<u>19,620</u>	<u>18,940,885</u>
Fund balances, September 30	<u>\$ 20,177,606</u>	<u>\$ 18,971</u>	<u>\$ 20,196,577</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - discretely presented component units	\$	1,255,692
<p>Amounts reported for discretely presented component units in the statement of activities ("SOA") are different because:</p>		
<p>Expenditures are recognized in the governmental funds when paid. The Statement of Activities is presented on an accrual basis and expenses are reported when incurred. This is the net difference in pension &amp; OPEB costs.</p>		(653)
<p>The depreciation of capital assets used in governmental activities is not reported in the funds.</p>		(4,657)
<p>Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.</p>		1,697,857
<p>Bond issuance costs and similar items are amortized in the SOA but not in the funds.</p>		(14,977)
<p>Increase (decrease) in accrued interest from beginning of period to end of period.</p>		(42,595)
<p>Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.</p>		<u>7,043</u>
Change in net assets of discretely presented component units	\$	<u><u>2,897,710</u></u>

CITY OF ROCKWALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales taxes	\$ 5,535,000	\$ 5,794,450	\$ 5,756,918	\$ (37,532)
Investment earnings net of change in fair value of investments	7,500	43,000	71,961	28,961
Miscellaneous	3,070,900	3,075,900	8,506	(3,067,394)
Total revenues	<u>8,613,400</u>	<u>8,913,350</u>	<u>5,837,385</u>	<u>(3,075,965)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	1,208,750	994,900	714,936	279,964
Total current	<u>1,208,750</u>	<u>994,900</u>	<u>714,936</u>	<u>279,964</u>
<b>Capital outlay:</b>				
Administration	9,144,350	1,491,200	1,260,987	230,213
Total capital outlay	<u>9,144,350</u>	<u>1,491,200</u>	<u>1,260,987</u>	<u>230,213</u>
<b>Debt service:</b>				
Principal	1,940,000	1,940,000	1,780,000	160,000
Interest	975,250	975,250	781,921	193,329
Bond issuance costs	-	-	46,908	(46,908)
Fiscal charges	4,500	4,500	3,500	1,000
Total debt service	<u>2,919,750</u>	<u>2,919,750</u>	<u>2,612,329</u>	<u>307,421</u>
Total expenditures	<u>13,272,850</u>	<u>5,405,850</u>	<u>4,588,252</u>	<u>817,598</u>
Excess of revenues over (under) expenditures	<u>(4,659,450)</u>	<u>3,507,500</u>	<u>1,249,133</u>	<u>(2,258,367)</u>
<b>Other financing sources (uses)</b>				
Bonds issued	-	3,165,000	3,165,000	-
Payment of bond refunding escrow agent	-	-	(3,157,792)	(3,157,792)
Total other financing sources (uses)	<u>-</u>	<u>3,165,000</u>	<u>7,208</u>	<u>(3,157,792)</u>
Net change in fund balances	(4,659,450)	6,672,500	1,256,341	(5,416,159)
Fund balances, October 1	<u>18,921,265</u>	<u>18,921,265</u>	<u>18,921,265</u>	<u>-</u>
Fund balances, September 30	<u>\$ 14,261,815</u>	<u>\$ 25,593,765</u>	<u>\$ 20,177,606</u>	<u>\$ (5,416,159)</u>

CITY OF ROCKWALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
ROCKWALL TECHNOLOGY PARK ASSOCIATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Assessments	\$ 215,100	\$ 215,100	\$ 193,444	\$ (21,656)
Total revenues	<u>215,100</u>	<u>215,100</u>	<u>193,444</u>	<u>(21,656)</u>
Expenditures:				
Current:				
Administration	215,100	215,100	194,093	21,007
Total expenditures	<u>215,100</u>	<u>215,100</u>	<u>194,093</u>	<u>21,007</u>
Net change in fund balances	-	-	(649)	(649)
Fund balances, October 1	<u>19,620</u>	<u>19,620</u>	<u>19,620</u>	<u>-</u>
Fund balances, September 30	<u>\$ 19,620</u>	<u>\$ 19,620</u>	<u>\$ 18,971</u>	<u>\$ (649)</u>

***STATISTICAL SECTION***

CITY OF ROCKWALL, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Invested in capital assets, net of related debt	\$ 113,360,690	\$ 105,653,101	\$ 95,507,167	\$ 95,193,217	\$ 86,446,064	\$ 89,523,344	\$ 89,851,392	\$ 91,085,278	\$ 89,101,460	\$ 88,367,580
Restricted	11,813,320	15,629,382	14,270,758	7,930,007	10,584,073	2,353,423	16,124,192	1,774,193	11,788,623	2,306,529
Unrestricted	4,374,812	1,286,263	2,075,864	4,740,983	11,180,566	14,253,372	238,981	13,400,417	4,308,457	12,955,777
Total governmental activities net position	\$ 129,548,822	\$ 122,568,746	\$ 111,853,789	\$ 107,864,207	\$ 108,210,703	\$ 106,130,139	\$ 106,214,565	\$ 106,259,888	\$ 105,198,540	\$ 103,629,886
Business-type activities										
Invested in capital assets, net of related debt	\$ 84,689,276	\$ 73,291,095	\$ 66,473,007	\$ 65,822,647	\$ 61,795,531	\$ 60,558,579	\$ 58,888,435	\$ 58,139,970	\$ 54,288,096	\$ 53,418,392
Restricted	1,690,582	4,355,395	6,727,108	2,688,018	4,555,652	2,125,250	2,306,207	2,992,291	6,221,719	7,568,701
Unrestricted	11,410,416	7,599,300	3,886,649	3,831,828	1,736,457	3,208,557	4,300,793	6,124,975	5,340,103	6,162,163
Total business-type activities net position	\$ 97,790,274	\$ 85,245,790	\$ 77,086,764	\$ 72,342,493	\$ 68,087,640	\$ 65,892,386	\$ 65,495,435	\$ 67,257,236	\$ 65,849,918	\$ 67,149,256
Primary government										
Invested in capital assets, net of related debt	\$ 198,049,966	\$ 178,944,196	\$ 161,980,174	\$ 161,015,864	\$ 148,241,595	\$ 150,081,923	\$ 148,739,827	\$ 149,225,248	\$ 143,389,556	\$ 141,785,972
Restricted	13,503,902	19,984,777	20,997,866	10,618,026	15,139,725	4,478,673	18,430,399	4,766,484	18,010,342	9,875,230
Unrestricted	15,785,228	8,885,563	5,962,513	8,572,811	12,917,023	17,461,929	4,539,774	19,525,392	9,648,560	19,117,940
Total primary government net position	\$ 227,339,096	\$ 207,814,536	\$ 188,940,553	\$ 180,206,701	\$ 176,298,343	\$ 172,022,525	\$ 171,710,000	\$ 173,517,124	\$ 171,048,458	\$ 170,779,142

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities:										
Mayor/Council	\$ 127,123	\$ 130,560	\$ 107,998	\$ 116,572	\$ 94,747	\$ 102,993	\$ 106,959	\$ 111,494	\$ 116,372	\$ 109,844
Administration	10,366,228	9,512,613	6,145,346	8,298,012	8,515,273	7,565,249	7,631,175	7,183,587	6,862,780	6,707,709
Finance	1,686,266	1,350,581	1,345,039	1,003,849	1,089,078	951,808	1,360,201	1,331,943	1,294,888	1,409,054
Municipal Court	429,862	439,986	395,127	396,256	415,220	357,208	358,745	362,149	353,147	334,922
Police	11,605,343	11,279,010	11,001,835	10,222,333	10,251,116	9,441,521	8,836,213	8,423,470	8,609,827	8,384,774
Fire	5,214,304	4,652,974	4,266,758	3,334,030	3,100,647	3,172,688	3,002,941	2,734,296	2,741,288	2,201,236
Public Works	3,195,355	3,517,130	12,889,840	5,438,890	7,653,406	8,651,550	8,398,043	8,008,701	6,669,448	5,482,571
Community Development	1,965,366	1,973,607	1,778,965	1,724,660	1,699,428	2,432,153	1,185,114	1,203,407	1,210,519	1,350,023
Parks and Recreation	5,450,380	5,016,834	2,157,430	3,981,748	3,185,425	4,825,050	6,003,610	5,843,647	5,805,241	5,250,506
Interest on long-term debt	3,828,514	4,027,789	4,165,018	5,302,942	4,853,042	4,714,902	4,666,567	4,554,433	4,717,319	4,669,459
Total governmental activities expenses	43,868,741	41,901,084	44,253,356	39,819,292	40,857,382	42,215,122	41,549,568	39,757,127	38,380,829	35,900,098
Business-type activities:										
Water and Sewer	22,698,696	21,541,809	19,608,273	17,278,731	17,071,406	16,723,552	15,549,248	14,715,610	13,916,192	13,272,884
Total business-type activities expenses	22,698,696	21,541,809	19,608,273	17,278,731	17,071,406	16,723,552	15,549,248	14,715,610	13,916,192	13,272,884
Total primary government expenses	66,567,437	63,442,893	63,861,629	57,098,023	57,928,788	58,938,674	57,098,816	54,472,737	52,297,021	49,172,982
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Community Development	1,588,987	1,878,004	1,334,327	1,351,443	1,113,132	1,163,945	1,125,092	792,029	664,711	1,025,979
Municipal Court	922,810	1,040,903	1,120,665	1,172,154	1,110,268	967,113	1,179,016	1,195,552	1,193,019	1,082,488
Police	999,896	961,712	845,646	860,390	725,857	488,631	463,565	550,947	522,919	516,591
Parks and Recreation	856,296	796,134	693,191	626,694	574,480	421,599	428,461	367,170	376,123	366,360
Public Works	1,483,197	1,645,405	945,930	1,086,223	756,113	162,374	129,562	55,316	62,795	99,753
Other	1,166,088	1,199,910	1,651,499	840,425	881,166	259,196	256,464	242,828	267,362	200,978
Operating grants & contributions	411,439	1,942,620	196,662	418,309	432,146	358,808	660,140	366,656	59,303	81,199
Capital grants & contributions	44,793	-	-	57,286	107,342	3,411,221	2,012,936	4,525,403	4,437,478	8,127,487
Total governmental activities program revenues	7,473,506	9,464,688	6,787,920	6,412,924	5,700,504	7,232,887	6,255,236	8,095,901	7,583,710	11,500,835

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Business-type activities:</b>										
Charges for services:										
Water Sales	\$ 14,994,386	\$ 13,443,511	\$ 12,738,912	\$ 10,220,088	\$ 8,140,267	\$ 8,285,306	\$ 7,780,095	\$ 8,547,662	\$ 6,917,587	\$ 6,574,110
Sewer Charges	7,347,007	7,092,057	6,360,126	5,511,705	4,901,303	4,255,951	3,720,357	3,406,283	2,864,595	2,748,160
Other	4,762,490	3,983,746	3,064,618	2,841,883	2,465,315	2,577,650	2,564,063	2,752,625	2,150,155	1,951,945
Capital grants & contributions	7,707,536	6,016,867	3,049,464	4,713,024	4,829,708	3,426,328	1,178,672	2,157,402	1,992,680	3,374,321
<b>Total business-type activities program revenues</b>	<b>34,811,419</b>	<b>30,536,181</b>	<b>25,213,120</b>	<b>23,286,700</b>	<b>20,336,593</b>	<b>18,545,235</b>	<b>15,243,186</b>	<b>16,863,972</b>	<b>13,925,017</b>	<b>14,648,536</b>
<b>Total primary government program revenues</b>	<b>42,284,925</b>	<b>40,000,869</b>	<b>32,001,040</b>	<b>29,699,624</b>	<b>26,037,097</b>	<b>25,778,122</b>	<b>21,498,422</b>	<b>24,959,873</b>	<b>21,508,727</b>	<b>26,149,371</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(36,395,235)	(32,436,396)	(37,465,436)	(33,406,368)	(35,156,878)	(34,982,235)	(35,294,332)	(31,661,226)	(30,797,119)	(24,399,263)
Business-type activities	12,112,723	8,994,372	5,604,847	6,007,969	3,265,187	1,821,683	(306,062)	2,148,362	8,825	1,375,652
<b>Total primary government net expense</b>	<b>(24,282,512)</b>	<b>(23,442,024)</b>	<b>(31,860,589)</b>	<b>(27,398,399)</b>	<b>(31,891,691)</b>	<b>(33,160,552)</b>	<b>(35,600,394)</b>	<b>(29,512,864)</b>	<b>(30,788,294)</b>	<b>(23,023,611)</b>
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	21,984,955	21,470,363	20,966,521	20,432,488	18,438,330	17,870,887	17,321,016	17,204,239	16,735,510	16,422,119
Sales taxes	17,949,999	17,132,733	16,331,411	15,171,326	14,341,277	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401
Other	4,173,705	3,561,607	3,454,314	4,312,446	3,365,885	3,310,417	3,613,020	3,011,917	3,285,081	3,734,068
Transfers	(329,950)	986,650	949,250	936,500	1,091,950	1,217,550	1,594,950	979,863	1,511,785	6,201,291
<b>Total governmental activities</b>	<b>43,778,709</b>	<b>43,151,353</b>	<b>41,701,496</b>	<b>40,852,760</b>	<b>37,237,442</b>	<b>36,443,947</b>	<b>35,249,009</b>	<b>32,722,574</b>	<b>32,365,773</b>	<b>36,621,879</b>
Business-type activities:										
Other	142,378	151,304	88,673	11,798	22,017	180,858	139,212	238,819	203,622	675,348
Transfers	329,950	(986,650)	(949,250)	(936,500)	(1,091,950)	(1,217,550)	(1,594,950)	(979,863)	(1,511,785)	(6,201,291)
<b>Total business-type activities</b>	<b>472,328</b>	<b>(835,346)</b>	<b>(860,577)</b>	<b>(924,702)</b>	<b>(1,069,933)</b>	<b>(1,036,692)</b>	<b>(1,455,738)</b>	<b>(741,044)</b>	<b>(1,308,163)</b>	<b>(5,525,943)</b>
<b>Total primary government</b>	<b>44,251,037</b>	<b>42,316,007</b>	<b>40,840,919</b>	<b>39,928,058</b>	<b>36,167,509</b>	<b>35,407,255</b>	<b>33,793,271</b>	<b>31,981,530</b>	<b>31,057,610</b>	<b>31,095,936</b>
<b>Change in Net Position</b>										
Governmental activities	7,383,474	10,714,957	4,236,060	7,446,392	2,080,564	1,461,712	(45,323)	1,061,348	1,568,654	12,222,616
Business-type activities	12,585,051	8,159,026	4,744,270	5,083,267	2,195,254	784,991	(1,761,800)	1,407,318	(1,299,338)	(4,150,291)
<b>Total primary government</b>	<b>\$ 19,968,525</b>	<b>\$ 18,873,983</b>	<b>\$ 8,980,330</b>	<b>\$ 12,529,659</b>	<b>\$ 4,275,818</b>	<b>\$ 2,246,703</b>	<b>\$ (1,807,123)</b>	<b>\$ 2,468,666</b>	<b>\$ 269,316</b>	<b>\$ 8,072,325</b>

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2009	16,422,119	10,264,401	2,535,846	29,222,366
2010	16,735,510	10,833,397	2,748,483	30,317,390
2011	17,204,239	11,526,555	2,445,762	31,176,556
2012	17,321,016	12,720,023	2,821,451	32,862,490
2013	17,870,887	14,045,093	2,743,839	34,659,819
2014	18,416,548	14,341,277	3,093,257	35,851,082
2015	20,432,488	15,171,325	4,035,823	39,639,636
2016	20,966,521	16,331,411	3,201,488	40,499,420
2017	21,470,363	17,132,733	3,157,478	41,760,574
2018	21,984,955	17,949,999	3,348,981	43,283,935

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182
2011	8,547,662	3,406,283	11,953,945
2012	7,780,095	3,720,357	11,500,451
2013	8,285,306	4,255,951	12,541,257
2014	8,140,267	4,901,303	13,041,570
2015	10,220,088	5,511,705	15,731,793
2016	12,738,912	6,360,126	19,099,038
2017	13,443,511	7,092,057	20,535,568
2018	14,994,386	7,347,007	22,341,393

CITY OF ROCKWALL, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-5

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,870
Restricted	-	-	-	-	-	-	23,038	-	-	-
Non-spendable	-	-	-	-	-	2,514	1,120	2,116	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	9,159,333	8,293,107
Unassigned	12,825,308	10,827,051	11,165,872	11,476,929	10,305,640	11,273,469	9,893,803	10,085,001	-	-
Total general fund	<u>\$ 12,825,308</u>	<u>\$ 10,827,051</u>	<u>\$ 11,165,872</u>	<u>\$ 11,476,929</u>	<u>\$ 10,305,640</u>	<u>\$ 11,275,983</u>	<u>\$ 9,917,961</u>	<u>\$ 10,087,117</u>	<u>\$ 9,159,333</u>	<u>\$ 8,295,977</u>
All other governmental funds										
Restricted	\$ 854,276	\$ 592,611	\$ (86,775)	\$ 127,659	\$ (88,096)	328,435	1,511,561	1,641,992	-	-
Committed	-	-	-	-	-	2,973,086	2,722,094	2,608,081	-	-
Committed for Debt Service	3,277,958	3,828,849	2,201,438	936,770	460,648	772,045	-	-	930,290	1,077,236
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	2,320,833	2,399,605
Capital projects funds	-	-	-	-	-	-	-	-	10,319,501	16,906,340
Assigned	9,713,024	12,787,803	13,628,545	8,859,209	12,396,173	15,535,782	14,549,510	16,652,507	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 13,845,258</u>	<u>\$ 17,209,263</u>	<u>\$ 15,743,208</u>	<u>\$ 9,923,638</u>	<u>\$ 12,768,725</u>	<u>\$ 19,609,348</u>	<u>\$ 18,783,165</u>	<u>\$ 20,902,580</u>	<u>\$ 13,570,624</u>	<u>\$ 20,383,181</u>

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 21,889,749	\$ 21,364,031	\$ 20,946,082	\$ 20,441,533	\$ 18,416,548	\$ 17,890,435	\$ 17,338,798	\$ 17,329,982	\$ 16,560,766	\$ 16,407,575
Sales taxes	17,949,998	17,132,733	16,331,411	15,171,325	14,341,278	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401
Franchise taxes	3,255,645	3,154,432	3,186,160	3,927,501	3,016,446	2,748,707	2,879,585	2,604,569	2,728,251	2,444,296
Charges for services	2,364,134	2,431,114	1,765,734	1,802,529	1,346,695	1,049,134	1,383,158	710,007	713,760	738,146
Permits	1,487,961	1,772,362	1,233,776	1,277,011	1,019,605	1,119,438	1,076,770	765,500	651,108	1,005,541
Municipal court	938,043	1,042,793	1,152,543	1,177,416	1,161,283	1,050,955	1,141,742	1,157,838	1,173,907	1,056,904
Intergovernmental	943,848	1,012,738	831,958	774,205	624,045	440,250	835,948	478,037	506,100	428,747
Interest income	401,167	141,210	105,047	88,724	51,672	(21,660)	114,588	136,878	60,429	611,615
Miscellaneous	611,405	538,312	315,876	440,246	525,865	795,304	795,150	661,379	569,258	872,988
Contributions and donations	424,128	1,780,277	90,812	388,236	527,008	44,929	727,361	364,975	148,512	2,812,457
<b>Total Revenues</b>	<b>50,266,078</b>	<b>50,370,002</b>	<b>45,959,399</b>	<b>45,488,726</b>	<b>41,030,445</b>	<b>39,162,585</b>	<b>39,013,123</b>	<b>35,735,720</b>	<b>33,945,488</b>	<b>36,642,670</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	127,123	130,560	107,998	116,572	94,747	102,995	106,958	111,494	116,372	109,845
Administration	4,772,422	4,859,771	4,348,317	4,221,318	3,997,844	3,821,755	3,690,167	3,402,793	3,353,637	3,358,705
Finance	1,178,791	1,183,815	1,017,359	948,974	985,734	924,415	1,245,790	1,211,261	1,189,250	1,266,436
Municipal court	429,862	439,986	389,914	396,256	415,220	349,536	337,537	335,082	333,234	318,467
Police	11,126,009	11,053,569	10,660,642	9,934,841	9,539,572	8,847,655	8,299,514	7,982,280	8,083,075	7,775,622
Fire	4,272,346	3,876,111	3,425,461	3,153,514	2,766,298	2,383,832	2,347,279	2,146,012	2,179,372	1,618,559
Public works	5,102,468	5,796,784	5,036,475	4,559,460	4,174,815	2,153,427	2,285,737	2,122,710	1,577,760	1,528,010
Community development	1,965,366	1,973,607	1,778,733	1,724,660	1,699,428	1,139,859	1,164,786	1,178,982	1,130,169	1,258,030
Parks and recreation	3,990,911	3,974,766	3,157,568	3,227,161	2,907,884	4,892,456	4,689,177	4,590,161	4,529,739	4,493,524
<b>Total current</b>	<b>32,965,298</b>	<b>33,288,969</b>	<b>29,922,467</b>	<b>28,282,756</b>	<b>26,581,542</b>	<b>24,615,930</b>	<b>24,166,945</b>	<b>23,080,775</b>	<b>22,492,608</b>	<b>21,727,198</b>
<b>Capital outlay:</b>										
Administration	3,339,081	655,182	3,480,825	3,220,135	474,857	8,431,896	6,649,805	7,168,226	4,746,948	18,427,890
Finance	507,475	166,766	173,471	54,875	103,344	124,302	224,306	101,525	57,653	78,866
Municipal Court	-	-	-	-	-	205,947	-	-	-	-
Police	303,473	428,155	544,428	287,492	711,544	167,587	465,169	274,821	1,316,626	258,623
Fire	71,021	652,484	410,467	180,516	334,349	2,167,780	368,805	266,400	434,754	6,462,691
Public works	84,906	441,324	431,590	98,112	6,421,609	-	-	-	24,575	90,798
Parks and recreation	682,618	1,073,992	893,797	754,587	277,541	65,534	486,159	-	1,095,622	482,177
<b>Total capital outlay</b>	<b>4,988,574</b>	<b>3,417,903</b>	<b>5,934,578</b>	<b>4,595,717</b>	<b>8,323,244</b>	<b>11,163,046</b>	<b>8,194,244</b>	<b>7,810,972</b>	<b>7,676,178</b>	<b>25,801,045</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt service:										
Principal	\$ 6,040,000	\$ 6,040,000	\$ 6,560,000	\$ 6,809,632	\$ 6,803,038	\$ 5,268,038	\$ 4,933,038	\$ 4,278,038	\$ 4,458,038	\$ 4,670,540
Interest	3,665,504	3,868,544	3,945,758	5,091,670	4,630,739	4,613,787	4,820,183	4,570,301	4,766,488	4,716,545
Bond issuance costs	-	-	231,376	-	74,581	90,615	44,305	150,900	-	242,173
Fiscal charges	12,500	14,000	25,855	39,250	14,800	10,500	8,800	11,200	7,032	15,284
Total debt services	9,718,004	9,922,544	10,762,989	11,940,552	11,523,158	9,982,940	9,806,326	9,010,439	9,231,558	9,644,542
Total expenditures	47,671,876	46,629,416	46,620,034	44,819,025	46,427,944	45,761,916	42,167,515	39,902,186	39,400,344	57,172,785
Excess (deficiency) of revenues over (under) expenditures	2,594,202	3,740,586	(660,635)	669,701	(5,397,499)	(6,599,331)	(3,154,392)	(4,166,466)	(5,454,856)	(20,530,115)
<b>Other financing sources (uses):</b>										
Transfers in	1,280,466	1,316,687	540,350	689,000	2,769,639	2,277,550	2,217,035	3,456,450	1,478,835	8,664,757
Transfers out	(5,240,416)	(3,930,037)	(3,131,100)	(3,032,500)	(5,257,689)	(4,215,000)	(3,502,085)	(2,913,587)	(2,304,050)	(4,488,966)
Bonds issued	-	-	8,076,711	-	9,820,000	10,530,000	2,150,000	13,210,000	-	19,295,000
Capital Leases	-	-	-	-	-	-	-	-	330,870	-
Refunding bonds issued	-	-	53,221,012	-	-	-	-	-	-	4,805,000
Accrued interest on bonds issued	-	-	-	-	-	-	-	-	-	-
Premium (discounts) on bonds issued	-	-	6,769,228	-	-	221,417	-	325,248	-	444,623
Payment to refunded bond escrow agent	-	-	(59,060,574)	-	(9,745,419)	-	-	(1,651,905)	-	(4,853,047)
Prior Period Adjustment	-	-	(246,478)	-	-	-	-	-	-	-
Total other financing sources (uses)	(3,959,950)	(2,613,350)	6,169,149	(2,343,500)	(2,413,469)	8,813,967	864,950	12,426,206	(494,345)	23,867,367
Net change in fund balances	\$ (1,365,748)	\$ 1,127,236	\$ 5,508,514	\$ (1,673,799)	\$ (7,810,968)	\$ 2,214,636	\$ (2,289,442)	\$ 8,259,740	\$ (5,949,201)	\$ 3,337,252
Debt service as a percentage of noncapital expenditures	22.7%	22.9%	25.8%	29.6%	30.0%	28.6%	28.7%	27.6%	29.1%	30.6%

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2009	16,407,575	10,264,401	2,444,296	29,116,272
2010	16,560,766	10,833,397	2,728,251	30,122,414
2011	17,329,982	11,526,555	2,604,569	31,461,106
2012	17,338,798	12,720,023	2,879,585	32,938,406
2013	17,890,435	14,045,093	2,748,707	34,684,235
2014	18,438,330	14,341,277	3,093,257	35,872,864
2015	20,441,533	15,171,325	3,927,501	39,540,359
2016	20,946,082	16,331,411	3,186,160	40,463,653
2017	21,364,031	17,132,733	3,154,432	41,651,196
2018	21,889,749	17,949,998	3,255,645	43,095,392

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-8

<b>Fiscal Year</b>	<b>Total Sales Tax Collections</b>	<b>Percent of Ad Valorem Tax Levy</b>	<b>Equivalent of Ad Valorem Tax Rate</b>
2009	10,264,401	64.30%	0.34
2010	10,833,397	65.80%	0.32
2011	11,526,555	68.74%	0.34
2012	12,720,023	75.10%	0.37
2013	14,045,093	81.16%	0.40
2014	14,341,277	78.98%	0.39
2015	15,171,325	75.62%	0.37
2016	16,331,411	77.45%	0.35
2017	17,132,733	81.25%	0.36
2018	17,949,999	82.74%	0.34

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-9

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2009	2008	2,175,728,205	968,824,057	342,108,871	478,140,905	3,008,520,228	0.5031
2010	2009	2,207,188,025	1,034,428,814	343,770,085	245,497,304	3,339,889,620	0.5031
2011	2010	2,276,011,463	1,042,597,193	337,323,537	249,159,269	3,406,772,924	0.5031
2012	2011	2,316,829,222	1,041,610,117	337,423,698	264,503,280	3,431,359,757	0.5031
2013	2012	2,400,322,618	1,029,298,627	345,365,078	278,144,322	3,496,842,001	0.5025
2014	2013	2,437,302,085	1,126,527,658	385,352,763	280,459,789	3,668,722,717	0.5025
2015	2014	2,645,861,999	1,318,998,496	438,951,140	302,418,574	4,101,393,061	0.4955
2016	2015	2,897,340,628	1,324,784,283	426,923,073	334,889,710	4,314,158,274	0.4853
2017	2016	3,250,135,202	1,410,522,815	457,736,898	400,774,227	4,717,620,688	0.4543
2018	2017	3,693,500,936	1,518,970,591	493,995,150	463,427,475	5,243,039,202	0.4543

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Freeport Exemption</u>
2009	111,535,268	1,805,500	79,131,370	24,266,824
2010	117,336,354	6,522,310	101,284,160	25,091,542
2011	123,493,766	8,781,840	99,301,400	20,804,929
2012	130,833,284	10,360,860	105,251,440	20,979,952
2013	133,480,470	10,577,050	106,197,190	23,803,292
2014	139,936,532	12,780,746	102,226,360	25,071,144
2015	148,647,965	14,905,177	109,426,700	22,030,705
2016	162,365,290	20,961,691	107,887,230	28,084,128
2017	162,472,841	23,628,158	109,384,390	25,288,620
2018	169,304,945	28,450,789	120,809,076	27,839,131

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-11

<u>Fiscal Year</u>	<u>City of Rockwall</u>			<u>Overlapping Rates</u>	
	<u>M&amp;O</u>	<u>Debt</u>	<u>Total</u>	<u>School</u>	<u>County</u>
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750
2011	0.2562	0.2469	0.5031	1.4700	0.3864
2012	0.2563	0.2468	0.5031	1.4700	0.3864
2013	0.2619	0.2406	0.5025	1.4700	0.3864
2014	0.2363	0.2662	0.5025	1.4600	0.3959
2015	0.2207	0.2748	0.4955	1.4400	0.3959
2016	0.2342	0.2511	0.4853	1.4400	0.3959
2017	0.2386	0.2157	0.4543	1.4650	0.3759
2018	0.2454	0.1782	0.4236	1.4400	0.3498

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND TEN YEARS AGO  
 (unaudited)

TABLE D-12

Taxpayer	2018			2008		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Allen Foods/Bimbo Bakeries	\$ 59,186,930	1	1.13%	\$ -	-	-
Excel Rockwall, LP	57,756,030.00	2	1.10%	49,246,880	1	1.76%
Star Hubbard LLC	46,410,000	3	0.89%	-	-	-
Whitmore Manufacturing CO	38,370,540	4	0.73%	-	-	-
Rockwall Regional Hospital, LLP	37,844,760	5	0.72%	36,873,290	3	1.32%
Rockwall Crossing LTD	30,851,338	6	0.59%	23,069,615	6	0.82%
Bella Harbor Hotel Venture, LLC	27,881,900	7	0.53%	19,167,110	9	0.68%
Rockwall Dunhill LLC	27,863,400	8	0.53%	20,500,000	8	0.73%
Costco Wholesale	23,976,380	9	0.46%	-	-	-
Oncor Electric Delivery Service	23,622,738	10	0.45%	23,337,850	5	0.83%
Continental Pet Technology	-	-	-	40,604,530	2	1.45%
Mariah Bay Development Inc.	-	-	-	31,915,280	4	1.14%
Wal-mart	-	-	-	22,081,420	7	0.79%
Texas Star Express	-	-	-	18,872,090	10	0.67%
Subtotal	<u>373,764,016</u>		<u>7.13%</u>	<u>285,668,065</u>		<u>10.20%</u>
Total Taxable Value	<u>\$ 5,243,039,202</u>		<u>100.00%</u>	<u>\$ 2,801,901,551</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District

Note: Includes real property and business personal property for each entity

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-13

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Total Current Year Collections</b>	<b>Percent of Levy Collected During Fiscal Period</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Tax Levy</b>
2009	2008	15,962,353	15,777,483	98.84%	145,366	15,922,849	99.75%
2010	2009	16,465,193	16,182,308	98.28%	233,740	16,416,048	99.70%
2011	2010	16,768,511	16,616,216	99.09%	95,906	16,712,122	99.66%
2012	2011	16,937,674	16,780,370	99.07%	88,353	16,868,723	99.59%
2013	2012	17,306,465	17,205,265	99.42%	-	17,205,265	99.42%
2014	2013	18,157,980	18,055,096	99.43%	-	18,055,096	99.43%
2015	2014	20,063,663	19,951,271	99.44%	-	19,951,271	99.44%
2016	2015	20,561,430	20,538,371	99.89%	139,645	20,678,016	100.57%
2017	2016	21,086,975	21,119,819	100.16%	218,207	21,338,026	101.19%
2018	2017	21,695,004	21,663,720	99.86%	210,894	21,874,614	100.83%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND TEN YEARS AGO  
(unaudited)

TABLE D-14

Customer	2018			2008		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	66,910,600	1	2.01%	62,060,900	1	2.11%
Rockwall I.S.D.	47,846,000	2	1.44%	41,117,900	2	1.40%
PA Harbor Retail	16,768,100	3	0.50%	-	-	-
Graham Packaging Continental PET	13,657,800	4	0.41%	8,960,400	9	0.30%
Excel Rockwall, L.P.	13,645,800	5	0.41%	11,179,900	8	0.38%
Allen Food Bakeries, Inc	13,262,900	6	0.40%	-	-	-
Walden Residential	12,828,300	7	0.39%	12,910,900	6	0.44%
Redi-Mix LLC	12,192,700	8	0.37%	-	-	0.00%
Star Hubbard LLC	12,057,000	9	0.36%	-	-	-
D.W.C./Highlife Properties	9,042,500	10	0.27%	17,269,800	5	0.59%
IX MC 923 Yellow Jacket Lane LP	-	-	-	-	-	-
Mission Rockwall	-	-	-	15,557,700	3	0.53%
Whittle Development	-	-	-	15,496,000	4	0.53%
Lake Pointe Church	-	-	-	11,208,600	7	0.38%
The Woodmont Company	-	-	-	7,930,000	10	0.27%
Subtotal	<u>218,211,700</u>		<u>6.56%</u>	<u>203,692,100</u>		<u>6.93%</u>
Total Water Usage	<u><u>3,326,648,890</u></u>		<u><u>100.00%</u></u>	<u><u>2,939,263,892</u></u>		<u><u>100.00%</u></u>

CITY OF ROCKWALL, TEXAS  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-15

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Water and Sewer Revenue Bonds	Capitalized Lease Obligations			
2009	86,179,822	22,425,000	-	135,178	25,890,000	11,670,000	7,431,754	153,731,754	10.38%	4,789
2010	83,271,784	20,875,000	278,034	113,216	25,005,000	10,775,000	7,080,083	147,398,117	8.74%	4,205
2011	88,473,746	23,050,000	236,589	91,254	28,205,000	5,215,000	6,710,000	151,981,589	8.08%	4,129
2012	84,675,708	24,065,000	193,299	69,292	27,145,000	4,550,000	6,321,743	147,020,042	7.44%	3,810
2013	88,562,670	25,440,000	148,083	47,330	29,510,000	3,865,000	5,910,072	153,483,155	7.51%	3,960
2014	87,404,632	16,935,000	100,855	25,638	27,900,000	3,495,000	5,485,067	141,346,192	6.62%	3,533
2015	85,790,000	14,610,000	51,525	-	26,220,000	3,235,000	5,041,729	134,948,254	5.97%	3,297
2016	90,400,000	8,580,000	-	-	31,230,000	-	4,571,724	134,781,724	5.96%	3,293
2017	85,235,000	7,705,000	-	19,830,000	8,910,000	-	4,233,385	125,913,385	5.19%	2,989
2018	79,880,000	7,020,000	-	18,705,000	7,565,000	-	3,881,713	117,051,713	4.56%	2,675

Note: See Table 20 for personal income and population data  
Debt is shown gross of deferred amounts

CITY OF ROCKWALL, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-16

Fiscal Year	General Obligation Bonds	Governmental and Business Type Activities			Unamortized Premium (Discount)	Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
		Certificates of Obligation	Contractual Obligations	Gross Bonded Debt					
2009	86,179,822	48,315,000	-	134,494,822	1,912,382	1,077,236	135,329,968	4.50%	4,215
2010	83,271,784	45,880,000	-	129,151,784	1,859,751	930,290	130,081,245	3.89%	3,711
2011	88,473,746	51,255,000	-	139,728,746	2,004,225	1,426,272	140,306,699	4.12%	3,812
2012	84,675,708	51,210,000	-	135,885,708	2,046,038	1,221,201	136,710,545	3.98%	3,543
2013	88,562,670	54,950,000	-	143,512,670	2,218,052	772,045	144,958,677	4.15%	3,740
2014	87,404,632	44,835,000	-	132,239,632	2,105,454	460,648	133,884,438	3.65%	3,346
2015	85,790,000	40,830,000	-	126,620,000	1,992,856	936,770	127,676,086	3.11%	3,119
2016	90,400,000	39,810,000	-	130,210,000	1,709,884	2,201,438	129,718,446	3.01%	3,169
2017	105,065,000	16,615,000	-	121,680,000	1,597,726	3,828,849	119,448,877	2.53%	2,836
2018	98,585,000	14,585,000	-	113,170,000	1,485,568	3,277,958	111,377,610	2.12%	2,546

Note: See Table 20 for population data and Table 9 for property value data  
Deferred amounts include unamortized premium (discount) and loss on refunding

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2018  
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall (2)	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall - debt repaid with property taxes	\$ 86,900,000	100.00%	\$ 86,900,000
Indirect:			
Rockwall Independent School District	480,596,636	66.61%	320,125,419
Rockwall County	99,520,000	51.09%	50,844,768
Total Indirect	580,116,636		370,970,187
Total Direct and Overlapping Bonded Debt	\$ 667,016,636		\$ 457,870,187
Average debt per capita			\$ 11,814

Source: Municipal Advisory Council of Texas Annual Report

(1) Includes all Governmental Activities General Obligation Bonds, Contractual Obligations, Certificates of Obligation and Capital Leases

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable value.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.4236	0.4543	0.4853	0.4955	0.5025	0.5025	0.5031	0.5031	0.5031	0.5031
Legal Debt Margin	2.0764	2.0457	2.0147	2.0045	1.9975	1.9975	1.9969	1.9969	1.9969	1.9969

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98
2011	15,439,747	10,805,039	4,634,708	740,000	360,448	1,100,448	4.21
2012	14,809,266	11,463,657	3,345,609	665,000	219,253	884,253	3.78
2013	16,096,968	11,885,957	4,211,011	685,000	191,306	876,306	4.81
2014	16,378,963	12,610,238	3,768,725	260,000	147,294	407,294	9.25
2015	19,748,474	13,657,885	6,090,589	270,000	136,894	406,894	14.97
2016	23,406,369	15,252,009	8,154,360	-	-	-	-
2017	26,262,806	17,163,431	9,099,375	-	-	-	-
2018	28,850,782	18,680,374	10,170,408	-	-	-	-

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE D-20

<b>DEMOGRAPHICS</b>					
<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars) (3)</b>	<b>Per Capita Personal Income (1)</b>	<b>RISD School Enrollment (2)</b>	<b>Unemployment Rate (%) (1)</b>
2009	32,103	1,480,976	46,132	13,372	7.0
2010	35,050	1,687,272	48,139	13,732	6.6
2011	36,810	1,881,580	51,116	13,965	6.7
2012	38,586	1,976,529	51,224	14,213	5.1
2013	38,755	2,044,742	52,761	14,359	5.3
2014	40,008	2,135,587	53,379	14,626	4.2
2015	40,929	2,259,553	55,627	15,468	3.3
2016	41,519	2,309,577	55,627	15,512	3.1
2017	42,120	2,424,806	57,569	15,822	3.7
2018	43,750	2,568,869	58,717	16,536	3.3

Source: (1) Texas Workforce Commission, 2012 and 2013 are estimates  
 (2) Rockwall Independent School District - private schools not included  
 (3) Bureau of Economic Analysis US Dept. of Commerce

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2018			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,885	1	9.18%	1,667	1	9.39%
Texas Health Presbyterian Hospital	600	2	2.92%	419	4	-
Texas Star Express	484	3	2.36%	484	2	2.73%
Wal-Mart Superstore	450	4	2.19%	450	3	2.54%
Rockwall County	315	5	1.53%	253	5	1.43%
City of Rockwall	280	6	1.36%	256	6	1.44%
Special Products	168	7	0.82%	205	7	1.16%
L-3 Communications	150	8	0.73%	-	-	-
Home Depot	140	9	0.68%	-	-	-
Bimbo Bakeries	134	10	0.65%	-	-	-
Target	-	-	-	200	8	1.13%
Rockwall Nursing Home	-	-	-	160	9	0.90%
Kohl's Department Store	-	-	-	140	10	0.79%
Subtotal	<u>4,606</u>		<u>22.42%</u>	<u>4,234</u>		<u>23.86%</u>
Total	<u>20,544</u>		<u>100.00%</u>	<u>17,746</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-22

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administration	27	27	27	26	26	25	21	21	22	22
Finance	5.5	5.5	5.5	5	5	5	8	8	8	8
Municipal Court	5	5	5	5	5	4	4	4	4	4
Fire	29	29	26	26	23	19	17	17	17	17
Police	105	103	102	101.5	100.5	97	92.5	91.5	90.5	90.5
Community Development	20	20	19	19	19	24.5	29.5	29.5	29.5	29.5
Parks & Recreation	30	30	30	30	29	25	26	26	26	26
Public Works	21	21	21	21	21	21	21	21	21	21
Water/Sewer	38	36	33	33	34	34	37	37	38	38
<b>Total</b>	<b>280.50</b>	<b>276.50</b>	<b>268.50</b>	<b>266.50</b>	<b>262.50</b>	<b>254.50</b>	<b>256.00</b>	<b>255.00</b>	<b>256.00</b>	<b>256.00</b>

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Finance</b>										
Invoices processed	12,613	12,940	12,286	13,782	14,518	15,351	15,772	15,582	16,613	16,933
Payroll checks issued	11,476	12,044	11,213	11,093	10,118	9,650	10,065	10,500	9,356	9,176
Purchase orders issued	2,480	2,389	2,141	2,135	1,939	2,002	2,150	2,269	2,391	2,572
<b>Municipal Court</b>										
Violations Processed	10,570	12,124	11,171	13,135	16,950	15,208	16,859	16,361	17,261	16,526
<b>Fire</b>										
Employees (paid)	30	29	26	26	23	19	17	17	17	17
Volunteers	32	38	48	34	30	29	35	41	38	35
Fire Calls (City and County)	2,496	1,684	1,240	902	723	913	831	1,059	771	771
* FY18 includes initial year of First Responder Program calls										
<b>Police</b>										
Employees (uniformed)	85	79	78	78	78	76	72	71	71	70
Employees (civilian)	24.0	23.0	23.0	22.5	22.5	21	20	20	20	19
Calls for Service*	16,676	18,101	17,553	18,152	17,391	16,317	18,267	21,490	30,569	30,610
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.										
<b>Community Development</b>										
# permits - New commercial construction	16	20	16	19	12	25	14	21	4	17
Value - New commercial construction	80,969,465	107,317,132	34,712,638	44,764,279	13,645,795	55,921,000	36,578,259	15,446,160	10,969,950	71,061,773
# permits - New residential construction	341	370	341	346	257	272	218	185	212	169
Value - New residential construction	79,618,273	84,226,817	80,982,059	79,262,932	59,868,007	56,266,387	39,815,104	36,244,834	40,293,359	30,914,120
<b>Parks &amp; Recreation</b>										
The Center facility usage	48,052	47,759	46,946	62,991	78,350	84,000	81,500	84,001	68,665	61,713
Special event attendance	90,200	89,450	86,150	80,000	81,000	83,000	85,000	80,000	95,000	90,680
# recreation participants (youth & adult)	8,716	5,600	5,433	4,711	4,900	4,700	4,500	3,268	3,428	2,155
<b>Public Works</b>										
Streets - sq yd concrete street repair	2,248	1,263.90	1,262.94	5,407.00	3,872.00	2,333.00	4,316.37	2,276.40	2,851.55	5,507.20
\$ spent on concrete/asphalt street repair	\$ 1,015,920	\$ 834,308	\$ 749,128	\$ 806,081	\$ 909,163	\$ 712,451	\$ 654,243	\$ 602,167	\$ 575,446	\$ 541,430
Miles of public street maintained by City*	225.99	218.45	215.81	211.65	188.18	185.67	184.06	183.05	196.10	192.86
* Beginning in 2011, mileage calculations have changed and software advances have allowed for a more accurate count										

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Water/Sewer										
Water customers	16,296	15,902	15,557	15,147	14,874	14,599	13,416	13,044	12,859	12,471
Sewer customers	13,583	13,212	12,944	12,644	13,215	12,968	12,137	11,891	11,651	11,401
Average daily water consumption (gal)	7,746,687	7,826,181	5,595,421	5,813,542	6,210,113	8,158,146	8,322,890	9,943,169	7,434,917	8,228,041
Peak daily water consumption (gal)	20,871,860	16,631,760	16,342,090	17,497,100	12,930,773	15,728,969	20,230,443	21,739,681	16,969,865	16,900,802
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000

Source: City departments

Note: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

Note: Miles of streets FY 2016 of 284 included city, state and private

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-24

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Fire										
Number of stations	4	4	4	4	4	4	4	4	4	2
Number of fire engines/trucks	12	12	13	13	13	13	15	15	14	12
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	41	41	41	40	42	42	42	42	42	42
Parks & Recreation										
Parks acres (developed)	620	620	598	586	538	538	538	538	538	538
Playgrounds	28	28	26	25	25	25	25	25	25	23
Picnic areas	37	37	35	32	32	32	32	32	32	31
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ Spent on new construction	\$ 3,848,535	\$ 1,026,792	\$ 3,510,781	\$ 8,751,606	\$ 4,760,116	\$ 3,567,315	\$ 2,164,305	\$ 1,079,938	\$ 2,596,948	\$ 15,444,384
Miles of public streets	225.99	218.45	215.81	211.65	188.18	185.67	184.06	183.05	196.10	192.86
Water/Sewer										
Water mains (miles)	323.61	318.56	300.69	302.77	287.91	287.91	276.94	265.82	269.82	255.88
Sanitary sewers (miles)	255.22	251.66	237.13	241.21	231.91	231.91	218.88	222.62	215.88	212.77

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2017**

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***INTRODUCTORY SECTION***

June 18, 2018

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2017, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.79 square miles and an estimated population of 42,120.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted in 2005 and again in 2015. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### **Local Economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's local economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 4.91% in our local sales tax revenues. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 9.35%. The most recent five-year average is 6.85% per annum. During the downturn in the economy, 2008 – 2012, growth in the tax base slowed but remained positive each year. The City's largest taxpayers are varied and include industry, retail developments, multi-family properties, and medical facilities. Table D-12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to successfully market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Pratt Industries began construction on their 391,600 square foot facility which serves the recycled paper goods industry providing shipping ready boxes to customers including Amazon.
- Lollicup USA has announced their corporate move to Rockwall and will commence construction on their project mid-2018. The building will be in excess of 600,000 square feet and the taxable value is projected to be approximately \$30,000,000 in the first full year of operation.
- The Harbor retail development is under new ownership and significant investment is being made in the property. A number of new tenants are expected in 2018 as well as an expansion and modernization of the Cinemark Theatre.
- Downtown Rockwall underwent extensive reconstruction in recent years. Several new stores have moved into the downtown square following the completion adding to the mix of professional, retail, restaurant and service locations. The City benefits from the attention garnered from Rockwall's being a Texas Main Street City. The City has seen a 39.29% increase in sales taxes in the downtown area in the last five years.

### **Long-term Planning**

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

## Financial Policies

The City Council adopted financial policies in 2001 which have guided the City, allowing us to build a strong fund balance, and reinforcing the city's philosophy to budget conservatively for both revenues and expenditures. The general fund reserve policy is reviewed annually and updated most recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level were available to fund capital projects in 2017. The City had, for many years, financed vehicle additions and replacements with short-term debt. A healthy reserve allowed the City to purchase all vehicles on a pay-as-you-go basis.

## Budget Overview

The City Manager proposes a balanced budget to the City Council each year by August 1. Public hearings are conducted to receive comments and priorities of the community at large. The City Council must adopt the operating budget and set the City's tax rate for the next year by October 1<sup>st</sup> of each year.

## Planning Projects

The City Council values long-range planning and have supported a number of efforts outlined below.

## Capital Improvement Planning

In May 2012, voters approved propositions to provide downtown accessibility projects, roadway rehabilitation and Interstate 30 ramp adjustments. The City hired design and construction management professionals to work with staff and City Council to develop the vision for the projects and cost estimates to ensure the projects as approved can move forward and be completed within budget. Engineering firms were selected for each of the street rehabilitation projects and the planning and design work is nearing completion. Construction should begin on several road improvement projects in 2018.

## Strategic Planning

The City Council and staff worked on an updated strategic planning document with the goal of a simplified, easy to understand final product. The initial stage of the plan included looking at the current breakdown between the residential and commercial tax base and whether or not the current land use plan will allow that mix to be maintained or improved in order to decrease the tax burden on residential properties. It was determined that sufficient non-residential land uses are planned but that any change from non-residential to residential zoning needs to be evaluated in light of the city's strategic goals. The City receives higher sales taxes per capita than other area cities, pointing to the City's long standing status as a regional shopping destination. As cities to the east grow and add retailers the City will strive to add specialty retailers to continue the regional draw. The remaining I-30 corridor development will need to be well-planned and executed. A citizen committee was formed to work with the City Planning Department staff to make amendments to the Comprehensive Plan and develop an I-30 Corridor plan. The long-term infrastructure needs of the City including streets, water and sewer will need to be planned and

funded. A study was conducted in late 2016 to assess the condition of each street and alley in the city to determine the remaining useful life of each one. The findings will then be evaluated to determine the level at which preventive maintenance will forestall more extensive repairs or replacement. The next stages of the strategic planning focused on the individual departments of the City and how they address both the goals of the larger plan and strategic needs within the department. The final plan was used as a resource in the budget planning process in 2017.

## **Future Development**

### **Transportation**

The majority of the City's main thoroughfares are state facilities. TxDOT contractors began construction of the FM3549 overpass project which is a 24-month project. FM 3097 – Horizon Road – a heavily traveled roadway in the retail and medical corridor has been under construction in 2017 with substantial completion expected in late calendar 2017. The City and TxDOT jointly funded the project. The City funded and TxDOT managed the construction of a project to reverse two ramps on I-30 improving access to John King Boulevard and alleviating pressure on other intersections during the FM 3549 overpass project. TxDOT has begun planning for the widening of SH205 in the 3 counties it serves. The City Council and staff worked closely with TxDOT to come to agreement to move the current SH205 to existing John King Boulevard to the East. This had long been the City's desire but previous attempts had not reached fruition. This change will allow the present course of SH205 to become a city street with the ability for traffic flow and speeds to be managed by the City

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allow funding for the advance planning and design of several major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction. The Consortium was successful in securing new state funding for both SH276 and FM 3549 widening projects after the state-wide referendums provided new dollars for the state's highway system. The fact that the projects were in design and would be ready to bid when dollars were made available was crucial in getting these new funds. The Consortium is continuing to look at other roadways in the County to get the next list of projects vetted and serves as a positive model for neighboring areas to see the successes that this collaboration has achieved.

### **Medical Services**

The presence of acute care at Presbyterian Hospital of Rockwall kicked off growth in the medical corridor. Several new medical buildings with Doctor's suites and state of the art out-patient diagnostic imaging facilities have allowed Rockwall to become a regional medical services destination with new offices continuing to open each year. The medical destination drives other growth in the area and is an important boost to the City as visitors spend time dining and shopping while in town.

## Retail / Entertainment

“The Harbor” development is situated on the shores of Lake Ray Hubbard at I-30. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. The Conference Center continues to attract events including numerous corporate training and retreat sessions and expects many which are scheduled for 2017. The retail center is under new ownership in 2017 with many positive changes being pursued. A new Marriott Springhill Suites with 105 suites and conference space broke ground with its grand opening in late summer 2017. The hotel is locally owned and operated and employs a sales director to market the property to mid-size regional conferences and meetings. The two hotel properties are working together where opportunities to collaborate allow conferences to be attracted to Rockwall.

In conjunction with private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects. In a second project, the City collaborated with the Trend Tower developer on construction of the seven-story, 85,000 square foot office tower overlooking the lake. Trend Tower offered Class-A office space to its corporate tenants as it opened in 2014. The City has signed a lease agreement with Trend on use of the parking garage offering much needed public parking for the Harbor events.

The City’s extremely successful 12-week Concert on the Lake Series managed by the City’s Recreation Department draws more than 5,000 attendees each Thursday evening for a free concert. Surveys conducted during the events gather data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here. The term “Free Live Music Capital of North Texas” has been coined to describe the many opportunities available year round in both public and restaurant venues.

Founder’s Day held annually in Myers Park allows residents and visitors to shop merchant’s wares, enjoy free concerts and children’s activities all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend. This year the downtown merchants sponsored an art exhibit and sale during the day and shuttle service was provided between the two event locations.

A Farmer’s Market brings visitors downtown Saturdays from May to October. The annual “Rib Rub and Run” BBQ contest draws more than 50 teams to the downtown square. The Main Street Advisory Board and “Friends of Downtown Rockwall”, citizen volunteer group, worked to plan more special events to bring shoppers downtown. A late evening shopping event called “Night Owls” added late evening hours and live musical entertainment each Thursday, Friday and Saturday evening on the newly opened San Jacinto Plaza bringing people out to enjoy a relaxing evening downtown. The many shops in the Downtown area provide a wide variety of shopping opportunities and vacancies are rare and filled quickly.

Utilities

The water and wastewater rates were increased in 2017. The City purchases treated water as a founding member city of the North Texas Municipal Water District. With extremely heavy 2015 rains the drought which had extended over several years and seemed to be worsening was broken and the area lakes filled completely. As the drought had worsened the NTMWD asked its member and customer cities to reduce consumption by a minimum of 10%. Rockwall residents were so receptive to the call for conservation that actual consumption was reduced by more than 37%. While consumption has increased as time passes, it remains more than 25% below our peak year in 2012. Sales for the City’s water system increased by 5.53%. The City’s water system is recognized with the Texas Commission on Environmental Quality’s “Superior” rating.

The City actively works to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations. It remains the City’s desire to be the provider for all residents in our city limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-17 (net of Debt Service)	\$119,448,877
Estimated Population	42,120
G.O. Debt Per Capita	\$2,836
Net G.O. Debt per Assessed Value	2.53%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

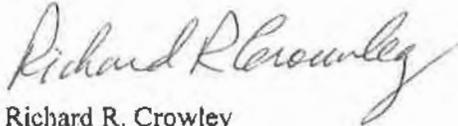
	<u>General Obligation</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA+	A-
Moody’s Investor Service Inc.	Aa2	A1

ACKNOWLEDGEMENTS

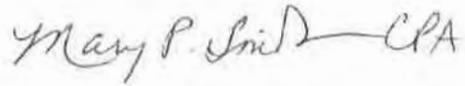
The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

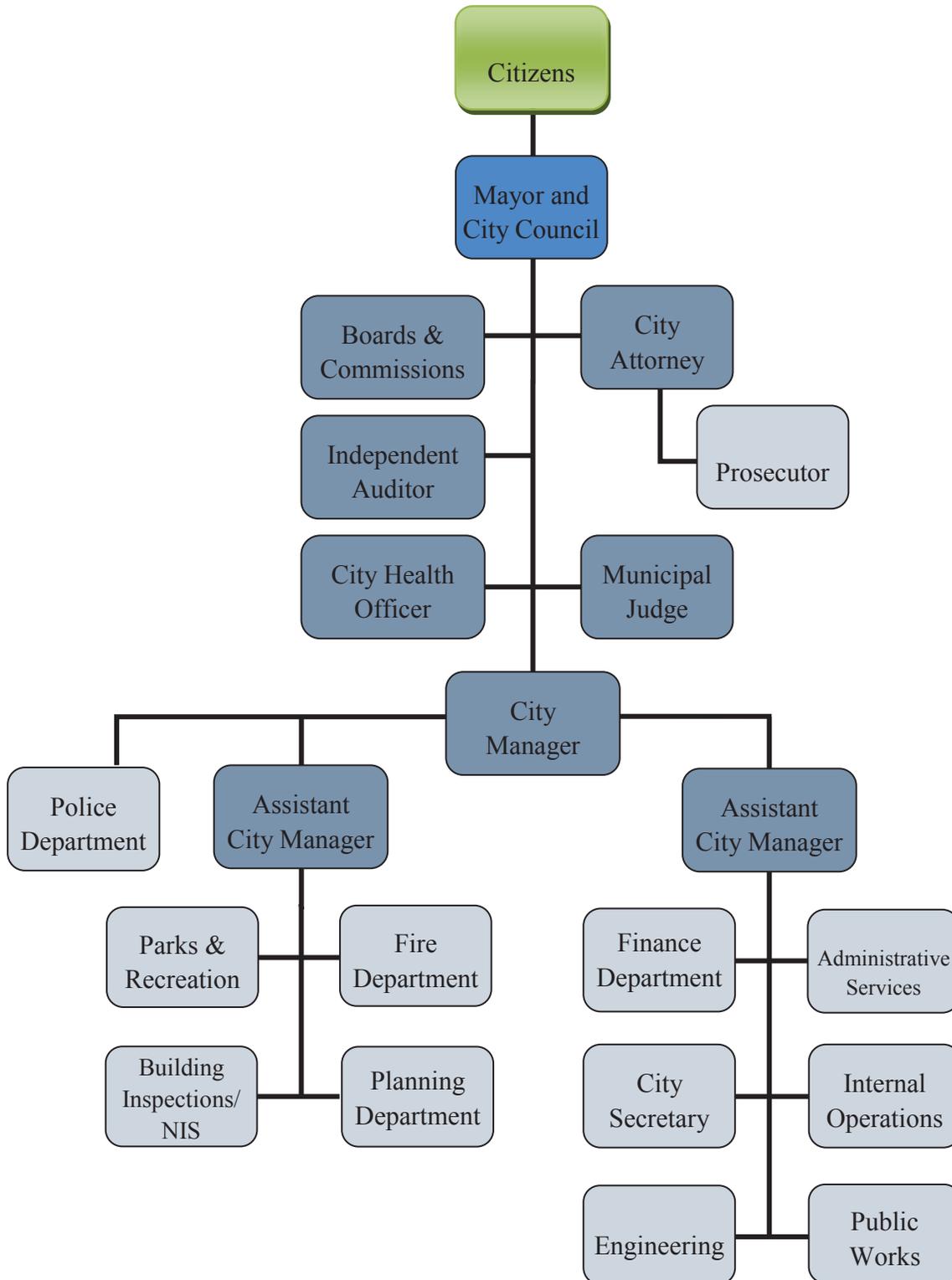


Richard R. Crowley  
City Manager



Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2017

**City Council**

Jim Pruitt, Mayor  
John Hohenshelt, Mayor Pro-Tempore  
Bennie Daniels, Councilmember Place 1  
Kevin Fowler, Councilmember Place 3  
Dennis Lewis, Councilmember Place 4  
Dana Macalik, Councilmember Place 5  
Mike Townsend, Councilmember Place 6

**City Staff**

Rick Crowley, City Manager  
Mary Smith, Assistant City Manager  
Brad Griggs, Assistant City Manager  
Cheryl Dunlop, Director of Administrative Services  
Kirk Riggs, Chief of Police  
Kenneth Cullins, Fire Chief  
Ryan Miller, Director of Planning and Zoning  
Amy Williams, Director of Public Works/City Engineer  
Joey Boyd, Director of Internal Operations

***FINANCIAL SECTION***

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2017, 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 statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the Texas Municipal Retirement System Schedule of changes in Net Pension Liability (Asset) and Related Ratios on pages 13-24 and 69-71 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 basis 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 Rockwall, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statement and schedules 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 non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Tox, Byrd + Company, P.C.*

Dallas, Texas  
June 18, 2018

## MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall’s financial performance provides an overview and analysis of the City’s financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City’s total net position was \$207,814,536 at September 30, 2017.
- During the year, the City’s governmental activities expenses were \$10,714,957 less than the \$52,616,041 generated in program revenues, taxes, other revenues and transfers.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities, net of deferred inflows and deferred outflows of resources at the close of the fiscal year ending September 30, 2017 by \$122,568,746 (net position).
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$10,827,051 or approximately 30.5 percent of the total general fund operating expenditures and transfers out.
- The City’s total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) decreased by \$6,040,000 during fiscal year 2017. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.

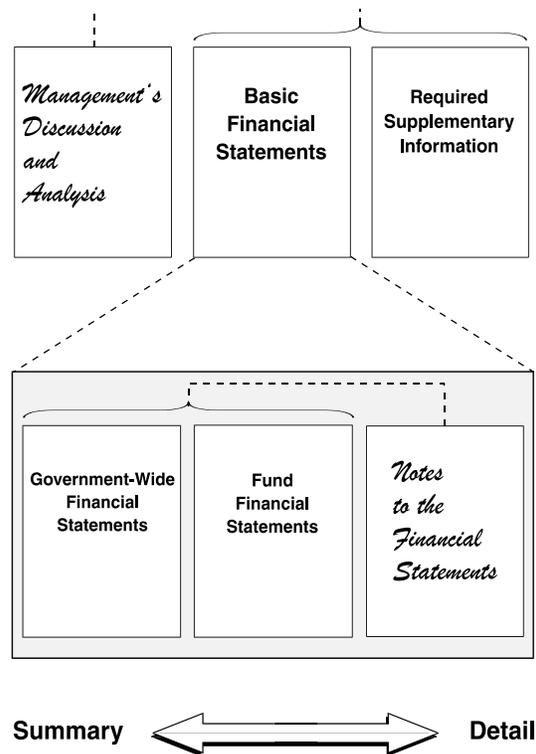
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements, followed by a section of required supplementary information, further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	◆ Statement of net position	◆ Balance Sheet	◆ Statement of net position
	◆ Statement of activities	◆ Statement of revenues, expenditures & changes in fund balances	◆ Statement of revenues, expenses & changes in fund net position ◆ Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the city of Rockwall’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 condition of the City of Rockwall is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. We report the City’s water and sewer system here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements are found on pages 25-26 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 23 individual governmental funds. 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, Debt Service fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 20 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self-insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of assets and liabilities of the agency fund. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2017, the City's net position (assets exceeding liabilities) totaled \$207,814,536. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

The largest portion of the City's net position (86.1 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 33,708,753	\$ 34,528,305	\$ 16,466,005	\$ 15,160,447	\$ 50,174,758	\$ 49,688,752
Capital Assets	198,678,101	194,092,167	106,264,480	102,274,731	304,942,581	296,366,898
Total Assets	<u>232,386,854</u>	<u>228,620,472</u>	<u>122,730,485</u>	<u>117,435,178</u>	<u>355,117,339</u>	<u>346,055,650</u>
Deferred Outflows	4,401,720	5,125,888	1,686,300	1,915,443	6,088,020	7,041,331
Non-current liabilities	109,230,046	115,380,980	35,871,248	40,209,441	145,101,294	155,590,421
Other liabilities	4,107,244	5,649,822	3,229,859	2,003,137	7,337,103	7,652,959
Total Liabilities	<u>113,337,290</u>	<u>121,030,802</u>	<u>39,101,107</u>	<u>42,212,578</u>	<u>152,438,397</u>	<u>163,243,380</u>
Deferred Inflows	882,538	861,769	69,888	51,279	952,426	913,048
Net Position						
Invested in capital assets, net of related debt	105,653,101	95,507,167	73,291,095	66,473,007	178,944,196	161,980,174
Restricted for debt service	4,421,460	2,114,663	1,055,524	1,042,083	5,476,984	3,156,746
Restricted for capital projects	11,207,922	12,156,095	3,299,871	5,685,025	14,507,793	17,841,120
Unrestricted	1,286,263	2,075,864	7,599,300	3,886,649	8,885,563	5,962,513
Total net position	<u>\$ 122,568,746</u>	<u>\$ 111,853,789</u>	<u>\$ 85,245,790</u>	<u>\$ 77,086,764</u>	<u>\$ 207,814,536</u>	<u>\$ 188,940,553</u>

A portion of the City of Rockwall's governmental activities net position, \$19,984,777 or 9.6% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position, \$8,885,563, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net position for the year ended September 30, 2017.

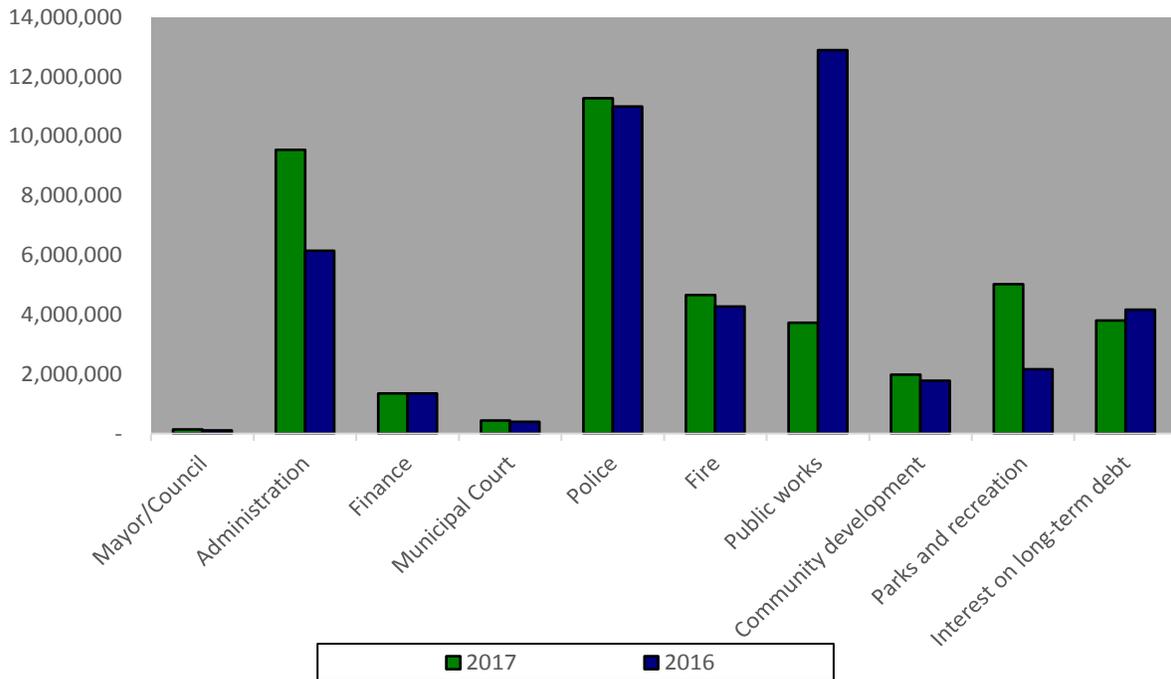
**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 7,522,068	\$ 6,591,258	\$ 24,519,314	\$ 22,163,656	\$ 32,041,382	\$ 28,754,914
Operating grants & contributions	1,942,620	196,662	-	-	1,942,620	196,662
Capital grants & contributions	-	-	6,016,867	3,049,464	6,016,867	3,049,464
General Revenues:						
Property taxes	21,470,363	20,966,521	-	-	21,470,363	20,966,521
Sales taxes	17,132,733	16,331,411	-	-	17,132,733	16,331,411
Other	3,561,607	3,454,314	151,304	88,673	3,712,911	3,542,987
Total revenues	<u>51,629,391</u>	<u>47,540,166</u>	<u>30,687,485</u>	<u>25,301,793</u>	<u>82,316,876</u>	<u>72,841,959</u>
Program expenses:						
Mayor/Council	130,560	107,998	-	-	130,560	107,998
Administration	9,537,562	6,145,346	-	-	9,537,562	6,145,346
Finance	1,350,581	1,345,039	-	-	1,350,581	1,345,039
Municipal Court	439,986	395,127	-	-	439,986	395,127
Police	11,279,010	11,001,835	-	-	11,279,010	11,001,835
Fire	4,652,974	4,266,758	-	-	4,652,974	4,266,758
Public works	3,723,557	12,889,840	-	-	3,723,557	12,889,840
Community development	1,973,607	1,778,965	-	-	1,973,607	1,778,965
Parks and recreation	5,016,834	2,157,430	-	-	5,016,834	2,157,430
Interest on long-term debt	3,796,413	4,165,018	-	-	3,796,413	4,165,018
Water and sewer	-	-	21,541,809	19,608,273	21,541,809	19,608,273
Total expenses	<u>41,901,084</u>	<u>44,253,356</u>	<u>21,541,809</u>	<u>19,608,273</u>	<u>63,442,893</u>	<u>63,861,629</u>
Increase (decrease) in net position						
before transfers	9,728,307	3,286,810	9,145,676	5,693,520	18,873,983	8,980,330
Transfers	<u>986,650</u>	<u>949,250</u>	<u>(986,650)</u>	<u>(949,250)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	10,714,957	4,236,060	8,159,026	4,744,270	18,873,983	8,980,330
Net position, October 1	<u>111,853,789</u>	<u>107,864,207</u>	<u>77,086,764</u>	<u>72,342,494</u>	<u>188,940,553</u>	<u>180,206,701</u>
Prior Period Adjustment	-	(246,478)	-	-	-	(246,478)
Net position, September 30	<u>\$ 122,568,746</u>	<u>\$ 111,853,789</u>	<u>\$ 85,245,790</u>	<u>\$ 77,086,764</u>	<u>\$ 207,814,536</u>	<u>\$ 188,940,553</u>

## Governmental Activities

The City's total revenues of governmental activities were \$52,616,041. A significant portion 40.8%, of the City's revenues came from property taxes. Another 32.6% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties and increases in assessed valuation throughout the City. The City Council has chosen to either maintain the current rate or lower the tax rate each of the last five years. Total assessed values of the properties in the City increased by 9.35%. The City adopted a property tax rate of 45.43 cents per \$100 of assessed valuation for fiscal year 2017. Growth in the assessed valuation and conservative budgets allowed the City to lower the rate for fiscal year 2017 by 3.10 cents per hundred dollars of assessed valuation. Sales tax revenue increased over the prior year by 4.91% which was most influenced by increases in same stores sales. While housing starts will not return to pre-downturn levels, they are trending upward and are reflective of larger homes on larger tracts resulting in significantly higher price points. Developers started infrastructure work on several projects including additional phases of Stone Creek, Breezy Hill, and the new subdivision, Lakes of Somerset in 2017. The permit revenues increased by 43.7% due in large part to projects in the Technology Park and increasing home sales. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and named the wealthiest county in Texas.

## Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$41,901,084. Of this total, \$11,279,010 (26.9%) was for the Police Department. The department marginally increased expenditures for fiscal year 2017 when compared to the prior year. Staffing was realigned in the Police Department and an officer was promoted to a Sergeant position without filling the vacancy he created. In addition, officer salaries were increased to stay competitive

in our area job market. Fire Department costs were \$4,652,974 (11.1%) and reflected the City's efforts to continue grow and mature our combination paid/volunteer Fire Department. The City's strategic planning will include an ongoing focus on the staffing ratios and service needs of the area. The Public Works Department represents 8.89% of the City's costs due to increased funding for road rehabilitation projects. A study was previously funded to evaluate the pavement condition of all streets, alleys and sidewalks in the City limits. The results were evaluated and employed in the budget process for 2017 to determine priorities for maintenance projects which could reasonably be expected to improve the roadway and extend the time before more extensive repairs or replacement would be required in future capital projects. Administrative departments including Administration, Human Resources, and Internal Operations which is responsible for building maintenance, the public safety radio system and IT had combined costs of \$6,145,346 (13.9%).

### **Business-Type Activities**

The City's business-type activities recorded an increase of \$8,159,026 in net position. Retail water sales increased by 5.53% in part due to increased rates and stronger demand. Despite the lack of mandatory conservation measures, the City's water consumption has not returned to pre-drought levels. The City's rates were increased in 2013, 2014, 2015, 2016 and 2017. The City implemented a conservation focused water rate structure in 2001 and increases the rate tiers each time new rates are adopted. The rates for sewer were also increased and total sewer charges increased by 11.5% for the fiscal year. The city employs winter averaging to calculate sewer billing so revenues are largely not affected by restrictions on irrigating lawns. Water and sewer charges were \$20,535,568 which is an increase of \$1,436,530 over the prior fiscal year.

Water and wastewater impact fees (Capital recovery fees) revenue totaled \$1,562,188 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system's initial costs in building assets to serve new growth. Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

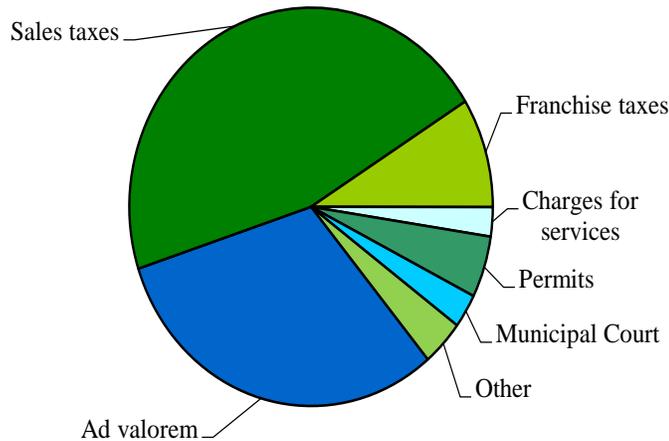
### **Component Units**

The Rockwall Economic Development Corporation (REDC) reported revenues including the ½-cent sales tax, authorized under the Type A Corporation statutes, of \$5,454,154. Assets managed by the corporation include an inventory of over 263 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

### **ANALYSIS OF INDIVIDUAL FUNDS**

The City's *General Fund* reported an ending unassigned fund balance of \$10,827,051. The largest source of general fund revenue is sales tax, it accounted for \$16,364,797 (46.15%) of total general fund revenue. Ad valorem property taxes account for \$11,023,225 (31.1%) of general fund revenues. The City's property tax rate is split between maintenance/operations and debt service. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows. The City Council elected to use reserves to purchase equipment for the Police and Fire departments as well as additional funding for street maintenance. This planned use of reserves totaled \$2,091,150. The unassigned balance actually decreased by only \$338,821 or 3.13% due to stronger than anticipated sales tax and permit revenue sources.

## Revenues by Source – General Fund



The City's *Debt Service Fund* reported an increase in fund balance of \$1,627,413. Property tax collections for debt service requirements were \$9,983,143. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City's bond election in 2005 and again in 2012 authorized more than \$92,831,000 in projects. After extensive study, the City adopted a Roadway Impact Fee which was updated in 2014 and which provided \$813,253 in new revenue to this fund in fiscal year 2017. The City Council chooses to budget a portion of this fund balance each year toward meeting the debt service obligations. This allows the use of the debt service fund reserves to lessen the effect of new debt issues on the property tax rate each year.

The *Recreation Development Fund* was established to assign funding from certain recreation programs and concessions to the development of new recreation opportunities across the City. The City was successful in leveraging developer paid park land and equipment fees for grant match in order to be awarded two state grants for the development of Stone Creek and Breezy Hill neighborhood parks in 2017.

The *G.O. Bonds Capital Projects Fund* reported an assigned fund balance of \$9,798,743, a decrease of \$120,911 from the prior year. Engineering design is underway on several roadway improvement projects approved in the 2012 election.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2017, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$32,935,700 increased to \$33,323,220 while revenue estimates increased from \$34,019,150 to \$35,275,450. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$8,945,822 however due to the budget adjustments mentioned above the fund balance was re-estimated to be \$9,814,602.

General fund revenues ultimately were \$35,459,361, a positive variance of \$183,911 over the amended budget estimate, reflecting a greater than anticipated increase in sales tax collections and construction permits late in the budget year. Actual general fund total expenditures were \$32,482,064 or \$841,156 less than final projections. Final expenditures in each department were generally less than anticipated. The City ended the

year with a fund balance of \$10,827,051, or \$338,821 less than the prior year. The lower fund balance is due to planned expenditures of capital items to reduce the fund balance in keeping with the City's financial policies. City Council intended to reduce the fund balance by more than \$2,000,000 but the conservative projections of both revenues and expenditures resulted in a significantly lesser change in fund balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of the fiscal year 2017 the City had \$304,942,585 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3  
Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 17,928,772	\$ 17,238,772	\$ 534,078	\$ 799,533	\$ 18,462,850	\$ 18,038,305
Buildings & systems	12,454,192	13,100,043	6,163,291	6,415,175	18,617,483	19,515,218
Improvements other than buildings	17,329,056	17,248,790	95,568,947	91,207,535	112,898,003	108,456,325
Machinery & equipment	6,269,309	5,500,263	2,807,035	1,971,154	9,076,344	7,471,417
Infrastructure	142,161,788	127,649,975	-	-	142,161,788	127,649,975
Construction in progress	<u>2,534,984</u>	<u>13,354,326</u>	<u>1,191,129</u>	<u>1,881,337</u>	<u>3,726,113</u>	<u>15,235,663</u>
	<u>\$ 198,678,101</u>	<u>\$ 194,092,169</u>	<u>\$ 106,264,480</u>	<u>\$ 102,274,734</u>	<u>\$ 304,942,581</u>	<u>\$ 296,366,903</u>

The City held a bond election in May 2012 during which voters approved propositions to fund several street reconstruction projects as well as infrastructure and accessibility projects in the downtown area in excess of \$27,800,000. Roadway rehabilitation projects for city streets including Lakeshore Drive, Summit Ridge Drive, Throckmorton Street, Boydston Avenue and County Line Road are all under design in 2017. Construction on the combined Boydston/Throckmorton project is expected to begin in early December 2017 and will take approximately one year to complete. The remaining projects should be ready to bid later in 2018.

Additional information regarding the City's capital assets is found in note III-D on pages 48-50.

Debt

At year-end, the City had \$125,913,385 in bonds and capitalized leases shown in Table 4.

**Table 4  
City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 85,235,000	\$ 90,400,000	\$ 19,830,000	\$ 20,540,000	\$ 105,065,000	\$ 110,940,000
Certificates of obligation	7,705,000	8,580,000	8,910,000	10,690,000	16,615,000	19,270,000
Capital Lease obligations	-	-	<u>4,233,385</u>	<u>4,571,724</u>	<u>4,233,385</u>	<u>4,571,724</u>
	<u>\$ 92,940,000</u>	<u>\$ 98,980,000</u>	<u>\$ 32,973,385</u>	<u>\$ 35,801,724</u>	<u>\$ 125,913,385</u>	<u>\$ 134,781,724</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 2.53% or \$2,836 per capita.

The City’s bond ratings at September 30, 2017 were as follows:

	<u>General Obligation</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA+	A-
Moody’s Investor Service Inc.	Aa2	A1

Additional information on the City of Rockwall’s long-term debt may be found in note III-F, on pages 53-59 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City’s elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rate, and fees that will be charged for the business-type activities. The City conservatively budgeted a 2% increase in sales tax revenue and modest increases in franchise fees. Increases are expected in construction related activity as new subdivision phases are beginning and housing sales continue to improve each year. Local builders encouraged the City leaders to project continued improvement in home starts for the coming year.

The City of Rockwall’s citizens enjoy above-average income levels per household. This combined with the City’s proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and “hometown” atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City’s unemployment rate was 3.7%, well below the national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2018. The budgeted revenues for fiscal year 2018 total \$36,066,050 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate was reduced to 42.36 cents per hundred dollars of assessed value.

The City adopted written financial policies in 2001, which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City’s fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The projected ending general fund balance for 2018 provides approximately 3.60 months of reserves for the City. The 2018 budget reflects continued funding for street maintenance projects and continues the process to fund future vehicle purchases through transfers to a Vehicle Acquisition fund.

The 2018 budget expenditures include the addition of a Police officer for traffic enforcement and an additional employee in the Wastewater division.

The previously developed water and sewer rate study has been updated to reflect increased charges from the North Texas Municipal Water District for treated water and the budget includes funding to have a comprehensive rate study update during 2018. A number of capital projects to replace older lines were undertaken in 2017. A phased program to add generators to each wastewater lift station will continue in 2018 and infrastructure asset management software will be implemented.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information, contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email: [msmith@rockwall.com](mailto:msmith@rockwall.com).

***BASIC FINANCIAL STATEMENTS***

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,136,760	\$ 1,301,563	\$ 5,438,323	\$ 243,584
Investments	23,702,409	5,726,643	29,429,052	2,734,288
Receivables (net of allowance for uncollectibles)	2,980,115	4,600,997	7,581,112	8,295
Due from other governments	2,887,209	-	2,887,209	957,816
Inventories	2,260	298,111	300,371	15,347,034
Deposits	-	-	-	-
Restricted assets:				
Cash and cash equivalents	-	774,342	774,342	-
Investments	-	3,764,349	3,764,349	-
Accrued interest	-	-	-	-
Capital assets (net of accumulated depreciation)				
Land	17,928,772	534,078	18,462,850	-
Building and system	12,454,192	6,163,291	18,617,483	-
Improvements other than buildings	17,329,056	95,568,947	112,898,003	-
Machinery and equipment	6,269,309	2,807,035	9,076,344	22,816
Infrastructure	142,161,788	-	142,161,788	-
Construction in progress	2,534,984	1,191,129	3,726,113	-
Total assets	<u>232,386,854</u>	<u>122,730,485</u>	<u>355,117,339</u>	<u>19,313,833</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	63,934	1,236,454	1,300,388	22,810
Pension contributions after 12/31/16	1,954,089	207,351	2,161,440	45,673
Pension investment experience	2,383,697	242,495	2,626,192	55,076
Total deferred outflows of resources	<u>4,401,720</u>	<u>1,686,300</u>	<u>6,088,020</u>	<u>123,559</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	3,839,324	1,243,493	5,082,817	500,822
Due to other governments	267,920	82,783	350,703	-
Customer deposits	-	542,168	542,168	-
Pension liability	12,972,957	1,361,415	14,334,372	302,287
Liabilities payable from restricted assets:				
Noncurrent liabilities:				
Due within one year	6,578,600	3,148,998	9,727,598	1,670,252
Due in more than one year	89,678,489	32,722,250	122,400,739	19,777,485
Total liabilities	<u>113,337,290</u>	<u>39,101,107</u>	<u>152,438,397</u>	<u>22,250,846</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - other	192,546	-	192,546	-
Pension actual experience vs assumptions	689,992	69,888	759,880	15,924
Total deferred inflows of resources	<u>882,538</u>	<u>69,888</u>	<u>952,426</u>	<u>15,924</u>
<b>NET POSITION</b>				
Net investment in capital assets	105,653,101	73,291,095	178,944,196	22,816
Restricted for:				
Debt service	4,421,460	1,055,524	5,476,984	-
Capital projects	11,207,922	3,299,871	14,507,793	-
Unrestricted	1,286,263	7,599,300	8,885,563	(2,852,194)
Total net position	<u>\$ 122,568,746</u>	<u>\$ 85,245,790</u>	<u>\$ 207,814,536</u>	<u>\$ (2,829,378)</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
Mayor/council	\$ 130,560	\$ -	\$ -	\$ -	\$ (130,560)		\$ (130,560)	
Administration	9,512,613	1,132,590	19,033	-	(8,360,990)		(8,360,990)	
Finance	1,350,581	4,450	-	-	(1,346,131)		(1,346,131)	
Municipal court	439,986	1,040,903	-	-	600,917		600,917	
Police	11,279,010	961,712	16,561	-	(10,300,737)		(10,300,737)	
Fire	4,652,974	62,870	151,571	-	(4,438,533)		(4,438,533)	
Public works	3,517,130	1,645,405	791,947	-	(1,079,778)		(1,079,778)	
Community development	1,973,607	1,878,004	-	-	(95,603)		(95,603)	
Parks and recreation	5,016,834	796,134	963,508	-	(3,257,192)		(3,257,192)	
Interest on long-term debt	4,027,789	-	-	-	(4,027,789)		(4,027,789)	
Total governmental activities	<u>41,901,084</u>	<u>7,522,068</u>	<u>1,942,620</u>	<u>-</u>	<u>(32,436,396)</u>		<u>(32,436,396)</u>	
Business-type activities:								
Water and sewer	<u>21,541,809</u>	<u>24,519,314</u>	<u>-</u>	<u>6,016,867</u>		<u>\$ 8,994,372</u>	<u>8,994,372</u>	
Total business-type activities	<u>21,541,809</u>	<u>24,519,314</u>	<u>-</u>	<u>6,016,867</u>		<u>8,994,372</u>	<u>8,994,372</u>	
Total primary government	<u>\$ 63,442,893</u>	<u>\$ 32,041,382</u>	<u>\$ 1,942,620</u>	<u>\$ 6,016,867</u>	<u>(32,436,396)</u>	<u>8,994,372</u>	<u>(23,442,024)</u>	
<b>COMPONENT UNITS:</b>								
Economic Development Corporation	\$ 3,946,663	\$ -	\$ -	\$ -				\$ (3,946,663)
Rockwall Technology Park Association	<u>191,321</u>	<u>176,271</u>	<u>-</u>	<u>-</u>				<u>(15,050)</u>
Total component units	<u>\$ 4,137,984</u>	<u>\$ 176,271</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(3,961,713)</u>
General revenues:								
Ad valorem taxes, penalty and interest					21,470,363	-	21,470,363	-
Sales taxes					17,132,733	-	17,132,733	5,454,154
Franchise taxes					3,157,478	-	3,157,478	-
Miscellaneous					249,692	50,860	300,552	6,010
Unrestricted investment earnings					154,437	100,444	254,881	29,848
Transfers					986,650	(986,650)	-	-
Total general revenues and transfers					<u>43,151,353</u>	<u>(835,346)</u>	<u>42,316,007</u>	<u>5,490,012</u>
Change in net position					10,714,957	8,159,026	18,873,983	1,528,299
Net position at beginning of year					<u>111,853,789</u>	<u>77,086,764</u>	<u>188,940,553</u>	<u>(4,357,677)</u>
Net position at end of year					<u>\$ 122,568,746</u>	<u>\$ 85,245,790</u>	<u>\$ 207,814,536</u>	<u>\$ (2,829,378)</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 426,556	\$ 916,862	\$ 1,373,194	\$ 1,242,919	\$ 3,959,531
Investments	8,424,561	2,903,911	8,450,551	2,885,329	22,664,352
Receivables (net of allowances for uncollectibles):					
Taxes - delinquent	253,469	256,170	-	241	509,880
Franchise taxes	1,116,663	-	-	-	1,116,663
Fines	218,010	-	-	-	218,010
Accrued interest	15,617	-	11,867	2,705	30,189
Accounts	156,632	-	-	326,456	483,088
Assessments	-	-	-	100,744	100,744
Other receivables	61,031	-	-	-	61,031
Due from other funds	452,822	-	-	7,688	460,510
Due from other governments	2,835,594	-	-	51,615	2,887,209
Inventory	2,260	-	-	-	2,260
	<u>13,963,215</u>	<u>4,076,943</u>	<u>9,835,612</u>	<u>4,617,697</u>	<u>32,493,467</u>
<b>Total assets</b>	<b>\$ 13,963,215</b>	<b>\$ 4,076,943</b>	<b>\$ 9,835,612</b>	<b>\$ 4,617,697</b>	<b>\$ 32,493,467</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 2,013,406	\$ -	\$ 36,869	\$ 443,500	\$ 2,493,775
Due to other governments	267,920	-	-	-	267,920
Due to other funds	-	3,978	-	293,263	297,241
<b>Total liabilities</b>	<u>2,281,326</u>	<u>3,978</u>	<u>36,869</u>	<u>736,763</u>	<u>3,058,936</u>
<b>Deferred inflows of resources:</b>					
Unavailable revenue - property taxes	291,618	244,116	-	-	535,734
Unavailable revenue - developer contribution	-	-	-	106,717	106,717
Unavailable revenue - fines	101,738	-	-	-	101,738
Unavailable revenue - other	461,482	-	-	192,546	654,028
<b>Total deferred inflows of resources</b>	<u>854,838</u>	<u>244,116</u>	<u>-</u>	<u>299,263</u>	<u>1,398,217</u>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	592,611	592,611
Committed	-	3,828,849	-	-	3,828,849
Assigned	-	-	9,798,743	2,989,060	12,787,803
Unassigned	10,827,051	-	-	-	10,827,051
<b>Total fund balances</b>	<u>10,827,051</u>	<u>3,828,849</u>	<u>9,798,743</u>	<u>3,581,671</u>	<u>28,036,314</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 13,963,215</b>	<b>\$ 4,076,943</b>	<b>\$ 9,835,612</b>	<b>\$ 4,617,697</b>	<b>\$ 32,493,467</b>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2017

Total fund balances - governmental funds balance sheet	\$	28,036,314
Amounts reported for governmental activities in the statement of net assets are different because:		
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position		
		764,633
The following assets are not available to pay for current period expenditures and are deferred in the funds:		
Property taxes receivable		535,734
Franchise taxes receivable		427,500
Intergovernmental receivable		33,982
Contributions receivable		106,717
The following assets are not available to pay for current period expenditures and are not accrued in the funds:		
Court fines receivable		101,738
The following assets are not current financial resources and are not reported in the funds:		
Capital assets used in governmental activities (net of accumulated depreciation of \$132,749,149)		198,678,101
Deferred outflows of resources are not reported in the governmental funds:		
Deferred charges on refunding		63,934
Pension contributions after measurement date		1,954,089
Difference in projected and actual earnings on pension assets		2,383,697
Changes in actuarial assumptions used to determine pension liability		(689,992)
The following liabilities are not due in the current period and are not reported in the funds:		
Compensated absences		(1,698,298)
Bonds payable		(94,558,791)
Pension liability		(12,972,957)
Accrued interest payable		(597,655)
	\$	<u>122,568,746</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Ad valorem taxes, penalty and interest	\$ 11,023,225	\$ 9,983,143	\$ -	\$ 357,663	\$ 21,364,031
Sales taxes	16,364,797	-	-	767,936	17,132,733
Franchise taxes	3,154,432	-	-	-	3,154,432
Charges for services	842,735	813,253	-	775,126	2,431,114
Permits	1,771,512	-	-	850	1,772,362
Municipal court	977,083	-	-	65,710	1,042,793
Intergovernmental	971,369	-	-	41,369	1,012,738
Interest income	33,257	46,234	49,885	11,834	141,210
Miscellaneous	203,429	10,000	-	324,883	538,312
Contributions and donations	117,522	-	-	1,662,755	1,780,277
Total revenues	<u>35,459,361</u>	<u>10,852,630</u>	<u>49,885</u>	<u>4,008,126</u>	<u>50,370,002</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Mayor/council	130,560	-	-	-	130,560
Administration	4,535,990	-	-	323,781	4,859,771
Finance	647,798	-	-	536,017	1,183,815
Municipal court	439,986	-	-	-	439,986
Police	10,930,416	-	-	123,153	11,053,569
Fire	3,866,523	-	-	9,588	3,876,111
Public works	5,401,532	-	-	395,252	5,796,784
Community development	1,973,607	-	-	-	1,973,607
Parks and recreation	3,974,766	-	-	-	3,974,766
Total current	<u>31,901,178</u>	<u>-</u>	<u>-</u>	<u>1,387,791</u>	<u>33,288,969</u>
<b>Capital outlay:</b>					
Administration	24,950	-	170,796	459,436	655,182
Finance	-	-	-	166,766	166,766
Police	365,333	-	-	62,822	428,155
Fire	-	-	-	652,484	652,484
Public works	115,697	-	-	325,627	441,324
Parks and recreation	74,906	-	-	999,086	1,073,992
Total capital outlay	<u>580,886</u>	<u>-</u>	<u>170,796</u>	<u>2,666,221</u>	<u>3,417,903</u>
<b>Debt service:</b>					
Principal	-	5,785,000	-	255,000	6,040,000
Interest and fiscal charges	-	3,426,217	-	442,327	3,868,544
Bond issuance costs	-	-	-	-	-
Fiscal charges	-	14,000	-	-	14,000
Total debt service	<u>-</u>	<u>9,225,217</u>	<u>-</u>	<u>697,327</u>	<u>9,922,544</u>
Total expenditures	<u>32,482,064</u>	<u>9,225,217</u>	<u>170,796</u>	<u>4,751,339</u>	<u>46,629,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,977,297</u>	<u>1,627,413</u>	<u>(120,911)</u>	<u>(743,213)</u>	<u>3,740,586</u>
<b>Other financing sources (uses):</b>					
Transfers in	278,882	-	-	1,037,805	1,316,687
Transfers out	(3,595,000)	-	-	(335,037)	(3,930,037)
Total other financing sources (uses)	<u>(3,316,118)</u>	<u>-</u>	<u>-</u>	<u>702,768</u>	<u>(2,613,350)</u>
Net change in fund balances	(338,821)	1,627,413	(120,911)	(40,445)	1,127,236
Fund balances, October 1	<u>11,165,872</u>	<u>2,201,436</u>	<u>9,919,654</u>	<u>3,622,116</u>	<u>26,909,078</u>
Fund balances, September 30	<u>\$ 10,827,051</u>	<u>\$ 3,828,849</u>	<u>\$ 9,798,743</u>	<u>\$ 3,581,671</u>	<u>\$ 28,036,314</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - governmental funds	\$ 1,127,236
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets.	(54,630)
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	108,071
Assessments receivable	6,033
Franchise taxes receivable	3,046
Court fines receivable	2,953
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$11,356,604) exceeded capital outlays (\$15,957,105) and retirements (\$14,567) in the current period.	
	4,585,934
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	
	(1,797,028)
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization in the current period, net of additions for debt issue cost incurred.	
	(126,100)
Expenditures are recognized in the governmental fund when paid. However, the Statement of Activities is presented on an accrual basis and expenses are reported when incurred. The following is the net difference in pension costs	
	866,406
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	
	(33,086)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments (\$6,040,000) and bond premium amortization (\$13,941) in the current period.	
	6,053,941
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	
	<u>(27,819)</u>
	<u>\$ 10,714,957</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,301,563	\$ 177,229
Investments	5,726,643	1,038,057
Receivables (net of allowances for uncollectibles):		
Interest		
Accounts	4,157,172	-
Due from other funds	443,825	-
Inventory	298,111	-
Restricted assets:		
Cash and cash equivalents	774,342	-
Investments	3,764,349	-
Total current assets	<u>16,466,005</u>	<u>1,215,286</u>
Noncurrent assets:		
Capital assets not being depreciated	1,725,207	-
Capital assets being depreciated, net	<u>104,539,273</u>	<u>-</u>
Total noncurrent assets	<u>106,264,480</u>	<u>-</u>
Total Assets	<u>122,730,485</u>	<u>1,215,286</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred charge on refunding	1,236,454	-
Pension contributions after 12/31/16	207,351	-
Pension investment experience	242,495	-
Total Deferred Outflow of Resources	<u>1,686,300</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	1,174,116	446,257
Customer deposits	542,168	-
Due to other funds	82,783	4,396
General obligation bonds payable - current	2,470,000	-
Liabilities payable from restricted assets:		
Obligations under capital leases - current	351,672	-
Accrued interest payable	69,377	-
Total current liabilities	<u>4,690,116</u>	<u>450,653</u>
Noncurrent liabilities:		
General obligation bonds payable	29,020,454	-
Obligations under capital leases	3,881,713	-
Pension liability	1,361,415	-
Liability for compensated absences	147,409	-
Total noncurrent liabilities	<u>34,410,991</u>	<u>-</u>
Total Liabilities	<u>39,101,107</u>	<u>450,653</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension actual experience vs assumptions	69,888	-
Total Deferred Inflow of Resources	<u>69,888</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	73,291,095	-
Restricted for debt service	1,055,524	-
Restricted for construction	3,299,871	-
Unrestricted	<u>7,599,300</u>	<u>764,633</u>
Total Net Assets	<u>\$ 85,245,790</u>	<u>\$ 764,633</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Business-type Activities</u> <u>Enterprise Fund</u> <u>Water and Sewer</u>	<u>Governmental Activities</u> <u>Internal</u> <u>Service Funds</u>
OPERATING REVENUES:		
Charges for services	\$ 24,519,314	\$ 1,097,559
Total operating revenues	<u>24,519,314</u>	<u>1,097,559</u>
OPERATING EXPENSES:		
Personnel services	2,292,759	-
Contractual services	13,480,261	4,793,919
Materials and supplies	726,577	-
Operations	221,685	-
Utilities	442,149	-
Depreciation and amortization	2,974,235	-
Total operating expenses	<u>20,137,666</u>	<u>4,793,919</u>
Operating Income (Loss)	<u>4,381,648</u>	<u>(3,696,360)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	100,444	13,230
Miscellaneous income	50,860	28,500
Capital recovery fees	1,562,188	-
Paying agent fees	(2,181)	-
Interest and fiscal charges	(1,401,962)	-
Total non-operating revenues (expenses)	<u>309,349</u>	<u>41,730</u>
Loss before transfers and capital contributions	<u>4,690,997</u>	<u>(3,654,630)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
Capital contributions	4,454,679	-
Transfers in	-	3,850,000
Transfers out	(986,650)	(250,000)
Total transfers and capital contributions	<u>3,468,029</u>	<u>3,600,000</u>
Increase (decrease) in net assets	8,159,026	(54,630)
Net assets, October 1	<u>77,086,764</u>	<u>819,263</u>
Net assets, September 30	<u>\$ 85,245,790</u>	<u>\$ 764,633</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 23,850,756	\$ 1,144,235
Cash paid to employees for services	(2,178,545)	-
Cash paid to suppliers for goods and services	<u>(14,478,325)</u>	<u>(4,913,266)</u>
Net cash provided (used) by operating activities	<u>7,193,886</u>	<u>(3,769,031)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash paid to other funds	(2,022,292)	-
Cash received from other funds	-	3,329,703
Net cash provided (used) by non-capital financing activities	<u>(2,022,292)</u>	<u>3,329,703</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or construction of capital assets	(2,774,760)	-
Capital recovery fees received	1,562,188	-
Proceeds from capital debt	265,455	-
Principal paid on capital debt	(2,985,475)	-
Interest and fees paid on capital debt	<u>(1,255,093)</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>(5,187,685)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(1,497,002)	(150,630)
Proceeds from sales and maturities of investments	2,435,596	527,435
Interest and dividends received	<u>100,444</u>	<u>13,230</u>
Net cash provided by investing activities	<u>1,039,038</u>	<u>390,035</u>
Net increase (decrease) in cash and cash equivalents	1,022,947	(49,293)
Cash and cash equivalents at beginning of year	<u>1,052,958</u>	<u>226,522</u>
Cash and cash equivalents at end of year	<u>\$ 2,075,905</u>	<u>\$ 177,229</u>
<b>Reported on Statement of Net Position</b>		
Unrestricted cash	1,301,563	177,229
Restricted cash	774,342	-
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating Income (loss)	\$ 4,381,648	\$ (3,696,360)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	2,974,235	-
Miscellaneous income	-	28,500
Change in Assets and Liabilities:		
Decrease (increase) in assets:		
Receivables	(723,198)	19,176
Inventories	(15,270)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	422,517	(120,347)
Customer deposits	54,640	-
Pension liability	87,128	-
Compensated absences	<u>12,186</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 7,193,886</u>	<u>\$ (3,769,031)</u>
<b>Non-cash investing and financing activities:</b>		
Capital contributions	<u>\$ 1,562,188</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
SEPTEMBER 30, 2017

	Agency Fund
	Special Escrow
	Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,914
Investments	1,628,142
Total assets	\$ 1,636,056
<b>LIABILITIES</b>	
Due to developers	\$ 1,636,056
Total liabilities	\$ 1,636,056

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a seven member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2017, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discrete component unit of the City. RTPA, is effectively controlled by the City through REDC and thus provides a potential financial benefit or burden to the City.

The funds of both REDC and RTPA are composed of governmental fund types. Stand alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2017, are not prepared.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Assets, liabilities, and net position or equity*

Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items "a" through "d" above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for un-collectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for un-collectibles.

Property taxes are levied on October 1st by the City based on the January 1st property values as assessed by the Rockwall Central Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Long-term obligations

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

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

Fund equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact are classified as non-spendable fund balance.

Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation are classified as restricted fund balance.

Amounts that are available for any purpose are classified as unassigned fund balance; these amounts can be reported only in the City's General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Fund equity - continued

Fund balance amount represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. The City has not established a formal policy to set forth a minimum level for fund balances.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2017, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

Emergency Siren Fund  
Art in Public Places Fund

7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$3,002 in the Radio Fund due to an unanticipated minor change in the City's contract to move to a county-wide interoperable radio system which occurred after the amended budget was adopted.

Expenditures exceeded appropriations by \$3,840 in the Recycling Fund. A budgeted transfer from this fund was less than anticipated which offset this amount.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2017, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$777,500, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2017, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments

At September 30, 2017, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2 - 6	7 - 12	13 - 24+
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Mortgage Corp.	\$ 960,568	\$ -	\$ -	\$ 512,259	\$ 448,309
Federal National Mortgage Assoc.	2,517,386	-	-	-	2,298,266
Federal Farm Credit Bank	2,123,804	-	-	-	1,796,679
Federal Home Loan Bank	468,986	-	-	-	1,100,578
Treasury bills and notes	975,116	-	-	-	975,116
	7,045,860	-	-	512,259	6,618,948
Money Market Funds	27,775,683	27,775,683	-	-	-
Total Primary Government	34,821,543	27,775,683	-	512,259	6,618,948
<b>Discretely Presented Component Units</b>					
Rockwall Economic Development					
Money Market Funds	2,734,288	2,734,288	-	-	-
Total Discretely Presented Component Units	2,734,288	2,734,288	-	-	-
<b>Total Reporting Entity</b>	<b>\$ 37,555,831</b>	<b>\$ 30,509,971</b>	<b>\$ -</b>	<b>\$ 512,259</b>	<b>\$ 6,618,948</b>

Investments are reported in the Statement of net position as follows:

Governmental activities	\$ 23,702,409
Business-type activities	9,490,992
Fiduciary Fund	1,628,142
Discretely presented component units:	
Rockwall Economic Development Corporation	2,734,288
	<u>\$ 37,555,831</u>

The City has invested with money market funds with ratings from Aaa to AAA.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

B. Receivables

Receivable as of year-end for the government’s individual major funds an non-major, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>GO Bonds Capital</u>	<u>Nonmajor and Other</u>	<u>Water and Sewer</u>
Taxes receivable - delinquent	\$ 253,469	\$ 256,170	\$ -	\$ 241	\$ -
Fines receivable	363,350				
Allowance for uncollectibles	\$ (145,340)	\$ -	\$ -	\$ -	\$ -
	<u>\$ 218,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Accrued Interest	<u>\$ 15,617</u>	<u>\$ -</u>	<u>\$ 11,867</u>	<u>\$ 2,705</u>	<u>\$ -</u>
Accounts receivable	\$ 156,632	\$ -	\$ -	\$ 326,456	\$ 5,376,138
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,218,966)</u>
Net other receivables	<u>\$ 156,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,456</u>	<u>\$ 4,157,172</u>
Assessments receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,744</u>	<u>\$ -</u>
Other receivables	<u>\$ 61,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 291,618	\$ -
Contract receivable not yet due (General Fund)	461,482	-
Fines receivable (General Fund)	101,738	-
Delinquent property taxes receivable (Debt Service Fund)	244,116	-
Developer contribution receivable (Harbor Debt Service)	106,717	-
Grants receivable (Recreational Development)	41,474	-
Assessments receivable not yet due (Street Improvements)	100,745	-
Seizures not awarded (Narcotics Unit)	<u>50,327</u>	<u>50,327</u>
	<u>\$ 1,398,217</u>	<u>\$ 50,327</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2017, was as follows:

	Balance 9/30/2016	Additions	Retirements	Completed Construction	Balance 9/30/2017
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 17,238,772	\$ 690,000	\$ -	\$ -	\$ 17,928,772
Construction in progress	13,354,326	1,930,021	-	(12,749,363)	2,534,984
Total capital assets not being depreciated	<u>30,593,098</u>	<u>2,620,021</u>	<u>-</u>	<u>(12,749,363)</u>	<u>20,463,756</u>
Capital assets being depreciated:					
Buildings	20,131,411		(24,362)	-	20,107,049
Improvements other than buildings	32,131,092	1,522,657	-	-	33,653,749
Machinery and equipment	19,836,645	2,550,449	(1,227,652)	-	21,159,442
Infrastructure	214,029,915	9,263,978	-	12,749,363	236,043,256
Total capital assets being depreciated	<u>286,129,063</u>	<u>13,337,084</u>	<u>(1,252,014)</u>	<u>12,749,363</u>	<u>310,963,496</u>
Less accumulated depreciation for:					
Buildings	(7,031,368)	(643,415)	21,926	-	(7,652,857)
Improvements other than buildings	(14,882,302)	(1,743,630)	-	-	(16,625,932)
Machinery and equipment	(14,336,382)	(1,468,032)	1,215,521	-	(14,588,893)
Infrastructure	(86,379,940)	(7,501,527)	-	-	(93,881,467)
Total accumulated depreciation	<u>(122,629,992)</u>	<u>(11,356,604)</u>	<u>1,237,447</u>	<u>-</u>	<u>(132,749,149)</u>
Total capital assets being depreciated, net	<u>163,499,071</u>	<u>1,980,480</u>	<u>(14,567)</u>	<u>12,749,363</u>	<u>178,214,347</u>
Governmental activities capital assets, net	<u>\$ 194,092,169</u>	<u>\$ 4,600,501</u>	<u>\$ (14,567)</u>	<u>\$ -</u>	<u>\$ 198,678,103</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

	Balance 9/30/2016	Additions	Retirements	Completed Construction	Balance 9/30/2017
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ (265,455)	\$ -	\$ 534,078
Construction in progress	<u>1,881,337</u>	<u>1,440,943</u>	<u>-</u>	<u>(2,131,151)</u>	<u>1,191,129</u>
Total capital assets not being depreciated	<u>2,680,870</u>	<u>1,440,943</u>	<u>(265,455)</u>	<u>(2,131,151)</u>	<u>1,725,207</u>
Capital assets being depreciated:					
Buildings	198,109	-	-	-	198,109
Improvements other than buildings	118,956,587	4,703,330	-	2,131,151	125,791,068
Sewage treatment plants and pump station	12,516,072	-	-	-	12,516,072
Machinery and equipment	<u>6,551,734</u>	<u>1,085,165</u>	<u>(167,714)</u>	<u>-</u>	<u>7,469,185</u>
Total capital assets being depreciated	<u>138,222,502</u>	<u>5,788,495</u>	<u>(167,714)</u>	<u>2,131,151</u>	<u>145,974,434</u>
Less accumulated depreciation for:					
Buildings	(141,045)	(5,434)	-	-	(146,479)
Improvements other than buildings	(27,749,052)	(2,473,069)	-	-	(30,222,121)
Sewage treatment plants and pump station	(6,157,961)	(248,847)	-	-	(6,406,808)
Machinery and equipment	<u>(4,580,580)</u>	<u>(246,885)</u>	<u>167,714</u>	<u>-</u>	<u>(4,659,751)</u>
Total accumulated depreciation	<u>(38,628,638)</u>	<u>(2,974,235)</u>	<u>167,714</u>	<u>-</u>	<u>(41,435,159)</u>
Total capital assets being depreciated, net	<u>99,593,864</u>	<u>2,814,260</u>	<u>-</u>	<u>2,131,151</u>	<u>104,539,275</u>
Governmental activities capital assets, net	<u>\$ 102,274,734</u>	<u>\$ 4,255,203</u>	<u>\$ (265,455)</u>	<u>\$ -</u>	<u>\$ 106,264,482</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$ 817,687
Police	654,329
Fire	744,194
Public Works	7,758,130
Parks & Recreation	<u>1,382,264</u>
Total depreciation expense - governmental activities	<u>\$ 11,356,604</u>
Business-type activities	
Water and Sewer	<u>\$ 248,847</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

Construction commitments

The City has active construction projects as of September 30, 2017. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Parks Project	\$ <u>309,377</u>	\$ <u>351,195</u>
Water Utility Project	\$ <u>198,773</u>	\$ <u>400,596</u>

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2017, was as follows:

	<u>Balance 9/30/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Balance 9/30/2017</u>
Capital assets being depreciated:					
Furniture and fixtures	\$ <u>54,767</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>54,767</u>
Total capital assets being depreciated	<u>54,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,767</u>
Less accumulated depreciation for:					
Furniture and fixtures	<u>(25,880)</u>	<u>(6,072)</u>	<u>-</u>	<u>-</u>	<u>(31,952)</u>
Total accumulated depreciation	<u>(25,880)</u>	<u>(6,072)</u>	<u>-</u>	<u>-</u>	<u>(31,952)</u>
Total capital assets being depreciated, net	<u>\$ 28,887</u>	<u>\$ (6,072)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,815</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Inter-fund receivables, payables, and transfers

The composition of inter-fund balances as of September 30, 2017, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 380,393	\$ 24,323
Debt Service	7,689	3,978
G.O. Bonds Capital Projects	-	-
Non-major Governmental Funds	57	28,552
Water and Sewer Enterprise Fund	20,605	82,783
Internal Service Funds	-	4,396
Discretely Presented Component Unit	<u>-</u>	<u>264,712</u>
Totals	<u>\$ 408,744</u>	<u>\$ 408,744</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Inter-fund receivables, payables, and transfers – continued

The outstanding balances between funds result primarily from the time delay between the dates that inter-fund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

The composition of inter-fund transfers for the year ended September 30, 2017, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds		
General Fund	\$ 278,882	\$ 3,595,000
Non-major Governmental Funds	1,037,805	335,037
Water and Sewer Enterprise Fund	-	986,650
Internal Service Funds	<u>3,850,000</u>	<u>250,000</u>
Total	<u>\$ 5,166,687</u>	<u>\$ 5,166,687</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2017, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2017
<b>Governmental Activities</b>					
General Obligation Bonds:					
Improvements	\$ 9,515,000	2008	2028	2.05% - 5.0%	\$ 445,000
Improvements	9,065,000	2009	2029	2.0% - 4.6%	4,220,000
Improvements and refunding	8,535,000	2011	2031	2.0% - 5.0%	6,990,000
Improvements	7,905,000	2013	2033	2.0% - 5.0%	6,740,000
Refunding	9,820,000	2014	2025	2.15% - 3.65%	9,410,000
Refunding	2,340,000	2015	2026	1.790%	2,065,000
Refunding	59,220,000	2015	2037	2.0% - 5.0%	<u>55,365,000</u>
Total General Obligation Bonds					<u>85,235,000</u>
Certificates of Obligation Bonds:					
Improvements	5,125,000	2009	2029	2.00% - 4.60%	1,685,000
Improvements	4,675,000	2011	2031	2.00% - 4.25%	3,710,000
Improvements	1,330,000	2011	2031	2.00% - 5.30%	1,170,000
Improvements	2,625,000	2013	2033	2.00% - 4.38%	<u>1,140,000</u>
Total Certificates of Obligation					<u>7,705,000</u>
Total Governmental Activities					<u>92,940,000</u>
Business-type Activities					
General Obligation Bonds:					
Improvements	5,740,000	2011	2031	2.00% - 5.00%	2,200,000
Improvements	2,800,000	2015	2025	1.79%	2,175,000
Improvements	15,550,000	2016	2028	2.00% - 5.00%	<u>15,455,000</u>
Total General Obligation Bonds					<u>19,830,000</u>
Certificates of Obligation:					
Improvements	16,895,000	2008	2028	3.00% - 5.00%	790,000
Improvements	3,480,000	2013	2031	2.00% - 4.375%	2,960,000
Improvements	5,570,000	2016	2035	3.00%	<u>5,160,000</u>
Total Certificates of Obligation					<u>8,910,000</u>
Total Business Type Activities					<u>28,740,000</u>
Total General Debt					<u>\$ 121,680,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 6,040,000	3,665,619	2,470,000	1,124,214	\$ 13,299,833
2019	7,095,000	3,430,397	2,575,000	1,038,949	14,139,346
2020	6,690,000	3,125,841	2,580,000	933,495	13,329,336
2021	6,205,000	2,854,504	2,465,000	828,952	12,353,456
2022	6,460,000	2,603,418	2,585,000	724,808	12,373,226
2023 - 2027	33,040,000	8,813,848	11,525,000	2,084,694	55,463,542
2028 - 2032	18,550,000	3,401,668	3,450,000	469,488	25,871,156
2033 - 2037	8,860,000	754,819	1,090,000	61,869	10,766,688
	<u>\$ 92,940,000</u>	<u>\$ 28,650,114</u>	<u>\$ 28,740,000</u>	<u>\$ 7,266,469</u>	<u>\$ 157,596,583</u>

Capitalized lease obligations

The City has entered into contracts with North Texas Municipal Water District (NTMWD), a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of certain water and plants and to provide treated water to the City. The contractual obligations have been treated as capitalized lease obligations.

Capitalized lease obligations outstanding as of September 30, 2017, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2017
Capital Leases					
Business-type activities					
Ground storage facility	\$ 2,013,434	2005	2025	various	\$ 1,023,385
Pump station	2,145,000	2006	2026	various	1,225,000
Buffalo Creek plant	2,960,000	2008	2028	various	<u>1,985,000</u>
					<u>4,233,385</u>
Total Capitalized Lease Obligations					\$ <u>4,233,385</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Future minimum lease payments under capitalized lease obligations as of September 30, 2017, are as follows:

<u>Year</u>	<u>Business-type Activities</u>	<u>Total</u>
2018	\$ 561,522	\$ 561,522
2019	566,822	566,822
2020	570,987	570,987
2021	570,645	570,645
2022	567,605	567,605
2023 - 2027	2,389,152	2,389,152
2028 - 2032	<u>248,513</u>	<u>248,513</u>
Total payments	5,475,246	5,475,246
Less imputed interest	<u>(1,241,861)</u>	<u>(1,241,861)</u>
Total Capital Lease Obligations	<u>\$ 4,233,385</u>	<u>\$ 4,233,385</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2017, was as follows:

	Balance 9/30/2016	Additions	Retirements	Balance 9/30/2017	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 90,400,000	\$ -	\$ (5,165,000)	\$ 85,235,000	\$ 5,355,000
Certificates of obligation	8,580,000	-	(875,000)	7,705,000	685,000
Unamortized premium (discount)	<u>1,709,884</u>	<u>-</u>	<u>(112,158)</u>	<u>1,597,726</u>	<u>112,158</u>
Total bonds payable	100,689,884	-	(6,152,158)	94,537,726	6,152,158
Compensated absences	<u>1,670,479</u>	<u>27,819</u>	<u>-</u>	<u>1,698,298</u>	<u>426,442</u>
Governmental activity long-term liabilities	<u>\$ 102,360,363</u>	<u>\$ 27,819</u>	<u>\$ (6,152,158)</u>	<u>\$ 96,236,024</u>	<u>\$ 6,578,600</u>
<b>Business-type activities:</b>					
General obligation bonds and certificates	\$ 31,230,000	\$ -	\$ (2,490,000)	\$ 28,740,000	\$ 2,470,000
Unamortized premium (discount)	<u>2,907,590</u>	<u>-</u>	<u>(298,510)</u>	<u>2,609,080</u>	<u>298,510</u>
Total bonds payable	34,137,590	-	(2,788,510)	31,349,080	2,768,510
Capital lease obligations	4,571,724	-	(338,339)	4,233,385	351,672
Compensated absences	<u>135,223</u>	<u>12,186</u>	<u>-</u>	<u>147,409</u>	<u>28,816</u>
Business-type activities	<u>\$ 38,844,537</u>	<u>\$ 12,186</u>	<u>\$ (3,126,849)</u>	<u>\$ 35,729,874</u>	<u>\$ 3,148,998</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2017:

<u>Year Authorized</u>	<u>General Obligation Bonds</u>		<u>Balance Unissued 9/30/2017</u>
	<u>Amount Authorized</u>	<u>Amount Issued</u>	
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2012	<u>27,800,000</u>	<u>(7,905,000)</u>	<u>19,895,000</u>
Totals	\$ <u>33,400,000</u>	\$ <u>(12,105,000)</u>	\$ <u>21,295,000</u>

<u>Year Authorized</u>	<u>Revenue Bonds</u>		<u>Balance Unissued 9/30/2017</u>
	<u>Amount Authorized</u>	<u>Amount Issued</u>	
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Totals	\$ <u>3,540,000</u>	\$ <u>(1,060,000)</u>	\$ <u>2,480,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2017:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2017
Sales Tax Revenue Bonds:					
Improvements	\$ 4,545,000	2008	2028	7.00%	\$ 3,180,000
Improvements	4,595,000	2013	2033	2% - 4.00%	3,935,000
Improvements	2,405,000	2012	2019	2.00%	720,000
Total Sales Tax Revenue Bonds					<u>7,835,000</u>
Certificates of Obligation					
Infrastructure improvements	6,130,000	2008	2028	3.00% - 5.00%	285,000
Infrastructure improvements	7,610,000	2013	2033	1.65% - 5.82%	6,470,000
Refunding	3,565,000	2015	2025	1.79%	3,145,000
Refunding	3,585,000	2016	2028	2.00% - 5.00%	3,560,000
Total Certificates of Obligation					<u>13,460,000</u>
Total					<u>\$ 21,295,000</u>

Annual debt service requirements to maturity for REDC debt are as follows:

Year	Governmental Activities		Total
	Principal	Interest	
2018	\$ 1,640,000	\$ 924,233	\$ 2,564,233
2019	1,680,000	871,230	2,551,230
2020	1,370,000	810,287	2,180,287
2021	1,425,000	756,483	2,181,483
2022	1,485,000	696,247	2,181,247
2023 - 2027	8,105,000	2,443,271	10,548,271
2028 - 2032	4,695,000	846,190	5,541,190
2033 - 2037	895,000	44,268	939,268
Total	<u>\$ 21,295,000</u>	<u>\$ 7,392,209</u>	<u>\$ 28,687,209</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2017, was as follows:

	Balance 9/30/2016	Additions	Retirements	Balance 9/30/2017	Due Within One Year
Sales tax revenue bonds	\$ 15,565,000	\$ -	\$ (1,025,000)	\$ 14,540,000	\$ 1,055,000
Certificates of obligation	7,320,000	-	(565,000)	6,755,000	585,000
Unamortized premium (discount)	<u>148,537</u>	<u>-</u>	<u>(16,264)</u>	<u>132,273</u>	<u>16,264</u>
Total bonds payable	23,033,537	-	(1,606,264)	21,427,273	1,656,264
Compensated absences	<u>18,813</u>	<u>1,652</u>	<u>-</u>	<u>20,465</u>	<u>13,988</u>
Total	<u>\$ 23,052,350</u>	<u>\$ 1,652</u>	<u>\$ (1,606,264)</u>	<u>\$ 21,447,738</u>	<u>\$ 1,670,252</u>

4. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$100,000 per covered individual, or approximately \$2,472,883 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2017.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a maximum City liability of \$600,000 per year.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

A. Risk management – continued

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements.

Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Worker's Compensation	
	2017	2016	2017	2016
Claims payable beginning of the year	\$ 179,290	\$ 242,921	\$ 152,373	\$ 82,450
Claims incurred	4,161,875	3,927,007	177,722	273,662
Payment on claims	<u>(3,945,538)</u>	<u>(3,990,638)</u>	<u>(253,706)</u>	<u>(203,739)</u>
	<u>\$ 395,627</u>	<u>\$ 179,290</u>	<u>\$ 76,389</u>	<u>\$ 152,373</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

B. North Texas Municipal Water District – continued

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related assets have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2017, is \$4,233,385. See Note 4F for the annual requirements to amortize the bonds as of September 30, 2017.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 4F above, the general revenues of the City are contingently liable in the amount of \$28,740,000 for general obligation bonds and certificates of obligation which are currently outstanding and recorded as obligations of the Enterprise Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

C. Contingent liabilities and commitments – continued

The City contracts for solid waste disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2017, these commitments totaled \$3,256,666.

D. Defined Benefit Pension Plans

Plan Description:

The City participates as one of 866 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.tmrs.com](http://www.tmrs.com).

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

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 actuarially equivalent 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Benefits Provided - continued:

Beginning in 1993, the City granted an annually repeating (automatic) basis for a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1993, the City provided an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index. (CPI).

A summary of plan provisions for the City are as follows:

Employee Deposit Rate	7%
Matching Ratio (City to Employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Cost	100% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

Employees covered by benefit terms –

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	85
Inactive employees entitled to but not yet receiving benefits	83
Active employees	<u>262</u>
	<u><u>430</u></u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting 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 Rockwall were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2017, the City made contributions of 16.36%, for calendar year 2016 and 16.58% in 2017 which was the actuarially determined city contribution.

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.9% per year
Investment Rate of Return	6.75%, 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 Combined Health Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disables. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. 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

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

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 2016 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% effective January 1, 2017. 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 needs of TMRS.

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.

The long-term expected rate of return on pension plan investments was determine 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. 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	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

Discount Rate –

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of each cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan members. 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 Liability.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Changes in the Net Pension Liability –

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	\$ 75,661,160	\$ 60,985,508	\$ 14,675,652
Changes for the year:			
Service cost	3,383,642	-	3,383,642
Interest	5,158,244	-	5,158,244
Change in benefit terms	-	-	-
Difference between expected and actual experience	(357,796)	-	(357,796)
Changes in assumptions	-	-	-
Contribution - employer	-	2,897,712	(2,897,712)
Contribution - employee	-	1,250,554	(1,250,554)
Net investment income	-	4,123,871	(4,123,871)
Benefit payments, including refunds of employee contributions	(1,869,095)	(1,869,095)	-
Administrative expense	-	(46,547)	46,547
Other changes	-	(2,508)	2,508
Net changes	<u>6,314,995</u>	<u>6,353,987</u>	<u>(38,992)</u>
Balance at 12/31/2016	<u>\$ 81,976,155</u>	<u>\$ 67,339,495</u>	<u>\$ 14,636,660</u>

Sensitivity of the net pension liability to changes in the discount rate –

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 27,475,760	\$ 14,636,660	\$ 4,189,439

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

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](http://www.tmr.com). Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2017, the City recognized pension expense of \$3,065,444. This amount is included as part of Personnel Services expenses within the functional program activities.

At September 30, 2017, the City reported deferred outflow and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Contributions subsequent to the measurement date	\$ 2,207,113	\$ -
Difference between projected and actual investment earnings	2,681,268	-
Differences between actuarial assumptions and actual experience	-	698,747
Changes in actuarial assumptions used	-	77,056
Total	<u>\$ 4,888,381</u>	<u>\$ 775,803</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,064,392 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 (i.e. recognized in the City’s financial statements September 30, 2017). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31,	<u>Amount</u>
2017	\$ 790,058
2018	790,057
2019	652,996
2020	(151,344)
2021	(135,139)
Thereafter	<u>(41,164)</u>
Total	<u>\$ 1,905,464</u>

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$15,775 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 2 active participants currently covered by the Fund and payments are being made to 36 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 18, 2018, which is the date the financial statements were available to be issued.

On November 21, 2017, The Rockwall Economic Development Corporation refunded the corporation's outstanding series 2008 Sales Tax Revenue bonds in the amount of \$2,975,000 by issuing new Sales Tax Revenue Refunding bonds in the amount of \$3,165,000 to be repaid at 3.00% interest with final maturity on August 1, 2028.

The City of Rockwall held a bond election on May 5, 2018 in which the voters approved the issuance of \$85,000,000 of general obligation bonds for street reconstruction projects. The roads which will be reconstructed include concrete streets which have generally been in place more than 30 years. An independent study of road conditions was conducted in 2016 and the results will be used to decide the street priorities. The City intends to issue the debt in several series over a ten-year period as outstanding principal is retired.

***REQUIRED SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 10,809,500	\$ 11,129,000	\$ 11,023,225	\$ (105,775)
Sales taxes	16,036,200	16,210,050	16,364,797	154,747
Franchise taxes	3,405,000	3,264,000	3,154,432	(109,568)
Charges for services	461,750	741,250	842,735	101,485
Permits	1,102,550	1,641,450	1,771,512	130,062
Municipal court	1,092,000	1,094,000	977,083	(116,917)
Intergovernmental	886,150	896,150	971,369	75,219
Interest income	35,500	73,000	33,257	(39,743)
Miscellaneous	111,500	122,550	203,429	80,879
Contributions and donations	79,000	104,000	117,522	13,522
Total revenues	<u>34,019,150</u>	<u>35,275,450</u>	<u>35,459,361</u>	<u>183,911</u>
Expenditures:				
Current:				
Mayor/council	124,450	134,850	130,560	4,290
Administration	4,524,500	4,612,600	4,535,990	76,610
Finance	750,100	681,250	647,798	33,452
Municipal court	468,400	459,650	439,986	19,664
Police	11,334,950	11,019,870	10,930,416	89,454
Fire	3,891,000	3,988,550	3,866,523	122,027
Public works	5,269,700	5,734,650	5,401,532	333,118
Community development	2,015,700	2,010,700	1,973,607	37,093
Parks and recreation	3,951,050	4,075,250	3,974,766	100,484
Total current	<u>32,329,850</u>	<u>32,717,370</u>	<u>31,901,178</u>	<u>816,192</u>
Capital outlay:				
Administration	25,000	25,000	24,950	50
Police	374,000	374,000	365,333	8,667
Public works	120,250	120,250	115,697	4,553
Parks and recreation	86,600	86,600	74,906	11,694
Total capital outlay	<u>605,850</u>	<u>605,850</u>	<u>580,886</u>	<u>24,964</u>
Total expenditures	<u>32,935,700</u>	<u>33,323,220</u>	<u>32,482,064</u>	<u>841,156</u>
Excess of revenues over expenditures	<u>1,083,450</u>	<u>1,952,230</u>	<u>2,977,297</u>	<u>1,025,067</u>
Other financing sources (uses):				
Transfers in	291,500	291,500	278,882	(12,618)
Transfers out	(3,595,000)	(3,595,000)	(3,595,000)	-
Total other financing sources (uses)	<u>(3,303,500)</u>	<u>(3,303,500)</u>	<u>(3,316,118)</u>	<u>(12,618)</u>
Net change in fund balances	(2,220,050)	(1,351,270)	(338,821)	1,012,449
Fund balances, October 1	<u>11,165,872</u>	<u>11,165,872</u>	<u>11,165,872</u>	<u>-</u>
Fund balances, September 30	<u>\$ 8,945,822</u>	<u>\$ 9,814,602</u>	<u>\$ 10,827,051</u>	<u>\$ 1,012,449</u>

CITY OF ROCKWALL, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
LAST THREE FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)

Plan Year	2014	2015	2016
<b>A. Total Pension Liability</b>			
Service cost	\$ 2,947,094	\$ 3,357,626	\$ 3,383,642
Interest (on the Total Pension Liability)	4,544,927	4,940,548	5,158,244
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(114,323)	(458,262)	(357,796)
Change of assumptions	-	(108,126)	-
Benefits payments, including refunds of employee contributions	<u>(1,920,326)</u>	<u>(1,942,137)</u>	<u>(1,869,095)</u>
<b>Net Change in Total Pension Liability</b>	5,457,372	5,789,649	6,314,995
<b>Total Pension Liability - Beginning</b>	<u>64,414,139</u>	<u>69,871,511</u>	<u>75,661,160</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 69,871,511</u>	<u>\$ 75,661,160</u>	<u>\$ 81,976,155</u>
<b>B. Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 2,761,413	\$ 2,950,480	\$ 2,897,712
Contributions - employee	1,202,324	1,255,523	1,250,554
Net investment income	3,067,672	86,617	4,123,871
Benefit payments, including refunds of employee contributions	(1,920,326)	(1,942,137)	(1,869,095)
Administrative expense	(32,021)	(52,749)	(46,547)
Other	<u>(2,633)</u>	<u>(2,605)</u>	<u>(2,508)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	5,076,429	2,295,129	6,353,987
<b>Plan Fiduciary Net Position - Beginning</b>	<u>53,613,949</u>	<u>58,690,378</u>	<u>60,985,508</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 58,690,378</u>	<u>\$ 60,985,507</u>	<u>\$ 67,339,495</u>
<b>C. Net Pension Liability - Ending (a) - (b)</b>	\$ 11,181,133	\$ 14,675,652	\$ 14,636,660
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	84.00%	80.60%	82.15%
<b>E. Covered Employee Payroll</b>	16,626,112	17,936,037	17,865,058
<b>F. Net Pension Liability as a Percentage of Total Pension Liability</b>	67.25%	81.82%	81.93%

Data presented is based on December 31, 2016

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
LAST THREE FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)

Plan Year	2014	2015	2016
Actuarially Determined Contribution	\$ 2,761,413	\$ 2,950,480	\$ 2,897,712
Contributions in relation to the actuarially determined contribution	\$ 2,761,413	\$ 2,950,480	\$ 2,897,712
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,626,112	\$ 17,936,037	\$ 17,865,058
Contributions as a percentage of covered employee payroll	16.61%	16.45%	16.22%

**Notes to Schedule of Contributions**

Notes 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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information**

Notes There were no benefit changes during the year.

***COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES  
AS SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2017

	Special Revenue Funds	Harbor Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 511,145	\$ 535,574	\$ 196,200	\$ 1,242,919
Investments	1,409,243	-	1,476,086	2,885,329
Receivables (net of allowances for uncollectibles):				
Taxes - delinquent	-	241	-	241
Interest	-	-	2,705	2,705
Accounts	219,739	106,717	-	326,456
Assessments	100,744	-	-	100,744
Due from other funds	-	7,688	-	7,688
Due from other governments	2,507	49,108	-	51,615
	<u>2,243,378</u>	<u>699,328</u>	<u>1,674,991</u>	<u>4,617,697</u>
Total assets	<u>\$ 2,243,378</u>	<u>\$ 699,328</u>	<u>\$ 1,674,991</u>	<u>\$ 4,617,697</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 442,400	\$ -	\$ 1,100	\$ 443,500
Due to other funds	28,551	-	264,712	293,263
Total liabilities	<u>470,951</u>	<u>-</u>	<u>265,812</u>	<u>736,763</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - developer contribution	-	106,717	-	106,717
Unavailable revenue - other	192,546	-	-	192,546
Total Deferred Inflows of Resources	<u>192,546</u>	<u>106,717</u>	<u>-</u>	<u>299,263</u>
<b>FUND BALANCES:</b>				
Restricted	-	592,611	-	592,611
Assigned	1,579,881	-	1,409,179	2,989,060
Total fund balances	<u>1,579,881</u>	<u>592,611</u>	<u>1,409,179</u>	<u>3,581,671</u>
	<u>\$ 2,243,378</u>	<u>\$ 699,328</u>	<u>\$ 1,674,991</u>	<u>\$ 4,617,697</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,243,378</u>	<u>\$ 699,328</u>	<u>\$ 1,674,991</u>	<u>\$ 4,617,697</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds	Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Ad valorem taxes, penalty and interest	\$ -	\$ 357,663	\$ -	\$ 357,663
Sales taxes	421,572	346,364	-	767,936
Charges for services	775,126	-	-	775,126
Permits	850	-	-	850
Municipal court	65,710	-	-	65,710
Intergovernmental	41,369	-	-	41,369
Interest income	6,691	-	5,143	11,834
Miscellaneous	324,883	-	-	324,883
Contributions and donations	990,069	672,686	-	1,662,755
Total revenues	<u>2,626,270</u>	<u>1,376,713</u>	<u>5,143</u>	<u>4,008,126</u>
Expenditures:				
Current:				
Administration	323,781	-	-	323,781
Finance	536,017	-	-	536,017
Police	123,153	-	-	123,153
Fire	9,588	-	-	9,588
Parks and recreation	395,252	-	-	395,252
Total current	<u>1,387,791</u>	<u>-</u>	<u>-</u>	<u>1,387,791</u>
Capital outlay:				
Administration	459,436	-	-	459,436
Finance	-	-	166,766	166,766
Police	62,822	-	-	62,822
Fire	69,667	-	582,817	652,484
Parks and recreation	999,086	-	-	999,086
Public works	-	-	325,627	325,627
Total capital outlay	<u>1,591,011</u>	<u>-</u>	<u>1,075,210</u>	<u>2,666,221</u>
Debt service:				
Principal	-	255,000	-	255,000
Interest	-	442,327	-	442,327
Total debt service	<u>-</u>	<u>697,327</u>	<u>-</u>	<u>697,327</u>
Total expenditures	<u>2,978,802</u>	<u>697,327</u>	<u>1,075,210</u>	<u>4,751,339</u>
Excess of revenues over (under) expenditures	<u>(352,532)</u>	<u>679,386</u>	<u>(1,070,067)</u>	<u>(743,213)</u>
Other financing sources (uses):				
Transfers in	795,000	-	242,805	1,037,805
Transfers out	(335,037)	-	-	(335,037)
Total other financing sources (uses)	<u>459,963</u>	<u>-</u>	<u>242,805</u>	<u>702,768</u>
Net change in fund balances	107,431	679,386	(827,262)	(40,445)
Fund balances, October 1	<u>1,472,450</u>	<u>(86,775)</u>	<u>2,236,441</u>	<u>3,622,116</u>
Fund balances, September 30	<u>\$ 1,579,881</u>	<u>\$ 592,611</u>	<u>1,409,179</u>	<u>\$ 3,581,671</u>

## NONMAJOR GOVERNMENTAL FUNDS

### *SPECIAL REVENUE FUNDS*

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Public Safety – established to account for donations, court fees, and other public safety committed revenues.

Recreational Development – established to account for the annual lease income from marinas and golf course.

Radio System – established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Occupancy Tax – established to account for the annual income from hotel occupancy taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement – established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places – established to account for donations received for developing art displays in public areas such as parks.

Narcotics Unit – established to account for revenues and expenditures related to a seized funds and forfeitures.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2017

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Narcotics Unit	Vehicle Acquisition	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS</b>															
Cash and cash equivalents	\$ 902	\$ -	\$ 145,486	\$ 146,339	\$ 22,670	\$ -	\$ 1,733	\$ 6,949	\$ 2,398	\$ 2,401	\$ 7,996	\$ 5,178	\$ 44,093	\$ 125,000	\$ 511,145
Investments	67,949	159,345	289,061	-	280,366	-	200,549	8,410	108,308	15,000	-	-	280,255	-	1,409,243
Receivables (net of allowances for uncollectibles):															
Accounts	-	-	67,407	40,959	-	109,297	-	2,076	-	-	-	-	-	-	219,739
Assessments	-	-	-	-	100,744	-	-	-	-	-	-	-	-	-	100,744
Due from other funds	-	7	-	-	-	-	-	-	-	-	2,500	-	-	-	2,507
Total assets	<u>\$ 68,851</u>	<u>\$ 159,352</u>	<u>\$ 501,954</u>	<u>\$ 187,298</u>	<u>\$ 403,780</u>	<u>\$ 109,297</u>	<u>\$ 202,282</u>	<u>\$ 17,435</u>	<u>\$ 110,706</u>	<u>\$ 17,401</u>	<u>\$ 10,496</u>	<u>\$ 5,178</u>	<u>\$ 324,348</u>	<u>\$ 125,000</u>	<u>\$ 2,243,378</u>
<b>LIABILITIES</b>															
Liabilities:															
Accounts payable and accrued liabilities	\$ -	\$ 3,881	\$ 380,150	\$ 49,157	\$ 4,000	\$ 4,929	\$ -	\$ 226	\$ -	\$ -	\$ -	\$ -	\$ 57	\$ -	\$ 442,400
Due to other funds	-	213	95	72	-	19,219	-	-	-	-	-	-	8,952	-	28,551
Total liabilities	<u>-</u>	<u>4,094</u>	<u>380,245</u>	<u>49,229</u>	<u>4,000</u>	<u>24,148</u>	<u>-</u>	<u>226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,009</u>	<u>-</u>	<u>470,951</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>															
Unavailable revenue - other	-	-	41,474	-	100,745	-	-	-	-	-	-	-	50,327	-	192,546
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>41,474</u>	<u>-</u>	<u>100,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,327</u>	<u>-</u>	<u>192,546</u>
<b>FUND BALANCES</b>															
Committed	68,851	155,258	80,235	138,069	299,035	85,149	202,282	17,209	110,706	17,401	10,496	5,178	265,012	125,000	1,579,881
Total fund balances	<u>68,851</u>	<u>155,258</u>	<u>80,235</u>	<u>138,069</u>	<u>299,035</u>	<u>85,149</u>	<u>202,282</u>	<u>17,209</u>	<u>110,706</u>	<u>17,401</u>	<u>10,496</u>	<u>5,178</u>	<u>265,012</u>	<u>125,000</u>	<u>1,579,881</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 68,851</u>	<u>\$ 159,352</u>	<u>\$ 501,954</u>	<u>\$ 187,298</u>	<u>\$ 403,780</u>	<u>\$ 109,297</u>	<u>\$ 202,282</u>	<u>\$ 17,435</u>	<u>\$ 110,706</u>	<u>\$ 17,401</u>	<u>\$ 10,496</u>	<u>\$ 5,178</u>	<u>\$ 324,348</u>	<u>\$ 125,000</u>	<u>\$ 2,243,378</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Narcotics Unit	Vehicle Acquisition	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>Revenues:</b>															
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 421,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 421,572
Charges for services	-	-	670,915	40,959	-	-	58,250	-	-	5,002	-	-	-	-	775,126
Permits	850	-	-	-	-	-	-	-	-	-	-	-	-	-	850
Municipal court	-	65,710	-	-	-	-	-	-	-	-	-	-	-	-	65,710
Intergovernmental	-	32,336	-	-	-	-	-	6,533	-	-	2,500	-	-	-	41,369
Interest income	-	-	-	-	-	-	6,691	-	-	-	-	-	-	-	6,691
Miscellaneous	3,600	-	-	-	173,389	-	-	30,029	-	-	-	-	117,865	-	324,883
Contributions and donations	-	16,561	962,990	-	-	-	-	-	-	-	10,000	518	-	-	990,069
Total revenues	<u>4,450</u>	<u>114,607</u>	<u>1,633,905</u>	<u>40,959</u>	<u>173,389</u>	<u>421,572</u>	<u>64,941</u>	<u>36,562</u>	<u>-</u>	<u>5,002</u>	<u>12,500</u>	<u>518</u>	<u>117,865</u>	<u>-</u>	<u>2,626,270</u>
<b>Expenditures:</b>															
<b>Current:</b>															
Administration	-	-	-	192,672	-	-	-	127,269	3,840	-	-	-	-	-	323,781
Finance	-	-	-	-	-	536,017	-	-	-	-	-	-	-	-	536,017
Police	-	95,955	-	-	-	-	-	-	-	-	-	-	27,198	-	123,153
Fire	-	-	-	-	-	-	9,588	-	-	-	-	-	-	-	9,588
Parks and recreation	7,110	-	379,006	-	-	-	-	-	-	-	9,136	-	-	-	395,252
Total current	<u>7,110</u>	<u>95,955</u>	<u>379,006</u>	<u>192,672</u>	<u>-</u>	<u>536,017</u>	<u>9,588</u>	<u>127,269</u>	<u>3,840</u>	<u>-</u>	<u>9,136</u>	<u>-</u>	<u>27,198</u>	<u>-</u>	<u>1,387,791</u>
<b>Capital outlay:</b>															
Police	-	-	-	-	-	-	-	-	-	-	-	-	62,822	-	62,822
Administration	-	-	-	365,037	94,399	-	-	-	-	-	-	-	-	-	459,436
Fire	-	-	-	-	-	-	69,667	-	-	-	-	-	-	-	69,667
Parks and recreation	-	-	999,086	-	-	-	-	-	-	-	-	-	-	-	999,086
Total capital outlay	<u>-</u>	<u>-</u>	<u>999,086</u>	<u>365,037</u>	<u>94,399</u>	<u>-</u>	<u>69,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,822</u>	<u>-</u>	<u>1,591,011</u>
<b>Debt Service:</b>															
Total expenditures	<u>7,110</u>	<u>95,955</u>	<u>1,378,092</u>	<u>557,709</u>	<u>94,399</u>	<u>536,017</u>	<u>79,255</u>	<u>127,269</u>	<u>3,840</u>	<u>-</u>	<u>9,136</u>	<u>-</u>	<u>90,020</u>	<u>-</u>	<u>2,978,802</u>
Excess of revenues over (under) expenditures	<u>(2,660)</u>	<u>18,652</u>	<u>255,813</u>	<u>(516,750)</u>	<u>78,990</u>	<u>(114,445)</u>	<u>(14,314)</u>	<u>(90,707)</u>	<u>(3,840)</u>	<u>5,002</u>	<u>3,364</u>	<u>518</u>	<u>27,845</u>	<u>-</u>	<u>(352,532)</u>
<b>Other financing sources (uses):</b>															
Transfers in	-	-	-	640,000	-	-	-	30,000	-	-	-	-	-	125,000	795,000
Transfers out	-	(25,000)	-	-	(56,155)	-	-	-	(20,432)	(24,950)	-	-	(208,500)	-	(335,037)
Total other financing sources (uses)	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>640,000</u>	<u>(56,155)</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>(20,432)</u>	<u>(24,950)</u>	<u>-</u>	<u>-</u>	<u>(208,500)</u>	<u>125,000</u>	<u>459,963</u>
Net change in fund balances	<u>(2,660)</u>	<u>(6,348)</u>	<u>255,813</u>	<u>123,250</u>	<u>22,835</u>	<u>(114,445)</u>	<u>(14,314)</u>	<u>(60,707)</u>	<u>(24,272)</u>	<u>(19,948)</u>	<u>3,364</u>	<u>518</u>	<u>(180,655)</u>	<u>125,000</u>	<u>107,431</u>
Fund balances, October 1	<u>71,511</u>	<u>161,606</u>	<u>(175,578)</u>	<u>14,819</u>	<u>276,200</u>	<u>199,594</u>	<u>216,596</u>	<u>77,916</u>	<u>134,978</u>	<u>37,349</u>	<u>7,132</u>	<u>4,660</u>	<u>445,667</u>	<u>-</u>	<u>1,472,450</u>
Fund balances, September 30	<u>\$ 68,851</u>	<u>\$ 155,258</u>	<u>\$ 80,235</u>	<u>\$ 138,069</u>	<u>\$ 299,035</u>	<u>\$ 85,149</u>	<u>\$ 202,282</u>	<u>\$ 17,209</u>	<u>\$ 110,706</u>	<u>\$ 17,401</u>	<u>\$ 10,496</u>	<u>\$ 5,178</u>	<u>\$ 265,012</u>	<u>\$ 125,000</u>	<u>\$ 1,579,881</u>

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 1,000	\$ 1,000	\$ 850	\$ (150)
Miscellaneous	2,000	3,600	3,600	-
Total revenues	<u>3,000</u>	<u>4,600</u>	<u>4,450</u>	<u>(150)</u>
Expenditures:				
Current:				
Parks and recreation	10,000	10,000	7,110	2,890
Total current	<u>10,000</u>	<u>10,000</u>	<u>7,110</u>	<u>2,890</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>7,110</u>	<u>2,890</u>
Net change in fund balances	(7,000)	(5,400)	(2,660)	2,740
Fund balances, October 1	<u>71,511</u>	<u>71,511</u>	<u>71,511</u>	<u>-</u>
Fund balances, September 30	<u>\$ 64,511</u>	<u>\$ 66,111</u>	<u>\$ 68,851</u>	<u>\$ 2,740</u>

CITY OF ROCKWALL, TEXAS  
PUBLIC SAFETY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 63,500	\$ 70,800	\$ 65,710	\$ (5,090)
Intergovernmental	32,350	32,350	32,336	(14)
Interest income	50	50	-	(50)
Contributions and donations	1,000	16,100	16,561	461
Total revenues	<u>96,900</u>	<u>119,300</u>	<u>114,607</u>	<u>(4,693)</u>
Expenditures:				
Current:				
Police	69,100	95,900	95,955	(55)
Total current	<u>69,100</u>	<u>95,900</u>	<u>95,955</u>	<u>(55)</u>
Total expenditures	<u>69,100</u>	<u>95,900</u>	<u>95,955</u>	<u>(55)</u>
Excess of revenues over (under) expenditures	<u>27,800</u>	<u>23,400</u>	<u>18,652</u>	<u>(4,748)</u>
Other financing sources (uses):				
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	2,800	(1,600)	(6,348)	(4,748)
Fund balances, October 1	<u>161,606</u>	<u>161,606</u>	<u>161,606</u>	<u>-</u>
Fund balances, September 30	<u>\$ 164,406</u>	<u>\$ 160,006</u>	<u>\$ 155,258</u>	<u>\$ (4,748)</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 586,000	\$ 607,150	\$ 670,915	\$ 63,765
Contributions and donations	1,005,750	1,227,200	962,990	(264,210)
Total revenues	<u>1,591,750</u>	<u>1,834,350</u>	<u>1,633,905</u>	<u>(200,445)</u>
Expenditures:				
Current:				
Parks and recreation	423,000	431,100	379,006	52,094
Total current	<u>423,000</u>	<u>431,100</u>	<u>379,006</u>	<u>52,094</u>
Capital outlay:				
Parks and recreation	1,775,850	1,013,850	999,086	14,764
Total capital outlay	<u>1,775,850</u>	<u>1,013,850</u>	<u>999,086</u>	<u>14,764</u>
Total expenditures	<u>2,198,850</u>	<u>1,444,950</u>	<u>1,378,092</u>	<u>66,858</u>
Excess of revenues over (under) expenditures	<u>(607,100)</u>	<u>389,400</u>	<u>255,813</u>	<u>(133,587)</u>
Net change in fund balances	(607,100)	389,400	255,813	(133,587)
Fund balances, October 1	<u>(175,578)</u>	<u>(175,578)</u>	<u>(175,578)</u>	<u>-</u>
Fund balances, September 30	<u>\$ (782,678)</u>	<u>\$ 213,822</u>	<u>\$ 80,235</u>	<u>\$ (133,587)</u>

CITY OF ROCKWALL, TEXAS  
RADIO SYSTEM FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 42,350	\$ 42,350	\$ 40,959	\$ (1,391)
Total revenues	<u>42,350</u>	<u>42,350</u>	<u>40,959</u>	<u>(1,391)</u>
Expenditures:				
Current:				
Administration	219,150	189,670	192,672	(3,002)
Total expenditures	<u>219,150</u>	<u>189,670</u>	<u>192,672</u>	<u>(3,002)</u>
Capital outlay:				
Administration	470,000	470,000	365,037	104,963
Total capital outlay	<u>470,000</u>	<u>470,000</u>	<u>365,037</u>	<u>104,963</u>
Total expenditures	<u>689,150</u>	<u>659,670</u>	<u>557,709</u>	<u>101,961</u>
Excess of revenues over (under) expenditures	<u>(646,800)</u>	<u>(617,320)</u>	<u>(516,750)</u>	<u>(103,352)</u>
Other financing sources:				
Transfers in	640,000	640,000	640,000	-
Total other financing sources	<u>640,000</u>	<u>640,000</u>	<u>640,000</u>	<u>-</u>
Net change in fund balances	(6,800)	22,680	123,250	100,570
Fund balances, October 1	<u>14,819</u>	<u>14,819</u>	<u>14,819</u>	<u>-</u>
Fund balances, September 30	<u>\$ 8,019</u>	<u>\$ 37,499</u>	<u>\$ 138,069</u>	<u>\$ 100,570</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ 171,750	\$ 173,389	\$ 1,639
Total revenues	<u>-</u>	<u>171,750</u>	<u>173,389</u>	<u>1,639</u>
Capital outlay:				
Administration	<u>102,100</u>	<u>102,100</u>	<u>94,399</u>	<u>7,701</u>
Total capital outlay	<u>102,100</u>	<u>102,100</u>	<u>94,399</u>	<u>7,701</u>
Total expenditures	<u>102,100</u>	<u>102,100</u>	<u>94,399</u>	<u>7,701</u>
Excess of revenues over (under) expenditures	<u>(102,100)</u>	<u>69,650</u>	<u>78,990</u>	<u>9,340</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(56,150)</u>	<u>(56,155)</u>	<u>(5)</u>
Total other financing sources	<u>-</u>	<u>(56,150)</u>	<u>(56,155)</u>	<u>(5)</u>
Net change in fund balances	(102,100)	13,500	22,835	9,335
Fund balances, October 1	<u>276,200</u>	<u>276,200</u>	<u>276,200</u>	<u>-</u>
Fund balances, September 30	<u>\$ 174,100</u>	<u>\$ 289,700</u>	<u>\$ 299,035</u>	<u>\$ 9,335</u>

CITY OF ROCKWALL, TEXAS  
HOTEL OCCUPANCY TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 400,000	\$ 415,000	\$ 421,572	\$ 6,572
Total revenues	<u>400,000</u>	<u>415,000</u>	<u>421,572</u>	<u>6,572</u>
Expenditures:				
Current:				
Finance	456,570	565,500	536,017	29,483
Total expenditures	<u>456,570</u>	<u>565,500</u>	<u>536,017</u>	<u>29,483</u>
Net change in fund balances	(56,570)	(150,500)	(114,445)	36,055
Fund balances, October 1	<u>199,594</u>	<u>199,594</u>	<u>199,594</u>	<u>-</u>
Fund balances, September 30	<u>\$ 143,024</u>	<u>\$ 49,094</u>	<u>\$ 85,149</u>	<u>\$ 36,055</u>

CITY OF ROCKWALL, TEXAS  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 58,250	\$ 58,250	\$ 58,250	\$ -
Interest income	-	3,000	6,691	3,691
Total revenues	<u>58,250</u>	<u>61,250</u>	<u>64,941</u>	<u>3,691</u>
Expenditures:				
Current:				
Fire	36,000	11,000	9,588	1,412
Total current	<u>36,000</u>	<u>11,000</u>	<u>9,588</u>	<u>1,412</u>
Capital outlay:				
Fire	129,000	129,000	69,667	59,333
Total capital outlay	<u>129,000</u>	<u>129,000</u>	<u>69,667</u>	<u>59,333</u>
Total expenditures	<u>165,000</u>	<u>140,000</u>	<u>79,255</u>	<u>60,745</u>
Net change in fund balances	(106,750)	(78,750)	(14,314)	64,436
Fund balances, October 1	<u>216,596</u>	<u>216,596</u>	<u>216,596</u>	<u>-</u>
Fund balances, September 30	<u>\$ 109,846</u>	<u>\$ 137,846</u>	<u>\$ 202,282</u>	<u>\$ 64,436</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 6,900	\$ 6,900	\$ 6,533	\$ (367)
Miscellaneous	36,000	36,000	30,029	(5,971)
Total revenues	<u>42,900</u>	<u>42,900</u>	<u>36,562</u>	<u>(6,338)</u>
Expenditures:				
Current:				
Administration	67,350	135,200	127,269	7,931
Total expenditures	<u>67,350</u>	<u>135,200</u>	<u>127,269</u>	<u>7,931</u>
Excess of revenues over (under) expenditures	(24,450)	(92,300)	(90,707)	1,593
Other financing sources (uses):				
Transfers in	30,000	30,000	30,000	-
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	5,550	(62,300)	(60,707)	1,593
Fund balances, October 1	<u>77,916</u>	<u>77,916</u>	<u>77,916</u>	<u>-</u>
Fund balances, September 30	<u>\$ 83,466</u>	<u>\$ 15,616</u>	<u>\$ 17,209</u>	<u>\$ 1,593</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Administration	-	-	3,840	(3,840)
Total expenditures	<u>-</u>	<u>-</u>	<u>3,840</u>	<u>(3,840)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(3,840)</u>	<u>(3,840)</u>
Other financing sources (uses):				
Transfers out	-	(33,000)	(20,432)	12,568
Total other financing sources (uses)	<u>-</u>	<u>(33,000)</u>	<u>(20,432)</u>	<u>12,568</u>
Net change in fund balances	-	(33,000)	(24,272)	8,728
Fund balances, October 1	<u>134,978</u>	<u>134,978</u>	<u>134,978</u>	<u>-</u>
Fund balances, September 30	<u>\$ 134,978</u>	<u>\$ 101,978</u>	<u>\$ 110,706</u>	<u>\$ 8,728</u>

CITY OF ROCKWALL, TEXAS  
NARCOTICS UNIT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ 92,000	\$ 117,865	\$ 25,865
Total revenues	<u>-</u>	<u>92,000</u>	<u>117,865</u>	<u>25,865</u>
Expenditures:				
Current:				
Police	42,400	46,050	27,198	18,852
Total current	<u>42,400</u>	<u>46,050</u>	<u>27,198</u>	<u>18,852</u>
Capital outlay:				
Police	50,000	72,000	62,822	9,178
Total capital outlay	<u>50,000</u>	<u>72,000</u>	<u>62,822</u>	<u>9,178</u>
Total expenditures	<u>92,400</u>	<u>118,050</u>	<u>90,020</u>	<u>28,030</u>
Excess of revenues over (under) expenditures	<u>(92,400)</u>	<u>(26,050)</u>	<u>27,845</u>	<u>53,895</u>
Other financing sources:				
Transfers out	<u>(208,500)</u>	<u>(208,500)</u>	<u>(208,500)</u>	<u>-</u>
Total other financing sources	<u>(208,500)</u>	<u>(208,500)</u>	<u>(208,500)</u>	<u>-</u>
Net change in fund balances	(300,900)	(234,550)	(180,655)	53,895
Fund balances, October 1	<u>445,667</u>	<u>445,667</u>	<u>445,667</u>	<u>-</u>
Fund balances, September 30	<u>\$ 144,767</u>	<u>\$ 211,117</u>	<u>\$ 265,012</u>	<u>\$ 53,895</u>

***DEBT SERVICE FUND***

**The debt service fund is used to account for the accumulation of resources and payment of bond principal and interest from governmental resources.**

CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 9,782,600	\$ 9,923,050	\$ 9,983,143	\$ 60,093
Charges for services	325,000	783,000	813,253	30,253
Interest income	250	17,250	46,234	28,984
Miscellaneous	15,000	15,000	10,000	(5,000)
Total revenues	<u>10,122,850</u>	<u>10,738,300</u>	<u>10,852,630</u>	<u>114,330</u>
Debt service:				
Principal	6,185,000	6,185,000	5,785,000	400,000
Interest	3,426,200	3,426,200	3,426,217	(17)
Bond issuance costs	-	-	-	-
Fiscal charges	20,000	20,000	14,000	6,000
Total debt service	<u>9,631,200</u>	<u>9,631,200</u>	<u>9,225,217</u>	<u>405,983</u>
Total expenditures	<u>9,631,200</u>	<u>9,631,200</u>	<u>9,225,217</u>	<u>405,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>491,650</u>	<u>1,107,100</u>	<u>1,627,413</u>	<u>(291,653)</u>
Net change in fund balances	491,650	1,107,100	1,627,413	(291,653)
Fund balances, October 1	<u>2,201,436</u>	<u>2,201,436</u>	<u>2,201,436</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,693,086</u>	<u>\$ 3,308,536</u>	<u>\$ 3,828,849</u>	<u>\$ (291,653)</u>

CITY OF ROCKWALL, TEXAS  
HARBOR DEBT SERVICE  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 336,050	\$ 351,200	\$ 357,663	\$ 6,463
Sales tax	309,000	309,000	346,364	37,364
Contributions and donations	84,050	244,050	672,686	428,636
Total revenues	<u>729,100</u>	<u>904,250</u>	<u>1,376,713</u>	<u>472,463</u>
Debt service:				
Principal	315,000	315,000	255,000	60,000
Interest	382,350	442,950	442,327	623
Total debt service	<u>697,350</u>	<u>757,950</u>	<u>697,327</u>	<u>60,623</u>
Total expenditures	<u>697,350</u>	<u>757,950</u>	<u>697,327</u>	<u>60,623</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,750</u>	<u>146,300</u>	<u>679,386</u>	<u>533,086</u>
Net change in fund balances	31,750	146,300	679,386	533,086
Fund balances, October 1	<u>(86,775)</u>	<u>(86,775)</u>	<u>(86,775)</u>	<u>-</u>
Fund balances, September 30	<u><u>\$ (55,025)</u></u>	<u><u>\$ 59,525</u></u>	<u><u>\$ 592,611</u></u>	<u><u>\$ 533,086</u></u>

## *CAPITAL PROJECTS FUNDS*

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project – established to account for revenues and expenditures related to the construction of the 205 Bypass roadway project.

The Harbor/TIF Capital Projects Fund – established to account for improvements in the Tax Increment Reinvestment Zone using the proceeds from the issuance of bonds.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2017

	Capital Projects	Equipment Acquisition	205 Bypass Project	Harbor/ TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS</b>					
Cash and cash equivalents	\$ 190,592	\$ 5,608	\$ -	\$ -	\$ 196,200
Investments	421,634	1,054,452	-	-	1,476,086
Receivables (net of allowances for uncollectibles):					
Accrued Interest	<u>1,786</u>	<u>919</u>	<u>-</u>	<u>-</u>	<u>2,705</u>
 Total assets	 <u>\$ 614,012</u>	 <u>\$ 1,060,979</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,674,991</u>
 <b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ -	\$ 1,100	\$ -	\$ -	\$ 1,100
Due to other funds	<u>-</u>	<u>264,712</u>	<u>-</u>	<u>-</u>	<u>264,712</u>
Total liabilities	<u>-</u>	<u>265,812</u>	<u>-</u>	<u>-</u>	<u>265,812</u>
 <b>FUND BALANCES:</b>					
Assigned	<u>614,012</u>	<u>795,167</u>	<u>-</u>	<u>-</u>	<u>1,409,179</u>
Total fund balances	<u>614,012</u>	<u>795,167</u>	<u>-</u>	<u>-</u>	<u>1,409,179</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 614,012</u>	 <u>\$ 1,060,979</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,674,991</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Capital Projects	Equipment Acquisition	205 Bypass Project	Harbor/ TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:					
Interest income	\$ 3,680	\$ 1,463	\$ -	\$ -	\$ 5,143
Total revenues	<u>3,680</u>	<u>1,463</u>	<u>-</u>	<u>-</u>	<u>5,143</u>
Expenditures:					
Capital outlay:					
Finance	-	166,766	-	-	166,766
Fire	-	582,817	-	-	582,817
Public works	-	-	289,450	36,177	325,627
Total capital outlay	<u>-</u>	<u>749,583</u>	<u>289,450</u>	<u>36,177</u>	<u>1,075,210</u>
Total expenditures	<u>-</u>	<u>749,583</u>	<u>289,450</u>	<u>36,177</u>	<u>1,075,210</u>
Excess of revenues over (under) expenditures	<u>3,680</u>	<u>(748,120)</u>	<u>(289,450)</u>	<u>(36,177)</u>	<u>(1,070,067)</u>
Other financing sources (uses):					
Transfers in	-	186,650	56,155	-	242,805
Total other financing sources (uses)	<u>-</u>	<u>186,650</u>	<u>56,155</u>	<u>-</u>	<u>242,805</u>
Net change in fund balances	3,680	(561,470)	(233,295)	(36,177)	(827,262)
Fund balances, October 1	<u>610,332</u>	<u>1,356,637</u>	<u>233,295</u>	<u>36,177</u>	<u>2,236,441</u>
Fund balances, September 30	<u>\$ 614,012</u>	<u>\$ 795,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,409,179</u>

### ***INTERNAL SERVICE FUNDS***

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2017

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 170,886	\$ 6,343	\$ 177,229
Investments	<u>823,388</u>	<u>214,669</u>	<u>1,038,057</u>
Total current assets	<u>994,274</u>	<u>221,012</u>	<u>1,215,286</u>
 Total Assets	 <u>\$ 994,274</u>	 <u>\$ 221,012</u>	 <u>\$ 1,215,286</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 368,278	\$ 77,979	\$ 446,257
Due to other funds	<u>4,250</u>	<u>146</u>	<u>4,396</u>
Total current liabilities	<u>372,528</u>	<u>78,125</u>	<u>450,653</u>
Total Liabilities			
 <b>NET ASSETS</b>			
Unrestricted	<u>621,746</u>	<u>142,887</u>	<u>764,633</u>
Total Net Position	<u>\$ 621,746</u>	<u>\$ 142,887</u>	<u>\$ 764,633</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
OPERATING REVENUES:			
Charges for services	\$ 1,097,559	\$ -	\$ 1,097,559
Total operating revenues	<u>1,097,559</u>	<u>-</u>	<u>1,097,559</u>
OPERATING EXPENSES:			
Contractual services	4,566,422	227,497	4,793,919
Total operating expenses	<u>4,566,422</u>	<u>227,497</u>	<u>4,793,919</u>
Operating loss	<u>(3,468,863)</u>	<u>(227,497)</u>	<u>(3,696,360)</u>
NON-OPERATING REVENUES:			
Interest income	12,599	631	13,230
Miscellaneous income	28,000	500	28,500
Total non-operating revenues	<u>40,599</u>	<u>1,131</u>	<u>41,730</u>
Loss before transfers and capital contributions	<u>(3,428,264)</u>	<u>(226,366)</u>	<u>(3,654,630)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Transfers in	3,400,000	450,000	3,850,000
Transfers out	(250,000)	-	(250,000)
Total transfers and capital contributions	<u>3,150,000</u>	<u>450,000</u>	<u>3,600,000</u>
Decrease in net assets	(278,264)	223,634	(54,630)
Net position, October 1	<u>900,010</u>	<u>(80,747)</u>	<u>819,263</u>
Net position, September 30	<u>\$ 621,746</u>	<u>\$ 142,887</u>	<u>\$ 764,633</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-9)</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 1,144,235	\$ -	\$ 1,144,235
Cash paid to suppliers for goods and services	<u>(4,611,875)</u>	<u>(301,391)</u>	<u>(4,913,266)</u>
Net cash used by operating activities	<u>(3,467,640)</u>	<u>(301,391)</u>	<u>(3,769,031)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash received from other funds	<u>2,879,557</u>	<u>450,146</u>	<u>3,329,703</u>
Net cash provided by non-capital financing activities	<u>2,879,557</u>	<u>450,146</u>	<u>3,329,703</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	-	(150,630)	(150,630)
Proceeds from sales and maturities of investments	527,435	-	527,435
Interest and dividends received	<u>12,599</u>	<u>631</u>	<u>13,230</u>
Net cash provided by (used by) investing activities	<u>540,034</u>	<u>(149,999)</u>	<u>390,035</u>
Net decrease in cash and cash equivalents	(48,049)	(1,244)	(49,293)
Cash and cash equivalents at beginning of year	<u>218,935</u>	<u>7,587</u>	<u>226,522</u>
Cash and cash equivalents at end of year	<u>\$ 170,886</u>	<u>\$ 6,343</u>	<u>\$ 177,229</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (3,468,863)	\$ (227,497)	\$ (3,696,360)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	28,000	500	28,500
Decrease (increase) in assets:			
Receivables	18,676	500	19,176
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>(45,453)</u>	<u>(74,894)</u>	<u>(120,347)</u>
Net cash used by operating activities	<u>\$ (3,467,640)</u>	<u>\$ (301,391)</u>	<u>\$ (3,769,031)</u>

### ***AGENCY FUND***

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2017</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,304	\$ 829,402	\$ 843,792	\$ 7,914
Investments	<u>1,785,332</u>	<u>12,810</u>	<u>170,000</u>	<u>1,628,142</u>
Total assets	<u>\$ 1,807,636</u>	<u>\$ 842,212</u>	<u>\$ 1,013,792</u>	<u>\$ 1,636,056</u>
<b>LIABILITIES</b>				
Due to developers	<u>\$ 1,807,636</u>	<u>\$ 686,382</u>	<u>\$ 857,962</u>	<u>\$ 1,636,056</u>
Total liabilities	<u>\$ 1,807,636</u>	<u>\$ 686,382</u>	<u>\$ 857,962</u>	<u>\$ 1,636,056</u>

***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS***

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Governmental funds capital assets:		
Land	\$ 17,928,772	\$ 17,238,772
Buildings	20,107,047	20,131,409
Improvements other than buildings	33,954,988	32,432,331
Machinery and equipment	20,858,202	19,535,405
Infrastructure	236,043,257	214,029,915
Construction in progress	<u>2,534,984</u>	<u>13,354,326</u>
Total governmental funds capital assets	<u>\$ 331,427,250</u>	<u>\$ 316,722,158</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 158,358,189	\$ 157,126,515
General government	52,441,413	50,552,882
Grants and entitlements	3,578,386	3,244,106
Developer contributions	<u>117,049,262</u>	<u>105,798,655</u>
Total investments in governmental funds capital assets	<u>\$ 331,427,250</u>	<u>\$ 316,722,158</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2017

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 6,025,163	\$ 6,436,762	\$ 6,292,616	\$ 4,169,175	\$ -	\$ 2,210,554	\$ 25,134,270
Public works	8,499,781	357,984	2,369,566	1,931,753	236,043,257	-	249,202,341
Public safety	1,020,430	3,476,026	235,991	5,557,457	-	-	10,289,903
Recreation/development	2,383,398	2,415,619	25,047,660	1,519,587	-	324,430	31,690,694
Fire equipment	<u>-</u>	<u>7,420,656</u>	<u>9,155</u>	<u>7,680,229</u>	<u>-</u>	<u>-</u>	<u>15,110,040</u>
Total governmental capital assets	<u>\$ 17,928,772</u>	<u>\$ 20,107,047</u>	<u>\$ 33,954,988</u>	<u>\$ 20,858,201</u>	<u>\$ 236,043,257</u>	<u>\$ 2,534,984</u>	<u>\$ 331,427,248</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Function and Activity</u>	<u>Capital Assets Balance 10/1/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Capital Assets Balance 9/30/17</u>
General government	\$ 35,151,291	\$ 606,545	\$ (170,344)	\$ (10,453,222)	\$ 25,134,270
Public works	226,645,707	22,904,194	(347,560)	-	249,202,341
Public safety	9,770,721	861,020	(341,838)	-	10,289,903
Recreation/development	30,381,605	1,415,424	(106,335)	-	31,690,694
Fire equipment	<u>14,772,834</u>	<u>623,143</u>	<u>(285,937)</u>	<u>-</u>	<u>15,110,040</u>
Total governmental funds capital assets	<u>\$ 316,722,158</u>	<u>\$ 26,410,326</u>	<u>\$ (1,252,014)</u>	<u>\$ (10,453,222)</u>	<u>\$ 331,427,248</u>

***DISCRETELY PRESENTED COMPONENT UNITS***

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.**

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2017

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 196,062	\$ 47,522	\$ 243,584
Investments	2,734,288	-	2,734,288
Receivables (net of allowances for uncollectibles):			
Interest	269	-	269
Accounts	-	8,026	8,026
Due from other governments	957,816	-	957,816
Inventory	15,347,034	-	15,347,034
Restricted assets:			
Capital assets (net of accumulated depreciation)			
Machinery and equipment	22,816	-	22,816
Total assets	<u>19,258,285</u>	<u>55,548</u>	<u>19,313,833</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	22,810	-	22,810
Pension contributions after 12/31/16	45,673	-	45,673
Pension investment experience	55,076	-	55,076
Total Deferred Outflows of Resources	<u>123,559</u>	<u>-</u>	<u>123,559</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	464,894	35,928	500,822
Liabilities payable from restricted assets			
Noncurrent liabilities:			
Pension liability	302,287	-	302,287
Due within one year	1,670,252	-	1,670,252
Due in more than one year	19,777,485	-	19,777,485
Total liabilities	<u>22,214,918</u>	<u>35,928</u>	<u>22,250,846</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension actual experience vs assumptions	15,924	-	15,924
Total deferred inflows of resources	<u>15,924</u>	<u>-</u>	<u>15,924</u>
<b>NET POSITION</b>			
Net Investment in capital assets	22,816	-	22,816
Unrestricted	(2,871,814)	19,620	(2,852,194)
Total Net Position	<u>\$ (2,848,998)</u>	<u>\$ 19,620</u>	<u>\$ (2,829,378)</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF ACTIVITIES  
 DISCRETELY COMPONENT UNITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Component Units		
				Rockwall Economic Development Corporation	Rockwall Technology Park	Total
<b>DISCRETE COMPONENT UNITS:</b>						
<b>Rockwall Economic Development Corporation</b>						
Administration	\$ 2,963,534	\$ -	\$ -	\$ (2,963,534)	\$ -	\$ (2,963,534)
Interest on long-term debt	983,129	-	-	(983,129)	-	(983,129)
Total Rockwall Economic Development Corporation	<u>3,946,663</u>	<u>-</u>	<u>-</u>	<u>(3,946,663)</u>	<u>-</u>	<u>(3,946,663)</u>
<b>Rockwall Technology Park Association</b>						
Administration	191,321	176,271	-	-	(15,050)	(15,050)
	<u>\$ 4,137,984</u>	<u>\$ 176,271</u>	<u>\$ -</u>	<u>(3,946,663)</u>	<u>(15,050)</u>	<u>(3,961,713)</u>
<b>General revenues:</b>						
Ad valorem taxes, penalty and interest				-	-	-
Sales taxes				5,454,154	-	5,454,154
Franchise taxes				-	-	-
Miscellaneous				6,010	-	6,010
Unrestricted investment earnings				29,476	372	29,848
Transfers				-	-	-
Total general revenues and transfers				<u>5,489,640</u>	<u>372</u>	<u>5,490,012</u>
Change in net position				1,542,977	(14,678)	1,528,299
Net position at beginning of year				(4,391,975)	34,298	(4,357,677)
Net position at end of year				<u>\$ (2,848,998)</u>	<u>\$ 19,620</u>	<u>\$ (2,829,378)</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 DISCRETELY PRESENTED COMPONENT UNITS  
 SEPTEMBER 30, 2017

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 196,062	\$ 47,522	\$ 243,584
Investments	2,734,288	-	2,734,288
Receivables (net of allowances for uncollectibles):			
Interest	269	-	269
Accounts	-	8,026	8,026
Due from other funds	50	-	50
Due from other governments	957,766	-	957,766
Inventory	<u>15,347,034</u>	<u>-</u>	<u>15,347,034</u>
 Total assets	 <u>\$ 19,235,469</u>	 <u>\$ 55,548</u>	 <u>\$ 19,291,017</u>
 <b>LIABILITIES</b>			
Accounts payable and accrued liabilities	<u>\$ 314,204</u>	<u>\$ 35,928</u>	<u>\$ 350,132</u>
Total liabilities	<u>314,204</u>	<u>35,928</u>	<u>350,132</u>
 Fund balances:			
Nonspendable	15,347,034	-	15,347,034
Restricted	<u>3,574,231</u>	<u>19,620</u>	<u>3,593,851</u>
Total fund balances	<u>18,921,265</u>	<u>19,620</u>	<u>18,940,885</u>
 Total liabilities and fund balances	 <u>\$ 19,235,469</u>	 <u>\$ 55,548</u>	 <u>\$ 19,291,017</u>

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
 BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2017

Total fund balances - discretely presented component units	\$ 18,940,885
Amounts reported for discretely presented component units in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,816
Payables for bond principal which are not due in the current period are not reported in the funds.	(21,427,272)
Payables for bond interest which are not due in the current period are not reported in the funds.	(150,690)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(20,465)
Payables for pension liabilities which are not due in the current period are not reported in the funds	(302,287)
Deferred outflows of resources are not considered available funds and are not recorded in governmental funds:	
Pension contributions	45,673
Investment experience	55,076
Charges on refunding	22,809
Deferred inflows or resources are not considered available funds and are not recorded in governmental funds	
Pension actual experience vs assumptions	<u>(15,923)</u>
Net assets of discretely presented component units	<u><u>\$ (2,829,378)</u></u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>	<u>Total Governmental Funds</u>
Revenues:			
Sales taxes	\$ 5,454,154	\$ -	\$ 5,454,154
Interest income	29,476	372	29,848
Assessments	-	176,271	176,271
Miscellaneous	6,010	-	6,010
Total revenues	<u>5,489,640</u>	<u>176,643</u>	<u>5,666,283</u>
Expenditures:			
Current:			
Administration	1,126,269	191,321	1,317,590
Total current	<u>1,126,269</u>	<u>191,321</u>	<u>1,317,590</u>
Capital outlay:			
Administration	1,831,351	-	1,831,351
Total capital outlay	<u>1,831,351</u>	<u>-</u>	<u>1,831,351</u>
Debt service:			
Principal	1,590,000	-	1,590,000
Interest	974,870	-	974,870
Fiscal charges	4,500	-	4,500
Total debt service	<u>2,569,370</u>	<u>-</u>	<u>2,569,370</u>
Total expenditures	<u>5,526,990</u>	<u>191,321</u>	<u>5,718,311</u>
Excess of revenues over (under) expenditures	<u>(37,350)</u>	<u>(14,678)</u>	<u>(52,028)</u>
Net change in fund balances	(37,350)	(14,678)	(52,028)
Fund balances, October 1	<u>18,958,615</u>	<u>34,298</u>	<u>18,992,913</u>
Fund balances, September 30	<u>\$ 18,921,265</u>	<u>\$ 19,620</u>	<u>\$ 18,940,885</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - discretely presented component units	\$ (52,028)
<p>Amounts reported for discretely presented component units in the statement of activities ("SOA") are different because:</p>	
<p>Expenditures are recognized in the governmental funds when paid. The Statement of Activities is presented on an accrual basis and expenses are reported when incurred. This is the net difference in pension costs.</p>	19,956
<p>The depreciation of capital assets used in governmental activities is not reported in the funds.</p>	(6,072)
<p>Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.</p>	1,590,000
<p>Bond issuance costs and similar items are amortized in the SOA but not in the funds.</p>	(13,646)
<p>Increase (decrease) in accrued interest from beginning of period to end of period.</p>	(8,259)
<p>Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.</p>	<u>(1,652)</u>
Change in net assets of discretely presented component units	<u><u>\$ 1,528,299</u></u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 5,263,750	\$ 5,435,450	\$ 5,454,154	\$ 18,704
Interest income	7,500	17,100	29,476	12,376
Miscellaneous	2,627,450	9,700	6,010	(3,690)
Total revenues	<u>7,898,700</u>	<u>5,462,250</u>	<u>5,489,640</u>	<u>27,390</u>
Expenditures:				
Current:				
Administration	1,194,200	1,194,200	1,126,269	67,931
Total current	<u>1,194,200</u>	<u>1,194,200</u>	<u>1,126,269</u>	<u>67,931</u>
Capital outlay:				
Administration	4,963,900	3,449,850	1,831,351	1,618,499
Total capital outlay	<u>4,963,900</u>	<u>3,449,850</u>	<u>1,831,351</u>	<u>1,618,499</u>
Debt service:				
Principal	1,590,000	1,590,000	1,590,000	-
Interest	974,900	974,900	974,870	30
Fiscal charges	4,500	4,500	4,500	-
Total debt service	<u>2,569,400</u>	<u>2,569,400</u>	<u>2,569,370</u>	<u>30</u>
Total expenditures	<u>8,727,500</u>	<u>7,213,450</u>	<u>5,526,990</u>	<u>1,686,460</u>
Excess of revenues over (under) expenditures	<u>(828,800)</u>	<u>(1,751,200)</u>	<u>(37,350)</u>	<u>1,713,850</u>
Net change in fund balances	(828,800)	(1,751,200)	(37,350)	1,713,850
Fund balances, October 1	<u>18,958,615</u>	<u>18,958,615</u>	<u>18,958,615</u>	<u>-</u>
Fund balances, September 30	<u>\$ 18,129,815</u>	<u>\$ 17,207,415</u>	<u>\$ 18,921,265</u>	<u>\$ 1,713,850</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Assessments	\$ 198,100	\$ 198,100	\$ 176,271	\$ (21,829)
Interest income	-	-	372	372
Total revenues	<u>198,100</u>	<u>198,100</u>	<u>176,643</u>	<u>(21,457)</u>
Expenditures:				
Current:				
Administration	<u>198,100</u>	<u>198,100</u>	<u>191,321</u>	<u>6,779</u>
Total expenditures	<u>198,100</u>	<u>198,100</u>	<u>191,321</u>	<u>6,779</u>
Net change in fund balances	-	-	(14,678)	(14,678)
Fund balances, October 1	<u>34,298</u>	<u>34,298</u>	<u>34,298</u>	<u>-</u>
Fund balances, September 30	<u>\$ 34,298</u>	<u>\$ 34,298</u>	<u>\$ 19,620</u>	<u>\$ (14,678)</u>

***STATISTICAL SECTION***

## STATISTICAL SECTION

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

	<u>Pages</u>
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	105
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	113
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	121
Demographic and Economic Information - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	126
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	129

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ROCKWALL, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Invested in capital assets, net of related debt	\$ 105,653,101	\$ 95,507,167	\$ 95,193,217	\$ 86,446,064	\$ 89,523,344	\$ 89,851,392	\$ 91,085,278	\$ 89,101,460	\$ 88,367,580	\$ 63,546,273
Restricted	15,629,382	14,270,758	7,930,007	10,584,073	2,353,423	16,124,192	1,774,193	11,788,623	2,306,529	14,222,187
Unrestricted	1,286,263	2,075,864	4,740,983	11,180,566	14,253,372	238,981	13,400,417	4,308,457	12,955,777	13,643,810
Total governmental activities net position	\$ 122,568,746	\$ 111,853,789	\$ 107,864,207	\$ 108,210,703	\$ 106,130,139	\$ 106,214,565	\$ 106,259,888	\$ 105,198,540	\$ 103,629,886	\$ 91,412,270
Business-type activities										
Invested in capital assets, net of related debt	\$ 73,291,095	\$ 66,473,007	\$ 65,822,647	\$ 61,795,531	\$ 60,558,579	\$ 58,888,435	\$ 58,139,970	\$ 54,288,096	\$ 53,418,392	\$ 48,127,382
Restricted	4,355,395	6,727,108	2,688,018	4,555,652	2,125,250	2,306,207	2,992,291	6,221,719	7,568,701	17,888,236
Unrestricted	7,599,300	3,886,649	3,831,828	1,736,457	3,208,557	4,300,793	6,124,975	5,340,103	6,162,163	5,283,929
Total business-type activities net position	\$ 85,245,790	\$ 77,086,764	\$ 72,342,493	\$ 68,087,640	\$ 65,892,386	\$ 65,495,435	\$ 67,257,236	\$ 65,849,918	\$ 67,149,256	\$ 71,299,547
Primary government										
Invested in capital assets, net of related debt	\$ 178,944,196	\$ 161,980,174	\$ 161,015,864	\$ 148,241,595	\$ 150,081,923	\$ 148,739,827	\$ 149,225,248	\$ 143,389,556	\$ 141,785,972	\$ 111,673,655
Restricted	19,984,777	20,997,866	10,618,026	15,139,725	4,478,673	18,430,399	4,766,484	18,010,342	9,875,230	32,110,423
Unrestricted	8,885,563	5,962,513	8,572,811	12,917,023	17,461,929	4,539,774	19,525,392	9,648,560	19,117,940	18,927,739
Total primary government net position	\$ 207,814,536	\$ 188,940,553	\$ 180,206,701	\$ 176,298,343	\$ 172,022,525	\$ 171,710,000	\$ 173,517,124	\$ 171,048,458	\$ 170,779,142	\$ 162,711,817

CITY OF ROCKWALL, TEXAS  
 CHANGES IN NET POSITION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-2

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses</b>										
Governmental activities:										
Mayor/Council	\$ 130,560	\$ 107,998	\$ 116,572	\$ 94,747	\$ 102,993	\$ 106,959	\$ 111,494	\$ 116,372	\$ 109,844	\$ 117,366
Administration	9,512,613	6,145,346	8,298,012	8,515,273	7,565,249	7,631,175	7,183,587	6,862,780	6,707,709	7,384,773
Finance	1,350,581	1,345,039	1,003,849	1,089,078	951,808	1,360,201	1,331,943	1,294,888	1,409,054	1,338,894
Municipal Court	439,986	395,127	396,256	415,220	357,208	358,745	362,149	353,147	334,922	312,601
Police	11,279,010	11,001,835	10,222,333	10,251,116	9,441,521	8,836,213	8,423,470	8,609,827	8,384,774	7,130,698
Fire	4,652,974	4,266,758	3,334,030	3,100,647	3,172,688	3,002,941	2,734,296	2,741,288	2,201,236	2,242,829
Public Works	3,517,130	12,889,840	5,438,890	7,653,406	8,651,550	8,398,043	8,008,701	6,669,448	5,482,571	7,094,068
Community Development	1,973,607	1,778,965	1,724,660	1,699,428	2,432,153	1,185,114	1,203,407	1,210,519	1,350,023	2,229,753
Parks and Recreation	5,016,834	2,157,430	3,981,748	3,185,425	4,825,050	6,003,610	5,843,647	5,805,241	5,250,506	4,025,927
Interest on long-term debt	4,027,789	4,165,018	5,302,942	4,853,042	4,714,902	4,666,567	4,554,433	4,717,319	4,669,459	4,418,519
Total governmental activities expenses	41,901,084	44,253,356	39,819,292	40,857,382	42,215,122	41,549,568	39,757,127	38,380,829	35,900,098	36,295,428
Business-type activities:										
Water and Sewer	21,541,809	19,608,273	17,278,731	17,071,406	16,723,552	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742
Total business-type activities expenses	21,541,809	19,608,273	17,278,731	17,071,406	16,723,552	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742
Total primary government expenses	63,442,893	63,861,629	57,098,023	57,928,788	58,938,674	57,098,816	54,472,737	52,297,021	49,172,982	48,502,170
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Community Development	1,878,004	1,334,327	1,351,443	1,113,132	1,163,945	1,125,092	792,029	664,711	1,025,979	1,072,444
Municipal Court	1,040,903	1,120,665	1,172,154	1,110,268	967,113	1,179,016	1,195,552	1,193,019	1,082,488	974,973
Police	961,712	845,646	860,390	725,857	488,631	463,565	550,947	522,919	516,591	658,015
Parks and Recreation	796,134	693,191	626,694	574,480	421,599	428,461	367,170	376,123	366,360	372,555
Public Works	1,645,405	945,930	1,086,223	756,113	162,374	129,562	55,316	62,795	99,753	307,226
Other	1,199,910	1,651,499	840,425	881,166	259,196	256,464	242,828	267,362	200,978	573,057
Operating grants & contributions	1,942,620	196,662	418,309	432,146	358,808	660,140	366,656	59,303	81,199	151,741
Capital grants & contributions	-	-	57,286	107,342	3,411,221	2,012,936	4,525,403	4,437,478	8,127,487	6,620,540
Total governmental activities program revenues	9,464,688	6,787,920	6,412,924	5,700,504	7,232,887	6,255,236	8,095,901	7,583,710	11,500,835	10,730,551

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Business-type activities:</b>										
Charges for services:										
Water Sales	\$ 13,443,511	\$ 12,738,912	\$ 10,220,088	\$ 8,140,267	\$ 8,285,306	\$ 7,780,095	\$ 8,547,662	\$ 6,917,587	\$ 6,574,110	\$ 6,060,043
Sewer Charges	7,092,057	6,360,126	5,511,705	4,901,303	4,255,951	3,720,357	3,406,283	2,864,595	2,748,160	2,409,614
Other	3,983,746	3,064,618	2,841,883	2,465,315	2,577,650	2,564,063	2,752,625	2,150,155	1,951,945	1,797,390
Capital grants & contributions	6,016,867	3,049,464	4,713,024	4,829,708	3,426,328	1,178,672	2,157,402	1,992,680	3,374,321	5,616,869
Total business-type activities program revenues	30,536,181	25,213,120	23,286,700	20,336,593	18,545,235	15,243,186	16,863,972	13,925,017	14,648,536	15,883,916
Total primary government program revenues	40,000,869	32,001,040	29,699,624	26,037,097	25,778,122	21,498,422	24,959,873	21,508,727	26,149,371	26,614,467
<b>Net (Expense)/Revenue</b>										
Governmental activities	(32,436,396)	(37,465,436)	(33,406,368)	(35,156,878)	(34,982,235)	(35,294,332)	(31,661,226)	(30,797,119)	(24,399,263)	(25,564,877)
Business-type activities	8,994,372	5,604,847	6,007,969	3,265,187	1,821,683	(306,062)	2,148,362	8,825	1,375,652	3,677,174
Total primary government net expense	(23,442,024)	(31,860,589)	(27,398,399)	(31,891,691)	(33,160,552)	(35,600,394)	(29,512,864)	(30,788,294)	(23,023,611)	(21,887,703)
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	21,470,363	20,966,521	20,432,488	18,438,330	17,870,887	17,321,016	17,204,239	16,735,510	16,422,119	14,780,112
Sales taxes	17,132,733	16,331,411	15,171,326	14,341,277	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,636
Other	3,561,607	3,454,314	4,312,446	3,365,885	3,310,417	3,613,020	3,011,917	3,285,081	3,734,068	4,625,450
Transfers	986,650	949,250	936,500	1,091,950	1,217,550	1,594,950	979,863	1,511,785	6,201,291	1,315,405
Total governmental activities	43,151,353	41,701,496	40,852,760	37,237,442	36,443,947	35,249,009	32,722,574	32,365,773	36,621,879	30,844,603
Business-type activities:										
Other	151,304	88,673	11,798	22,017	180,858	139,212	238,819	203,622	675,348	960,254
Transfers	(986,650)	(949,250)	(936,500)	(1,091,950)	(1,217,550)	(1,594,950)	(979,863)	(1,511,785)	(6,201,291)	(1,315,405)
Total business-type activities	(835,346)	(860,577)	(924,702)	(1,069,933)	(1,036,692)	(1,455,738)	(741,044)	(1,308,163)	(5,525,943)	(355,151)
Total primary government	42,316,007	40,840,919	39,928,058	36,167,509	35,407,255	33,793,271	31,981,530	31,057,610	31,095,936	30,489,452
<b>Change in Net Position</b>										
Governmental activities	10,714,957	4,236,060	7,446,392	2,080,564	1,461,712	(45,323)	1,061,348	1,568,654	12,222,616	5,279,726
Business-type activities	8,159,026	4,744,270	5,083,267	2,195,254	784,991	(1,761,800)	1,407,318	(1,299,338)	(4,150,291)	3,322,023
Total primary government	\$ 18,873,983	\$ 8,980,330	\$ 12,529,659	\$ 4,275,818	\$ 2,246,703	\$ (1,807,123)	\$ 2,468,666	\$ 269,316	\$ 8,072,325	\$ 8,601,749

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2008	14,780,112	10,123,636	2,421,094	27,324,842
2009	16,422,119	10,264,401	2,535,846	29,222,366
2010	16,735,510	10,833,397	2,748,483	30,317,390
2011	17,204,239	11,526,555	2,445,762	31,176,556
2012	17,321,016	12,720,023	2,821,451	32,862,490
2013	17,870,887	14,045,093	2,743,839	34,659,819
2014	18,416,548	14,341,277	3,093,257	35,851,082
2015	20,432,488	15,171,325	4,035,823	39,639,636
2016	20,966,521	16,331,411	3,201,488	40,499,420
2017	21,470,363	17,132,733	3,157,478	41,760,574

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182
2011	8,547,662	3,406,283	11,953,945
2012	7,780,095	3,720,357	11,500,451
2013	8,285,306	4,255,951	12,541,257
2014	8,140,267	4,901,303	13,041,570
2015	10,220,088	5,511,705	15,731,793
2016	12,738,912	6,360,126	19,099,038
2017	13,443,511	7,092,057	20,535,568

CITY OF ROCKWALL, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-5

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,870	\$ 2,446
Restricted	-	-	-	-	-	23,038	-	-	-	-
Non-spendable	-	-	-	-	2,514	1,120	2,116	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	9,159,333	8,293,107	8,264,368
Unassigned	10,827,051	11,165,872	11,476,929	10,305,640	11,273,469	9,893,803	10,085,001	-	-	-
Total general fund	\$ 10,827,051	\$ 11,165,872	\$ 11,476,929	\$ 10,305,640	\$ 11,275,983	\$ 9,917,961	\$ 10,087,117	\$ 9,159,333	\$ 8,295,977	\$ 8,266,814
All other governmental funds										
Restricted	\$ 592,611	\$ (86,775)	\$ 127,659	\$ (88,096)	\$ 328,435	\$ 1,511,561	\$ 1,641,992	\$ -	\$ -	\$ -
Committed	-	-	-	-	2,973,086	2,722,094	2,608,081	-	-	-
Committed for Debt Service	3,828,849	2,201,438	936,770	460,648	772,045.0	-	-	930,290	1,077,236	835,203
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	2,320,833	2,399,605	3,145,275
Capital projects funds	-	-	-	-	-	-	-	10,319,501	16,906,340	13,094,614
Assigned	12,787,803	13,628,545	8,859,209	12,396,173	15,535,782	14,549,510	16,652,507	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 17,209,263	\$ 15,743,208	\$ 9,923,638	\$ 12,768,725	\$ 19,609,348	\$ 18,783,165	\$ 20,902,580	\$ 13,570,624	\$ 20,383,181	\$ 17,075,092

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 21,364,031	\$ 20,946,082	\$ 20,441,533	\$ 18,416,548	\$ 17,890,435	\$ 17,338,798	\$ 17,329,982	\$ 16,560,766	\$ 16,407,575	\$ 14,708,142
Sales taxes	17,132,733	16,331,411	15,171,325	14,341,278	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,637
Franchise taxes	3,154,432	3,186,160	3,927,501	3,016,446	2,748,707	2,879,585	2,604,569	2,728,251	2,444,296	2,179,847
Charges for services	2,431,114	1,765,734	1,802,529	1,346,695	1,049,134	1,383,158	710,007	713,760	738,146	362,107
Permits	1,772,362	1,233,776	1,277,011	1,019,605	1,119,438	1,076,770	765,500	651,108	1,005,541	1,122,505
Municipal court	1,042,793	1,152,543	1,177,416	1,161,283	1,050,955	1,141,742	1,157,838	1,173,907	1,056,904	1,177,410
Intergovernmental	1,012,738	831,958	774,205	624,045	440,250	835,948	478,037	506,100	428,747	419,700
Interest income	141,210	105,047	88,724	51,672	(21,660)	114,588	136,878	60,429	611,615	1,702,870
Miscellaneous	538,312	315,876	440,246	525,865	795,304	795,150	661,379	569,258	872,988	837,707
Contributions and donations	1,780,277	90,812	388,236	527,008	44,929	727,361	364,975	148,512	2,812,457	775,695
<b>Total Revenues</b>	<b>50,370,002</b>	<b>45,959,399</b>	<b>45,488,726</b>	<b>41,030,445</b>	<b>39,162,585</b>	<b>39,013,123</b>	<b>35,735,720</b>	<b>33,945,488</b>	<b>36,642,670</b>	<b>33,409,620</b>
<b>Expenditures</b>										
Current:										
Mayor/council	130,560	107,998	116,572	94,747	102,995	106,958	111,494	116,372	109,845	117,366
Administration	4,859,771	4,348,317	4,221,318	3,997,844	3,821,755	3,690,167	3,402,793	3,353,637	3,358,705	3,056,885
Finance	1,183,815	1,017,359	948,974	985,734	924,415	1,245,790	1,211,261	1,189,250	1,266,436	1,199,417
Municipal court	439,986	389,914	396,256	415,220	349,536	337,537	335,082	333,234	318,467	311,706
Police	11,053,569	10,660,642	9,934,841	9,539,572	8,847,655	8,299,514	7,982,280	8,083,075	7,775,622	6,923,679
Fire	3,876,111	3,425,461	3,153,514	2,766,298	2,383,832	2,347,279	2,146,012	2,179,372	1,618,559	1,451,970
Public works	5,796,784	5,036,475	4,559,460	4,174,815	2,153,427	2,285,737	2,122,710	1,577,760	1,528,010	2,824,267
Community development	1,973,607	1,778,733	1,724,660	1,699,428	1,139,859	1,164,786	1,178,982	1,130,169	1,258,030	2,219,167
Parks and recreation	3,974,766	3,157,568	3,227,161	2,907,884	4,892,456	4,689,177	4,590,161	4,529,739	4,493,524	2,907,229
<b>Total current</b>	<b>33,288,969</b>	<b>29,922,467</b>	<b>28,282,756</b>	<b>26,581,542</b>	<b>24,615,930</b>	<b>24,166,945</b>	<b>23,080,775</b>	<b>22,492,608</b>	<b>21,727,198</b>	<b>21,011,686</b>
Capital outlay:										
Administration	655,182	3,480,825	3,220,135	474,857	8,431,896	6,649,805	7,168,226	4,746,948	18,427,890	2,373,369
Finance	166,766	173,471	54,875	103,344	124,302	224,306	101,525	57,653	78,866	137,035
Municipal Court	-	-	-	-	205,947	-	-	-	-	-
Police	428,155	544,428	287,492	711,544	167,587	465,169	274,821	1,316,626	258,623	74,899
Fire	652,484	410,467	180,516	334,349	2,167,780	368,805	266,400	434,754	6,462,691	727,795
Public works	441,324	431,590	98,112	6,421,609	-	-	-	24,575	90,798	29,051,639
Community development	-	-	-	-	-	-	-	-	-	-
Parks and recreation	1,073,992	893,797	754,587	277,541	65,534	486,159	-	1,095,622	482,177	1,742,004
<b>Total capital outlay</b>	<b>3,417,903</b>	<b>5,934,578</b>	<b>4,595,717</b>	<b>8,323,244</b>	<b>11,163,046</b>	<b>8,194,244</b>	<b>7,810,972</b>	<b>7,676,178</b>	<b>25,801,045</b>	<b>34,106,741</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt service:										
Principal	\$ 6,040,000	\$ 6,560,000	\$ 6,809,632	\$ 6,803,038	\$ 5,268,038	\$ 4,933,038	\$ 4,278,038	\$ 4,458,038	\$ 4,670,540	\$ 4,335,462
Interest	3,868,544	3,945,758	5,091,670	4,630,739	4,613,787	4,820,183	4,570,301	4,766,488	4,716,545	4,254,162
Bond issuance costs	-	231,376	-	74,581	90,615	44,305	150,900	-	242,173	468,837
Fiscal charges	14,000	25,855	39,250	14,800	10,500	8,800	11,200	7,032	15,284	6,384
Total debt services	9,922,544	10,762,989	11,940,552	11,523,158	9,982,940	9,806,326	9,010,439	9,231,558	9,644,542	9,064,845
Total expenditures	46,629,416	46,620,034	44,819,025	46,427,944	45,761,916	42,167,515	39,902,186	39,400,344	57,172,785	64,183,272
Excess (deficiency) of revenues over (under) expenditures	3,740,586	(660,635)	669,701	(5,397,499)	(6,599,331)	(3,154,392)	(4,166,466)	(5,454,856)	(20,530,115)	(30,773,652)
<b>Other financing sources (uses):</b>										
Transfers in	1,316,687	540,350	689,000	2,769,639	2,277,550	2,217,035	3,456,450	1,478,835	8,664,757	1,975,436
Transfers out	(3,930,037)	(3,131,100)	(3,032,500)	(5,257,689)	(4,215,000)	(3,502,085)	(2,913,587)	(2,304,050)	(4,488,966)	(2,715,031)
Bonds issued	-	8,076,711	-	9,820,000	10,530,000	2,150,000	13,210,000	-	19,295,000	22,270,000
Capital Leases	-	-	-	-	-	-	-	330,870	-	-
Refunding bonds issued	-	53,221,012	-	-	-	-	-	-	4,805,000	-
Accrued interest on bonds issued	-	-	-	-	-	-	-	-	-	-
Premium (discounts) on bonds issued	-	6,769,228	-	-	221,417	-	325,248	-	444,623	490,101
Payment to refunded bond escrow agent	-	(59,060,574)	-	(9,745,419)	-	-	(1,651,905)	-	(4,853,047)	-
Prior Period Adjustment	-	(246,478)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(2,613,350)	6,169,149	(2,343,500)	(2,413,469)	8,813,967	864,950	12,426,206	(494,345)	23,867,367	22,020,506
Net change in fund balances	\$ 1,127,236	\$ 5,508,514	\$ (1,673,799)	\$ (7,810,968)	\$ 2,214,636	\$ (2,289,442)	\$ 8,259,740	\$ (5,949,201)	\$ 3,337,252	\$ (8,753,146)
Debt service as a percentage of noncapital expenditures	22.9%	25.8%	29.6%	30.0%	28.6%	28.7%	27.6%	29.1%	30.6%	24.0%

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2008	14,708,142	10,123,637	2,179,847	27,011,626
2009	16,407,575	10,264,401	2,444,296	29,116,272
2010	16,560,766	10,833,397	2,728,251	30,122,414
2011	17,329,982	11,526,555	2,604,569	31,461,106
2012	17,338,798	12,720,023	2,879,585	32,938,406
2013	17,890,435	14,045,093	2,748,707	34,684,235
2014	18,438,330	14,341,277	3,093,257	35,872,864
2015	20,441,533	15,171,325	3,927,501	39,540,359
2016	20,946,082	16,331,411	3,186,160	40,463,653
2017	21,364,031	17,132,733	3,154,432	41,651,196

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-8

<b>Fiscal Year</b>	<b>Total Sales Tax Collections</b>	<b>Percent of Ad Valorem Tax Levy</b>	<b>Equivalent of Ad Valorem Tax Rate</b>
2008	10,123,637	70.46%	0.36
2009	10,264,401	64.30%	0.34
2010	10,833,397	65.80%	0.32
2011	11,526,555	68.74%	0.34
2012	12,720,023	75.10%	0.37
2013	14,045,093	81.16%	0.40
2014	14,341,277	78.98%	0.39
2015	15,171,325	75.62%	0.37
2016	16,331,411	79.43%	0.35
2017	17,132,733	81.25%	0.36

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-9

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2008	2007	2,105,432,149	809,042,172	291,476,021	404,048,791	2,801,901,551	0.4865
2009	2008	2,175,728,205	968,824,057	342,108,871	478,140,905	3,008,520,228	0.5031
2010	2009	2,207,188,025	1,034,428,814	343,770,085	245,497,304	3,339,889,620	0.5031
2011	2010	2,276,011,463	1,042,597,193	337,323,537	249,159,269	3,406,772,924	0.5031
2012	2011	2,316,829,222	1,041,610,117	337,423,698	264,503,280	3,431,359,757	0.5031
2013	2012	2,400,322,618	1,029,298,627	345,365,078	278,144,322	3,496,842,001	0.5025
2014	2013	2,437,302,085	1,126,527,658	385,352,763	280,459,789	3,668,722,717	0.5025
2015	2014	2,645,861,999	1,318,998,496	438,951,140	302,418,574	4,101,393,061	0.4955
2016	2015	2,897,340,628	1,324,784,283	426,923,073	334,889,710	4,314,158,274	0.4853
2017	2016	3,250,135,202	1,410,522,815	457,736,898	400,774,227	4,717,620,688	0.4543

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Freeport Exemption</u>
2008	104,805,677	1,658,500	66,881,780	13,651,705
2009	111,535,268	1,805,500	79,131,370	24,266,824
2010	117,336,354	6,522,310	101,284,160	25,091,542
2011	123,493,766	8,781,840	99,301,400	20,804,929
2012	130,833,284	10,360,860	105,251,440	20,979,952
2013	133,480,470	10,577,050	106,197,190	23,803,292
2014	139,936,532	12,780,746	102,226,360	25,071,144
2015	148,647,965	14,905,177	109,426,700	22,030,705
2016	162,365,290	20,961,691	107,887,230	28,084,128
2017	162,472,841	23,628,158	109,384,390	25,288,620

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-11

<u>Fiscal Year</u>	<u>City of Rockwall</u>			<u>Overlapping Rates</u>	
	<u>M&amp;O</u>	<u>Debt</u>	<u>Total</u>	<u>School</u>	<u>County</u>
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750
2011	0.2562	0.2469	0.5031	1.4700	0.3864
2012	0.2563	0.2468	0.5031	1.4700	0.3864
2013	0.2619	0.2406	0.5025	1.4700	0.3864
2014	0.2363	0.2662	0.5025	1.4600	0.3959
2015	0.2207	0.2748	0.4955	1.4400	0.3959
2016	0.2342	0.2511	0.4853	1.4400	0.3959
2017	0.2386	0.2157	0.4543	1.4650	0.3759

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-12

Taxpayer	2017			2008		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Allen Foods/Bimbo Bakeries	\$ 69,016,930	1	1.46%	\$ -	-	-
Excel Rockwall, LP	\$ 57,517,310	2	1.22%	-	-	-
BRE MF Rockwall, LLC	56,563,470	3	1.20%	-	-	-
Rockwall Crossing LTD	39,594,180	4	0.84%	21,340,740	6	0.76%
Rockwall Regional Hospital, LLP	37,566,000	5	0.80%	-	-	-
Whitmore Manufacturing CO	32,338,990	6	0.69%	-	-	-
Bella Harbor Hotel Venture, LLC	27,830,950	7	0.59%	-	-	-
Rockwall Dunhill LLC	26,761,420	8	0.57%	25,330,780	3	0.90%
Costco Wholesale	24,609,765	9	0.52%	41,777,077	1	1.49%
Oncor Electric Delivery Service	23,732,190	10	0.50%	21,812,500	5	0.78%
Mariah Bay Development Inc.	-	-	-	28,471,080	2	1.02%
Wal-mart	-	-	-	22,832,410	4	0.81%
Texas Star Express	-	-	-	18,290,840	7	0.65%
Rockwall Commons SPE II LLC	-	-	-	17,731,400	8	0.63%
EZ Flo Eastman	-	-	-	16,559,610	9	0.59%
Mission NE Dallas 1 LLC, Etal	-	-	-	16,311,540	10	0.58%
Subtotal	<u>326,514,275</u>		<u>6.92%</u>	<u>209,117,237</u>		<u>7.46%</u>
Total Taxable Value	<u>\$ 4,717,620,688</u>		<u>100.00%</u>	<u>\$ 2,801,901,551</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District

Note: Includes real property and business personal property for each entity

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-13

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Total Current Year Collections</b>	<b>Percent of Levy Collected During Fiscal Period</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Tax Levy</b>
2008	2007	14,367,824	14,173,725	98.65%	174,169	14,347,894	99.86%
2009	2008	15,962,353	15,777,483	98.84%	145,366	15,922,849	99.75%
2010	2009	16,465,193	16,182,308	98.28%	233,740	16,416,048	99.70%
2011	2010	16,768,511	16,616,216	99.09%	95,906	16,712,122	99.66%
2012	2011	16,937,674	16,780,370	99.07%	88,353	16,868,723	99.59%
2013	2012	17,306,465	17,205,265	99.42%	-	17,205,265	99.42%
2014	2013	18,157,980	18,055,096	99.43%	-	18,055,096	99.43%
2015	2014	20,063,663	19,951,271	99.44%	-	19,951,271	99.44%
2016	2015	20,561,430	20,538,371	99.89%	139,645	20,678,016	100.57%
2017	2016	21,086,975	21,119,819	100.16%	218,207	21,338,026	101.19%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-14

Customer	2017			2008		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	48,740,000	1	1.72%	62,060,900	1	2.11%
Rockwall I.S.D.	25,895,800	2	0.92%	41,117,900	2	1.40%
Graham Packaging Continental PET	16,985,400	3	0.60%	8,960,400	9	0.3%
Walden Residential	15,757,400	4	0.56%	12,910,900	6	0.44%
Allen Food Bakeries, Inc	15,220,800	5	0.54%	-	-	-
Excel Rockwall, L.P.	11,239,100	6	0.40%	11,179,900	8	-
D.W.C./Highlife Properties	9,956,400	7	0.35%	15,288,400	5	0.52%
IX MC 923 Yellow Jacket Lane LP	9,170,500	8	0.32%	-	-	-
Whittle Development	-	-	-	15,496,000	4	0.53%
Pratt Industries	9,109,200	9	-	-	-	-
Mission Rockwall	-	-	-	15,557,700	3	0.54%
Lake Pointe Church	-	-	-	11,208,600	7	0.38%
The Woodmont Company	-	-	-	7,930,000	10	0.38%
Sabre Realty Management Company	8,984,600	10	-	-	-	-
Subtotal	<u>171,059,200</u>		<u>6.05%</u>	<u>201,710,700</u>		<u>6.86%</u>
Total Water Usage	<u>2,826,162,420</u>		<u>100.00%</u>	<u>2,939,263,892</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-15

Fiscal Year	Governmental Activities				Business-Type Activities					Total Primary Government	Percentage of Personal Income	
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds	Capitalized Lease Obligations		Income	Per Capita
2008	74,925,362	18,810,000	245,000	-	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	8.13%	3,824
2009	86,179,822	22,425,000	-	-	135,178	25,890,000	-	11,670,000	7,431,754	153,731,754	10.38%	4,789
2010	83,271,784	20,875,000	-	278,034	113,216	25,005,000	-	10,775,000	7,080,083	147,398,117	8.74%	4,205
2011	88,473,746	23,050,000	-	236,589	91,254	28,205,000	-	5,215,000	6,710,000	151,981,589	8.08%	4,129
2012	84,675,708	24,065,000	-	193,299	69,292	27,145,000	-	4,550,000	6,321,743	147,020,042	7.44%	3,810
2013	88,562,670	25,440,000	-	148,083	47,330	29,510,000	-	3,865,000	5,910,072	153,483,155	7.51%	3,960
2014	87,404,632	16,935,000	-	100,855	25,638	27,900,000	-	3,495,000	5,485,067	141,346,192	6.62%	3,533
2015	85,790,000	14,610,000	-	51,525	-	26,220,000	-	3,235,000	5,041,729	134,948,254	5.97%	3,297
2016	90,400,000	8,580,000	-	-	-	31,230,000	-	-	4,571,724	134,781,724	5.96%	3,293
2017	85,235,000	7,705,000	-	-	-	28,740,000	-	-	4,233,385	125,913,385	5.19%	2,989

Note: See Table 20 for personal income and population data  
 Debt is shown gross of deferred amounts

CITY OF ROCKWALL, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-16

Fiscal Year	General Obligation Bonds	Governmental and Business Type Activities			Unamortized Premium (Discount)	Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
		Certificates of Obligation	Contractual Obligations	Gross Bonded Debt					
2008	74,925,362	28,745,000	245,000	103,915,362	1,583,018	835,203	104,663,177	3.74%	3,297
2009	86,179,822	48,315,000	-	134,494,822	1,912,382	1,077,236	135,329,968	4.50%	4,215
2010	83,271,784	45,880,000	-	129,151,784	1,859,751	930,290	130,081,245	3.89%	3,711
2011	88,473,746	51,255,000	-	139,728,746	2,004,225	1,426,272	140,306,699	4.12%	3,812
2012	84,675,708	51,210,000	-	135,885,708	2,046,038	1,221,201	136,710,545	3.98%	3,543
2013	88,562,670	54,950,000	-	143,512,670	2,218,052	772,045	144,958,677	4.15%	3,740
2014	87,404,632	44,835,000	-	132,239,632	2,105,454	460,648	133,884,438	3.65%	3,346
2015	85,790,000	40,830,000	-	126,620,000	1,992,856	936,770	127,676,086	3.11%	3,119
2016	90,400,000	39,810,000	-	130,210,000	1,709,884	2,201,438	129,718,446	3.01%	3,169
2017	85,235,000	36,445,000	-	121,680,000	1,597,726	3,828,849	119,448,877	2.53%	2,836

Note: See Table 20 for population data and Table 8 for property value data  
Deferred amounts include unamortized premium (discount) and loss on refunding

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2017  
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall (2)	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall - debt repaid with property taxes	\$ 92,940,000	100.00%	\$ 92,940,000
Indirect:			
Rockwall Independent School District	490,357,937	61.46%	301,373,988
Rockwall County	<u>105,405,000</u>	50.81%	<u>53,556,281</u>
Total Indirect	<u>595,762,937</u>		<u>354,930,269</u>
Total Direct and Overlapping Bonded Debt	<u><u>\$ 688,702,937</u></u>		<u><u>\$ 447,870,269</u></u>
Average debt per capita			<u><u>\$ 11,556</u></u>

Source: Assessed value data used to estimate applicable percentages provided by Rockwall Central Appraisal District. Debt Outstanding data is provided by each governmental unit.

- (1) Includes all Governmental Activities General Obligation Bonds, Contractual Obligations, Certificates of Obligation and Capital Leases
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable value.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	<b>Fiscal Year</b>									
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.4543	0.4853	0.4955	0.5025	0.5025	0.5031	0.5031	0.5031	0.5031	0.4865
Legal Debt Margin	2.0457	2.0147	2.0045	1.9975	1.9975	1.9969	1.9969	1.9969	1.9969	2.0135

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98
2011	15,439,747	10,805,039	4,634,708	740,000	360,448	1,100,448	4.21
2012	14,809,266	11,463,657	3,345,609	665,000	219,253	884,253	3.78
2013	16,096,968	11,885,957	4,211,011	685,000	191,306	876,306	4.81
2014	16,378,963	12,610,238	3,768,725	260,000	147,294	407,294	9.25
2015	19,748,474	13,657,885	6,090,589	270,000	136,894	406,894	14.97
2016	23,406,369	15,252,009	8,154,360	-	-	-	-
2017	26,262,806	17,163,431	9,099,375	-	-	-	-

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE D-20

<b>DEMOGRAPHICS</b>					
<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars) (3)</b>	<b>Per Capita Personal Income (1)</b>	<b>RISD School Enrollment (2)</b>	<b>Unemployment Rate (%) (1)</b>
2008	31,748	1,494,029	47,059	13,027	4.9
2009	32,103	1,480,976	46,132	13,372	7.0
2010	35,050	1,687,272	48,139	13,732	6.6
2011	36,810	1,881,580	51,116	13,965	6.7
2012	38,586	1,976,529	51,224	14,213	5.1
2013	38,755	2,044,742	52,761	14,359	5.3
2014	40,008	2,135,587	53,379	14,626	4.2
2015	40,929	2,259,553	55,627	15,468	3.3
2016	41,519	2,309,577	55,627	15,512	3.1
2017	42,120	2,424,806	57,569	15,822	3.7

Source: (1) Texas Workforce Commission, 2012 and 2013 are estimates  
 (2) Rockwall Independent School District - private schools not included  
 (3) Bureau of Economic Analysis US Dept. of Commerce

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,816	1	8.84%	1,667	1	9.39%
Texas Health Presbyterian Hospital	600	2	2.92%	-	-	-
Texas Star Express	484	3	2.36%	484	2	2.73%
Wal-Mart Superstore	450	4	2.19%	450	3	2.54%
Rockwall County	315	5	1.53%	253	4	1.43%
City of Rockwall	277	6	1.35%	243	5	1.37%
Special Products	168	7	0.82%	205	6	1.16%
L-3 Communications	150	8	0.73%	-	-	-
Home Depot	140	9	0.68%	-	-	-
Bimbo Bakeries	134	10	0.65%	-	-	-
Target	-	-	-	200	7	1.13%
Rockwall Nursing Home	-	-	-	160	8	0.90%
Kohl's Department Store	-	-	-	140	9	0.79%
Home Depot	-	-	-	130	10	0.73%
Subtotal	<u>4,534</u>		<u>22.07%</u>	<u>3,932</u>		<u>22.16%</u>
Total	<u>20,544</u>		<u>100.00%</u>	<u>17,746</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-22

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administration	27	27	26	26	25	21	21	22	22	22
Finance	5.5	5.5	5	5	5	8	8	8	8	8
Municipal Court	5	5	5	5	4	4	4	4	4	4
Fire	29	26	26	23	19	17	17	17	17	10
Police	103	102	101.5	100.5	97	92.5	91.5	90.5	90.5	88
Community Development	20	19	19	19	24.5	29.5	29.5	29.5	29.5	29.5
Parks & Recreation	30	30	30	29	25	26	26	26	26	24.5
Public Works	22	21	21	21	21	21	21	21	21	23
Water/Sewer	36	33	33	34	34	37	37	38	38	34
<b>Total</b>	<b>277.50</b>	<b>268.50</b>	<b>266.50</b>	<b>262.50</b>	<b>254.50</b>	<b>256.00</b>	<b>255.00</b>	<b>256.00</b>	<b>256.00</b>	<b>243.00</b>

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Finance										
Invoices processed	12,940	12,286	13,782	14,518	15,351	15,772	15,582	16,613	16,933	16,696
Payroll checks issued	12,044	11,213	11,093	10,118	9,650	10,065	10,500	9,356	9,176	8,765
Purchase orders issued	2,389	2,141	2,135	1,939	2,002	2,150	2,269	2,391	2,572	2,363
Municipal Court										
Violations Processed	12,124	11,171	13,135	16,950	15,208	16,859	16,361	17,261	16,526	12,984
Fire										
Employees (paid)	29	26	26	23	19	17	17	17	17	10
Volunteers	38	48	34	30	29	35	41	38	35	42
Fire Calls (City and County)	1,684	1,240	902	723	913	831	1,059	771	771	860
Police										
Employees (uniformed)	79	78	78	78	76	72	71	71	70	69
Employees (civilian)	23.0	23.0	22.5	22.5	21	20	20	20	19	17
Calls for Service*	18,101	17,553	18,152	17,391	16,317	18,267	21,490	30,569	30,610	29,097
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.										
Community Development										
# permits - New commercial construction	20	16	19	12	25	14	21	4	17	26
Value - New commercial construction	107,317,132	34,712,638	44,764,279	13,645,795	55,921,000	36,578,259	15,446,160	10,969,950	71,061,773	40,553,363
# permits - New residential construction	370	341	346	257	272	218	185	212	169	173
Value - New residential construction	84,226,817	80,982,059	79,262,932	59,868,007	56,266,387	39,815,104	36,244,834	40,293,359	30,914,120	31,962,169
Parks & Recreation										
The Center facility usage	47,759	46,946	62,991	78,350	84,000	81,500	84,001	68,665	61,713	76,530
Special event attendance	89,450	86,150	80,000	81,000	83,000	85,000	80,000	95,000	90,680	75,232
# recreation participants (youth & adult)	5,600	5,433	4,711	4,900	4,700	4,500	3,268	3,428	2,155	2,757

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Public Works</b>										
Streets - sq yd concrete street repair	1,263.90	1,262.94	5,407.00	3,872.00	2,333.00	4,316.37	2,276.40	2,851.55	5,507.20	3,415.26
\$ spent on concrete/asphalt street repair	\$ 834,308	\$ 749,128	\$ 806,081	\$ 909,163	\$ 712,451	\$ 654,243	\$ 602,167	\$ 575,446	\$ 541,430	\$ 411,814
Miles of public street maintained by City*	218.45	215.81	211.65	188.18	185.67	184.06	183.05	196.10	192.86	183.86
* Beginning in 2011, mileage calculations have changed and software advances have allowed for a more accurate count										
<b>Water/Sewer</b>										
Water customers	15,902	15,557	15,147	14,874	14,599	13,416	13,044	12,859	12,471	12,285
Sewer customers	13,212	12,944	12,644	13,215	12,968	12,137	11,891	11,651	11,401	11,106
Average daily water consumption (gal)	7,826,181	5,595,421	5,813,542	6,210,113	8,158,146	8,322,890	9,943,169	7,434,917	8,228,041	8,052,778
Peak daily water consumption (gal)	16,631,760	16,342,090	17,497,100	12,930,773	15,728,969	20,230,443	21,739,681	16,969,865	16,900,802	20,114,986
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	9,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-24

Function	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Fire										
Number of stations	4	4	4	4	4	4	4	4	2	2
Number of fire engines/trucks	12	13	13	13	13	15	15	14	12	11
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	41	41	40	42	42	42	42	42	42	42
Parks & Recreation										
Parks acres (developed)	620	598	586	538	538	538	538	538	538	538
Playgrounds	28	26	25	25	25	25	25	25	23	23
Picnic areas	37	35	32	32	32	32	32	32	31	31
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ Spent on new construction	\$ 1,026,792	\$ 3,510,781	\$ 8,751,606	\$ 4,760,116	\$ 3,567,315	\$ 2,164,305	\$ 1,079,938	\$ 2,596,948	\$ 15,444,384	\$ 24,508,043
Miles of public streets	218.45	215.81	211.65	188.18	185.67	184.06	183.05	196.10	192.86	183.86
Water/Sewer										
Water mains (miles)	318.56	300.69	302.77	287.91	287.91	276.94	265.82	269.82	255.88	250.40
Sanitary sewers (miles)	251.66	237.13	241.21	231.91	231.91	218.88	222.62	215.88	212.77	209.95

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Prepared by:

**CITY OF ROCKWALL, TEXAS**

**FINANCE DEPARTMENT**

Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2016**

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***INTRODUCTORY SECTION***

January 12, 2018

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2016, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company, P.C, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;

assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.79 square miles and an estimated population of 41,519.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted in 2005 and again in 2015. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two-year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### **Local Economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's local economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 7.65% in our local sales tax revenues. The City has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 4.8%. The most recent five-year average is 9.50% per annum. During the downturn in the economy growth in the tax base slowed but remained positive each year. The City's largest taxpayers are varied and include industry, retail developments, multi-family properties, and medical facilities. Table D-12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to successfully market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Channell Commercial Corporation completed construction on their new corporate headquarters and manufacturing facility, relocating their nearly 100-year old business to Rockwall from their location in southern California. The rail-served facility is 175,000 square feet and includes the largest structural foam machine in Texas. They are an industry leader in thermoplastic enclosures for the telecommunications and broadband industries.
- Col-Met Paint Booths moved their state of the art operations from a leased facility to their new 150,000 square foot building in phase II of the Rockwall Technology Park. This move allows the company to expand current operations and provides room to expand the building further in the future.
- Pratt Industries began construction on their 389,000 square foot facility which will serve the recycled paper goods industry providing shipping ready boxes to customers including Amazon.
- Downtown Rockwall underwent extensive reconstruction with completion occurring in 2016 and marked by a full-day celebration of the end of construction. Several new stores have moved into the downtown square following the completion adding to the mix of retail, restaurant and service locations. The City benefits from the attention garnered from Rockwall's being a Texas Main Street City. The City has seen a 5.4% increase in sales taxes in the downtown area in the last fiscal year and 70.4% in the last five years.

### **Long-term Planning**

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

## Financial Policies

The City Council adopted financial policies in 2001 which have guided the City, allowing us to build a strong fund balance, and reinforcing the City's philosophy to budget conservatively for both revenues and expenditures. The general fund reserve policy is reviewed annually and updated most recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5-month level were available to fund capital projects in 2016 including an erosion repair project. The City had, for many years, financed vehicle additions and replacements with short-term debt. A healthy reserve allowed the City to purchase all vehicles on a pay-as-you-go basis.

## Budget Overview

The City Manager proposes a balanced budget to the City Council each year by August 1. Public hearings are conducted to receive comments and priorities of the community at large. The City Council must adopt the operating budget and set the City's tax rate for the next year by October 1st of each year.

## Planning Projects

The City Council values long-range planning and have supported a number of efforts outlined below.

## Capital Improvement Planning

In May 2012, voters approved propositions to provide downtown accessibility projects, roadway rehabilitation and Interstate 30 ramp adjustments. The City hired design and construction management professionals to work with staff and City Council to develop the vision for the projects and cost estimates to ensure the projects as approved can move forward expeditiously and be completed within budget. Improvements have been completed on the Downtown Square to increase walkability and accessibility. Engineering firms were selected for each of the street rehabilitation projects in 2015 and the planning and design work is being completed. This work will continue through 2017 with construction starting shortly after.

## Strategic Planning

The City Council and staff worked on an updated strategic planning document with the goal of a simplified, easy to understand final product. The initial stage of the plan included looking at the current breakdown between the residential and commercial tax base and whether or not the current land use plan will allow that mix to be maintained or improved in order to decrease the tax burden on residential properties. It was determined that sufficient non-residential land uses are planned but that any change from non-residential to residential zoning needs to be evaluated in light of the City's strategic goals. The City receives higher sales taxes per capita than other area cities, pointing to the City's long-standing status as a regional shopping destination. As cities to the east grow and add retailers the City will strive to add specialty retailers to continue the regional draw. The remaining I-30 corridor development will need to be well-planned and executed. A citizen committee was formed to work with the City Planning Department staff to make amendments to the Comprehensive Plan and develop an I-30 Corridor plan. The long-term infrastructure needs of

the City including streets, water and sewer will need to be planned and funded. A study was conducted in late 2016 to assess the condition of each street and alley in the City to determine the remaining useful life of each one. The findings will then be evaluated to determine the level at which preventive maintenance will forestall more extensive repairs or replacement. The next stages of the strategic planning focused on the individual departments of the City and how they address both the goals of the larger plan and strategic needs within the department. The final plan was used as a resource during the budget planning process in 2106. In 2017, the departments will work on projects outlined in the plan and begin making quarterly reports to Council on their progress.

## Future Development

### Transportation

The majority of the City's main thoroughfares are state facilities. TxDOT has completed design work on the FM3549 overpass project which had unexpected delays due to problems with the construction contract but after rebidding should get underway in early 2017. FM 3097 – Horizon Road – a heavily traveled roadway in the retail and medical corridor has been under construction in 2016 and is a 24-month improvement and widening project. The City and TxDOT have jointly funded the project. The City funded and TxDOT managed the construction of a project to reverse two ramps on I-30 improving access to John King Boulevard and alleviating pressure on other intersections during the FM 3549 overpass project. TxDOT has begun planning for the widening of SH205 in the 3 counties it serves. The City Council and staff have worked closely with TxDOT as planning progresses.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allow funding for the advance planning and design of several major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction. The Consortium was successful in securing new state funding for both SH 276 and FM 3549 widening projects after the state-wide referendums provided new dollars for the state's highway system. The fact that the projects were in design and would be ready to bid when dollars were made available was crucial in getting these new funds. The Consortium is continuing to look at other roadways in the County to get the next list of projects vetted and serves as a positive model for neighboring areas to see the successes that this collaboration has achieved.

### Medical Services

The presence of acute care at Presbyterian Hospital of Rockwall kicked off growth in the medical corridor. Several new medical buildings with doctors' suites and state of the art out-patient diagnostic imaging facilities have allowed Rockwall to become a regional medical services destination with new offices continuing to open each year. The medical destination drives other growth in the area and is an important boost to the City as visitors spend time dining and shopping while in the area.

## Retail / Entertainment

“The Harbor” development is situated on the shores of Lake Ray Hubbard at I-30. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. The Conference Center continues to attract events including numerous corporate training and retreat sessions and expects many which are scheduled for 2017. The retail center will be under new ownership in 2017 with many positive changes expected. A new Marriott Springhill Suites with 105 suites and conference space broke ground with completion slated for summer 2017. The hotel will be locally owned and operated and will employ a sales director to market the property to mid-size regional conferences and meetings.

In conjunction with private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects. In a second project, the City collaborated with the Trend Tower developer on construction of the seven-story, 85,000 square foot office tower overlooking the lake. Trend Tower offered Class-A office space to its corporate tenants as it opened in 2014. The City has signed a lease agreement with Trend on use of the parking garage offering much needed public parking for the Harbor events.

The City’s extremely successful 12-week Concert on the Lake Series managed by the City’s Recreation Department draws more than 5,000 attendees each Thursday evening for a free concert. Surveys conducted during the events gather data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here. The term “Live Music Capital of North Texas” has been coined to describe the many opportunities available year round in both public and restaurant venues.

Founder’s Day held annually in Myers Park allows residents and visitors to shop merchants’ wares, enjoy free concerts and children’s activities all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend. This year the downtown merchants sponsored an art exhibit and sale during the day and shuttle service was provided between the two event locations.

A Farmer’s Market brings visitors downtown Saturdays from May to October. The annual “Rib Rub and Run” BBQ contest draws more than 50 teams to the downtown square. The Main Street Advisory Board and “Friends of Downtown Rockwall”, citizen volunteer group, worked to plan more special events to bring shoppers downtown. A late evening shopping event called “Night Owls” added late evening hours and live musical entertainment each Thursday, Friday and Saturday evening on the newly opened San Jacinto Plaza bringing people out to enjoy a relaxing evening downtown. In April 2016, the Downtown merchants partnered with the City to sponsor a day-long grand re-opening celebration as construction was completed on the \$8.6 million walkability and parking improvements to the Downtown square.

## Utilities

The water and wastewater rates were increased in 2016 and the City intends to raise rates in 2017. The City purchases treated water as a founding member city of the North Texas Municipal Water District. With extremely heavy 2015 rains the drought which had extended over several years and seemed to be worsening was broken and the area lakes filled completely. As the drought had

worsened the NTMWD asked its member and customer cities to reduce consumption by a minimum of 10%. Rockwall residents were so receptive to the call for conservation that actual consumption was reduced by more than 37%. While consumption has increased as time passes since the drought broke, it remains more than 25% below our peak year in 2012. Sales for the City’s water system increased by 19.32%. The City’s water system is recognized with the Texas Commission on Environmental Quality’s “Superior” rating.

The City actively works to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations. It remains the City’s desire to be the provider for all residents in our city limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-16 (net of Debt Service)	\$129,718,446
Estimated Population	41,519
G.O. Debt Per Capita	\$3,124
Net G.O. Debt per Assessed Value	3.02%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA+	A-	A-
Moody’s Investor Service Inc.	Aa2	Aa3	A1

**ACKNOWLEDGEMENTS**

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

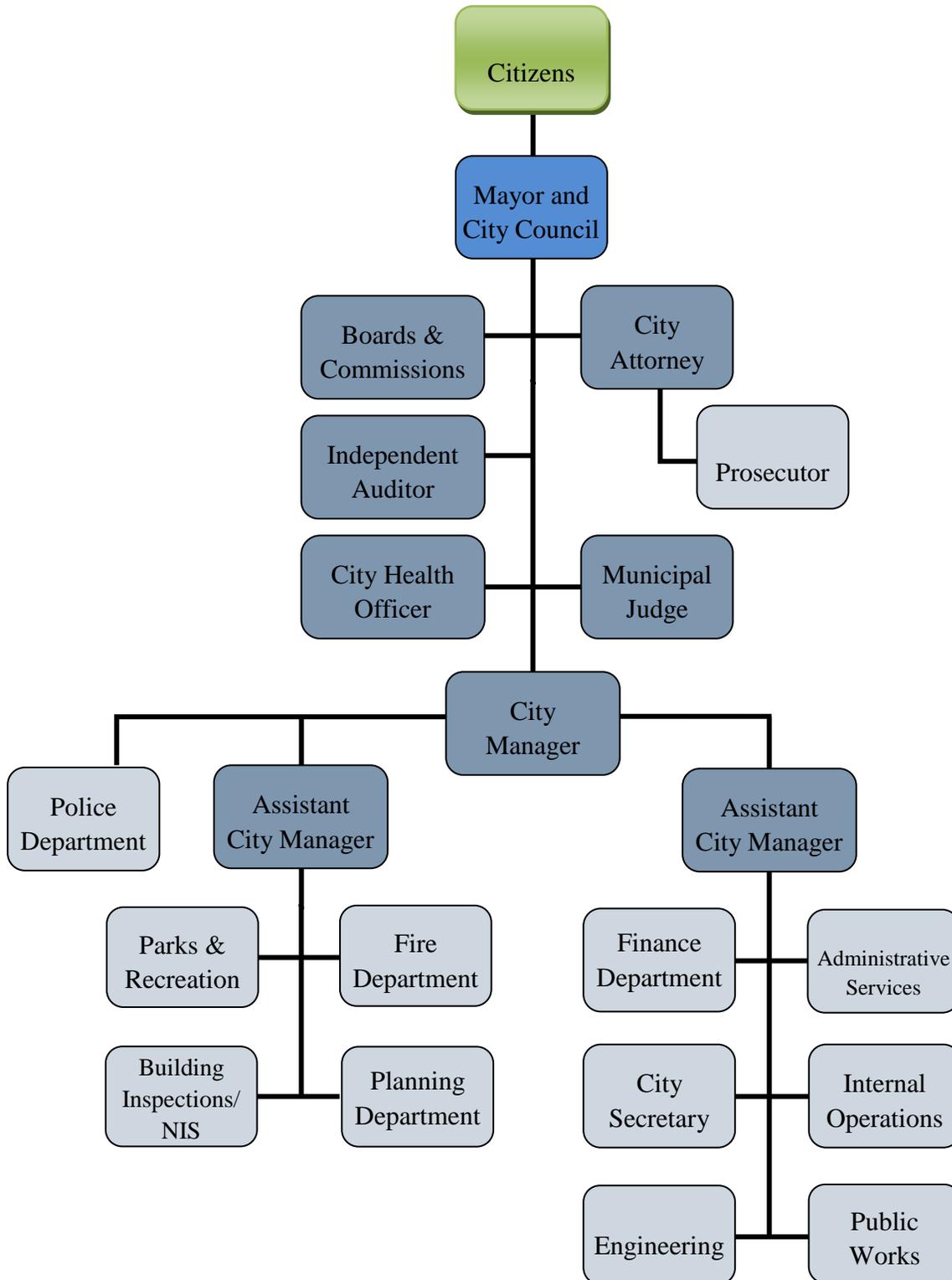
In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

Richard R. Crowley  
City Manager

Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2016

**City Council**

Jim Pruitt, Mayor  
Mike Townsend, Mayor Pro-Tempore  
Kevin Fowler, Councilmember  
John Hohenshelt, Councilmember  
Dennis Lewis, Councilmember  
Scott Milder, Councilmember  
David White, Councilmember

**City Staff**

Rick Crowley, City Manager  
Mary Smith, Assistant City Manager  
Brad Griggs, Assistant City Manager  
Cheryl Dunlop, Director of Administrative Services  
Kirk Riggs, Chief of Police  
Mark Poindexter, Fire Chief  
Ryan Miller, Director of Planning and Zoning  
Tim Tumulty, Director of Public Works/City Engineer  
Joey Boyd, Director of Internal Operations

***FINANCIAL SECTION***

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19-30 and 74 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 Rockwall, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statement and schedules 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 non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Tox, Byrd + Company, P.C.*

Dallas, Texas  
January 12, 2018

## MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall’s financial performance provides an overview and analysis of the City’s financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City’s total net position was \$188,940,553 at September 30, 2016.
- During the year, the City’s governmental activities expenses were \$4,236,060 less than the \$41,701,496 generated in program revenues, taxes, other revenues and transfers.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities, net of deferred inflows and deferred outflows of resources at the close of the fiscal year ending September 30, 2016, by \$111,853,789 (net position).
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$11,165,872 or approximately 35.2 percent of the total general fund operating expenditures and transfers out.
- The City’s total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) decreased by \$1,527,938 during fiscal year 2016. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.

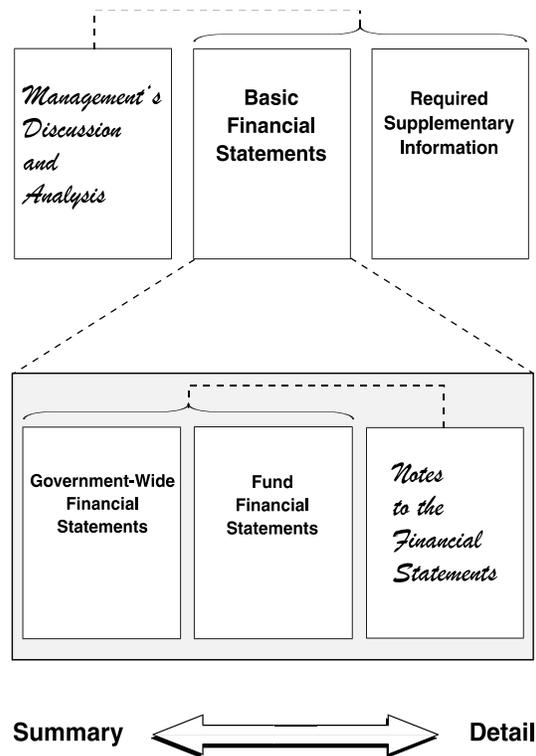
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements, followed by a section of required supplementary information, further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	◆ Statement of net position	◆ Balance Sheet	◆ Statement of net position
	◆ Statement of activities	◆ Statement of revenues, expenditures & changes in fund balances	◆ Statement of revenues, expenses & changes in fund net position ◆ Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net positions* presents information on all of the City of Rockwall’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 condition of the City of Rockwall is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example, uncollected taxes and earned but unused vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. We report the City’s water and sewer system here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements are found on pages 24-25 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds - not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds* - Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 22 individual governmental funds. 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, Debt Service fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self-insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds* - The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of assets and liabilities of the agency fund. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2016, the City's net position (assets exceeding liabilities) totaled \$188,940,533. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

The largest portion of the City's net position (85.7 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 34,528,305	\$ 27,450,014	\$ 15,160,447	\$ 8,486,760	\$ 49,688,752	\$ 35,936,774
Capital Assets	<u>194,092,167</u>	<u>196,053,217</u>	<u>102,274,731</u>	<u>100,319,376</u>	<u>296,366,898</u>	<u>296,372,593</u>
Total Assets	<u>228,620,472</u>	<u>223,503,231</u>	<u>117,435,178</u>	<u>108,806,136</u>	<u>346,055,650</u>	<u>332,309,367</u>
Deferred Outflows	<u>5,125,888</u>	<u>2,489,735</u>	<u>1,915,443</u>	<u>284,212</u>	<u>7,041,331</u>	<u>2,773,947</u>
Non-current liabilities	<u>115,380,980</u>	<u>113,424,286</u>	<u>40,199,855</u>	<u>35,871,767</u>	<u>155,580,835</u>	<u>149,296,053</u>
Other liabilities	<u>5,649,822</u>	<u>4,498,178</u>	<u>2,012,723</u>	<u>866,809</u>	<u>7,662,545</u>	<u>5,364,987</u>
Total Liabilities	<u>121,030,802</u>	<u>117,922,464</u>	<u>42,212,578</u>	<u>36,738,576</u>	<u>163,243,380</u>	<u>154,661,040</u>
Deferred Inflows	<u>861,769</u>	<u>206,295</u>	<u>51,279</u>	<u>9,278</u>	<u>913,048</u>	<u>215,573</u>
Net Position						
Invested in capital assets, net of related debt	<u>95,507,167</u>	<u>95,193,217</u>	<u>66,473,007</u>	<u>65,822,647</u>	<u>161,980,174</u>	<u>161,015,864</u>
Restricted for debt service	<u>2,114,663</u>	<u>1,064,429</u>	<u>1,042,083</u>	<u>1,295,481</u>	<u>3,156,746</u>	<u>2,359,910</u>
Restricted for capital projects	<u>12,156,095</u>	<u>6,865,578</u>	<u>5,685,025</u>	<u>1,392,537</u>	<u>17,841,120</u>	<u>8,258,115</u>
Unrestricted	<u>2,075,864</u>	<u>4,740,983</u>	<u>3,886,649</u>	<u>3,831,828</u>	<u>5,962,513</u>	<u>8,572,811</u>
Total net position	<u>\$ 111,853,789</u>	<u>\$ 107,864,207</u>	<u>\$ 77,086,764</u>	<u>\$ 72,342,494</u>	<u>\$ 188,940,553</u>	<u>\$ 180,206,700</u>

A portion of the City of Rockwall's governmental activities net position, \$20,997,866 or 11.11% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position, \$5,962,513, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net position for the year ended September 30, 2016.

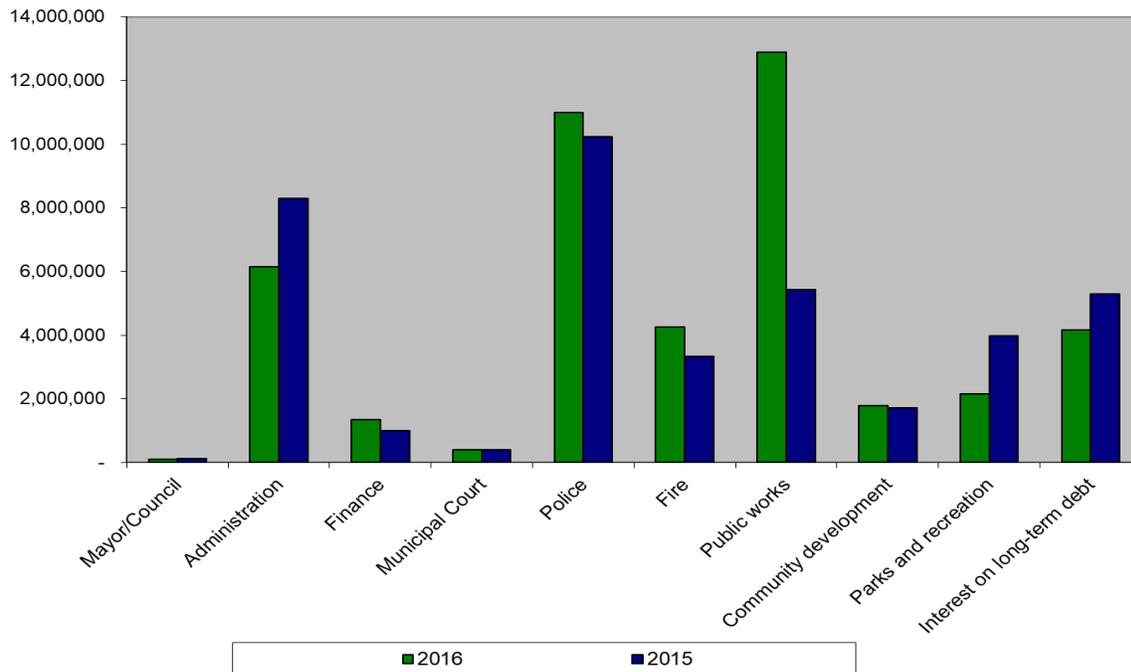
**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 6,591,258	\$ 5,937,329	\$ 22,163,656	\$ 19,736,676	\$ 28,754,914	\$ 25,674,005
Operating grants & contributions	196,662	418,309	-	-	196,662	418,309
Capital grants & contributions	-	57,286	3,049,464	3,550,024	3,049,464	3,607,310
General Revenues:						
Property taxes	20,966,521	20,432,488	-	-	20,966,521	20,432,488
Sales taxes	16,331,411	15,171,326	-	-	16,331,411	15,171,326
Other	3,454,314	4,312,446	88,673	11,798	3,542,987	4,324,244
Total revenues	<u>47,540,166</u>	<u>46,329,184</u>	<u>25,301,793</u>	<u>23,298,498</u>	<u>72,841,959</u>	<u>69,627,682</u>
Program expenses:						
Mayor/Council	107,998	116,572	-	-	107,998	116,572
Administration	6,145,346	8,298,012	-	-	6,145,346	8,298,012
Finance	1,345,039	1,003,849	-	-	1,345,039	1,003,849
Municipal Court	395,127	396,256	-	-	395,127	396,256
Police	11,001,835	10,222,333	-	-	11,001,835	10,222,333
Fire	4,266,758	3,334,030	-	-	4,266,758	3,334,030
Public works	12,889,840	5,438,890	-	-	12,889,840	5,438,890
Community development	1,778,965	1,724,660	-	-	1,778,965	1,724,660
Parks and recreation	2,157,430	3,981,748	-	-	2,157,430	3,981,748
Interest on long-term debt	4,165,018	5,302,942	-	-	4,165,018	5,302,942
Water and sewer	-	-	19,608,273	17,278,731	19,608,273	17,278,731
Total expenses	<u>44,253,356</u>	<u>39,819,292</u>	<u>19,608,273</u>	<u>17,278,731</u>	<u>63,861,629</u>	<u>57,098,023</u>
Increase (decrease) in net position before transfers	3,286,810	6,509,892	5,693,520	6,019,767	8,980,330	12,529,659
Transfers	<u>949,250</u>	<u>936,500</u>	<u>(949,250)</u>	<u>(936,500)</u>	-	-
Increase (decrease) in net position	4,236,060	7,446,392	4,744,270	5,083,267	8,980,330	12,529,659
Net position, October 1	<u>107,864,207</u>	<u>108,210,703</u>	<u>72,342,494</u>	<u>68,087,640</u>	<u>180,206,701</u>	<u>176,298,343</u>
Prior Period Adjustment	<u>(246,478)</u>	<u>(7,792,888)</u>	-	<u>(828,413)</u>	<u>(246,478)</u>	<u>(8,621,301)</u>
Net position, September 30	<u>\$ 111,853,789</u>	<u>\$ 107,864,207</u>	<u>\$ 77,086,764</u>	<u>\$ 72,342,494</u>	<u>\$ 188,940,553</u>	<u>\$ 180,206,701</u>

## Governmental Activities

The City's total revenues of governmental activities were \$47,540,166. A significant portion 44.10%, of the City's revenues came from property taxes. Another 34.35% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties and increases in assessed valuation throughout the City. The City Council has chosen to either maintain the current rate or lower the tax rate each of the last five years. Total assessed values of the properties in the City increased by 6.9%. The City adopted a property tax rate of 48.53 cents per \$100 of assessed valuation for fiscal year 2016. Growth in the assessed valuation and conservative budgets allowed the City to lower the rate for fiscal year 2016 by 1.02 cents per hundred dollars of assessed valuation. Sales tax revenue increased over the prior year by 7.64% which was most influenced by increases in same stores sales. While housing starts are not expected to return to pre-downturn levels, they are trending upward and are reflective of larger homes on larger tracts resulting in significantly higher price points. Developers started infrastructure work on several new subdivisions including phases of Stone Creek, Breezy Hill, and Lakes of Somerset in 2016. The permit revenues decreased by 2.7% after increasing more than 25% in the previous fiscal year. Housing starts were strong in fiscal year 2016 but commercial permits did not increase as significantly as the year past. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and named the wealthiest county in Texas.

## Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$44,253,356. Of this total, \$11,001,835 (24.9%) was for the Police Department. The department increased expenditures for fiscal year 2016 when compared to the prior year. Staffing was realigned in the Police Department and an officer was promoted to a Sergeant position without filling the vacancy he created. In addition, officer salaries were increased to stay competitive in our area job market. Public Works costs were \$12,889,840 (29.1%) and reflected ongoing road reconstruction

projects, the final expenses associated with the downtown improvements and an increase in the ongoing street maintenance focused projects. A study was funded to evaluate the pavement condition of all streets, alleys and sidewalks in the City limits. The results will be evaluated in the coming year and used to determine priorities for future capital projects. Administrative departments including Administration, Human Resources, and Internal Operations which is responsible for building maintenance, the public safety radio system and IT had combined costs of \$6,145,346 (13.9%).

### **Business-Type Activities**

The City's business-type activities recorded an increase of \$4,744,270 in net position. Retail water sales increased by 24.64% in part due to raising rates by 10% in January. Despite the lack of mandatory conservation measures, the City's water consumption has not returned to pre-drought levels and remains a source of concern. Consumption levels remain more than 30% below the last non-drought year which was 2012. The City's rates were increased in 2013, 2014, 2015 and 2016 with another increase expected for 2017. The City implemented a conservation focused water rate structure in 2001 and increases the rate tiers each time new rates are adopted. The rates for sewer were also increased and total sewer charges increased by 15.4% for the fiscal year. The City employs winter averaging to calculate sewer billing, so revenues are largely not affected by restrictions on irrigating lawns. Water and sewer charges were \$19,099,038.

Water and wastewater impact fees (Capital recovery fees) revenue totaled \$1,154,040 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system's initial costs in building assets to serve new growth. Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

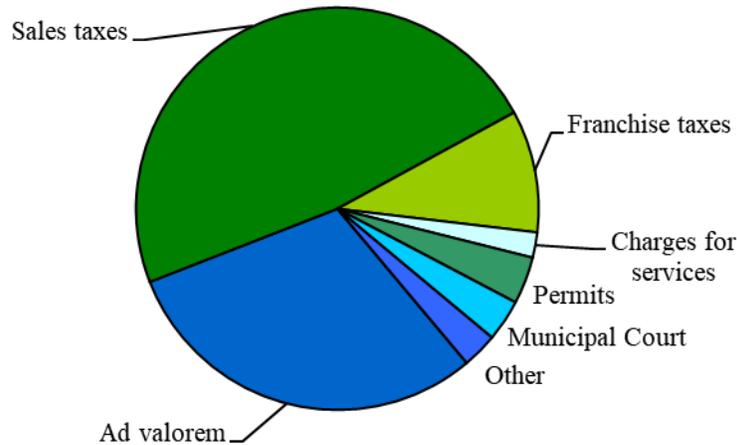
### **Component Units**

The Rockwall Economic Development Corporation (REDC) reported revenues including the ½-cent sales tax, authorized under the Type A Corporation statutes, of \$5,212,617. Assets managed by the corporation include an inventory of over 263 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

### **ANALYSIS OF INDIVIDUAL FUNDS**

The City's *General Fund* reported an ending unassigned fund balance of \$11,165,872. The largest source of general fund revenue is sales tax, it accounted for \$15,574,733 (47.98%) of total general fund revenue. Ad valorem property taxes account for \$9,801,470 (30.2%) of general fund revenues. The City's property tax rate is split between maintenance/operations and debt service. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows. The City Council elected to use reserves to purchase equipment for the Police and Fire departments as well as additional funding for street maintenance. This planned use of reserves totaled \$2,029,731. The City's planned expenditures during fiscal year 2016 included capital equipment and maintenance projects in order to reduce the general fund unassigned balance. The unassigned balance decreased by \$311,057 or 2.8%.

## Revenues by Source – General Fund



The City's *Debt Service Fund* reported an increase in fund balance of 1,264,688. Property tax collections for debt service requirements were \$10,513,294. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City's bond election in 2005 authorized more than \$65,031,000 in projects. After extensive study, the City adopted a Roadway Impact Fee which was updated in 2014 and which provided \$421,113 in new revenue to this fund in fiscal year 2016. The City Council chooses to budget a portion of this fund balance each year toward meeting the debt service obligations. This allows the use of the debt service fund reserves to lessen the effect of new debt issues on the property tax rate each year.

The *G.O. Bonds Capital Projects Fund* reported an assigned fund balance of \$9,919,654, an increase of \$5,330,817 from the prior year. Downtown improvements were completed in fiscal year 2016. Funding for the access ramp improvements on Interstate 30 at John King were incurred in 2016 as well. Work should be completed on the ramps in 2017.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2016, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$29,315,300 increased to \$30,446,270 while revenue estimates increased from \$31,512,800 to \$32,571,200. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$10,857,929 however due to the budget adjustments mentioned above the fund balance was re-estimated to be \$10,591,759.

General fund revenues ultimately were \$32,462,481, a negative variance of \$108,719 over the amended budget estimate, reflecting a smaller than anticipated increase in sales tax collections late in the budget year. Actual general fund total expenditures were \$29,703,438 or \$742,832 less than final projections. Final expenditures in each department were generally less than anticipated. The City ended the year with a fund balance of \$11,165,872, or \$311,057 less than the prior year. The lower fund balance is due to planned expenditures of capital items to reduce a fund balance which remains in excess of stated financial policies. City Council intended to reduce the fund balance by more than \$600,000 but the conservative projections of both revenues and expenditures resulted in a lesser change in fund balance.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2016 the City had \$296,366,903 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 17,238,772	\$ 17,238,772	\$ 799,533	\$ 799,533	\$ 18,038,305	\$ 18,038,305
Buildings & systems	13,100,043	13,743,910	97,625,107	98,344,141	110,725,150	112,088,051
Improvements other than buildings	17,550,029	18,801,718	-	-	17,550,029	18,801,718
Machinery & equipment	5,199,022	4,732,316	1,968,754	1,036,338	7,167,776	5,768,654
Infrastructure	127,649,975	132,229,621	-	-	127,649,975	132,229,621
Construction in progress	13,354,326	9,306,880	1,881,337	139,364	15,235,663	9,446,244
	<u>\$ 194,092,167</u>	<u>\$ 196,053,217</u>	<u>\$ 102,274,731</u>	<u>\$ 100,319,376</u>	<u>\$ 296,366,898</u>	<u>\$ 296,372,593</u>

The City held a bond election in May 2012 during which voters approved propositions to fund several street reconstruction projects as well as infrastructure and accessibility projects in the downtown area in excess of \$27,800,000. Construction was completed in 2016 and the renewed area was celebrated in a grand opening event on April 16th. The interstate ramp reversal project approved by voters was under construction in 2016 with opening slated for early 2017. The remaining roadway rehabilitation projects are under design and will be ready for bidding in 2017.

Additional information regarding the City's capital assets is found in note III-D on pages 47-50.

### Debt

At year-end, the City had \$134,781,724 in bonds and capitalized leases shown in Table 4.

<b>Table 4</b>						
<b>City of Rockwall Outstanding Debt</b>						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 90,005,000	\$ 85,790,000	\$ 20,540,000	\$ -	\$ 110,545,000	\$ 85,790,000
Certificates of obligation	8,580,000	14,610,000	10,690,000	26,220,000	19,270,000	40,830,000
Revenue bonds	-	-	-	3,235,000	-	3,235,000
Capital Lease obligations	-	51,525	4,571,724	5,041,729	4,571,724	5,093,254
	<u>\$ 98,585,000</u>	<u>\$ 100,451,525</u>	<u>\$ 35,801,724</u>	<u>\$ 34,496,729</u>	<u>\$ 134,386,724</u>	<u>\$ 134,948,254</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 3.02% or \$3,124 per capita.

The City’s bond ratings at September 30, 2016 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDUC)</u>
Standard & Poor’s Rating Group	AA+	A+	A-
Moody’s Investor Service Inc.	Aa2	A1	A1

Additional information on the City of Rockwall’s long-term debt may be found in note III-F, on pages 52-58 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City’s elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rate, and fees that will be charged for the business-type activities. The major factor affecting all decisions in 2015 was the impact that mandatory water conservation has caused to revenues. With consumption increasing again, after drought restrictions were lifted, the City Council was able to budget for previously delayed equipment replacement and design of several needed water and sewer line projects. Having chosen to discontinue the management transfer from the enterprise fund to the general fund in 2015, this has not been reinstated yet in order to help restore the reserve levels, which were severely depleted. The City conservatively budgeted a 2% increase in sales tax revenue and modest increases in franchise fees. Increases are expected in construction related activity as new subdivision phases are beginning and housing sales are improving. Local builders continue to encourage the City to project continued improvement in home starts for the coming year.

The City of Rockwall’s citizens enjoy above-average income levels per household. This combined with the City’s proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and “hometown” atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City’s unemployment rate was 3.1%, well below the national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2017. The budgeted revenues for fiscal year 2017 total \$34,019,150 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate was reduced to 45.43 cents per hundred dollars of assessed value.

The City adopted written financial policies in 2001, which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City’s fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The projected ending general fund balance for 2017 provides approximately 4.25 months of

reserves for the City. The City Council elected to purchase capital equipment including city specific components of a new county-wide radio system, upgrades to building security at the Police Station, police vehicles, fire safety equipment and street patching equipment, normally financed with short-term debt obligations, due in large part to the healthy fund balance. The 2017 budget reflects continued funding for street maintenance projects and begins the process to fund future vehicle purchases through transfers to a Vehicle Acquisition fund.

The 2017 budget expenditures include the addition of three Fire Drivers, a Police Captain and Field Supervisor in the Street department. An additional \$400,000 was included in the Street department budget for maintenance projects.

The water and sewer rate study has been updated to reflect increased charges from the North Texas Municipal Water District for treated water and the budget anticipates a significant increase in those rates. A number of capital projects to design replacement systems for older lines were undertaken in 2016 with projects slated to begin in 2017. A staged program to add generators to each wastewater lift station will continue in 2017 and infrastructure asset management software will be purchased. Operational costs were increased in order to complete deferred maintenance and the purchases discussed above.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information, contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email: [msmith@rockwall.com](mailto:msmith@rockwall.com).

***BASIC FINANCIAL STATEMENTS***

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,012,973	\$ 275,458	\$ 2,288,431	\$ 202,884
Investments	24,520,786	4,229,641	28,750,427	4,471,269
Receivables (net of allowance for uncollectibles)	5,320,137	3,433,974	8,754,111	5,658
Due from other governments	2,670,505	-	2,670,505	1,380,356
Inventories	3,904	282,841	286,745	13,917,420
Restricted assets:				
Cash and cash equivalents	-	777,500	777,500	-
Investments	-	6,146,133	6,146,133	-
Accrued interest	-	14,900	14,900	-
Capital assets (net of accumulated depreciation)				
Land	17,238,772	799,533	18,038,305	-
Building and system	13,100,043	97,625,107	110,725,150	-
Improvements other than buildings	17,550,029	-	17,550,029	-
Machinery and equipment	5,199,022	1,968,754	7,167,776	28,888
Infrastructure	127,649,975	-	127,649,975	-
Construction in progress	13,354,326	1,881,337	15,235,663	-
Total assets	<u>228,620,472</u>	<u>117,435,178</u>	<u>346,055,650</u>	<u>20,006,475</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	72,043	1,393,589	1,465,632	29,327
Pension contributions after 12/31/15	1,827,068	194,577	2,021,645	42,747
Pension investment experience	3,226,777	327,277	3,554,054	74,495
Total deferred outflows of resources	<u>5,125,888</u>	<u>1,915,443</u>	<u>7,041,331</u>	<u>146,569</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	4,862,874	841,009	5,703,883	1,143,623
Due to other governments	786,948	674,600	1,461,548	-
Customer deposits	-	487,528	487,528	-
Pension liability	13,007,660	1,364,904	14,372,564	303,087
Liabilities payable from restricted assets:				
Noncurrent liabilities:				
Due within one year	6,521,884	3,125,957	9,647,841	1,641,993
Due in more than one year	95,851,436	35,718,580	131,570,016	21,410,357
Total liabilities	<u>121,030,802</u>	<u>42,212,578</u>	<u>163,243,380</u>	<u>24,499,060</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - other	356,827	-	356,827	-
Pension actual experience vs assumptions	504,942	51,279	556,221	11,661
Total deferred inflows of resources	<u>861,769</u>	<u>51,279</u>	<u>913,048</u>	<u>11,661</u>
<b>NET POSITION</b>				
Net investment in capital assets	95,507,167	66,473,007	161,980,174	28,888
Restricted for:				
Debt service	2,114,663	1,042,083	3,156,746	-
Capital projects	12,156,095	5,685,025	17,841,120	-
Unrestricted	2,075,864	3,886,649	5,962,513	(4,386,565)
Total net position	<u>\$ 111,853,789</u>	<u>\$ 77,086,764</u>	<u>\$ 188,940,553</u>	<u>\$ (4,357,677)</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
Mayor/council	\$ 107,998	\$ -	\$ -	\$ -	\$ (107,998)		\$ (107,998)	
Administration	6,145,346	1,574,276	31,400	-	(4,539,670)		(4,539,670)	
Finance	1,345,039	6,650	-	-	(1,338,389)		(1,338,389)	
Municipal court	395,127	1,120,665	-	-	725,538		725,538	
Police	11,001,835	845,646	16,344	-	(10,139,845)		(10,139,845)	
Fire	4,266,758	70,573	84,450	-	(4,111,735)		(4,111,735)	
Public works	12,889,840	945,930	21,449	-	(11,922,461)		(11,922,461)	
Community development	1,778,965	1,334,327	-	-	(444,638)		(444,638)	
Parks and recreation	2,157,430	693,191	43,019	-	(1,421,220)		(1,421,220)	
Interest on long-term debt	4,165,018	-	-	-	(4,165,018)		(4,165,018)	
Total governmental activities	<u>44,253,356</u>	<u>6,591,258</u>	<u>196,662</u>	<u>-</u>	<u>(37,465,436)</u>		<u>(37,465,436)</u>	
Business-type activities:								
Water and sewer	<u>19,608,273</u>	<u>22,163,656</u>	<u>-</u>	<u>3,049,464</u>		<u>\$ 5,604,847</u>	<u>5,604,847</u>	
Total business-type activities	<u>19,608,273</u>	<u>22,163,656</u>	<u>-</u>	<u>3,049,464</u>		<u>5,604,847</u>	<u>5,604,847</u>	
Total primary government	<u>\$ 63,861,629</u>	<u>\$ 28,754,914</u>	<u>\$ 196,662</u>	<u>\$ 3,049,464</u>	<u>(37,465,436)</u>	<u>5,604,847</u>	<u>(31,860,589)</u>	
<b>COMPONENT UNITS:</b>								
Economic Development Corporation	\$ 7,965,585	\$ -	\$ -	\$ -				\$ (7,965,585)
Rockwall Technology Park Association	<u>182,486</u>	<u>170,919</u>	<u>-</u>	<u>-</u>				<u>(11,567)</u>
Total component units	<u>\$ 8,148,071</u>	<u>\$ 170,919</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(7,977,152)</u>
General revenues:								
Ad valorem taxes, penalty and interest					20,966,521	-	20,966,521	-
Sales taxes					16,331,411	-	16,331,411	5,212,617
Franchise taxes					3,201,488	-	3,201,488	-
Miscellaneous					139,490	37,362	176,852	185,490
Unrestricted investment earnings					113,336	51,311	164,647	17,173
Transfers					<u>949,250</u>	<u>(949,250)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>41,701,496</u>	<u>(860,577)</u>	<u>40,840,919</u>	<u>5,415,280</u>
Change in net position					4,236,060	4,744,270	8,980,330	(2,561,872)
Net position at beginning of year					107,864,207	72,342,494	180,206,701	(1,795,805)
Prior period adjustment					<u>(246,478)</u>		<u>(246,478)</u>	
Net position at end of year					<u>\$ 111,853,789</u>	<u>\$ 77,086,764</u>	<u>\$ 188,940,553</u>	<u>\$ (4,357,677)</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 122,847	\$ 195,302	\$ 504,696	\$ 963,606	\$ 1,786,451
Investments	8,422,683	1,857,677	9,300,832	3,524,732	23,105,924
Receivables (net of allowances for uncollectibles):					
Taxes - delinquent	194,679	206,890	-	241	401,810
Franchise taxes	1,113,616	-	-	-	1,113,616
Fines	215,056	-	-	-	215,056
Accrued interest	17,918	-	40,049	2,381	60,348
Accounts	157,489	-	-	795,820	953,309
Assessments	-	-	-	94,711	94,711
Other receivables	89,553	-	-	-	89,553
Due from other funds	1,624,487	140,383	600,000	7,688	2,372,558
Due from other governments	2,624,166	-	-	46,339	2,670,505
Inventory	3,904	-	-	-	3,904
	<u>3,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,904</u>
 Total assets	 <u>\$ 14,586,398</u>	 <u>\$ 2,400,252</u>	 <u>\$ 10,445,577</u>	 <u>\$ 5,435,518</u>	 <u>\$ 32,867,745</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,828,446	\$ -	\$ 525,923	\$ 533,357	\$ 2,887,726
Due to other governments	786,948	-	-	-	786,948
Due to other funds	-	3,978	-	499,132	503,110
Total liabilities	<u>2,615,394</u>	<u>3,978</u>	<u>525,923</u>	<u>1,032,489</u>	<u>4,177,784</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	232,828	194,836	-	-	427,664
Unavailable revenue - developer contribution	-	-	-	424,086	424,086
Unavailable revenue - fines	100,360	-	-	-	100,360
Unavailable revenue - other	471,944	-	-	356,827	828,771
Total deferred inflows of resources	<u>805,132</u>	<u>194,836</u>	<u>-</u>	<u>780,913</u>	<u>1,780,881</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	(86,775)	(86,775)
Committed	-	2,201,438	-	-	2,201,438
Assigned	-	-	9,919,654	3,708,891	13,628,545
Unassigned	11,165,872	-	-	-	11,165,872
Total fund balances	<u>11,165,872</u>	<u>2,201,438</u>	<u>9,919,654</u>	<u>3,622,116</u>	<u>26,909,080</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 14,586,398</u>	 <u>\$ 2,400,252</u>	 <u>\$ 10,445,577</u>	 <u>\$ 5,435,518</u>	 <u>\$ 32,867,745</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

Total fund balances - governmental funds balance sheet	\$ 26,909,080
Amounts reported for governmental activities in the statement of net assets are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position	819,263
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	427,664
Franchise taxes receivable	405,000
Intergovernmental receivable	66,944
Contributions receivable	424,086
The following assets are not available to pay for current period expenditures and are not accrued in the funds:	
Court fines receivable	100,360
The following assets are not current financial resources and are not reported in the funds:	
Capital assets used in governmental activities (net of accumulated depreciation of \$122,629,982)	194,092,167
Deferred outflows of resources are not reported in the governmental funds:	
Deferred charges on refunding	72,043
Pension contributions after measurement date	1,827,068
Difference in projected and actual earnings on pension assets	3,226,777
Changes in actuarial assumptions used to determine pension liability	(504,942)
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(1,670,479)
Bonds payable	(100,702,841)
Pension liability	(13,007,660)
Accrued interest payable	(630,741)
	\$ 111,853,789

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes, penalty and interest	\$ 9,801,470	\$ 10,513,294	\$ -	\$ 631,318	\$ 20,946,082
Sales taxes	15,574,733	-	-	756,678	16,331,411
Franchise taxes	3,186,160	-	-	-	3,186,160
Charges for services	659,181	421,113	-	685,440	1,765,734
Permits	1,232,751	-	-	1,025	1,233,776
Municipal court	1,088,481	-	-	64,062	1,152,543
Intergovernmental	788,922	-	-	43,036	831,958
Interest income	37,215	12,502	33,830	21,500	105,047
Miscellaneous	93,568	13,905	2,208	206,195	315,876
Contributions and donations	-	-	-	90,812	90,812
Total revenues	<u>32,462,481</u>	<u>10,960,814</u>	<u>36,038</u>	<u>2,500,066</u>	<u>45,959,399</u>
Expenditures:					
Current:					
Mayor/council	107,998	-	-	-	107,998
Administration	4,016,960	-	-	331,357	4,348,317
Finance	619,172	-	-	398,187	1,017,359
Municipal court	389,914	-	-	-	389,914
Police	10,433,772	115,507	-	111,363	10,660,642
Fire	3,416,982	-	-	8,479	3,425,461
Public works	4,664,435	-	-	372,040	5,036,475
Community development	1,778,733	-	-	-	1,778,733
Parks and recreation	3,157,568	-	-	-	3,157,568
Total current	<u>28,585,534</u>	<u>115,507</u>	<u>-</u>	<u>1,221,426</u>	<u>29,922,467</u>
Capital outlay:					
Administration	604	-	3,480,221	-	3,480,825
Finance	-	-	-	173,471	173,471
Police	283,525	-	-	260,903	544,428
Fire	339,893	-	-	70,574	410,467
Public works	378,131	-	-	53,459	431,590
Parks and recreation	115,751	-	-	778,046	893,797
Total capital outlay	<u>1,117,904</u>	<u>-</u>	<u>3,480,221</u>	<u>1,336,453</u>	<u>5,934,578</u>
Debt service:					
Principal	-	5,995,000	-	565,000	6,560,000
Interest and fiscal charges	-	3,559,785	-	385,973	3,945,758
Bond issuance costs	-	200,816	30,560	-	231,376
Fiscal charges	-	25,855	-	-	25,855
Total debt service	<u>-</u>	<u>9,781,456</u>	<u>30,560</u>	<u>950,973</u>	<u>10,762,989</u>
Total expenditures	<u>29,703,438</u>	<u>9,896,963</u>	<u>3,510,781</u>	<u>3,508,852</u>	<u>46,620,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,759,043</u>	<u>1,063,851</u>	<u>(3,474,743)</u>	<u>(1,008,786)</u>	<u>(660,635)</u>
Other financing sources (uses):					
Transfers in	30,500	-	-	509,850	540,350
Transfers out	(3,100,600)	-	-	(30,500)	(3,131,100)
Bonds issued	-	-	8,076,711	-	8,076,711
Refunding bonds issued	-	53,221,012	-	-	53,221,012
Premium on bonds issued	-	6,040,379	728,849	-	6,769,228
Payment to bond refunding escrow agent	-	(59,060,574)	-	-	(59,060,574)
Discount on bonds issued	-	-	-	-	-
Total other financing sources (uses)	<u>(3,070,100)</u>	<u>200,817</u>	<u>8,805,560</u>	<u>479,350</u>	<u>6,415,627</u>
Net change in fund balances	(311,057)	1,264,668	5,330,817	(529,436)	5,754,992
Fund balances, October 1	11,476,929	936,770	4,588,837	4,398,030	21,400,566
Prior period adjustment - deferred revenue	-	-	-	(246,478)	(246,478)
Fund balances, September 30	<u>\$ 11,165,872</u>	<u>\$ 2,201,438</u>	<u>\$ 9,919,654</u>	<u>\$ 3,622,116</u>	<u>\$ 26,909,080</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - governmental funds	\$ 5,754,992
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets.	(70,213)
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	42,602
Assessments receivable	6,033
Franchise taxes receivable	15,328
Court fines receivable	(26,036)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$10,911,999) exceeded capital outlays (\$8,970,423) and retirements (\$19,472) in the current period.	(1,961,048)
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	2,169,720
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization in the current period, net of additions for debt issue cost incurred.	105,276
Governmental funds report proceeds of debt as other financing sources and payments to the escrow agent for refunding of debt as other financing uses. This is the net of other financing sources (\$68,066,951) less other financing uses (\$59,060,574).	(9,006,377)
Expenditures are recognized in the governmental fund when paid. However, the Statement of Activities is presented on an accrual basis and expenses are reported when incurred. The following is the net difference in pension costs	847,805
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	81,246
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments (\$6,560,000) and bond premium amortization (\$13,941) in the current period.	6,573,941
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	<u>(297,209)</u>
	<u>\$ 4,236,060</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 275,458	\$ 226,522
Investments	4,229,641	1,414,862
Receivables (net of allowances for uncollectibles):		
Interest		
Accounts	3,433,974	-
Other receivables	-	19,176
Inventory	282,841	-
Restricted assets:		
Cash and cash equivalents	777,500	-
Investments	6,146,133	-
Accrued interest	14,900	-
Total current assets	<u>15,160,447</u>	<u>1,660,560</u>
Noncurrent assets:		
Deferred charges	-	-
Capital assets not being depreciated	2,680,870	-
Capital assets being depreciated, net	99,593,861	-
Total noncurrent assets	<u>102,274,731</u>	<u>-</u>
Total Assets	<u>117,435,178</u>	<u>1,660,560</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred charge on refunding	1,393,589	-
Pension contributions after 12/31/15	194,577	-
Pension investment experience	327,277	-
Total Deferred Outflow of Resources	<u>1,915,443</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	766,499	566,604
Customer deposits	487,528	-
Due to other funds	674,600	274,693
General obligation bonds payable - current	2,647,136	-
Liabilities payable from restricted assets:		
Obligations under capital leases - current	338,339	-
Accrued interest payable	74,510	-
Total current liabilities	<u>4,988,612</u>	<u>841,297</u>
Noncurrent liabilities:		
General obligation bonds payable	31,490,454	-
Obligations under capital leases	4,233,385	-
Pension liability	1,364,904	-
Liability for compensated absences	135,223	-
Total noncurrent liabilities	<u>37,223,966</u>	<u>-</u>
Total Liabilities	<u>42,212,578</u>	<u>841,297</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension actual experience vs assumptions	51,279	-
Total Deferred Inflow of Resources	<u>51,279</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	66,473,007	-
Restricted for debt service	1,042,083	-
Restricted for construction	5,685,025	-
Unrestricted	3,886,649	819,263
Total Net Assets	<u>\$ 77,086,764</u>	<u>\$ 819,263</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal
	Water and Sewer	Service Funds
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 22,163,656	\$ 1,526,147
Total operating revenues	22,163,656	1,526,147
<b>OPERATING EXPENSES:</b>		
Personnel services	2,070,979	-
Contractual services	11,934,843	5,175,216
Materials and supplies	560,359	-
Operations	238,785	-
Utilities	447,043	-
Depreciation and amortization	2,815,102	-
Total operating expenses	18,067,111	5,175,216
Operating Income (Loss)	4,096,545	(3,649,069)
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	51,311	8,290
Miscellaneous income	37,362	30,566
Capital recovery fees	1,154,040	-
Paying agent fees	(8,866)	-
Interest and fiscal charges	(1,532,296)	-
Total non-operating revenues (expenses)	(298,449)	38,856
Loss before transfers and capital contributions	3,798,096	(3,610,213)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
Capital contributions	1,895,424	-
Transfers in	-	3,540,000
Transfers out	(949,250)	-
Total transfers and capital contributions	946,174	3,540,000
Increase (decrease) in net assets	4,744,270	(70,213)
Net assets, October 1	72,342,494	889,476
Net assets, September 30	\$ 77,086,764	\$ 819,263

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and Sewer</u>	<u>Service Funds</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 21,494,229	\$ 1,537,537
Cash paid to employees for services	(1,977,950)	-
Cash paid to suppliers for goods and services	(12,749,188)	(4,929,748)
Net cash provided (used) by operating activities	<u>6,767,091</u>	<u>(3,392,211)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash paid to other funds	(949,250)	-
Cash received from other funds	674,600	3,540,000
Net cash provided (used) by non-capital financing activities	<u>(274,650)</u>	<u>3,540,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or construction of capital assets	(2,875,033)	-
Capital recovery fees received	1,154,040	-
Proceeds from capital debt	26,761,595	-
Principal paid on capital debt	(22,615,005)	-
Interest and fees paid on capital debt	(3,042,159)	-
Net cash used by capital and related financing activities	<u>(616,562)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(9,338,902)	(186,344)
Proceeds from sales and maturities of investments	1,510,726	171,230
Interest and dividends received	51,311	8,290
Net cash used by investing activities	<u>(7,776,865)</u>	<u>(6,824)</u>
Net decrease in cash and cash equivalents	(1,900,986)	140,965
Cash and cash equivalents at beginning of year	2,953,944	85,557
Cash and cash equivalents at end of year	<u>\$ 1,052,958</u>	<u>\$ 226,522</u>
<b>Reported on Statement of Net Position</b>		
Unrestricted cash	275,458	226,522
Restricted cash	777,500	-
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 4,096,545	\$ (3,649,069)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	2,815,102	-
Miscellaneous income	-	30,066
Change in Assets and Liabilities:		
Decrease (increase) in assets:		
Receivables	(722,790)	(18,676)
Inventories	(8,807)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	425,749	245,468
Customer deposits	53,363	-
Pension liability	85,257	-
Compensated absences	22,672	-
Net cash provided (used) by operating activities	<u>\$ 6,767,091</u>	<u>\$ (3,392,211)</u>
<b>Non-cash investing and financing activities:</b>		
Capital contributions	<u>\$ 1,154,040</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
SEPTEMBER 30, 2016

	Agency Fund
	Special Escrow
	Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 22,304
Investments	1,785,332
Total assets	\$ 1,807,636
<b>LIABILITIES</b>	
Due to developers	\$ 1,807,636
Total liabilities	\$ 1,807,636

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a seven member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2016, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discrete component unit of the City. RTPA, is effectively controlled by the City through REDC and thus provides a potential financial benefit or burden to the City.

The funds of both REDC and RTPA are composed of governmental fund types. Stand alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2016 are not prepared.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Assets, liabilities, and net position or equity*

Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items "a" through "d" above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for un-collectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for un-collectibles.

Property taxes are levied on October 1st by the City based on the January 1st property values as assessed by the Rockwall Central Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Long-term obligations

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

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

Fund equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact are classified as non-spendable fund balance.

Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation are classified as restricted fund balance.

Amounts that are available for any purpose are classified as unassigned fund balance; these amounts can be reported only in the City's General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Fund equity - continued

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. The City has not established a formal policy to set forth a minimum level for fund balances.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

A. Budgetary information – continued

5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2016, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

Emergency Siren Fund  
Art in Public Places Fund

7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$15,100 in the Cemetery Fund due to a tree removal project which was undertaken to clean up storm damage.

Expenditures exceeded appropriations by \$17,163 in the Public Safety Fund as ongoing costs for data connections to the Court building were calculated incorrectly as budgets were amended.

Expenditures exceeded appropriations by \$175,465 in the Narcotics Fund as purchases in this fund are highly discretionary and the budget is fluid.

C. Deficit fund equity

The Harbor Debt Service Fund had a deficit fund balance in the amount of \$86,775 at September 30, 2016, as a result of slower than expected growth in sales tax revenues in the Harbor District. New ownership in 2017 is expected to make upgrades to the property and increase marketing efforts.

The Recreation Development Fund reported a deficit fund balance of \$175,578 due to the timing of grant proceeds which were delayed beyond the measurement period.

The Workers Compensation Fund, an internal service fund for the City's self-funded worker safety programs reported a deficit balance of \$80,747 due to higher than expected injury claims late in the fiscal year.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2016, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Deposits - continued

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$777,500, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2016, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

Investments

At September 30, 2016, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2 - 6	7 - 12	13 - 24+
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Mortgage Corp.	\$ 1,842,433	\$ -	\$ -	\$ 852,512	\$ 989,921
Federal National Mortgage Assoc.	2,298,266	-	-	-	2,298,266
Federal Farm Credit Bank	1,796,679	-	-	-	1,796,679
Federal Home Loan Bank	1,100,578	-	-	299,993	800,585
Treasury bills and notes	-	-	-	-	-
	7,037,956	-	-	1,152,505	5,885,451
Money Market Funds	29,643,936	29,643,936	-	-	-
Total Primary Government	36,681,892	29,643,936	-	1,152,505	5,885,451
<b>Discretely Presented Component Units</b>					
Rockwall Economic Development					
Money Market Funds	4,430,736	4,430,736	-	-	-
Rockwall Technology Park					
Money Market Funds	40,533	40,533	-	-	-
Total Discrete Component Units	4,471,269	4,471,269	-	-	-
<b>Total Reporting Entity</b>	<b>\$ 41,153,161</b>	<b>\$ 34,115,205</b>	<b>\$ -</b>	<b>\$ 1,152,505</b>	<b>\$ 5,885,451</b>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2016, all of the City's investments are valued using quoted prices for similar assets in active markets. (Level 2 inputs).

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments - continued

Investments are reported in the Statement of net position as follows:

Governmental activities	\$ 24,520,786
Business-type activities	10,375,774
Fiduciary Fund	1,785,332
Discretely presented component units:	
Rockwall Economic Development Corporation	4,430,736
Rockwall Technology Park	<u>40,533</u>
	<u>\$ 41,153,161</u>

The City has invested with money market funds with ratings from Aaa to AAA.

B. Receivables

Receivable as of year-end for the government’s individual major funds an non-major, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>GO Bonds Capital</u>	<u>Nonmajor and Other</u>	<u>Water and Sewer</u>
Taxes receivable - delinquent	\$ <u>194,679</u>	\$ <u>206,890</u>	\$ <u>-</u>	\$ <u>241</u>	\$ <u>-</u>
Fines receivable	358,427				
Allowance for uncollectibles	\$ <u>(143,371)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
	\$ <u>215,056</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Accrued Interest	\$ <u>17,918</u>	\$ <u>-</u>	\$ <u>40,049</u>	\$ <u>2,381</u>	\$ <u>-</u>
Accounts receivable	\$ 157,489	\$ -	\$ -	\$ 795,820	\$ 4,529,647
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,095,673)</u>
Net other receivables	<u>\$ 157,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795,820</u>	<u>\$ 3,433,974</u>
Assessments receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,711</u>	<u>\$ -</u>
Other receivables	<u>\$ 89,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 232,828	\$ -
Contract receivable not yet due (General Fund)	471,944	-
Fines receivable (General Fund)	100,360	-
Delinquent property taxes receivable (Debt Service Fund)	194,836	-
Developer contribution receivable (Harbor Debt Service)	424,086	-
Grants receivable (Recreational Development)	200,000	
Assessments receivable not yet due (Street Improvements)	94,712	-
Seizures not awarded (Narcotics Unit)	<u>62,115</u>	<u>62,115</u>
	<u>\$ 1,780,881</u>	<u>\$ 62,115</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2016 was as follows:

	Balance 9/30/2015	Additions	Retirements	Completed Construction	Balance 9/30/2016
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 17,238,772	\$ -	\$ -	\$ -	\$ 17,238,772
Construction in progress	9,306,880	4,340,621	-	(293,175)	13,354,326
Total capital assets not being depreciated	<u>26,545,652</u>	<u>4,340,621</u>	<u>-</u>	<u>(293,175)</u>	<u>30,593,098</u>
Capital assets being depreciated:					
Buildings	20,131,411	-	-	-	20,131,411
Improvements other than buildings	31,883,936	333,949	(86,793)	-	32,131,092
Machinery and equipment	17,772,524	1,849,675	-	214,446	19,836,645
Infrastructure	211,505,008	2,446,178	-	78,729	214,029,915
Total capital assets being depreciated	<u>281,292,879</u>	<u>4,629,802</u>	<u>(86,793)</u>	<u>293,175</u>	<u>286,129,063</u>
Less accumulated depreciation for:					
Buildings	(6,387,501)	(643,867)	-	-	(7,031,368)
Improvements other than buildings	(13,082,218)	(1,800,084)	-	-	(14,882,302)
Machinery and equipment	(13,040,208)	(1,363,495)	67,321	-	(14,336,382)
Infrastructure	(79,275,387)	(7,104,553)	-	-	(86,379,940)
Total accumulated depreciation	<u>(111,785,314)</u>	<u>(10,911,999)</u>	<u>67,321</u>	<u>-</u>	<u>(122,629,992)</u>
Total capital assets being depreciated, net	<u>169,507,565</u>	<u>(6,282,197)</u>	<u>(19,472)</u>	<u>293,175</u>	<u>163,499,071</u>
Governmental activities capital assets, net	<u>\$ 196,053,217</u>	<u>\$ (1,941,576)</u>	<u>\$ (19,472)</u>	<u>\$ -</u>	<u>\$ 194,092,169</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

	Balance 9/30/2015	Additions	Retirements	Completed Construction	Balance 9/30/2016
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ -	\$ -	\$ 799,533
Construction in progress	<u>139,364</u>	<u>1,741,973</u>	<u>-</u>	<u>-</u>	<u>1,881,337</u>
Total capital assets not being depreciated	<u>938,897</u>	<u>1,741,973</u>	<u>-</u>	<u>-</u>	<u>2,680,870</u>
Capital assets being depreciated:					
Buildings	198,109	-	-	-	198,109
Improvements other than buildings	117,061,163	1,895,424	-	-	118,956,587
Sewage treatment plants and pump station	12,516,072	-	-	-	12,516,072
Machinery and equipment	<u>5,418,674</u>	<u>1,133,060</u>	<u>-</u>	<u>-</u>	<u>6,551,734</u>
Total capital assets being depreciated	<u>135,194,018</u>	<u>3,028,484</u>	<u>-</u>	<u>-</u>	<u>138,222,502</u>
Less accumulated depreciation for:					
Buildings	(135,611)	(5,434)	-	-	(141,045)
Improvements other than buildings	(25,388,875)	(2,360,177)	-	-	(27,749,052)
Sewage treatment plants and pump station	(5,909,114)	(248,847)	-	-	(6,157,961)
Machinery and equipment	<u>(4,379,936)</u>	<u>(200,644)</u>	<u>-</u>	<u>-</u>	<u>(4,580,580)</u>
Total accumulated depreciation	<u>(35,813,536)</u>	<u>(2,815,102)</u>	<u>-</u>	<u>-</u>	<u>(38,628,638)</u>
Total capital assets being depreciated, net	<u>99,380,482</u>	<u>213,382</u>	<u>-</u>	<u>-</u>	<u>99,593,864</u>
Governmental activities capital assets, net	<u>\$ 100,319,379</u>	<u>\$ 1,955,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,274,734</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$ 724,616
Finance	154,209
Municipal Court	5,213
Police	619,997
Fire	787,223
Public Works	7,265,111
Community Development	232
Parks & Recreation	<u>1,355,398</u>
Total depreciation expense - governmental activities	\$ <u>10,911,999</u>

Business-type activities

Water and Sewer	\$ <u>2,815,102</u>
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Construction commitments

The City has active construction projects as of September 30, 2016. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Parks Project	\$ 571,292	\$ 217,229
Downtown Bond Project	<u>8,463,750</u>	<u>161,250</u>
	\$ <u>9,035,042</u>	\$ <u>378,479</u>
Utility Project	\$ <u>1,881,336</u>	\$ <u>760,979</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2016 was as follows:

	<u>Balance</u> <u>9/30/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Balance</u> <u>9/30/2016</u>
Capital assets being depreciated:					
Furniture and fixtures	\$ 54,767	\$ -	\$ -	\$ -	\$ 54,767
Total capital assets being depreciated	<u>54,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,767</u>
Less accumulated depreciation for:					
Furniture and fixtures	(19,306)	(6,574)	-	-	(25,880)
Total accumulated depreciation	<u>(19,306)</u>	<u>(6,574)</u>	<u>-</u>	<u>-</u>	<u>(25,880)</u>
Total capital assets being depreciated, net	<u>\$ 35,461</u>	<u>\$ (6,574)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,887</u>

E. Inter-fund receivables, payables, and transfers

The composition of inter-fund balances as of September 30, 2016 is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,624,487	\$ 542,952
Debt Service	140,383	-
G.O. Bonds Capital Projects	600,000	-
Non-major Governmental Funds	420	173,081
Water and Sewer Enterprise Fund	-	674,600
Internal Service Funds	-	274,693
Discretely Presented Component Unit	<u>490,918</u>	<u>1,190,882</u>
Totals	<u>\$ 2,856,208</u>	<u>\$ 2,856,208</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Inter-fund receivables, payables, and transfers – continued

The outstanding balances between funds result primarily from the time delay between the dates that inter-fund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

The composition of inter-fund transfers for the year ended September 30, 2016 is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds		
General Fund	\$ 30,500	\$ 3,100,600
Non-major Governmental Funds	509,850	30,500
Water and Sewer Enterprise Fund	-	949,250
Internal Service Funds	<u>3,540,000</u>	<u>-</u>
Total	<u>\$ 4,080,350</u>	<u>\$ 4,080,350</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2016 is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2016
Governmental Activities					
General Obligation Bonds:					
Improvements	\$ 21,765,000	2007	2027	4.125% - 5.125%	\$ 665,000
Improvements	9,515,000	2008	2028	2.05% - 5.0%	865,000
Improvements	9,065,000	2009	2029	2.0% - 4.6%	4,900,000
Improvements and refunding	8,535,000	2011	2031	2.0% - 5.0%	7,275,000
Improvements	7,905,000	2013	2033	2.0% - 5.0%	7,040,000
Refunding	9,820,000	2014	2025	2.15% - 3.65%	9,495,000
Refunding	2,340,000	2015	2026	1.790%	2,270,000
Refunding	59,220,000	2015	2037	2.0% - 5.0%	57,890,000
Total General Obligation Bonds					<u>90,400,000</u>
Certificates of Obligation Bonds:					
Improvements	5,125,000	2009	2029	2.00% - 4.60%	1,925,000
Improvements	4,675,000	2011	2031	2.00% - 4.25%	3,905,000
Improvements	1,330,000	2011	2031	2.00% - 5.30%	1,225,000
Improvements	2,625,000	2013	2033	2.00% - 4.38%	1,525,000
Total Certificates of Obligation					<u>8,580,000</u>
Total Governmental Activities General Obligation Debt					<u>98,980,000</u>
Business-type Activities					
General Obligation Bonds:					
Improvements	5,740,000	2011	2031	2.00% - 5.00%	2,660,000
Improvements	2,800,000	2015	2025	1.79%	2,425,000
Improvements	15,550,000	2016	2028	2.00% - 5.00%	15,455,000
Total General Obligation Bonds					<u>20,540,000</u>
Certificates of Obligation:					
Improvements	10,310,000	2007	2027	4.25% - 4.50%	485,000
Improvements	16,895,000	2008	2028	3.00% - 5.00%	1,540,000
Improvements	3,480,000	2013	2031	2.00% - 4.375%	3,095,000
Improvements	5,570,000	2016	2035	3.00%	5,570,000
Total Certificates of Obligation					<u>10,690,000</u>
Total Business Type Activities General Obligation Debt					<u>31,230,000</u>
Total General Debt					<u>\$ 130,210,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 6,040,000	\$ 3,868,544	\$ 2,490,000	\$ 1,205,352	\$ 13,603,896
2018	6,040,000	3,665,619	2,470,000	1,124,214	13,299,833
2019	7,095,000	3,430,397	2,575,000	1,038,949	14,139,346
2020	6,690,000	3,125,841	2,580,000	933,495	13,329,336
2021	6,205,000	2,854,504	2,465,000	828,952	12,353,456
2022 - 2026	34,040,000	10,256,788	11,815,000	2,809,503	58,921,291
2027 - 2031	21,570,000	4,149,052	5,245,000	469,488	31,433,540
2032 - 2036	10,820,000	1,148,713	1,590,000	61,869	13,620,582
2037 - 2041	480,000	19,200	-	-	499,200
	<u>\$ 98,980,000</u>	<u>\$ 32,518,658</u>	<u>\$ 31,230,000</u>	<u>\$ 8,471,822</u>	<u>\$ 171,200,480</u>

Capitalized lease obligations

The City has entered into contracts with North Texas Municipal Water District (NTMWD), a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of certain water and plants and to provide treated water to the City. The contractual obligations have been treated as capitalized lease obligations.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Capitalized lease obligations outstanding as of September 30, 2016 are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/2016</u>
Capital Leases					
Business-type activities					
Ground storage facility	\$ 2,013,434	2005	2025	various	\$ 1,126,724
Pump station	2,145,000	2006	2026	various	1,330,000
Buffalo Creek plant	2,960,000	2008	2028	various	<u>2,115,000</u>
					<u>4,571,724</u>
Total Capitalized Lease Obligations					<u>\$ 4,571,724</u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2016 are as follows:

<u>Year</u>	<u>Business-type Activities</u>	<u>Total</u>
2017	\$ 563,717	\$ 563,717
2018	561,522	561,522
2019	566,822	566,822
2020	570,987	570,987
2021	570,645	570,645
2022 - 2026	2,710,594	2,710,594
2027 - 2031	<u>494,676</u>	<u>494,676</u>
Total payments	6,038,963	6,038,963
Less imputed interest	<u>(1,467,239)</u>	<u>(1,467,239)</u>
Total Capital Lease Obligations	<u>\$ 4,571,724</u>	<u>\$ 4,571,724</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2016 was as follows:

	Balance 9/30/2015	Additions	Retirements	Balance 9/30/2016	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 85,790,000	\$ 61,560,000	\$ (56,950,000)	\$ 90,400,000	\$ 5,165,000
Certificates of obligation	14,610,000	-	(6,030,000)	8,580,000	875,000
Unamortized premium (discount)	<u>1,817,822</u>	<u>1,092,049</u>	<u>(1,199,987)</u>	<u>1,709,884</u>	<u>112,158</u>
Total bonds payable	102,217,822	62,652,049	(64,179,987)	100,689,884	6,152,158
Capital lease obligations	51,525	-	(51,525)	-	-
Compensated absences	<u>1,373,270</u>	<u>297,209</u>	<u>-</u>	<u>1,670,479</u>	<u>369,726</u>
Governmental activity long-term liabilities	<u>\$ 103,642,617</u>	<u>\$ 62,949,258</u>	<u>\$ (64,231,512)</u>	<u>\$ 102,360,363</u>	<u>\$ 6,521,884</u>
<b>Business-type activities:</b>					
General obligation bonds and certificates	\$ 26,220,000	\$ 23,920,000	\$ (18,910,000)	\$ 31,230,000	\$ 2,470,000
Revenue bonds	3,235,000	-	(3,235,000)	-	-
Unamortized premium (discount)	<u>210,342</u>	<u>2,840,053</u>	<u>(142,805)</u>	<u>2,907,590</u>	<u>157,136</u>
Total bonds payable	29,665,342	26,760,053	(22,287,805)	34,137,590	2,627,136
Capital lease obligations	5,041,729	-	(470,005)	4,571,724	470,005
Compensated absences	<u>112,551</u>	<u>22,672</u>	<u>-</u>	<u>135,223</u>	<u>28,816</u>
Business-type activities	<u>\$ 34,819,622</u>	<u>\$ 26,782,725</u>	<u>\$ (22,757,810)</u>	<u>\$ 38,844,537</u>	<u>\$ 3,125,957</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2016:

<u>Year Authorized</u>	<u>General Obligation Bonds</u>		<u>Balance Unissued 9/30/2016</u>
	<u>Amount Authorized</u>	<u>Amount Issued</u>	
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2012	<u>27,800,000</u>	<u>(7,905,000)</u>	<u>19,895,000</u>
Totals	\$ <u>33,400,000</u>	\$ <u>(12,105,000)</u>	\$ <u>21,295,000</u>

<u>Year Authorized</u>	<u>Revenue Bonds</u>		<u>Balance Unissued 9/30/2016</u>
	<u>Amount Authorized</u>	<u>Amount Issued</u>	
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Totals	\$ <u>3,540,000</u>	\$ <u>(1,060,000)</u>	\$ <u>2,480,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2016:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2016
Sales Tax Revenue Bonds:					
Improvements	\$ 4,545,000	2008	2028	7.00%	\$ 3,370,000
Improvements	4,595,000	2013	2033	2% - 4.00%	4,105,000
Improvements	2,405,000	2012	2019	2.00%	<u>1,070,000</u>
Total Sales Tax Revenue Bonds					<u>8,545,000</u>
Certificates of Obligation					
Infrastructure improvements	6,130,000	2008	2028	3.00% - 5.00%	560,000
Infrastructure improvements	7,610,000	2013	2033	1.65% - 5.82%	6,760,000
Refunding	3,565,000	2015	2025	1.79%	3,460,000
Refunding	3,585,000	2016	2028	2.00% - 5.00%	<u>3,560,000</u>
Total Certificates of Obligation					<u>14,340,000</u>
Total					<u>\$ 22,885,000</u>

Annual debt service requirements to maturity for REDC debt are as follows:

Year	Governmental Activities		Total
	Principal	Interest	
2017	\$ 1,590,000	\$ 974,887	\$ 2,564,887
2018	1,640,000	924,233	2,564,233
2019	1,680,000	871,230	2,551,230
2020	1,370,000	810,287	2,180,287
2021	1,425,000	756,483	2,181,483
2022 - 2026	8,125,000	2,802,689	10,927,689
2027 - 2031	5,310,000	1,096,739	6,406,739
2032 - 2036	<u>1,745,000</u>	<u>130,548</u>	<u>1,875,548</u>
Total	<u>\$ 22,885,000</u>	<u>\$ 8,367,096</u>	<u>\$ 31,252,096</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2016 was as follows:

	Balance 9/30/2015	Additions	Retirements	Balance 9/30/2016	Due Within One Year
Sales tax revenue bonds	\$ 9,235,000	\$ 7,150,000	\$ (820,000)	\$ 15,565,000	\$ 1,050,000
Certificates of obligation	15,285,000	-	(7,965,000)	7,320,000	565,000
Unamortized premium (discount)	<u>235,411</u>	<u>36,077</u>	<u>(122,951)</u>	<u>148,537</u>	<u>15,621</u>
Total bonds payable	24,755,411	7,186,077	(8,907,951)	23,033,537	1,630,621
Compensated absences	<u>11,895</u>	<u>6,918</u>	<u>-</u>	<u>18,813</u>	<u>5,686</u>
Total	<u>\$ 24,767,306</u>	<u>\$ 7,192,995</u>	<u>\$ (8,907,951)</u>	<u>\$ 23,052,350</u>	<u>\$ 1,636,307</u>

4. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$100,000 per covered individual, or approximately \$2,012,561 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2016.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a maximum City liability of \$600,000 per year.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

A. Risk management – continued

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements.

Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Worker's Compensation	
	2016	2015	2016	2015
Claims payable beginning of the year	\$ 242,921	\$ 475,175	\$ 82,450	\$ 5,085
Claims incurred	3,927,007	2,973,898	273,662	122,797
Payment on claims	<u>(3,990,638)</u>	<u>(3,206,152)</u>	<u>(203,739)</u>	<u>(45,432)</u>
	<u>\$ 179,290</u>	<u>\$ 242,921</u>	<u>\$ 152,373</u>	<u>\$ 82,450</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

B. North Texas Municipal Water District – continued

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related assets have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2016 is \$4,571,724. See Note 4F for the annual requirements to amortize the bonds as of September 30, 2016.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 4F above, the general revenues of the City are contingently liable in the amount of \$31,230,000 for general obligation bonds and certificates of obligation which are currently outstanding and recorded as obligations of the Enterprise Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

C. Contingent liabilities and commitments – continued

The City contracts for solid waste disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2016, these commitments totaled \$3,099,896.

D. Defined Benefit Pension Plans

Plan Description:

The City participates as one of 866 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](http://www.tmr.com).

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

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 actuarially equivalent 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Benefits Provided - continued:

Beginning in 1993, the City granted an annually repeating (automatic) basis for a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1993, the City provided an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index. (CPI).

A summary of plan provisions for the City are as follows:

Employee Deposit Rate	7%
Matching Ratio (City to Employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Cost	100% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

Employees covered by benefit terms –

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	79
Inactive employees entitled to but not yet receiving benefits	80
Active employees	260
	<u>419</u>

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting 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.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Contributions - continued:

Employees for the City of Rockwall were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2016, the City made contributions of 16.36%, for calendar year 2015 and 16.58% in 2016 which was the actuarially determined city contribution.

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.9% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation through December 31, 2015, 6.75% thereafter

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 Combined Health Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. 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 2015 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% effective January 1, 2016. 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 needs of TMRS.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

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.

The long-term expected rate of return on pension plan investments was determine 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. 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>
Domestic Equity	17.50%
International Equity	17.50%
Core Fixed Income	10.00%
Non-Core Fixed Income	20.00%
Real Return	10.00%
Real Estate	10.00%
Absolute Return	10.00%
Private Equity	<u>5.00%</u>
Total	<u><u>100.00%</u></u>

Discount Rate –

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of each cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan members. 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 Liability.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Changes in the Net Pension Liability –

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 69,871,511	\$ 58,690,378	\$ 11,181,133
Changes for the year:			
Service cost	3,357,624	-	3,357,624
Interest	4,940,548	-	4,940,548
Change in benefit terms	-	-	-
Difference between expected and actual experience	(458,262)	-	(458,262)
Changes in assumptions	(108,126)	-	(108,126)
Contribution - employer	-	2,950,480	(2,950,480)
Contribution - employee	-	1,255,523	(1,255,523)
Net investment income	-	86,617	(86,617)
Benefit payments, including refunds of employee contributions	(1,942,137)	(1,942,137)	-
Administrative expense	-	(52,749)	52,749
Other changes	-	(2,605)	2,605
Net changes	<u>5,789,647</u>	<u>2,295,129</u>	<u>3,494,518</u>
Balance at 12/31/2015	<u>\$ 75,661,158</u>	<u>\$ 60,985,507</u>	<u>\$ 14,675,651</u>

Sensitivity of the net pension liability to changes in the discount rate –

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 26,673,156	\$ 14,675,652	\$ 4,924,934

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

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](http://www.tmr.com).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -:

For the year ended September 30, 2016, the City recognized pension expense of \$2,904,705. This amount is included as part of Personnel Services expenses within the functional program activities.

At September 30, 2016, the City reported deferred outflow and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 2,064,392	\$ -
Difference between projected and actual investment earnings	3,628,550	-
Differences between actuarial assumptions and actual experience	-	475,291
Changes in actuarial assumptions used	-	92,591
Total	<u>\$ 5,692,942</u>	<u>\$ 567,882</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,064,392 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the City’s financial statements September 30, 2017). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Measurement Year Ended December 31,</u>	<u>Amount</u>
2016	\$ 844,300
2017	844,300
2018	844,299
2019	707,238
2020	(97,103)
Thereafter	(82,367)
Total	<u>\$ 3,060,667</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$62,675 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 30 active participants currently covered by the Fund and payments are being made to 25 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

***REQUIRED SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 9,708,000	\$ 9,830,000	\$ 9,801,470	\$ (28,530)
Sales taxes	15,151,000	15,735,000	15,574,733	(160,267)
Franchise taxes	3,133,000	3,262,000	3,186,160	(75,840)
Charges for services	440,250	610,750	659,181	48,431
Permits	1,069,000	1,122,000	1,232,751	110,751
Municipal court	1,092,000	1,092,000	1,088,481	(3,519)
Intergovernmental	764,050	764,050	788,922	24,872
Interest income	25,000	35,500	37,215	1,715
Miscellaneous	130,500	119,900	93,568	(26,332)
Total revenues	<u>31,512,800</u>	<u>32,571,200</u>	<u>32,462,481</u>	<u>(108,719)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor/council	117,450	118,950	107,998	10,952
Administration	4,191,550	4,101,550	4,016,960	84,590
Finance	734,700	665,700	619,172	46,528
Municipal court	437,600	418,600	389,914	28,686
Police	10,315,250	10,477,070	10,433,772	43,298
Fire	3,459,050	3,424,950	3,416,982	7,968
Public works	4,190,750	5,115,400	4,664,435	450,965
Community development	1,852,250	1,837,950	1,778,733	59,217
Parks and recreation	3,102,800	3,182,650	3,157,568	25,082
Total current	<u>28,401,400</u>	<u>29,342,820</u>	<u>28,585,534</u>	<u>757,286</u>
<b>Capital outlay:</b>				
Administration	1,800	1,800	604	1,196
Police	250,800	265,750	283,525	(17,775)
Fire	340,000	340,000	339,893	107
Public works	204,050	378,650	378,131	519
Parks and recreation	117,250	117,250	115,751	1,499
Total capital outlay	<u>913,900</u>	<u>1,103,450</u>	<u>1,117,904</u>	<u>(14,454)</u>
Total expenditures	<u>29,315,300</u>	<u>30,446,270</u>	<u>29,703,438</u>	<u>742,832</u>
Excess of revenues over expenditures	<u>2,197,500</u>	<u>2,124,930</u>	<u>2,759,043</u>	<u>634,113</u>
<b>Other financing sources (uses):</b>				
Transfers in	90,500	90,500	30,500	(60,000)
Transfers out	(2,907,000)	(3,100,600)	(3,100,600)	-
Total other financing sources (uses)	<u>(2,816,500)</u>	<u>(3,010,100)</u>	<u>(3,070,100)</u>	<u>(60,000)</u>
Net change in fund balances	(619,000)	(885,170)	(311,057)	574,113
Fund balances, October 1	<u>11,476,929</u>	<u>11,476,929</u>	<u>11,476,929</u>	<u>-</u>
Fund balances, September 30	<u>\$ 10,857,929</u>	<u>\$ 10,591,759</u>	<u>\$ 11,165,872</u>	<u>\$ 574,113</u>

CITY OF ROCKWALL, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
LAST TWO FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)

<b>Plan Year</b>	<u><b>2014</b></u>	<u><b>2015</b></u>
<b>A. Total Pension Liability</b>		
Service cost	\$ 2,947,094	\$ 3,357,626
Interest (on the Total Pension Liability)	4,544,927	4,940,548
Changes of benefit terms	-	-
Difference between expected and actual experience	(114,323)	(458,262)
Change of assumptions	-	(108,126)
Benefits payments, including refunds of employee contributions	<u>(1,920,326)</u>	<u>(1,942,137)</u>
<b>Net Change in Total Pension Liability</b>	5,457,372	5,789,649
<b>Total Pension Liability - Beginning</b>	<u>64,414,139</u>	<u>69,871,511</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 69,871,511</u>	<u>\$ 75,661,160</u>
<b>B. Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 2,761,413	\$ 2,950,480
Contributions - employee	1,202,324	1,255,523
Net investment income	3,067,672	86,617
Benefit payments, including refunds of employee contributions	(1,920,326)	(1,942,137)
Administrative expense	(32,021)	(52,749)
Other	<u>(2,633)</u>	<u>(2,605)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	5,076,429	2,295,129
<b>Plan Fiduciary Net Position - Beginning</b>	<u>53,613,949</u>	<u>58,690,378</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 58,690,378</u>	<u>\$ 60,985,507</u>
<b>C. Net Pension Liability - Ending (a) - (b)</b>	\$ 11,181,133	\$ 14,675,652
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	84.00%	80.60%
<b>E. Covered Employee Payroll</b>	16,626,112	17,936,037
<b>F. Net Pension Liability as a Percentage of Total Pension Liability</b>	67.25%	81.82%

As of December 31

CITY OF ROCKWALL, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
 LAST TWO FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)

<b>Plan Year</b>	<u><b>2014</b></u>	<u><b>2015</b></u>
Actuarially Determined Contribution	\$ 2,761,413	\$ 2,950,480
Contributions in relation to the actuarially determined contribution	<u>2,761,413</u>	<u>2,950,480</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ \$16,626,112	\$ \$17,936,037
Contributions as a percentage of covered employee payroll	16.61%	16.45%

**Notes to Schedule of Contributions**

Notes 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	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-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 males rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information**

Notes There were no benefit changes during the year.

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***COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES  
AS SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	Special Revenue Funds	Harbor Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 470,930	\$ -	\$ 492,676	\$ 963,606
Investments	1,402,552	-	2,122,180	3,524,732
Receivables (net of allowances for uncollectibles):				
Taxes - delinquent	-	241	-	241
Interest	-	-	2,381	2,381
Accounts	371,974	423,846	-	795,820
Assessments	94,711	-	-	94,711
Due from other funds	-	7,688	-	7,688
Due from other governments	420	45,919	-	46,339
	<u>2,340,587</u>	<u>477,694</u>	<u>2,617,237</u>	<u>5,435,518</u>
Total assets	<u>\$ 2,340,587</u>	<u>\$ 477,694</u>	<u>\$ 2,617,237</u>	<u>\$ 5,435,518</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 478,611	\$ -	\$ 54,746	\$ 533,357
Due to other funds	32,699	140,383	326,050	499,132
Total liabilities	<u>511,310</u>	<u>140,383</u>	<u>380,796</u>	<u>1,032,489</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - developer contribution	-	424,086	-	424,086
Unavailable revenue - other	356,827	-	-	356,827
Total Deferred Inflows of Resources	<u>356,827</u>	<u>424,086</u>	<u>-</u>	<u>780,913</u>
<b>FUND BALANCES:</b>				
Restricted	-	(86,775)	-	(86,775)
Assigned	1,472,450	-	2,236,441	3,708,891
Total fund balances	<u>1,472,450</u>	<u>(86,775)</u>	<u>2,236,441</u>	<u>3,622,116</u>
	<u>\$ 2,340,587</u>	<u>\$ 477,694</u>	<u>\$ 2,617,237</u>	<u>\$ 5,435,518</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,340,587</u>	<u>\$ 477,694</u>	<u>\$ 2,617,237</u>	<u>\$ 5,435,518</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds	Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ -	\$ 631,318	\$ -	\$ 631,318
Sales taxes	426,428	330,250	-	756,678
Charges for services	685,440	-	-	685,440
Permits	1,025	-	-	1,025
Municipal court	64,062	-	-	64,062
Intergovernmental	43,036	-	-	43,036
Interest income	1,120	-	20,380	21,500
Miscellaneous	206,195	-	-	206,195
Contributions and donations	69,363	21,449	-	90,812
Total revenues	<u>1,496,669</u>	<u>983,017</u>	<u>20,380</u>	<u>2,500,066</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	331,357	-	-	331,357
Finance	398,187	-	-	398,187
Police	111,363	-	-	111,363
Fire	8,479	-	-	8,479
Parks and recreation	372,040	-	-	372,040
Total current	<u>1,221,426</u>	<u>-</u>	<u>-</u>	<u>1,221,426</u>
<b>Capital outlay:</b>				
Finance	-	-	173,471	173,471
Police	260,903	-	-	260,903
Fire	70,574	-	-	70,574
Parks and recreation	778,046	-	-	778,046
Public works	-	-	53,459	53,459
Total capital outlay	<u>1,109,523</u>	<u>-</u>	<u>226,930</u>	<u>1,336,453</u>
<b>Debt service:</b>				
Principal	-	565,000	-	565,000
Interest	-	385,973	-	385,973
Total debt service	<u>-</u>	<u>950,973</u>	<u>-</u>	<u>950,973</u>
Total expenditures	<u>2,330,949</u>	<u>950,973</u>	<u>226,930</u>	<u>3,508,852</u>
Excess of revenues over (under) expenditures	<u>(834,280)</u>	<u>32,044</u>	<u>(206,550)</u>	<u>(1,008,786)</u>
<b>Other financing sources (uses):</b>				
Transfers in	343,600	-	166,250	509,850
Transfers out	(30,500)	-	-	(30,500)
Total other financing sources (uses)	<u>313,100</u>	<u>-</u>	<u>166,250</u>	<u>479,350</u>
Net change in fund balances	(521,180)	32,044	(40,300)	(529,436)
Fund balances, October 1	1,993,630	127,659	2,276,741	4,398,030
Prior period adjustment - deferred revenue	-	(246,478)	-	(246,478)
Fund balances, September 30	<u>\$ 1,472,450</u>	<u>\$ (86,775)</u>	<u>2,236,441</u>	<u>\$ 3,622,116</u>

## NONMAJOR GOVERNMENTAL FUNDS

### *SPECIAL REVENUE FUNDS*

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Public Safety – established to account for donations, court fees, and other public safety committed revenues.

Recreational Development – established to account for the annual lease income from marinas and golf course.

Radio System – established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Occupancy Tax – established to account for the annual income from hotel occupancy taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement – established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places – established to account for donations received for developing art displays in public areas such as parks.

Narcotics Unit – established to account for revenues and expenditures related to a seized funds and forfeitures.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2016

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Narcotics Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS</b>														
Cash and cash equivalents	\$ 3,562	\$ 2,584	\$ 120,795	\$ -	\$ 88,636	\$ 50,931	\$ 14,738	\$ 72,514	\$ 51,670	\$ 37,349	\$ 8,132	\$ 4,660	\$ 15,359	\$ 470,930
Investments	67,949	159,755	114,061	-	188,455	41,911	201,858	-	83,308	-	-	-	545,255	1,402,552
Receivables (net of allowances for uncollectibles):														
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts	-	-	214,148	40,949	-	111,308	-	5,569	-	-	-	-	-	371,974
Assessments	-	-	-	-	94,711	-	-	-	-	-	-	-	-	94,711
Due from other funds	-	420	-	-	-	-	-	-	-	-	-	-	-	420
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 71,511</u>	<u>\$ 162,759</u>	<u>\$ 449,004</u>	<u>\$ 40,949</u>	<u>\$ 371,802</u>	<u>\$ 204,150</u>	<u>\$ 216,596</u>	<u>\$ 78,083</u>	<u>\$ 134,978</u>	<u>\$ 37,349</u>	<u>\$ 8,132</u>	<u>\$ 4,660</u>	<u>\$ 560,614</u>	<u>\$ 2,340,587</u>
<b>LIABILITIES</b>														
Liabilities:														
Accounts payable and accrued liabilities	\$ -	\$ 1,153	\$ 424,582	\$ 46	\$ 890	\$ 4,556	\$ -	\$ 167	\$ -	\$ -	\$ 1,000	\$ -	\$ 46,217	\$ 478,611
Due to other funds	-	-	-	26,084	-	-	-	-	-	-	-	-	6,615	32,699
Total liabilities	<u>-</u>	<u>1,153</u>	<u>424,582</u>	<u>26,130</u>	<u>890</u>	<u>4,556</u>	<u>-</u>	<u>167</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>52,832</u>	<u>511,310</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>														
Unavailable revenue - other	-	-	200,000	-	94,712	-	-	-	-	-	-	-	62,115	356,827
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>94,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,115</u>	<u>356,827</u>
<b>FUND BALANCES</b>														
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Committed	71,511	161,606	(175,578)	14,819	276,200	199,594	216,596	77,916	134,978	37,349	7,132	4,660	445,667	1,472,450
Total fund balances	<u>71,511</u>	<u>161,606</u>	<u>(175,578)</u>	<u>14,819</u>	<u>276,200</u>	<u>199,594</u>	<u>216,596</u>	<u>77,916</u>	<u>134,978</u>	<u>37,349</u>	<u>7,132</u>	<u>4,660</u>	<u>445,667</u>	<u>1,472,450</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 71,511</u>	<u>\$ 162,759</u>	<u>\$ 449,004</u>	<u>\$ 40,949</u>	<u>\$ 371,802</u>	<u>\$ 204,150</u>	<u>\$ 216,596</u>	<u>\$ 78,083</u>	<u>\$ 134,978</u>	<u>\$ 37,349</u>	<u>\$ 8,132</u>	<u>\$ 4,660</u>	<u>\$ 560,614</u>	<u>\$ 2,340,587</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Narcotics Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>Revenues:</b>														
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 426,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 426,428
Charges for services	-	-	583,091	40,949	-	-	58,250	-	-	3,150	-	-	-	685,440
Permits	1,025	-	-	-	-	-	-	-	-	-	-	-	-	1,025
Municipal court	-	64,062	-	-	-	-	-	-	-	-	-	-	-	64,062
Intergovernmental	-	21,636	-	-	-	-	-	21,400	-	-	-	-	-	43,036
Interest income	-	-	-	-	308	-	812	-	-	-	-	-	-	1,120
Miscellaneous	5,625	-	-	-	36,053	-	-	38,633	6,346	-	-	-	119,538	206,195
Contributions and donations	-	16,344	42,738	-	-	-	-	-	-	-	10,000	281	-	69,363
<b>Total revenues</b>	<b>6,650</b>	<b>102,042</b>	<b>625,829</b>	<b>40,949</b>	<b>36,361</b>	<b>426,428</b>	<b>59,062</b>	<b>60,033</b>	<b>6,346</b>	<b>3,150</b>	<b>10,000</b>	<b>281</b>	<b>119,538</b>	<b>1,496,669</b>
<b>Expenditures:</b>														
<b>Current:</b>														
Administration	-	-	-	199,168	69,490	-	-	48,324	3,840	535	10,000	-	-	331,357
Finance	-	-	-	-	-	398,187	-	-	-	-	-	-	-	398,187
Police	-	75,894	-	-	-	-	-	-	-	-	-	-	35,469	111,363
Fire	-	-	-	-	-	-	8,479	-	-	-	-	-	-	8,479
Parks and recreation	22,000	-	340,601	-	-	-	-	-	-	-	9,439	-	-	372,040
<b>Total current</b>	<b>22,000</b>	<b>75,894</b>	<b>340,601</b>	<b>199,168</b>	<b>69,490</b>	<b>398,187</b>	<b>8,479</b>	<b>48,324</b>	<b>3,840</b>	<b>535</b>	<b>19,439</b>	<b>-</b>	<b>35,469</b>	<b>1,221,426</b>
<b>Capital outlay:</b>														
Police	-	1,369	-	-	-	-	-	-	-	-	-	-	259,534	260,903
Fire	-	-	-	-	-	-	70,574	-	-	-	-	-	-	70,574
Parks and recreation	17,100	-	760,946	-	-	-	-	-	-	-	-	-	-	778,046
<b>Total capital outlay</b>	<b>17,100</b>	<b>1,369</b>	<b>760,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259,534</b>	<b>1,109,523</b>
<b>Total expenditures</b>	<b>39,100</b>	<b>77,263</b>	<b>1,101,547</b>	<b>199,168</b>	<b>69,490</b>	<b>398,187</b>	<b>79,053</b>	<b>48,324</b>	<b>3,840</b>	<b>535</b>	<b>19,439</b>	<b>-</b>	<b>295,003</b>	<b>2,330,949</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(32,450)</b>	<b>24,779</b>	<b>(475,718)</b>	<b>(158,219)</b>	<b>(33,129)</b>	<b>28,241</b>	<b>(19,991)</b>	<b>11,709</b>	<b>2,506</b>	<b>2,615</b>	<b>(9,439)</b>	<b>281</b>	<b>(175,465)</b>	<b>(834,280)</b>
<b>Other financing sources (uses):</b>														
Transfers in	-	-	168,600	160,000	-	-	-	15,000	-	-	-	-	-	343,600
Transfers out	-	(30,500)	-	-	-	-	-	-	-	-	-	-	-	(30,500)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(30,500)</b>	<b>168,600</b>	<b>160,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>313,100</b>
<b>Net change in fund balances</b>	<b>(32,450)</b>	<b>(5,721)</b>	<b>(307,118)</b>	<b>1,781</b>	<b>(33,129)</b>	<b>28,241</b>	<b>(19,991)</b>	<b>26,709</b>	<b>2,506</b>	<b>2,615</b>	<b>(9,439)</b>	<b>281</b>	<b>(175,465)</b>	<b>(521,180)</b>
<b>Fund balances, October 1</b>	<b>103,961</b>	<b>167,327</b>	<b>131,540</b>	<b>13,038</b>	<b>309,329</b>	<b>171,353</b>	<b>236,587</b>	<b>51,207</b>	<b>132,472</b>	<b>34,734</b>	<b>16,571</b>	<b>4,379</b>	<b>621,132</b>	<b>1,993,630</b>
<b>Fund balances, September 30</b>	<b>\$ 71,511</b>	<b>\$ 161,606</b>	<b>\$ (175,578)</b>	<b>\$ 14,819</b>	<b>\$ 276,200</b>	<b>\$ 199,594</b>	<b>\$ 216,596</b>	<b>\$ 77,916</b>	<b>\$ 134,978</b>	<b>\$ 37,349</b>	<b>\$ 7,132</b>	<b>\$ 4,660</b>	<b>\$ 445,667</b>	<b>\$ 1,472,450</b>

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 1,000	\$ 1,000	\$ 1,025	\$ 25
Miscellaneous	2,000	5,000	5,625	625
Total revenues	<u>3,000</u>	<u>6,000</u>	<u>6,650</u>	<u>650</u>
Expenditures:				
Current:				
Parks and recreation	6,000	6,000	22,000	(16,000)
Total current	<u>6,000</u>	<u>6,000</u>	<u>22,000</u>	<u>(16,000)</u>
Capital outlay:				
Parks and recreation	18,000	18,000	17,100	900
Total capital outlay	<u>18,000</u>	<u>18,000</u>	<u>17,100</u>	<u>900</u>
Total expenditures	<u>24,000</u>	<u>24,000</u>	<u>39,100</u>	<u>(15,100)</u>
Net change in fund balances	(21,000)	(18,000)	(32,450)	(14,450)
Fund balances, October 1	<u>103,961</u>	<u>103,961</u>	<u>103,961</u>	<u>-</u>
Fund balances, September 30	<u>\$ 82,961</u>	<u>\$ 85,961</u>	<u>\$ 71,511</u>	<u>\$ (14,450)</u>

CITY OF ROCKWALL, TEXAS  
PUBLIC SAFETY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 63,500	\$ 63,500	\$ 64,062	\$ 562
Intergovernmental	21,650	21,650	21,636	(14)
Interest income	50	50	-	(50)
Contributions and donations	1,000	1,000	16,344	15,344
Total revenues	<u>86,200</u>	<u>86,200</u>	<u>102,042</u>	<u>15,842</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Police	60,100	60,100	75,894	(15,794)
Total current	<u>60,100</u>	<u>60,100</u>	<u>75,894</u>	<u>(15,794)</u>
<b>Capital outlay:</b>				
Police	-	-	1,369	(1,369)
Total capital outlay	<u>-</u>	<u>-</u>	<u>1,369</u>	<u>(1,369)</u>
Total expenditures	<u>60,100</u>	<u>60,100</u>	<u>77,263</u>	<u>(17,163)</u>
Excess of revenues over (under) expenditures	<u>26,100</u>	<u>26,100</u>	<u>24,779</u>	<u>(1,321)</u>
<b>Other financing sources (uses):</b>				
Transfers out	(30,500)	(30,500)	(30,500)	-
Total other financing sources (uses)	<u>(30,500)</u>	<u>(30,500)</u>	<u>(30,500)</u>	<u>-</u>
Net change in fund balances	(4,400)	(4,400)	(5,721)	(1,321)
Fund balances, October 1	<u>167,327</u>	<u>167,327</u>	<u>167,327</u>	<u>-</u>
Fund balances, September 30	<u>\$ 162,927</u>	<u>\$ 162,927</u>	<u>\$ 161,606</u>	<u>\$ (1,321)</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 459,500	\$ 459,500	\$ 583,091	\$ 123,591
Contributions and donations	1,239,150	1,299,750	42,738	(1,257,012)
Total revenues	<u>1,698,650</u>	<u>1,759,250</u>	<u>625,829</u>	<u>(1,133,421)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Parks and recreation	369,500	388,200	340,601	47,599
Total current	<u>369,500</u>	<u>388,200</u>	<u>340,601</u>	<u>47,599</u>
<b>Capital outlay:</b>				
Parks and recreation	1,261,100	1,261,100	760,946	500,154
Total capital outlay	<u>1,261,100</u>	<u>1,261,100</u>	<u>760,946</u>	<u>500,154</u>
Total expenditures	<u>1,630,600</u>	<u>1,649,300</u>	<u>1,101,547</u>	<u>547,753</u>
Excess of revenues over (under) expenditures	<u>68,050</u>	<u>109,950</u>	<u>(475,718)</u>	<u>(585,668)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	168,600	168,600	-
Transfers out	(60,000)	(60,000)	-	60,000
Total other financing sources (uses)	<u>(60,000)</u>	<u>108,600</u>	<u>168,600</u>	<u>60,000</u>
Net change in fund balances	8,050	218,550	(307,118)	(525,668)
Fund balances, October 1	<u>131,540</u>	<u>131,540</u>	<u>131,540</u>	<u>-</u>
Fund balances, September 30	<u>\$ 139,590</u>	<u>\$ 350,090</u>	<u>\$ (175,578)</u>	<u>\$ (525,668)</u>

CITY OF ROCKWALL, TEXAS  
RADIO SYSTEM FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 40,500	\$ 40,500	\$ 40,949	\$ 449
Total revenues	<u>40,500</u>	<u>40,500</u>	<u>40,949</u>	<u>449</u>
Expenditures:				
Current:				
Administration	206,450	206,450	199,168	7,282
Total expenditures	<u>206,450</u>	<u>206,450</u>	<u>199,168</u>	<u>7,282</u>
Excess of revenues over (under) expenditures	<u>(165,950)</u>	<u>(165,950)</u>	<u>(158,219)</u>	<u>7,731</u>
Other financing sources:				
Transfers in	160,000	160,000	160,000	-
Total other financing sources	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Net change in fund balances	(5,950)	(5,950)	1,781	7,731
Fund balances, October 1	<u>13,038</u>	<u>13,038</u>	<u>13,038</u>	<u>-</u>
Fund balances, September 30	<u>\$ 7,088</u>	<u>\$ 7,088</u>	<u>\$ 14,819</u>	<u>\$ 7,731</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ -	\$ -	\$ 308	\$ 308
Miscellaneous	-	-	36,053	36,053
Total revenues	<u>-</u>	<u>-</u>	<u>36,361</u>	<u>36,361</u>
Expenditures:				
Current:				
Administration	120,000	120,000	69,490	50,510
Total expenditures	<u>120,000</u>	<u>120,000</u>	<u>69,490</u>	<u>50,510</u>
Net change in fund balances	(120,000)	(120,000)	(33,129)	86,871
Fund balances, October 1	<u>309,329</u>	<u>309,329</u>	<u>309,329</u>	<u>-</u>
Fund balances, September 30	<u>\$ 189,329</u>	<u>\$ 189,329</u>	<u>\$ 276,200</u>	<u>\$ 86,871</u>

CITY OF ROCKWALL, TEXAS  
HOTEL OCCUPANCY TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 350,000	\$ 350,000	\$ 426,428	\$ 76,428
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>426,428</u>	<u>76,428</u>
Expenditures:				
Current:				
Finance	<u>362,770</u>	<u>435,770</u>	<u>398,187</u>	<u>37,583</u>
Total expenditures	<u>362,770</u>	<u>435,770</u>	<u>398,187</u>	<u>37,583</u>
Net change in fund balances	(12,770)	(85,770)	28,241	114,011
Fund balances, October 1	<u>171,353</u>	<u>171,353</u>	<u>171,353</u>	<u>-</u>
Fund balances, September 30	<u>\$ 158,583</u>	<u>\$ 85,583</u>	<u>\$ 199,594</u>	<u>\$ 114,011</u>

CITY OF ROCKWALL, TEXAS  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 58,250	\$ 58,250	\$ 58,250	\$ -
Interest income	-	-	812	812
Total revenues	<u>58,250</u>	<u>58,250</u>	<u>59,062</u>	<u>812</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Fire	<u>8,000</u>	<u>8,000</u>	<u>8,479</u>	<u>(479)</u>
Total current	<u>8,000</u>	<u>8,000</u>	<u>8,479</u>	<u>(479)</u>
<b>Capital outlay:</b>				
Fire	<u>137,200</u>	<u>137,200</u>	<u>70,574</u>	<u>66,626</u>
Total capital outlay	<u>137,200</u>	<u>137,200</u>	<u>70,574</u>	<u>66,626</u>
Total expenditures	<u>145,200</u>	<u>145,200</u>	<u>79,053</u>	<u>66,147</u>
Net change in fund balances	(86,950)	(86,950)	(19,991)	66,959
Fund balances, October 1	<u>236,587</u>	<u>236,587</u>	<u>236,587</u>	<u>-</u>
Fund balances, September 30	<u>\$ 149,637</u>	<u>\$ 149,637</u>	<u>\$ 216,596</u>	<u>\$ 66,959</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 49,150	\$ 49,150	\$ 21,400	\$ (27,750)
Miscellaneous	30,000	30,000	38,633	8,633
Total revenues	<u>79,150</u>	<u>79,150</u>	<u>60,033</u>	<u>(19,117)</u>
Expenditures:				
Current:				
Administration	138,000	138,000	48,324	89,676
Total expenditures	<u>138,000</u>	<u>138,000</u>	<u>48,324</u>	<u>89,676</u>
Excess of revenues over (under) expenditures	(58,850)	(58,850)	11,709	70,559
Other financing sources (uses):				
Transfers in	15,000	15,000	15,000	-
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net change in fund balances	(43,850)	(43,850)	26,709	70,559
Fund balances, October 1	<u>51,207</u>	<u>51,207</u>	<u>51,207</u>	<u>-</u>
Fund balances, September 30	<u>\$ 7,357</u>	<u>\$ 7,357</u>	<u>\$ 77,916</u>	<u>\$ 70,559</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 6,346	\$ 346
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>6,346</u>	<u>346</u>
Expenditures:				
Current:				
Administration	14,000	14,000	3,840	10,160
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>3,840</u>	<u>10,160</u>
Net change in fund balances	(8,000)	(8,000)	2,506	10,506
Fund balances, October 1	<u>132,472</u>	<u>132,472</u>	<u>132,472</u>	<u>-</u>
Fund balances, September 30	<u>\$ 124,472</u>	<u>\$ 124,472</u>	<u>\$ 134,978</u>	<u>\$ 10,506</u>

CITY OF ROCKWALL, TEXAS  
 NARCOTICS UNIT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 119,538	\$ 119,538
Total revenues	<u>-</u>	<u>-</u>	<u>119,538</u>	<u>119,538</u>
Expenditures:				
Current:				
Police	42,400	42,400	35,469	6,931
Total current	<u>42,400</u>	<u>42,400</u>	<u>35,469</u>	<u>6,931</u>
Capital outlay:				
Police	51,900	89,750	259,534	(169,784)
Total capital outlay	<u>51,900</u>	<u>89,750</u>	<u>259,534</u>	<u>(169,784)</u>
Total expenditures	<u>94,300</u>	<u>132,150</u>	<u>295,003</u>	<u>(162,853)</u>
Excess of revenues over (under) expenditures	<u>(94,300)</u>	<u>(132,150)</u>	<u>(175,465)</u>	<u>(43,315)</u>
Net change in fund balances	(94,300)	(132,150)	(175,465)	(43,315)
Fund balances, October 1	<u>621,132</u>	<u>621,132</u>	<u>621,132</u>	<u>-</u>
Fund balances, September 30	<u>\$ 526,832</u>	<u>\$ 488,982</u>	<u>\$ 445,667</u>	<u>\$ (43,315)</u>

***DEBT SERVICE FUND***

**The debt service fund is used to account for the accumulation of resources and payment of bond principal and interest from governmental resources.**

CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 10,403,500	\$ 10,522,000	\$ 10,513,294	\$ (8,706)
Charges for services	325,000	407,000	421,113	14,113
Interest income	250	250	12,502	12,252
Miscellaneous	15,000	15,000	13,905	(1,095)
Total revenues	<u>10,743,750</u>	<u>10,944,250</u>	<u>10,960,814</u>	<u>16,564</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Police	118,050	115,550	115,507	43
Total current	<u>118,050</u>	<u>115,550</u>	<u>115,507</u>	<u>43</u>
<b>Debt service:</b>				
Principal	6,561,800	6,561,800	5,995,000	566,800
Interest	4,394,900	4,394,900	3,559,785	835,115
Bond issuance costs	-	-	200,816	(200,816)
Fiscal charges	12,000	15,000	25,855	(10,855)
Total debt service	<u>10,968,700</u>	<u>10,971,700</u>	<u>9,781,456</u>	<u>1,190,244</u>
Total expenditures	<u>11,086,750</u>	<u>11,087,250</u>	<u>9,896,963</u>	<u>1,190,287</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(343,000)</u>	<u>(143,000)</u>	<u>1,063,851</u>	<u>1,206,851</u>
<b>Other financing sources (uses):</b>				
Issuance of long-term debt	-	-	53,221,012	53,221,012
Premium on bonds issued	-	-	6,040,379	6,040,379
Payment to bond refunding escrow agent	-	-	(59,060,574)	(59,060,574)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>200,817</u>	<u>200,817</u>
Net change in fund balances	(343,000)	(143,000)	1,264,668	1,407,668
Fund balances, October 1	<u>936,770</u>	<u>936,770</u>	<u>936,770</u>	<u>-</u>
Fund balances, September 30	<u>\$ 593,770</u>	<u>\$ 793,770</u>	<u>\$ 2,201,438</u>	<u>\$ 1,407,668</u>

CITY OF ROCKWALL, TEXAS  
HARBOR DEBT SERVICE  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 597,950	\$ 597,950	\$ 631,318	\$ 33,368
Sales tax	300,000	300,000	330,250	30,250
Contributions and donations	164,700	164,700	21,449	(143,251)
Total revenues	<u>1,062,650</u>	<u>1,062,650</u>	<u>983,017</u>	<u>(79,633)</u>
Debt service:				
Principal	755,000	755,000	565,000	190,000
Interest	537,450	537,450	385,973	151,477
Total debt service	<u>1,292,450</u>	<u>1,292,450</u>	<u>950,973</u>	<u>341,477</u>
Total expenditures	<u>1,292,450</u>	<u>1,292,450</u>	<u>950,973</u>	<u>341,477</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(229,800)</u>	<u>(229,800)</u>	<u>32,044</u>	<u>261,844</u>
Other financing sources (uses):				
Transfers in	(244,450)	(244,450)	-	244,450
Total other financing sources (uses)	<u>(244,450)</u>	<u>(244,450)</u>	<u>-</u>	<u>244,450</u>
Net change in fund balances	(474,250)	(474,250)	32,044	506,294
Fund balances, October 1	127,659	127,659	127,659	-
Prior period adjustment - deferred revenue	-	-	(246,478)	(246,478)
Fund balances, September 30	<u>\$ (346,591)</u>	<u>\$ (346,591)</u>	<u>\$ (86,775)</u>	<u>\$ 259,816</u>

## *CAPITAL PROJECTS FUNDS*

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project – established to account for revenues and expenditures related to the construction of the 205 Bypass roadway project.

The Harbor/TIF Capital Projects Fund – established to account for improvements in the Tax Increment Reinvestment Zone using the proceeds from the issuance of bonds.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2016

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>205 Bypass Project</u>	<u>Harbor/ TIF Projects</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 208,289	\$ -	\$ 248,210	\$ 36,177	\$ 492,676
Investments	400,581	1,721,599	-	-	2,122,180
Receivables (net of allowances for uncollectibles):					
Accrued Interest	<u>1,462</u>	<u>919</u>	<u>-</u>	<u>-</u>	<u>2,381</u>
 Total assets	 <u>\$ 610,332</u>	 <u>\$ 1,722,518</u>	 <u>\$ 248,210</u>	 <u>\$ 36,177</u>	 <u>\$ 2,617,237</u>
 <b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ -	\$ 39,831	\$ 14,915	\$ -	\$ 54,746
Due to other funds	<u>-</u>	<u>326,050</u>	<u>-</u>	<u>-</u>	<u>326,050</u>
Total liabilities	<u>-</u>	<u>365,881</u>	<u>14,915</u>	<u>-</u>	<u>380,796</u>
 <b>FUND BALANCES:</b>					
Assigned	<u>610,332</u>	<u>1,356,637</u>	<u>233,295</u>	<u>36,177</u>	<u>2,236,441</u>
Total fund balances	<u>610,332</u>	<u>1,356,637</u>	<u>233,295</u>	<u>36,177</u>	<u>2,236,441</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 610,332</u>	 <u>\$ 1,722,518</u>	 <u>\$ 248,210</u>	 <u>\$ 36,177</u>	 <u>\$ 2,617,237</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Capital Projects	Equipment Acquisition	205 Bypass Project	Harbor/ TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:					
Interest income	\$ 3,193	\$ 17,187	\$ -	\$ -	\$ 20,380
Total revenues	<u>3,193</u>	<u>17,187</u>	<u>-</u>	<u>-</u>	<u>20,380</u>
Expenditures:					
Capital outlay:					
Finance	-	173,471	-	-	173,471
Public works	-	-	42,209	11,250	53,459
Total capital outlay	<u>-</u>	<u>173,471</u>	<u>42,209</u>	<u>11,250</u>	<u>226,930</u>
Total expenditures	<u>-</u>	<u>173,471</u>	<u>42,209</u>	<u>11,250</u>	<u>226,930</u>
Excess of revenues over (under) expenditures	<u>3,193</u>	<u>(156,284)</u>	<u>(42,209)</u>	<u>(11,250)</u>	<u>(206,550)</u>
Other financing sources (uses):					
Transfers in	-	166,250	-	-	166,250
Total other financing sources (uses)	<u>-</u>	<u>166,250</u>	<u>-</u>	<u>-</u>	<u>166,250</u>
Net change in fund balances	3,193	9,966	(42,209)	(11,250)	(40,300)
Fund balances, October 1	<u>607,139</u>	<u>1,346,671</u>	<u>275,504</u>	<u>47,427</u>	<u>2,276,741</u>
Fund balances, September 30	<u>\$ 610,332</u>	<u>\$ 1,356,637</u>	<u>\$ 233,295</u>	<u>\$ 36,177</u>	<u>\$ 2,236,441</u>

### ***INTERNAL SERVICE FUNDS***

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2016

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 218,935	\$ 7,587	\$ 226,522
Investments	1,350,823	64,039	1,414,862
Receivables (net of allowances for uncollectibles):			
Other	<u>18,676</u>	<u>500</u>	<u>19,176</u>
Total current assets	<u>1,588,434</u>	<u>72,126</u>	<u>1,660,560</u>
 Total Assets	 <u>\$ 1,588,434</u>	 <u>\$ 72,126</u>	 <u>\$ 1,660,560</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 413,731	\$ 152,873	\$ 566,604
Due to other funds	<u>274,693</u>	<u>-</u>	<u>274,693</u>
Total current liabilities	<u>688,424</u>	<u>152,873</u>	<u>841,297</u>
Total Liabilities			
 <b>NET ASSETS</b>			
Unrestricted	<u>900,010</u>	<u>(80,747)</u>	<u>819,263</u>
 Total Net Position	 <u>\$ 900,010</u>	 <u>\$ (80,747)</u>	 <u>\$ 819,263</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,526,147	\$ -	\$ 1,526,147
Total operating revenues	<u>1,526,147</u>	<u>-</u>	<u>1,526,147</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	4,800,347	374,869	5,175,216
Total operating expenses	<u>4,800,347</u>	<u>374,869</u>	<u>5,175,216</u>
Operating loss	<u>(3,274,200)</u>	<u>(374,869)</u>	<u>(3,649,069)</u>
<b>NON-OPERATING REVENUES:</b>			
Interest income	7,521	769	8,290
Miscellaneous income	30,066	500	30,566
Total non-operating revenues	<u>37,587</u>	<u>1,269</u>	<u>38,856</u>
Loss before transfers and capital contributions	<u>(3,236,613)</u>	<u>(373,600)</u>	<u>(3,610,213)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Transfers in	3,400,000	140,000	3,540,000
Total transfers and capital contributions	<u>3,400,000</u>	<u>140,000</u>	<u>3,540,000</u>
Decrease in net assets	163,387	(233,600)	(70,213)
Net position, October 1	<u>736,623</u>	<u>152,853</u>	<u>889,476</u>
Net position, September 30	<u>\$ 900,010</u>	<u>\$ (80,747)</u>	<u>\$ 819,263</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-9)</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 1,537,537	\$ -	\$ 1,537,537
Cash paid to suppliers for goods and services	<u>(4,624,992)</u>	<u>(304,756)</u>	<u>(4,929,748)</u>
Net cash used by operating activities	<u>(3,087,455)</u>	<u>(304,756)</u>	<u>(3,392,211)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash received from other funds	<u>3,400,000</u>	<u>140,000</u>	<u>3,540,000</u>
Net cash provided by non-capital financing activities	<u>3,400,000</u>	<u>140,000</u>	<u>3,540,000</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	(186,344)	-	(186,344)
Proceeds from sales and maturities of investments	-	171,230	171,230
Interest and dividends received	<u>7,521</u>	<u>769</u>	<u>8,290</u>
Net cash provided by investing activities	<u>(178,823)</u>	<u>171,999</u>	<u>(6,824)</u>
Net decrease in cash and cash equivalents	133,722	7,243	140,965
Cash and cash equivalents at beginning of year	<u>85,213</u>	<u>344</u>	<u>85,557</u>
Cash and cash equivalents at end of year	<u>\$ 218,935</u>	<u>\$ 7,587</u>	<u>\$ 226,522</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (3,274,200)	\$ (374,869)	\$ (3,649,069)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	30,066	-	30,066
Decrease (increase) in assets:			
Receivables	(18,676)	-	(18,676)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>175,355</u>	<u>70,113</u>	<u>245,468</u>
Net cash used by operating activities	<u>\$ (3,087,455)</u>	<u>\$ (304,756)</u>	<u>\$ (3,392,211)</u>

### ***AGENCY FUND***

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2016</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 157,299	\$ 293,335	\$ 428,330	\$ 22,304
Investments	<u>1,430,095</u>	<u>355,237</u>	<u>-</u>	<u>1,785,332</u>
Total assets	<u>\$ 1,587,394</u>	<u>\$ 648,572</u>	<u>\$ 428,330</u>	<u>\$ 1,807,636</u>
<b>LIABILITIES</b>				
Due to developers	<u>\$ 1,587,394</u>	<u>\$ 299,987</u>	<u>\$ 79,745</u>	<u>\$ 1,807,636</u>
Total liabilities	<u>\$ 1,587,394</u>	<u>\$ 299,987</u>	<u>\$ 79,745</u>	<u>\$ 1,807,636</u>

***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS***

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Governmental funds capital assets:		
Land	\$ 17,238,772	\$ 17,238,772
Buildings	20,131,409	20,131,411
Improvements other than buildings	32,432,331	31,883,936
Machinery and equipment	19,535,405	17,772,524
Infrastructure	214,029,915	211,505,008
Construction in progress	<u>13,354,326</u>	<u>9,306,880</u>
Total governmental funds capital assets	<u>\$ 316,722,158</u>	<u>\$ 307,838,531</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 157,126,515	\$ 153,505,844
General government	50,552,882	49,245,542
Grants and entitlements	3,244,106	3,044,106
Developer contributions	<u>105,798,655</u>	<u>102,043,039</u>
Total investments in governmental funds capital assets	<u>\$ 316,722,158</u>	<u>\$ 307,838,531</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2016

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 6,025,163	\$ 6,436,762	\$ 6,292,616	\$ 3,732,973	\$ -	\$ 12,663,775	\$ 35,151,289
Public works	8,499,781	357,984	1,800,862	1,957,164	214,029,918	-	226,645,709
Public safety	1,020,430	3,476,026	235,991	5,038,276	-	-	9,770,722
Recreation/development	1,693,398	2,415,619	24,102,862	1,479,173	-	690,551	30,381,603
Fire equipment	<u>-</u>	<u>7,445,018</u>	<u>-</u>	<u>7,327,818</u>	<u>-</u>	<u>-</u>	<u>14,772,836</u>
Total governmental capital assets	<u>\$ 17,238,772</u>	<u>\$ 20,131,409</u>	<u>\$ 32,432,331</u>	<u>\$ 19,535,404</u>	<u>\$ 214,029,918</u>	<u>\$ 13,354,326</u>	<u>\$ 316,722,159</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Function and Activity</u>	<u>Capital Assets Balance 10/1/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Capital Assets Balance 9/30/16</u>
General government	\$ 31,611,250	\$ 3,556,504	\$ (16,463)	\$ -	\$ 35,151,291
Public works	223,326,060	3,324,688	(5,040)	-	226,645,708
Public safety	8,984,950	834,068	(48,298)	-	9,770,720
Recreation/development	29,499,828	898,770	(16,992)	-	30,381,606
Fire equipment	<u>14,416,441</u>	<u>356,393</u>	<u>-</u>	<u>-</u>	<u>14,772,834</u>
Total governmental funds capital assets	<u>\$ 307,838,529</u>	<u>\$ 8,970,423</u>	<u>\$ (86,793)</u>	<u>\$ -</u>	<u>\$ 316,722,159</u>

***DISCRETELY PRESENTED COMPONENT UNITS***

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.**

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 DISCRETELY PRESENTED COMPONENT UNITS  
 SEPTEMBER 30, 2016

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 200,158	\$ 2,726	\$ 202,884
Investments	4,430,736	40,533	4,471,269
Receivables (net of allowances for uncollectibles):			
Interest	168	-	168
Accounts	-	5,490	5,490
Due from other governments	1,380,356	-	1,380,356
Inventory	13,917,420	-	13,917,420
Restricted assets:			
Capital assets (net of accumulated depreciation)			
Machinery and equipment	28,888	-	28,888
Total assets	<u>19,957,726</u>	<u>48,749</u>	<u>20,006,475</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	29,327	-	29,327
Pension contributions after 12/31/15	42,747	-	42,747
Pension investment experience	74,495	-	74,495
Total Deferred Outflows of Resources	<u>146,569</u>	<u>-</u>	<u>146,569</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,129,172	14,451	1,143,623
Liabilities payable from restricted assets			
Noncurrent liabilities:			
Pension liability	303,087	-	303,087
Due within one year	1,636,307	-	1,636,307
Due in more than one year	21,416,043	-	21,416,043
Total liabilities	<u>24,484,609</u>	<u>14,451</u>	<u>24,499,060</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension actual experience vs assumptions	11,661	-	11,661
Total deferred inflows of resources	<u>11,661</u>	<u>-</u>	<u>11,661</u>
<b>NET POSITION</b>			
Net investment in capital assets	28,888	-	28,888
Unrestricted	(4,420,863)	34,298	(4,386,565)
Total Net Position	<u>\$ (4,391,975)</u>	<u>\$ 34,298</u>	<u>\$ (4,357,677)</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF ACTIVITIES  
 DISCRETELY PRESENTED COMPONENT UNITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Component Units		
				Rockwall Economic Development Corporation	Rockwall Technology Park	Total
<b>DISCRETE COMPONENT UNITS:</b>						
Rockwall Economic Development Corporation						
Administration	\$ 6,934,621	\$ -	\$ -	\$ (6,934,621)	\$ -	\$ (6,934,621)
Interest on long-term debt	1,030,964	-	-	(1,030,964)	-	(1,030,964)
Total Rockwall Economic Development Corporation	<u>7,965,585</u>	<u>-</u>	<u>-</u>	<u>(7,965,585)</u>	<u>-</u>	<u>(7,965,585)</u>
Rockwall Technology Park Association						
Administration	182,486	170,919	-	-	(11,567)	(11,567)
	<u>\$ 8,148,071</u>	<u>\$ 170,919</u>	<u>\$ -</u>	<u>(7,965,585)</u>	<u>(11,567)</u>	<u>(7,977,152)</u>
<b>General revenues:</b>						
Ad valorem taxes, penalty and interest				-	-	-
Sales taxes				5,212,617	-	5,212,617
Franchise taxes				-	-	-
Miscellaneous				185,490	-	185,490
Unrestricted investment earnings				17,074	99	17,173
Transfers				-	-	-
Total general revenues and transfers				<u>5,415,181</u>	<u>99</u>	<u>5,415,280</u>
Change in net position				(2,550,404)	(11,468)	(2,561,872)
Net position at beginning of year				(1,841,571)	45,766	(1,795,805)
Net position at end of year				<u>\$ (4,391,975)</u>	<u>\$ 34,298</u>	<u>\$ (4,357,677)</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 DISCRETELY PRESENTED COMPONENT UNITS  
 SEPTEMBER 30, 2016

	Rockwall Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 200,158	\$ 2,726	\$ 202,884
Investments	4,430,736	40,533	4,471,269
Receivables (net of allowances for uncollectibles):			
Interest	168	-	168
Accounts	-	5,490	5,490
Due from other funds	490,918	-	490,918
Due from other governments	889,438	-	889,438
Inventory	13,917,420	-	13,917,420
Deposits	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 19,928,838</u>	<u>\$ 48,749</u>	<u>\$ 19,977,587</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 105,391	\$ 14,451	\$ 119,842
Due to other funds	864,832	-	864,832
Total liabilities	<u>970,223</u>	<u>14,451</u>	<u>984,674</u>
<b>Fund balances:</b>			
Nonspendable	13,917,420	-	13,917,420
Restricted	5,041,195	34,298	5,075,493
Total fund balances	<u>18,958,615</u>	<u>34,298</u>	<u>18,992,913</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 19,928,838</u>	<u>\$ 48,749</u>	<u>\$ 19,977,587</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

Total fund balances - discretely presented component units	\$ 18,992,913
Amounts reported for discretely presented component units in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	28,888
Payables for bond principal which are not due in the current period are not reported in the funds.	(23,033,536)
Payables for bond interest which are not due in the current period are not reported in the funds.	(158,949)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(18,813)
Payables for pension liabilities which are not due in the current period are not reported in the funds	(303,087)
Deferred outflows of resources are not considered available funds and are not recorded in governmental funds:	
Pension contributions	42,747
Investment experience	74,495
Charges on refunding	29,326
Bond issue costs	-
Deferred inflows or resources are not considered available funds and are not recorded in governmental funds	
Pension actual experience vs assumptions	<u>(11,661)</u>
Net assets of discretely presented component units	<u><u>\$ (4,357,677)</u></u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Rockwall Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Sales taxes	\$ 5,212,617	\$ -	\$ 5,212,617
Interest income	17,074	99	17,173
Assessments	-	170,919	170,919
Miscellaneous	185,490	-	185,490
Total revenues	<u>5,415,181</u>	<u>171,018</u>	<u>5,586,199</u>
Expenditures:			
Current:			
Administration	1,002,704	182,486	1,185,190
Total current	<u>1,002,704</u>	<u>182,486</u>	<u>1,185,190</u>
Capital outlay:			
Administration	6,023,499	-	6,023,499
Total capital outlay	<u>6,023,499</u>	<u>-</u>	<u>6,023,499</u>
Debt service:			
Principal	1,625,000	-	1,625,000
Interest	1,004,267	-	1,004,267
Bond issuance costs	44,007	-	44,007
Fiscal charges	4,500	-	4,500
Total debt service	<u>2,677,774</u>	<u>-</u>	<u>2,677,774</u>
Total expenditures	<u>9,703,977</u>	<u>182,486</u>	<u>9,886,463</u>
Excess of revenues over (under) expenditures	<u>(4,288,796)</u>	<u>(11,468)</u>	<u>(4,300,264)</u>
Other financing sources (uses):			
Refunding bonds issued	7,133,805	-	7,133,805
Premium on bonds issued	588,525	-	588,525
Discount on bonds issued	-	-	-
Payment to bond refunding escrow agent	(7,678,323)	-	(7,678,323)
Total other financing sources (uses)	<u>44,007</u>	<u>-</u>	<u>44,007</u>
Net change in fund balances	(4,244,789)	(11,468)	(4,256,257)
Fund balances, October 1	<u>23,203,404</u>	<u>45,766</u>	<u>23,249,170</u>
Fund balances, September 30	<u>\$ 18,958,615</u>	<u>\$ 34,298</u>	<u>\$ 18,992,913</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - discretely presented component units	\$ (4,256,257)
<p>Amounts reported for discretely presented component units in the Statement of Activities ("SOA") are different because:</p>	
<p>Expenditures are recognized in the governmental funds when paid. The SOA is presented on an accrual basis and expenses are reported when incurred. This is the net difference in pension costs.</p>	(19,528)
<p>The depreciation of capital assets used in governmental activities is not reported in the funds.</p>	(6,574)
<p>Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.</p>	1,625,000
<p>Bond issuance costs and similar items are amortized in the SOA but not in the funds.</p>	86,875
<p>Increase (decrease) in accrued interest from beginning of period to end of period.</p>	(26,697)
<p>Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.</p>	(6,918)
<p>Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization in the current period, net of additions for debt issue cost incurred.</p>	86,234
<p>Governmental funds report proceeds of debt as other financing sources and payments to the escrow agent for refunding of debt as other financing uses. This is the net of other financing sources (\$7,133,805) less other financing uses (\$7,678,323).</p>	544,518
<p>Bond premiums are reported in the funds but not in the SOA.</p>	<u>(588,525)</u>
Change in net assets of discretely presented component units	<u><u>\$ (2,561,872)</u></u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 4,980,350	\$ 5,174,050	\$ 5,212,617	\$ 38,567
Franchise taxes	167,550	167,550	-	(167,550)
Interest income	3,500	10,500	17,074	6,574
Miscellaneous	-	183,000	185,490	2,490
Total revenues	<u>5,151,400</u>	<u>5,535,100</u>	<u>5,415,181</u>	<u>(119,919)</u>
Expenditures:				
Current:				
Administration	<u>1,148,600</u>	<u>1,130,700</u>	<u>1,002,704</u>	<u>127,996</u>
Total current	<u>1,148,600</u>	<u>1,130,700</u>	<u>1,002,704</u>	<u>127,996</u>
Capital outlay:				
Administration	<u>2,067,400</u>	<u>2,392,850</u>	<u>6,023,499</u>	<u>(3,630,649)</u>
Total capital outlay	<u>2,067,400</u>	<u>2,392,850</u>	<u>6,023,499</u>	<u>(3,630,649)</u>
Debt service:				
Principal	1,685,000	1,625,000	1,625,000	-
Interest	1,297,750	1,004,300	1,004,267	33
Fiscal charges	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total debt service	<u>2,987,250</u>	<u>2,633,800</u>	<u>2,633,767</u>	<u>33</u>
Total expenditures	<u>6,203,250</u>	<u>6,157,350</u>	<u>9,659,970</u>	<u>(3,502,620)</u>
Excess of revenues over (under) expenditures	<u>(1,051,850)</u>	<u>(622,250)</u>	<u>(4,244,789)</u>	<u>(3,622,539)</u>
Net change in fund balances	(1,051,850)	(622,250)	(4,244,789)	(3,622,539)
Fund balances, October 1	<u>23,203,404</u>	<u>23,203,404</u>	<u>23,203,404</u>	<u>-</u>
Fund balances, September 30	<u>\$ 22,151,554</u>	<u>\$ 22,581,154</u>	<u>\$ 18,958,615</u>	<u>\$ (3,622,539)</u>

CITY OF ROCKWALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
ROCKWALL TECHNOLOGY PARK ASSOCIATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Assessments	\$ 185,100	\$ 187,100	\$ 170,919	\$ (16,181)
Interest income	-	-	99	99
Total revenues	<u>185,100</u>	<u>187,100</u>	<u>171,018</u>	<u>(16,082)</u>
Expenditures:				
Current:				
Administration	<u>185,100</u>	<u>187,100</u>	<u>182,486</u>	<u>4,614</u>
Total expenditures	<u>185,100</u>	<u>187,100</u>	<u>182,486</u>	<u>4,614</u>
Net change in fund balances	-	-	(11,468)	(11,468)
Fund balances, October 1	<u>45,766</u>	<u>45,766</u>	<u>45,766</u>	<u>-</u>
Fund balances, September 30	<u>\$ 45,766</u>	<u>\$ 45,766</u>	<u>\$ 34,298</u>	<u>\$ (11,468)</u>

***STATISTICAL SECTION***

CITY OF ROCKWALL, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Invested in capital assets, net of related debt	\$ 95,507,167	\$ 95,193,217	\$ 86,446,064	\$ 89,523,344	\$ 89,851,392	\$ 91,085,278	\$ 89,101,460	\$ 88,367,580	\$ 63,546,273	\$ 49,487,300
Restricted	14,270,758	7,930,007	10,584,073	2,353,423	16,124,192	1,774,193	11,788,623	2,306,529	14,222,187	23,258,947
Unrestricted	2,075,864	4,740,983	11,180,566	14,253,372	238,981	13,400,417	4,308,457	12,955,777	13,643,810	13,386,297
Total governmental activities net position	\$ 111,853,789	\$ 107,864,207	\$ 108,210,703	\$ 106,130,139	\$ 106,214,565	\$ 106,259,888	\$ 105,198,540	\$ 103,629,886	\$ 91,412,270	\$ 86,132,544
Business-type activities										
Invested in capital assets, net of related debt	\$ 66,473,007	\$ 65,822,647	\$ 61,795,531	\$ 60,558,579	\$ 58,888,435	\$ 58,139,970	\$ 54,288,096	\$ 53,418,392	\$ 48,127,382	\$ 47,893,027
Restricted	6,727,108	2,688,018	4,555,652	2,125,250	2,306,207	2,992,291	6,221,719	7,568,701	17,888,236	14,620,878
Unrestricted	3,886,649	3,831,828	1,736,457	3,208,557	4,300,793	6,124,975	5,340,103	6,162,163	5,283,929	5,463,619
Total business-type activities net position	\$ 77,086,764	\$ 72,342,493	\$ 68,087,640	\$ 65,892,386	\$ 65,495,435	\$ 67,257,236	\$ 65,849,918	\$ 67,149,256	\$ 71,299,547	\$ 67,977,524
Primary government										
Invested in capital assets, net of related debt	\$ 161,980,174	\$ 161,015,864	\$ 148,241,595	\$ 150,081,923	\$ 148,739,827	\$ 149,225,248	\$ 143,389,556	\$ 141,785,972	\$ 111,673,655	\$ 97,380,327
Restricted	20,997,866	10,618,026	15,139,725	4,478,673	18,430,399	4,766,484	18,010,342	9,875,230	32,110,423	37,879,825
Unrestricted	5,962,513	8,572,811	12,917,023	17,461,929	4,539,774	19,525,392	9,648,560	19,117,940	18,927,739	18,849,916
Total primary government net position	\$ 188,940,553	\$ 180,206,701	\$ 176,298,343	\$ 172,022,525	\$ 171,710,000	\$ 173,517,124	\$ 171,048,458	\$ 170,779,142	\$ 162,711,817	\$ 154,110,068

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Governmental activities:										
Mayor/Council	\$ 107,998	\$ 116,572	\$ 94,747	\$ 102,993	\$ 106,959	\$ 111,494	\$ 116,372	\$ 109,844	\$ 117,366	\$ 111,555
Administration	6,145,346	8,298,012	8,515,273	7,565,249	7,631,175	7,183,587	6,862,780	6,707,709	7,384,773	5,523,924
Finance	1,345,039	1,003,849	1,089,078	951,808	1,360,201	1,331,943	1,294,888	1,409,054	1,338,894	1,138,210
Municipal Court	395,127	396,256	415,220	357,208	358,745	362,149	353,147	334,922	312,601	298,383
Police	11,001,835	10,222,333	10,251,116	9,441,521	8,836,213	8,423,470	8,609,827	8,384,774	7,130,698	7,001,771
Fire	4,266,758	3,334,030	3,100,647	3,172,688	3,002,941	2,734,296	2,741,288	2,201,236	2,242,829	2,207,468
Public Works	12,889,840	5,438,890	7,653,406	8,651,550	8,398,043	8,008,701	6,669,448	5,482,571	7,094,068	6,928,067
Community Development	1,778,965	1,724,660	1,699,428	2,432,153	1,185,114	1,203,407	1,210,519	1,350,023	2,229,753	2,018,363
Parks and Recreation	2,157,430	3,981,748	3,185,425	4,825,050	6,003,610	5,843,647	5,805,241	5,250,506	4,025,927	3,088,750
Interest on long-term debt	4,165,018	5,302,942	4,853,042	4,714,902	4,666,567	4,554,433	4,717,319	4,669,459	4,418,519	3,612,523
Total governmental activities expenses	44,253,356	39,819,292	40,857,382	42,215,122	41,549,568	39,757,127	38,380,829	35,900,098	36,295,428	31,929,014
Business-type activities:										
Water and Sewer	19,608,273	17,278,731	17,071,406	16,723,552	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707
Total business-type activities expenses	19,608,273	17,278,731	17,071,406	16,723,552	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707
Total primary government expenses	63,861,629	57,098,023	57,928,788	58,938,674	57,098,816	54,472,737	52,297,021	49,172,982	48,502,170	42,846,721
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Community Development	1,334,327	1,351,443	1,113,132	1,163,945	1,125,092	792,029	664,711	1,025,979	1,072,444	1,118,001
Municipal Court	1,120,665	1,172,154	1,110,268	967,113	1,179,016	1,195,552	1,193,019	1,082,488	974,973	989,677
Police	845,646	860,390	725,857	488,631	463,565	550,947	522,919	516,591	658,015	415,637
Parks and Recreation	693,191	626,694	574,480	421,599	428,461	367,170	376,123	366,360	372,555	300,823
Public Works	945,930	1,086,223	756,113	162,374	129,562	55,316	62,795	99,753	307,226	464,587
Other	1,651,499	840,425	881,166	259,196	256,464	242,828	267,362	200,978	573,057	510,081
Operating grants & contributions	196,662	418,309	432,146	358,808	660,140	366,656	59,303	81,199	151,741	1,059,602
Capital grants & contributions	-	57,286	107,342	3,411,221	2,012,936	4,525,403	4,437,478	8,127,487	6,620,540	3,193,554
Total governmental activities program revenues	6,787,920	6,412,924	5,700,504	7,232,887	6,255,236	8,095,901	7,583,710	11,500,835	10,730,551	8,051,962

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CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Business-type activities:</b>										
Charges for services:										
Water Sales	\$ 22,163,656	\$ 10,220,088	\$ 8,140,267	\$ 8,285,306	\$ 7,780,095	\$ 8,547,662	\$ 6,917,587	\$ 6,574,110	\$ 6,060,043	\$ 4,815,631
Sewer Charges	-	5,511,705	4,901,303	4,255,951	3,720,357	3,406,283	2,864,595	2,748,160	2,409,614	2,338,820
Other	-	2,841,883	2,465,315	2,577,650	2,564,063	2,752,625	2,150,155	1,951,945	1,797,390	1,616,873
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	3,049,464	4,713,024	4,829,708	3,426,328	1,178,672	2,157,402	1,992,680	3,374,321	5,616,869	2,808,528
<b>Total business-type activities program revenues</b>	<b>25,213,120</b>	<b>23,286,700</b>	<b>20,336,593</b>	<b>18,545,235</b>	<b>15,243,186</b>	<b>16,863,972</b>	<b>13,925,017</b>	<b>14,648,536</b>	<b>15,883,916</b>	<b>11,579,852</b>
<b>Total primary government program revenues</b>	<b>32,001,040</b>	<b>29,699,624</b>	<b>26,037,097</b>	<b>25,778,122</b>	<b>21,498,422</b>	<b>24,959,873</b>	<b>21,508,727</b>	<b>26,149,371</b>	<b>26,614,467</b>	<b>19,631,814</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(37,465,436)	(33,406,368)	(35,156,878)	(34,982,235)	(35,294,332)	(31,661,226)	(30,797,119)	(24,399,263)	(25,564,877)	(23,877,052)
Business-type activities	5,604,847	6,007,969	3,265,187	1,821,683	(306,062)	2,148,362	8,825	1,375,652	3,677,174	662,145
<b>Total primary government net expense</b>	<b>(31,860,589)</b>	<b>(27,398,399)</b>	<b>(31,891,691)</b>	<b>(33,160,552)</b>	<b>(35,600,394)</b>	<b>(29,512,864)</b>	<b>(30,788,294)</b>	<b>(23,023,611)</b>	<b>(21,887,703)</b>	<b>(23,214,907)</b>
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	20,966,521	20,432,488	18,438,330	17,870,887	17,321,016	17,204,239	16,735,510	16,422,119	14,780,112	11,827,931
Sales taxes	16,331,411	15,171,326	14,341,277	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,636	8,901,929
Other	3,454,314	4,312,446	3,365,885	3,310,417	3,613,020	3,011,917	3,285,081	3,734,068	4,625,450	4,477,541
Transfers	949,250	936,500	1,091,950	1,217,550	1,594,950	979,863	1,511,785	6,201,291	1,315,405	1,350,335
<b>Total governmental activities</b>	<b>41,701,496</b>	<b>40,852,760</b>	<b>37,237,442</b>	<b>36,443,947</b>	<b>35,249,009</b>	<b>32,722,574</b>	<b>32,365,773</b>	<b>36,621,879</b>	<b>30,844,603</b>	<b>26,557,736</b>
Business-type activities:										
Other	88,673	11,798	22,017	180,858	139,212	238,819	203,622	675,348	960,254	1,600,342
Transfers	(949,250)	(936,500)	(1,091,950)	(1,217,550)	(1,594,950)	(979,863)	(1,511,785)	(6,201,291)	(1,315,405)	(1,350,335)
<b>Total business-type activities</b>	<b>(860,577)</b>	<b>(924,702)</b>	<b>(1,069,933)</b>	<b>(1,036,692)</b>	<b>(1,455,738)</b>	<b>(741,044)</b>	<b>(1,308,163)</b>	<b>(5,525,943)</b>	<b>(355,151)</b>	<b>250,007</b>
<b>Total primary government</b>	<b>40,840,919</b>	<b>39,928,058</b>	<b>36,167,509</b>	<b>35,407,255</b>	<b>33,793,271</b>	<b>31,981,530</b>	<b>31,057,610</b>	<b>31,095,936</b>	<b>30,489,452</b>	<b>26,807,743</b>
<b>Change in Net Position</b>										
Governmental activities	4,236,060	7,446,392	2,080,564	1,461,712	(45,323)	1,061,348	1,568,654	12,222,616	5,279,726	2,680,684
Business-type activities	4,744,270	5,083,267	2,195,254	784,991	(1,761,800)	1,407,318	(1,299,338)	(4,150,291)	3,322,023	912,152
<b>Total primary government</b>	<b>\$ 8,980,330</b>	<b>\$ 12,529,659</b>	<b>\$ 4,275,818</b>	<b>\$ 2,246,703</b>	<b>\$ (1,807,123)</b>	<b>\$ 2,468,666</b>	<b>\$ 269,316</b>	<b>\$ 8,072,325</b>	<b>\$ 8,601,749</b>	<b>\$ 3,592,836</b>

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2007	\$ 11,827,931	\$ 8,901,929	\$ 2,014,845	\$ 22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842
2009	16,422,119	10,264,401	2,535,846	29,222,366
2010	16,735,510	10,833,397	2,748,483	30,317,390
2011	17,204,239	11,526,555	2,445,762	31,176,556
2012	17,321,016	12,720,023	2,821,451	32,862,490
2013	17,870,887	14,045,093	2,743,839	34,659,819
2014	18,416,548	14,341,277	3,093,257	35,851,082
2015	20,432,488	15,171,325	4,035,823	39,639,636
2016	20,966,521	16,331,411	3,201,488	40,499,420

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2007	\$ 4,815,631	\$ 2,338,820	\$ 7,154,451
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182
2011	8,547,662	3,406,283	11,953,945
2012	7,780,095	3,720,357	11,500,451
2013	8,285,306	4,255,951	12,541,257
2014	8,140,267	4,901,303	13,041,570
2015	10,220,088	5,511,705	15,731,793
2016	12,738,912	6,360,126	19,099,038

CITY OF ROCKWALL, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-5

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,870	\$ 2,446	\$ 1,407
Restricted	-	-	-	-	23,038	-	-	-	-	-
Non-spendable	-	-	-	2,514	1,120	2,116	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	9,159,333	8,293,107	8,264,368	8,335,289
Unassigned	11,165,872	11,476,929	10,305,640	11,273,469	9,893,803	10,085,001	-	-	-	-
Total general fund	<u>\$ 11,165,872</u>	<u>\$ 11,476,929</u>	<u>\$ 10,305,640</u>	<u>\$ 11,275,983</u>	<u>\$ 9,917,961</u>	<u>\$ 10,087,117</u>	<u>\$ 9,159,333</u>	<u>\$ 8,295,977</u>	<u>\$ 8,266,814</u>	<u>\$ 8,336,696</u>
All other governmental funds										
Restricted	\$ (86,775)	\$ 127,659	\$ (88,096)	\$ 328,435	\$ 1,511,561	\$ 1,641,992	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	2,973,086	2,722,094	2,608,081	-	-	-	-
Committed for Debt Service	2,201,438	936,770	460,648	772,045	-	-	930,290	1,077,236	835,203	1,083,320
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	2,320,833	2,399,605	3,145,275	2,797,330
Capital projects funds	-	-	-	-	-	-	10,319,501	16,906,340	13,094,614	21,877,706
Assigned	13,628,545	8,859,209	12,396,173	15,535,782	14,549,510	16,652,507	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 15,743,208</u>	<u>\$ 9,923,638</u>	<u>\$ 12,768,725</u>	<u>\$ 19,609,348</u>	<u>\$ 18,783,165</u>	<u>\$ 20,902,580</u>	<u>\$ 13,570,624</u>	<u>\$ 20,383,181</u>	<u>\$ 17,075,092</u>	<u>\$ 25,758,356</u>

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 20,946,082	\$ 20,441,533	\$ 18,416,548	\$ 17,890,435	\$ 17,338,798	\$ 17,329,982	\$ 16,560,766	\$ 16,407,575	\$ 14,708,142	\$ 11,820,994
Sales taxes	16,331,411	15,171,325	14,341,278	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,637	8,901,929
Franchise taxes	3,186,160	3,927,501	3,016,446	2,748,707	2,879,585	2,604,569	2,728,251	2,444,296	2,179,847	2,046,674
Charges for services	1,765,734	1,802,529	1,346,695	1,049,134	1,383,158	710,007	713,760	738,146	362,107	417,049
Permits	1,233,776	1,277,011	1,019,605	1,119,438	1,076,770	765,500	651,108	1,005,541	1,122,505	1,132,985
Municipal court	1,152,543	1,177,416	1,161,283	1,050,955	1,141,742	1,157,838	1,173,907	1,056,904	1,177,410	1,019,260
Intergovernmental	831,958	774,205	624,045	440,250	835,948	478,037	506,100	428,747	419,700	1,097,790
Interest income	105,047	88,724	51,672	(21,660)	114,588	136,878	60,429	611,615	1,702,870	2,012,244
Miscellaneous	315,876	440,246	525,865	795,304	795,150	661,379	569,258	872,988	837,707	716,896
Contributions and donations	90,812	388,236	527,008	44,929	727,361	364,975	148,512	2,812,457	775,695	2,241,586
<b>Total Revenues</b>	<b>45,959,399</b>	<b>45,488,726</b>	<b>41,030,445</b>	<b>39,162,585</b>	<b>39,013,123</b>	<b>35,735,720</b>	<b>33,945,488</b>	<b>36,642,670</b>	<b>33,409,620</b>	<b>31,407,407</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	107,998	116,572	94,747	102,995	106,958	111,494	116,372	109,845	117,366	111,555
Administration	4,348,317	4,221,318	3,997,844	3,821,755	3,690,167	3,402,793	3,353,637	3,358,705	3,056,885	2,750,197
Finance	1,017,359	948,974	985,734	924,415	1,245,790	1,211,261	1,189,250	1,266,436	1,199,417	1,138,238
Municipal court	389,914	396,256	415,220	349,536	337,537	335,082	333,234	318,467	311,706	300,186
Police	10,660,642	9,934,841	9,539,572	8,847,655	8,299,514	7,982,280	8,083,075	7,775,622	6,923,679	6,426,957
Fire	3,425,461	3,153,514	2,766,298	2,383,832	2,347,279	2,146,012	2,179,372	1,618,559	1,451,970	1,340,624
Public works	5,036,475	4,559,460	4,174,815	2,153,427	2,285,737	2,122,710	1,577,760	1,528,010	2,824,267	2,427,535
Community development	1,778,733	1,724,660	1,699,428	1,139,859	1,164,786	1,178,982	1,130,169	1,258,030	2,219,167	2,002,767
Parks and recreation	3,157,568	3,227,161	2,907,884	4,892,456	4,689,177	4,590,161	4,529,739	4,493,524	2,907,229	2,473,238
<b>Total current</b>	<b>29,922,467</b>	<b>28,282,756</b>	<b>26,581,542</b>	<b>24,615,930</b>	<b>24,166,945</b>	<b>23,080,775</b>	<b>22,492,608</b>	<b>21,727,198</b>	<b>21,011,686</b>	<b>18,971,297</b>
<b>Capital outlay:</b>										
Administration	3,480,825	3,220,135	474,857	8,431,896	6,649,805	7,168,226	4,746,948	18,427,890	2,373,369	4,028,933
Finance	173,471	54,875	103,344	124,302	224,306	101,525	57,653	78,866	137,035	-
Municipal Court	-	-	-	205,947	-	-	-	-	-	-
Police	544,428	287,492	711,544	167,587	465,169	274,821	1,316,626	258,623	74,899	225,992
Fire	410,467	180,516	334,349	2,167,780	368,805	266,400	434,754	6,462,691	727,795	1,578,623
Public works	431,590	98,112	6,421,609	-	-	-	24,575	90,798	29,051,639	10,609,516
Community development	-	-	-	-	-	-	-	-	-	2,105
Parks and recreation	893,797	754,587	277,541	65,534	486,159	-	1,095,622	482,177	1,742,004	2,397,348
<b>Total capital outlay</b>	<b>5,934,578</b>	<b>4,595,717</b>	<b>8,323,244</b>	<b>11,163,046</b>	<b>8,194,244</b>	<b>7,810,972</b>	<b>7,676,178</b>	<b>25,801,045</b>	<b>34,106,741</b>	<b>18,842,517</b>

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CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt service:										
Principal	\$ 6,560,000	\$ 6,809,632	\$ 6,803,038	\$ 5,268,038	\$ 4,933,038	\$ 4,278,038	\$ 4,458,038	\$ 4,670,540	\$ 4,335,462	\$ 3,726,505
Interest	3,945,758	5,091,670	4,630,739	4,613,787	4,820,183	4,570,301	4,766,488	4,716,545	4,254,162	3,607,455
Bond issuance costs	231,376	-	74,581	90,615	44,305	150,900	-	242,173	468,837	9,500
Fiscal charges	25,855	39,250	14,800	10,500	8,800	11,200	7,032	15,284	6,384	6,484
Total debt services	10,762,989	11,940,552	11,523,158	9,982,940	9,806,326	9,010,439	9,231,558	9,644,542	9,064,845	7,349,944
Total expenditures	46,620,034	44,819,025	46,427,944	45,761,916	42,167,515	39,902,186	39,400,344	57,172,785	64,183,272	45,163,758
Excess (deficiency) of revenues over (under) expenditures	(660,635)	669,701	(5,397,499)	(6,599,331)	(3,154,392)	(4,166,466)	(5,454,856)	(20,530,115)	(30,773,652)	(13,756,351)
<b>Other financing sources (uses):</b>										
Transfers in	540,350	689,000	2,769,639	2,277,550	2,217,035	3,456,450	1,478,835	8,664,757	1,975,436	2,585,804
Transfers out	(3,131,100)	(3,032,500)	(5,257,689)	(4,215,000)	(3,502,085)	(2,913,587)	(2,304,050)	(4,488,966)	(2,715,031)	(2,866,119)
Bonds issued	8,076,711	-	9,820,000	10,530,000	2,150,000	13,210,000	-	19,295,000	22,270,000	-
Capital Leases	-	-	-	-	-	-	330,870	-	-	-
Refunding bonds issued	53,221,012	-	-	-	-	-	-	4,805,000	-	-
Accrued interest on bonds issued	-	-	-	-	-	-	-	-	-	-
Premium (discounts) on bonds issued	6,769,228	-	-	221,417	-	325,248	-	444,623	490,101	-
Payment to refunded bond escrow agent	(59,060,574)	-	(9,745,419)	-	-	(1,651,905)	-	(4,853,047)	-	-
Prior Period Adjustment	(246,478)									
Total other financing sources (uses)	6,169,149	(2,343,500)	(2,413,469)	8,813,967	864,950	12,426,206	(494,345)	23,867,367	22,020,506	(280,315)
Net change in fund balances	\$ 5,508,514	\$ (1,673,799)	\$ (7,810,968)	\$ 2,214,636	\$ (2,289,442)	\$ 8,259,740	\$ (5,949,201)	\$ 3,337,252	\$ (8,753,146)	\$ (14,036,666)
Debt service as a percentage of noncapital expenditures	25.8%	29.6%	30.0%	28.6%	28.7%	27.6%	29.1%	30.6%	24.0%	22.0%

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2007	\$ 11,820,994	\$ 8,901,929	\$ 2,046,674	\$ 22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626
2009	16,407,575	10,264,401	2,444,296	29,116,272
2010	16,560,766	10,833,397	2,728,251	30,122,414
2011	17,329,982	11,526,555	2,604,569	31,461,106
2012	17,338,798	12,720,023	2,879,585	32,938,406
2013	17,890,435	14,045,093	2,748,707	34,684,235
2014	18,438,330	14,341,277	3,093,257	35,872,864
2015	20,441,533	15,171,325	3,927,501	39,540,359
2016	20,946,082	16,331,411	3,186,160	40,463,653

CITY OF ROCKWALL, TEXAS  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-8

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
2007	\$ 8,901,929	76.69%	0.35
2008	10,123,637	70.46%	0.36
2009	10,264,401	64.30%	0.34
2010	10,833,397	65.80%	0.32
2011	11,526,555	68.74%	0.34
2012	12,720,023	75.10%	0.37
2013	14,045,093	81.16%	0.40
2014	14,341,277	78.98%	0.39
2015	15,171,325	75.62%	0.37
2016	16,331,411	79.43%	0.38

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-9

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2007	2006	\$ 1,954,614,420	\$ 713,469,923	\$ 263,400,375	\$ 356,154,448	\$ 2,575,330,270	0.4250
2008	2007	2,105,432,149	809,042,172	291,476,021	404,048,791	2,801,901,551	0.4865
2009	2008	2,175,728,205	968,824,057	342,108,871	478,140,905	3,008,520,228	0.5031
2010	2009	2,207,188,025	1,034,428,814	343,770,085	245,497,304	3,339,889,620	0.5031
2011	2010	2,276,011,463	1,042,597,193	337,323,537	249,159,269	3,406,772,924	0.5031
2012	2011	2,316,829,222	1,041,610,117	337,423,698	264,503,280	3,431,359,757	0.5031
2013	2012	2,400,322,618	1,029,298,627	345,365,078	278,144,322	3,496,842,001	0.5025
2014	2013	2,437,302,085	1,126,527,658	385,352,763	280,459,789	3,668,722,717	0.5025
2015	2014	2,645,861,999	1,318,998,496	438,951,140	302,418,574	4,101,393,061	0.4955
2016	2015	2,782,405,140	1,648,095,203	444,125,103	576,179,585	4,298,445,861	0.4853

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Freeport Exemption</u>
2007	\$ 96,624,100	\$ 1,537,004	\$ 61,259,470	\$ 16,146,371
2008	104,805,677	1,658,500	66,881,780	13,651,705
2009	111,535,268	1,805,500	79,131,370	24,266,824
2010	117,336,354	6,522,310	101,284,160	25,091,542
2011	123,493,766	8,781,840	99,301,400	20,804,929
2012	130,833,284	10,360,860	105,251,440	20,979,952
2013	133,480,470	10,577,050	106,197,190	23,803,292
2014	139,936,532	12,780,746	102,226,360	25,071,144
2015	148,647,965	14,905,177	109,426,700	22,030,705
2016	162,365,290	20,961,691	107,887,230	28,084,128

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-11

<u>Fiscal Year</u>	<u>City of Rockwall</u>			<u>Overlapping Rates</u>	
	<u>M&amp;O</u>	<u>Debt</u>	<u>Total</u>	<u>School</u>	<u>County</u>
2007	0.2067	0.2183	0.425	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750
2011	0.2562	0.2469	0.5031	1.4700	0.3864
2012	0.2563	0.2468	0.5031	1.4700	0.3864
2013	0.2619	0.2406	0.5025	1.4700	0.3864
2014	0.2363	0.2662	0.5025	1.4600	0.3959
2015	0.2207	0.2748	0.4955	1.4400	0.3959
2016	0.2342	0.2511	0.4853	1.4400	0.3959

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-12

Taxpayer	2016			2007		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Allen Foods/Bimbo Bakeries	\$ 73,074,930	1	1.70%	\$ -	-	-
Excel Rockwall, LP	55,675,990	2	1.30%	-	-	-
BRE MF Rockwall, LLC	49,072,130	3	1.14%	-	-	-
Rockwall Regional Hospital, LLP	38,153,080	4	0.89%	-	-	-
Rockwall Crossing LTD	32,206,820	5	0.75%	18,748,420	4	0.73%
Whitmore Manufacturing CO	31,915,670	6	0.74%	-	-	-
Bella Harbor Hotel Venture, LLC	28,994,250	7	0.67%	-	-	-
Rockwall Dunhill LLC	24,831,260	8	0.58%	18,700,000	5	0.73%
Graham Packaging/Continental PET	24,164,040	9	0.56%	30,974,977	1	1.20%
Oncor Electric Delivery Service	24,097,740	10	0.56%	21,792,930	3	0.85%
Wal-mart	-	-	-	22,518,286	2	0.87%
Mariah Bay Development Inc.	-	-	-	17,534,790	6	0.68%
Mission NE Dallas 1 LLC, Etal	-	-	-	15,686,510	7	0.61%
Texas Star Express	-	-	-	13,012,768	8	0.51%
Lowes Home Centers, Inc.	-	-	-	12,940,087	9	0.50%
Steger Towne Crossing, LP	-	-	-	11,717,715	10	0.45%
Subtotal	<u>382,185,910</u>		<u>8.89%</u>	<u>183,626,483</u>		<u>7.13%</u>
Total Taxable Value	<u>\$ 4,298,445,861</u>		<u>100.00%</u>	<u>\$ 2,575,330,270</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District

Note: Includes real property and business personal property for each entity

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-13

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Total Current Year Collections</b>	<b>Percent of Levy Collected During Fiscal Period</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Tax Levy</b>
2007	2006	\$ 11,607,235	\$ 11,433,286	98.50%	\$ 155,936	\$ 11,589,222	99.84%
2008	2007	14,367,824	14,173,725	98.65%	174,169	14,347,894	99.86%
2009	2008	15,962,353	15,777,483	98.84%	145,366	15,922,849	99.75%
2010	2009	16,465,193	16,182,308	98.28%	233,740	16,416,048	99.70%
2011	2010	16,768,511	16,616,216	99.09%	95,906	16,712,122	99.66%
2012	2011	16,937,674	16,780,370	99.07%	88,353	16,868,723	99.59%
2013	2012	17,306,465	17,205,265	99.42%	-	17,205,265	99.42%
2014	2013	18,157,980	18,055,096	99.43%	-	18,055,096	99.43%
2015	2014	20,063,663	19,951,271	99.44%	-	19,951,271	99.44%
2016	2015	20,561,430	20,538,371	99.89%	139,645	20,678,016	100.57%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-14

Customer	2016			2007		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	\$ 44,226,900	1	1.56%	\$ 33,724,300	1	1.63%
Rockwall I.S.D.	23,678,400	2	0.84%	24,138,500	2	3.85%
Graham Packaging Continental PET	17,925,600	3	0.63%	-	-	-
Orion at Lake Ray Hubbard (Mansions)	16,590,900	4	0.59%	-	-	-
Excel Rockwall, L.P.	13,147,400	5	0.47%	-	-	-
IX MC 923 Yellow Jacket Lane LP	12,670,000	6	0.45%	-	-	-
Walden Residential	12,014,000	7	0.43%	8,162,600	6	0.55%
Allen Food Bakeries, Inc	11,396,700	8	0.40%	-	-	-
TF Harbor LLC	9,141,200	9	0.32%	-	-	-
D.W.C./Highlife Properties	10,229,600	10	0.36%	15,240,900	3	0.83%
Whittle Development	-	-	-	9,459,700	4	0.46%
Bent Creek Condos HOA	-	-	-	8,317,400	5	0.36%
Mission Rockwall	-	-	-	7,796,700	7	0.54%
Lake Pointe Church	-	-	-	6,997,200	8	0.38%
Whitmore Manufacturing	-	-	-	6,774,700	9	0.53%
Sabre Realty Management Company	-	-	-	6,414,400	10	0.51%
Subtotal	\$ <u>171,020,700</u>		<u>6.05%</u>	\$ <u>127,026,400</u>		<u>5.19%</u>
Total Water Usage	<u>2,826,162,420</u>		<u>100.00%</u>	<u>2,446,090,960</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-15

Fiscal Year	Governmental Activities				Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds	Capitalized Lease Obligations			
2007	\$ 55,720,824	\$ 20,045,000	\$ 280,000	\$ -	\$ 184,176	\$ -	\$ -	\$ 13,360,000	\$ 5,040,094	\$ 94,630,094	7.20%	3,013
2008	74,925,362	18,810,000	245,000	-	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	8.13%	3,824
2009	86,179,822	22,425,000	-	-	135,178	25,890,000	-	11,670,000	7,431,754	153,731,754	10.38%	4,789
2010	83,271,784	20,875,000	-	278,034	113,216	25,005,000	-	10,775,000	7,080,083	147,398,117	8.74%	4,205
2011	88,473,746	23,050,000	-	236,589	91,254	28,205,000	-	5,215,000	6,710,000	151,981,589	8.08%	4,129
2012	84,675,708	24,065,000	-	193,299	69,292	27,145,000	-	4,550,000	6,321,743	147,020,042	7.44%	3,810
2013	88,562,670	25,440,000	-	148,083	47,330	29,510,000	-	3,865,000	5,910,072	153,483,155	7.51%	3,960
2014	87,404,632	16,935,000	-	100,855	25,638	27,900,000	-	3,495,000	5,485,067	141,346,192	6.62%	3,533
2015	85,790,000	14,610,000	-	51,525	-	26,220,000	-	3,235,000	5,041,729	134,948,254	5.97%	3,297
2016	90,400,000	8,580,000	-	-	-	31,230,000	-	-	4,571,724	134,781,724	5.84%	3,246

Note: See Table 20 for personal income and population data  
 Debt is shown gross of deferred amounts

CITY OF ROCKWALL, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-16

Fiscal Year	Governmental and Business Type Activities							Percentage of Actual Taxable Value	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Gross Bonded Debt	Unamortized Premium (Discount)	Less: Debt Service Fund Balance	Net Bonded Debt		
2007	\$ 55,720,824	\$ 20,045,000	\$ 280,000	\$ 76,045,824	\$ 1,072,153	\$ 1,083,320	\$ 76,034,657	2.95%	2,421
2008	74,925,362	28,745,000	245,000	103,915,362	1,583,018	835,203	104,663,177	3.74%	3,297
2009	86,179,822	48,315,000	-	134,494,822	1,912,382	1,077,236	135,329,968	4.50%	4,215
2010	83,271,784	45,880,000	-	129,151,784	1,859,751	930,290	130,081,245	3.89%	3,711
2011	88,473,746	51,255,000	-	139,728,746	2,004,225	1,426,272	140,306,699	4.12%	3,812
2012	84,675,708	51,210,000	-	135,885,708	2,046,038	1,221,201	136,710,545	3.98%	3,543
2013	88,562,670	54,950,000	-	143,512,670	2,218,052	772,045	144,958,677	4.15%	3,740
2014	87,404,632	44,835,000	-	132,239,632	2,105,454	460,648	133,884,438	3.65%	3,346
2015	85,790,000	40,830,000	-	126,620,000	1,992,856	936,770	127,676,086	3.11%	3,119
2016	90,400,000	39,810,000	-	130,210,000	1,709,884	2,201,438	129,718,446	3.02%	3,124

Note: See Table 20 for population data and Table 8 for property value data  
Deferred amounts include unamortized premium (discount) and loss on refunding

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2016  
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall (2)	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall - debt repaid with property taxes	\$ 90,400,000	100.00%	\$ 90,400,000
Indirect:			
Rockwall Independent School District	547,581,172	52.70%	288,575,278
Rockwall County	<u>110,730,160</u>	61.76%	<u>68,386,947</u>
Total Indirect	<u>658,311,332</u>		<u>356,962,224</u>
Total Direct and Overlapping Bonded Debt	<u><u>\$ 748,711,332</u></u>		<u><u>\$ 447,362,224</u></u>
Average debt per capita			<u><u>\$ 11,543</u></u>

Source: Assessed value data used to estimate applicable percentages provided by Rockwall Central Appraisal District. Debt Outstanding data is provided by each governmental unit.

(1) Includes all Governmental Activities General Obligation Bonds, Contractual Obligations, Certificates of Obligation and Capital Leases

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable value.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.4853	0.4955	0.5025	0.5025	0.5031	0.5031	0.5031	0.5031	0.4865	0.425
Legal Debt Margin	2.0147	2.0045	1.9975	1.9975	1.9969	1.9969	1.9969	1.9969	2.0135	2.0750

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	<u>Annual Revenue Debt Service Requirements</u>					Coverage
		Direct Operating Expense	Net Revenue Available for Debt Service	Principal	Interest	Total	
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98
2011	15,439,747	10,805,039	4,634,708	740,000	360,448	1,100,448	4.21
2012	14,809,266	11,463,657	3,345,609	665,000	219,253	884,253	3.78
2013	16,096,968	11,885,957	4,211,011	685,000	191,306	876,306	4.81
2014	16,378,963	12,610,238	3,768,725	260,000	147,294	407,294	9.25
2015	19,748,474	13,657,885	6,090,589	270,000	136,894	406,894	14.97
2016	23,406,369	15,252,009	8,154,360	-	-	-	-

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE D-20

<b>DEMOGRAPHICS</b>						
<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars) (3)</b>	<b>Per Capita Personal Income (1)</b>	<b>RISD School Enrollment (2)</b>	<b>Unemployment Rate (%) (1)</b>	
2007	31,407	\$ 1,313,786	\$ 41,831	12,468	3.9	
2008	31,748	1,494,029	47,059	13,027	4.9	
2009	32,103	1,480,976	46,132	13,372	7.0	
2010	35,050	1,687,272	48,139	13,732	6.6	
2011	36,810	1,881,580	51,116	13,965	6.7	
2012	38,586	1,976,529	51,224	14,213	5.1	
2013	38,755	2,044,742	52,761	14,359	5.3	
2014	40,008	2,135,587	53,379	14,626	4.2	
2015	40,929	2,259,553	55,627	15,468	3.3	
2016	41,519	2,309,577	55,627	16,312	3.1	

Source: (1) Texas Workforce Commission, 2012 and 2013 are estimates  
 (2) Rockwall Independent School District - private schools not included  
 (3) Bureau of Economic Analysis US Dept. of Commerce

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,872	1	9.11%	1,601	1	9.97%
Texas Health Presbyterian Hospital	600	2	2.92%	-	-	-
Texas Star Express	484	3	2.36%	484	2	3.01%
Wal-Mart Superstore	450	4	2.19%	450	3	2.80%
Rockwall County	315	5	1.53%	253	4	1.58%
City of Rockwall	277	6	1.35%	238	5	1.48%
Special Products	168	7	0.82%	205	6	1.28%
L-3 Communications	150	8	0.73%	-	-	-
Home Depot	140	9	0.68%	-	-	-
Bimbo Bakeries	134	10	0.65%	-	-	-
Target	-	-	-	200	7	1.25%
Rockwall Nursing Home	-	-	-	160	8	1.00%
Kohl's Department Store	-	-	-	140	9	0.87%
Home Depot	-	-	-	130	10	0.81%
Subtotal	<u>4,590</u>		<u>22.34%</u>	<u>3,861</u>		<u>24.04%</u>
Total	<u>20,544</u>		<u>100.00%</u>	<u>16,058</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-22

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Administration	27	26	26	25	21	21	22	22	22	22
Finance	5.5	5	5	5	8	8	8	8	8	8
Municipal Court	5	5	5	4	4	4	4	4	4	4
Fire	26	26	23	19	17	17	17	17	10	10
Police	102	101.5	100.5	97	92.5	91.5	90.5	90.5	88	85
Community Development	19	19	19	24.5	29.5	29.5	29.5	29.5	29.5	29.5
Parks & Recreation	30	30	29	25	26	26	26	26	24.5	24.5
Public Works	21	21	21	21	21	21	21	21	23	23
Water/Sewer	33	33	34	34	37	37	38	38	34	31
<b>Total</b>	<b>268.50</b>	<b>266.50</b>	<b>262.50</b>	<b>254.50</b>	<b>256.00</b>	<b>255.00</b>	<b>256.00</b>	<b>256.00</b>	<b>243.00</b>	<b>237.00</b>

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Finance										
Invoices processed	12,286	13,782	14,518	15,351	15,772	15,582	16,613	16,933	16,696	16,015
Payroll checks issued	11,213	11,093	10,118	9,650	10,065	10,500	9,356	9,176	8,765	8,840
Purchase orders issued	2,141	2,135	1,939	2,002	2,150	2,269	2,391	2,572	2,363	2,553
Municipal Court										
Violations processed	11,171	13,135	16,950	15,208	16,859	16,361	17,261	16,526	12,984	17,455
Fire										
Employees (paid)	26	26	23	19	17	17	17	17	10	10
Volunteers	48	34	30	29	35	41	38	35	42	37
Fire Calls (City and County)	1,240	902	723	913	831	1,059	771	771	860	777
Police										
Employees (uniformed)	78	78	78	76	72	71	71	70	69	66
Employees (civilian)	25.0	22.5	22.5	21	20	20	20	20	19	18
Calls for Service*	17,553	18,152	17,391	16,317	18,267	21,490	30,569	30,610	29,097	27,158
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.										
Community Development										
# permits - New commercial construction	16	19	12	25	14	21	4	17	26	33
Value - New commercial construction	34,712,638	44,764,279	13,645,795	55,921,000	36,578,259	15,446,160	10,969,950	71,061,773	40,553,363	104,798,013
# permits - New residential construction	341	346	257	272	218	185	212	169	173	192
Value - New residential construction	80,982,059	79,262,932	59,868,007	56,266,387	39,815,104	36,244,834	40,293,359	30,914,120	31,962,169	40,174,623
Parks & Recreation										
The Center facility usage	46,946	62,991	78,350	84,000	81,500	84,001	68,665	61,713	76,530	69,988
Special event attendance	86,150	80,000	81,000	83,000	85,000	80,000	95,000	90,680	75,232	54,156
# recreation participants (youth & adult)	5,433	4,711	4,900	4,700	4,500	3,268	3,428	2,155	2,757	2,727

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CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Works										
Streets - sq yd concrete street repair	1,262.94	5,407.00	3,872.00	2,333.00	4,316.37	2,276.40	2,851.55	5,507.20	3,415.26	739.69
\$ spent on concrete/asphalt street repair	\$ 749,128	\$ 806,081	\$ 909,163	\$ 712,451	\$ 654,243	\$ 602,167	\$ 575,446	\$ 541,430	\$ 411,814	\$ 341,685
Miles of public street maintained by City*	284.00	211.65	188.18	185.67	184.06	183.05	196.10	192.86	183.86	144.83
* Beginning in 2011, mileage calculations have changed and software advances have allowed for a more accurate count										
Water/Sewer										
Water customers	15,557	15,147	14,874	14,599	13,416	13,044	12,859	12,471	12,285	12,345
Sewer customers	12,944	12,644	13,215	12,968	12,137	11,891	11,651	11,401	11,106	10,987
Average daily water consumption (gal)	5,595,421	5,813,542	6,210,113	8,158,146	8,322,890	9,943,169	7,434,917	8,228,041	8,052,778	6,701,619
Peak daily water consumption (gal)	16,342,090	17,497,100	12,930,773	15,728,969	20,230,443	21,739,681	16,969,865	16,900,802	20,114,986	14,305,422
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	9,500,000	7,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-24

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Fire										
Number of stations	4	4	4	4	4	4	4	2	2	2
Number of fire engines/trucks	13	13	13	13	15	15	14	12	11	11
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	41	40	42	42	42	42	42	42	42	42
Parks & Recreation										
Parks acres (developed)	598	586	538	538	538	538	538	538	538	342
Playgrounds	26	25	25	25	25	25	25	23	23	23
Picnic areas	35	32	32	32	32	32	32	31	31	29
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ Spent on new construction	\$ 3,510,781	\$ 8,751,606	\$ 4,760,116	\$ 3,567,315	\$ 2,164,305	\$ 1,079,938	\$ 2,596,948	\$ 15,444,384	\$ 24,508,043	\$ 4,885,417
Miles of public streets	284	211.65	188.18	185.67	184.06	183.05	196.10	192.86	183.86	144.83
Water/Sewer										
Water mains (miles)	300.69	302.77	287.91	287.91	276.94	265.82	269.82	255.88	250.40	160.06
Sanitary sewers (miles)	237.13	241.21	231.91	231.91	218.88	222.62	215.88	212.77	209.95	117.51

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2015**

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**CITY OF ROCKWALL, TEXAS**  
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***INTRODUCTORY SECTION***



City of Rockwall  
*The New Horizon*

May 6, 2016

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2015, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company P.C., PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.79 square miles and an estimated population of 40,620.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted in 2005 and again in 2015. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### **Local Economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's local economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 5.78% in our local sales tax revenues. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 11.79%. The most recent five-year average is 4.27% per annum. During the downturn in the economy growth in the tax base slowed but remained positive each year. The City's largest taxpayers are varied and include industry, retail developments, multi-family properties, and medical facilities. Table D-12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to successfully market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Channell Commercial Corporation has begun construction on their new corporate headquarters and manufacturing facility, choosing to relocate their nearly 100-year old business to Rockwall from their location in southern California. The rail-served facility will be 175,000 square feet and will include the largest structural foam machine in Texas. They are an industry leader in thermoplastic enclosures for the telecommunications and broadband industries. The company will begin operations in summer 2016.
- Col-Met Paint Booths will move their state of the art operations from a leased facility to their new 150,000 square foot building in phase II of the Rockwall Technology Park. This move allows the company to expand current operations and provides room to expand the building further in the future.
- A number of new retailers opened in 2015 including Chico, Soma, and James Avery adding to the extensive retail mix in town.
- Medical office construction continues adding Spine Team Texas to the number of physicians and specialty medical offices located near Presbyterian Hospital of Rockwall.
- Downtown Rockwall is undergoing extensive reconstruction during 2015 but still saw several new retail businesses opened including Uptown Downtown Gallery and Studio, Sara Duckworth Photography and Embellished on the Square. The School of Rock opened their new facility in an older building which once housed the City's first fire station. The old rolling doors remain and the school opens the doors for some performances. The school welcomes youth and adult students to learn music in a performance based environment. The City benefits from the attention garnered from Rockwall's being a Texas Main Street City. The City has seen a 13.1% increase in sales taxes in the downtown area in the last fiscal year and 78.2% in the last five years.

## Long-term Planning

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

## Financial Policies

The City Council adopted financial policies in 2001 which have guided the City, allowing us to build a strong fund balance, and reinforcing the city's philosophy to budget conservatively for both revenues and expenditures. The general fund reserve policy is reviewed annually and updated most recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level were available to fund capital projects in 2015 which included the improvement of parking facilities at the Tuttle ballfield complex and the addition of a new traffic signal at Mims Road and Ralph Hall Parkway. The City had, for many years, financed vehicle additions and replacements with short-term debt. A healthy reserve allowed the City to purchase all vehicles on a pay-as-you-go basis. In addition, street maintenance expenditures increased by more than \$265,000 from excess reserves.

## Budget Overview

The City Manager proposes a balanced budget to the City Council each year by August 1. Public hearings are conducted to receive comments and priorities of the community at large. The City Council must adopt the operating budget and set the City's tax rate for the next year by October 1<sup>st</sup> of each year.

## Planning Projects

Having identified the downtown area as a critical component of our long range plan, the City and business and community leaders work with the City's Texas Main Street Manager to coordinate planning efforts and develop interest in locating business downtown and to bring events to the Square. The Main Street program has afforded opportunities for businesses to qualify for façade restoration grants which are funded by the City and local financial institution, Community Bank.

## Capital Improvement Planning

In May 2012, voters approved propositions to provide downtown accessibility projects, roadway rehabilitation and Interstate 30 ramp adjustments. The City hired design and construction management professionals to work with staff and City Council to develop the vision for the projects and cost estimates to ensure the projects as approved can move forward expeditiously and be completed within budget. Improvements began on the Downtown Square in early 2014. Walkability and accessibility are key components of the project as well as the construction of the San Jacinto plaza which will add an outdoor venue to the area. Work should be completed in April 2016. Engineering firms were selected for each of the street rehabilitation projects in 2015

and their work is beginning. This work will continue through 2016 with construction starting shortly after.

### Strategic Planning

The City Council and staff began work on an updated strategic planning document with the goal of a simplified, easy to understand final product. The initial stage of the plan included looking at the current breakdown between the residential and commercial tax base and whether or not the current land use plan will allow that mix to be maintained or improved in order to decrease the tax burden on residential properties. It was determined that sufficient non-residential land uses are planned but that any change from non-residential to residential zoning needs to be evaluated in light of the city's strategic goals. The City receives higher sales taxes per capita than other area cities, pointing to the City's long standing status as a regional shopping destination. As cities to the east grow and add retailers the City will strive to add specialty retailers to continue the regional draw. The remaining I-30 corridor development will need to be well-planned and executed. The long-term infrastructure needs of the City including streets, water and sewer will need to be planned and funded. A study will be conducted in 2016 to assess the condition of each street and alley in the city to determine the remaining useful life of each one. Improvements will be key to the future of the City. The next stages of the strategic planning will focus on the individual departments of the City and how they address both the goals of the larger plan and strategic needs within the department. The plan is expected to be a significant tool in the budget planning process in 2106.

### Future Development

#### Transportation

The majority of the City's main thoroughfares are state facilities. TxDOT has completed design work on the FM3549 overpass project which had unexpected delays due to problems with the construction contract but after rebidding should get underway in mid-2016. FM 3097 – Horizon Road – a heavily traveled roadway in the retail and medical corridor is slated for reconstruction and widening with utility work begun, the 24-month construction project will continue into 2017. The City and TxDOT have jointly funded the project. The City has funded and TxDOT will shortly begin a project to reverse two ramps on I-30 improving access to John King Boulevard and alleviating pressure on other intersections during the FM 3549 overpass project. In addition, the City will begin design shortly on a new I-30 access ramp in an area of heavy congestion near the existing Horizon Road ramp.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allow funding for the advance planning and design of 5 major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction. The Consortium was successful in securing new state funding for both SH275 and FM 3549 widening projects after the state-wide referendums provided new dollars for the state's highway system. The fact that the projects were in design and would be ready to bid when dollars were made available was crucial in getting these new funds. The Consortium is continuing to look at other roadways in the County to get the next list of projects vetted.

## Medical Services

The presence of acute care at Presbyterian Hospital of Rockwall kicked off growth in the medical corridor. Several new medical buildings with Doctor's suites and state of the art out-patient diagnostic imaging facilities have allowed Rockwall to become a regional medical services destination with new offices continuing to open each year. The medical destination drives other growth in the area and is an important boost to the City as visitors spend time dining and shopping while in the area.

## Retail / Entertainment

"The Harbor" development is situated on the shores of Lake Ray Hubbard at I-30. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. The Conference Center continues to attract events including numerous corporate training and retreat sessions and expects many which are scheduled for 2016. A new Marriott Springhill Suites with 105 suites and conference space broke ground in late 2015. The hotel will be locally owned and operated and will employ a sales director to market the property to mid-size regional conferences and meetings.

In conjunction with private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects. In a second project, the City collaborated with the Trend Tower developer on construction of the seven-story, 85,000 square foot office tower overlooking the lake. Trend Tower offered Class-A office space to its corporate tenants as it opened in 2014. The City has signed a lease agreement with Trend on use of the parking garage offering much needed public parking for the Harbor events.

The City's extremely successful 12-week Concert on the Lake Series managed by the City's Recreation Department draws more than 5,000 attendees each Thursday evening for a free concert. Surveys conducted during the events gather data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here. The term "Live Music Capital of North Texas" has been coined to describe the many opportunities available year round in both public and restaurant venues.

Founder's Day, which was moved back to Myers Park, due to the downtown construction project drew visitors to shop merchant's wares, see artist's exhibits, and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend. Due to great reviews on the 2014 and 2015 events, the City made the decision to continue to sponsor Founder's Day at the park in the years to come.

A Farmer's Market brings visitors downtown Saturdays from May to October. The annual "Rib Rub and Run" BBQ contest draws more than 50 teams to the downtown square. The Main Street Advisory Board and "Friends of Downtown Rockwall", citizen volunteer group, worked to plan more special events to bring shoppers downtown. A late evening shopping event called "Night Owls" added late evening hours and live musical entertainment each Friday and Saturday evening on the newly opened San Jacinto Plaza added in summer 2015 brought good crowds out to enjoy

a relaxing evening downtown. In April 2016, the Downtown merchants will partner with the City to sponsor a day-long grand re-opening of the downtown as the construction project is completed.

Utilities

The water and wastewater rates were increased in 2015 and the City intends to raise rates in 2016. The City purchases treated water as a founding member city of the North Texas Municipal Water District. With extremely heavy spring 2015 rains the drought which had extended over several years and seemed to be worsening was broken and the area lakes filled completely. Excess water was released from Lake Lavon, the City’s principal water source was released for the first time in years. As the drought had worsened the NTMWD asked its member and customer cities to reduce consumption by a minimum of 10%. Rockwall residents were so receptive to the call for conservation that actual consumption was reduced by more than 37%. It was discussed often by city staff whether this represented an adjustment to the perceived need for outdoor watering and whether previous levels of consumption would return when restrictions were lifted. When the lakes filled all mandatory conservation limits were lifted and residents across the region did indeed return to significantly greater outdoor watering. Sales for the City’s water system increased by 25.5%. During the several year periods where sales decreased so significantly, water and wastewater system improvements and large equipment purchases were delayed. Equipment acquisition and improvement design is expected to resume in 2016.

The City’s water system is recognized with the Texas Commission on Environmental Quality’s “Superior” rating.

The City actively works to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations. It remains the City’s desire to be the provider for all residents in our city limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-15(net of Debt Service)	\$127,676,086
Estimated Population	40,620
G.O. Debt Per Capita	\$3,143
Net G.O. Debt per Assessed Value	3.11%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

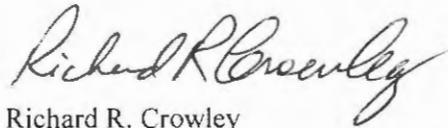
	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA+	A-	A-
Moody’s Investor Service Inc.	Aa2	Aa3	A1

ACKNOWLEDGEMENTS

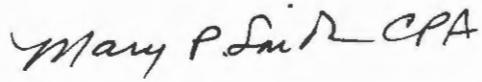
The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

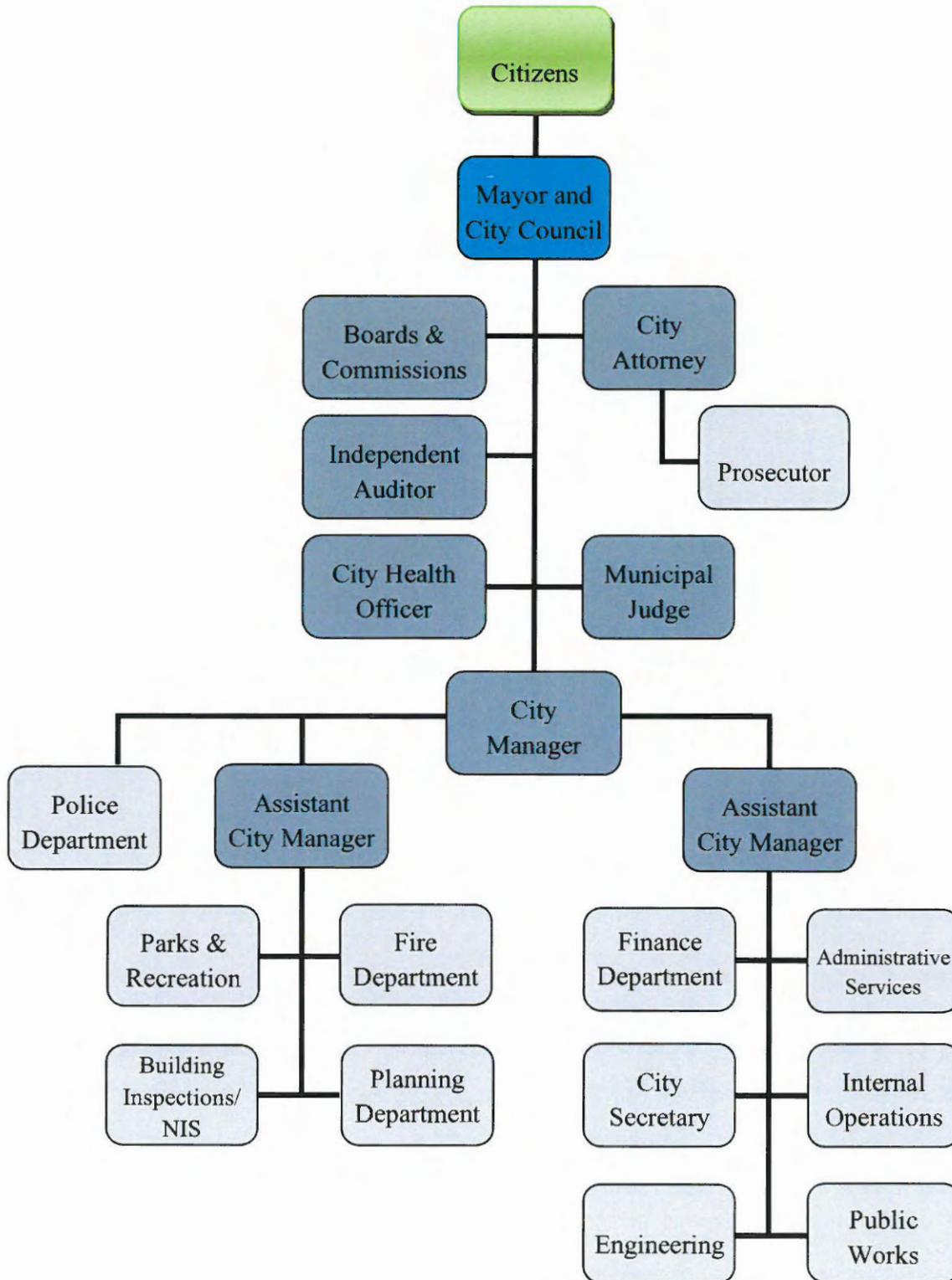


Richard R. Crowley  
City Manager



Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2015

**City Council**

Jim Pruitt, Mayor  
Dennis Lewis, Mayor Pro-Tempore  
Kevin Fowler, Councilmember  
John Hohenshelt, Councilmember  
Scott Milder, Councilmember  
Mike Townsend, Councilmember  
David White, Councilmember

**City Staff**

Rick Crowley, City Manager  
Mary Smith, Assistant City Manager  
Brad Griggs, Assistant City Manager  
Cheryl Dunlop, Director of Administrative Services  
Kirk Riggs, Chief of Police  
Mark Poindexter, Fire Chief  
Ryan Miller, Director of Planning and Zoning  
Tim Tumulty, Director of Public Works/City Engineer  
Joey Boyd, Director of Internal Operations

***FINANCIAL SECTION***

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the changes in net pension liability (asset) and related ratios on pages 13-24 and 70-72 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 Rockwall, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

In our opinion, the combining, individual nonmajor fund financial statements and the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining, individual nonmajor fund financial statements and the budgetary comparison schedules 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.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Fox, Byrd + Company, P.C.*

Dallas, Texas  
May 6, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total net position was \$180,206,701 at September 30, 2015.
- During the year, the City's governmental activities expenses were \$7,446,392 less than the \$40,852,760 generated in program revenues, taxes, other revenues and transfers.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities, net of deferred inflows and deferred outflows of resources at the close of the fiscal year ending September 30, 2015 by \$107,864,207 (net position).
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$11,476,929 or approximately 38.6 percent of the total general fund operating expenditures and transfers out.
- The City's total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) decreased by \$6,939,632 during fiscal year 2015. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

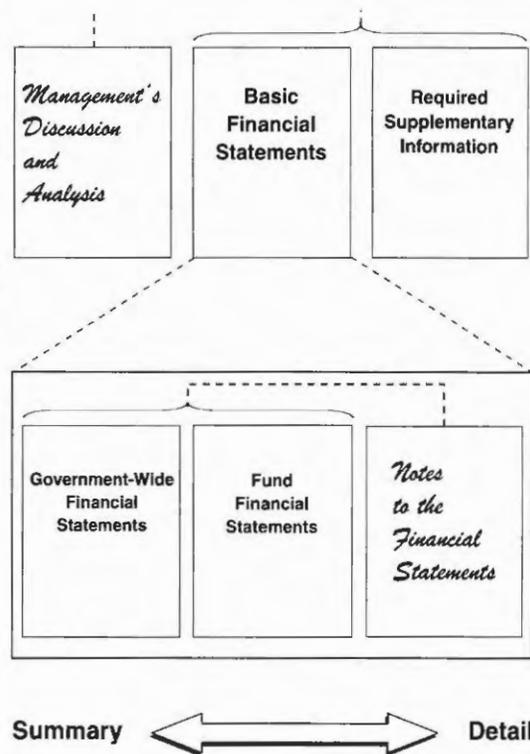
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements, followed by a section of required supplementary information, further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	◆ Statement of net position	◆ Balance Sheet	◆ Statement of net position
	◆ Statement of activities	◆ Statement of revenues, expenditures & changes in fund balances	◆ Statement of revenues, expenses & changes in fund net position ◆ Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net positions* presents information on all of the city of Rockwall’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 condition of the City of Rockwall is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. We report the City’s water and sewer system here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements are found on pages 25-26 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 22 individual governmental funds. 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, Debt Service fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self-insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of assets and liabilities of the agency fund. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2015, the City's net position (assets exceeding liabilities) totaled \$180,206,701. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

The largest portion of the City's net position (88.3 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 27,450,014	\$ 29,351,075	\$ 8,486,760	\$ 7,794,379	\$ 35,936,774	\$ 37,145,454
Capital Assets	<u>196,053,217</u>	<u>194,305,696</u>	<u>100,319,376</u>	<u>98,700,966</u>	<u>296,372,593</u>	<u>293,006,662</u>
Total Assets	<u>223,503,231</u>	<u>223,656,771</u>	<u>108,806,136</u>	<u>106,495,345</u>	<u>332,309,367</u>	<u>330,152,116</u>
Deferred Outflows	<u>2,489,735</u>	<u>115,870</u>	<u>284,212</u>	<u>27,673</u>	<u>2,773,947</u>	<u>143,543</u>
Non-current liabilities	113,424,286	111,153,867	35,871,767	37,243,832	149,296,053	148,397,699
Other liabilities	<u>4,498,178</u>	<u>4,306,351</u>	<u>866,809</u>	<u>1,191,546</u>	<u>5,364,987</u>	<u>5,497,897</u>
Total Liabilities	<u>117,922,464</u>	<u>115,460,218</u>	<u>36,738,576</u>	<u>38,435,378</u>	<u>154,661,040</u>	<u>153,895,596</u>
Deferred Inflows	<u>206,295</u>	<u>101,720</u>	<u>9,278</u>	<u>-</u>	<u>215,573</u>	<u>101,720</u>
Net Position						
Invested in capital assets						
net of related debt	95,193,217	86,446,064	65,822,647	61,795,531	161,015,864	148,241,595
Restricted for debt service	1,064,429	372,552	1,295,481	1,325,056	2,359,910	1,697,608
Restricted for capital projects	6,865,578	10,211,521	1,392,537	3,230,596	8,258,115	13,442,117
Unrestricted	<u>4,740,983</u>	<u>11,180,566</u>	<u>3,831,828</u>	<u>1,736,457</u>	<u>8,572,811</u>	<u>12,917,023</u>
Total net position	<u>\$107,864,207</u>	<u>\$108,210,703</u>	<u>\$ 72,342,494</u>	<u>\$ 68,087,640</u>	<u>\$180,206,701</u>	<u>\$176,298,343</u>

A portion of the City of Rockwall's governmental activities net position, \$7,930,007 or 7.35% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position, \$4,740,983, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net position for the year ended September 30, 2015.

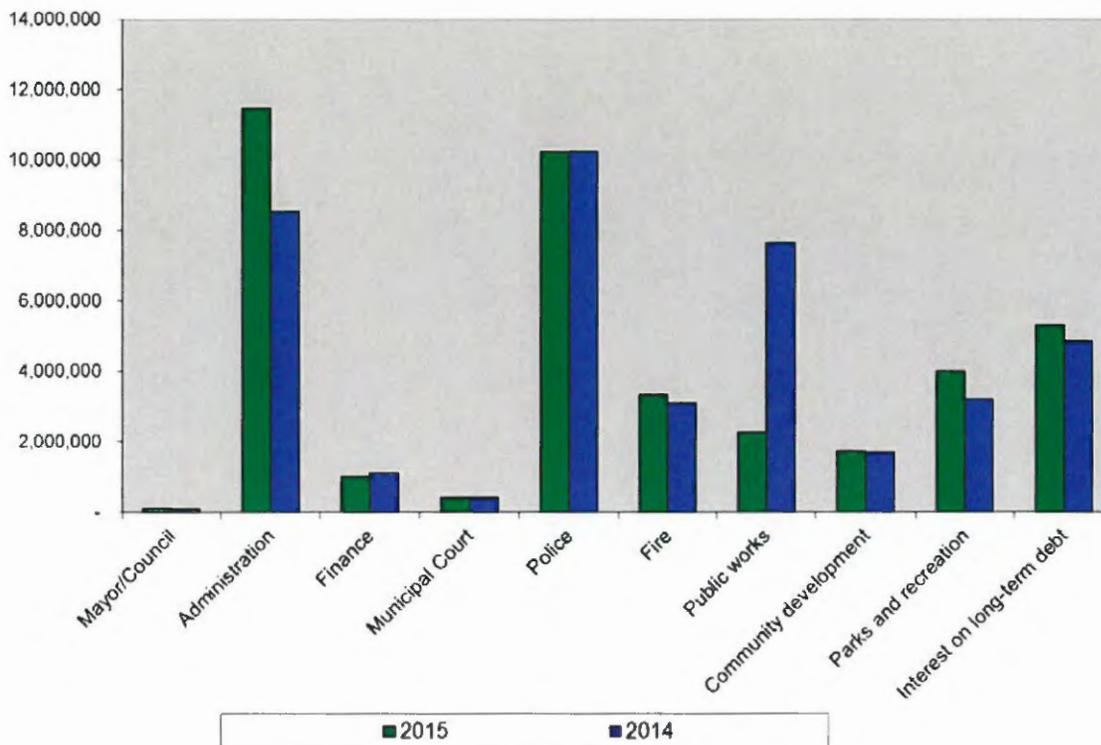
**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Program revenues:</b>						
Charges for services	\$ 5,937,329	\$ 5,161,016	\$ 19,736,676	\$ 15,858,682	\$ 25,674,005	\$ 21,019,698
Operating grants & contributions	418,309	432,146	-	-	418,309	432,146
Capital grants & contributions	57,286	107,342	3,550,024	3,991,005	3,607,310	4,098,347
<b>General Revenues:</b>						
Property taxes	20,432,488	18,438,330	-	-	20,432,488	18,438,330
Sales taxes	15,171,326	14,341,277	-	-	15,171,326	14,341,277
Other	<u>4,312,446</u>	<u>3,365,885</u>	<u>11,798</u>	<u>22,017</u>	<u>4,324,244</u>	<u>3,387,902</u>
Total revenues	<u>46,329,184</u>	<u>41,845,996</u>	<u>23,298,498</u>	<u>19,871,704</u>	<u>69,627,682</u>	<u>61,717,700</u>
<b>Program expenses:</b>						
Mayor/Council	116,572	94,747	-	-	116,572	94,747
Administration	8,298,012	13,798,985	-	-	8,298,012	13,798,985
Finance	1,003,849	1,089,078	-	-	1,003,849	1,089,078
Municipal Court	396,256	415,220	-	-	396,256	415,220
Police	10,222,333	10,251,116	-	-	10,222,333	10,251,116
Fire	3,334,030	3,100,647	-	-	3,334,030	3,100,647
Public works	5,438,890	2,369,694	-	-	5,438,890	2,369,694
Community development	1,724,660	1,699,428	-	-	1,724,660	1,699,428
Parks and recreation	3,981,748	3,185,425	-	-	3,981,748	3,185,425
Interest on long-term debt	5,302,942	4,853,042	-	-	5,302,942	4,853,042
Water and sewer	-	-	<u>17,278,731</u>	<u>16,584,500</u>	<u>17,278,731</u>	<u>16,584,500</u>
Total expenses	<u>39,819,292</u>	<u>40,857,382</u>	<u>17,278,731</u>	<u>16,584,500</u>	<u>57,098,023</u>	<u>57,441,882</u>
Increase (decrease) in net position before transfers	6,509,892	988,614	6,019,767	3,287,204	12,529,659	4,275,818
Transfers	<u>936,500</u>	<u>1,091,950</u>	<u>(936,500)</u>	<u>(1,091,950)</u>	-	-
Increase (decrease) in net position	7,446,392	2,080,564	5,083,267	2,195,254	12,529,659	4,275,818
Net position, October 1	<u>108,210,703</u>	<u>106,130,139</u>	<u>68,087,640</u>	<u>65,892,386</u>	<u>176,298,343</u>	<u>172,022,525</u>
Prior Period Adjustment-Pension Contributions	<u>(7,792,888)</u>	-	<u>(828,413)</u>	-	<u>(8,621,301)</u>	-
Net position, September 30	<u>\$107,864,207</u>	<u>\$108,210,703</u>	<u>\$ 72,342,494</u>	<u>\$ 68,087,640</u>	<u>\$180,206,701</u>	<u>\$176,298,343</u>

## Governmental Activities

The City's total revenues of governmental activities were \$46,329,184. A significant portion 44.10%, of the City's revenues came from property taxes. Another 32.74% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties and increases in assessed valuation throughout the City. The City Council has chosen to either maintain the current rate or lower the tax rate each of the last five years. Total assessed values of the properties in the City increased by 11.79%. The City adopted a property tax rate of 49.55 cents per \$100 of assessed valuation for fiscal year 2015. Growth in the assessed valuation and conservative budgets allowed the City to lower the rate for fiscal year 2016 by .70 cents per hundred dollars of assessed valuation. Sales tax revenue increased over the prior year by 5.79% and while a few retailers were added for 2015, it was most influenced by increases in same stores sales. While housing starts are not expected to return to pre-downturn levels, they are trending upward. Developers started infrastructure work on several new subdivisions including phases of Stone Creek, Breezy Hill, Rockwall Downes and others in 2014. These new phases or neighborhoods began selling lots in 2015. The permit revenues increased overall by 25.2% due to significantly increased housing starts seen in 2105 along with new industrial buildings in the Rockwall Technology Park and other industrial areas of the City permitted during the fiscal year. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas.

## Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$39,819,292. Of this total, \$10,222,333 (25.7%) was for the Police Department. The department had a slight decrease in expenditures for fiscal year 2015 when compared to the prior year. Staffing is being realigned in the Police Department and an officer was promoted to a Sergeant position without filling the vacancy he created. Generally, expenditures from seized funds, which are used for specialized equipment purchases, were decreased in 2015 when compared to the prior year as well.

Public Works costs were \$5,438,890 (13.7%) and reflected ongoing road reconstruction projects, the downtown improvements and ongoing street maintenance focused projects Administrative departments including Administration, Human Resources, and Internal Operations which is responsible for building maintenance, the public safety radio system and IT had combined costs of \$8,298,012 (20.8%).

### **Business-Type Activities**

The City's business-type activities recorded an increase of \$4,254,854 in net assets. Retail water sales increased by 25.5% in part due to raising rates by 10% in January and the long-awaited break in the drought allowed the resumption of outdoor water consumption in the last few months of the fiscal year. Rockwall residents responded to the call for conservation well ahead of stated goals, which significantly reduced the first 8 months revenues though. The City's rates were increased in 2013, 2014, 2015 and another increase is expected for 2016. The City implemented a conservation focused water rate structure in 2001 and increases the rate tiers each time new rates are adopted. The rates for sewer were also increased and total sewer charges increased by 12.5% for the fiscal year. The city employs winter averaging to calculate sewer billing so revenues are largely not affected by restrictions on irrigating lawns. Water and sewer charges were \$15,791,793. The ending working capital, excluding restricted assets and liabilities payable from restricted assets, for the water and sewer fund was \$2,240,816.

Water and wastewater impact fees (Capital recovery fees) revenue totaled \$1,163,000 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system's initial costs in building assets to serve new growth. Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

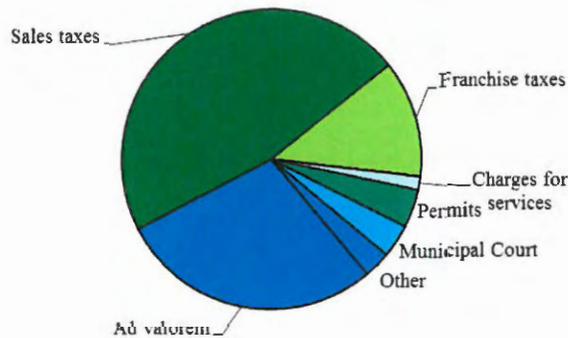
### **Component Units**

The Rockwall Economic Development Corporation (REDC) reported revenues including the ½-cent sales tax, authorized under the Type A Corporation statutes, of \$4,858,633. Assets managed by the corporation include an inventory of over 294 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

### **ANALYSIS OF INDIVIDUAL FUNDS**

The City's *General Fund* reported an ending unassigned fund balance of \$11,476,929. The largest source of general fund revenue is sales tax, it accounted for \$14,545,372 (46.9%) of total general fund revenue. Ad valorem property taxes account for \$8,823,094 (28.4%) of general fund revenues. The City's property tax rate is split between maintenance/operations and debt service. For fiscal year 2015, the debt service portion of the rate increased but the increased assessed valuations caused the dollars assigned to the general fund to increase by 4.9% when compared to the prior year. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows. The City Council elected to use reserves to fund an increase in street maintenance, a new traffic signal at Ralph Hall and Mims roads, the improvement of the parking surface at Tuttle ballfields and equipment for Police and other departments. This planned use of reserves totaled \$900,921. The City's revenues increased sufficiently during the year to see the general fund unassigned balance increase by \$1,171,289 or 11.4%.

## Revenues by Source – General Fund



The City's *Debt Service Fund* reported an increase in fund balance of \$476,122. Property tax collections for debt service requirements were \$10,939,266. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City's bond election in 2005 authorized more than \$65,031,000 in projects. After extensive study, the City adopted a Roadway Impact Fee which was further studied and updated in 2014 and which provided \$725,092 in new revenue to this fund in fiscal year 2015. The City Council chooses to budget a portion of this fund balance each year toward meeting the debt service obligations. This allows the use of the debt service fund reserves to lessen the effect of new debt issues on the property tax rate each year.

The *G.O. Bonds Capital Projects Fund* reported an assigned fund balance of \$4,588,837, a decrease of \$3,407,460 from the prior year. Downtown improvements were well underway in fiscal year 2015. Initial funding for access ramp improvements on Interstate 30 at John King was incurred in 2015. Work should begin on the ramps in 2016.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2015, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$26,883,800 increased to \$27,459,350 while revenue estimates increased from \$28,864,250 to \$30,002,750. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$9,475,040 however due to the budget adjustments mentioned above the fund balance was re-estimated to be \$10,008,590.

General fund revenues ultimately were \$31,021,781, a positive variance of \$1,019,031 over the amended budget estimate, reflecting stronger than anticipated sales tax collections, cable franchise fees and building permits in the remaining months of the fiscal year. Actual general fund total expenditures were \$27,048,584 or \$410,766 less than final projections. Final expenditures in each department were generally less than anticipated. The City ended the year with a fund balance of \$11,476,929, or \$1,171,289 over the prior year's balance. The higher fund balance is attributable to management's conservative projections of both revenues and expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2015 the City had \$296,372,593 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 17,238,772	\$ 17,238,772	\$ 799,533	\$ 799,533	\$ 18,038,305	\$ 18,038,305
Buildings & systems	13,743,910	14,264,225	98,344,141	95,272,166	112,088,051	109,536,391
Improvements other than buildings	18,801,718	19,776,623	-	-	18,801,718	19,776,623
Machinery & equipment	4,732,316	5,872,337	1,036,338	670,568	5,768,654	6,542,905
Infrastructure	132,229,621	130,288,217	-	-	132,229,621	130,288,217
Construction in progress	9,306,880	6,865,523	139,364	1,958,700	9,446,244	8,824,223
	<u>\$ 196,053,217</u>	<u>\$ 194,305,697</u>	<u>\$ 100,319,376</u>	<u>\$ 98,700,967</u>	<u>\$ 296,372,593</u>	<u>\$ 293,006,664</u>

The City held a bond election in May 2012 during which voters approved propositions to fund several street reconstruction projects as well as infrastructure and accessibility projects in the downtown area in excess of \$27,800,000. Design was completed and construction has commenced on the phased approach to replacing sidewalks and paving in the area as well as the construction of a new events plaza. The interstate ramp projects approved by voters will be under design in 2015 and design of the remaining roadway rehabilitation projects should commence in 2016.

Notably, the construction in progress at fiscal year end for business-type funds reflects the slowdown in beginning new projects as revenues for the water system were reduced due to extremely successful conservation efforts on the part of our residents. With the break in the drought and lifting of restrictions in Summer 2015 revenues increased and design of several water line and wastewater lift station projects will be on the table for 2016.

Additional information regarding the City's capital assets is found in note IV-D on pages 48-51.

### Debt

At year-end, the City had \$134,948,524 in bonds and capitalized leases shown in Table 4.

**Table 4**  
**City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 85,790,000	\$ 87,404,632	\$ -	\$ 25,638	\$ 85,790,000	\$ 87,430,270
Certificates of obligation	14,610,000	16,935,000	26,220,000	27,900,000	40,830,000	44,835,000
Revenue bonds	-	-	3,235,000	3,495,000	3,235,000	3,495,000
Capital Lease obligations	51,525	100,855	5,041,729	5,485,067	5,093,254	5,585,922
	<u>\$ 100,451,525</u>	<u>\$ 104,440,487</u>	<u>\$ 34,496,729</u>	<u>\$ 36,905,705</u>	<u>\$ 134,948,254</u>	<u>\$ 141,346,192</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 3.11% or \$3,143 per capita. This is a decrease since the City did not issue new money bonds this fiscal year.

The City’s bond ratings at September 30, 2015 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA+	A+	A-
Moody’s Investor Service Inc.	Aa2	A1	A1

Additional information on the City of Rockwall’s long-term debt may be found in note IV-F, on pages 53-60 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City’s elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rate, and fees that will be charged for the business-type activities. The major factor affecting all decisions in 2015 was the impact that mandatory water conservation has caused to revenues. With consumption increasing again, after drought restrictions were lifted the City Council was able to budget for previously delayed equipment replacement and design of several needed water and sewer line projects. Having chosen to discontinue the management transfer from the enterprise fund to the general fund in 2015, this was not reinstated in 2016 budget in order to help restore the reserve levels, which were severely depleted. The City conservatively budgeted a 4% increase in sales tax revenue and modest increases in franchise fees. Increases are expected in construction related activity as new subdivision phases are beginning and housing sales are improving. Interviews with local builders led the City to project continued improvement in home starts for the coming year.

The City of Rockwall’s citizens enjoy above-average income levels per household. This combined with the City’s proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and “hometown” atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City’s unemployment rate was 3.3%, well below the national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2016. The budgeted revenues for fiscal year 2016 total \$31,589,800 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate was reduced to 48.53 cents per hundred dollars of assessed value.

The City adopted written financial policies in 2001, which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City’s fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The ending general fund balance for 2015 provides approximately 5.1 months of reserves for the City. The City Council elected to purchase capital equipment including police vehicles, fire safety

equipment and street patching equipment, normally financed with short-term debt obligations, due in large part to the healthy fund balance. The budget as adopted for fiscal year 2016 projects a fund balance of approximately 4.0 months of recurring operating expenditures. The 2016 budget reflects continued funding for street maintenance projects and continuing to purchase vehicles on a pay-as-you-go basis.

The 2016 budget expenditures include the reassignment of several Police officers to a new deployment unit, which will be able to focus on problem areas as they arise in a focused manner. A new Public Relations/Marketing Manager position was added as well.

The water and sewer rate study has been updated to reflect increased charges from the North Texas Municipal Water District for treated water and the budget anticipates a significant increase in those rates. A number of capital projects to replace older lines were completed in 2015 and new projects were not started due to the decreased reserves and anticipated revenue levels in fiscal year 2015. With the replenishment of area lakes, revenues should more in line with previous years. The last year without some level of restrictions was 2012. Operational costs were increased in order to complete deferred maintenance and the equipment purchases discussed above.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information, contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email: [msmith@rockwall.com](mailto:msmith@rockwall.com).

***BASIC FINANCIAL STATEMENTS***

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,572,144	\$ 2,031,673	\$ 5,603,817	\$ 121,326
Investments	18,170,269	575,739	18,746,008	4,346,435
Receivables (net of allowance for uncollectibles)	2,878,490	2,711,184	5,589,674	19,000
Due from other governments	2,823,943	-	2,823,943	936,435
Inventories	5,168	274,034	279,202	18,040,090
Deferred bond issue cost - insurance	11,392	-	11,392	11,392
Restricted assets:				
Cash and cash equivalents	-	922,271	922,271	-
Investments	-	1,971,859	1,971,859	-
Capital assets (net of accumulated depreciation)				
Land	17,238,772	799,533	18,038,305	-
Building and system	13,743,910	98,344,141	112,088,051	-
Improvements other than buildings	18,801,718	-	18,801,718	-
Machinery and equipment	4,732,316	1,036,338	5,768,654	35,461
Infrastructure	132,229,621	-	132,229,621	-
Construction in progress	9,306,880	139,364	9,446,244	-
Total assets	<u>223,514,623</u>	<u>108,806,136</u>	<u>332,320,759</u>	<u>23,510,139</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	104,478	31,861	136,339	39,102
Pension contributions after 12/31/14	1,888,560	200,761	2,089,321	44,163
Investment experience - Pensions	485,305	51,590	536,895	11,349
Total deferred outflows of resources	<u>2,478,343</u>	<u>284,212</u>	<u>2,762,555</u>	<u>94,614</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	4,232,500	432,644	4,665,144	399,762
Due to other governments	265,678	-	265,678	-
Customer deposits	-	434,165	434,165	-
Pension liability	9,897,539	3,175,342	13,072,881	231,449
Liabilities payable from restricted assets:				
Due within one year	7,190,054	2,510,988	9,701,042	1,521,577
Due in more than one year	96,336,693	30,185,437	126,522,130	23,245,729
Total liabilities	<u>117,922,464</u>	<u>36,738,576</u>	<u>154,661,040</u>	<u>25,398,517</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - other	119,017	-	119,017	-
Pension actual experience vs assumptions	87,278	9,278	96,556	2,041
Total deferred inflows of resources	<u>206,295</u>	<u>9,278</u>	<u>215,573</u>	<u>2,041</u>
<b>NET POSITION</b>				
Net investment in capital assets	95,193,217	65,822,647	161,015,864	35,461
Restricted for:				
Debt service	1,064,429	1,295,481	2,359,910	-
Capital projects	6,865,578	1,392,537	8,258,115	-
Unrestricted	4,740,983	3,831,828	8,572,811	(1,831,266)
Total net position	<u>\$ 107,864,207</u>	<u>\$ 72,342,494</u>	<u>\$ 180,206,701</u>	<u>\$ (1,795,805)</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
Mayor/council	\$ 116,572	\$ -	\$ -	\$ -	\$ (116,572)		\$ (116,572)	
Administration	8,298,012	764,050	19,252	-	(7,514,710)		(7,514,710)	
Finance	1,003,849	3,010	-	-	(1,000,839)		(1,000,839)	
Municipal court	396,256	1,172,154	-	-	775,898		775,898	
Police	10,222,333	860,390	1,745	-	(9,360,198)		(9,360,198)	
Fire	3,334,030	73,365	76,841	-	(3,183,824)		(3,183,824)	
Public works	5,438,890	1,086,223	112,210	57,286	(4,183,171)		(4,183,171)	
Community development	1,724,660	1,351,443	-	-	(373,217)		(373,217)	
Parks and recreation	3,981,748	626,694	208,261	-	(3,146,793)		(3,146,793)	
Interest on long-term debt	5,302,942	-	-	-	(5,302,942)		(5,302,942)	
Total governmental activities	<u>39,819,292</u>	<u>5,937,329</u>	<u>418,309</u>	<u>57,286</u>	<u>(33,406,368)</u>		<u>(33,406,368)</u>	
Business-type activities:								
Water and sewer	17,278,731	18,573,676	-	4,713,024		\$ 6,007,969	6,007,969	
Total business-type activities	<u>17,278,731</u>	<u>18,573,676</u>	<u>-</u>	<u>4,713,024</u>		<u>6,007,969</u>	<u>6,007,969</u>	
Total primary government	<u>\$ 57,098,023</u>	<u>\$ 24,511,005</u>	<u>\$ 418,309</u>	<u>\$ 4,770,310</u>	<u>(33,406,368)</u>	<u>6,007,969</u>	<u>(27,398,399)</u>	
<b>COMPONENT UNITS:</b>								
Economic Development Corporation	\$ 8,611,181	\$ -	\$ -	\$ -				\$ (8,611,181)
Rockwall Technology Park Association	148,056	149,569	-	-				1,513
Total component units	<u>\$ 8,759,237</u>	<u>\$ 149,569</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(8,609,668)</u>
General revenues:								
Ad valorem taxes, penalty and interest					20,432,488	-	20,432,488	-
Sales taxes					15,171,326	-	15,171,326	4,858,633
Franchise taxes					4,035,823	-	4,035,823	-
Miscellaneous					187,538	5,967	193,505	-
Unrestricted investment earnings					89,085	5,831	94,916	6,077
Transfers					936,500	(936,500)	-	-
Total general revenues and transfers					<u>40,852,760</u>	<u>(924,702)</u>	<u>39,928,058</u>	<u>4,864,710</u>
Change in net position					7,446,392	5,083,267	12,529,659	(3,744,958)
Net position at beginning of year					108,210,703	68,087,640	176,298,343	2,131,386
Prior period adjustment - pension contributions					(7,792,888)	(828,413)	(8,621,301)	(182,233)
Net position at end of year					<u>\$ 107,864,207</u>	<u>\$ 72,342,494</u>	<u>\$ 180,206,701</u>	<u>\$ (1,795,805)</u>

The accompanying notes are an integral part of this statement.

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

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,243,215	\$ 190,371	\$ 564,322	\$ 1,488,679	\$ 3,486,587
Investments	8,825,751	302,257	4,688,342	2,954,171	16,770,521
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	-	-	-	-	-
Taxes - delinquent	195,834	211,393	-	241	407,468
Franchise taxes	1,098,288	-	-	-	1,098,288
Fines	227,784	-	-	-	227,784
Accrued interest	2,010	-	16,763	3,494	22,267
Accounts	121,131	-	-	342,062	463,193
Assessments	-	-	-	88,680	88,680
Other receivables	109,898	-	-	-	109,898
Due from other funds	25,165	435,747	-	-	460,912
Due from other governments	2,507,016	-	-	316,927	2,823,943
Inventory	1,620	-	-	3,548	5,168
	<u>14,357,712</u>	<u>1,139,768</u>	<u>5,269,427</u>	<u>5,197,802</u>	<u>25,964,709</u>
Total assets	<u>\$ 14,357,712</u>	<u>\$ 1,139,768</u>	<u>\$ 5,269,427</u>	<u>\$ 5,197,802</u>	<u>\$ 25,964,709</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,648,760	\$ 3,500	\$ 680,590	\$ 156,087	\$ 2,488,937
Due to other governments	265,678	-	-	-	265,678
Due to other funds	-	-	-	435,747	435,747
Total liabilities	<u>1,914,438</u>	<u>3,500</u>	<u>680,590</u>	<u>591,834</u>	<u>3,190,362</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	185,565	199,498	-	241	385,304
Unavailable revenue - fines	106,299	-	-	-	106,299
Unavailable revenue - other	674,481	-	-	207,697	882,178
Total deferred inflows of resources	<u>966,345</u>	<u>199,498</u>	<u>-</u>	<u>207,938</u>	<u>1,373,781</u>
<b>Fund balances:</b>					
Nonspendable					
Restricted	-	-	-	127,659	127,659
Committed	-	936,770	-	-	936,770
Assigned	-	-	4,588,837	4,270,371	8,859,208
Unassigned	11,476,929	-	-	-	11,476,929
Total fund balances	<u>11,476,929</u>	<u>936,770</u>	<u>4,588,837</u>	<u>4,398,030</u>	<u>21,400,566</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,357,712</u>	<u>\$ 1,139,768</u>	<u>\$ 5,269,427</u>	<u>\$ 5,197,802</u>	<u>\$ 25,964,709</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 21,400,566
Amounts reported for governmental activities in the statement of net assets are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position	889,476
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	385,304
Franchise taxes receivable	390,000
Assessments receivable	88,680
Intergovernmental receivable	98,916
Contributions receivable	185,565
Court fines receivable	106,299
Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements	115,870
Deferred outflows or resources are not considered available funds and are not recorded in governmental funds:	
Pension contributions after 12/31/14	1,888,560
Investment experience - Pensions	485,305
Deferred inflows of resources are not considered available funds and are not recorded in governmental funds	(87,278)
The following assets are not current financial resources and are not reported in the funds:	
Capital assets used in governmental activities (net of accumulated depreciation of \$111,785,314)	196,053,217
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(1,373,270)
Bonds payable	(102,101,952)
Capital leases payable	(51,525)
Pension liability	(9,897,539)
Accrued interest payable	(711,987)
	\$ 107,864,207

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Ad valorem taxes, penalty and interest	\$ 8,823,094	\$ 10,939,266	\$ -	\$ 679,173	\$ 20,441,533
Sales taxes	14,545,372	-	-	625,953	15,171,325
Franchise taxes	3,927,501	-	-	-	3,927,501
Charges for services	446,799	725,092	-	630,638	1,802,529
Permits	1,276,001	-	-	1,010	1,277,011
Municipal court	1,118,432	-	-	58,984	1,177,416
Intergovernmental	726,947	-	-	47,258	774,205
Interest income	44,697	2,025	30,498	11,504	88,724
Miscellaneous	112,938	17,977	-	309,331	440,246
Contributions and donations	-	-	-	388,236	388,236
Total revenues	<u>31,021,781</u>	<u>11,684,360</u>	<u>30,498</u>	<u>2,752,087</u>	<u>45,488,726</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Mayor/council	116,572	-	-	-	116,572
Administration	3,977,797	-	-	243,521	4,221,318
Finance	623,300	-	-	325,674	948,974
Municipal court	396,256	-	-	-	396,256
Police	9,700,390	116,380	-	118,071	9,934,841
Fire	3,146,012	-	-	7,502	3,153,514
Public works	4,136,436	-	-	423,024	4,559,460
Community development	1,724,660	-	-	-	1,724,660
Parks and recreation	3,227,161	-	-	-	3,227,161
Total current	<u>27,048,584</u>	<u>116,380</u>	<u>-</u>	<u>1,117,792</u>	<u>28,282,756</u>
<b>Capital outlay:</b>					
Administration	24,415	-	3,177,958	17,762	3,220,135
Finance	-	-	-	54,875	54,875
Police	70,692	-	-	216,800	287,492
Fire	99,158	-	-	81,358	180,516
Public works	-	-	-	98,112	98,112
Parks and recreation	16,143	-	-	738,444	754,587
Total capital outlay	<u>210,408</u>	<u>-</u>	<u>3,177,958</u>	<u>1,207,351</u>	<u>4,595,717</u>
<b>Debt service:</b>					
Principal	-	6,234,632	-	575,000	6,809,632
Interest	-	4,817,976	-	273,694	5,091,670
Fiscal charges	-	39,250	-	-	39,250
Total debt service	<u>-</u>	<u>11,091,858</u>	<u>-</u>	<u>848,694</u>	<u>11,940,552</u>
Total expenditures	<u>27,258,992</u>	<u>11,208,238</u>	<u>3,177,958</u>	<u>3,173,837</u>	<u>44,819,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,762,789</u>	<u>476,122</u>	<u>(3,147,460)</u>	<u>(421,750)</u>	<u>669,701</u>
<b>Other financing sources (uses):</b>					
Transfers in	90,500	-	-	598,500	689,000
Transfers out	(2,682,000)	-	(260,000)	(90,500)	(3,032,500)
Total other financing sources (uses)	<u>(2,591,500)</u>	<u>-</u>	<u>(260,000)</u>	<u>508,000</u>	<u>(2,343,500)</u>
Net change in fund balances	1,171,289	476,122	(3,407,460)	86,250	(1,673,799)
Fund balances, October 1	<u>10,305,640</u>	<u>460,648</u>	<u>7,996,297</u>	<u>4,311,780</u>	<u>23,074,365</u>
Fund balances, September 30	<u>\$ 11,476,929</u>	<u>\$ 936,770</u>	<u>\$ 4,588,837</u>	<u>\$ 4,398,030</u>	<u>\$ 21,400,566</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - governmental funds	\$ (1,673,799)
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets	198,158
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	(9,045)
Assessments receivable	2,000
Franchise taxes receivable	108,322
Court fines receivable	855
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$10,749,162) exceeded capital outlays (\$12,993,669) and retirements (\$ 152,130) in the current period	2,396,637
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization in the current period, net of additions for debt issue cost incurred.	(115,773)
Expenditures are recognized in the governmental funds when paid. However, the Statement of Activities is presented on an accrual basis and expenses are reported when incurred. The following is the net difference in pension costs.	(181,937)
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	(68,683)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments (\$6,809,632) and bond premium amortization (\$12,434 ) in the current period.	6,822,066
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	<u>(32,409)</u>
	<u>\$ 7,446,392</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2015

	<u>Business-type Activities</u> <u>Enterprise Fund</u> <u>Water and Sewer</u>	<u>Governmental Activities</u> <u>Internal</u> <u>Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,031,673	\$ 85,557
Investments	575,739	1,399,748
Receivables (net of allowances for uncollectibles):		
Accounts	2,711,184	-
Other receivables	-	-
Inventory	274,034	-
Restricted assets:		
Cash and cash equivalents	922,271	-
Investments	1,971,859	-
Accrued interest	-	-
Total current assets	<u>8,486,760</u>	<u>1,485,305</u>
Noncurrent assets:		
Capital assets not being depreciated	938,897	-
Capital assets being depreciated, net	<u>99,380,479</u>	<u>-</u>
Total noncurrent assets	<u>100,319,376</u>	<u>-</u>
Total Assets	<u>108,806,136</u>	<u>1,485,305</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred charge on refunding	31,861	-
Pension contributions after 12/31/14	200,761	-
Pension investment experience	51,590	-
Total Deferred Outflow of Resource	<u>284,212</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	335,436	595,829
Customer deposits	434,165	-
General obligation bonds payable - current	1,745,000	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	270,000	-
Obligations under capital leases - current	470,005	-
Accrued interest payable	97,208	-
Total current liabilities	<u>3,351,814</u>	<u>595,829</u>
Noncurrent liabilities:		
General obligation bonds payable	24,475,000	-
Revenue bonds payable	3,175,342	-
Obligations under capital leases	4,571,724	-
Pension liability	1,052,145	-
Liability for compensated absences	112,551	-
Total noncurrent liabilities	<u>33,386,762</u>	<u>-</u>
Total Liabilities	<u>36,738,576</u>	<u>595,829</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension actual experience vs assumptions	9,278	-
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	65,822,647	-
Restricted for debt service	1,295,481	-
Restricted for construction	1,392,537	-
Unrestricted	<u>3,831,828</u>	<u>889,476</u>
Total Net Assets	<u>\$ 72,342,494</u>	<u>\$ 889,476</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 18,573,676	\$ 704,352
Total operating revenues	<u>18,573,676</u>	<u>704,352</u>
<b>OPERATING EXPENSES:</b>		
Personnel services	1,880,987	-
Contractual services	10,499,887	3,820,171
Materials and supplies	505,608	-
Operations	323,486	-
Utilities	447,917	-
Depreciation and amortization	2,640,518	-
Total operating expenses	<u>16,298,403</u>	<u>3,820,171</u>
Operating income (loss)	<u>2,275,273</u>	<u>(3,115,819)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	5,831	361
Miscellaneous income	5,967	33,616
Capital recovery fees	1,163,000	-
Paying agent fees	(10,369)	-
Interest expense	(969,959)	-
Total non-operating revenues (expenses)	<u>194,470</u>	<u>33,977</u>
Gains (loss) before transfers and capital contributions	<u>2,469,743</u>	<u>(3,081,842)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
Capital contributions	3,550,024	-
Transfers in	-	3,280,000
Transfers out	(936,500)	-
Total transfers and capital contributions	<u>2,613,524</u>	<u>3,280,000</u>
Increase (decrease) in net assets	5,083,267	198,158
Net assets, October 1	68,087,640	691,318
Prior period adjustment - pension contributions	<u>(828,413)</u>	<u>-</u>
Net assets, September 30	<u>\$ 72,342,494</u>	<u>\$ 889,476</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and Sewer</u>	<u>Service Funds</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 18,244,170	\$ 737,968
Cash paid to employees for services	(1,903,043)	-
Cash paid to suppliers for goods and services	<u>(12,223,869)</u>	<u>(3,975,429)</u>
Net cash provided (used) by operating activities	<u>4,117,258</u>	<u>(3,237,461)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash paid to other funds	(936,500)	(40,829)
Cash received from other funds	-	3,280,000
Net cash provided (used) by non-capital financing activities	<u>(936,500)</u>	<u>3,239,171</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or construction of capital assets	(708,904)	-
Capital recovery fees received	1,163,000	-
Principal paid on capital debt	(2,338,701)	-
Interest and fees paid on capital debt	<u>(1,053,055)</u>	-
Net cash used by capital and related financing activities	<u>(2,937,660)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	-	(199,590)
Proceeds from sales and maturities of investments	1,437,662	94,730
Interest and dividends received	<u>5,831</u>	<u>361</u>
Net cash provided (used) by investing activities	<u>1,443,493</u>	<u>(104,499)</u>
Net decrease in cash and cash equivalents	1,686,591	(102,789)
Cash and cash equivalents at beginning of year	<u>1,267,353</u>	<u>188,346</u>
Cash and cash equivalents at end of year	<u>\$ 2,953,944</u>	<u>\$ 85,557</u>
<b>Reported on Statement of Net Position</b>		
Unrestricted cash	2,031,673	85,557
Restricted cash	<u>922,271</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 2,953,944</u>	<u>\$ 85,557</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 2,275,273	\$ (3,115,819)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	2,640,518	-
Miscellaneous income	-	33,616
Change in Assets and Liabilities:		
Decrease (increase) in assets:		
Receivables	(387,771)	-
Inventories	(55,681)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(391,290)	(155,258)
Customer deposits	58,265	-
Pension liability	(19,341)	-
Compensated absences	<u>(2,715)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 4,117,258</u>	<u>\$ (3,237,461)</u>
<b>Non-cash investing and financing activities:</b>		
Capital contributions	<u>\$ 3,550,024</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
SEPTEMBER 30, 2015

	<u>Agency Fund</u> <u>Special Escrow</u> <u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 157,299
Investments	<u>1,430,095</u>
Total assets	<u>\$ 1,587,394</u>
<b>LIABILITIES</b>	
Due to developers	<u>\$ 1,587,394</u>
Total liabilities	<u>\$ 1,587,394</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a seven member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2015, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discrete component unit of the City. RTPA, is effectively controlled by the City through REDC and thus provides a potential financial benefit or burden to the City.

The funds of both REDC and RTPA are composed of governmental fund types. Stand alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2015, are not prepared.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Assets, liabilities, and net position or equity*

Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items "a" through "d" above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1st by the City based on the January 1st property values as assessed by the Rockwall Central Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Long-term obligations

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

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

Fund equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact are classified as non-spendable fund balance.

Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation are classified as restricted fund balance.

Amounts that are available for any purpose are classified as unassigned fund balance; these amounts can be reported only in the City's General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Fund equity - continued

Fund balance amount represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. The City has not established a formal policy to set forth a minimum level for fund balances.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Deferred outflow of resources are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$115,870 difference are as follows:

Deferred outflow of resources:	
Bond issue costs – insurance	\$ 11,392
Loss on refunding	<u>104,478</u>
Total	<u>\$ 115,870</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

A. Budgetary information – continued

5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2015, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

Emergency Siren Fund  
Art in Public Places Fund

7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$3,563 in the Public Safety Fund due to expenses related to finalizing software changes to enable the Court to begin to accept credit card payments which were not anticipated to be incurred until the next fiscal year.

4. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2015, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Deposits - continued

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$922,271, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2015, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

Investments

At September 30, 2015, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2 - 6	7 - 12	13 - 24+
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Mortgage Corp.	\$ 3,072,579	\$ -	\$ -	\$ -	\$ 3,072,579
Federal National Mortgage Assoc.	2,310,962	-	-	-	2,310,962
Federal Farm Credit Bank	1,251,212	-	-	-	1,251,212
Federal Home Loan Bank	300,069	-	-	-	300,069
Treasury bills and notes	-	-	-	-	-
	<u>6,934,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,934,822</u>
Money Market Funds	<u>15,213,140</u>	<u>15,213,140</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>22,147,962</u>	<u>15,213,140</u>	<u>-</u>	<u>-</u>	<u>6,934,822</u>
<b>Discretely Presented Component Units</b>					
Rockwall Economic Development					
Money Market Funds	4,306,001	4,306,001	-	-	-
Rockwall Technology Park					
Money Market Funds	<u>40,434</u>	<u>40,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Discrete Component Units	<u>4,346,435</u>	<u>4,346,435</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Reporting Entity</b>	<u>\$ 26,494,397</u>	<u>\$ 19,559,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,934,822</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments – continued

Investments are reported in the Statement of net position as follows:

Governmental activities	\$ 18,170,269
Business-type activities	2,547,598
Fiduciary Fund	1,430,095
Discretely presented component units:	
Rockwall Economic Development Corporation	4,306,001
Rockwall Technology Park	<u>40,434</u>
	<u>\$ 26,494,397</u>

The City has invested with money market funds with ratings from Aaa to AAA.

B. Receivables

Receivable as of year-end for the government's individual major funds and non-major, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>GO Bonds Capital</u>	<u>Nonmajor and Other</u>	<u>Water and Sewer</u>	<u>Internal Service</u>
Taxes receivable - delinquent	\$ <u>195,834</u>	\$ <u>211,393</u>	\$ <u>-</u>	\$ <u>241</u>	\$ <u>-</u>	\$ <u>-</u>
Franchise taxes receivable	\$ <u>1,098,288</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fines receivable	379,640					
Allowance for uncollectibles	\$ <u>(151,856)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
	\$ <u>227,784</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Accrued Interest	\$ <u>2,010</u>	\$ <u>-</u>	\$ <u>16,763</u>	\$ <u>3,494</u>	\$ <u>-</u>	\$ <u>-</u>
Accounts receivable	\$ 121,131	\$ -	\$ -	\$ 342,062	\$ 3,684,084	\$ -
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(972,900)</u>	<u>-</u>
Net other receivables	\$ <u>121,131</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>342,062</u>	\$ <u>2,711,184</u>	\$ <u>-</u>
Assessments receivable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>88,680</u>	\$ <u>-</u>	\$ <u>-</u>
Other receivables	\$ <u>109,898</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 185,565	\$ -
Contract receivable not yet due (General Fund)	674,481	-
Fines receivable (General Fund)	106,299	-
Delinquent property taxes receivable (Debt Service Fund)	199,498	-
Delinquent property taxes receivable (Harbor Debt Service)	241	-
Assessments receivable not yet due (Street Improvements)	88,680	-
Seizures not awarded (Narcotics Unit)	<u>119,017</u>	<u>119,017</u>
	<u>\$ 1,373,781</u>	<u>\$ 119,017</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets

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

	Balance 9/30/2014	Additions	Retirements	Completed Construction	Balance 9/30/2015
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 17,238,772	\$ -	\$ -	\$ -	\$ 17,238,772
Construction in progress	6,379,404	3,837,136	-	(909,660)	9,306,880
Total capital assets not being depreciated	<u>23,618,176</u>	<u>3,837,136</u>	<u>-</u>	<u>(909,660)</u>	<u>26,545,652</u>
Capital assets being depreciated:					
Buildings	20,009,440		-	121,971	20,131,411
Improvements other than buildings	31,096,247		-	787,689	31,883,936
Machinery and equipment	17,747,180	306,815	(281,471)		17,772,524
Infrastructure	202,655,290	8,849,718	-		211,505,008
Total capital assets being depreciated	<u>271,508,157</u>	<u>9,156,533</u>	<u>(281,471)</u>	<u>909,660</u>	<u>281,292,879</u>
Less accumulated depreciation for:					
Buildings	(5,745,215)	(642,286)	-	-	(6,387,501)
Improvements other than buildings	(11,319,624)	(1,762,594)	-	-	(13,082,218)
Machinery and equipment	(11,874,843)	(1,435,968)	270,603	-	(13,040,208)
Infrastructure	(72,367,073)	(6,908,314)	-	-	(79,275,387)
Total accumulated depreciation	<u>(101,306,755)</u>	<u>(10,749,162)</u>	<u>270,603</u>	<u>-</u>	<u>(111,785,314)</u>
Total capital assets being depreciated, net	<u>170,201,402</u>	<u>(1,592,629)</u>	<u>(10,868)</u>	<u>909,660</u>	<u>169,507,565</u>
Governmental activities capital assets, net	<u>\$ 193,819,578</u>	<u>\$ 2,244,507</u>	<u>\$ (10,868)</u>	<u>\$ -</u>	<u>\$ 196,053,217</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

	Balance 9/30/2014	Additions	Retirements	Completed Construction	Balance 9/30/2015
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ -	\$ -	\$ 799,533
Construction in progress	1,958,700	696,135	-	(2,515,471)	139,364
Total capital assets not being depreciated	<u>2,758,233</u>	<u>696,135</u>	<u>-</u>	<u>(2,515,471)</u>	<u>938,897</u>
Capital assets being depreciated:					
Buildings	198,109	-	-	-	198,109
Improvements other than buildings	111,452,171	3,550,024	-	2,058,968	117,061,163
Sewage treatment plants and pump station	12,516,072	-	-	-	12,516,072
Machinery and equipment	4,949,401	12,770	-	456,503	5,418,674
Total capital assets being depreciated	<u>129,115,753</u>	<u>3,562,794</u>	<u>-</u>	<u>2,515,471</u>	<u>135,194,018</u>
Less accumulated depreciation for:					
Buildings	(130,177)	(5,434)	-	-	(135,611)
Improvements other than buildings	(23,103,742)	(2,285,133)	-	-	(25,388,875)
Sewage treatment plants and pump station	(5,660,267)	(248,847)	-	-	(5,909,114)
Machinery and equipment	(4,278,833)	(101,103)	-	-	(4,379,936)
Total accumulated depreciation	<u>(33,173,019)</u>	<u>(2,640,517)</u>	<u>-</u>	<u>-</u>	<u>(35,813,536)</u>
Total capital assets being depreciated, net	<u>95,942,734</u>	<u>922,277</u>	<u>-</u>	<u>2,515,471</u>	<u>99,380,482</u>
Governmental activities capital assets, net	<u>\$ 98,700,967</u>	<u>\$ 1,618,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,319,379</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$	730,173
Finance		171,794
Municipal Court		64,534
Police		578,195
Fire		805,032
Public Works		7,086,764
Community Development		14,049
Parks & Recreation		<u>1,298,621</u>
 Total depreciation expense - governmental activities	 \$	 <u>10,749,162</u>

Business-type activities

Water and Sewer	\$	<u>2,640,517</u>
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Construction commitments

The City has active construction projects as of September 30, 2015. At year end the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Miles Road Traffic Signal	\$ 175,711	\$ 36,518
Downtown Bond Project	<u>5,962,687</u>	<u>1,331,156</u>
	<u>\$ 6,138,398</u>	<u>\$ 1,367,674</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2015, was as follows:

	<u>Balance</u> <u>9/30/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Balance</u> <u>9/30/2015</u>
Capital assets being depreciated:					
Furniture and fixtures	\$ 123,424	\$ 5,402	\$ (74,059)	\$ -	\$ 54,767
Total capital assets being depreciated	<u>123,424</u>	<u>5,402</u>	<u>(74,059)</u>	<u>-</u>	<u>54,767</u>
Less accumulated depreciation for:					
Furniture and fixtures	<u>(85,279)</u>	<u>(6,033)</u>	<u>72,006</u>		<u>(19,306)</u>
Total accumulated depreciation	<u>(85,279)</u>	<u>(6,033)</u>	<u>72,006</u>	<u>-</u>	<u>(19,306)</u>
Total capital assets being depreciated, net	<u>\$ 38,145</u>	<u>\$ (631)</u>	<u>\$ (2,053)</u>	<u>\$ -</u>	<u>\$ 35,461</u>

E. Inter-fund receivables, payables, and transfers

The composition of inter-fund balances as of September 30, 2015, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 25,165	\$ -
Debt Service	435,747	-
Non-major Governmental Funds	-	435,747
Discretely Presented Component Unit	<u>-</u>	<u>25,165</u>
Totals	<u>\$ 460,912</u>	<u>\$ 460,912</u>

The outstanding balances between funds result primarily from the time delay between the dates that inter-fund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

E. Inter-fund receivables, payables, and transfers – continued

The composition of inter-fund transfers for the year ended September 30, 2015, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds		
General Fund	\$ 90,500	\$ 2,682,000
G.O. Bonds Capital Projects	-	260,000
Non-major Governmental Funds	598,500	90,500
Water and Sewer Enterprise Fund	-	936,500
Internal Service Funds	<u>3,280,000</u>	<u>-</u>
Total	<u>\$ 3,969,000</u>	<u>\$ 3,969,000</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2015, is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/2015</u>
<b>Governmental Activities</b>					
General Obligation Bonds:					
Refunding and improvements	\$ 13,345,000	2005	2020	3.00% - 4.50%	\$ 4,815,000
Improvements	35,775,000	2006	2036	4.50% - 5.50%	26,765,000
Improvements	21,765,000	2007	2037	5.13% - 6.13%	17,530,000
Improvements	9,515,000	2008	2028	2.05% - 2.50%	7,130,000
Improvements	9,065,000	2009	2029	2.00% - 4.60%	5,550,000
Improvements and refunding	8,535,000	2011	2031	2.00% - 5.00%	7,550,000
Improvements	7,905,000	2013	2033	2.00% - 5.00%	7,330,000
Refunding	9,820,000	2014	2025	2.28%	9,120,000
Total General Obligation Bonds					<u>85,790,000</u>
Certificates of Obligation Bonds:					
Improvements	12,415,000	2005	2018	3.00% - 5.00%	2,215,000
Improvements	5,270,000	2006	2026	4.25% - 5.00%	2,540,000
Improvements	820,000	2012	2016	1.215%	210,000
Improvements	5,125,000	2009	2029	2.00% - 4.60%	2,370,000
Improvements	4,675,000	2011	2031	2.00% - 4.25%	4,095,000
Improvements	1,330,000	2011	2031	2.00% - 5.30%	1,280,000
Improvements	2,625,000	2013	2033	2.00% - 4.38%	1,900,000
Total Certificates of Obligation					<u>14,610,000</u>
Total Governmental Activities General Obligation Debt					<u>100,400,000</u>
<b>Business-type Activities</b>					
Certificates of Obligation:					
Improvements	10,310,000	2007	2027	4.25% - 4.50%	7,250,000
Improvements	16,895,000	2008	2028	3.00% - 5.00%	12,645,000
Improvements	5,740,000	2008	2028	3.00% - 5.00%	3,100,000
Improvements	3,480,000	2013	2031	2.00% - 4.38%	3,225,000
Total Certificates of Obligation					<u>26,220,000</u>
Total General Debt					<u>\$ 126,620,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 6,755,000	\$ 4,366,853	\$ 1,745,000	\$ 1,145,651	\$ 14,012,504
2017	6,460,000	4,103,304	1,830,000	1,083,976	13,477,280
2018	6,520,000	3,840,781	1,905,000	1,015,513	13,281,294
2019	6,825,000	3,559,619	1,995,000	941,801	13,321,420
2020	6,395,000	3,268,020	1,970,000	860,676	12,493,696
2021 - 2025	31,810,000	12,412,854	9,905,000	2,945,799	57,073,653
2026 - 2030	21,375,000	5,849,960	6,165,000	740,881	34,130,841
2031 - 2035	11,320,000	2,138,254	705,000	62,563	14,225,817
2036 - 2040	2,940,000	181,919	-	-	3,121,919
Total	\$ <u>100,400,000</u>	\$ <u>39,721,564</u>	\$ <u>26,220,000</u>	\$ <u>8,796,860</u>	\$ <u>175,138,424</u>

Revenue bonds

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding as of September 30, 2015, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2015
Revenue Bonds					
Refunding and improvements	\$ 6,415,000	2005	2025	3.00% - 4.50%	\$ 3,235,000
Total Revenue Bonds					3,235,000
Less unamortized premium (discount) on bonds					<u>35,308</u>
Total Revenue Bonds					\$ <u>3,270,308</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Annual debt service requirements to maturity for revenue bonds are as follows:

Year	Water and Sewer Fund		Total
	Principal	Interest	
2016	\$ 270,000	\$ 136,894	\$ 406,894
2017	280,000	126,094	406,094
2018	290,000	114,894	404,894
2019	300,000	103,294	403,294
2020	315,000	90,919	405,919
2021 - 2025	<u>1,780,000</u>	<u>241,806</u>	<u>2,021,806</u>
Total	3,235,000	\$ <u>813,901</u>	\$ <u>4,048,901</u>
Unamortized Discount	<u>35,308</u>		
Total Revenue Bonds	\$ <u>3,270,308</u>		

Year	Governmental Activities		Total
	Principal	Interest	
2016	\$ 1,495,000	\$ 1,138,630	\$ 2,633,630
2017	1,550,000	1,086,660	2,636,660
2018	1,605,000	1,029,957	2,634,957
2019	1,670,000	970,569	2,640,569
2020	1,365,000	904,783	2,269,783
2021 - 2025	7,900,000	3,476,633	11,376,633
2026 -2030	6,380,000	1,451,500	7,831,500
2031 - 2035	<u>2,555,000</u>	<u>256,801</u>	<u>2,811,801</u>
Total	\$ <u>24,520,000</u>	\$ <u>10,315,533</u>	\$ <u>34,835,533</u>

Capitalized lease obligations

The City has entered into a contract with a software vendor for an upgrade to the public safety software system. This contract has been treated as a capitalized lease.

The City has entered into contracts with North Texas Municipal Water District (NTMWD), a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of certain water and plants and to provide treated water to the City. The contractual obligations have been treated as capitalized lease obligations.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Capitalized lease obligations outstanding as of September 30, 2015, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2015
Capital Leases					
Governmental activities					
Public safety computer upgrade	\$ 330,870	2010	2016	4.45%	\$ <u>51,525</u>
Business-type activities					
South plant improvements	1,800,000	1996	2016	various	145,000
Ground storage facility	2,013,434	2005	2025	various	1,226,729
Pump station	2,145,000	2006	2026	various	1,430,000
Buffalo Creek plant	2,960,000	2008	2028	various	<u>2,240,000</u>
					<u>5,041,729</u>
Total Capitalized Lease Obligations					<u>\$ 5,093,254</u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2015, are as follows:

Year	Governmental Activities	Business-type Activities	Total
2016	\$ 53,818	\$ 717,674	\$ 771,492
2017	-	563,717	563,717
2018	-	561,522	561,522
2019	-	566,822	566,822
2020	-	570,987	570,987
2021 - 2025	-	2,860,412	2,860,412
2026 - 2030	-	<u>915,503</u>	<u>915,503</u>
Total payments	53,818	6,756,637	6,810,455
Less imputed interest	<u>(2,293)</u>	<u>(1,714,908)</u>	<u>(1,717,201)</u>
Total Capital Lease Obligations	<u>\$ 51,525</u>	<u>\$ 5,041,729</u>	<u>\$ 5,093,254</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2015, was as follows:

	Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 87,404,632	\$ -	\$ (1,614,632)	\$ 85,790,000	\$ 4,455,000
Certificates of obligation	20,455,000	-	(5,845,000)	14,610,000	2,300,000
Unamortized premium (discount)	<u>1,921,161</u>	<u>-</u>	<u>(103,339)</u>	<u>1,817,822</u>	<u>108,875</u>
Total bonds payable	109,780,793	-	(7,562,971)	102,217,822	6,863,875
Capital lease obligations	100,855	-	(49,330)	51,525	51,525
Compensated absences	<u>1,340,861</u>	<u>1,524,292</u>	<u>(1,491,883)</u>	<u>1,373,270</u>	<u>274,654</u>
Governmental activity long-term liabilities	<u>\$ 111,222,509</u>	<u>\$ 1,524,292</u>	<u>\$ (9,104,184)</u>	<u>\$ 103,642,617</u>	<u>\$ 7,190,054</u>
<b>Business-type activities:</b>					
General obligation bonds and certificates	\$ 27,925,368	\$ -	\$ (1,705,368)	\$ 26,220,000	\$ 1,745,000
Revenue bonds	3,495,000	-	(260,000)	3,235,000	270,000
Unamortized premium (discount)	<u>223,131</u>	<u>-</u>	<u>(12,789)</u>	<u>210,342</u>	<u>14,457</u>
Total bonds payable	31,643,499	-	(1,978,157)	29,665,342	2,029,457
Capital lease obligations	5,485,067	-	(443,338)	5,041,729	470,005
Compensated absences	<u>115,266</u>	<u>217,562</u>	<u>(220,277)</u>	<u>112,551</u>	<u>11,526</u>
Business-type activities	<u>\$ 37,243,832</u>	<u>\$ 217,562</u>	<u>\$ (2,641,772)</u>	<u>\$ 34,819,622</u>	<u>\$ 2,510,988</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2015:

<u>Year</u> <u>Authorized</u>	<u>General Obligation Bonds</u>		<u>Balance</u> <u>Unissued</u> <u>9/30/2015</u>
	<u>Amount</u> <u>Authorized</u>	<u>Amount</u> <u>Issued</u>	
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2012	<u>27,800,000</u>	<u>(7,905,000)</u>	<u>19,895,000</u>
Totals	\$ <u>33,400,000</u>	\$ <u>(12,105,000)</u>	\$ <u>21,295,000</u>

<u>Year</u> <u>Authorized</u>	<u>Revenue Bonds</u>		<u>Balance</u> <u>Unissued</u> <u>9/30/2015</u>
	<u>Amount</u> <u>Authorized</u>	<u>Amount</u> <u>Issued</u>	
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Totals	\$ <u>3,540,000</u>	\$ <u>(1,060,000)</u>	\$ <u>2,480,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2015:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/2015</u>
Sales Tax Revenue Bonds:					
Improvements	\$ 4,545,000	2008	2028	7.00%	\$ 3,550,000
Improvements	4,595,000	2013	2033	2% - 4.00%	4,270,000
Improvements	2,405,000	2012	2019	2.00%	<u>1,415,000</u>
Total Sales Tax Revenue Bonds					<u>9,235,000</u>
Certificates of Obligation					
Infrastructure improvements	5,540,000	2006	2026	4.25% - 5.00%	3,655,000
Infrastructure improvements	6,130,000	2008	2028	3.00% - 5.00%	4,585,000
Infrastructure improvements	2,625,000	2013	2033	1.65% - 5.82%	<u>7,045,000</u>
Total Certificates of Obligation					<u>15,285,000</u>
Total					<u>\$ 24,520,000</u>

Annual debt service requirements to maturity for REDC debt are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 1,495,000	\$ 1,138,630	\$ 2,633,630
2017	1,550,000	1,086,660	2,636,660
2018	1,605,000	1,029,957	2,634,957
2019	1,670,000	970,569	2,640,569
2020	1,365,000	904,783	2,269,783
2021 - 2025	7,900,000	3,476,633	11,376,633
2026 - 2030	6,380,000	1,451,500	7,831,500
2031 - 2035	<u>2,555,000</u>	<u>256,801</u>	<u>2,811,801</u>
Total	<u>\$ 24,520,000</u>	<u>\$ 10,315,533</u>	<u>\$ 34,835,533</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2015, was as follows:

	Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015	Due Within One Year
Sales tax revenue bonds	\$ 9,895,000	\$ -	\$ (660,000)	\$ 9,235,000	\$ 690,000
Certificates of obligation	16,455,000	-	(1,170,000)	15,285,000	805,000
Unamortized premium (discount)	254,855	-	(19,444)	235,411	22,236
Total bonds payable	26,604,855	-	(1,849,444)	24,755,411	1,517,236
Compensated absences	22,745	29,981	(40,831)	11,895	4,341
Total	\$ 26,627,600	\$ 29,981	\$ (1,890,275)	\$ 24,767,306	\$ 1,521,577

G. Subsequent Events - Long-term debt

On December 17, 2015, the City refunded Water and Sewer Revenue bonds originally issued in 2005 in the amount of \$2,800,000 and Certificates of Obligation originally issued in 2006 in the amount of \$5,905,000 by issuing new General Obligation Bonds in the amount of \$8,705,000 to be repaid at 1.79% interest with final maturity on August 1, 2026.

On March 1, 2016, the City refunded the Certificates of Obligation originally issued in 2005 for \$12,415,000; in 2007 for \$10,310,000 and in 2008 for \$16,895,000 and General Obligation Bonds originally issued in 2005 for \$13,345,000; in 2006 for \$35,775,000; in 2007 for \$21,765,000 and in 2008 for \$9,515,000 by issuing \$8,775,000 in new General Obligation Bonds and \$5,570,000 of new Certificates of Obligation. The newly issued General Obligation Bonds bear interest ranging from 2% to 5% and mature on August 1, 2037. The newly issued Certificates of Obligation bear interest ranging from 2% to 3% and mature on August 1, 2035.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$75,000 per covered individual, or approximately \$2,395,196 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2015.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a maximum City liability of \$600,000 per year.

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Employee Benefits</u>		<u>Worker's Compensation</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Claims payable beginning of the year	\$ 475,175	\$ 439,333	\$ 5,085	\$ 10,830
Claims incurred	2,973,898	3,062,330	122,797	40,705
Payment on claims	<u>(3,206,152)</u>	<u>(3,026,488)</u>	<u>(45,432)</u>	<u>(46,450)</u>
	<u>\$ 242,921</u>	<u>\$ 475,175</u>	<u>\$ 82,450</u>	<u>\$ 5,085</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION - continued

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related assets have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2015, is \$5,485,067. See Note 4F for the annual requirements to amortize the bonds as of September 30, 2015.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION - continued

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 4F above, the general revenues of the City are contingently liable in the amount of \$26,220,000 for general obligation bonds and certificates of obligation which are currently outstanding and recorded as obligations of the Enterprise Fund.

The City contracts for solid waste disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2015, these commitments totaled \$5,490,340.

D. Defined Benefit Pension Plans

Plan Description:

The City 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](http://www.tmr.com).

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

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION - continued

D. Defined Benefit Pension Plans - continued

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 actuarially equivalent 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 1993, the City granted an annually repeating (automatic) basis for a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1993, the City provided an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index. (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Year required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION - continued

D. Defined Benefit Pension Plans - continued

Employees covered by benefit terms –

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

Retirees or beneficiaries currently receiving benefits	69
Inactive employees entitled to but not yet receiving benefits	73
Active employees	259
	401
	401

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting 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 Rockwall were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2015, the City made contributions of 16.16%, for calendar year 2014 and 16.58% in 2015 which was the actuarially determined city contribution.

Net Pension Liability:

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

Actuarial assumptions –

The Total Pension Liability 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.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Actuarial assumptions – continued

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. This experience study 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 determine 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. 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>	

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Discount Rate –

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of each cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan members. 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 Liability.

Changes in the Net Pension Liability –

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 64,414,139	\$ 53,613,949	\$ 10,800,190
Changes for the year:			
Service cost	2,947,094	-	2,947,094
Interest	4,544,927	-	4,544,927
Change in benefit terms	-	-	-
Difference between expected and actual experience	(114,323)	-	(114,323)
Changes in assumptions	-	-	-
Contribution - employer	-	2,761,413	(2,761,413)
Contribution - employee	-	1,202,324	(1,202,324)
Net investment income	-	3,067,672	(3,067,672)
Benefit payments, including refunds of employee contributions	(1,920,326)	(1,920,326)	-
Administrative expense	-	(32,021)	32,021
Other changes	-	(2,633)	2,633
Net changes	<u>5,457,372</u>	<u>5,076,429</u>	<u>380,943</u>
Balance at 12/31/2014	<u>\$ 69,871,511</u>	<u>\$ 58,690,378</u>	<u>\$ 11,181,133</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Sensitivity of the net pension liability to changes in the discount rate –

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability 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%	Current Single Rate Assumption 7%	1% Increase in Discount Rate 8%
City's net pension liability	\$ 22,442,338	\$ 11,181,133	\$ 2,038,482

Pension Plan Fiduciary Net Position –

Detailed information about the pension plan Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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 \$2,692,710. This amount is included as part of Personal Services expenses within the functional program activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 2,133,484	\$ -
Difference between projected and actual investment earnings	548,244	-
Differences between actuarial assumptions and actual experience	-	98,597
Changes in actuarial assumptions used	-	-
Total	\$ 2,681,728	\$ 98,597

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION – continued

D. Defined Benefit Pension Plans - continued

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,133,484 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the City's financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31,	Amount
2015	\$ 121,335
2016	121,335
2017	121,335
2018	121,334
2019	(15,726)
Thereafter	(19,967)
Total	<u>\$ 449,646</u>

Subsequent event:

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015, is not known, the City does expect some upward pressure on its total pension liability and upward pressure on its 2017 actuarially determine contribution (ADC) due to this change. Accordingly the City has included in its approved fiscal year 2016 budget to continue to fund pension contributions above the required ADC which will help smooth impacts of any increases in the required ADC for fiscal year 2017.

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$50,525 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 32 active participants currently covered by the Fund and payments are being made to 26 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

***REQUIRED SUPPLEMENTARY INFORMATION***

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 8,700,100	\$ 8,700,100	\$ 8,823,094	\$ 122,994
Sales taxes	13,827,300	14,576,300	14,545,372	(30,928)
Franchise taxes	2,926,000	3,219,000	3,927,501	708,501
Charges for services	440,250	419,250	446,799	27,549
Permits	998,000	1,162,000	1,276,001	114,001
Municipal court	1,072,000	1,078,000	1,118,432	40,432
Intergovernmental	732,100	692,100	726,947	34,847
Interest income	20,000	25,000	44,697	19,697
Miscellaneous	148,500	131,000	112,938	(18,062)
Total revenues	<u>28,864,250</u>	<u>30,002,750</u>	<u>31,021,781</u>	<u>1,019,031</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor/council	112,250	113,550	116,572	(3,022)
Administration	3,885,500	3,966,500	3,977,797	(11,297)
Finance	699,650	652,450	623,300	29,150
Municipal court	436,350	436,450	396,256	40,194
Police	9,630,950	9,834,200	9,700,390	133,810
Fire	3,254,700	3,332,150	3,146,012	186,138
Public works	4,070,050	4,177,850	4,136,436	41,414
Community development	1,745,750	1,798,250	1,724,660	73,590
Parks and recreation	3,048,600	3,147,950	3,227,161	(79,211)
Total current	<u>26,883,800</u>	<u>27,459,350</u>	<u>27,048,584</u>	<u>410,766</u>
<b>Capital outlay:</b>				
Administration	26,800	26,800	24,415	2,385
Police	61,900	61,900	70,692	(8,792)
Fire	120,950	118,350	99,158	19,192
Parks and recreation	16,900	16,900	16,143	757
Total capital outlay	<u>226,550</u>	<u>223,950</u>	<u>210,408</u>	<u>13,542</u>
Total expenditures	<u>27,110,350</u>	<u>27,683,300</u>	<u>27,258,992</u>	<u>424,308</u>
Excess of revenues over expenditures	<u>1,753,900</u>	<u>2,319,450</u>	<u>3,762,789</u>	<u>1,443,339</u>
<b>Other financing sources (uses):</b>				
Transfers in	90,500	90,500	90,500	-
Transfers out	(2,675,000)	(2,707,000)	(2,682,000)	25,000
Total other financing sources (uses)	<u>(2,584,500)</u>	<u>(2,616,500)</u>	<u>(2,591,500)</u>	<u>25,000</u>
Net change in fund balances	(830,600)	(297,050)	1,171,289	1,468,339
Fund balances, October 1	<u>10,305,640</u>	<u>10,305,640</u>	<u>10,305,640</u>	<u>-</u>
Fund balances, September 30	<u>\$ 9,475,040</u>	<u>\$ 10,008,590</u>	<u>\$ 11,476,929</u>	<u>\$ 1,468,339</u>

CITY OF ROCKWALL, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
 LAST FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)

<b>Plan Year</b>	<b><u>2014</u></b>
<b>A. Total Pension Liability</b>	
Service cost	\$ 2,947,094
Interest (on the Total Pension Liability)	4,544,927
Changes of benefit terms	-
Difference between expected and actual experience	(114,323)
Change of assumptions	-
Benefits payments, including refunds of employee contributions	<u>(1,920,326)</u>
<b>Net Change in Total Pension Liability</b>	5,457,372
<b>Total Pension Liability - Beginning</b>	<u>64,414,139</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 69,871,511</u></u>
<b>B. Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 2,761,413
Contributions - employee	1,202,324
Net investment income	3,067,672
Benefit payments, including refunds of employee contributions	(1,920,326)
Administrative expense	(32,021)
Other	<u>(2,633)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	5,076,429
<b>Plan Fiduciary Net Position - Beginning</b>	<u>53,613,949</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 58,690,378</u></u>
<b>C. Net Pension Liability - Ending (a) - (b)</b>	\$ 11,181,133
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	84.00%
<b>E. Covered Employee Payroll</b>	16,626,112
<b>F. Net Pension Liability as a Percentage of Total Pension Liability</b>	67.25%

Data presented is based on December 31, 2014



CITY OF ROCKWALL, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
12/31/2005	\$15,968,994	\$21,310,890	74.9%	\$5,341,896	\$45,252,432	11.8%
12/31/2006	17,878,974	23,911,430	74.8%	6,032,456	10,325,619	58.4%
12/31/2007	20,486,755	32,796,027	62.5%	12,309,272	12,404,225	99.2%
12/31/2008	22,226,747	35,689,690	62.3%	13,462,943	13,582,924	99.1%
12/31/2009	25,780,417	40,255,888	64.0%	14,475,471	14,294,431	101.3%
12/31/2010	35,681,831	50,277,529	71.0%	14,595,698	14,590,752	100.0%
12/31/2011	40,528,030	55,019,733	73.7%	14,491,703	15,245,963	95.1%
12/31/2012	45,252,432	57,979,914	78.0%	12,727,482	15,319,206	83.1%
12/31/2013	53,613,949	64,414,139	83.2%	10,800,190	15,053,257	71.7%
12/31/2014	58,690,378	69,871,511	84.0%	11,181,133	16,626,112	67.3%

***COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES  
AS SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2015

	Special Revenue Funds	Harbor Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 768,170	\$ -	\$ 720,509	\$ 1,488,679
Investments	1,401,433	-	1,552,738	2,954,171
Receivables (net of allowances for uncollectibles):				
Taxes - delinquent	-	241	-	241
Interest	-	-	3,494	3,494
Accounts	95,583	246,479	-	342,062
Assessments	88,680	-	-	88,680
Due from other governments	-	316,927	-	316,927
Inventory	3,548	-	-	3,548
	<u>3,548</u>	<u>-</u>	<u>-</u>	<u>3,548</u>
Total assets	<u>\$ 2,357,414</u>	<u>\$ 563,647</u>	<u>\$ 2,276,741</u>	<u>\$ 5,197,802</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 156,087	\$ -	\$ -	\$ 156,087
Due to other funds	-	435,747	-	435,747
Total liabilities	<u>156,087</u>	<u>435,747</u>	<u>-</u>	<u>591,834</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property tax	-	241	-	241
Unavailable revenue - other	207,697	-	-	207,697
Total Deferred Inflows of Resources	<u>207,697</u>	<u>241</u>	<u>-</u>	<u>207,938</u>
<b>FUND BALANCES:</b>				
Restricted	-	127,659	-	127,659
Assigned	1,993,630	-	2,276,741	4,270,371
Total fund balances	<u>1,993,630</u>	<u>127,659</u>	<u>2,276,741</u>	<u>4,398,030</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,357,414</u>	<u>\$ 563,647</u>	<u>\$ 2,276,741</u>	<u>\$ 5,197,802</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ -	\$ 679,173	\$ -	\$ 679,173
Sales taxes	352,887	273,066	-	625,953
Charges for services	630,638	-	-	630,638
Permits	1,010	-	-	1,010
Municipal court	58,984	-	-	58,984
Intergovernmental	47,258	-	-	47,258
Interest income	24	-	11,480	11,504
Miscellaneous	309,331	-	-	309,331
Contributions and donations	218,740	112,210	57,286	388,236
Total revenues	<u>1,618,872</u>	<u>1,064,449</u>	<u>68,766</u>	<u>2,752,087</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	243,521	-	-	243,521
Finance	325,674	-	-	325,674
Police	118,071	-	-	118,071
Fire	7,502	-	-	7,502
Parks and recreation	423,024	-	-	423,024
Total current	<u>1,117,792</u>	<u>-</u>	<u>-</u>	<u>1,117,792</u>
<b>Capital outlay:</b>				
Administration	-	-	17,762	17,762
Finance	-	-	54,875	54,875
Police	216,800	-	-	216,800
Fire	81,358	-	-	81,358
Parks and recreation	738,444	-	-	738,444
Public works	-	-	98,112	98,112
Total capital outlay	<u>1,036,602</u>	<u>-</u>	<u>170,749</u>	<u>1,207,351</u>
<b>Debt service:</b>				
Principal	-	575,000	-	575,000
Interest	-	273,694	-	273,694
Total debt service	<u>-</u>	<u>848,694</u>	<u>-</u>	<u>848,694</u>
Total expenditures	<u>2,154,394</u>	<u>848,694</u>	<u>170,749</u>	<u>3,173,837</u>
Excess of revenues over (under) expenditures	<u>(535,522)</u>	<u>215,755</u>	<u>(101,983)</u>	<u>(421,750)</u>
<b>Other financing sources (uses):</b>				
Transfers in	435,000	-	163,500	598,500
Transfers out	(90,500)	-	-	(90,500)
Total other financing sources (uses)	<u>344,500</u>	<u>-</u>	<u>163,500</u>	<u>508,000</u>
Net change in fund balances	(191,022)	215,755	61,517	86,250
Fund balances, October 1	<u>2,184,652</u>	<u>(88,096)</u>	<u>2,215,224</u>	<u>4,311,780</u>
Fund balances, September 30	<u>\$ 1,993,630</u>	<u>\$ 127,659</u>	<u>2,276,741</u>	<u>\$ 4,398,030</u>

## NONMAJOR GOVERNMENTAL FUNDS

### *SPECIAL REVENUE FUNDS*

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Public Safety – established to account for donations, court fees, and other public safety committed revenues.

Recreational Development – established to account for the annual lease income from marinas and golf course.

Radio System – established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Occupancy Tax – established to account for the annual income from hotel occupancy taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement – established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places – established to account for donations received for developing art displays in public areas such as parks.

Narcotics Unit – established to account for revenues and expenditures related to seized funds and forfeitures.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2015

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Narcotics Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS</b>														
Cash and cash equivalents	\$ 11,012	\$ 22,888	\$ 211,504	\$ 13,038	\$ 171,182	\$ 58,420	\$ 20,847	\$ 48,203	\$ 47,344	\$ 34,735	\$ 17,500	\$ 4,379	\$ 107,118	\$ 768,170
Investments	92,949	159,755	14,061	-	138,147	41,911	226,047	-	83,308	(1)	-	-	645,256	1,401,433
Receivables (net of allowances for uncollectibles):														
Accounts	-	-	-	-	-	93,763	-	-	1,820	-	-	-	-	95,583
Assessments	-	-	-	-	88,680	-	-	-	-	-	-	-	-	88,680
Inventory	-	-	-	-	-	-	-	3,548	-	-	-	-	-	3,548
Total assets	<u>\$ 103,961</u>	<u>\$ 182,643</u>	<u>\$ 225,565</u>	<u>\$ 13,038</u>	<u>\$ 398,009</u>	<u>\$ 194,094</u>	<u>\$ 246,894</u>	<u>\$ 51,751</u>	<u>\$ 132,472</u>	<u>\$ 34,734</u>	<u>\$ 17,500</u>	<u>\$ 4,379</u>	<u>\$ 752,374</u>	<u>\$ 2,357,414</u>
<b>LIABILITIES</b>														
Liabilities:														
Accounts payable and accrued liabilities	\$ -	\$ 15,316	\$ 94,025	\$ -	\$ -	\$ 22,741	\$ 10,307	\$ 544	\$ -	\$ -	\$ 929	\$ -	\$ 12,225	\$ 156,087
Total liabilities	<u>-</u>	<u>15,316</u>	<u>94,025</u>	<u>-</u>	<u>-</u>	<u>22,741</u>	<u>10,307</u>	<u>544</u>	<u>-</u>	<u>-</u>	<u>929</u>	<u>-</u>	<u>12,225</u>	<u>156,087</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>														
Unavailable revenue - other	-	-	-	-	88,680	-	-	-	-	-	-	-	119,017	207,697
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,017</u>	<u>207,697</u>
<b>FUND BALANCES</b>														
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Committed	103,961	167,327	131,540	13,038	309,329	171,353	236,587	51,207	132,472	34,734	16,571	4,379	621,132	1,993,630
Total fund balances	<u>103,961</u>	<u>167,327</u>	<u>131,540</u>	<u>13,038</u>	<u>309,329</u>	<u>171,353</u>	<u>236,587</u>	<u>51,207</u>	<u>132,472</u>	<u>34,734</u>	<u>16,571</u>	<u>4,379</u>	<u>621,132</u>	<u>1,993,630</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 103,961</u>	<u>\$ 182,643</u>	<u>\$ 225,565</u>	<u>\$ 13,038</u>	<u>\$ 398,009</u>	<u>\$ 194,094</u>	<u>\$ 246,894</u>	<u>\$ 51,751</u>	<u>\$ 132,472</u>	<u>\$ 34,734</u>	<u>\$ 17,500</u>	<u>\$ 4,379</u>	<u>\$ 752,374</u>	<u>\$ 2,357,414</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>Revenues:</b>														
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 352,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 352,887
Charges for services	-	-	522,038	39,204	-	-	58,250	-	-	3,146	8,000	-	-	630,638
Permits	1,010	-	-	-	-	-	-	-	-	-	-	-	-	1,010
Municipal court	-	58,984	-	-	-	-	-	-	-	-	-	-	-	58,984
Intergovernmental	-	36,741	-	-	-	-	-	10,517	-	-	-	-	-	47,258
Interest income	-	-	24	-	-	-	-	-	-	-	-	-	-	24
Miscellaneous	2,000	-	30	-	54,573	-	-	33,096	22,223	-	-	-	197,409	309,331
Contributions and donations	-	1,745	199,561	-	8,249	-	-	-	-	-	8,735	450	-	218,740
<b>Total revenues</b>	<b>3,010</b>	<b>97,470</b>	<b>721,653</b>	<b>39,204</b>	<b>62,822</b>	<b>352,887</b>	<b>58,250</b>	<b>43,613</b>	<b>22,223</b>	<b>3,146</b>	<b>16,735</b>	<b>450</b>	<b>197,409</b>	<b>1,618,872</b>
<b>Expenditures:</b>														
<b>Current:</b>														
Administration	-	-	-	193,890	11,693	-	-	33,017	4,331	-	590	-	-	243,521
Finance	-	-	-	-	-	325,674	-	-	-	-	-	-	-	325,674
Police	-	102,825	-	-	-	-	-	-	-	-	-	-	15,246	118,071
Fire	-	-	-	-	-	-	7,502	-	-	-	-	-	-	7,502
Parks and recreation	3,498	-	365,945	-	-	-	-	-	-	-	53,581	-	-	423,024
<b>Total current</b>	<b>3,498</b>	<b>102,825</b>	<b>365,945</b>	<b>193,890</b>	<b>11,693</b>	<b>325,674</b>	<b>7,502</b>	<b>33,017</b>	<b>4,331</b>	<b>-</b>	<b>54,171</b>	<b>-</b>	<b>15,246</b>	<b>1,117,792</b>
<b>Capital outlay:</b>														
Police	-	1,738	-	-	-	-	-	-	-	-	-	-	215,062	216,800
Fire	-	-	-	-	-	-	81,358	-	-	-	-	-	-	81,358
Parks and recreation	-	-	738,444	-	-	-	-	-	-	-	-	-	-	738,444
<b>Total capital outlay</b>	<b>-</b>	<b>1,738</b>	<b>738,444</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,358</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>215,062</b>	<b>1,036,602</b>
<b>Total expenditures</b>	<b>3,498</b>	<b>104,563</b>	<b>1,104,389</b>	<b>193,890</b>	<b>11,693</b>	<b>325,674</b>	<b>88,860</b>	<b>33,017</b>	<b>4,331</b>	<b>-</b>	<b>54,171</b>	<b>-</b>	<b>230,308</b>	<b>2,154,394</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(488)</b>	<b>(7,093)</b>	<b>(382,736)</b>	<b>(154,686)</b>	<b>51,129</b>	<b>27,213</b>	<b>(30,610)</b>	<b>10,596</b>	<b>17,892</b>	<b>3,146</b>	<b>(37,436)</b>	<b>450</b>	<b>(32,899)</b>	<b>(535,522)</b>
<b>Other financing sources (uses):</b>														
Transfers in	-	-	260,000	160,000	-	-	-	15,000	-	-	-	-	-	435,000
Transfers out	-	(30,500)	(60,000)	-	-	-	-	-	-	-	-	-	-	(90,500)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(30,500)</b>	<b>200,000</b>	<b>160,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>344,500</b>
<b>Net change in fund balances</b>	<b>(488)</b>	<b>(37,593)</b>	<b>(182,736)</b>	<b>5,314</b>	<b>51,129</b>	<b>27,213</b>	<b>(30,610)</b>	<b>25,596</b>	<b>17,892</b>	<b>3,146</b>	<b>(37,436)</b>	<b>450</b>	<b>(32,899)</b>	<b>(191,022)</b>
<b>Fund balances, October 1</b>	<b>104,449</b>	<b>204,920</b>	<b>314,276</b>	<b>7,724</b>	<b>258,200</b>	<b>144,140</b>	<b>267,197</b>	<b>25,611</b>	<b>114,580</b>	<b>31,588</b>	<b>54,007</b>	<b>3,929</b>	<b>654,031</b>	<b>2,184,652</b>
<b>Fund balances, September 30</b>	<b>\$ 103,961</b>	<b>\$ 167,327</b>	<b>\$ 131,540</b>	<b>\$ 13,038</b>	<b>\$ 309,329</b>	<b>\$ 171,353</b>	<b>\$ 236,587</b>	<b>\$ 51,207</b>	<b>\$ 132,472</b>	<b>\$ 34,734</b>	<b>\$ 16,571</b>	<b>\$ 4,379</b>	<b>\$ 621,132</b>	<b>\$ 1,993,630</b>

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 400	\$ 1,100	\$ 1,010	\$ (90)
Miscellaneous	2,000	2,000	2,000	-
Total revenues	<u>2,400</u>	<u>3,100</u>	<u>3,010</u>	<u>(90)</u>
Expenditures:				
Current:				
Parks and recreation	6,000	6,000	3,498	2,502
Total capital outlay	<u>6,000</u>	<u>6,000</u>	<u>3,498</u>	<u>2,502</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>3,498</u>	<u>2,502</u>
Net change in fund balances	(3,600)	(2,900)	(488)	2,412
Fund balances, October 1	<u>104,449</u>	<u>104,449</u>	<u>104,449</u>	<u>-</u>
Fund balances, September 30	<u>\$ 100,849</u>	<u>\$ 101,549</u>	<u>\$ 103,961</u>	<u>\$ 2,412</u>

CITY OF ROCKWALL, TEXAS  
PUBLIC SAFETY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 65,500	\$ 65,000	\$ 58,984	\$ (6,016)
Intergovernmental	41,750	36,750	36,741	(9)
Interest income	50	50	-	(50)
Contributions and donations	-	-	1,745	1,745
Total revenues	<u>107,300</u>	<u>101,800</u>	<u>97,470</u>	<u>(4,330)</u>
Expenditures:				
Current:				
Police	51,750	99,000	102,825	(3,825)
Total current	<u>51,750</u>	<u>99,000</u>	<u>102,825</u>	<u>(3,825)</u>
Capital outlay:				
Police	-	2,000	1,738	262
Total capital outlay	<u>-</u>	<u>2,000</u>	<u>1,738</u>	<u>262</u>
Total expenditures	<u>51,750</u>	<u>101,000</u>	<u>104,563</u>	<u>(3,563)</u>
Excess of revenues over (under) expenditures	<u>55,550</u>	<u>800</u>	<u>(7,093)</u>	<u>(7,893)</u>
Other financing sources (uses):				
Transfers out	(30,500)	(30,500)	(30,500)	-
Total other financing sources (uses)	<u>(30,500)</u>	<u>(30,500)</u>	<u>(30,500)</u>	<u>-</u>
Net change in fund balances	25,050	(29,700)	(37,593)	(7,893)
Fund balances, October 1	<u>204,920</u>	<u>204,920</u>	<u>204,920</u>	<u>-</u>
Fund balances, September 30	<u>\$ 229,970</u>	<u>\$ 175,220</u>	<u>\$ 167,327</u>	<u>\$ (7,893)</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 451,000	\$ 458,000	\$ 522,038	\$ 64,038
Interest income	-	-	24	24
Miscellaneous revenue	-	-	30	30
Contributions and donations	248,000	235,950	199,561	(36,389)
Total revenues	<u>699,000</u>	<u>693,950</u>	<u>721,653</u>	<u>27,703</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Parks and recreation	306,900	399,800	365,945	33,855
Total current	<u>306,900</u>	<u>399,800</u>	<u>365,945</u>	<u>33,855</u>
<b>Capital outlay:</b>				
Parks and recreation	396,850	888,850	738,444	150,406
Total capital outlay	<u>396,850</u>	<u>888,850</u>	<u>738,444</u>	<u>150,406</u>
Total expenditures	<u>703,750</u>	<u>1,288,650</u>	<u>1,104,389</u>	<u>184,261</u>
Excess of revenues over (under) expenditures	<u>(4,750)</u>	<u>(594,700)</u>	<u>(382,736)</u>	<u>211,964</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	260,000	260,000	-
Transfers out	(60,000)	(60,000)	(60,000)	-
Total other financing sources (uses)	<u>(60,000)</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balances	(64,750)	(394,700)	(182,736)	211,964
Fund balances, October 1	<u>314,276</u>	<u>314,276</u>	<u>314,276</u>	<u>-</u>
Fund balances, September 30	<u>\$ 249,526</u>	<u>\$ (80,424)</u>	<u>\$ 131,540</u>	<u>\$ 211,964</u>

CITY OF ROCKWALL, TEXAS  
RADIO SYSTEM FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 39,300	\$ 38,750	\$ 39,204	\$ 454
Total revenues	<u>39,300</u>	<u>38,750</u>	<u>39,204</u>	<u>454</u>
Expenditures:				
Current:				
Administration	198,500	200,500	193,890	6,610
Total expenditures	<u>198,500</u>	<u>200,500</u>	<u>193,890</u>	<u>6,610</u>
Total expenditures	<u>198,500</u>	<u>200,500</u>	<u>193,890</u>	<u>6,610</u>
Excess of revenues over (under) expenditures	<u>(159,200)</u>	<u>(161,750)</u>	<u>(154,686)</u>	<u>7,064</u>
Other financing sources:				
Transfers in	160,000	160,000	160,000	-
Total other financing sources	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Net change in fund balances	800	(1,750)	5,314	7,064
Fund balances, October 1	<u>7,724</u>	<u>7,724</u>	<u>7,724</u>	<u>-</u>
Fund balances, September 30	<u>\$ 8,524</u>	<u>\$ 5,974</u>	<u>\$ 13,038</u>	<u>\$ 7,064</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	14,700	54,573	39,873
Contributions and donations	-	-	8,249	8,249
Total revenues	<u>-</u>	<u>14,700</u>	<u>62,822</u>	<u>48,122</u>
Expenditures:				
Current:				
Administration	-	11,650	11,693	(43)
Total expenditures	<u>-</u>	<u>11,650</u>	<u>11,693</u>	<u>(43)</u>
Net change in fund balances	-	3,050	51,129	48,079
Fund balances, October 1	<u>258,200</u>	<u>258,200</u>	<u>258,200</u>	<u>-</u>
Fund balances, September 30	<u>\$ 258,200</u>	<u>\$ 261,250</u>	<u>\$ 309,329</u>	<u>\$ 48,079</u>

CITY OF ROCKWALL, TEXAS  
HOTEL OCCUPANCY TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 310,000	\$ 346,300	\$ 352,887	\$ 6,587
Total revenues	<u>310,000</u>	<u>346,300</u>	<u>352,887</u>	<u>6,587</u>
Expenditures:				
Current:				
Finance	311,235	358,325	325,674	32,651
Total expenditures	<u>311,235</u>	<u>358,325</u>	<u>325,674</u>	<u>32,651</u>
Net change in fund balances	(1,235)	(12,025)	27,213	39,238
Fund balances, October 1	<u>144,140</u>	<u>144,140</u>	<u>144,140</u>	<u>-</u>
Fund balances, September 30	<u>\$ 142,905</u>	<u>\$ 132,115</u>	<u>\$ 171,353</u>	<u>\$ 39,238</u>

CITY OF ROCKWALL, TEXAS  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 58,250	\$ 58,250	\$ 58,250	\$ -
Interest income	50	50	-	(50)
Total revenues	<u>58,300</u>	<u>58,300</u>	<u>58,250</u>	<u>(50)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Fire	8,000	8,000	7,502	498
Total current	<u>8,000</u>	<u>8,000</u>	<u>7,502</u>	<u>498</u>
<b>Capital outlay:</b>				
Fire	118,850	116,850	81,358	35,492
Total capital outlay	<u>118,850</u>	<u>116,850</u>	<u>81,358</u>	<u>35,492</u>
Total expenditures	<u>126,850</u>	<u>124,850</u>	<u>88,860</u>	<u>35,990</u>
Net change in fund balances	(68,550)	(66,550)	(30,610)	35,940
Fund balances, October 1	<u>267,197</u>	<u>267,197</u>	<u>267,197</u>	<u>-</u>
Fund balances, September 30	<u>\$ 198,647</u>	<u>\$ 200,647</u>	<u>\$ 236,587</u>	<u>\$ 35,940</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 18,100	\$ 18,100	\$ 10,517	\$ (7,583)
Miscellaneous	30,000	36,000	33,096	(2,904)
Total revenues	<u>48,100</u>	<u>54,100</u>	<u>43,613</u>	<u>(10,487)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	<u>69,650</u>	<u>44,950</u>	<u>33,017</u>	<u>11,933</u>
Total expenditures	<u>69,650</u>	<u>44,950</u>	<u>33,017</u>	<u>11,933</u>
Total expenditures	<u>69,650</u>	<u>44,950</u>	<u>33,017</u>	<u>11,933</u>
Excess of revenues over (under) expenditures	(21,550)	9,150	10,596	1,446
<b>Other financing sources (uses):</b>				
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net change in fund balances	(6,550)	24,150	25,596	1,446
Fund balances, October 1	<u>25,611</u>	<u>25,611</u>	<u>25,611</u>	<u>-</u>
Fund balances, September 30	<u>\$ 19,061</u>	<u>\$ 49,761</u>	<u>\$ 51,207</u>	<u>\$ 1,446</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous	\$ 30,000	\$ 30,000	\$ 22,223	\$ (7,777)
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>22,223</u>	<u>(7,777)</u>
Expenditures:				
Current:				
Administration	14,000	14,000	4,331	9,669
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>4,331</u>	<u>9,669</u>
Net change in fund balances	16,000	16,000	17,892	1,892
Fund balances, October 1	<u>114,580</u>	<u>114,580</u>	<u>114,580</u>	<u>-</u>
Fund balances, September 30	<u>\$ 130,580</u>	<u>\$ 130,580</u>	<u>\$ 132,472</u>	<u>\$ 1,892</u>

CITY OF ROCKWALL, TEXAS  
 NARCOTICS UNIT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	157,000	197,409	40,409
Total revenues	<u>-</u>	<u>157,000</u>	<u>197,409</u>	<u>40,409</u>
Expenditures:				
Current:				
Police	26,000	26,000	15,246	10,754
Total current	<u>26,000</u>	<u>26,000</u>	<u>15,246</u>	<u>10,754</u>
Capital outlay:				
Police	17,500	227,500	215,062	12,438
Total capital outlay	<u>17,500</u>	<u>227,500</u>	<u>215,062</u>	<u>12,438</u>
Total expenditures	<u>43,500</u>	<u>253,500</u>	<u>230,308</u>	<u>23,192</u>
Excess of revenues over (under) expenditures	<u>(43,500)</u>	<u>(96,500)</u>	<u>(32,899)</u>	<u>63,601</u>
Net change in fund balances	(43,500)	(96,500)	(32,899)	63,601
Fund balances, October 1	<u>654,031</u>	<u>654,031</u>	<u>654,031</u>	<u>-</u>
Fund balances, September 30	<u>\$ 610,531</u>	<u>\$ 557,531</u>	<u>\$ 621,132</u>	<u>\$ 63,601</u>

***DEBT SERVICE FUND***

**The debt service fund is used to account for the accumulation of resources and payment of bond principal and interest from governmental resources.**

CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 10,794,150	\$ 10,794,150	\$ 10,939,266	\$ 145,116
Interest income	250	250	2,025	1,775
Miscellaneous	340,000	618,000	743,069	125,069
Total revenues	<u>11,134,400</u>	<u>11,412,400</u>	<u>11,684,360</u>	<u>271,960</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Police	118,050	116,550	116,380	170
Total current	<u>118,050</u>	<u>116,550</u>	<u>116,380</u>	<u>170</u>
<b>Debt service:</b>				
Principal	6,349,650	6,349,650	6,234,632	115,018
Interest	4,625,450	4,625,450	4,817,976	(192,526)
Fiscal charges	12,000	12,000	39,250	(27,250)
Total debt service	<u>10,987,100</u>	<u>10,987,100</u>	<u>11,091,858</u>	<u>(104,758)</u>
Total expenditures	<u>11,105,150</u>	<u>11,103,650</u>	<u>11,208,238</u>	<u>(104,588)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,250</u>	<u>308,750</u>	<u>476,122</u>	<u>167,372</u>
Net change in fund balances	29,250	308,750	476,122	167,372
Fund balances, October 1	<u>460,648</u>	<u>460,648</u>	<u>460,648</u>	<u>-</u>
Fund balances, September 30	<u>\$ 489,898</u>	<u>\$ 769,398</u>	<u>\$ 936,770</u>	<u>\$ 167,372</u>

CITY OF ROCKWALL, TEXAS  
HARBOR DEBT SERVICE  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 661,500	\$ 661,500	\$ 679,173	\$ 17,673
Sales tax	320,000	268,000	273,066	5,066
Contributions and donations	110,150	118,600	112,210	(6,390)
Total revenues	<u>1,091,650</u>	<u>1,048,100</u>	<u>1,064,449</u>	<u>16,349</u>
Debt service:				
Principal	675,000	575,000	575,000	-
Interest	629,900	629,900	273,694	356,206
Total debt service	<u>1,304,900</u>	<u>1,204,900</u>	<u>848,694</u>	<u>356,206</u>
Total expenditures	<u>1,304,900</u>	<u>1,204,900</u>	<u>848,694</u>	<u>356,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(213,250)</u>	<u>(156,800)</u>	<u>215,755</u>	<u>372,555</u>
Other financing sources (uses):				
Transfers in	192,850	247,250	-	(247,250)
Total other financing sources (uses)	<u>192,850</u>	<u>247,250</u>	<u>-</u>	<u>(247,250)</u>
Net change in fund balances	(20,400)	90,450	215,755	125,305
Fund balances, October 1	<u>(88,096)</u>	<u>(88,096)</u>	<u>(88,096)</u>	<u>-</u>
Fund balances, September 30	<u>\$ (108,496)</u>	<u>\$ 2,354</u>	<u>\$ 127,659</u>	<u>\$ 125,305</u>

## ***CAPITAL PROJECTS FUNDS***

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project – established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

The Harbor/TIF Capital Projects Fund – established to account for improvements in the Tax Increment Reinvestment Zone using the proceeds from the issuance of bonds.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2015

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>205 Bypass Project</u>	<u>Harbor/ TIF Projects</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 203,435	\$ 194,143	\$ 275,504	\$ 47,427	\$ 720,509
Investments	401,131	1,151,607	-	-	1,552,738
Receivables (net of allowances for uncollectibles):					
Accrued Interest	<u>2,573</u>	<u>921</u>	<u>-</u>	<u>-</u>	<u>3,494</u>
 Total assets	 <u>\$ 607,139</u>	 <u>\$ 1,346,671</u>	 <u>\$ 275,504</u>	 <u>\$ 47,427</u>	 <u>\$ 2,276,741</u>
 <b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>FUND BALANCES:</b>					
Assigned	<u>607,139</u>	<u>1,346,671</u>	<u>275,504</u>	<u>47,427</u>	<u>2,276,741</u>
Total fund balances	<u>607,139</u>	<u>1,346,671</u>	<u>275,504</u>	<u>47,427</u>	<u>2,276,741</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 607,139</u>	 <u>\$ 1,346,671</u>	 <u>\$ 275,504</u>	 <u>\$ 47,427</u>	 <u>\$ 2,276,741</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Capital Projects	Equipment Acquisition	205 Bypass Project	Harbor/ TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:					
Interest income	\$ 5,420	\$ 6,060	\$ -	\$ -	\$ 11,480
Contributions and donations	-	-	-	57,286	57,286
Total revenues	<u>5,420</u>	<u>6,060</u>	<u>-</u>	<u>57,286</u>	<u>68,766</u>
Expenditures:					
Capital outlay:					
Administration	-	17,762	-	-	17,762
Finance	-	54,875	-	-	54,875
Public works	-	-	-	98,112	98,112
Total capital outlay	<u>-</u>	<u>72,637</u>	<u>-</u>	<u>98,112</u>	<u>170,749</u>
Total expenditures	<u>-</u>	<u>72,637</u>	<u>-</u>	<u>98,112</u>	<u>170,749</u>
Excess of revenues over (under) expenditures	<u>5,420</u>	<u>(66,577)</u>	<u>-</u>	<u>(40,826)</u>	<u>(101,983)</u>
Other financing sources (uses):					
Transfers in	-	163,500	-	-	163,500
Total other financing sources (uses)	<u>-</u>	<u>163,500</u>	<u>-</u>	<u>-</u>	<u>163,500</u>
Net change in fund balances	5,420	96,923	-	(40,826)	61,517
Fund balances, October 1	<u>601,719</u>	<u>1,249,748</u>	<u>275,504</u>	<u>88,253</u>	<u>2,215,224</u>
Fund balances, September 30	<u>\$ 607,139</u>	<u>\$ 1,346,671</u>	<u>\$ 275,504</u>	<u>\$ 47,427</u>	<u>\$ 2,276,741</u>

### ***INTERNAL SERVICE FUNDS***

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2015

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 85,213	\$ 344	\$ 85,557
Investments	<u>1,164,479</u>	<u>235,269</u>	<u>1,399,748</u>
Total current assets	<u>1,249,692</u>	<u>235,613</u>	<u>1,485,305</u>
Total Assets	<u>\$ 1,249,692</u>	<u>\$ 235,613</u>	<u>\$ 1,485,305</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	<u>\$ 513,069</u>	<u>\$ 82,760</u>	<u>\$ 595,829</u>
Total current liabilities	<u>513,069</u>	<u>82,760</u>	<u>595,829</u>
<b>NET ASSETS</b>			
Unrestricted	<u>736,623</u>	<u>152,853</u>	<u>889,476</u>
Total Net Position	<u>\$ 736,623</u>	<u>\$ 152,853</u>	<u>\$ 889,476</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 704,352	\$ -	\$ 704,352
Total operating revenues	<u>704,352</u>	<u>-</u>	<u>704,352</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	<u>3,629,936</u>	<u>190,235</u>	<u>3,820,171</u>
Total operating expenses	<u>3,629,936</u>	<u>190,235</u>	<u>3,820,171</u>
Operating loss	<u>(2,925,584)</u>	<u>(190,235)</u>	<u>(3,115,819)</u>
<b>NON-OPERATING REVENUES:</b>			
Interest income	139	222	361
Miscellaneous income	33,116	500	33,616
Total non-operating revenues	<u>33,255</u>	<u>722</u>	<u>33,977</u>
Loss before transfers and capital contributions	<u>(2,892,329)</u>	<u>(189,513)</u>	<u>(3,081,842)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Transfers in	<u>3,200,000</u>	<u>80,000</u>	<u>3,280,000</u>
Total transfers and capital contributions	<u>3,200,000</u>	<u>80,000</u>	<u>3,280,000</u>
Decrease in net assets	307,671	(109,513)	198,158
Net position, October 1	<u>428,952</u>	<u>262,366</u>	<u>691,318</u>
Net position, September 30	<u>\$ 736,623</u>	<u>\$ 152,853</u>	<u>\$ 889,476</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-9)</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 737,468	\$ 500	\$ 737,968
Cash paid to suppliers for goods and services	<u>(3,841,150)</u>	<u>(134,279)</u>	<u>(3,975,429)</u>
Net cash used by operating activities	<u>(3,103,682)</u>	<u>(133,779)</u>	<u>(3,237,461)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash received from other funds	3,200,000	80,000	3,280,000
Cash paid to other funds	<u>-</u>	<u>(40,829)</u>	<u>(40,829)</u>
Net cash provided by non-capital financing activities	<u>3,200,000</u>	<u>39,171</u>	<u>3,239,171</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	(199,590)	-	(199,590)
Proceeds from sales and maturities of investments	-	94,730	94,730
Interest and dividends received	<u>139</u>	<u>222</u>	<u>361</u>
Net cash provided (used) by investing activities	<u>(199,451)</u>	<u>94,952</u>	<u>(104,499)</u>
Net increase (decrease) in cash and cash equivalents	(103,133)	344	(102,789)
Cash and cash equivalents at beginning of year	<u>188,346</u>	<u>-</u>	<u>188,346</u>
Cash and cash equivalents at end of year	<u>\$ 85,213</u>	<u>\$ 344</u>	<u>\$ 85,557</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (2,925,584)	\$ (190,235)	\$ (3,115,819)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	33,116	500	33,616
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>(211,214)</u>	<u>55,956</u>	<u>(155,258)</u>
Net cash used by operating activities	<u>\$ (3,103,682)</u>	<u>\$ (133,779)</u>	<u>\$ (3,237,461)</u>

### ***AGENCY FUND***

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2015</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 221,105	\$ 2,072,195	\$ 2,136,001	\$ 157,299
Investments	1,129,426	3,127,153	2,826,484	1,430,095
Accrued interest receivable	<u>964</u>	<u>2,755</u>	<u>3,719</u>	<u>-</u>
Total assets	<u>\$ 1,351,495</u>	<u>\$ 5,202,103</u>	<u>\$ 4,966,204</u>	<u>\$ 1,587,394</u>
<b>LIABILITIES</b>				
Due to developers	<u>\$ 1,351,495</u>	<u>\$ 427,706</u>	<u>\$ 191,807</u>	<u>\$ 1,587,394</u>
Total liabilities	<u>\$ 1,351,495</u>	<u>\$ 427,706</u>	<u>\$ 191,807</u>	<u>\$ 1,587,394</u>

***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS***

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Governmental funds capital assets:		
Land	\$ 17,238,772	\$ 17,238,772
Buildings	20,131,411	20,009,440
Improvements other than buildings	31,883,936	31,096,247
Machinery and equipment	17,772,524	17,747,180
Infrastructure	211,505,008	202,655,290
Construction in progress	<u>9,306,880</u>	<u>6,865,523</u>
Total governmental funds capital assets	<u>\$ 307,838,531</u>	<u>\$ 295,612,452</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 153,505,844	\$ 151,274,707
General government	49,245,542	47,816,082
Grants and entitlements	3,044,106	3,044,106
Developer contributions	<u>102,043,039</u>	<u>93,477,557</u>
Total investments in governmental funds capital assets	<u>\$ 307,838,531</u>	<u>\$ 295,612,452</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2015

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 6,025,164	\$ 6,436,762	\$ 6,276,296	\$ 3,594,607	\$ -	\$ 9,278,421	\$ 31,611,250
Public works	8,499,781	357,984	1,586,416	1,376,870	211,505,009	-	223,326,060
Public safety	1,020,430	3,476,026	12,802	4,475,692	-	-	8,984,950
Recreation/development	1,693,398	2,415,619	24,008,422	1,353,930	-	28,459	29,499,828
Fire equipment	<u>-</u>	<u>7,445,018</u>	<u>-</u>	<u>6,971,423</u>	<u>-</u>	<u>-</u>	<u>14,416,441</u>
Total governmental capital assets	<u>\$ 17,238,773</u>	<u>\$ 20,131,409</u>	<u>\$ 31,883,936</u>	<u>\$ 17,772,522</u>	<u>\$ 211,505,009</u>	<u>\$ 9,306,880</u>	<u>\$ 307,838,529</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Function and Activity</u>	<u>Capital Assets Balance 10/1/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Capital Assets Balance 9/30/15</u>
General government	\$ 27,078,240	\$ 2,968,978	\$ -	\$ -	\$ 30,047,218
Public works	214,422,099	8,849,719	-	-	223,271,818
Public safety	9,014,802	185,423	(215,275)	-	8,984,950
Recreation/development	30,263,574	897,275	(42,747)	-	31,118,102
Fire equipment	<u>14,347,617</u>	<u>92,273</u>	<u>(23,449)</u>	<u>-</u>	<u>14,416,441</u>
Total governmental funds capital assets	<u>\$ 295,126,332</u>	<u>\$ 12,993,668</u>	<u>\$ (281,471)</u>	<u>\$ -</u>	<u>\$ 307,838,529</u>

***DISCRETELY PRESENTED COMPONENT UNITS***

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.**

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2015

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 103,437	\$ 17,889	\$ 121,326
Investments	4,306,001	40,434	4,346,435
Receivables (net of allowances for uncollectibles):			
Interest	106	-	106
Accounts	12,579	6,315	18,894
Due from other governments	936,435	-	936,435
Inventory	18,040,090	-	18,040,090
Machinery and equipment	35,461	-	35,461
Total assets	23,434,109	64,638	23,498,747
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred bond issue cost - insurance	11,392	-	11,392
Deferred charge on refunding	39,102	-	39,102
Pension contributions after 12/31/14	44,163	-	44,163
Investment experience - Pensions	11,349	-	11,349
Total Deferred Outflows of Resources	106,006	-	106,006
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	380,890	18,872	399,762
Liabilities payable from restricted assets			
Noncurrent liabilities:			
Pension liability	231,449	-	231,449
Due within one year	1,742,306	-	1,742,306
Due in more than one year	23,025,000	-	23,025,000
Total liabilities	25,379,645	18,872	25,398,517
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension actual experience vs assumptions	2,041	-	2,041
Total deferred inflows of resources	2,041	-	2,041
<b>NET POSITION</b>			
Net investment in capital assets	35,461	-	35,461
Unrestricted	(1,877,032)	45,766	(1,831,266)
Total Net Position	\$ (1,841,571)	\$ 45,766	\$ (1,795,805)

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF ACTIVITIES  
 DISCRETELY COMPONENT UNITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Component Units		
				Rockwall Economic Development Corporation	Rockwall Technology Park	Total
<b>DISCRETELY COMPONENT UNITS:</b>						
Rockwall Economic Development Corporation						
Administration	\$ 7,244,936	\$ -	\$ -	\$ (7,244,936)	\$ -	\$ (7,244,936)
Interest on long-term debt	1,366,245	-	-	(1,366,245)	-	(1,366,245)
Total Rockwall Economic Development Corporation	<u>8,611,181</u>	<u>-</u>	<u>-</u>	<u>(8,611,181)</u>	<u>-</u>	<u>(8,611,181)</u>
Rockwall Technology Park Association						
Administration	148,056	149,569	-	-	1,513	1,513
	<u>\$ 8,759,237</u>	<u>\$ 149,569</u>	<u>\$ -</u>	<u>(8,611,181)</u>	<u>1,513</u>	<u>(8,609,668)</u>
General revenues:						
Ad valorem taxes, penalty and interest				-	-	-
Sales taxes				4,858,633	-	4,858,633
Franchise taxes				-	-	-
Miscellaneous				-	-	-
Unrestricted investment earnings				6,072	5	6,077
Transfers				-	-	-
Total general revenues and transfers				<u>4,864,705</u>	<u>5</u>	<u>4,864,710</u>
Change in net position				(3,746,476)	1,518	(3,744,958)
Net position at beginning of year				2,087,138	44,248	2,131,386
Prior period adjustment - pension contributions				(182,233)	-	(182,233)
Net position at end of year				<u>\$ (1,841,571)</u>	<u>\$ 45,766</u>	<u>\$ (1,795,805)</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 DISCRETELY PRESENTED COMPONENT UNITS  
 SEPTEMBER 30, 2015

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 103,437	\$ 17,889	\$ 121,326
Investments	4,306,001	40,434	4,346,435
Receivables (net of allowances for uncollectibles):			
Interest	106	-	106
Accounts	12,579	6,315	18,894
Due from other governments	936,435	-	936,435
Inventory	<u>18,040,090</u>	<u>-</u>	<u>18,040,090</u>
 Total assets	 <u>\$ 23,398,648</u>	 <u>\$ 64,638</u>	 <u>\$ 23,463,286</u>
 <b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 170,079	\$ 18,872	\$ 188,951
Due to other funds	<u>25,165</u>	<u>-</u>	<u>25,165</u>
Total liabilities	<u>195,244</u>	<u>18,872</u>	<u>214,116</u>
 Fund balances:			
Nonspendable	18,040,090	-	18,040,090
Restricted	<u>5,163,314</u>	<u>45,766</u>	<u>5,209,080</u>
Total fund balances	<u>23,203,404</u>	<u>45,766</u>	<u>23,249,170</u>
 Total liabilities and fund balances	 <u>\$ 23,398,648</u>	 <u>\$ 64,638</u>	 <u>\$ 23,463,286</u>

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
 BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2015

Total fund balances - discretely presented component units	\$ 23,249,170
Amounts reported for discretely presented component units in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	35,461
Payables for bond principal which are not due in the current period are not reported in the funds.	(24,755,411)
Payables for bond interest which are not due in the current period are not reported in the funds.	(185,646)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(11,895)
Payables for pension liabilities which are not due in the current period are not reported in the funds.	(231,449)
Deferred outflows or resources are not considered available funds and are not recorded in governmental funds:	
Pension contributions after 12/31/14	44,163
Investment experience - Pensions	11,349
Deferred resource outflows are not available to pay for current period expenditures and are deferred in the funds.	50,494
Deferred inflows of resources are not considered available funds and are not recorded in governmental funds	<u>(2,041)</u>
Net assets of discretely presented component units	<u>\$ (1,795,805)</u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Rockwall Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
Revenues:			
Sales taxes	\$ 4,858,633	\$ -	\$ 4,858,633
Interest income	6,072	5	6,077
Assessments	-	149,569	149,569
Total revenues	<u>4,864,705</u>	<u>149,574</u>	<u>5,014,279</u>
Expenditures:			
Current:			
Administration	1,152,938	148,056	1,300,994
Total current	<u>1,152,938</u>	<u>148,056</u>	<u>1,300,994</u>
Capital outlay:			
Administration	5,918,398	-	5,918,398
Total capital outlay	<u>5,918,398</u>	<u>-</u>	<u>5,918,398</u>
Debt service:			
Principal	2,020,000	-	2,020,000
Interest	1,368,216	-	1,368,216
Fiscal charges	11,523	-	11,523
Total debt service	<u>3,399,739</u>	<u>-</u>	<u>3,399,739</u>
Total expenditures	<u>10,471,075</u>	<u>148,056</u>	<u>10,619,131</u>
Excess of revenues over (under) expenditures	<u>(5,606,370)</u>	<u>1,518</u>	<u>(5,604,852)</u>
Net change in fund balances	(5,606,370)	1,518	(5,604,852)
Fund balances, October 1	<u>28,809,774</u>	<u>44,248</u>	<u>28,854,022</u>
Fund balances, September 30	<u>\$ 23,203,404</u>	<u>\$ 45,766</u>	<u>\$ 23,249,170</u>

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
 COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - discretely presented component units	\$ (5,604,852)
<p>Amounts reported for discretely presented component units in the statement of activities ("SOA") are different because:</p>	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(6,033)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,830,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	18,851
(Increase) decrease in accrued interest from beginning of period to end of period.	1,971
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	10,850
Expenditures are recognized in the governmental funds when paid. However, the Statement of Activities is presented on an accrual basis and expenses are reported when incurred. This is the net difference in pension costs.	<u>4,255</u>
Change in net assets of discretely presented component units	<u><u>\$ (3,744,958)</u></u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales taxes	\$ 4,539,100	\$ 4,788,750	\$ 4,858,633	\$ 69,883
Franchise taxes	167,550	167,550	-	(167,550)
Interest income	3,500	3,500	6,072	2,572
Total revenues	<u>4,710,150</u>	<u>4,959,800</u>	<u>4,864,705</u>	<u>(95,095)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	<u>1,124,950</u>	<u>1,198,550</u>	<u>1,152,938</u>	<u>45,612</u>
Total current	<u>1,124,950</u>	<u>1,198,550</u>	<u>1,152,938</u>	<u>45,612</u>
<b>Capital outlay:</b>				
Administration	<u>6,648,400</u>	<u>5,585,350</u>	<u>5,918,398</u>	<u>(333,048)</u>
Total capital outlay	<u>6,648,400</u>	<u>5,585,350</u>	<u>5,918,398</u>	<u>(333,048)</u>
<b>Debt service:</b>				
Principal	2,020,000	2,020,000	2,020,000	-
Interest	1,368,200	1,368,200	1,368,216	(16)
Fiscal charges	<u>4,500</u>	<u>4,500</u>	<u>11,523</u>	<u>(7,023)</u>
Total debt service	<u>3,392,700</u>	<u>3,392,700</u>	<u>3,399,739</u>	<u>(7,039)</u>
Total expenditures	<u>11,166,050</u>	<u>10,176,600</u>	<u>10,471,075</u>	<u>(294,475)</u>
Excess of revenues over (under) expenditures	<u>(6,455,900)</u>	<u>(5,216,800)</u>	<u>(5,606,370)</u>	<u>(389,570)</u>
Net change in fund balances	(6,455,900)	(5,216,800)	(5,606,370)	(389,570)
Fund balances, October 1	<u>28,809,774</u>	<u>28,809,774</u>	<u>28,809,774</u>	<u>-</u>
Fund balances, September 30	<u>\$ 22,353,874</u>	<u>\$ 23,592,974</u>	<u>\$ 23,203,404</u>	<u>\$ (389,570)</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 172,100	\$ 163,100	\$ 149,569	\$ (13,531)
Interest income	-	-	5	5
Total revenues	<u>172,100</u>	<u>163,100</u>	<u>149,574</u>	<u>(13,526)</u>
Expenditures:				
Current:				
Administration	<u>172,100</u>	<u>163,100</u>	<u>148,056</u>	<u>15,044</u>
Total expenditures	<u>172,100</u>	<u>163,100</u>	<u>148,056</u>	<u>15,044</u>
Net change in fund balances	-	-	1,518	1,518
Fund balances, October 1	<u>44,248</u>	<u>44,248</u>	<u>44,248</u>	<u>-</u>
Fund balances, September 30	<u>\$ 44,248</u>	<u>\$ 44,248</u>	<u>\$ 45,766</u>	<u>\$ 1,518</u>

***STATISTICAL SECTION***

## STATISTICAL SECTION

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

	<u>Pages</u>
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	108
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	116
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	124
Demographic and Economic Information - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	129
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	132

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ROCKWALL, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Invested in capital assets, net of related debt	\$ 95,193,217	\$ 86,446,064	\$ 89,523,344	\$ 89,851,392	\$ 91,085,278	\$ 89,101,460	\$ 88,367,580	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634
Restricted	7,930,007	10,584,073	2,353,423	16,124,192	1,774,193	11,788,623	2,306,529	14,222,187	23,258,947	37,748,076
Unrestricted	4,740,983	11,180,566	14,253,372	238,981	13,400,417	4,308,457	12,955,777	13,643,810	13,386,297	11,683,150
Total governmental activities net position	\$ 107,864,207	\$ 108,210,703	\$ 106,130,139	\$ 106,214,565	\$ 106,259,888	\$ 105,198,540	\$ 103,629,886	\$ 91,412,270	\$ 86,132,544	\$ 83,451,860
Business-type activities										
Invested in capital assets, net of related debt	\$ 65,822,647	\$ 61,795,531	\$ 60,558,579	\$ 58,888,435	\$ 58,139,970	\$ 54,288,096	\$ 53,418,392	\$ 48,127,382	\$ 47,893,027	\$ 41,923,596
Restricted	2,688,018	4,555,652	2,125,250	2,306,207	2,992,291	6,221,719	7,568,701	17,888,236	14,620,878	18,060,049
Unrestricted	3,831,828	1,736,457	3,208,557	4,300,793	6,124,975	5,340,103	6,162,163	5,283,929	5,463,619	7,081,727
Total business-type activities net position	\$ 72,342,493	\$ 68,087,640	\$ 65,892,386	\$ 65,495,435	\$ 67,257,236	\$ 65,849,918	\$ 67,149,256	\$ 71,299,547	\$ 67,977,524	\$ 67,065,372
Primary government										
Invested in capital assets, net of related debt	\$ 161,015,864	\$ 148,241,595	\$ 150,081,923	\$ 148,739,827	\$ 149,225,248	\$ 143,389,556	\$ 141,785,972	\$ 111,673,655	\$ 97,380,327	\$ 75,944,230
Restricted	10,618,026	15,139,725	4,478,673	18,430,399	4,766,484	18,010,342	9,875,230	32,110,423	37,879,825	55,808,125
Unrestricted	8,572,811	12,917,023	17,461,929	4,539,774	19,525,392	9,648,560	19,117,940	18,927,739	18,849,916	18,764,877
Total primary government net position	\$ 180,206,701	\$ 176,298,343	\$ 172,022,525	\$ 171,710,000	\$ 173,517,124	\$ 171,048,458	\$ 170,779,142	\$ 162,711,817	\$ 154,110,068	\$ 150,517,232

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
<b>Governmental activities:</b>										
Mayor/Council	\$ 116,572	\$ 94,747	\$ 102,993	\$ 106,959	\$ 111,494	\$ 116,372	\$ 109,844	\$ 117,366	\$ 111,555	\$ 108,366
Administration	11,475,970	8,515,273	7,565,249	7,631,175	7,183,587	6,862,780	6,707,709	7,384,773	5,523,924	6,040,692
Finance	1,003,849	1,089,078	951,808	1,360,201	1,331,943	1,294,888	1,409,054	1,338,894	1,138,210	1,027,654
Municipal Court	396,256	415,220	357,208	358,745	362,149	353,147	334,922	312,601	298,383	304,492
Police	10,222,333	10,251,116	9,441,521	8,836,213	8,423,470	8,609,827	8,384,774	7,130,698	7,001,771	6,095,435
Fire	3,334,030	3,100,647	3,172,688	3,002,941	2,734,296	2,741,288	2,201,236	2,242,829	2,207,468	1,889,269
Public Works	2,260,932	7,653,406	8,651,550	8,398,043	8,008,701	6,669,448	5,482,571	7,094,068	6,928,067	5,530,219
Community Development	1,724,660	1,699,428	2,432,153	1,185,114	1,203,407	1,210,519	1,350,023	2,229,753	2,018,363	1,781,548
Parks and Recreation	3,981,748	3,185,425	4,825,050	6,003,610	5,843,647	5,805,241	5,250,506	4,025,927	3,088,750	2,583,547
Interest on long-term debt	5,302,942	4,853,042	4,714,902	4,666,567	4,554,433	4,717,319	4,669,459	4,418,519	3,612,523	2,179,950
<b>Total governmental activities expenses</b>	<b>39,819,292</b>	<b>40,857,382</b>	<b>42,215,122</b>	<b>41,549,568</b>	<b>39,757,127</b>	<b>38,380,829</b>	<b>35,900,098</b>	<b>36,295,428</b>	<b>31,929,014</b>	<b>27,541,172</b>
<b>Business-type activities:</b>										
Water and Sewer	17,278,731	17,071,406	16,723,552	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707	10,253,226
<b>Total business-type activities expenses</b>	<b>17,278,731</b>	<b>17,071,406</b>	<b>16,723,552</b>	<b>15,549,248</b>	<b>14,715,610</b>	<b>13,916,192</b>	<b>13,272,884</b>	<b>12,206,742</b>	<b>10,917,707</b>	<b>10,253,226</b>
<b>Total primary government expenses</b>	<b>57,098,023</b>	<b>57,928,788</b>	<b>58,938,674</b>	<b>57,098,816</b>	<b>54,472,737</b>	<b>52,297,021</b>	<b>49,172,982</b>	<b>48,502,170</b>	<b>42,846,721</b>	<b>37,794,398</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Community Development	1,351,443	1,113,132	1,163,945	1,125,092	792,029	664,711	1,025,979	1,072,444	1,118,001	1,318,516
Municipal Court	1,172,154	1,110,268	967,113	1,179,016	1,195,552	1,193,019	1,082,488	974,973	989,677	883,228
Police	860,390	725,857	488,631	463,565	550,947	522,919	516,591	658,015	415,637	649,261
Parks and Recreation	626,694	574,480	421,599	428,461	367,170	376,123	366,360	372,555	300,823	273,747
Public Works	1,086,223	756,113	162,374	129,562	55,316	62,795	99,753	307,226	464,587	1,010,634
Other	840,425	881,166	259,196	256,464	242,828	267,362	200,978	573,057	510,081	486,916
Operating grants & contributions	418,309	432,146	358,808	660,140	366,656	59,303	81,199	151,741	1,059,602	783,317
Capital grants & contributions	57,286	107,342	3,411,221	2,012,936	4,525,403	4,437,478	8,127,487	6,620,540	3,193,554	11,804,857
<b>Total governmental activities program revenues</b>	<b>6,412,924</b>	<b>5,700,504</b>	<b>7,232,887</b>	<b>6,255,236</b>	<b>8,095,901</b>	<b>7,583,710</b>	<b>11,500,835</b>	<b>10,730,551</b>	<b>8,051,962</b>	<b>17,210,476</b>

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Business-type activities:</b>										
Charges for services:										
Water Sales	\$ 10,220,088	\$ 8,140,267	\$ 8,285,306	\$ 7,780,095	\$ 8,547,662	\$ 6,917,587	\$ 6,574,110	\$ 6,060,043	\$ 4,815,631	\$ 6,547,846
Sewer Charges	5,511,705	4,901,303	4,255,951	3,720,357	3,406,283	2,864,595	2,748,160	2,409,614	2,338,820	2,355,821
Other	2,841,883	2,465,315	2,577,650	2,564,063	2,752,625	2,150,155	1,951,945	1,797,390	1,616,873	2,164,135
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	4,713,024	4,829,708	3,426,328	1,178,672	2,157,402	1,992,680	3,374,321	5,616,869	2,808,528	4,319,065
<b>Total business-type activities program revenues</b>	<b>23,286,700</b>	<b>20,336,593</b>	<b>18,545,235</b>	<b>15,243,186</b>	<b>16,863,972</b>	<b>13,925,017</b>	<b>14,648,536</b>	<b>15,883,916</b>	<b>11,579,852</b>	<b>15,386,867</b>
<b>Total primary government program revenues</b>	<b>29,699,624</b>	<b>26,037,097</b>	<b>25,778,122</b>	<b>21,498,422</b>	<b>24,959,873</b>	<b>21,508,727</b>	<b>26,149,371</b>	<b>26,614,467</b>	<b>19,631,814</b>	<b>32,597,343</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(33,406,368)	(35,156,878)	(34,982,235)	(35,294,332)	(31,661,226)	(30,797,119)	(24,399,263)	(25,564,877)	(23,877,052)	(10,330,696)
Business-type activities	6,007,969	3,265,187	1,821,683	(306,062)	2,148,362	8,825	1,375,652	3,677,174	662,145	5,133,641
<b>Total primary government net expense</b>	<b>(27,398,399)</b>	<b>(31,891,691)</b>	<b>(33,160,552)</b>	<b>(35,600,394)</b>	<b>(29,512,864)</b>	<b>(30,788,294)</b>	<b>(23,023,611)</b>	<b>(21,887,703)</b>	<b>(23,214,907)</b>	<b>(5,197,055)</b>
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	20,432,488	18,438,330	17,870,887	17,321,016	17,204,239	16,735,510	16,422,119	14,780,112	11,827,931	9,063,530
Sales taxes	15,171,326	14,341,277	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,636	8,901,929	8,529,051
Other	4,312,446	3,365,885	3,310,417	3,613,020	3,011,917	3,285,081	3,734,068	4,625,450	4,477,541	3,566,689
Transfers	936,500	1,091,950	1,217,550	1,594,950	979,863	1,511,785	6,201,291	1,315,405	1,350,335	2,375,000
<b>Total governmental activities</b>	<b>40,852,760</b>	<b>37,237,442</b>	<b>36,443,947</b>	<b>35,249,009</b>	<b>32,722,574</b>	<b>32,365,773</b>	<b>36,621,879</b>	<b>30,844,603</b>	<b>26,557,736</b>	<b>23,534,270</b>
Business-type activities:										
Other	11,798	22,017	180,858	139,212	238,819	203,622	675,348	960,254	1,600,342	1,111,064
Transfers	(936,500)	(1,091,950)	(1,217,550)	(1,594,950)	(979,863)	(1,511,785)	(6,201,291)	(1,315,405)	(1,350,335)	(2,375,000)
<b>Total business-type activities</b>	<b>(924,702)</b>	<b>(1,069,933)</b>	<b>(1,036,692)</b>	<b>(1,455,738)</b>	<b>(741,044)</b>	<b>(1,308,163)</b>	<b>(5,525,943)</b>	<b>(355,151)</b>	<b>250,007</b>	<b>(1,263,936)</b>
<b>Total primary government</b>	<b>39,928,058</b>	<b>36,167,509</b>	<b>35,407,255</b>	<b>33,793,271</b>	<b>31,981,530</b>	<b>31,057,610</b>	<b>31,095,936</b>	<b>30,489,452</b>	<b>26,807,743</b>	<b>22,270,334</b>
<b>Change in Net Position</b>										
Governmental activities	7,446,392	2,080,564	1,461,712	(45,323)	1,061,348	1,568,654	12,222,616	5,279,726	2,680,684	13,203,574
Business-type activities	5,083,267	2,195,254	784,991	(1,761,800)	1,407,318	(1,299,338)	(4,150,291)	3,322,023	912,152	3,869,705
<b>Total primary government</b>	<b>\$ 12,529,659</b>	<b>\$ 4,275,818</b>	<b>\$ 2,246,703</b>	<b>\$ (1,807,123)</b>	<b>\$ 2,468,666</b>	<b>\$ 269,316</b>	<b>\$ 8,072,325</b>	<b>\$ 8,601,749</b>	<b>\$ 3,592,836</b>	<b>\$ 17,073,279</b>

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842
2009	16,422,119	10,264,401	2,535,846	29,222,366
2010	16,735,510	10,833,397	2,748,483	30,317,390
2011	17,204,239	11,526,555	2,445,762	31,176,556
2012	17,321,016	12,720,023	2,821,451	32,862,490
2013	17,870,887	14,045,093	2,743,839	34,659,819
2014	18,416,548	14,341,277	3,093,257	35,851,082
2015	20,441,533	15,171,325	4,035,823	39,648,681

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182
2011	8,547,662	3,406,283	11,953,945
2012	7,780,095	3,720,357	11,500,451
2013	8,285,306	4,255,951	12,541,257
2014	8,140,267	4,901,303	13,041,570
2015	10,220,088	5,511,705	15,731,793

CITY OF ROCKWALL, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-5

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,870	\$ 2,446	\$ 1,407	\$ 26,130
Restricted	-	-	-	23,038	-	-	-	-	-	-
Non-spendable	-	-	2,514	1,120	2,116	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	9,159,333	8,293,107	8,264,368	8,335,289	7,692,662
Unassigned	11,476,929	10,305,640	11,273,469	9,893,803	10,085,001	-	-	-	-	-
Total general fund	<u>\$ 11,476,929</u>	<u>\$ 10,305,640</u>	<u>\$ 11,275,983</u>	<u>\$ 9,917,961</u>	<u>\$ 10,087,117</u>	<u>\$ 9,159,333</u>	<u>\$ 8,295,977</u>	<u>\$ 8,266,814</u>	<u>\$ 8,336,696</u>	<u>\$ 7,718,792</u>
All other governmental funds										
Restricted	\$ 127,659	\$ (88,096)	328,435	1,511,561	1,641,992	-	-	-	-	-
Committed	-	-	2,973,086	2,722,094	2,608,081	-	-	-	-	-
Committed for Debt Service	936,770	460,648	\$ 772,045	\$ -	\$ -	\$ 930,290	\$ 1,077,236	\$ 835,203	\$ 1,083,320	\$ 1,461,294
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	2,320,833	2,399,605	3,145,275	2,797,330	2,422,376
Capital projects funds	-	-	-	-	-	10,319,501	16,906,340	13,094,614	21,877,706	36,529,256
Assigned	8,859,209	12,396,173	15,535,782	14,549,510	16,652,507	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 9,923,638</u>	<u>\$ 12,768,725</u>	<u>\$ 19,609,348</u>	<u>\$ 18,783,165</u>	<u>\$ 20,902,580</u>	<u>\$ 13,570,624</u>	<u>\$ 20,383,181</u>	<u>\$ 17,075,092</u>	<u>\$ 25,758,356</u>	<u>\$ 40,412,926</u>

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 20,441,533	\$ 18,416,548	\$ 17,890,435	\$ 17,338,798	\$ 17,329,982	\$ 16,560,766	\$ 16,407,575	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948
Sales taxes	15,171,325	14,341,278	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,637	8,901,929	8,529,051
Franchise taxes	3,927,501	3,016,446	2,748,707	2,879,585	2,604,569	2,728,251	2,444,296	2,179,847	2,046,674	1,981,016
Charges for services	1,802,529	1,346,695	1,049,134	1,383,158	710,007	713,760	738,146	362,107	417,049	426,996
Permits	1,277,011	1,019,605	1,119,438	1,076,770	765,500	651,108	1,005,541	1,122,505	1,132,985	1,325,832
Municipal court	1,177,416	1,161,283	1,050,955	1,141,742	1,157,838	1,173,907	1,056,904	1,177,410	1,019,260	987,066
Intergovernmental	774,205	624,045	440,250	835,948	478,037	506,100	428,747	419,700	1,097,790	1,011,739
Interest income	88,724	51,672	(21,660)	114,588	136,878	60,429	611,615	1,702,870	2,012,244	1,149,204
Miscellaneous	440,246	525,865	795,304	795,150	661,379	569,258	872,988	837,707	716,896	1,060,866
Contributions and donations	388,236	527,008	44,929	727,361	364,975	148,512	2,812,457	775,695	2,241,586	6,251,435
<b>Total Revenues</b>	<b>45,488,726</b>	<b>41,030,445</b>	<b>39,162,585</b>	<b>39,013,123</b>	<b>35,735,720</b>	<b>33,945,488</b>	<b>36,642,670</b>	<b>33,409,620</b>	<b>31,407,407</b>	<b>31,703,153</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	116,572	94,747	102,995	106,958	111,494	116,372	109,845	117,366	111,555	108,366
Administration	4,221,318	3,997,844	3,821,755	3,690,167	3,402,793	3,353,637	3,358,705	3,056,885	2,750,197	2,910,478
Finance	948,974	985,734	924,415	1,245,790	1,211,261	1,189,250	1,266,436	1,199,417	1,138,238	1,025,230
Municipal court	396,256	415,220	349,536	337,537	335,082	333,234	318,467	311,706	300,186	303,131
Police	9,934,841	9,539,572	8,847,655	8,299,514	7,982,280	8,083,075	7,775,622	6,923,679	6,426,957	6,235,463
Fire	3,153,514	2,766,298	2,383,832	2,347,279	2,146,012	2,179,372	1,618,559	1,451,970	1,340,624	1,242,836
Public works	4,559,460	4,174,815	2,153,427	2,285,737	2,122,710	1,577,760	1,528,010	2,824,267	2,427,535	2,411,324
Community development	1,724,660	1,699,428	1,139,859	1,164,786	1,178,982	1,130,169	1,258,030	2,219,167	2,002,767	1,783,961
Parks and recreation	3,227,161	2,907,884	4,892,456	4,689,177	4,590,161	4,529,739	4,493,524	2,907,229	2,473,238	2,318,135
<b>Total current</b>	<b>28,282,756</b>	<b>26,581,542</b>	<b>24,615,930</b>	<b>24,166,945</b>	<b>23,080,775</b>	<b>22,492,608</b>	<b>21,727,198</b>	<b>21,011,686</b>	<b>18,971,297</b>	<b>18,338,924</b>
<b>Capital outlay:</b>										
Administration	3,220,135	474,857	8,431,896	6,649,805	7,168,226	4,746,948	18,427,890	2,373,369	4,028,933	1,580,706
Finance	54,875	103,344	124,302	224,306	101,525	57,653	78,866	137,035	-	-
Municipal Court	-	-	205,947	-	-	-	-	-	-	-
Police	287,492	711,544	167,587	465,169	274,821	1,316,626	258,623	74,899	225,992	285,150
Fire	180,516	334,349	2,167,780	368,805	266,400	434,754	6,462,691	727,795	1,578,623	835,685
Public works	98,112	6,421,609	-	-	-	24,575	90,798	29,051,639	10,609,516	25,733,888
Community development	-	-	-	-	-	-	-	-	2,105	-
Parks and recreation	754,587	277,541	65,534	486,159	-	1,095,622	482,177	1,742,004	2,397,348	1,477,499
<b>Total capital outlay</b>	<b>4,595,717</b>	<b>8,323,244</b>	<b>11,163,046</b>	<b>8,194,244</b>	<b>7,810,972</b>	<b>7,676,178</b>	<b>25,801,045</b>	<b>34,106,741</b>	<b>18,842,517</b>	<b>29,912,928</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Debt service:</b>										
Principal	\$ 6,809,632	\$ 6,803,038	\$ 5,268,038	\$ 4,933,038	\$ 4,278,038	\$ 4,458,038	\$ 4,670,540	\$ 4,335,462	\$ 3,726,505	\$ 2,620,235
Interest	5,091,670	4,630,739	4,613,787	4,820,183	4,570,301	4,766,488	4,716,545	4,254,162	3,607,455	1,748,001
Bond issuance costs	-	74,581	90,615	44,305	150,900	-	242,173	468,837	9,500	500,889
Fiscal charges	39,250	14,800	10,500	8,800	11,200	7,032	15,284	6,384	6,484	6,020
<b>Total debt services</b>	<b>11,940,552</b>	<b>11,523,158</b>	<b>9,982,940</b>	<b>9,806,326</b>	<b>9,010,439</b>	<b>9,231,558</b>	<b>9,644,542</b>	<b>9,064,845</b>	<b>7,349,944</b>	<b>4,875,145</b>
<b>Total expenditures</b>	<b>44,819,025</b>	<b>46,427,944</b>	<b>45,761,916</b>	<b>42,167,515</b>	<b>39,902,186</b>	<b>39,400,344</b>	<b>57,172,785</b>	<b>64,183,272</b>	<b>45,163,758</b>	<b>53,126,997</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>669,701</b>	<b>(5,397,499)</b>	<b>(6,599,331)</b>	<b>(3,154,392)</b>	<b>(4,166,466)</b>	<b>(5,454,856)</b>	<b>(20,530,115)</b>	<b>(30,773,652)</b>	<b>(13,756,351)</b>	<b>(21,423,844)</b>
<b>Other financing sources (uses):</b>										
Transfers in	689,000	2,769,639	2,277,550	2,217,035	3,456,450	1,478,835	8,664,757	1,975,436	2,585,804	4,305,332
Transfers out	(3,032,500)	(5,257,689)	(4,215,000)	(3,502,085)	(2,913,587)	(2,304,050)	(4,488,966)	(2,715,031)	(2,866,119)	(3,478,832)
Bonds issued	-	9,820,000	10,530,000	2,150,000	13,210,000	-	19,295,000	22,270,000	-	41,045,000
Capital Leases	-	-	-	-	-	330,870	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	4,805,000	-	-	-
Accrued interest on bonds issued	-	-	-	-	-	-	-	-	-	176,020
Premium (discounts) on bonds issued	-	-	221,417	-	325,248	-	444,623	490,101	-	864,326
Payment to refunded bond escrow agent	-	(9,745,419)	-	-	(1,651,905)	-	(4,853,047)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(2,343,500)</b>	<b>(2,413,469)</b>	<b>8,813,967</b>	<b>864,950</b>	<b>12,426,206</b>	<b>(494,345)</b>	<b>23,867,367</b>	<b>22,020,506</b>	<b>(280,315)</b>	<b>42,911,846</b>
<b>Net change in fund balances</b>	<b>\$ (1,673,799)</b>	<b>\$ (7,810,968)</b>	<b>\$ 2,214,636</b>	<b>\$ (2,289,442)</b>	<b>\$ 8,259,740</b>	<b>\$ (5,949,201)</b>	<b>\$ 3,337,252</b>	<b>\$ (8,753,146)</b>	<b>\$ (14,036,666)</b>	<b>\$ 21,488,002</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>29.6%</b>	<b>30.0%</b>	<b>28.6%</b>	<b>28.7%</b>	<b>27.6%</b>	<b>29.1%</b>	<b>30.6%</b>	<b>24.0%</b>	<b>22.0%</b>	<b>17.4%</b>

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2006	8,979,948	8,529,051	1,981,016	19,490,015
2007	11,820,994	8,901,929	2,046,674	22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626
2009	16,407,575	10,264,401	2,444,296	29,116,272
2010	16,560,766	10,833,397	2,728,251	30,122,414
2011	17,329,982	11,526,555	2,604,569	31,461,106
2012	17,338,798	12,720,023	2,879,585	32,938,406
2013	17,890,435	14,045,093	2,748,707	34,684,235
2014	18,438,330	14,341,277	3,093,257	35,872,864
2015	20,441,533	15,171,325	3,927,501	39,540,359

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-8

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.69%	0.35
2008	10,123,637	70.46%	0.36
2009	10,264,401	64.30%	0.34
2010	10,833,397	65.80%	0.32
2011	11,526,555	68.74%	0.34
2012	12,720,023	75.10%	0.37
2013	14,045,093	81.16%	0.40
2014	14,341,277	78.98%	0.39
2015	15,171,325	75.62%	0.37

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-9

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2006	2005	1,737,269,340	600,645,738	256,649,235	166,855,259	2,427,709,054	0.3689
2007	2006	1,954,614,420	713,469,923	263,400,375	356,154,448	2,575,330,270	0.4250
2008	2007	2,105,432,149	809,042,172	291,476,021	404,048,791	2,801,901,551	0.4865
2009	2008	2,175,728,205	968,824,057	342,108,871	478,140,905	3,008,520,228	0.5031
2010	2009	2,207,188,025	1,034,428,814	343,770,085	245,497,304	3,339,889,620	0.5031
2011	2010	2,276,011,463	1,042,597,193	337,323,537	249,159,269	3,406,772,924	0.5031
2012	2011	2,316,829,222	1,041,610,117	337,423,698	264,503,280	3,431,359,757	0.5031
2013	2012	2,400,322,618	1,029,298,627	345,365,078	278,144,322	3,496,842,001	0.5025
2014	2013	2,437,302,085	1,126,527,658	385,352,763	280,459,789	3,668,722,717	0.5025
2015	2014	2,645,861,999	1,318,998,496	438,951,140	302,418,574	4,101,393,061	0.4955

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Freeport Exemption</u>
2006	87,691,150	1,495,504	50,548,990	18,883,658
2007	96,624,100	1,537,004	61,259,470	16,146,371
2008	104,805,677	1,658,500	66,881,780	13,651,705
2009	111,535,268	1,805,500	79,131,370	24,266,824
2010	117,336,354	6,522,310	101,284,160	25,091,542
2011	123,493,766	8,781,840	99,301,400	20,804,929
2012	130,833,284	10,360,860	105,251,440	20,979,952
2013	133,480,470	10,577,050	106,197,190	23,803,292
2014	139,936,532	12,780,746	102,226,360	25,071,144
2015	148,647,965	14,905,177	109,426,700	22,030,705

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-11

Fiscal Year	City of Rockwall			Overlapping Rates	
	M&O	Debt	Total	School	County
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.425	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750
2011	0.2562	0.2469	0.5031	1.4700	0.3864
2012	0.2563	0.2468	0.5031	1.4700	0.3864
2013	0.2619	0.2406	0.5025	1.4700	0.3864
2014	0.2363	0.2662	0.5025	1.4600	0.3959
2015	0.2207	0.2748	0.4955	1.4400	0.3959

CITY OF ROCKWALL, TEXAS  
PRINCIPAL TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-12

Taxpayer	2015			2006		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Allen Foods/Bimbo Bakeries	\$ 75,000,000	1	1.83%	\$ -	-	-
Excel Rockwall, LP	\$ 54,672,420	2	1.33%	-	-	-
BRE MF Rockwall, LLC	47,438,850	3	1.16%	-	-	-
Rockwall Regional Hospital, LLP	39,195,130	4	0.96%	-	-	-
Bella Harbor Hotel Venture, LLC	33,041,530	5	0.81%	-	-	-
Rockwall Crossing LTD	30,600,000	6	0.75%	-	-	-
Whitmore Manufacturing CO	26,025,840	7	0.63%	-	-	-
Graham Packaging/Continental PET	25,646,310	8	0.63%	28,674,629	1	1.18%
Rockwall Dunhill LLC	24,831,260	9	0.61%	17,130,190	4	0.71%
Oncor Electric Delivery Service	24,023,300	10	0.59%	17,608,030	3	0.73%
Wal-mart	-	-	-	22,262,152	2	0.92%
Rockwall Apartment Associates	-	-	-	14,590,520	5	0.60%
Lowes Home Centers, Inc.	-	-	-	11,859,853	6	0.49%
Steger Towne Crossing, LP	-	-	-	11,340,310	7	0.47%
Bent Tree Realty Co.	-	-	-	9,667,830	8	0.40%
Dayton Hudson/Target	-	-	-	8,856,277	9	0.36%
Texas Star Express	-	-	-	7,929,600	10	0.33%
Subtotal	<u>305,474,640</u>		<u>7.45%</u>	<u>149,919,391</u>		<u>6.18%</u>
Total Taxable Value	<u>\$ 4,101,393,061</u>		<u>100.00%</u>	<u>\$ 2,427,709,054</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District

Note: Includes real property and business personal property for each entity

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-13

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Total Current Year Collections</b>	<b>Percent of Levy Collected During Fiscal Period</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Tax Levy</b>
2006	2005	8,987,722	8,921,613	99.26%	53,935	8,975,548	99.86%
2007	2006	11,607,235	11,433,286	98.50%	155,936	11,589,222	99.84%
2008	2007	14,367,824	14,173,725	98.65%	174,169	14,347,894	99.86%
2009	2008	15,962,353	15,777,483	98.84%	145,366	15,922,849	99.75%
2010	2009	16,465,193	16,182,308	98.28%	233,740	16,416,048	99.70%
2011	2010	16,768,511	16,616,216	99.09%	95,906	16,712,122	99.66%
2012	2011	16,937,674	16,780,370	99.07%	88,353	16,868,723	99.59%
2013	2012	17,306,465	17,205,265	99.42%	-	17,205,265	99.42%
2014	2013	18,157,980	18,055,096	99.43%	-	18,055,096	99.43%
2015	2014	20,063,663	19,951,271	99.44%	-	19,951,271	99.44%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-14

Customer	2015			2006		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	44,226,900	1	1.69%	35,693,100	2	1.63%
Rockwall I.S.D.	23,678,400	2	0.91%	84,213,000	1	3.85%
Graham Packaging Continental PET	17,925,600	3	0.69%	-	-	-
Orion at Lake Ray Hubbard (Mansions)	16,590,900	4	0.64%	-	-	-
Excel Rockwall, L.P.	13,147,400	5	0.50%	-	-	-
IX MC 923 Yellow Jacket Lane LP	12,670,000	6	0.49%	-	-	-
Walden Residential	12,014,000	7	0.46%	12,065,000	4	0.55%
Allen Food Bakeries, Inc	11,396,700	8	0.44%	-	-	-
TF Harbor LLC	9,141,200	9	0.35%	-	-	-
D.W.C./Highlife Properties	10,229,600	10	0.39%	18,166,600	3	0.83%
Mission Rockwall	-	-	-	11,863,900	5	0.54%
Sabre Realty Management Company	-	-	-	11,238,600	6	0.51%
Rockwall Nursing Home	-	-	-	9,970,700	7	0.46%
Lake Pointe Church	-	-	-	8,357,000	8	0.38%
Bent Creek Condos HOA	-	-	-	7,855,300	9	0.36%
Steger Towne Crossing	-	-	-	7,576,400	10	0.53%
Subtotal	<u>171,020,700</u>		<u>6.55%</u>	<u>206,999,600</u>		<u>9.47%</u>
Total Water Usage	<u>2,611,244,885</u>		<u>100.00%</u>	<u>2,186,820,120</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-15

Fiscal Year	Governmental Activities				Business-Type Activities					Total Primary Government	Percentage of Personal Income	
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds	Capitalized Lease Obligations		Per Capita	
2006	57,632,329	21,825,000	315,000	-	212,671	-	-	14,145,000	1,145,000	95,275,000	7.88%	3,155
2007	55,720,824	20,045,000	280,000	-	184,176	-	-	13,360,000	5,040,094	94,630,094	7.20%	3,013
2008	74,925,362	18,810,000	245,000	-	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	8.13%	3,824
2009	86,179,822	22,425,000	-	-	135,178	25,890,000	-	11,670,000	7,431,754	153,731,754	10.38%	4,789
2010	83,271,784	20,875,000	-	278,034	113,216	25,005,000	-	10,775,000	7,080,083	147,398,117	8.74%	4,205
2011	88,473,746	23,050,000	-	236,589	91,254	28,205,000	-	5,215,000	6,710,000	151,981,589	8.08%	4,129
2012	84,675,708	24,065,000	-	193,299	69,292	27,145,000	-	4,550,000	6,321,743	147,020,042	7.44%	3,810
2013	88,562,670	25,440,000	-	148,083	47,330	29,510,000	-	3,865,000	5,910,072	153,483,155	7.51%	3,960
2014	87,404,632	16,935,000	-	100,855	25,638	27,900,000	-	3,495,000	5,485,067	141,346,192	6.62%	3,533
2015	85,790,000	14,610,000	-	51,525	-	26,220,000	-	3,235,000	5,041,729	134,948,254	5.97%	3,322

Note: See Table 20 for personal income and population data  
Debt is shown gross of deferred amounts

CITY OF ROCKWALL, TEXAS  
 RATIO OF GENERAL BONDED DEBT OUTSTANDING  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-16

Fiscal Year	General Obligation Bonds	Governmental and Business Type Activities			Unamortized Premium (Discount)	Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
		Certificates of Obligation	Contractual Obligations	Gross Bonded Debt					
2006	57,632,329	21,825,000	315,000	79,772,329	1,115,113	1,461,294	79,426,148	3.27%	2,630
2007	55,720,824	20,045,000	280,000	76,045,824	1,072,153	1,083,320	76,034,657	2.95%	2,421
2008	74,925,362	28,745,000	245,000	103,915,362	1,583,018	835,203	104,663,177	3.74%	3,297
2009	86,179,822	48,315,000	-	134,494,822	1,912,382	1,077,236	135,329,968	4.50%	4,215
2010	83,271,784	45,880,000	-	129,151,784	1,859,751	930,290	130,081,245	3.89%	3,711
2011	88,473,746	51,255,000	-	139,728,746	2,004,225	1,426,272	140,306,699	4.12%	3,812
2012	84,675,708	51,210,000	-	135,885,708	2,046,038	1,221,201	136,710,545	3.98%	3,543
2013	88,562,670	54,950,000	-	143,512,670	2,218,052	772,045	144,958,677	4.15%	3,740
2014	87,404,632	44,835,000	-	132,239,632	2,105,454	460,648	133,884,438	3.65%	3,346
2015	85,790,000	40,830,000	-	126,620,000	1,992,856	936,770	127,676,086	3.11%	3,143

Note: See Table 20 for population data and Table 8 for property value data  
 Deferred amounts include unamortized premium (discount) and loss on refunding

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2013  
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall (2)	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall - debt repaid with property taxes	\$ 100,451,525	100.00%	\$ 100,451,525
Indirect:			
Rockwall Independent School District	326,241,461	52.70%	171,929,250
Rockwall County	<u>100,450,000</u>	61.76%	<u>62,037,920</u>
Total Indirect	<u>426,691,461</u>		<u>233,967,170</u>
Total Direct and Overlapping Bonded Debt	<u>\$ 527,142,986</u>		<u>\$ 334,418,695</u>
Average debt per capita			<u>\$ 8,629</u>

Source: Assessed value data used to estimate applicable percentages provided by Rockwall Central Appraisal District. Debt Outstanding data is provided by each governmental unit.

- (1) Includes all Governmental Activities General Obligation Bonds, Contractual Obligations, Certificates of Obligation and Capital Leases
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable value.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.4955	0.5025	0.5025	0.5031	0.5031	0.5031	0.5031	0.4865	0.425	0.3689
Legal Debt Margin	2.0045	1.9975	1.9975	1.9969	1.9969	1.9969	1.9969	2.0135	2.0750	2.1311

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98
2011	15,439,747	10,805,039	4,634,708	740,000	360,448	1,100,448	4.21
2012	14,809,266	11,463,657	3,345,609	665,000	219,253	884,253	3.78
2013	16,096,968	11,885,957	4,211,011	685,000	191,306	876,306	4.81
2014	16,378,963	12,610,238	3,768,725	260,000	147,294	407,294	9.25
2015	19,748,474	13,657,885	6,090,589	270,000	136,894	406,894	14.97

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE D-20

<b>DEMOGRAPHICS</b>					
<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars) (3)</b>	<b>Per Capita Personal Income (1)</b>	<b>RISD School Enrollment (2)</b>	<b>Unemployment Rate (%) (1)</b>
2006	30,200	1,209,238	40,041	11,519	3.4
2007	31,407	1,313,786	41,831	12,468	3.9
2008	31,748	1,494,029	47,059	13,027	4.9
2009	32,103	1,480,976	46,132	13,372	7.0
2010	35,050	1,687,272	48,139	13,732	6.6
2011	36,810	1,881,580	51,116	13,965	6.7
2012	38,586	1,976,529	51,224	14,213	5.1
2013	38,755	2,044,742	52,761	14,359	5.3
2014	40,008	2,135,587	53,379	14,626	4.2
2015	40,620	2,259,553	55,627	15,468	3.3

Source: (1) Texas Workforce Commission, 2012 and 2013 are estimates  
 (2) Rockwall Independent School District - private schools not included  
 (3) Bureau of Economic Analysis US Dept. of Commerce

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,700	1	8.27%	1,601	1	10.83%
Texas Health Presbyterian Hospital	600	2	2.92%	-	-	-
Wal-Mart Superstore	450	3	2.19%	450	3	3.04%
Texas Star Express	300	4	1.46%	484	2	3.27%
Rockwall County	307	5	1.49%	235	4	1.59%
City of Rockwall	262	6	1.28%	227	5	1.54%
Special Products	168	7	0.82%	205	6	1.39%
L-3 Communications	150	8	0.73%	-	-	-
Home Depot	140	9	0.68%	-	-	-
Bimbo Bakeries	134	10	0.65%	-	-	-
Target	-	-	-	170	7	1.15%
Rockwall Nursing Home	-	-	-	160	8	1.08%
Kohl's Department Store	-	-	-	140	9	0.95%
Home Depot	-	-	-	130	10	0.88%
Subtotal	<u>4,211</u>		<u>20.50%</u>	<u>3,802</u>		<u>25.72%</u>
Total	<u>20,544</u>		<u>100.00%</u>	<u>14,784</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-22

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Administration	26	26	25	21	21	22	22	22	22	21
Finance	5	5	5	8	8	8	8	8	8	8
Municipal Court	5	5	4	4	4	4	4	4	4	4
Fire	26	23	19	17	17	17	17	10	10	9
Police	101.5	100.5	97	92.5	91.5	90.5	90.5	88	85	80
Community Development	19	19	24.5	29.5	29.5	29.5	29.5	29.5	29.5	28.5
Parks & Recreation	30	29	25	26	26	26	26	24.5	24.5	25
Public Works	21	21	21	21	21	21	21	23	23	23
Water/Sewer	33	34	34	37	37	38	38	34	31	29
<b>Total</b>	<b>266.50</b>	<b>262.50</b>	<b>254.50</b>	<b>256.00</b>	<b>255.00</b>	<b>256.00</b>	<b>256.00</b>	<b>243.00</b>	<b>237.00</b>	<b>227.50</b>

CITY OF ROCKWALL, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-23

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Finance										
Invoices processed	13,782	14,518	15,351	15,772	15,582	16,613	16,933	16,696	16,015	15,883
Payroll checks issued	11,093	10,118	9,650	10,065	10,500	9,356	9,176	8,765	8,840	8,231
Purchase orders issued	2,135	1,939	2,002	2,150	2,269	2,391	2,572	2,363	2,553	2,468
Municipal Court										
Violations Processed	13,135	16,950	15,208	16,859	16,361	17,261	16,526	12,984	17,455	16,635
Fire										
Employees (paid)	26	23	19	17	17	17	17	10	10	9
Volunteers	34	30	29	35	41	38	35	42	37	40
Fire Calls (City and County)	902	723	913	831	1,059	771	771	860	777	718
Police										
Employees (uniformed)	79	78	76	72	71	71	70	69	66	61
Employees (civilian)	22.5	22.5	21	20	20	20	20	19	18	18
Calls for Service*	18,152	17,391	16,317	18,267	21,490	30,569	30,610	29,097	27,158	21,121
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.										
Community Development										
# permits - New commercial construction	19	12	25	14	21	4	17	26	33	18
Value - New commercial construction	44,764,279	13,645,795	55,921,000	36,578,259	15,446,160	10,969,950	71,061,773	40,553,363	104,798,013	39,358,497
# permits - New residential construction	346	257	272	218	185	212	169	173	192	470
Value - New residential construction	79,262,932	59,868,007	56,266,387	39,815,104	36,244,834	40,293,359	30,914,120	31,962,169	40,174,623	82,305,725
Parks & Recreation										
The Center facility usage	62,991	78,350	84,000	81,500	84,001	68,665	61,713	76,530	69,988	75,757
Special event attendance	80,000	81,000	83,000	85,000	80,000	95,000	90,680	75,232	54,156	25,231
# recreation participants (youth & adult)	4,711	4,900	4,700	4,500	3,268	3,428	2,155	2,757	2,727	2,381

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Public Works</b>										
Streets - sq yd concrete street repair	5,407.00	3,872.00	2,333.00	4,316.37	2,276.40	2,851.55	5,507.20	3,415.26	739.69	1,967.75
\$ spent on concrete/asphalt street repair	\$ 806,081	\$ 909,163	\$ 712,451	\$ 654,243	\$ 602,167	\$ 575,446	\$ 541,430	\$ 411,814	\$ 341,685	\$ 478,169
Miles of public street maintained by City*	211.65	188.18	185.67	184.06	183.05	196.10	192.86	183.86	144.83	139.52
* Beginning in 2011, mileage calculations have changed and software advances have allowed for a more accurate count										
<b>Water/Sewer</b>										
Water customers	15,147	14,874	14,599	13,416	13,044	12,859	12,471	12,285	12,345	11,985
Sewer customers	12,644	13,215	12,968	12,137	11,891	11,651	11,401	11,106	10,987	10,445
Average daily water consumption (gal)	5,813,542	6,210,113	8,158,146	8,322,890	9,943,169	7,434,917	8,228,041	8,052,778	6,701,619	5,991,288
Peak daily water consumption (gal)	17,497,100	12,930,773	15,728,969	20,230,443	21,739,681	16,969,865	16,900,802	20,114,986	14,305,422	16,755,173
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	9,500,000	7,500,000	7,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-24

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Fire</b>										
Number of stations	4	4	4	4	4	4	2	2	2	2
Number of fire engines/trucks	13	13	13	15	15	14	12	11	11	9
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	40	42	42	42	42	42	42	42	42	42
<b>Parks &amp; Recreation</b>										
Parks acres (developed)	586	538	538	538	538	538	538	538	342	325
Playgrounds	25	25	25	25	25	25	23	23	23	18
Picnic areas	32	32	32	32	32	32	31	31	29	27
Swimming pools	2	2	2	2	2	2	2	2	2	2
<b>Public Works</b>										
\$ Spent on new construction	\$ 8,751,606	\$ 4,760,116	\$ 3,567,315	\$ 2,164,305	\$ 1,079,938	\$ 2,596,948	\$ 15,444,384	\$ 24,508,043	\$ 4,885,417	\$ 1,689,445
Miles of public streets	211.65	188.18	185.67	184.06	183.05	196.10	192.86	183.86	144.83	139.52
<b>Water/Sewer</b>										
Water mains (miles)	302.77	287.91	287.91	276.94	265.82	269.82	255.88	250.40	160.06	155.37
Sanitary sewers (miles)	241.21	231.91	231.91	218.88	222.62	215.88	212.77	209.95	117.51	113.58

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance



**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2014**

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**CITY OF ROCKWALL, TEXAS**  
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*INTRODUCTORY SECTION*





City of Rockwall  
*The New Horizon*

April 20, 2015

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2014, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company P.C., PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2014, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.79 square miles and an estimated population of 40,008.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted in 2005. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### Local Economy

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's local economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 10.4% in our local sales tax revenues. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 4.91%. The most recent five-year average is 2.56% per annum. During the downturn in the economy growth in the tax base slowed but remained positive each year. The City's largest taxpayers are varied and include retail developments, industry, and medical facilities. Table D-12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to successfully market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Trend Tower, completed in 2014, brought the first class-A office space to Rockwall. Tenants include the locally owned and fast growing personnel outsourcing firm Trend HR, as well as medical and corporate offices. The building rises seven stories on the hillside above Lake Ray Hubbard providing impressive views of the area.
- Texas A&M Commerce, having opened a Rockwall campus with classes beginning in 2013, welcomed Collin College students to classes in the Rockwall Technology Park in 2014. Training partnerships are being developed to educate the area's workforce to meet the demand for careers with area industrial and medical employers.
- A number of new restaurants opened for business in 2014 adding to the extensive restaurant mix in town.
- Lake Pointe Medical Center opened a new acute care facility in North Rockwall and Baylor opened a surgical and emergency care facility.
- Downtown Rockwall is undergoing extensive reconstruction during 2014 but still saw several new retail businesses opened including Hazel & Olive, Southern Roots, Simply Kate and restaurants providing new options for downtown dining including 66 BBQ, The Londoner and Oscar Delta. The City benefits from the attention garnered from Rockwall's being a Texas Main Street City. The City has seen a 17.67% increase in sales taxes in the downtown area in the last fiscal year and 91.37% in the last five years.

### Long-term Planning

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

## Financial Policies

The City Council adopted financial policies in 2001 which have guided the City, allowing us to build a strong fund balance, and reinforcing the city's philosophy to budget conservatively for both revenues and expenditures. The general fund reserve policy is reviewed annually and updated most recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level were available to fund capital projects in 2014 which included the City's participation in the funding of a joint use parking garage facility for the Harbor entertainment area with general fund reserves over that 3.5 month level. The City has, for many years, financed vehicle additions and replacements with short-term debt. A healthy reserve allowed the City to purchase all vehicles on a pay-as-you-go basis. In addition, street maintenance expenditures increased by more than \$300,000 from excess reserves.

## Budget Overview

The City Manager proposes a balanced budget to the City Council each year by August 1. Public hearings are conducted to receive comments and priorities of the community at large. The City Council must adopt the operating budget and set the City's tax rate for the next year by October 1<sup>st</sup> of each year.

## Planning Projects

Having identified the downtown area as a critical component of our long range plan, the City and business and community leaders work with the City's Texas Main Street Manager to coordinate planning efforts and develop interest in locating business downtown and to bring events to the Square. The Main Street program has afforded opportunities for businesses to qualify for façade restoration grants which are funded by the City and local financial institution, Community Bank.

The City worked with a consulting firm to prepare an extensive conceptual plan for Planned Development 32 (PD32) which encompasses 60 acres of undeveloped land inside the City's tax increment financing zone and adjacent to the Harbor development. Having recognized the need to have the conceptual plan ready when the economy improved, the area has benefited from the Trend Tower project as well as a proposed condominium project and heightened interest from DFW area development firms has resulted. The City initiated the zoning process to establish a form based code for the area. The area is ready to see the realization of the mixed-use concept with retail, restaurants, office and residential spaces. The new office tower will shortly be joined by condominiums as well as several restaurant sites.

The Rockwall Economic Development Corporation in conjunction with their Destination 2020 plan has refined the focus and role of their planning committee as well. Their marketing program now includes social media components and targeted marketing aimed at site selectors working with desired industries.

## Capital Improvement Planning

In May 2012, voters approved propositions to provide downtown accessibility projects, roadway rehabilitation and Interstate 30 ramp adjustments. The City hired design and construction management professionals to work with staff and City Council to develop the vision for the projects and cost estimates to ensure the projects as approved can move forward expeditiously and be completed within budget. Improvements began on the Downtown Square in early 2014. Walkability and accessibility are key components of the project as well as the construction of the San Jacinto plaza which will add an outdoor venue to the area. Voters did not support a new athletic complex but excess reserves allowed the completion of rehabilitation work on the existing complex which allowed the realignment of fields adding two additional fields for youth games.

## Strategic Planning

Periodically the City conducts a Citizen Satisfaction Survey to document our progress meeting the needs of our citizens. The City continues to receive good marks on our survey, and positive feedback from our citizens regarding our progress on adopted goals and strategies.

## Future Development

### Transportation

The majority of the City's main thoroughfares are state facilities. TxDOT has completed design work on the FM3549 overpass project which is expected to get underway in late calendar 2014. FM 3097 – Horizon Road – a heavily traveled roadway in the retail and medical corridor is slated for reconstruction and widening. Utility work has begun with the 24-month construction project expected to begin in 2015. The City and TxDOT have jointly funded the project. The City has funded and TxDOT will shortly begin a project to reverse two ramps on I-30 improving access to the new John King Boulevard and alleviating pressure on other intersections during the FM 3549 overpass project. In addition, the City will begin design in 2015 of a new I-30 access ramp in an area of heavy congestion on the existing Horizon Road ramp.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allow funding for the advance planning and design of 5 major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction. The Consortium looked at potential additions to the plan and reorganization of priorities in 2013 and will further that effort after the upcoming state transportation funding referendum vote.

### Medical Services

The presence of acute care at Presbyterian Hospital of Rockwall kicked off growth in the medical corridor. Several new medical buildings with Doctor's suites and state of the art out-patient diagnostic imaging facilities have allowed Rockwall to become a regional medical services destination with new offices continuing to open each year. Presbyterian Hospital emergency medical facility having opened in 2013 was joined by Lake Pointe Medical Center's new urgent care facility and Baylor Hospital's new surgical center and emergency room which opened in 2014.

## Retail / Entertainment

“The Harbor” development is situated on the shores of Lake Ray Hubbard at I-30. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. The Conference Center continues to attract events including numerous corporate training and retreat sessions and expects many which are scheduled for 2015.

In conjunction with private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects. In a second project, the City collaborated with the Trend Tower developer on construction of the seven-story, 85,000 square foot office tower overlooking the lake. Trend Tower offered Class-A office space to its corporate tenants as it opened in 2014. The City has signed a lease agreement with Trend on use of the parking garage offering much needed public parking for the Harbor events.

The City’s extremely successful Concert on the Lake Series managed by the City’s Recreation Department draws approximately 5,000 attendees each Thursday evening for a free concert. The series extended 13 weeks in 2014. Surveys conducted during the events gather data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here. The term “Live Music Capital of North Texas” has been coined to describe the many opportunities available year round in both public and restaurant venues.

Founder’s Day, which was moved back to Myers Park, due to the downtown construction project drew visitors to shop merchant’s wares, see artist’s exhibits, and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend. Due to great reviews on the 2014 event, the City intends to continue to sponsor Founder’s Day at the park in the years to come.

A Farmer’s Market brings visitors downtown Saturdays from May to October. The annual “Rib Rub and Run” fall 2014 added a car show component this year. The BBQ contest draws more than 50 teams to the downtown square. The Main Street Advisory Board and “Friends of Downtown Rockwall”, citizen volunteer group, are working to plan more special events to bring shoppers downtown. A late evening shopping event called “Night Owls” added late evening hours and musical entertainment once a month to bring shoppers out to enjoy all the area has to offer. 2015 is expected to bring an addition of live music each Friday and Saturday evening May through September on the newly renovated San Jacinto Plaza.

Having completed work on the rehabilitation of Tuttle Park ball fields, the City resumed coordination of the baseball and softball programs which had previously been managed by local non-profit organizations. The Rockwall Baseball and Softball Association inaugural season saw more than 1,625 players. This was a 96% increase over previous seasons.

## Utilities

The water and wastewater rates were increased in 2014 and the City intends to raise rates in 2015. The City purchases treated water as a founding member city of the North Texas Municipal Water District. Continued extreme drought and the inability to use water from Lake Texoma due to

ongoing effort to control invasive species, reduced lakes to low levels which would not have been sustainable without the extraordinary efforts of all the member city customers to conserve water. The District asked for a 10-percent reduction in usage and Rockwall customers achieved more than 30 percent in our City. A number of main rehabilitation and wastewater lift station upgrades were begun in 2014.

The City's water system is recognized with the Texas Commission on Environmental Quality's "Superior" rating.

The City actively works to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations. It remains the City's desire to be the provider for all residents in our city limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-14(net of Debt Service)	\$135,759,632
Estimated Population	40,008
G.O. Debt Per Capita	\$3,434
Net G.O. Debt per Assessed Value	3.75%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	AA+	A-	A-
Moody's Investor Service Inc.	Aa2	Aa3	A1

**AWARDS AND ACKNOWLEDGEMENTS**

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last twenty-four consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Richard R. Crowley  
City Manager



Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

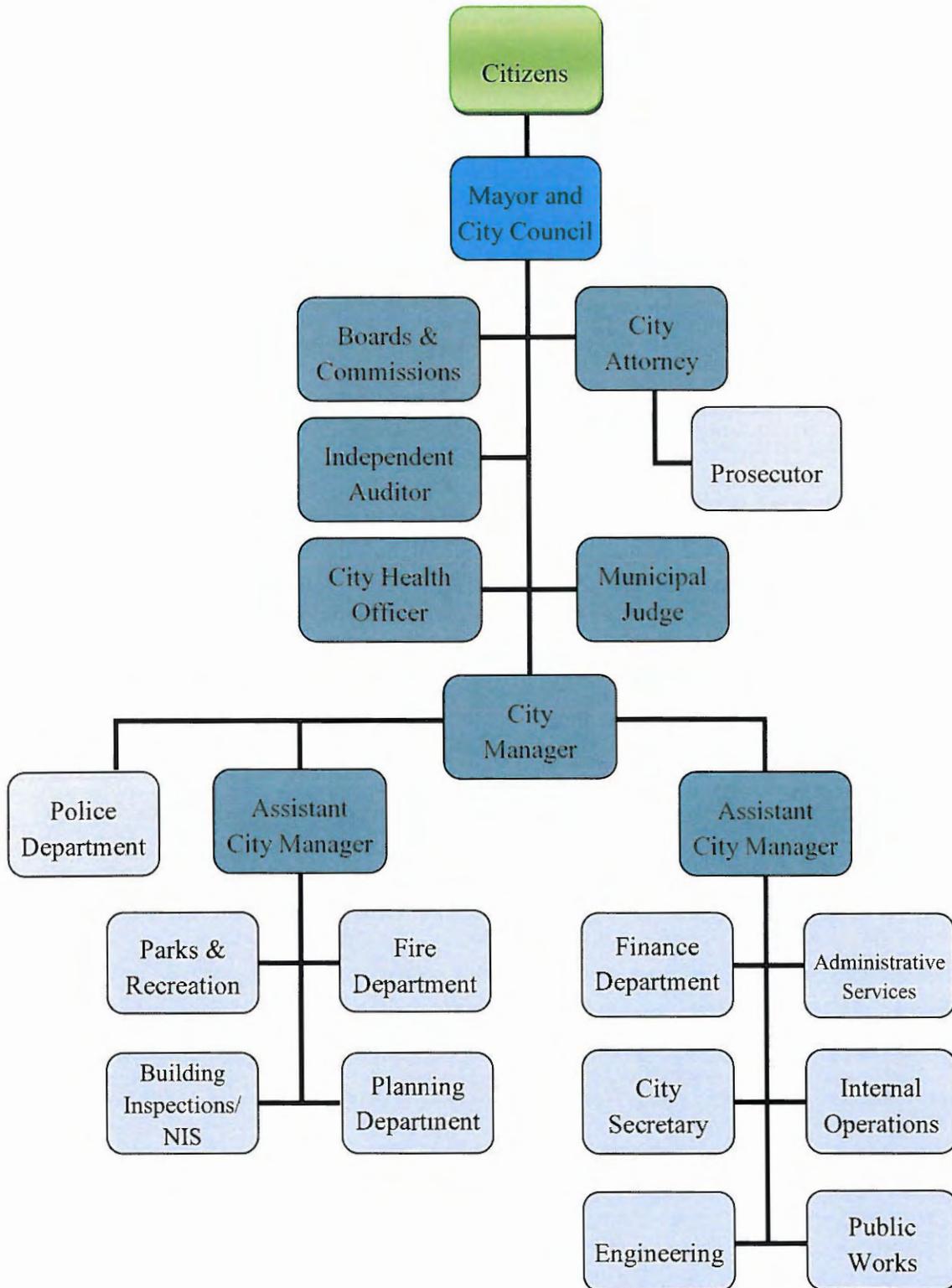
**City of Rockwall  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2014

**City Council**

David Sweet, Mayor  
Jim Pruitt, Mayor Pro-Tempore  
Bennie Daniels, Councilmember  
Dennis Lewis, Councilmember  
Scott Milder, Councilmember  
Mike Townsend, Councilmember  
David White, Councilmember

**City Staff**

Rick Crowley, City Manager  
Mary Smith, Assistant City Manager  
Brad Griggs, Assistant City Manager  
Cheryl Dunlop, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Planning and Zoning  
Tim Tumulty, Director of Public Works/City Engineer  
Joey Boyd, Director of Internal Operations

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*FINANCIAL SECTION*



## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2014, 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 statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19-30 and 74 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 Rockwall, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 statement and schedules 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Jax, Byrd + Company, P.C.*

Dallas, Texas  
April 20, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall’s financial performance provides an overview and analysis of the City’s financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City’s total net position was \$176,298,343 at September 30, 2014.
- During the year, the City’s governmental activities expenses were \$2,080,564 less than the \$37,237,442 generated in program revenues, taxes, other revenues and transfers.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities, net of deferred inflows and deferred outflows of resources at the close of the fiscal year ending September 30, 2014 by \$108,210,703 (net position).
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$10,305,640 or approximately 36.04 percent of the total general fund operating expenditures and transfers out.
- The City’s total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) decreased by \$6,246,377 during fiscal year 2014 with only a refunding debt issued for savings during the year. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.

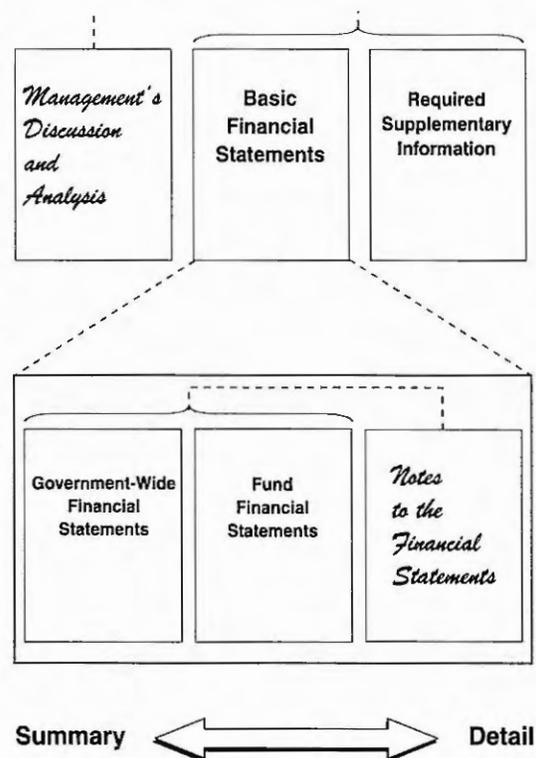
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements, followed by a section of required supplementary information, further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>◆ Statement of net position</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net position</li> <li>◆ Statement of revenues, expenses &amp; changes in fund net position</li> <li>◆ Statement of cash flows</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net positions* presents information on all of the city of Rockwall’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 condition of the City of Rockwall is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. We report the City’s water and sewer system here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements are found on pages 33-34 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 22 individual governmental funds. 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, Debt Service fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City’s enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City’s self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City’s retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City’s intent is that all costs of providing the services to the public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of assets and liabilities of the agency fund. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2014, the City's net position (assets exceeding liabilities) totaled \$176,298,343. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

The largest portion of the City's net position (77.02 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 29,351,075	\$ 37,100,730	\$ 7,794,379	\$ 11,802,419	\$ 37,145,454	\$ 48,903,149
Capital Assets	<u>194,305,696</u>	<u>191,362,677</u>	<u>98,700,966</u>	<u>94,760,405</u>	<u>293,006,662</u>	<u>286,123,082</u>
Total Assets	<u>223,656,771</u>	<u>228,463,407</u>	<u>106,495,345</u>	<u>106,562,824</u>	<u>330,152,116</u>	<u>335,026,231</u>
Deferred Outflows	<u>115,870</u>	<u>115,869</u>	<u>27,673</u>	<u>277,500</u>	<u>143,543</u>	<u>393,369</u>
Non-current liabilities	111,153,867	117,496,526	37,243,832	38,886,878	148,397,699	156,383,404
Other liabilities	<u>4,306,351</u>	<u>4,930,933</u>	<u>1,191,546</u>	<u>2,061,060</u>	<u>5,497,897</u>	<u>6,991,993</u>
Total Liabilities	<u>115,460,218</u>	<u>122,427,459</u>	<u>38,435,378</u>	<u>40,947,938</u>	<u>153,895,596</u>	<u>163,375,397</u>
Deferred Inflows	<u>101,720</u>	<u>21,678</u>	-	-	<u>101,720</u>	<u>21,678</u>
Net Position						
Invested in capital assets,						
net of related debt	86,446,064	89,523,344	61,795,531	60,558,579	148,241,595	150,081,923
Restricted for debt service	372,552	1,165,704	1,325,056	658,326	1,697,608	1,824,030
Restricted for capital projects	10,211,521	1,187,719	3,230,596	1,466,924	13,442,117	2,654,643
Unrestricted	<u>11,180,566</u>	<u>14,253,372</u>	<u>1,736,457</u>	<u>3,208,557</u>	<u>12,917,023</u>	<u>17,461,929</u>
Total net position	<u>\$ 108,210,703</u>	<u>\$ 106,130,139</u>	<u>\$ 68,087,640</u>	<u>\$ 65,892,386</u>	<u>\$176,298,343</u>	<u>\$172,022,525</u>

A portion of the City of Rockwall's governmental activities net position, \$10,584,573 or 9.78% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position, \$11,180,566, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net position for the year ended September 30, 2014.

**Table 2**  
**Changes in Net Position**

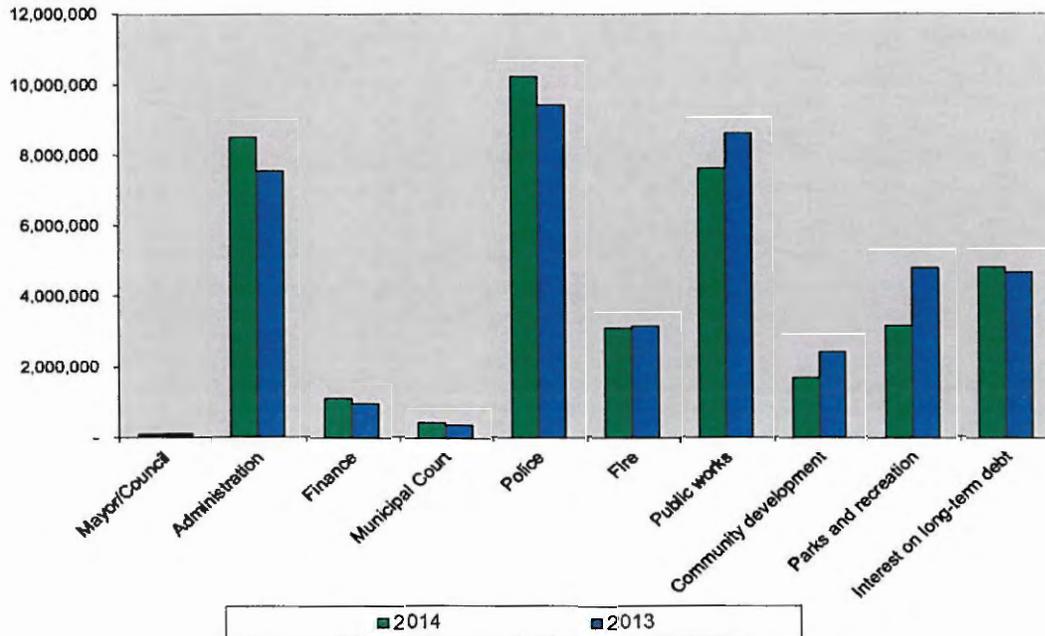
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Program revenues:</b>						
Charges for services	\$ 5,161,016	\$ 3,462,858	\$ 5,858,682	\$ 5,118,907	\$ 21,019,698	\$ 18,581,765
Operating grants & contributions	432,146	358,808	-	-	432,146	358,808
Capital grants & contributions	107,342	3,411,221	3,991,005	3,426,328	4,098,347	6,837,549
<b>General Revenues:</b>						
Property taxes	18,438,330	17,870,887	-	-	18,438,330	17,870,887
Sales taxes	14,341,277	14,045,093	-	-	14,341,277	14,045,093
Other	3,365,885	3,310,417	22,017	180,858	3,387,902	3,491,275
Total revenues	<u>41,845,996</u>	<u>42,459,284</u>	<u>9,871,704</u>	<u>18,726,093</u>	<u>61,717,700</u>	<u>61,185,377</u>
<b>Program expenses:</b>						
Mayor/Council	94,747	102,993	-	-	94,747	102,993
Administration	13,798,985	7,565,249	-	-	13,798,985	7,565,249
Finance	1,089,078	951,808	-	-	1,089,078	951,808
Municipal Court	415,220	357,208	-	-	415,220	357,208
Police	10,251,116	9,441,521	-	-	10,251,116	9,441,521
Fire	3,100,647	3,172,688	-	-	3,100,647	3,172,688
Public works	2,369,694	8,651,550	-	-	2,369,694	8,651,550
Community development	1,699,428	2,432,153	-	-	1,699,428	2,432,153
Parks and recreation	3,185,425	4,825,050	-	-	3,185,425	4,825,050
Interest on long-term debt	4,853,042	4,714,902	-	-	4,853,042	4,714,902
Water and sewer	-	-	16,584,500	16,723,552	16,584,500	16,723,552
Total expenses	<u>40,857,382</u>	<u>42,215,122</u>	<u>16,584,500</u>	<u>16,723,552</u>	<u>57,441,882</u>	<u>58,938,674</u>
<b>Increase (decrease) in net position</b>						
before transfers	988,614	244,162	3,287,204	2,002,541	4,275,818	2,246,703
Transfers	<u>109,1950</u>	<u>1,217,550</u>	<u>(109,1950)</u>	<u>(1,217,550)</u>	-	-
Increase (decrease) in net position	2,080,564	1,461,712	2,178,254	784,991	4,275,818	2,246,703
Net position, October 1	<u>106,130,139</u>	<u>104,668,427</u>	<u>65,892,386</u>	<u>65,107,395</u>	<u>172,022,525</u>	<u>169,775,822</u>
Net position, September 30	<u>\$ 108,210,703</u>	<u>\$ 106,130,139</u>	<u>\$ 68,087,640</u>	<u>\$ 65,892,386</u>	<u>\$ 176,298,343</u>	<u>\$ 172,022,525</u>

## Governmental Activities

The City's total revenues of governmental activities were \$41,845,996. A significant portion 44.06%, of the City's revenues came from property taxes. Another 34.27% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties and minor increases in assessed valuation throughout the City. The City has chosen to either maintain the current rate or lower the tax rate each of the last five years. Despite the economic downturn, the City's assessed value has increased each year. Total assessed values of the properties in the City increased by 4.91%. The City adopted a property tax rate of 50.25 cents per \$100 of assessed valuation for fiscal year 2014. Growth in the assessed valuation and conservative budgets allowed the City to lower the rate for fiscal year 2015 by .70 cents per hundred dollars of assessed valuation. Sales tax revenue increased over the prior year by 2.1% and while a few retailers were added for 2014, it was most influenced by increases in same stores sales. While housing starts are not expected to return to pre-downturn levels, they are trending upward. Developers

have started infrastructure work on several new subdivisions including phases of Stone Creek, Breezy Hill, Rockwall Downes and others. These phases will begin selling lots in 2015. The permit revenues decreased overall by 9.8% due primarily to new industrial buildings for which permits were paid in 2013 which increased that year's revenues. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas.

### Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$40,857,382. Of these costs, \$10,251,116 (25.1%) was for the Police Department. The department has increased the number of telecommunication operators as another adjacent city contracted with Rockwall for dispatch services. In addition, two sworn officers were added in the patrol division to maintain minimum staffing numbers per shift and coverage per population goals of the City. Public Works costs were \$7,653,406 (18.7%) and reflected ongoing road reconstruction projects, the downtown improvements and ongoing street maintenance focused projects Administrative departments including Administration, Human Resources, and Internal Operations which is responsible for building maintenance, the public safety radio system and IT had combined costs of \$8,515,273 (20.8%).

### Business-Type Activities

The City's business-type activities recorded an increase of \$2,195,254 in net assets. Retail water sales decreased by 1.78% despite raising rates by 10% in January. Residential consumption remained down due to the significant water conservation measures necessary as extremely hot and dry weather coupled with water supply restrictions from one of the area's supply lakes constrained sales. The City's rates were increased in 2013, 2014 and another increase is expected for 2015. The City implemented a conservation focused water rate structure in 2001 and increases the rate tiers each time new rates are adopted. The rates for sewer were also increased and total sewer charges increased by 15.2% for the fiscal year. The city employs winter averaging to calculate sewer billing so revenues are not affected by restrictions on irrigating lawns. Water and sewer charges were \$15,506,885. The ending working capital, excluding restricted assets and liabilities payable from restricted assets, for the water and sewer fund was \$1,913,101.

Water and wastewater impact fees (Capital recovery fees) revenue totaled \$838,703 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system's initial costs in building assets to serve new growth. Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

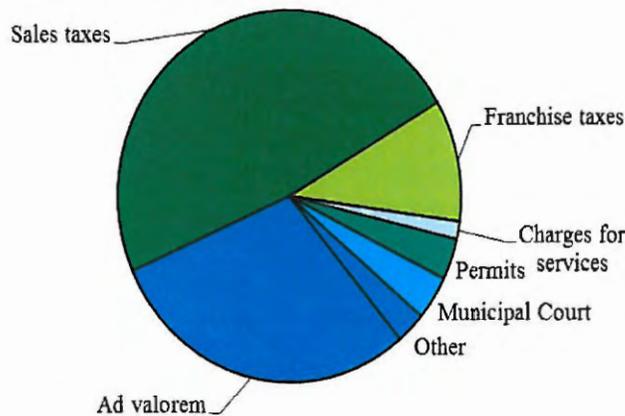
**Component Units**

The Rockwall Economic Development Corporation (REDC) reported revenues including the ½ cent sales tax, authorized under the Type A Corporation statutes, of \$4,613,509. Assets managed by the corporation include an inventory of over 305 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

**ANALYSIS OF INDIVIDUAL FUNDS**

The City's *General Fund* reported an ending unassigned fund balance of \$10,305,640. The largest source of general fund revenue is sales tax, it accounted for \$13,729,967 (48.2%) of total general fund revenue. Ad valorem property taxes account for \$8,413,555 (29.5%) of general fund revenues. The City's property tax rate is split between maintenance/operations and debt service. For fiscal year 2014, the debt service portion of the rate increased causing the dollars assigned to the general fund to decrease when compared to the prior year. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows. The City Council elected to use reserves to fund a portion of a shared use parking garage facility adjacent to the Harbor entertainment area in addition to increasing street maintenance funding. This planned use of reserves totaled \$1,283,450. The City's revenues increased sufficiently during the year to see the general fund unassigned balance decrease by only \$970,344 or 8.6%.

**Revenues by Source – General Fund**



The City's *Debt Service Fund* reported a reduction in fund balance of \$311,397. Property tax collections for debt service requirements were \$9,487,408. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City's bond election in 2005 authorized more than \$65,031,000 in projects. After extensive study, the City adopted a Roadway Impact Fee

which was further studied and updated in 2014 and which provided \$318,921 in new revenue to this fund in fiscal year 2014. The City Council chooses to budget a portion of this fund balance each year toward meeting the debt service obligations. This allows the use of the debt service fund reserves to lessen the effect of new debt issues on the property tax rate each year.

The *G.O. Bonds Capital Projects Fund* reported an assigned fund balance of \$7,996,297, a decrease of \$2,991,502 from the prior year. Downtown improvements were well underway in fiscal year 2014. Design work for access ramp improvements on Interstate 30 will begin shortly.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2014, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$25,872,650 increased to \$26,017,500 while revenue estimates increased from \$27,232,450 to \$28,001,300. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$9,481,134 however due to the budget adjustments mentioned above offset by the parking garage participation and street materials increase, the fund balance was re-estimated to be \$9,283,284.

General fund revenues ultimately were \$28,503,084, a positive variance of \$501,784 over the amended budget estimate, reflecting stronger than anticipated sales tax collections and cable franchise fees in the remaining months of the fiscal year. Actual general fund total expenditures were \$25,573,423 or \$444,077 less than final projections. Final expenditures in each department were less than anticipated with no negative variances reported. The City ended the year with a fund balance of \$10,305,640, or \$1,022,456 over the projected balance. The higher fund balance is attributable to management's conservative projections of both revenues and expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2014 the City had \$293,006,664 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 17,238,772	\$ 14,377,674	\$ 799,533	\$ 799,533	\$ 18,038,305	\$ 15,177,207
Buildings & systems	14,264,225	14,598,734	95,272,166	92,821,925	10,9536,391	107,420,659
Improvements other than buildings	19,776,623	19,713,476	-	-	19,776,623	19,713,476
Machinery & equipment	6,335,672	6,335,672	670,568	788,904	6,542,905	7,124,576
Infrastructure	130,288,217	128,444,647	-	-	130,288,217	128,444,647
Construction in progress	<u>6,865,523</u>	<u>7,892,474</u>	<u>1,958,700</u>	<u>350,043</u>	<u>8,824,223</u>	<u>8,242,517</u>
	<u>\$ 194,305,697</u>	<u>\$ 191,362,677</u>	<u>\$ 98,700,967</u>	<u>\$ 94,760,405</u>	<u>\$293,006,664</u>	<u>\$286,123,082</u>

The City held a bond election in May 2012 at which voters approved propositions to fund several street reconstruction projects as well as infrastructure and accessibility projects in the downtown area in excess of \$27,800,000. Design was completed and construction has commenced on the phased approach to replacing sidewalks and paving in the area as well as the construction of a new events plaza. The interstate ramp projects approved by voters will be under design in 2015 and design of the remaining roadway rehabilitation projects should commence in 2015.

Notably, the construction in progress at fiscal year end for business-type funds reflects the construction of improvements to water and wastewater lines in older areas of the city as well as the rehabilitation of a major wastewater lift station, which is underway. These projects will continue in 2015.

Additional information regarding the City’s capital assets is found in note IV-D on pages 56-59.

Debt

At year-end, the City had \$144,866,192 in bonds and capitalized leases shown in Table 4.

**Table 4**  
**City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 87,404,632	\$ 88,562,670	\$ 25,638	\$ 47,330	\$ 87,430,270	\$ 88,610,000
Certificates of obligation	20,455,000	25,440,000	27,900,000	29,510,000	48,355,000	54,950,000
Revenue bonds	-	-	3,495,000	3,865,000	3,495,000	3,865,000
Capital Lease obligations	100,855	148,083	5,485,067	5,910,072	5,585,922	6,058,155
	<u>\$ 107,960,487</u>	<u>\$ 114,150,753</u>	<u>\$ 36,905,705</u>	<u>\$ 39,332,402</u>	<u>\$ 144,866,192</u>	<u>\$ 153,483,155</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 3.75% or \$3,434 per capita. This is a decrease since the City did not issue new money bonds this fiscal year.

The City’s bond ratings at September 30, 2014 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA+	A-	A-
Moody’s Investor Service Inc.	Aa2	Aa3	A1

Additional information on the City of Rockwall’s long-term debt may be found in note IV-F, on pages 61-68 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rate, and fees that will be charged for the business-type activities. The major factor affecting all decisions is the impact that mandatory water conservation has caused to revenues. The City Council chose to discontinue the management transfer from the enterprise fund to the general fund as well as approving appropriations, which will pay a portion (\$700,000) of enterprise debt from property taxes. The City conservatively budgeted a 2% increase in sales tax revenue and modest increases in franchise fees. Increases are expected in construction related activity as new subdivision phases are beginning and housing sales are improving. Interviews with local builders led the City to project continued improvement in home starts for the coming year.

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Ft. Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 4.2%, well below the national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2015. The budgeted revenues for fiscal year 2015 total \$28,864,250 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate was reduced to 49.55 cents per hundred dollars of assessed value.

The City adopted written financial policies in 2001, which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City's fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The ending general fund balance for 2014 provides approximately 5 months of reserves for the City. The City Council elected to purchase capital equipment normally financed with short-term debt obligations due in large part to the healthy fund balance. The budget as adopted for fiscal year 2014 projects a fund balance of approximately 4.53 months of recurring operating expenditures. The 2015 budget reflects continued funding for street maintenance projects and continuing to purchase vehicles on pay-as-you-go basis.

The 2015 budget expenditures include the addition of two firefighters. The City continues to transition the Fire Department from predominately volunteer, to a combination department, and the new budget will include the addition of three new Fire Driver positions. A new family violence criminal investigator position was added with grant funding for the first year.

The water and sewer rate study has been updated to reflect increased charges from the North Texas Municipal Water District for treated water and the budget anticipates a significant increase in those rates. A number of capital projects to replace older lines are ongoing into fiscal year 2015. The City's revenues will be impacted by mandatory conservation measures in effect, as the drought persists. System revenues will be affected until lake levels improve and conservation measures are lifted. Operational costs will be closely monitored and controlled to be ready to react to any further reduction in available revenues.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information, contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email: [msmith@rockwall.com](mailto:msmith@rockwall.com).

*BASIC FINANCIAL STATEMENTS*

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CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,951,818	\$ 298,610	\$ 3,250,428	\$ 834,775
Investments	21,417,173	175,351	21,592,524	10,165,390
Receivables (net of allowance for uncollectibles)	2,635,582	2,323,413	4,958,995	32,997
Due from other governments	2,340,768	-	2,340,768	780,256
Inventories	5,734	218,353	224,087	18,603,308
Restricted assets:	-	-	-	-
Cash and cash equivalents	-	968,743	968,743	-
Investments	-	3,809,909	3,809,909	-
Capital assets (net of accumulated depreciation)	-	-	-	-
Land	17,238,772	799,533	18,038,305	-
Building and system	14,264,225	95,272,164	109,536,389	-
Improvements other than buildings	19,776,622	-	19,776,622	-
Machinery and equipment	5,872,338	670,568	6,542,906	38,145
Infrastructure	130,288,216	-	130,288,216	-
Construction in progress	6,865,523	1,958,701	8,824,224	-
Total assets	<u>223,656,771</u>	<u>106,495,345</u>	<u>330,152,115</u>	<u>30,454,871</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred bond issue cost - insurance	11,392	-	11,392	11,392
Deferred charge on refunding	104,478	27,673	132,151	39,102
Total deferred outflows of resources	<u>115,870</u>	<u>27,673</u>	<u>143,543</u>	<u>50,494</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	4,054,407	815,646	4,870,053	1,746,379
Due to other governments	251,944	-	251,944	-
Customer deposits	-	375,900	375,900	-
Liabilities payable from restricted assets:				
Noncurrent liabilities:				
Due within one year	7,493,052	2,451,979	9,945,031	1,608,244
Due in more than one year	103,660,815	34,791,853	138,452,668	25,019,356
Total liabilities	<u>115,460,218</u>	<u>38,435,378</u>	<u>153,895,596</u>	<u>28,373,979</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - other	101,720	-	101,720	-
Total deferred inflows of resources	<u>101,720</u>	<u>-</u>	<u>101,720</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	86,446,064	61,795,531	148,241,595	38,145
Restricted for:				
Debt service	372,552	1,325,056	1,697,608	-
Capital projects	10,211,521	3,230,596	13,442,117	-
Unrestricted	11,180,566	1,736,457	12,917,023	2,093,241
Total net position	<u>\$ 108,210,703</u>	<u>\$ 68,087,640</u>	<u>\$ 176,298,343</u>	<u>\$ 2,131,386</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT</b>								
Governmental activities:								
Mayor/council	\$ 94,747	\$ -	\$ -	\$ -	\$ (94,747)		\$ (94,747)	
Administration	8,515,273	799,291	19,575	-	(7,696,407)		(7,696,407)	
Finance	1,089,078	2,875	-	-	(1,086,203)		(1,086,203)	
Municipal court	415,220	1,110,268	-	-	695,048		695,048	
Police	10,251,116	725,857	912	-	(9,524,347)		(9,524,347)	
Fire	3,100,647	79,000	4,257	-	(3,017,390)		(3,017,390)	
Public works	7,653,406	756,113	231,435	107,342	(6,558,516)		(6,558,516)	
Community development	1,699,428	1,113,132	-	-	(586,296)		(586,296)	
Parks and recreation	3,185,425	574,480	175,967	-	(2,434,978)		(2,434,978)	
Interest on long-term debt	4,853,042	-	-	-	(4,853,042)		(4,853,042)	
Total governmental activities	<u>40,857,382</u>	<u>5,161,016</u>	<u>432,146</u>	<u>107,342</u>	<u>(35,156,878)</u>		<u>(35,156,878)</u>	
Business-type activities:								
Water and sewer	17,071,406	15,506,885	-	4,829,708		\$ 3,265,187	3,265,187	
Total business-type activities	<u>17,071,406</u>	<u>15,506,885</u>	<u>-</u>	<u>4,829,708</u>		<u>3,265,187</u>	<u>3,265,187</u>	
Total primary government	<u>\$ 57,928,788</u>	<u>\$ 20,667,901</u>	<u>\$ 432,146</u>	<u>\$ 4,937,050</u>	<u>(35,156,878)</u>	<u>3,265,187</u>	<u>(31,891,691)</u>	
<b>COMPONENT UNITS</b>								
Economic Development Corporation	\$ 3,197,325	\$ -	\$ -	\$ 7,502				\$ (3,189,823)
Rockwall Technology Park Association	141,545	138,341	-	-				(3,204)
Total component units	<u>\$ 3,338,870</u>	<u>\$ 138,341</u>	<u>\$ -</u>	<u>\$ 7,502</u>				<u>(3,193,027)</u>
General revenues:								
Ad valorem taxes, penalty and interest					18,438,330	-	18,438,330	-
Sales taxes					14,341,277	-	14,341,277	4,600,423
Franchise taxes					3,093,257	-	3,093,257	-
Miscellaneous					220,826	19,629	240,455	599
Unrestricted investment earnings					51,802	2,388	54,190	4,989
Transfers					1,091,950	(1,091,950)	-	-
Total general revenues and transfers					<u>37,237,442</u>	<u>(1,069,933)</u>	<u>36,167,509</u>	<u>4,606,011</u>
Change in net position					2,080,564	2,195,254	4,275,818	1,412,984
Net position at beginning of year					106,130,139	65,892,386	172,022,525	718,402
Net position at end of year					<u>\$ 108,210,703</u>	<u>\$ 68,087,640</u>	<u>\$ 176,298,343</u>	<u>\$ 2,131,386</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 943,557	\$ 168,809	\$ 629,579	\$ 1,021,527	\$ 2,763,472
Investments	8,107,764	308,970	8,342,141	3,363,410	20,122,285
Receivables (net of allowances for uncollectibles):					
Taxes - delinquent	171,059	176,200	-	9,337	356,596
Fines	240,237	-	-	-	240,237
Accrued interest	5,440	-	21,946	1,437	28,823
Accounts	137,756	-	-	329,976	467,732
Assessments	-	-	-	86,680	86,680
Other receivables	140,892	-	-	-	140,892
Due from other funds	324,656	-	-	-	324,656
Due from other governments	2,300,264	-	-	40,504	2,340,768
Inventory	2,186	-	-	3,548	5,734
<b>Total assets</b>	<b>\$ 12,373,811</b>	<b>\$ 653,979</b>	<b>\$ 8,993,666</b>	<b>\$ 4,856,419</b>	<b>\$ 26,877,875</b>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,137,550	\$ -	\$ 997,369	\$ 77,681	\$ 2,212,600
Due to other governments	251,944	-	-	-	251,944
Due to other funds	-	-	-	269,221	269,221
<b>Total liabilities</b>	<b>1,389,494</b>	<b>-</b>	<b>997,369</b>	<b>346,902</b>	<b>2,733,765</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	200,775	193,331	-	9,337	403,443
Unavailable revenue - fines	147,202	-	-	-	147,202
Unavailable revenue - other	330,700	-	-	188,400	519,100
<b>Total deferred inflows of resources</b>	<b>678,677</b>	<b>193,331</b>	<b>-</b>	<b>197,737</b>	<b>1,069,745</b>
<b>Fund balances:</b>					
Restricted	-	-	-	(88,096)	(88,096)
Committed	-	460,648	-	-	460,648
Assigned	-	-	7,996,297	4,399,876	12,396,173
Unassigned	10,305,640	-	-	-	10,305,640
<b>Total fund balances</b>	<b>10,305,640</b>	<b>460,648</b>	<b>7,996,297</b>	<b>4,311,780</b>	<b>23,074,365</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 12,373,811</b>	<b>\$ 653,979</b>	<b>\$ 8,993,666</b>	<b>\$ 4,856,419</b>	<b>\$ 26,877,875</b>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2014

Total fund balances - governmental funds balance sheet	\$ 23,074,365
Amounts reported for governmental activities in the statement of net assets are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position	691,318
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	403,443
Assessments receivable	86,680
Intergovernmental receivable	129,925
Contributions receivable	200,775
The following assets are not available to pay for current period expenditures and are not accrued in the funds:	
Franchise taxes receivable	989,966
Court fines receivable	147,202
The following assets are not current financial resources and are not reported in the funds:	
Capital assets used in governmental activities (net of accumulated depreciation of \$101,306,755)	194,305,696
Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements	115,870
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(1,340,861)
Bonds payable	(109,712,151)
Capital leases payable	(100,855)
Accrued interest payable	(780,670)
	<u>\$ 108,210,703</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes, penalty and interest	\$ 8,413,555	\$ 9,487,408	\$ -	\$ 515,585	\$ 18,416,548
Sales taxes	13,729,967	-	-	611,311	14,341,278
Franchise taxes	3,016,446	-	-	-	3,016,446
Charges for services	441,825	318,921	-	585,949	1,346,695
Permits	1,019,130	-	-	475	1,019,605
Municipal court	1,099,459	-	-	61,824	1,161,283
Intergovernmental	580,379	-	-	43,666	624,045
Interest income	25,209	125	21,986	4,352	51,672
Miscellaneous	177,114	17,500	-	331,251	525,865
Contributions and donations	-	107,342	-	419,666	527,008
Total revenues	<u>28,503,084</u>	<u>9,931,296</u>	<u>21,986</u>	<u>2,574,079</u>	<u>41,030,445</u>
Expenditures:					
Current					
Mayor/council	94,747	-	-	-	94,747
Administration	3,783,115	-	-	214,729	3,997,844
Finance	678,198	-	-	307,536	985,734
Municipal court	415,220	-	-	-	415,220
Police	9,361,489	116,004	-	62,079	9,539,572
Fire	2,756,601	-	-	9,697	2,766,298
Public works	3,876,741	-	-	298,074	4,174,815
Community development	1,699,428	-	-	-	1,699,428
Parks and recreation	2,907,884	-	-	-	2,907,884
Total current	<u>25,573,423</u>	<u>116,004</u>	<u>-</u>	<u>892,115</u>	<u>26,581,542</u>
Capital outlay					
Administration	345,656	-	-	129,201	474,857
Finance	-	-	-	103,344	103,344
Police	582,076	-	-	129,468	711,544
Fire	141,389	-	-	192,960	334,349
Public works	41,982	-	4,383,712	1,995,915	6,421,609
Parks and recreation	80,960	-	-	196,581	277,541
Total capital outlay	<u>1,192,063</u>	<u>-</u>	<u>4,383,712</u>	<u>2,747,469</u>	<u>8,323,244</u>
Debt service:					
Principal	-	5,893,038	-	910,000	6,803,038
Interest	-	4,218,851	-	411,888	4,630,739
Bond issuance costs	-	74,581	-	-	74,581
Fiscal charges	-	14,800	-	-	14,800
Total debt service	<u>-</u>	<u>10,201,270</u>	<u>-</u>	<u>1,321,888</u>	<u>11,523,158</u>
Total expenditures	<u>26,765,486</u>	<u>10,317,274</u>	<u>4,383,712</u>	<u>4,961,472</u>	<u>46,427,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,737,598</u>	<u>(385,978)</u>	<u>(4,361,726)</u>	<u>(2,387,393)</u>	<u>(5,397,499)</u>
Other financing sources (uses)					
Transfers in	311,782	-	1,370,224	1,087,633	2,769,639
Transfers out	(3,019,724)	-	-	(2,237,965)	(5,257,689)
Issuance of long-term debt	-	9,820,000	-	-	9,820,000
Payment to bond refunding escrow agent	-	(9,745,419)	-	-	(9,745,419)
Total other financing sources (uses)	<u>(2,707,942)</u>	<u>74,581</u>	<u>1,370,224</u>	<u>(1,150,332)</u>	<u>(2,413,469)</u>
Net change in fund balances	(970,344)	(311,397)	(2,991,502)	(3,537,725)	(7,810,968)
Fund balances, October 1	11,275,984	772,045	10,987,799	7,849,505	30,885,333
Fund balances, September 30	<u>\$ 10,305,640</u>	<u>\$ 460,648</u>	<u>\$ 7,996,297</u>	<u>\$ 4,311,780</u>	<u>\$ 23,074,365</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - governmental funds	\$ (7,810,968)
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets	325,910
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	23,079
Assessments receivable	2,728
Franchise taxes receivable	76,811
Court fines receivable	(43,816)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$10,481,437) exceeded capital outlays (\$8,323,244) and retirements (\$-0-) in the current period	2,943,018
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization in the current period, net of additions for debt issue cost incurred.	(115,773)
Governmental funds report proceeds of debt as other financing sources and payments to the escrow agent for refunding of debt as other financing uses. This is the net of other financing sources (\$9,200,000) less other financing uses (\$9,745,419).	(74,581)
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	(29,583)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments (\$6,803,038) and bond premium amortization (\$12,434) in the current period.	6,815,472
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	<u>(31,733)</u>
	<u>\$ 2,080,564</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	Business-type Activities Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 298,610	\$ 188,346
Investments	175,351	1,294,888
Receivables (net of allowances for uncollectibles):		
Accounts	2,319,226	-
Other receivables	4,187	-
Inventory	218,353	-
Restricted assets:		
Cash and cash equivalents	968,743	-
Investments	3,809,909	-
Total current assets	7,794,379	1,483,234
Noncurrent assets:		
Capital assets not being depreciated	2,758,234	-
Capital assets being depreciated, net	95,942,732	-
Total noncurrent assets	98,700,966	-
Total Assets	106,495,345	1,483,234
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred charge on refunding	27,673	-
Total Deferred Outflow of Resource	27,673	-
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	726,726	751,087
Customer deposits	375,900	-
Due to other funds	-	40,829
General obligation bonds payable - current	1,705,368	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	260,000	-
Obligations under capital leases - current	443,338	-
Accrued interest payable	88,920	-
Total current liabilities	3,600,252	791,916
Noncurrent liabilities:		
General obligation bonds payable	26,220,000	-
Revenue bonds payable	3,458,131	-
Obligations under capital leases	5,041,729	-
Liability for compensated absences	115,266	-
Total noncurrent liabilities	34,835,126	-
Total Liabilities	38,435,378	791,916
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	61,795,531	-
Restricted for debt service	1,325,056	-
Restricted for construction	3,230,596	-
Unrestricted	1,736,457	691,318
Total Net Assets	\$ 68,087,640	\$ 691,318

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
OPERATING REVENUES:		
Charges for services	\$ 15,506,885	\$ 729,969
Total operating revenues	<u>15,506,885</u>	<u>729,969</u>
OPERATING EXPENSES:		
Personnel services	1,916,475	-
Contractual services	9,563,972	4,010,839
Materials and supplies	583,829	-
Operations	188,672	-
Utilities	357,290	-
Depreciation and amortization	2,552,814	-
Total operating expenses	<u>15,163,052</u>	<u>4,010,839</u>
Operating income (loss)	<u>343,833</u>	<u>(3,280,870)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	2,388	130
Miscellaneous income	19,629	26,650
Paying agent fees	11,358	-
Capital Recovery fees	838,703	-
Interest expense	(1,919,712)	-
Total non-operating revenues (expenses)	<u>(1,047,634)</u>	<u>26,780</u>
Loss before transfers and capital contributions	<u>(703,801)</u>	<u>(3,254,090)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
Capital contributions	3,991,005	-
Transfers in	-	3,580,000
Transfers out	(1,091,950)	-
Total transfers and capital contributions	<u>2,899,055</u>	<u>3,580,000</u>
Increase (decrease) in net assets	2,195,254	325,910
Net assets, October 1	<u>65,892,386</u>	<u>365,408</u>
Net assets, September 30	<u>\$ 68,087,640</u>	<u>\$ 691,318</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 15,080,756	\$ 939,766
Cash paid to employees for services	(1,907,151)	-
Cash paid to suppliers for goods and services	(10,343,885)	(4,023,244)
Net cash provided (used) by operating activities	<u>2,829,720</u>	<u>(3,083,478)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash paid to other funds	(1,091,950)	-
Cash received from other funds	-	3,620,829
Net cash provided (used) by non-capital financing activities	<u>(1,091,950)</u>	<u>3,620,829</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition or construction of capital assets	(2,502,371)	-
Capital recovery fees received	838,703	-
Principal paid on capital debt	(2,439,756)	-
Interest and fees paid on capital debt	(1,665,223)	-
Net cash used by capital and related financing activities	<u>(5,768,647)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Purchase of investments	-	(517,552)
Proceeds from sales and maturities of investments	4,050,752	-
Interest and dividends received	2,388	130
Net cash provided (used) by investing activities	<u>4,053,140</u>	<u>(517,422)</u>
Net increase in cash and cash equivalents	22,263	19,929
Cash and cash equivalents at beginning of year	1,245,090	168,417
Cash and cash equivalents at end of year	<u>\$ 1,267,353</u>	<u>\$ 188,346</u>
Reported on Statement of Net Position		
Unrestricted cash	\$ 298,610	\$ 188,346
Restricted cash	968,743	-
	<u>\$ 1,267,353</u>	<u>\$ 188,346</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 343,833	\$ (3,280,870)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	2,552,814	-
Miscellaneous income	19,629	26,650
Change in assets and liabilities:		
Decrease (increase) in assets:		
Receivables	(20,762)	183,147
Inventories	(7,306)	-
Prepaid items		
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(122,103)	(12,405)
Customer deposits	61,910	-
Compensated absences	1,705	-
Net cash provided (used) by operating activities	<u>\$ 2,829,720</u>	<u>\$ (3,083,478)</u>
Non-cash investing and financing activities:		
Capital contributions	<u>\$ 3,991,004</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 AGENCY FUNDS  
 SEPTEMBER 30, 2014

	Agency Fund
	Special Escrow
	Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 221,105
Investments	1,129,426
Accrued interest receivable	964
Total assets	\$ 1,351,495
<b>LIABILITIES</b>	
Due to developers	\$ 1,351,495
Total liabilities	\$ 1,351,495

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a seven member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2014, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discrete component unit of the City. RTPA, is effectively controlled by the City through REDC and thus provides a potential financial benefit or burden to the City.

The funds of both REDC and RTPA are composed of governmental fund types. Stand alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2014, are not prepared.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Assets, liabilities, and net position or equity*

Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items "a" through "d" above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for un-collectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for un-collectibles.

Property taxes are levied on October 1st by the City based on the January 1st property values as assessed by the Rockwall Central Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Long-term obligations

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

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

Fund equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact are classified as non-spendable fund balance.

Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation are classified as restricted fund balance.

Amounts that are available for any purpose are classified as unassigned fund balance; these amounts can be reported only in the City's General Fund.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Fund equity - continued

Fund balance amount represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. The City has not established a formal policy to set forth a minimum level for fund balances.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Deferred outflow of resources are not available to pay for current-period expenditures and are deferred in the funds.” The details of this \$115,870 difference are as follows:

Deferred outflow of resources:	
Bond issue costs – insurance	\$ 11,392
Loss on refunding	<u>104,478</u>
Total	<u>\$ 115,870</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

A. Budgetary information – continued

5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2014, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

Emergency Siren Fund  
Art in Public Places Fund

7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$39,091 in the Recreation Development Fund due to advanced planning costs incurred on the Phelps Lake project appropriated in fiscal year 2015.

Expenditures exceeded appropriations by \$216,574 in the Debt Service Fund and \$67,588 in the Harbor Debt Service Fund due to a computation error made during the amended budget process related to the 2014 refunding bond issue.

C. Deficit fund equity

The Harbor Debt Service Fund had a deficit fund balance in the amount of \$88,096 at September 30, 2014, as a result of slower than expected growth in sales tax revenues in the Harbor zone. This will be corrected as new businesses are planned for opening in 2015.

4. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2014, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Deposits - continued

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$968,743, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2014, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

Investments

At September 30, 2014, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2 - 6	7 - 12	13 - 24+
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Mortgage Corp.	\$ 3,669,026	\$ -	\$ -	\$ -	\$ 3,669,026
Federal National Mortgage Assoc.	1,627,421	-	-	-	1,627,421
Federal Farm Credit Bank	446,350	-	-	-	446,350
Federal Home Loan Bank	295,975	-	-	-	295,975
Treasury bills and notes	690,654	-	-	-	690,654
	6,729,426	-	-	-	6,729,426
Money Market Funds	19,802,433	19,802,433	-	-	-
Total Primary Government	26,531,859	19,802,433	-	-	6,729,426
<b>Discretely Presented Component Units</b>					
Rockwall Economic Development					
Money Market Funds	10,124,962	10,124,962	-	-	-
Rockwall Technology Park					
Money Market Funds	40,428	40,428	-	-	-
Total Discrete Component Units	10,165,390	10,165,390	-	-	-
<b>Total Reporting Entity</b>	<b>\$ 36,697,249</b>	<b>\$ 29,967,823</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,729,426</b>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments – continued

Investments are reported in the Statement of net position as follows:

Governmental activities	\$ 21,417,173
Business-type activities	3,985,260
Fiduciary Fund	1,129,426
Discrete component units:	
Rockwall Economic Development Corporation	10,124,962
Rockwall Technology Park	<u>40,428</u>
	<u>\$ 36,697,249</u>

The City has invested with money market funds with ratings from Aaa to AAA.

B. Receivables

Receivable as of year-end for the government’s individual major funds an non-major, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	GO Bonds Capital	Nonmajor and Other	Water and Sewer	Internal Service
Taxes receivable - delinquent	\$ <u>171,059</u>	\$ <u>176,200</u>	\$ <u>-</u>	\$ <u>9,337</u>	\$ <u>-</u>	\$ <u>-</u>
Fines receivable	352,327					
Allowance for uncollectibles	\$ <u>(112,090)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
	\$ <u>240,237</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Accrued Interest	\$ <u>5,440</u>	\$ <u>-</u>	\$ <u>21,946</u>	\$ <u>1,437</u>	\$ <u>-</u>	\$ <u>-</u>
Accounts receivable	\$ 137,756	\$ -	\$ -	\$ 329,976	\$ 3,101,086	\$ -
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(781,861)</u>	<u>-</u>
Net other receivables	\$ <u>137,756</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>329,976</u>	\$ <u>2,319,225</u>	\$ <u>-</u>
Assessments receivable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>86,680</u>	\$ <u>-</u>	\$ <u>-</u>
Other receivables	\$ <u>140,892</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,187</u>	\$ <u>-</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 200,775	\$ -
Contract receivable not yet due (General Fund)	330,700	-
Fines receivable (General Fund)	147,202	-
Delinquent property taxes receivable (Debt Service Fund)	193,331	-
Delinquent property taxes receivable (Harbor Debt Service)	9,337	-
Assessments receivable not yet due (Street Improvements)	86,680	-
Seizures not awarded (Narcotics Unit)	<u>101,720</u>	<u>101,720</u>
	<u>\$ 1,069,745</u>	<u>\$ 101,720</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2014, was as follows:

	Balance 9/30/2013	Additions	Retirements	Completed Construction	Balance 9/30/2014
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 14,377,674	\$ -	\$ -	\$ 2,861,098	\$ 17,238,772
Construction in progress	7,892,474	6,964,353	-	(7,991,304)	6,865,523
Total capital assets not being depreciated	<u>22,270,148</u>	<u>6,964,353</u>	<u>-</u>	<u>(5,130,206)</u>	<u>24,104,295</u>
Capital assets being depreciated:					
Buildings	19,683,460	177,033	-	148,947	20,009,440
Improvements other than buildings	29,334,932	480,056	-	1,281,259	31,096,247
Machinery and equipment	17,128,172	1,042,898	(423,890)	-	17,747,180
Infrastructure	194,195,174	4,760,116	-	3,700,000	202,655,290
Total capital assets being depreciated	<u>260,341,738</u>	<u>6,460,103</u>	<u>(423,890)</u>	<u>5,130,206</u>	<u>271,508,157</u>
Less accumulated depreciation for:					
Buildings	(5,084,726)	(660,489)	-	-	(5,745,215)
Improvements other than buildings	(9,621,456)	(1,698,168)	-	-	(11,319,624)
Machinery and equipment	(10,792,500)	(1,506,233)	423,890	-	(11,874,843)
Infrastructure	(65,750,527)	(6,616,546)	-	-	(72,367,073)
Total accumulated depreciation	<u>(91,249,209)</u>	<u>(10,481,436)</u>	<u>423,890</u>	<u>-</u>	<u>(101,306,755)</u>
Total capital assets being depreciated, net	<u>169,092,529</u>	<u>(4,021,333)</u>	<u>-</u>	<u>5,130,206</u>	<u>170,201,402</u>
Governmental activities capital assets, net	<u>\$ 191,362,677</u>	<u>\$ 2,943,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,305,697</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

	Balance 9/30/2013	Additions	Retirements	Completed Construction	Balance 9/30/2014
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ -	\$ -	\$ 799,533
Construction in progress	350,043	2,502,371	-	(893,714)	1,958,700
Total capital assets not being depreciated	<u>1,149,576</u>	<u>2,502,371</u>	<u>-</u>	<u>(893,714)</u>	<u>2,758,233</u>
Capital assets being depreciated:					
Buildings	198,109	-	-	-	198,109
Improvements other than buildings	106,567,453	3,991,004	-	893,714	111,452,171
Sewage treatment plants and pump station	12,516,072	-	-	-	12,516,072
Machinery and equipment	4,961,534	-	(12,133)	-	4,949,401
Total capital assets being depreciated	<u>124,243,168</u>	<u>3,991,004</u>	<u>(12,133)</u>	<u>893,714</u>	<u>129,115,753</u>
Less accumulated depreciation for:					
Buildings	(124,743)	(5,434)	-	-	(130,177)
Improvements other than buildings	(20,923,546)	(2,180,196)	-	-	(23,103,742)
Sewage treatment plants and pump station	(5,411,420)	(248,847)	-	-	(5,660,267)
Machinery and equipment	(4,172,630)	(118,336)	12,133	-	(4,278,833)
Total accumulated depreciation	<u>(30,632,339)</u>	<u>(2,552,813)</u>	<u>12,133</u>	<u>-</u>	<u>(33,173,019)</u>
Total capital assets being depreciated, net	<u>93,610,829</u>	<u>1,438,191</u>	<u>-</u>	<u>893,714</u>	<u>95,942,734</u>
Governmental activities capital assets, net	<u>\$ 94,760,405</u>	<u>\$ 3,940,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,700,967</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$	691,606
Finance		160,674
Municipal Court		64,534
Police		601,008
Fire		852,710
Public Works		6,807,183
Community Development		14,049
Parks & Recreation		<u>1,289,671</u>
 Total depreciation expense - governmental activities	 \$	 <u><u>10,481,435</u></u>

Business-type activities

Water and Sewer	\$	<u><u>2,552,814</u></u>
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Construction commitments

The City has active construction projects as of September 30, 2014. At year end the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Harbor Infrastructure Project	\$ 3,678,311	\$ 21,689
Downtown Bond Project	<u>4,136,065</u>	<u>4,488,935</u>
	<u>\$ 7,814,376</u>	<u>\$ 4,510,624</u>
 Utility Project	 <u>\$ 1,461,900</u>	 <u>\$ 688,710</u>
 REDC Infrastructure Project	 <u>\$ 2,034,014</u>	 <u>\$ 1,025,236</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

D. Capital assets – continued

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2014, was as follows:

	<u>Balance</u> <u>9/30/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Balance</u> <u>9/30/2014</u>
Capital assets being depreciated:					
Furniture and fixtures	\$ 123,424	\$ -	\$ -	\$ -	\$ 123,424
Total capital assets being depreciated	<u>123,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,424</u>
Less accumulated depreciation for:					
Furniture and fixtures	(79,470)	(5,809)			(85,279)
Total accumulated depreciation	<u>(79,470)</u>	<u>(5,809)</u>	<u>-</u>	<u>-</u>	<u>(85,279)</u>
Total capital assets being depreciated, net	<u>\$ 43,954</u>	<u>\$ (5,809)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,145</u>

E. Inter-fund receivables, payables, and transfers

The composition of inter-fund balances as of September 30, 2014, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 324,656	\$ -
Internal Service	-	40,829
Non-major Governmental Funds	-	269,221
Discretely Presented Component Unit	<u>-</u>	<u>14,605</u>
Totals	<u>\$ 324,656</u>	<u>\$ 324,655</u>

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

E. Inter-fund receivables, payables, and transfers – continued

The composition of inter-fund transfers for the year ended September 30, 2014, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds		
General Fund	\$ 311,782	\$ 3,019,724
G.O. Bonds Capital Projects	1,370,224	-
Non-major Governmental Funds	1,087,633	2,237,965
Water and Sewer Enterprise Fund	-	1,091,950
Internal Service Funds	<u>3,580,000</u>	<u>-</u>
Total	<u>\$ 6,349,639</u>	<u>\$ 6,349,639</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2014, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2014
<b>Governmental Activities</b>					
General Obligation Bonds:					
Refunding	\$ 4,024,394	2003	2015	2.00% - 4.00%	339,632
Refunding and improvements	13,345,000	2005	2020	3.00% - 4.50%	2,210,000
Improvements	35,775,000	2006	2036	4.50% - 5.50%	27,940,000
Improvements	21,765,000	2007	2037	5.13% - 6.13%	18,130,000
Improvements	9,515,000	2008	2028	2.05% - 2.50%	7,515,000
Improvements	9,065,000	2009	2029	2.00% - 4.60%	6,180,000
Improvements and refunding	8,535,000	2011	2031	2.00% - 5.00%	7,815,000
Improvements	7,905,000	2013	2033	2.00% - 5.00%	7,615,000
Refunding	9,820,000	2014	2025	2.28%	9,660,000
Total General Obligation Bonds					<u>87,404,632</u>
Certificates of Obligation Bonds:					
Improvements	12,415,000	2005	2018	3.00% - 5.00%	6,410,000
Improvements	5,270,000	2006	2026	4.25% - 5.00%	2,845,000
Improvements	820,000	2012	2016	1.215%	415,000
Improvements	5,125,000	2009	2029	2.00% - 4.60%	2,805,000
Improvements	4,675,000	2011	2031	2.00% - 4.25%	4,385,000
Improvements	1,330,000	2011	2031	2.00% - 5.30%	1,330,000
Improvements	2,625,000	2013	2033	2.00% - 4.38%	2,265,000
Total Certificates of Obligation					<u>20,455,000</u>
Total Governmental Activities General Obligation Debt					<u>107,859,632</u>
<b>Business-type Activities</b>					
General Obligation Bonds:					
Refunding	300,606	2003	2015	2.00% - 4.00%	25,638
Certificates of Obligation:					
Improvements	10,310,000	2007	2027	4.25% - 4.50%	7,690,000
Improvements	16,895,000	2008	2028	3.00% - 5.00%	13,325,000
Improvements	5,740,000	2008	2028	3.00% - 5.00%	3,535,000
Improvements	3,480,000	2013	2031	2.00% - 4.38%	3,350,000
Total Certificates of Obligation					<u>27,900,000</u>
Total business-type general obligation debt					<u>27,925,638</u>
Total General Debt					<u>\$ 135,785,270</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 6,999,632	\$ 4,554,660	\$ 1,705,368	\$ 1,204,716	\$ 14,464,376
2016	6,820,000	4,288,047	1,745,000	1,145,651	13,998,698
2017	6,525,000	4,022,990	1,830,000	1,083,976	13,461,966
2018	6,580,000	3,758,959	1,905,000	1,015,513	13,259,472
2019	6,885,000	3,476,521	1,995,000	941,801	13,298,322
2020 - 2024	31,610,000	13,436,580	9,885,000	3,396,624	58,328,204
2025 - 2029	25,265,000	6,976,847	7,940,000	1,110,751	41,292,598
2030 - 2034	12,310,000	2,701,425	920,000	102,544	16,033,969
2035- 2039	4,865,000	410,213	-	-	5,275,213
Total	\$ 107,859,632	\$ 43,626,242	\$ 27,925,368	\$ 10,001,576	\$ 189,412,818

Revenue bonds

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding as of September 30, 2014, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2014
<b>Revenue Bonds</b>					
Refunding and improvements	\$ 6,415,000	2005	2025	3.00% - 4.50%	\$ 3,495,000
Total Revenue Bonds					3,495,000
Less unamortized premium (discount) on bonds					<u>38,838</u>
Total Revenue Bonds					<u>\$ 3,533,838</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Annual debt service requirements to maturity for revenue bonds are as follows:

Year	Water and Sewer Fund		Total
	Principal	Interest	
2015	\$ 260,000	\$ 147,294	\$ 407,294
2016	270,000	136,894	406,894
2017	280,000	126,094	406,094
2018	290,000	114,894	404,894
2019	300,000	103,294	403,294
2020 - 2024	1,705,000	315,175	2,020,175
2025 - 2029	390,000	17,550	407,550
Total	3,495,000	\$ 961,195	\$ 4,456,195
Unamortized Discount	38,838		
Total Revenue Bonds	\$ 3,533,838		

Capitalized lease obligations

The City has entered into a contract with a software vendor for an upgrade to the public safety software system. This contract has been treated as a capitalized lease.

The City has entered into contracts with North Texas Municipal Water District (NTMWD), a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of certain water and plants and to provide treated water to the City. The contractual obligations have been treated as capitalized lease obligations.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Capitalized lease obligations outstanding as of September 30, 2014, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2014
Capital Leases					
Governmental activities					
Public safety computer upgrade	\$ 330,870	2010	2016	4.45%	\$ <u>100,855</u>
Business-type activities					
South plant improvements	1,800,000	1996	2016	various	280,000
Ground storage facility	2,013,434	2005	2025	various	1,320,067
Pump station	2,145,000	2006	2026	various	1,530,000
Buffalo Creek plant	2,960,000	2008	2028	various	<u>2,355,000</u>
					<u>5,485,067</u>
Total Capitalized Lease Obligations					<u>\$ 5,585,922</u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2014, are as follows:

Year	Governmental Activities	Business-type Activities	Total
2015	\$ 53,818	\$ 712,304	\$ 766,122
2016	53,818	717,674	771,492
2017	-	563,717	563,717
2018	-	561,522	561,522
2019	-	566,822	566,822
2020 - 2024	-	2,855,559	2,855,559
2025 - 2029	-	1,491,343	1,491,343
	<u>107,636</u>	<u>7,468,941</u>	<u>7,576,577</u>
Total payments			
Less imputed interest	<u>(6,781)</u>	<u>(1,983,874)</u>	<u>(1,990,655)</u>
Total Capital Lease Obligations	<u>\$ 100,855</u>	<u>\$ 5,485,067</u>	<u>\$ 5,585,922</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2014, was as follows:

	Balance 9/30/2013	Additions	Retirements	Balance 9/30/2014	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 88,562,670	\$ 9,820,000	\$ (10,978,038)	\$ 87,404,632	\$ 4,674,632
Certificates of obligation	25,440,000	-	(4,985,000)	20,455,000	2,325,000
Unamortized premium (discount)	<u>2,024,500</u>	<u>-</u>	<u>(103,339)</u>	<u>1,921,161</u>	<u>108,875</u>
Total bonds payable	116,027,170	9,820,000	(16,066,377)	109,780,793	7,108,507
Capital lease obligations	148,083	-	(47,228)	100,855	49,330
Compensated absences	<u>1,309,128</u>	<u>1,465,665</u>	<u>(1,433,932)</u>	<u>1,340,861</u>	<u>335,215</u>
Governmental activity long-term liabilities	<u>\$ 117,484,381</u>	<u>\$ 11,285,665</u>	<u>\$ (17,547,537)</u>	<u>\$ 111,222,509</u>	<u>\$ 7,493,052</u>
<b>Business-type activities:</b>					
General obligation bonds and certificates	\$ 29,557,330	\$ -	\$ (1,631,962)	\$ 27,925,368	\$ 1,705,368
Revenue bonds	3,865,000	-	(370,000)	3,495,000	260,000
Unamortized premium (discount)	<u>235,920</u>	<u>-</u>	<u>(12,789)</u>	<u>223,131</u>	<u>14,457</u>
Total bonds payable	33,658,250	-	(2,014,751)	31,643,499	1,979,825
Capital lease obligations	5,910,072	-	(425,005)	5,485,067	443,338
Compensated absences	<u>113,561</u>	<u>209,182</u>	<u>(207,477)</u>	<u>115,266</u>	<u>28,816</u>
Business-type activities	<u>\$ 39,681,883</u>	<u>\$ 209,182</u>	<u>\$ (2,647,233)</u>	<u>\$ 37,243,832</u>	<u>\$ 2,451,979</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2014:

Year Authorized	General Obligation Bonds		Balance Unissued 9/30/2014
	Amount Authorized	Amount Issued	
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2012	<u>27,800,000</u>	<u>(7,905,000)</u>	<u>19,895,000</u>
Totals	<u>\$ 33,400,000</u>	<u>\$ (12,105,000)</u>	<u>\$ 21,295,000</u>

Year Authorized	Revenue Bonds		Balance Unissued 9/30/2014
	Amount Authorized	Amount Issued	
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Totals	<u>\$ 3,540,000</u>	<u>\$ (1,060,000)</u>	<u>\$ 2,480,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2014:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2014
Sales Tax Revenue Bonds:					
Improvements	\$ 4,545,000	2008	2028	7.00%	\$ 3,715,000
Improvements	4,595,000	2013	2033	2% - 4.00%	4,430,000
Improvements	2,405,000	2012	2019	2.00%	1,750,000
Total Sales Tax Revenue Bonds					<u>9,895,000</u>
Certificates of Obligation					
Infrastructure improvements	3,225,000	2005	2015	3.00% - 5.00%	390,000
Infrastructure improvements	5,540,000	2006	2026	4.25% - 5.00%	3,905,000
Infrastructure improvements	6,130,000	2008	2028	3.00% - 5.00%	4,835,000
Infrastructure improvements	2,625,000	2013	2033	1.65% - 5.82%	7,325,000
Total Certificates of Obligation					<u>16,455,000</u>
Total					<u>\$ 26,350,000</u>

Annual debt service requirements to maturity for REDC debt are as follows:

Year	Governmental Activities		Total
	Principal	Interest	
2015	\$ 1,830,000	\$ 1,204,392	\$ 3,034,392
2016	1,495,000	1,138,630	2,633,630
2017	1,550,000	1,086,660	2,636,660
2018	1,605,000	1,029,957	2,634,957
2019	1,670,000	970,569	2,640,569
2020 - 2024	7,525,000	3,843,148	11,368,148
2025 - 2029	7,345,000	1,825,882	9,170,882
2030 - 2034	3,330,000	420,685	3,750,685
Total	<u>\$ 26,350,000</u>	<u>\$ 11,519,923</u>	<u>\$ 37,869,923</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. DETAILED NOTES ON ALL FUNDS – continued

F. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2014, was as follows:

	Balance 9/30/2013	Additions	Retirements	Balance 9/30/2014	Due Within One Year
Sales tax revenue bonds	\$ 10,545,000	\$ -	\$ (650,000)	\$ 9,895,000	\$ 660,000
Certificates of obligation	17,590,000	-	(1,135,000)	16,455,000	1,170,000
Unamortized premium (discount)	<u>274,298</u>	<u>-</u>	<u>(19,443)</u>	<u>254,855</u>	<u>22,236</u>
Total bonds payable	28,409,298	-	(1,804,443)	26,604,855	1,852,236
Compensated absences	<u>24,379</u>	<u>13,984</u>	<u>(15,618)</u>	<u>22,745</u>	<u>5,686</u>
Total	<u>\$ 28,433,677</u>	<u>\$ 13,984</u>	<u>\$ (1,820,061)</u>	<u>\$ 26,627,600</u>	<u>\$ 1,857,922</u>

5. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$75,000 per covered individual, or approximately \$2,395,196 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2014.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a maximum City liability of \$600,000 per year.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION – continued

A. Risk management – continued

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements.

Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Worker's Compensation	
	2014	2013	2014	2013
Claims payable beginning of the year	\$ 439,333	\$ 187,894	\$ 10,830	\$ 37,968
Claims incurred	3,062,330	3,693,080	40,705	92,479
Payment on claims	<u>(3,026,488)</u>	<u>(3,441,641)</u>	<u>(46,450)</u>	<u>(119,617)</u>
	<u>\$ 475,175</u>	<u>\$ 439,333</u>	<u>\$ 5,085</u>	<u>\$ 10,830</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION – continued

B. North Texas Municipal Water District – continued

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related assets have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2014, is \$5,485,067. See Note 4F for the annual requirements to amortize the bonds as of September 30, 2014.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 4F above, the general revenues of the City are contingently liable in the amount of \$29,925,368 for general obligation bonds and certificates of obligation which are currently outstanding and recorded as obligations of the Enterprise Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION – continued

C. Contingent liabilities and commitments – continued

The City contracts for solid waste disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2014, these commitments totaled \$6,490,518.

D. Employee retirement systems and pension plans

Texas Municipal Retirement System

Plan Description – The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 850 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Benefits – Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

Contributions – The contribution rate for the employees is 7% , and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's amortization period. The Projected Unit Credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2012 valuation is effective for rates beginning January 2014.

	Actuarial Assumptions
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
GASB 24 Equivalent Single Amortization Period	30.0 Years - Closed Period
Amortization Period for New Gains/Losses	30 Years
Asset Valuation Method	10 Year Smoothed Market
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation at	3.0%
Cost of Living Adjustments	2.1%

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

5. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

A schedule of funding progress as of the three most recent actuarial valuation dates is as follows:

Actuarial Valuation Date	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
Actuarial Value of Asset	\$ 50,695,022	\$ 45,252,432	\$ 40,528,030
Actuarial Accrued Liabilities	\$ 64,414,139	\$ 57,979,914	\$ 55,019,733
Percentage Funded	78.7%	78.0%	73.7%
Unfunded (Over-funded) Actuarial Accrued Liability	\$ 13,719,117	\$ 12,727,482	\$ 14,491,703
Annual Covered Payroll	\$ 15,053,257	\$ 15,319,206	\$ 15,245,963
UAAL as a Percentage of Covered Payroll	91.1%	83.1%	95.1%
Net Pension Obligation (NPO)	\$ -	\$ -	\$ -

	<u>Fiscal Year Ended September 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual Required Contribution (ARC)	\$ 2,404,006	\$ 2,351,862	\$ 2,316,015
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
	<u>2,404,006</u>	<u>2,351,862</u>	<u>2,316,015</u>
Contributions Made (100%)	2,404,006	2,351,862	2,316,015
Increase in NPO	-	-	-
NPO at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$40,700 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 30 active participants currently covered by the Fund and payments are being made to 25 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.



*REQUIRED SUPPLEMENTARY INFORMATION*



CITY OF ROCKWALL, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 8,387,100	\$ 8,513,000	\$ 8,413,555	\$ (99,445)
Sales taxes	13,158,000	13,427,000	13,729,967	302,967
Franchise taxes	2,755,000	2,912,600	3,016,446	103,846
Charges for services	267,100	333,600	441,825	108,225
Permits	939,000	976,000	1,019,130	43,130
Municipal court	1,042,000	1,072,000	1,099,459	27,459
Intergovernmental	548,750	576,300	580,379	4,079
Interest income	40,000	20,000	25,209	5,209
Miscellaneous	95,500	170,800	177,114	6,314
Total revenues	<u>27,232,450</u>	<u>28,001,300</u>	<u>28,503,084</u>	<u>501,784</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor/council	115,750	98,750	94,747	4,003
Administration	3,992,000	3,790,600	3,783,115	7,485
Finance	688,950	697,750	678,198	19,552
Municipal court	364,550	429,050	415,220	13,830
Police	9,107,850	9,540,950	9,361,489	179,461
Fire	2,928,900	2,805,900	2,756,601	49,299
Public works	3,899,900	3,972,300	3,876,741	95,559
Community development	1,862,000	1,747,400	1,699,428	47,972
Parks and recreation	2,912,750	2,934,800	2,907,884	26,916
Total current	<u>25,872,650</u>	<u>26,017,500</u>	<u>25,573,423</u>	<u>444,077</u>
<b>Capital outlay:</b>				
Administration	354,700	365,200	345,656	19,544
Police	572,150	581,450	582,076	(626)
Fire	195,400	195,400	141,389	54,011
Public works	42,900	42,900	41,982	918
Parks and recreation	83,600	83,600	80,960	2,640
Total capital outlay	<u>1,248,750</u>	<u>1,268,550</u>	<u>1,192,063</u>	<u>76,487</u>
Total expenditures	<u>27,121,400</u>	<u>27,286,050</u>	<u>26,765,486</u>	<u>520,564</u>
Excess of revenues over expenditures	<u>111,050</u>	<u>715,250</u>	<u>1,737,598</u>	<u>1,022,348</u>
<b>Other financing sources (uses):</b>				
Transfers in	737,100	311,800	311,782	(18)
Transfers out	(2,643,000)	(3,019,750)	(3,019,724)	26
Total other financing sources (uses)	<u>(1,905,900)</u>	<u>(2,707,950)</u>	<u>(2,707,942)</u>	<u>8</u>
Net change in fund balances	(1,794,850)	(1,992,700)	(970,344)	1,022,356
Fund balances, October 1	<u>11,275,984</u>	<u>11,275,984</u>	<u>11,275,984</u>	<u>-</u>
Fund balances, September 30	<u>\$ 9,481,134</u>	<u>\$ 9,283,284</u>	<u>\$ 10,305,640</u>	<u>\$ 1,022,356</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014  
 (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			(1)/(2)	(3)-(1)		(4)/(5)
12/31/2011	\$ 40,528,030	\$ 55,019,733	73.7%	\$ 14,491,703	\$ 15,245,963	95.1%
12/31/2012	45,252,432	57,979,914	78.0%	12,727,482	15,319,206	83.1%
12/31/2013	50,695,022	64,414,139	78.7%	13,719,117	15,053,257	91.1%

*COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES  
AS SUPPLEMENTARY INFORMATION*



CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2014

	Special Revenue Funds	Harbor Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 209,320	\$ -	\$ 812,207	\$ 1,021,527
Investments	1,931,450	-	1,431,960	3,363,410
Receivables (net of allowances for uncollectibles):				
Taxes - delinquent	-	9,337	-	9,337
Interest	-	-	1,437	1,437
Accounts	189,355	140,621	-	329,976
Assessments	86,680	-	-	86,680
Due from other funds	-	-	-	-
Due from other governments	-	40,504	-	40,504
Inventory	3,548	-	-	3,548
	<u>\$ 2,420,353</u>	<u>\$ 190,462</u>	<u>\$ 2,245,604</u>	<u>\$ 4,856,419</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 47,301	\$ -	\$ 30,380	\$ 77,681
Due to other funds	-	269,221	-	269,221
Total Liabilities	<u>47,301</u>	<u>269,221</u>	<u>30,380</u>	<u>346,902</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property tax	-	9,337	-	9,337
Unavailable revenue - other	188,400	-	-	188,400
Total Deferred Inflows of Resources	<u>188,400</u>	<u>9,337</u>	<u>-</u>	<u>197,737</u>
<b>FUND BALANCES:</b>				
Restricted	-	(88,096)	-	(88,096)
Committed	-	-	-	-
Assigned	2,184,652	-	2,215,224	4,399,876
Total Fund Balances	<u>2,184,652</u>	<u>(88,096)</u>	<u>2,215,224</u>	<u>4,311,780</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,420,353</u>	<u>\$ 190,462</u>	<u>\$ 2,245,604</u>	<u>\$ 4,856,419</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ -	\$ 515,585	\$ -	\$ 515,585
Sales taxes	325,057	286,254	-	611,311
Charges for services	585,949	-	-	585,949
Permits	475	-	-	475
Municipal court	61,824	-	-	61,824
Intergovernmental	43,666	-	-	43,666
Interest income	175	-	4,177	4,352
Miscellaneous	331,051	-	200	331,251
Contributions and donations	189,529	230,137	-	419,666
Total revenues	<u>1,537,726</u>	<u>1,031,976</u>	<u>4,377</u>	<u>2,574,079</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	214,729	-	-	214,729
Finance	307,536	-	-	307,536
Police	62,079	-	-	62,079
Fire	9,697	-	-	9,697
Parks and recreation	298,074	-	-	298,074
Total current	<u>892,115</u>	<u>-</u>	<u>-</u>	<u>892,115</u>
<b>Capital outlay</b>				
Administration	66,374	-	62,827	129,201
Finance	-	-	103,344	103,344
Police	129,468	-	-	129,468
Fire	192,960	-	-	192,960
Parks and recreation	196,581	-	-	196,581
Public works	900,000	-	1,095,915	1,995,915
Total capital outlay	<u>1,485,383</u>	<u>-</u>	<u>1,262,086</u>	<u>2,747,469</u>
<b>Debt service</b>				
Principal	-	910,000	-	910,000
Interest	-	411,888	-	411,888
Bond issuance costs	-	-	-	-
Total debt service	<u>-</u>	<u>1,321,888</u>	<u>-</u>	<u>1,321,888</u>
Total expenditures	<u>2,377,498</u>	<u>1,321,888</u>	<u>1,262,086</u>	<u>4,961,472</u>
Excess of revenues over (under) expenditures	<u>(839,772)</u>	<u>(289,912)</u>	<u>(1,257,709)</u>	<u>(2,387,393)</u>
<b>Other financing sources (uses):</b>				
Transfers in	918,683	-	168,950	1,087,633
Transfers out	(993,965)	-	(1,244,000)	(2,237,965)
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Total other financing sources (uses)	<u>(75,282)</u>	<u>-</u>	<u>(1,075,050)</u>	<u>(1,150,332)</u>
Net change in fund balances	(915,054)	(289,912)	(2,332,759)	(3,537,725)
Fund balances, October 1	3,099,706	201,816	4,547,983	7,849,505
Fund balances, September 30	<u>\$ 2,184,652</u>	<u>\$ (88,096)</u>	<u>2,215,224</u>	<u>\$ 4,311,780</u>

## NONMAJOR GOVERNMENTAL FUNDS

### *SPECIAL REVENUE FUNDS*

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Public Safety – established to account for donations, court fees, and other public safety committed revenues.

Recreational Development – established to account for the annual lease income from marinas and golf course.

Radio System – established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Occupancy Tax – established to account for the annual income from hotel occupancy taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement – established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places – established to account for donations received for developing art displays in public areas such as parks.

Narcotics Unit – established to account for revenues and expenditures related to a seized funds and forfeitures.



CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2014

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Narcotics Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS</b>														
Cash and cash equivalents	\$ 1,500	\$ 15,983	\$ 103,344	\$ 8,844	\$ 4,405	\$ 5,193	\$ 1,137	\$ 19,731	\$ 8,319	\$ 8,590	\$ 1,924	\$ 3,911	\$ 26,439	\$ 209,320
Investments	102,949	189,755	243,038	-	158,175	51,911	266,060	-	103,140	22,998	53,168	-	740,256	1,931,450
Receivables (net of allowances for uncollectibles):														
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts	-	-	350	-	95,620	87,171	-	3,075	3,121	-	-	18	-	189,355
Assessments	-	-	-	-	86,680	-	-	-	-	-	-	-	-	86,680
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	3,548	-	-	-	-	-	3,548
Total assets	<u>\$ 104,449</u>	<u>\$ 205,738</u>	<u>\$ 346,732</u>	<u>\$ 8,844</u>	<u>\$ 344,880</u>	<u>\$ 144,275</u>	<u>\$ 267,197</u>	<u>\$ 26,354</u>	<u>\$ 114,580</u>	<u>\$ 31,588</u>	<u>\$ 55,092</u>	<u>\$ 3,929</u>	<u>\$ 766,695</u>	<u>\$ 2,420,353</u>
<b>LIABILITIES</b>														
Liabilities:														
Accounts payable and accrued liabilities	\$ -	\$ 818	\$ 32,456	\$ 1,120	\$ -	\$ 135	\$ -	\$ 743	\$ -	\$ -	\$ 1,085	\$ -	\$ 10,944	\$ 47,301
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>818</u>	<u>32,456</u>	<u>1,120</u>	<u>-</u>	<u>135</u>	<u>-</u>	<u>743</u>	<u>-</u>	<u>-</u>	<u>1,085</u>	<u>-</u>	<u>10,944</u>	<u>47,301</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>														
Unavailable revenue - other	-	-	-	-	86,680	-	-	-	-	-	-	-	101,720	188,400
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,720</u>	<u>188,400</u>
<b>FUND BALANCES</b>														
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Committed	104,449	204,920	314,276	7,724	258,200	144,140	267,197	25,611	114,580	31,588	54,007	3,929	654,031	2,184,652
Total fund balances	<u>104,449</u>	<u>204,920</u>	<u>314,276</u>	<u>7,724</u>	<u>258,200</u>	<u>144,140</u>	<u>267,197</u>	<u>25,611</u>	<u>114,580</u>	<u>31,588</u>	<u>54,007</u>	<u>3,929</u>	<u>654,031</u>	<u>2,184,652</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 104,449</u>	<u>\$ 205,738</u>	<u>\$ 346,732</u>	<u>\$ 8,844</u>	<u>\$ 344,880</u>	<u>\$ 144,275</u>	<u>\$ 267,197</u>	<u>\$ 26,354</u>	<u>\$ 114,580</u>	<u>\$ 31,588</u>	<u>\$ 55,092</u>	<u>\$ 3,929</u>	<u>\$ 766,695</u>	<u>\$ 2,420,353</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Cemetery	Public Safety	Recreational Development	Radio System	Street Improvements	Hotel Occupancy Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Narcotics Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>Revenues:</b>														
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 325,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 325,057
Charges for services	-	-	482,630	41,798	-	-	58,250	-	-	3,271	-	-	-	585,949
Permits	475	-	-	-	-	-	-	-	-	-	-	-	-	475
Municipal court	-	61,824	-	-	-	-	-	-	-	-	-	-	-	61,824
Intergovernmental	-	36,741	-	-	-	-	-	6,925	-	-	-	-	-	43,666
Interest income	-	-	-	-	175	-	-	-	-	-	-	-	-	175
Miscellaneous	2,400	-	0	-	149,823	-	-	41,123	24,711	-	-	-	112,994	331,051
Contributions and donations	-	912	175,649	-	-	-	-	-	-	-	12,650	318	-	189,529
<b>Total revenues</b>	<b>2,875</b>	<b>99,477</b>	<b>658,279</b>	<b>41,798</b>	<b>149,998</b>	<b>325,057</b>	<b>58,250</b>	<b>48,048</b>	<b>24,711</b>	<b>3,271</b>	<b>12,650</b>	<b>318</b>	<b>112,994</b>	<b>1,537,726</b>
<b>Expenditures:</b>														
<b>Current:</b>														
Administration	-	-	-	175,677	-	-	-	35,547	3,505	-	-	-	-	214,729
Finance	-	-	-	-	-	307,536	-	-	-	-	-	-	-	307,536
Police	-	46,260	-	-	-	-	-	-	-	-	-	-	15,819	62,079
Fire	-	-	-	-	-	-	9,697	-	-	-	-	-	-	9,697
Parks and recreation	-	-	281,710	-	-	-	-	-	-	-	16,364	-	-	298,074
<b>Total current</b>	<b>-</b>	<b>46,260</b>	<b>281,710</b>	<b>175,677</b>	<b>-</b>	<b>307,536</b>	<b>9,697</b>	<b>35,547</b>	<b>3,505</b>	<b>-</b>	<b>16,364</b>	<b>-</b>	<b>15,819</b>	<b>892,115</b>
<b>Capital outlay:</b>														
Police	-	4,141	-	-	-	-	-	-	-	-	-	-	125,327	129,468
Administration	-	-	-	59,559	-	-	-	6,815	-	-	-	-	-	66,374
Fire	-	-	-	-	-	-	192,960	-	-	-	-	-	-	192,960
Public works	-	-	-	-	900,000	-	-	-	-	-	-	-	-	900,000
Parks and recreation	-	-	196,581	-	-	-	-	-	-	-	-	-	-	196,581
<b>Total capital outlay</b>	<b>-</b>	<b>4,141</b>	<b>196,581</b>	<b>59,559</b>	<b>900,000</b>	<b>-</b>	<b>192,960</b>	<b>6,815</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,327</b>	<b>1,485,383</b>
<b>Debt Service:</b>														
Total expenditures	-	50,401	478,291	235,236	900,000	307,536	202,657	42,362	3,505	-	16,364	-	141,146	2,377,498
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Excess of revenues over (under) expenditures</b>	<b>2,875</b>	<b>49,076</b>	<b>179,988</b>	<b>(193,438)</b>	<b>(750,002)</b>	<b>17,521</b>	<b>(144,407)</b>	<b>5,686</b>	<b>21,206</b>	<b>3,271</b>	<b>(3,714)</b>	<b>318</b>	<b>(28,152)</b>	<b>(839,772)</b>
<b>Other financing sources (uses):</b>														
Transfers in	-	-	40,500	185,000	-	-	-	11,000	-	-	-	-	682,183	918,683
Transfers out	-	(707,183)	(110,000)	-	-	-	-	-	-	-	-	-	(176,782)	(993,965)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(707,183)</b>	<b>(69,500)</b>	<b>185,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>505,401</b>	<b>(75,282)</b>
<b>Net change in fund balances</b>	<b>2,875</b>	<b>(658,107)</b>	<b>110,488</b>	<b>(8,438)</b>	<b>(750,002)</b>	<b>17,521</b>	<b>(144,407)</b>	<b>16,686</b>	<b>21,206</b>	<b>3,271</b>	<b>(3,714)</b>	<b>318</b>	<b>477,249</b>	<b>(915,054)</b>
<b>Fund balances, October 1</b>	<b>101,574</b>	<b>863,027</b>	<b>203,788</b>	<b>16,162</b>	<b>1,008,202</b>	<b>126,619</b>	<b>411,604</b>	<b>8,925</b>	<b>93,374</b>	<b>28,317</b>	<b>57,721</b>	<b>3,611</b>	<b>176,782</b>	<b>3,099,706</b>
<b>Fund balances, September 30</b>	<b>\$ 104,449</b>	<b>\$ 204,920</b>	<b>\$ 314,276</b>	<b>\$ 7,724</b>	<b>\$ 258,200</b>	<b>\$ 144,140</b>	<b>\$ 267,197</b>	<b>\$ 25,611</b>	<b>\$ 114,580</b>	<b>\$ 31,588</b>	<b>\$ 54,007</b>	<b>\$ 3,929</b>	<b>\$ 654,031</b>	<b>\$ 2,184,652</b>

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 500	\$ 500	\$ 475	\$ (25)
Miscellaneous	2,000	2,000	2,400	400
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>2,875</u>	<u>375</u>
Expenditures:				
Current:				
Parks and recreation	6,000	6,000	-	6,000
Total capital outlay	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Net change in fund balances	(3,500)	(3,500)	2,875	6,375
Fund balances, October 1	<u>101,574</u>	<u>101,574</u>	<u>101,574</u>	<u>-</u>
Fund balances, September 30	<u>\$ 98,074</u>	<u>\$ 98,074</u>	<u>\$ 104,449</u>	<u>\$ 6,375</u>

CITY OF ROCKWALL, TEXAS  
PUBLIC SAFETY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 65,500	\$ 65,500	\$ 61,824	\$ (3,676)
Intergovernmental	36,750	36,750	36,741	(9)
Interest income	500	50	-	(50)
Contributions and donations	-	-	912	912
Total revenues	<u>102,750</u>	<u>102,300</u>	<u>99,477</u>	<u>(2,823)</u>
Expenditures:				
Current:				
Police	46,750	70,950	46,260	24,690
Total current	<u>46,750</u>	<u>70,950</u>	<u>46,260</u>	<u>24,690</u>
Capital outlay:				
Police	-	4,200	4,141	59
Total capital outlay	<u>-</u>	<u>4,200</u>	<u>4,141</u>	<u>59</u>
Total expenditures	<u>46,750</u>	<u>75,150</u>	<u>50,401</u>	<u>24,749</u>
Excess of revenues over (under) expenditures	<u>56,000</u>	<u>27,150</u>	<u>49,076</u>	<u>21,926</u>
Other financing sources (uses):				
Transfers out	(25,000)	(707,200)	(707,183)	17
Total other financing sources (uses)	<u>(25,000)</u>	<u>(707,200)</u>	<u>(707,183)</u>	<u>17</u>
Net change in fund balances	31,000	(680,050)	(658,107)	21,943
Fund balances, October 1	<u>863,027</u>	<u>863,027</u>	<u>863,027</u>	<u>-</u>
Fund balances, September 30	<u>\$ 894,027</u>	<u>\$ 182,977</u>	<u>\$ 204,920</u>	<u>\$ 21,943</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 280,000	\$ 447,000	\$ 482,630	\$ 35,630
Permits	-	-	-	-
Interest income	-	-	-	-
Contributions and donations	147,200	173,200	175,649	2,449
Total revenues	<u>427,200</u>	<u>620,200</u>	<u>658,279</u>	<u>38,079</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Parks and recreation	111,000	276,000	281,710	(5,710)
Total current	<u>111,000</u>	<u>276,000</u>	<u>281,710</u>	<u>(5,710)</u>
<b>Capital outlay:</b>				
Parks and recreation	147,200	163,200	196,581	(33,381)
Total capital outlay	<u>147,200</u>	<u>163,200</u>	<u>196,581</u>	<u>(33,381)</u>
Total expenditures	<u>258,200</u>	<u>439,200</u>	<u>478,291</u>	<u>(39,091)</u>
Excess of revenues over (under) expenditures	<u>169,000</u>	<u>181,000</u>	<u>179,988</u>	<u>(1,012)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	40,500	40,500	-
Transfers out	(110,000)	(110,000)	(110,000)	-
Total other financing sources (uses)	<u>(110,000)</u>	<u>(69,500)</u>	<u>(69,500)</u>	<u>-</u>
Net change in fund balances	59,000	111,500	110,488	(1,012)
Fund balances, October 1	<u>203,787</u>	<u>203,787</u>	<u>203,787</u>	<u>-</u>
Fund balances, September 30	<u>\$ 262,787</u>	<u>\$ 315,287</u>	<u>\$ 314,275</u>	<u>\$ (1,012)</u>

CITY OF ROCKWALL, TEXAS  
RADIO SYSTEM FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 47,500	\$ 41,800	\$ 41,798	\$ (2)
Total revenues	<u>47,500</u>	<u>41,800</u>	<u>41,798</u>	<u>(2)</u>
Expenditures:				
Current:				
Administration	181,450	181,450	175,677	5,773
Total expenditures	<u>181,450</u>	<u>181,450</u>	<u>175,677</u>	<u>5,773</u>
Capital outlay:				
Administration	58,150	59,750	59,559	191
Total capital outlay	<u>58,150</u>	<u>59,750</u>	<u>59,559</u>	<u>191</u>
Total expenditures	<u>239,600</u>	<u>241,200</u>	<u>235,236</u>	<u>5,964</u>
Excess of revenues over (under) expenditures	<u>(192,100)</u>	<u>(199,400)</u>	<u>(193,438)</u>	<u>(5,966)</u>
Other financing sources:				
Transfers in	175,000	185,000	185,000	-
Total other financing sources	<u>175,000</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>
Net change in fund balances	(17,100)	(14,400)	(8,438)	5,962
Fund balances, October 1	<u>16,162</u>	<u>16,162</u>	<u>16,162</u>	<u>-</u>
Fund balances, September 30	<u>\$ (938)</u>	<u>\$ 1,762</u>	<u>\$ 7,724</u>	<u>\$ 5,962</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ 175	\$ 175
Miscellaneous	200	54,100	149,823	95,723
Total revenues	<u>200</u>	<u>54,100</u>	<u>149,998</u>	<u>95,898</u>
Expenditures:				
Capital outlay:				
Public works	917,500	900,000	900,000	-
Total expenditures	<u>917,500</u>	<u>900,000</u>	<u>900,000</u>	<u>-</u>
Net change in fund balances	(917,300)	(845,900)	(750,002)	95,898
Fund balances, October 1	<u>1,008,202</u>	<u>1,008,202</u>	<u>1,008,202</u>	<u>-</u>
Fund balances, September 30	<u>\$ 90,902</u>	<u>\$ 162,302</u>	<u>\$ 258,200</u>	<u>\$ 95,898</u>

CITY OF ROCKWALL, TEXAS  
HOTEL OCCUPANCY TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 275,000	\$ 275,000	\$ 325,057	\$ 50,057
Total revenues	<u>275,000</u>	<u>275,000</u>	<u>325,057</u>	<u>50,057</u>
Expenditures:				
Current:				
Finance	296,550	313,150	307,536	5,614
Total expenditures	<u>296,550</u>	<u>313,150</u>	<u>307,536</u>	<u>5,614</u>
Net change in fund balances	(21,550)	(38,150)	17,521	55,671
Fund balances, October 1	<u>126,619</u>	<u>126,619</u>	<u>126,619</u>	<u>-</u>
Fund balances, September 30	<u>\$ 105,069</u>	<u>\$ 88,469</u>	<u>\$ 144,140</u>	<u>\$ 55,671</u>

CITY OF ROCKWALL, TEXAS  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 50,000	\$ 58,250	\$ 58,250	\$ -
Interest income	250	250	-	(250)
Miscellaneous	-	-	-	-
Total revenues	<u>50,250</u>	<u>58,500</u>	<u>58,250</u>	<u>(250)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Fire	11,000	4,000	9,697	(5,697)
Total current	<u>11,000</u>	<u>4,000</u>	<u>9,697</u>	<u>(5,697)</u>
<b>Capital outlay:</b>				
Fire	312,000	239,000	192,960	46,040
Total capital outlay	<u>312,000</u>	<u>239,000</u>	<u>192,960</u>	<u>46,040</u>
Total expenditures	<u>323,000</u>	<u>243,000</u>	<u>202,657</u>	<u>40,343</u>
Net change in fund balances	(272,750)	(184,500)	(144,407)	40,093
Fund balances, October 1	<u>411,604</u>	<u>411,604</u>	<u>411,604</u>	<u>-</u>
Fund balances, September 30	<u>\$ 138,854</u>	<u>\$ 227,104</u>	<u>\$ 267,197</u>	<u>\$ 40,093</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,250	\$ 3,850	\$ 6,925	\$ 3,075
Miscellaneous	6,500	24,000	41,123	17,123
Total revenues	<u>9,750</u>	<u>27,850</u>	<u>48,048</u>	<u>20,198</u>
Expenditures:				
Current:				
Administration	20,850	31,350	35,547	(4,197)
Total expenditures	<u>20,850</u>	<u>31,350</u>	<u>35,547</u>	<u>(4,197)</u>
Capital outlay:				
Administration	-	6,850	6,815	35
Total capital outlay	<u>-</u>	<u>6,850</u>	<u>6,815</u>	<u>35</u>
Total expenditures	<u>20,850</u>	<u>38,200</u>	<u>42,362</u>	<u>(4,162)</u>
Excess of revenues over (under) expenditures	<u>(11,100)</u>	<u>(10,350)</u>	<u>5,686</u>	<u>24,360</u>
Other financing sources (uses):				
Transfers in	11,000	11,000	11,000	-
Total other financing sources (uses)	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Net change in fund balances	(100)	650	16,686	24,360
Fund balances, October 1	<u>8,925</u>	<u>8,925</u>	<u>8,925</u>	<u>-</u>
Fund balances, September 30	<u>\$ 8,825</u>	<u>\$ 9,575</u>	<u>\$ 25,611</u>	<u>\$ 24,360</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 30,000	\$ 30,000	\$ 24,711	\$ (5,289)
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>24,711</u>	<u>(5,289)</u>
Expenditures:				
Current:				
Administration	14,000	9,000	3,505	5,495
Total expenditures	<u>14,000</u>	<u>9,000</u>	<u>3,505</u>	<u>5,495</u>
Net change in fund balances	16,000	21,000	21,206	206
Fund balances, October 1	<u>93,374</u>	<u>93,374</u>	<u>93,374</u>	<u>-</u>
Fund balances, September 30	<u>\$ 109,374</u>	<u>\$ 114,374</u>	<u>\$ 114,580</u>	<u>\$ 206</u>

CITY OF ROCKWALL, TEXAS  
 NARCOTICS UNIT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	35,600	112,994	77,394
Total revenues	<u>-</u>	<u>35,600</u>	<u>112,994</u>	<u>77,394</u>
Expenditures:				
Current:				
Police	20,000	15,500	15,819	(319)
Total current	<u>20,000</u>	<u>15,500</u>	<u>15,819</u>	<u>(319)</u>
Capital outlay:				
Police	55,400	112,900	125,327	(12,427)
Total capital outlay	<u>55,400</u>	<u>112,900</u>	<u>125,327</u>	<u>(12,427)</u>
Total expenditures	<u>75,400</u>	<u>128,400</u>	<u>141,146</u>	<u>(12,746)</u>
Excess of revenues over (under) expenditures	<u>(75,400)</u>	<u>(92,800)</u>	<u>(28,152)</u>	<u>64,648</u>
Other financing sources:				
Transfers in	-	682,200	682,183	(17)
Transfers out	-	(176,800)	(176,782)	18
Total other financing sources	<u>-</u>	<u>505,400</u>	<u>505,401</u>	<u>1</u>
Net change in fund balances	(75,400)	412,600	477,249	64,649
Fund balances, October 1	<u>176,782</u>	<u>176,782</u>	<u>176,782</u>	<u>-</u>
Fund balances, September 30	<u>\$ 101,382</u>	<u>\$ 589,382</u>	<u>\$ 654,031</u>	<u>\$ 64,649</u>

*DEBT SERVICE FUND*

The debt service fund is used to account for the accumulation of resources and payment of bond principal and interest from governmental resources.

CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 9,413,200	\$ 9,523,000	\$ 9,487,408	\$ (35,592)
Interest income	1,000	250	125	(125)
Miscellaneous	315,000	341,250	336,421	(4,829)
Contributions and donations	-	-	107,342	107,342
Total revenues	<u>9,729,200</u>	<u>9,864,500</u>	<u>9,931,296</u>	<u>(40,546)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Police	112,300	116,000	116,004	(4)
Total current	<u>112,300</u>	<u>116,000</u>	<u>116,004</u>	<u>(4)</u>
<b>Debt service:</b>				
Principal	6,003,000	6,053,000	5,893,038	159,962
Interest	3,910,550	3,921,700	4,218,851	(297,151)
Bond issuance costs	-	-	74,581	(74,581)
Fiscal charges	10,000	10,000	14,800	(4,800)
Total debt service	<u>9,923,550</u>	<u>9,984,700</u>	<u>10,201,270</u>	<u>(216,570)</u>
Total expenditures	<u>10,035,850</u>	<u>10,100,700</u>	<u>10,317,274</u>	<u>(216,574)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(306,650)</u>	<u>(236,200)</u>	<u>(385,978)</u>	<u>176,028</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	104,900	-	104,900
Issuance of long-term debt	-	-	9,820,000	(9,820,000)
Payment to bond refunding escrow agent	-	-	(9,745,419)	9,745,419
Total other financing sources (uses)	<u>-</u>	<u>104,900</u>	<u>74,581</u>	<u>30,319</u>
Net change in fund balances	(306,650)	(131,300)	(311,397)	206,347
Fund balances, October 1	<u>772,045</u>	<u>772,045</u>	<u>772,045</u>	<u>-</u>
Fund balances, September 30	<u>\$ 465,395</u>	<u>\$ 640,745</u>	<u>\$ 460,648</u>	<u>\$ 206,347</u>

CITY OF ROCKWALL, TEXAS  
HARBOR DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 542,350	\$ 533,350	\$ 515,585	\$ (17,765)
Sales tax	320,000	320,000	286,254	(33,746)
Contributions and donations	173,500	230,100	230,137	37
Total revenues	<u>1,035,850</u>	<u>1,083,450</u>	<u>1,031,976</u>	<u>(51,474)</u>
Expenditures:				
Current:				
Parks and recreation	-	-	-	-
Total current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service:				
Principal	600,000	600,000	910,000	(310,000)
Interest	666,300	654,300	411,888	242,412
Total debt service	<u>1,266,300</u>	<u>1,254,300</u>	<u>1,321,888</u>	<u>(67,588)</u>
Total expenditures	<u>1,266,300</u>	<u>1,254,300</u>	<u>1,321,888</u>	<u>(67,588)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(230,450)</u>	<u>(170,850)</u>	<u>(289,912)</u>	<u>(119,062)</u>
Other financing sources (uses):				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(230,450)	(170,850)	(289,912)	(119,062)
Fund balances, October 1	<u>201,816</u>	<u>201,816</u>	<u>201,816</u>	<u>-</u>
Fund balances, September 30	<u>\$ (28,634)</u>	<u>\$ 30,966</u>	<u>\$ (88,096)</u>	<u>\$ (119,062)</u>

## *CAPITAL PROJECTS FUNDS*

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project – established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

The Harbor/TIF Capital Projects Fund – established to account for improvements in the Tax Increment Reinvestment Zone using the proceeds from the issuance of bonds.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2014

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>205 Bypass Project</u>	<u>Harbor/ TIF Projects</u>	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS</b>					
Cash and cash equivalents	\$ 226,265	\$ 266,458	\$ 275,504	\$ 43,980	\$ 812,207
Investments	374,938	991,060	-	65,962	1,431,960
Receivables (net of allowances for uncollectibles)	-	-	-	-	-
Accrued interest	<u>516</u>	<u>921</u>	<u>-</u>	<u>-</u>	<u>1,437</u>
Total assets	<u>\$ 601,719</u>	<u>\$ 1,258,439</u>	<u>\$ 275,504</u>	<u>\$ 109,942</u>	<u>\$ 2,245,604</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ -	\$ 8,691	\$ -	\$ 21,689	\$ 30,380
Total liabilities	<u>-</u>	<u>8,691</u>	<u>-</u>	<u>21,689</u>	<u>30,380</u>
<b>FUND BALANCES:</b>					
Assigned	<u>601,719</u>	<u>1,249,748</u>	<u>275,504</u>	<u>88,253</u>	<u>2,215,224</u>
Total fund balances	<u>601,719</u>	<u>1,249,748</u>	<u>275,504</u>	<u>88,253</u>	<u>2,215,224</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 601,719</u>	<u>\$ 1,258,439</u>	<u>\$ 275,504</u>	<u>\$ 109,942</u>	<u>\$ 2,245,604</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Capital Projects	Equipment Acquisition	205 Bypass Project	Harbor/ TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:					
Interest income	\$ 3,436	\$ 591	\$ -	\$ 150	\$ 4,177
Miscellaneous	-	200	-	-	200
Contributions and donations	-	-	-	-	-
Total revenues	<u>3,436</u>	<u>791</u>	<u>-</u>	<u>150</u>	<u>4,377</u>
Expenditures:					
Capital outlay:					
Administration	-	62,827	-	-	62,827
Finance	-	103,344	-	-	103,344
Municipal court	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	42,277	1,053,638	1,095,915
Total capital outlay	<u>-</u>	<u>166,171</u>	<u>42,277</u>	<u>1,053,638</u>	<u>1,262,086</u>
Debt service:					
Bond issuance costs	-	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>166,171</u>	<u>42,277</u>	<u>1,053,638</u>	<u>1,262,086</u>
Excess of revenues over (under) expenditures	<u>3,436</u>	<u>(165,380)</u>	<u>(42,277)</u>	<u>(1,053,488)</u>	<u>(1,257,709)</u>
Other financing sources (uses):					
Transfers in	-	168,950	-	-	168,950
Transfers out	-	-	-	(1,244,000)	(1,244,000)
Issuance of long-term debt	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>168,950</u>	<u>-</u>	<u>(1,244,000)</u>	<u>(1,075,050)</u>
Net change in fund balances	3,436	3,570	(42,277)	(2,297,488)	(2,332,759)
Fund balances, October 1	<u>598,283</u>	<u>1,246,178</u>	<u>317,781</u>	<u>2,385,741</u>	<u>4,547,983</u>
Fund balances, September 30	<u>\$ 601,719</u>	<u>\$ 1,249,748</u>	<u>\$ 275,504</u>	<u>\$ 88,253</u>	<u>\$ 2,215,224</u>

### *INTERNAL SERVICE FUNDS*

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.



CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2014

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 188,346	\$ -	\$ 188,346
Investments	964,889	329,999	1,294,888
Receivables (net of allowances for uncollectibles):			
Interest	-	-	-
Accounts	-	-	-
Other	-	-	-
Total assets	<u>1,153,235</u>	<u>329,999</u>	<u>1,483,234</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	724,283	26,804	751,087
Due to other funds	-	40,829	40,829
Total current liabilities	<u>724,283</u>	<u>67,633</u>	<u>791,916</u>
<b>NET ASSETS</b>			
Unrestricted	<u>428,952</u>	<u>262,366</u>	<u>691,318</u>
Total Net Position	<u>\$ 428,952</u>	<u>\$ 262,366</u>	<u>\$ 691,318</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 729,969	\$ -	\$ 729,969
Total operating revenues	<u>729,969</u>	<u>-</u>	<u>729,969</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	3,939,189	71,650	4,010,839
Total operating expenses	<u>3,939,189</u>	<u>71,650</u>	<u>4,010,839</u>
Operating loss	<u>(3,209,220)</u>	<u>(71,650)</u>	<u>(3,280,870)</u>
<b>NON-OPERATING REVENUES:</b>			
Interest income	63	67	130
Miscellaneous income	26,150	500	26,650
Total non-operating revenues	<u>26,213</u>	<u>567</u>	<u>26,780</u>
Loss before transfers and capital contributions	<u>(3,183,007)</u>	<u>(71,083)</u>	<u>(3,254,090)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Capital contributions	-	-	-
Transfers in	3,550,000	30,000	3,580,000
Transfers from component unit	-	-	-
Transfers out	-	-	-
Total transfers and capital contributions	<u>3,550,000</u>	<u>30,000</u>	<u>3,580,000</u>
Increase (decrease) in net assets	366,993	(41,083)	325,910
Net position, October 1	<u>61,959</u>	<u>303,449</u>	<u>365,408</u>
Net position, September 30	<u>\$ 428,952</u>	<u>\$ 262,366</u>	<u>\$ 691,318</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
Cash received from customers	\$ 939,264	\$ 500	\$ 939,764
Cash paid to suppliers for goods and services	<u>(3,868,420)</u>	<u>(154,824)</u>	<u>(4,023,244)</u>
Net cash used by operating activities	<u>(2,929,156)</u>	<u>(154,324)</u>	<u>(3,083,480)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash received from other funds	3,550,000	70,829	3,620,829
Cash paid to other funds	-	-	-
Net cash provided by non-capital financing activities	<u>3,550,000</u>	<u>70,829</u>	<u>3,620,829</u>
Cash Flows from Investing Activities:			
Purchase of investments	(587,783)	-	(587,783)
Proceeds from sales and maturities of investments	-	70,233	70,233
Interest and dividends received	63	67	130
Net cash provided (used) by investing activities	<u>(587,720)</u>	<u>70,300</u>	<u>(517,420)</u>
Net increase (decrease) in cash and cash equivalents	33,124	(13,195)	19,929
Cash and cash equivalents at beginning of year	<u>155,222</u>	<u>13,195</u>	<u>168,417</u>
Cash and cash equivalents at end of year	<u>\$ 188,346</u>	<u>\$ -</u>	<u>\$ 188,346</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (3,209,220)	\$ (71,650)	\$ (3,280,870)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	26,150	500	26,650
Decrease in assets:			
Receivables	183,147	-	183,147
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>70,767</u>	<u>(83,174)</u>	<u>(12,407)</u>
Net cash used by operating activities	<u>\$ (2,929,156)</u>	<u>\$ (154,324)</u>	<u>\$ (3,083,480)</u>

### *AGENCY FUND*

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.



CITY OF ROCKWALL, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014
<b>ASSETS</b>				
Cash and cash equivalents	\$ 198,895	\$ 389,468	\$ 367,258	\$ 221,105
Investments	1,093,733	66,995	31,302	1,129,426
Accrued interest receivable	964	-	-	964
	<u>1,293,592</u>	<u>456,463</u>	<u>398,560</u>	<u>1,351,495</u>
Total assets	<u>\$ 1,293,592</u>	<u>\$ 456,463</u>	<u>\$ 398,560</u>	<u>\$ 1,351,495</u>
<b>LIABILITIES</b>				
Due to developers	<u>\$ 1,293,592</u>	<u>\$ 389,468</u>	<u>\$ 331,565</u>	<u>\$ 1,351,495</u>
Total liabilities	<u>\$ 1,293,592</u>	<u>\$ 389,468</u>	<u>\$ 331,565</u>	<u>\$ 1,351,495</u>

*CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS*

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Governmental funds capital assets:		
Land	\$ 17,238,772	\$ 14,377,674
Buildings	20,009,440	19,683,459
Improvements other than buildings	31,096,247	29,334,932
Machinery and equipment	17,747,180	17,128,172
Infrastructure	202,655,290	194,195,174
Construction in progress	<u>6,865,523</u>	<u>7,892,474</u>
Total governmental funds capital assets	<u>\$ 295,612,452</u>	<u>\$ 282,611,885</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 151,274,707	\$ 145,795,930
General government	47,816,082	45,994,003
Grants and entitlements	3,044,106	2,673,841
Developer contributions	<u>93,477,557</u>	<u>88,148,111</u>
Total investments in governmental funds capital assets	<u>\$ 295,612,452</u>	<u>\$ 282,611,885</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2014

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 6,025,164	\$ 6,436,762	\$ 4,657,900	\$ 3,579,011	\$ -	\$ 6,865,523	\$ 27,564,360
Public works	8,499,781	357,984	1,532,174	1,376,870	202,655,290	-	214,422,099
Public safety	1,020,430	3,476,026	12,802	4,505,544	-	-	9,014,802
Recreation/development	1,693,398	2,293,648	24,893,371	1,383,157	-	-	30,263,574
Fire equipment	<u>-</u>	<u>7,445,018</u>	<u>-</u>	<u>6,902,599</u>	<u>-</u>	<u>-</u>	<u>14,347,617</u>
Total governmental capital assets	<u>\$ 17,238,773</u>	<u>\$ 20,009,438</u>	<u>\$ 31,096,247</u>	<u>\$ 17,747,181</u>	<u>\$ 202,655,290</u>	<u>\$ 6,865,523</u>	<u>\$ 295,612,452</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Function and Activity</u>	<u>Capital Assets Balance 10/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Capital Assets Balance 9/30/14</u>
General government	\$ 25,526,480	\$ 2,461,768	\$ (423,888)	\$ -	\$ 27,564,360
Public works	205,928,306	8,493,793	-	-	214,422,099
Public safety	8,651,005	363,797	-	-	9,014,802
Recreation/development	28,416,424	1,847,150	-	-	30,263,574
Fire equipment	<u>14,089,670</u>	<u>257,947</u>	<u>-</u>	<u>-</u>	<u>14,347,617</u>
Total governmental funds capital assets	<u>\$ 282,611,885</u>	<u>\$ 13,424,455</u>	<u>\$ (423,888)</u>	<u>\$ -</u>	<u>\$ 295,612,452</u>



*DISCRETELY PRESENTED COMPONENT UNITS*

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.**



CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 DISCRETELY PRESENTED COMPONENT UNITS  
 SEPTEMBER 30, 2014

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 827,601	\$ 7,174	\$ 834,775
Investments	10,124,962	40,428	10,165,390
Receivables (net of allowances for uncollectibles):			
Taxes - delinquent	-	-	-
Interest	106	-	106
Accounts	7,502	25,389	32,891
Assessments	-	-	-
Internal balances	-	-	-
Due from other governments	780,256	-	780,256
Inventory	18,603,308	-	18,603,308
Deposits	-	-	-
Restricted assets:	-	-	-
Capital assets (net of accumulated depreciation)	-	-	-
Machinery and equipment	38,145	-	38,145
Total assets	<u>30,381,880</u>	<u>72,991</u>	<u>30,454,871</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred bond issue cost - insurance	11,392	-	11,392
Deferred charge on refunding	39,102	-	39,102
Total deferred outflows of resources	<u>50,494</u>	<u>-</u>	<u>50,494</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,717,636	28,743	1,746,379
Liabilities payable from restricted assets	-	-	-
Noncurrent liabilities:			
Due within one year	1,857,922	-	1,857,922
Due in more than one year	24,769,678	-	24,769,678
Total liabilities	<u>28,345,236</u>	<u>28,743</u>	<u>28,373,979</u>
<b>NET POSITION</b>			
Net Investment in capital assets	38,145	-	38,145
Unrestricted	2,048,993	44,248	2,093,241
Total net position	<u>\$ 2,087,138</u>	<u>\$ 44,248</u>	<u>\$ 2,131,386</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF ACTIVITIES  
 DISCRETELY COMPONENT UNITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Component Units		
				Rockwall Economic Development Corporation	Rockwall Technology Park	Total
<b>DISCRETE COMPONENT UNITS:</b>						
Rockwall Economic Development Corporation						
Administration	\$ 1,787,355	\$ -	\$ 7,502	\$ (1,779,853)	\$ -	\$ (1,779,853)
Interest on long-term debt	1,409,970	-	-	(1,409,970)	-	(1,409,970)
Total Rockwall Economic Development Corporation	<u>3,197,325</u>	<u>-</u>	<u>7,502</u>	<u>(3,189,823)</u>	<u>-</u>	<u>(3,189,823)</u>
Rockwall Technology Park Association						
Administration	141,545	138,341	-	-	(3,204)	(3,204)
Repayment of bond principal is an expenditure in the funds but is not an expense	-	-	-	-	-	-
	<u>\$ 3,338,870</u>	<u>\$ 138,341</u>	<u>\$ 7,502</u>	<u>(3,189,823)</u>	<u>(3,204)</u>	<u>(3,193,027)</u>
<b>General revenues:</b>						
Ad valorem taxes, penalty and interest				-	-	-
Sales taxes				4,600,423	-	4,600,423
Franchise taxes				-	-	-
Miscellaneous				599	-	599
Unrestricted investment earnings				4,985	4	4,989
Transfers				-	-	-
Total general revenues and transfers				<u>4,606,007</u>	<u>4</u>	<u>4,606,011</u>
Change in net position				1,416,184	(3,200)	1,412,984
Net position at beginning of year				670,954	47,448	718,402
Net position at end of year				<u>\$ 2,087,138</u>	<u>\$ 44,248</u>	<u>\$ 2,131,386</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 DISCRETELY PRESENTED COMPONENT UNITS  
 SEPTEMBER 30, 2014

	Rockwall Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 827,601	\$ 7,174	\$ 834,775
Investments	10,124,962	40,428	10,165,390
Receivables (net of allowances for uncollectibles):			-
Interest	106	-	106
Accounts	7,502	25,389	32,891
Due from other governments	780,256	-	780,256
Inventory	18,603,308	-	18,603,308
Deposits	-	-	-
Total assets	\$ 30,343,735	\$ 72,991	\$ 30,416,726
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,519,356	\$ 28,743	\$ 1,548,099
Due to other funds	14,605	-	14,605
Total liabilities	1,533,961	28,743	1,562,704
<b>Fund balances:</b>			
Nonspendable	11,012,689	-	11,012,689
Restricted	17,797,085	44,248	17,841,333
Total fund balances	28,809,774	44,248	28,854,022
Total liabilities and fund balances	\$ 30,343,735	\$ 72,991	\$ 30,416,726

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

Total fund balances - discretely presented component units	\$ 28,854,022
Amounts reported for discretely presented component units in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	38,145
Payables for bond principal which are not due in the current period are not reported in the funds.	(26,604,856)
Payables for bond interest which are not due in the current period are not reported in the funds.	(183,675)
Payables for compensated balances which are not due in the current period are not reported in the funds.	(22,745)
Deferred resource outflows are not available to pay for current period expenditures and are deferred in the funds.	<u>50,495</u>
Net assets of discretely presented component units	<u>\$ 2,131,386</u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Rockwall Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
Revenues:			
Sales taxes	\$ 4,600,423	\$ -	\$ 4,600,423
Franchise taxes	-	-	-
Intergovernmental	7,502	-	7,502
Interest income	4,985	4	4,989
Miscellaneous	599	138,341	138,940
Total revenues	<u>4,613,509</u>	<u>138,345</u>	<u>4,751,854</u>
Expenditures:			
Current:			
Administration	1,012,949	141,545	1,154,494
Total current	<u>1,012,949</u>	<u>141,545</u>	<u>1,154,494</u>
Capital outlay:			
Administration	785,174	-	785,174
Total capital outlay	<u>785,174</u>	<u>-</u>	<u>785,174</u>
Debt service:			
Principal	1,785,000	-	1,785,000
Interest	1,409,970	-	1,409,970
Bond issuance costs	-	-	-
Fiscal charges	4,500	-	4,500
Total debt service	<u>3,199,470</u>	<u>-</u>	<u>3,199,470</u>
Total expenditures	<u>4,997,593</u>	<u>141,545</u>	<u>5,139,138</u>
Excess of revenues over (under) expenditures	<u>(384,084)</u>	<u>(3,200)</u>	<u>(387,284)</u>
Other financing sources:			
Issuance of long-term debt	-	-	-
Premium on bonds issued	-	-	-
Discount on bonds issued	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(384,084)	(3,200)	(387,284)
Fund balances, October 1	<u>29,193,858</u>	<u>47,448</u>	<u>29,241,306</u>
Fund balances, September 30	<u>\$ 28,809,774</u>	<u>\$ 44,248</u>	<u>\$ 28,854,022</u>

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
 COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - discretely presented component units	\$ (387,284)
Amounts reported for discretely presented component units in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	-
The depreciation of capital assets used in governmental activities is not reported in the funds.	(5,809)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,785,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	19,444
(Increase) decrease in accrued interest from beginning of period to end of period.	-
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	1,633
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	-
Bond premiums are reported in the funds but not in the SOA.	-
Bond discounts are reported in the funds but not in the SOA.	-
Change in net assets of discretely presented component units	<u>\$ 1,412,984</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales taxes	\$ 4,332,700	\$ 4,410,700	\$ 4,600,423	\$ 189,723
Franchise taxes	-	-	-	-
Intergovernmental	-	7,500	7,502	2
Interest income	3,500	3,500	4,985	1,485
Miscellaneous	-	-	599	599
Total revenues	<u>4,336,200</u>	<u>4,421,700</u>	<u>4,613,509</u>	<u>191,809</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	<u>1,153,350</u>	<u>1,148,750</u>	<u>1,012,949</u>	<u>135,801</u>
Total current	<u>1,153,350</u>	<u>1,148,750</u>	<u>1,012,949</u>	<u>135,801</u>
<b>Capital outlay:</b>				
Administration	<u>8,674,900</u>	<u>3,402,100</u>	<u>785,174</u>	<u>2,616,926</u>
Total capital outlay	<u>8,674,900</u>	<u>3,402,100</u>	<u>785,174</u>	<u>2,616,926</u>
<b>Debt service:</b>				
Principal	1,335,000	1,785,000	1,785,000	-
Interest	924,000	1,409,950	1,409,970	(20)
Bond issuance costs	-	-	-	-
Fiscal charges	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total debt service	<u>2,263,500</u>	<u>3,199,450</u>	<u>3,199,470</u>	<u>(20)</u>
Total expenditures	<u>12,091,750</u>	<u>7,750,300</u>	<u>4,997,593</u>	<u>2,752,707</u>
Excess of revenues over (under) expenditures	<u>(7,755,550)</u>	<u>(3,328,600)</u>	<u>(384,084)</u>	<u>2,944,516</u>
<b>Other financing sources (uses):</b>				
Issuance of long-term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(7,755,550)	(3,328,600)	(384,084)	2,944,516
Fund balances, October 1	<u>29,193,858</u>	<u>29,193,858</u>	<u>29,193,858</u>	<u>-</u>
Fund balances, September 30	<u>\$ 21,438,308</u>	<u>\$ 25,865,258</u>	<u>\$ 28,809,774</u>	<u>\$ 2,944,516</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 168,100	\$ 157,100	\$ 138,341	\$ (18,759)
Interest income	-	-	4	4
Total revenues	<u>168,100</u>	<u>157,100</u>	<u>138,345</u>	<u>(18,755)</u>
Expenditures:				
Current:				
Administration	168,100	159,100	141,545	17,555
Total expenditures	<u>168,100</u>	<u>159,100</u>	<u>141,545</u>	<u>17,555</u>
Net change in fund balances	-	(2,000)	(3,200)	(1,200)
Fund balances, October 1	<u>47,448</u>	<u>47,448</u>	<u>47,448</u>	<u>-</u>
Fund balances, September 30	<u>\$ 47,448</u>	<u>\$ 45,448</u>	<u>\$ 44,248</u>	<u>\$ (1,200)</u>

*STATISTICAL SECTION*

## STATISTICAL SECTION

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

	<u>Pages</u>
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	112
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	118
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	126
Demographic and Economic Information - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	131
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	134

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF ROCKWALL, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Invested in capital assets, net of related debt	\$ 86,446,064	\$ 89,523,344	\$ 89,851,392	\$ 91,085,278	\$ 89,101,460	\$ 88,367,580	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180
Restricted	10,584,073	2,353,423	16,124,192	1,774,193	11,788,623	2,306,529	14,222,187	23,258,947	37,748,076	17,051,680
Unrestricted	11,180,566	14,253,372	238,981	13,400,417	4,308,457	12,955,777	13,643,810	13,386,297	11,683,150	11,850,426
Total governmental activities net position	\$ 108,210,703	\$ 106,130,139	\$ 106,214,565	\$ 106,259,888	\$ 105,198,540	\$ 103,629,886	\$ 91,412,270	\$ 86,132,544	\$ 83,451,860	\$ 70,248,286
Business-type activities										
Invested in capital assets, net of related debt	\$ 61,795,531	\$ 60,558,579	\$ 58,888,435	\$ 58,139,970	\$ 54,288,096	\$ 53,418,392	\$ 48,127,382	\$ 47,893,027	\$ 41,923,596	\$ 37,368,956
Restricted	4,555,652	2,125,250	2,306,207	2,992,291	6,221,719	7,568,701	17,888,236	14,620,878	18,060,049	18,350,884
Unrestricted	1,736,457	3,208,557	4,300,793	6,124,975	5,340,103	6,162,163	5,283,929	5,463,619	7,081,727	7,475,827
Total business-type activities net position	\$ 68,087,640	\$ 65,892,386	\$ 65,495,435	\$ 67,257,236	\$ 65,849,918	\$ 67,149,256	\$ 71,299,547	\$ 67,977,524	\$ 67,065,372	\$ 63,195,667
Primary government										
Invested in capital assets, net of related debt	\$ 148,241,595	\$ 150,081,923	\$ 148,739,827	\$ 149,225,248	\$ 143,389,556	\$ 141,785,972	\$ 111,673,655	\$ 97,380,327	\$ 75,944,230	\$ 78,715,136
Restricted	15,139,725	4,478,673	18,430,399	4,766,484	18,010,342	9,875,230	32,110,423	37,879,825	55,808,125	35,402,564
Unrestricted	12,917,023	17,461,929	4,539,774	19,525,392	9,648,560	19,117,940	18,927,739	18,849,916	18,764,877	19,326,253
Total primary government net position	\$ 176,298,343	\$ 172,022,525	\$ 171,710,000	\$ 173,517,124	\$ 171,048,458	\$ 170,779,142	\$ 162,711,817	\$ 154,110,068	\$ 150,517,232	\$ 133,443,953

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
<b>Governmental activities:</b>										
Mayor/Council	\$ 94,747	\$ 102,993	\$ 106,959	\$ 111,494	\$ 116,372	\$ 109,844	\$ 117,366	\$ 111,555	\$ 108,366	\$ 78,114
Administration	8,515,273	7,565,249	7,631,175	7,183,587	6,862,780	6,707,709	7,384,773	5,523,924	6,040,692	4,908,083
Finance	1,089,078	951,808	1,360,201	1,331,943	1,294,888	1,409,054	1,338,894	1,138,210	1,027,654	954,840
Municipal Court	415,220	357,208	358,745	362,149	353,147	334,922	312,601	298,383	304,492	295,379
Police	10,251,116	9,441,521	8,836,213	8,423,470	8,609,827	8,384,774	7,130,698	7,001,771	6,095,435	6,372,344
Fire	3,100,647	3,172,688	3,002,941	2,734,296	2,741,288	2,201,236	2,242,829	2,207,468	1,889,269	1,144,577
Public Works	7,653,406	8,651,550	8,398,043	8,008,701	6,669,448	5,482,571	7,094,068	6,928,067	5,530,219	4,753,190
Community Development	1,699,428	2,432,153	1,185,114	1,203,407	1,210,519	1,350,023	2,229,753	2,018,363	1,781,548	1,680,857
Parks and Recreation	3,185,425	4,825,050	6,003,610	5,843,647	5,805,241	5,250,506	4,025,927	3,088,750	2,583,547	2,329,095
Interest on long-term debt	4,853,042	4,714,902	4,666,567	4,554,433	4,717,319	4,669,459	4,418,519	3,612,523	2,179,950	1,136,584
<b>Total governmental activities expenses</b>	<b>40,857,382</b>	<b>42,215,122</b>	<b>41,549,568</b>	<b>39,757,127</b>	<b>38,380,829</b>	<b>35,900,098</b>	<b>36,295,428</b>	<b>31,929,014</b>	<b>27,541,172</b>	<b>23,653,063</b>
<b>Business-type activities:</b>										
Water and Sewer	17,071,406	16,723,552	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707	10,253,226	8,777,277
<b>Total business-type activities expenses</b>	<b>17,071,406</b>	<b>16,723,552</b>	<b>15,549,248</b>	<b>14,715,610</b>	<b>13,916,192</b>	<b>13,272,884</b>	<b>12,206,742</b>	<b>10,917,707</b>	<b>10,253,226</b>	<b>8,777,277</b>
<b>Total primary government expenses</b>	<b>57,928,788</b>	<b>58,938,674</b>	<b>57,098,816</b>	<b>54,472,737</b>	<b>52,297,021</b>	<b>49,172,982</b>	<b>48,502,170</b>	<b>42,846,721</b>	<b>37,794,398</b>	<b>32,430,340</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Community Development	1,113,132	1,163,945	1,125,092	792,029	664,711	1,025,979	1,072,444	1,118,001	1,318,516	1,687,141
Municipal Court	1,110,268	967,113	1,179,016	1,195,552	1,193,019	1,082,488	974,973	989,677	883,228	917,610
Police	725,857	488,631	463,565	550,947	522,919	516,591	658,015	415,637	649,261	720,395
Parks and Recreation	574,480	421,599	428,461	367,170	376,123	366,360	372,555	300,823	273,747	248,542
Public Works	756,113	162,374	129,562	55,316	62,795	99,753	307,226	464,587	1,010,634	326,476
Other	881,166	259,196	256,464	242,828	267,362	200,978	573,057	510,081	486,916	1,012,518
Operating grants & contributions	432,146	358,808	660,140	366,656	59,303	81,199	151,741	1,059,602	783,317	894,114
Capital grants & contributions	107,342	3,411,221	2,012,936	4,525,403	4,437,478	8,127,487	6,620,540	3,193,554	11,804,857	5,893,301
<b>Total governmental activities program revenues</b>	<b>5,700,504</b>	<b>7,232,887</b>	<b>6,255,236</b>	<b>8,095,901</b>	<b>7,583,710</b>	<b>11,500,835</b>	<b>10,730,551</b>	<b>8,051,962</b>	<b>17,210,476</b>	<b>11,700,097</b>

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Business-type activities:</b>										
Charges for services:										
Water Sales	\$ 8,140,267	\$ 8,285,306	\$ 7,780,095	\$ 8,547,662	\$ 6,917,587	\$ 6,574,110	\$ 6,060,043	\$ 4,815,631	\$ 6,547,846	\$ 5,379,382
Sewer Charges	4,901,303	4,255,951	3,720,357	3,406,283	2,864,595	2,748,160	2,409,614	2,338,820	2,355,821	2,046,425
Other	2,465,315	2,577,650	2,564,063	2,752,625	2,150,155	1,951,945	1,797,390	1,616,873	2,164,135	2,072,748
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	4,829,708	3,426,328	1,178,672	2,157,402	1,992,680	3,374,321	5,616,869	2,808,528	4,319,065	3,411,639
<b>Total business-type activities program revenues</b>	<b>20,336,593</b>	<b>18,545,235</b>	<b>15,243,186</b>	<b>16,863,972</b>	<b>13,925,017</b>	<b>14,648,536</b>	<b>15,883,916</b>	<b>11,579,852</b>	<b>15,386,867</b>	<b>12,910,194</b>
<b>Total primary government program revenues</b>	<b>26,037,097</b>	<b>25,778,122</b>	<b>21,498,422</b>	<b>24,959,873</b>	<b>21,508,727</b>	<b>26,149,371</b>	<b>26,614,467</b>	<b>19,631,814</b>	<b>32,597,343</b>	<b>24,610,291</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(35,156,878)	(34,982,235)	(35,294,332)	(31,661,226)	(30,797,119)	(24,399,263)	(25,564,877)	(23,877,052)	(10,330,696)	(11,952,966)
Business-type activities	3,265,187	1,821,683	(306,062)	2,148,362	8,825	1,375,652	3,677,174	662,145	5,133,641	4,132,917
<b>Total primary government net expense</b>	<b>(31,891,691)</b>	<b>(33,160,552)</b>	<b>(35,600,394)</b>	<b>(29,512,864)</b>	<b>(30,788,294)</b>	<b>(23,023,611)</b>	<b>(21,887,703)</b>	<b>(23,214,907)</b>	<b>(5,197,055)</b>	<b>(7,820,049)</b>
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	18,438,330	17,870,887	17,321,016	17,204,239	16,735,510	16,422,119	14,780,112	11,827,931	9,063,530	8,111,715
Sales taxes	14,341,277	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,636	8,901,929	8,529,051	7,379,841
Other	3,365,885	3,310,417	3,613,020	3,011,917	3,285,081	3,734,068	4,625,450	4,477,541	3,566,689	2,442,815
Transfers	1,091,950	1,217,550	1,594,950	979,863	1,511,785	6,201,291	1,315,405	1,350,335	2,375,000	1,006,400
<b>Total governmental activities</b>	<b>37,237,442</b>	<b>36,443,947</b>	<b>35,249,009</b>	<b>32,722,574</b>	<b>32,365,773</b>	<b>36,621,879</b>	<b>30,844,603</b>	<b>26,557,736</b>	<b>23,534,270</b>	<b>18,940,771</b>
Business-type activities:										
Other	22,017	180,858	139,212	238,819	203,622	675,348	960,254	1,600,342	1,111,064	506,954
Transfers	(1,091,950)	(1,217,550)	(1,594,950)	(979,863)	(1,511,785)	(6,201,291)	(1,315,405)	(1,350,335)	(2,375,000)	(1,006,400)
<b>Total business-type activities</b>	<b>(1,069,933)</b>	<b>(1,036,692)</b>	<b>(1,455,738)</b>	<b>(741,044)</b>	<b>(1,308,163)</b>	<b>(5,525,943)</b>	<b>(355,151)</b>	<b>250,007</b>	<b>(1,263,936)</b>	<b>(499,446)</b>
<b>Total primary government</b>	<b>36,167,509</b>	<b>35,407,255</b>	<b>33,793,271</b>	<b>31,981,530</b>	<b>31,057,610</b>	<b>31,095,936</b>	<b>30,489,452</b>	<b>26,807,743</b>	<b>22,270,334</b>	<b>18,441,325</b>
<b>Change in Net Position</b>										
Governmental activities	2,080,564	1,461,712	(45,323)	1,061,348	1,568,654	12,222,616	5,279,726	2,680,684	13,203,574	6,987,805
Business-type activities	2,195,254	784,991	(1,761,800)	1,407,318	(1,299,338)	(4,150,291)	3,322,023	912,152	3,869,705	3,633,471
<b>Total primary government</b>	<b>\$ 4,275,818</b>	<b>\$ 2,246,703</b>	<b>\$ (1,807,123)</b>	<b>\$ 2,468,666</b>	<b>\$ 269,316</b>	<b>\$ 8,072,325</b>	<b>\$ 8,601,749</b>	<b>\$ 3,592,836</b>	<b>\$ 17,073,279</b>	<b>\$ 10,621,276</b>

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842
2009	16,422,119	10,264,401	2,535,846	29,222,366
2010	16,735,510	10,833,397	2,748,483	30,317,390
2011	17,204,239	11,526,555	2,445,762	31,176,556
2012	17,321,016	12,720,023	2,821,451	32,862,490
2013	17,870,887	14,045,093	2,743,839	34,659,819
2014	18,438,330	14,341,277	3,093,257	35,872,864

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182
2011	8,547,662	3,406,283	11,953,945
2012	7,780,095	3,720,357	11,500,451
2013	8,285,306	4,255,951	12,541,257
2014	8,140,267	4,901,303	13,041,570

CITY OF ROCKWALL, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-5

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,870	\$ 2,446	\$ 1,407	\$ 26,130	\$ 26,980
Restricted	-	-	23,038	-	-	-	-	-	-	-
Non-spendable	-	2,514	1,120	2,116	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	9,159,333	8,293,107	8,264,368	8,335,289	7,692,662	7,301,334
Unassigned	10,305,640	11,273,469	9,893,803	10,085,001	-	-	-	-	-	-
Total general fund	<u>\$ 10,305,640</u>	<u>\$ 11,275,983</u>	<u>\$ 9,917,961</u>	<u>\$ 10,087,117</u>	<u>\$ 9,159,333</u>	<u>\$ 8,295,977</u>	<u>\$ 8,266,814</u>	<u>\$ 8,336,696</u>	<u>\$ 7,718,792</u>	<u>\$ 7,328,314</u>
All other governmental funds										
Restricted	\$ (88,096)	328,435	1,511,561	1,641,992	-	-	-	-	-	-
Committed	-	2,973,086	2,722,094	2,608,081	-	-	-	-	-	-
Committed for Debt Service	460,648	\$ 772,045	\$ -	\$ -	\$ 930,290	\$ 1,077,236	\$ 835,203	\$ 1,083,320	\$ 1,461,294	\$ 1,155,897
Unreserved, reported in:										
Special revenue funds	-	-	-	-	2,320,833	2,399,605	3,145,275	2,797,330	2,422,376	2,046,410
Capital projects funds	-	-	-	-	10,319,501	16,906,340	13,094,614	21,877,706	36,529,256	16,113,095
Assigned	12,396,173	15,535,782	14,549,510	16,652,507	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 12,768,725</u>	<u>\$ 19,609,348</u>	<u>\$ 18,783,165</u>	<u>\$ 20,902,580</u>	<u>\$ 13,570,624</u>	<u>\$ 20,383,181</u>	<u>\$ 17,075,092</u>	<u>\$ 25,758,356</u>	<u>\$ 40,412,926</u>	<u>\$ 19,315,402</u>

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 18,416,548	\$ 17,890,435	\$ 17,338,798	\$ 17,329,982	\$ 16,560,766	\$ 16,407,575	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125
Sales taxes	14,341,278	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,637	8,901,929	8,529,051	7,379,841
Franchise taxes	3,016,446	2,748,707	2,879,585	2,604,569	2,728,251	2,444,296	2,179,847	2,046,674	1,981,016	1,715,242
Charges for services	1,346,695	1,049,134	1,383,158	710,007	713,760	738,146	362,107	417,049	426,996	268,125
Permits	1,019,605	1,119,438	1,076,770	765,500	651,108	1,005,541	1,122,505	1,132,985	1,325,832	1,718,218
Municipal court	1,161,283	1,050,955	1,141,742	1,157,838	1,173,907	1,056,904	1,177,410	1,019,260	987,066	906,634
Intergovernmental	624,045	440,250	835,948	478,037	506,100	428,747	419,700	1,097,790	1,011,739	3,182,350
Interest income	51,672	(21,660)	114,588	136,878	60,429	611,615	1,702,870	2,012,244	1,149,204	304,644
Miscellaneous	525,865	795,304	795,150	661,379	569,258	872,988	837,707	716,896	1,060,866	1,080,366
Contributions and donations	527,008	44,929	727,361	364,975	148,512	2,812,457	775,695	2,241,586	6,251,435	163,635
<b>Total Revenues</b>	<b>41,030,445</b>	<b>39,162,585</b>	<b>39,013,123</b>	<b>35,735,720</b>	<b>33,945,488</b>	<b>36,642,670</b>	<b>33,409,620</b>	<b>31,407,407</b>	<b>31,703,153</b>	<b>24,859,180</b>
<b>Expenditures</b>										
Current:										
Mayor/council	94,747	102,995	106,958	111,494	116,372	109,845	117,366	111,555	108,366	78,114
Administration	3,997,844	3,821,755	3,690,167	3,402,793	3,353,637	3,358,705	3,056,885	2,750,197	2,910,478	2,708,948
Finance	985,734	924,415	1,245,790	1,211,261	1,189,250	1,266,436	1,199,417	1,138,238	1,025,230	952,808
Municipal court	415,220	349,536	337,537	335,082	333,234	318,467	311,706	300,186	303,131	291,348
Police	9,539,572	8,847,655	8,299,514	7,982,280	8,083,075	7,775,622	6,923,679	6,426,957	6,235,463	6,070,311
Fire	2,766,298	2,383,832	2,347,279	2,146,012	2,179,372	1,618,559	1,451,970	1,340,624	1,242,836	1,075,427
Public works	4,174,815	2,153,427	2,285,737	2,122,710	1,577,760	1,528,010	2,824,267	2,427,535	2,411,324	2,050,077
Community development	1,699,428	1,139,859	1,164,786	1,178,982	1,130,169	1,258,030	2,219,167	2,002,767	1,783,961	1,682,480
Parks and recreation	2,907,884	4,892,456	4,689,177	4,590,161	4,529,739	4,493,524	2,907,229	2,473,238	2,318,135	1,826,608
<b>Total current</b>	<b>26,581,542</b>	<b>24,615,930</b>	<b>24,166,945</b>	<b>23,080,775</b>	<b>22,492,608</b>	<b>21,727,198</b>	<b>21,011,686</b>	<b>18,971,297</b>	<b>18,338,924</b>	<b>16,736,121</b>
Capital outlay:										
Administration	474,857	8,431,896	6,649,805	7,168,226	4,746,948	18,427,890	2,373,369	4,028,933	1,580,706	602,847
Finance	103,344	124,302	224,306	101,525	57,653	78,866	137,035	-	-	-
Municipal Court	-	205,947	-	-	-	-	-	-	-	-
Police	711,544	167,587	465,169	274,821	1,316,626	258,623	74,899	225,992	285,150	1,850,771
Fire	334,349	2,167,780	368,805	266,400	434,754	6,462,691	727,795	1,578,623	835,685	711,166
Public works	6,421,609	-	-	-	24,575	90,798	29,051,639	10,609,516	25,733,888	9,756,038
Community development	-	-	-	-	-	-	-	2,105	-	519
Parks and recreation	277,541	65,534	486,159	-	1,095,622	482,177	1,742,004	2,397,348	1,477,499	757,360
<b>Total capital outlay</b>	<b>8,323,244</b>	<b>11,163,046</b>	<b>8,194,244</b>	<b>7,810,972</b>	<b>7,676,178</b>	<b>25,801,045</b>	<b>34,106,741</b>	<b>18,842,517</b>	<b>29,912,928</b>	<b>13,678,701</b>
<b>Debt service:</b>										
Principal	\$ 6,803,038	\$ 5,268,038	\$ 4,933,038	\$ 4,278,038	\$ 4,458,038	\$ 4,670,540	\$ 4,335,462	\$ 3,726,505	\$ 2,620,235	\$ 1,801,369
Interest	4,630,739	4,613,787	4,820,183	4,570,301	4,766,488	4,716,545	4,254,162	3,607,455	1,748,001	977,878

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Bond issuance costs	74,581	90,615	44,305	150,900	-	242,173	468,837	9,500	500,889	429,728
Fiscal charges	14,800	10,500	8,800	11,200	7,032	15,284	6,384	6,484	6,020	5,063
<b>Total debt services</b>	<b>11,523,158</b>	<b>9,982,940</b>	<b>9,806,326</b>	<b>9,010,439</b>	<b>9,231,558</b>	<b>9,644,542</b>	<b>9,064,845</b>	<b>7,349,944</b>	<b>4,875,145</b>	<b>3,214,038</b>
<b>Total expenditures</b>	<b>46,427,944</b>	<b>45,761,916</b>	<b>42,167,515</b>	<b>39,902,186</b>	<b>39,400,344</b>	<b>57,172,785</b>	<b>64,183,272</b>	<b>45,163,758</b>	<b>53,126,997</b>	<b>33,628,860</b>
Excess (deficiency) of revenues over (under) expenditures	(5,397,499)	(6,599,331)	(3,154,392)	(4,166,466)	(5,454,856)	(20,530,115)	(30,773,652)	(13,756,351)	(21,423,844)	(8,769,680)
<b>Other financing sources (uses):</b>										
Transfers in	2,769,639	2,277,550	2,217,035	3,456,450	1,478,835	8,664,757	1,975,436	2,585,804	4,305,332	2,959,535
Transfers out	(5,257,689)	(4,215,000)	(3,502,085)	(2,913,587)	(2,304,050)	(4,488,966)	(2,715,031)	(2,866,119)	(3,478,832)	(3,416,135)
Bonds issued	9,820,000	10,530,000	2,150,000	13,210,000	-	19,295,000	22,270,000	-	41,045,000	21,200,000
Capital Leases	-	-	-	-	330,870	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	4,805,000	-	-	-	6,095,000
Accrued interest on bonds issued	-	-	-	-	-	-	-	-	176,020	129,913
Premium (discounts) on bonds issued	-	221,417	-	325,248	-	444,623	490,101	-	864,326	271,518
Payment to refunded bond escrow agent	(9,745,419)	-	-	(1,651,905)	-	(4,853,047)	-	-	-	(6,027,109)
<b>Total other financing sources (uses)</b>	<b>(2,413,469)</b>	<b>8,813,967</b>	<b>864,950</b>	<b>12,426,206</b>	<b>(494,345)</b>	<b>23,867,367</b>	<b>22,020,506</b>	<b>(280,315)</b>	<b>42,911,846</b>	<b>21,212,722</b>
<b>Net change in fund balances</b>	<b>\$ (7,810,968)</b>	<b>\$ 2,214,636</b>	<b>\$ (2,289,442)</b>	<b>\$ 8,259,740</b>	<b>\$ (5,949,201)</b>	<b>\$ 3,337,252</b>	<b>\$ (8,753,146)</b>	<b>\$ (14,036,666)</b>	<b>\$ 21,488,002</b>	<b>\$ 12,443,042</b>
Debt service as a percentage of noncapital expenditures	30.0%	28.6%	28.7%	27.6%	29.1%	30.6%	24.0%	22.0%	17.4%	13.5%

From Exhibit A-5

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2005	8,140,125	7,379,841	1,715,242	17,235,208
2006	8,979,948	8,529,051	1,981,016	19,490,015
2007	11,820,994	8,901,929	2,046,674	22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626
2009	16,407,575	10,264,401	2,444,296	29,116,272
2010	16,560,766	10,833,397	2,728,251	30,122,414
2011	17,329,982	11,526,555	2,604,569	31,461,106
2012	17,338,798	12,720,023	2,879,585	32,938,406
2013	17,890,435	14,045,093	2,748,707	34,684,235
2014	18,438,330	14,341,277	3,093,257	35,872,864

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-8

Fiscal Year	Total Sales Tax Collections	Percent of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2004	\$ 6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.69%	0.35
2008	10,123,637	70.46%	0.36
2009	10,264,401	64.30%	0.34
2010	10,833,397	65.80%	0.32
2011	11,526,555	68.74%	0.34
2012	12,720,023	75.10%	0.37
2013	14,045,093	81.16%	0.40
2014	14,341,277	78.98%	0.39

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-9

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2005	2004	1,575,300,640	559,398,654	259,379,370	154,109,966	2,239,968,698	0.3600
2006	2005	1,737,269,340	600,645,738	256,649,235	166,855,259	2,427,709,054	0.3689
2007	2006	1,954,614,420	713,469,923	263,400,375	356,154,448	2,575,330,270	0.4250
2008	2007	2,105,432,149	809,042,172	291,476,021	404,048,791	2,801,901,551	0.4865
2009	2008	2,175,728,205	968,824,057	342,108,871	478,140,905	3,008,520,228	0.5031
2010	2009	2,207,188,025	1,034,428,814	343,770,085	245,497,304	3,339,889,620	0.5031
2011	2010	2,276,011,463	1,042,597,193	337,323,537	249,159,269	3,406,772,924	0.5031
2012	2011	2,316,829,222	1,041,610,117	337,423,698	264,503,280	3,431,359,757	0.5031
2013	2012	2,400,322,618	1,029,298,627	345,365,078	278,144,322	3,496,842,001	0.5025
2014	2013	2,437,302,085	1,126,527,658	385,352,763	280,459,789	3,668,722,717	0.5025

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS

TABLE D-10

Fiscal Year	Over 65 and Disabled	Disabled Veterans	Agriculture	Freeport Exemption
2005	84,691,150	1,449,004	51,623,470	14,866,764
2006	87,691,150	1,495,504	50,548,990	18,883,658
2007	96,624,100	1,537,004	61,259,470	16,146,371
2008	104,805,677	1,658,500	66,881,780	13,651,705
2009	111,535,268	1,805,500	79,131,370	24,266,824
2010	117,336,354	6,522,310	101,284,160	25,091,542
2011	123,493,766	8,781,840	99,301,400	20,804,929
2012	130,833,284	10,360,860	105,251,440	20,979,952
2013	133,480,470	10,577,050	106,197,190	23,803,292
2014	139,936,532	12,780,746	102,226,360	25,071,144

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-11

Fiscal Year	City of Rockwall			Overlapping Rates	
	M&O	Debt	Total	School	County
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.425	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750
2011	0.2562	0.2469	0.5031	1.4700	0.3864
2012	0.2563	0.2468	0.5031	1.4700	0.3864
2013	0.2619	0.2406	0.5025	1.4700	0.3864
2014	0.2363	0.2662	0.5025	1.4600	0.3959

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-12

Taxpayer	2014			2005		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Excel Rockwall, LP	\$ 54,672,420	1	1.49%	\$ -	-	-
BRE MF Rockwall, LLC	45,311,463	2	1.24%	-	-	-
Rockwall Regional Hospital, LLP	41,871,040	3	1.14%	-	-	-
Bella Harbor Hotel Venture, LLC	30,226,806	4	0.82%	-	-	-
Rockwall Crossing LTD	29,883,620	5	0.81%	-	-	-
Continental Pet Technology-Graham	26,977,710	6	0.74%	34,268,891	1	1.53%
Costco Wholesale	23,536,330	7	-	-	-	-
Wal-mart	22,915,510	8	0.62%	23,160,475	2	1.03%
Oncor Electric Delivery Service	22,655,530	9	0.62%	15,954,620	4	0.71%
Texas Star Express	21,932,070	10	0.00%	-	-	-
CRP/Arrow Rockwall, LLC	-	-	-	17,130,190	3	0.76%
Rockwall Apartment Associates	-	-	-	14,590,520	5	0.65%
Lowes Home Centers, Inc.	-	-	-	11,685,623	6	0.52%
Steger Towne Crossing, LP	-	-	-	10,468,290	7	0.47%
Bent Tree Realty Co.	-	-	-	9,667,830	8	0.43%
Dayton Hudson/Target	-	-	-	8,575,130	9	0.38%
Texas Star Express	-	-	-	8,365,299	10	0.37%
Subtotal	<u>319,982,499</u>		<u>8.72%</u>	<u>153,866,868</u>		<u>6.87%</u>
Total Taxable Value	<u>\$ 3,668,722,717</u>		<u>100.00%</u>	<u>\$ 2,239,968,698</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District

Note: Includes real property and business personal property for each entity

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-13

Fiscal Year	Tax Year	Total Tax Levy	Total Current Year Collections	Percent of Levy Collected During Fiscal Period	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy
2005	2004	8,079,370	8,021,945	99.29%	48,172	8,070,117	99.89%
2006	2005	8,987,722	8,921,613	99.26%	53,935	8,975,548	99.86%
2007	2006	11,607,235	11,433,286	98.50%	155,936	11,589,222	99.84%
2008	2007	14,367,824	14,173,725	98.65%	174,169	14,347,894	99.86%
2009	2008	15,962,353	15,777,483	98.84%	145,366	15,922,849	99.75%
2010	2009	16,465,193	16,182,308	98.28%	233,740	16,416,048	99.70%
2011	2010	16,768,511	16,616,216	99.09%	95,906	16,712,122	99.66%
2012	2011	16,937,674	16,780,370	99.07%	88,353	16,868,723	99.59%
2013	2012	17,306,465	17,205,265	99.42%	-	17,205,265	99.42%
2014	2013	18,157,980	18,055,096	99.43%	-	18,055,096	99.43%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-14

Customer	2014			2005		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	28,130,000	1	1.08%	36,382,900	2	1.98%
Orion at Lake Ray Hubbard (Mansions)	23,814,300	2	0.91%	-	-	-
Rockwall I.S.D.	19,370,800	3	0.74%	58,683,500	1	3.20%
D.W.C./Highlife Properties	11,920,100	4	0.46%	15,895,600	3	0.87%
Walden Residential	11,295,800	5	0.43%	-	-	-
Excel Rockwall, L.P.	10,339,600	6	0.40%	-	-	-
TF Harbor LLC	9,459,500	7	0.36%	13,274,200	4	0.72%
Allen Food Bakeries, Inc	8,841,200	8	0.34%	8,421,700	9	0.46%
Sabre Realty Management Company	8,716,700	9	0.33%	9,219,400	8	0.50%
Continental Can	8,167,500	10	0.31%	9,776,600	7	0.53%
Rockwall Nursing Home	-	-	-	11,184,700	5	0.61%
Steger Towne Crossing	-	-	-	9,792,700	6	0.53%
SPM/WRI Rockwall LP	-	-	-	8,379,500	10	0.46%
Subtotal	<u>140,055,500</u>		<u>5.36%</u>	<u>181,010,800</u>		<u>9.87%</u>
Total Water Usage	<u>2,611,244,885</u>		<u>100.00%</u>	<u>1,833,542,500</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-15

Fiscal Year	Governmental Activities				Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds	Capitalized Lease Obligations			
2005	22,992,564	17,940,000	345,000	-	247,436	-	-	14,910,000	1,385,000	57,820,000	5.43%	2,080
2006	57,632,329	21,825,000	315,000	-	212,671	-	-	14,145,000	1,145,000	95,275,000	7.88%	3,155
2007	55,720,824	20,045,000	280,000	-	184,176	-	-	13,360,000	5,040,094	94,630,094	7.20%	3,013
2008	74,925,362	18,810,000	245,000	-	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	8.13%	3,824
2009	86,179,822	22,425,000	-	-	135,178	25,890,000	-	11,670,000	7,431,754	153,731,754	10.38%	4,789
2010	83,271,784	20,875,000	-	278,034	113,216	25,005,000	-	10,775,000	7,080,083	147,398,117	8.74%	4,205
2011	88,473,746	23,050,000	-	236,589	91,254	28,205,000	-	5,215,000	6,710,000	151,981,589	8.08%	4,129
2012	84,675,708	24,065,000	-	193,299	69,292	27,145,000	-	4,550,000	6,321,743	147,020,042	7.44%	3,810
2013	88,562,670	25,440,000	-	148,083	47,330	29,510,000	-	3,865,000	5,910,072	153,483,155	7.51%	3,960
2014	87,404,632	20,455,000	-	100,855	25,638	27,900,000	-	3,495,000	5,485,067	144,866,192	6.78%	3,621

Note: See Table 20 for personal income and population data  
 Debt is shown gross of deferred amounts

CITY OF ROCKWALL, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-16

Fiscal Year	General Obligation Bonds	Governmental and Business Type Activities			Unamortized Premium (Discount)	Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
		Certificates of Obligation	Contractual Obligations	Gross Bonded Debt					
2005	22,992,564	17,940,000	345,000	41,277,564	-	1,014,713	40,262,851	1.68%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,115,113	1,461,294	79,426,148	3.06%	2,630
2007	55,720,824	20,045,000	280,000	76,045,824	1,072,153	1,083,320	76,034,657	2.95%	2,421
2008	74,925,362	28,745,000	245,000	103,915,362	1,583,018	835,203	104,663,177	3.74%	3,297
2009	86,179,822	48,315,000	-	134,494,822	1,912,382	1,077,236	135,329,968	4.50%	4,215
2010	83,271,784	45,880,000	-	129,151,784	1,859,751	930,290	130,081,245	3.89%	3,711
2011	88,473,746	51,255,000	-	139,728,746	2,004,225	1,426,272	140,306,699	4.12%	3,812
2012	84,675,708	51,210,000	-	135,885,708	2,046,038	1,221,201	136,710,545	3.98%	3,543
2013	88,562,670	54,950,000	-	143,512,670	2,218,052	772,045	144,958,677	4.15%	3,740
2014	87,404,632	48,355,000	-	135,759,632	2,105,454	460,648	137,404,438	3.75%	3,434

Note: See Table 20 for population data and Table 8 for property value data  
Deferred amounts include unamortized premium (discount) and loss on refunding

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2013  
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall (2)	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall - debt repaid with property taxes	\$ 107,960,487	100.00%	\$ 107,960,487
Indirect:			
Rockwall Independent School District	337,278,257	59.72%	201,422,575
Rockwall County	103,989,525	50.68%	52,701,891
Total Indirect	441,267,782		254,124,466
Total Direct and Overlapping Bonded Debt	\$ 549,228,269		\$ 362,084,953
Average debt per capita			\$ 9,343

Source: Assessed value data used to estimate applicable percentages provided by Rockwall Central Appraisal District. Debt Outstanding data is provided by each governmental unit.

- (1) Includes all Governmental Activities General Obligation Bonds, Contractual Obligations, Certificates of Obligation and Capital Leases
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable value.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.5025	0.5025	0.5031	0.5031	0.5031	0.5031	0.4865	0.425	0.3689	0.3600
Legal Debt Margin	1.9975	1.9975	1.9969	1.9969	1.9969	1.9969	2.0135	2.0750	2.1311	2.1400

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98
2011	15,439,747	10,805,039	4,634,708	740,000	360,448	1,100,448	4.21
2012	14,809,266	11,463,657	3,345,609	665,000	219,253	884,253	3.78
2013	16,096,968	11,885,957	4,211,011	685,000	191,306	876,306	4.81
2014	16,378,963	12,610,238	3,768,725	260,000	147,294	407,294	9.25

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE D-20

DEMOGRAPHICS					
Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	RISD School Enrollment (2)	Unemployment Rate (%) (1)
2005	27,800	1,064,601	38,295	10,545	3.5
2006	30,200	1,209,238	40,041	11,519	3.4
2007	31,407	1,313,786	41,831	12,468	3.9
2008	31,748	1,494,029	47,059	13,027	4.9
2009	32,103	1,480,976	46,132	13,372	7.0
2010	35,050	1,687,272	48,139	13,732	6.6
2011	36,810	1,881,580	51,116	13,965	6.7
2012	38,586	1,976,529	51,224	14,213	5.1
2013	38,755	2,044,742	52,761	14,359	5.3
2014	40,008	2,135,587	53,379	14,626	4.2

Source: (1) Texas Workforce Commission, 2012 and 2013 are estimates  
 (2) Rockwall Independent School District - private schools not included

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2014			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,556	1	7.12%	891	1	5.61%
Presbyterian Hospital	592	2	2.71%	-	-	-
Wal-Mart Superstore	492	3	2.25%	450	3	2.83%
Texas Star Express	275	4	1.26%	455	2	2.86%
Rockwall County	299	5	1.37%	225	4	1.42%
City of Rockwall	262	6	1.20%	223	5	1.40%
Hilton Bella Harbor	250	7	1.14%	-	-	-
Costco	250	8	1.14%	-	-	-
Special Products	205	9	0.94%	180	7	1.13%
Target	200	10	0.92%	200	6	1.26%
Rockwall Nursing Home	-	-	-	150	8	0.94%
Kohl's Department Store	-	-	-	140	9	0.88%
Home Depot	-	-	-	130	10	0.82%
Subtotal	<u>4,381</u>		<u>20.05%</u>	<u>3,044</u>		<u>19.16%</u>
Total	<u>21,850</u>		<u>100.00%</u>	<u>15,886</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-22

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Administration	26	25	21	21	22	22	22	22	21	21
Finance	5	5	8	8	8	8	8	8	8	7.5
Municipal Court	5	4	4	4	4	4	4	4	4	4
Fire	23	19	17	17	17	17	10	10	9	9
Police	100.5	97	92.5	91.5	90.5	90.5	88	85	80	72
Community Development	19	24.5	29.5	29.5	29.5	29.5	29.5	29.5	28.5	25.5
Parks & Recreation	29	25	26	26	26	26	24.5	24.5	25	24
Public Works	21	21	21	21	21	21	23	23	23	21
Water/Sewer	34	34	37	37	38	38	34	31	29	26
<b>Total</b>	<b>262.50</b>	<b>254.50</b>	<b>256.00</b>	<b>255.00</b>	<b>256.00</b>	<b>256.00</b>	<b>243.00</b>	<b>237.00</b>	<b>227.50</b>	<b>210.00</b>

CITY OF ROCKWALL, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-23

Function	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Finance										
Invoices processed	14,518	15,351	15,772	15,582	16,613	16,933	16,696	16,015	15,883	14,919
Payroll checks issued	10118	9,650	10,065	10,500	9,356	9,176	8,765	8,840	8,231	7,579
Purchase orders issued	1,939	2,002	2,150	2,269	2,391	2,572	2,363	2,553	2,468	2,561
Municipal Court										
Violations Processed	16,950	15,208	16,859	16,361	17,261	16,526	12,984	17,455	16,635	15,225
Fire										
Employees (paid)	23	19	17	17	17	17	10	10	9	9
Volunteers	30	29	35	41	38	35	42	37	40	39
Fire Calls (City and County)	723	913	831	1,059	771	771	860	777	718	772
Police										
Employees (uniformed)	78	76	72	71	71	70	69	66	61	55
Employees (civilian)	22.5	21	20	20	20	20	19	18	18	17
Calls for Service*	17,391	16,317	18,267	21,490	30,569	30,610	29,097	27,158	21,121	17,915
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.										
Community Development										
# permits - New commercial construction	12	25	14	21	4	17	26	33	18	51
Value - New commercial construction	13,645,795	55,921,000	36,578,259	15,446,160	10,969,950	71,061,773	40,553,363	104,798,013	39,358,497	49,918,558
# permits - New residential construction	257	272	218	185	212	169	173	192	470	739
Value - New residential construction	59,868,007	56,266,387	39,815,104	36,244,834	40,293,359	30,914,120	31,962,169	40,174,623	82,305,725	123,215,423
Parks & Recreation										
The Center facility usage	78,350	84,000	81,500	84,001	68,665	61,713	76,530	69,988	75,757	71,118
Special event attendance	81,000	83,000	85,000	80,000	95,000	90,680	75,232	54,156	25,231	26,547
# recreation participants (youth & adult)	4,900	4,700	4,500	3,268	3,428	2,155	2,757	2,727	2,381	2,034
Public Works										
Streets - sq yd concrete street repair	3,872.00	2,333.00	4,316.37	2,276.40	2,851.55	5,507.20	3,415.26	739.69	1,967.75	2,961.55
\$ spent on concrete/asphalt street repair	\$ 909,163	\$ 712,451	\$ 654,243	\$ 602,167	\$ 575,446	\$ 541,430	\$ 411,814	\$ 341,685	\$ 478,169	\$ 352,048
Miles of public street maintained by City*	188.18	185.67	184.06	183.05	196.10	192.86	183.86	144.83	139.52	129.23

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
* Beginning in 2011, mileage calculations have changed and software advances have allowed for a more accurate count										
Water/Sewer										
Water customers	14,874	14,599	13,416	13,044	12,859	12,471	12,285	12,345	11,985	11,491
Sewer customers	13,215	12,968	12,137	11,891	11,651	11,401	11,106	10,987	10,445	10,020
Average daily water consumption (gal)	6,210,113	8,158,146	8,322,890	9,943,169	7,434,917	8,228,041	8,052,778	6,701,619	5,991,288	5,023,404
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	9,500,000	7,500,000	7,500,000	7,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-24

Function	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Fire										
Number of stations	4	4	4	4	4	2	2	2	2	2
Number of fire engines/trucks	13	13	15	15	14	12	11	11	9	8
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	42	42	42	42	42	42	42	42	37
Parks & Recreation										
Parks acres (developed)	538.00	538.00	538.00	538.00	538.00	538.00	538.00	341.50	324.60	307.30
Playgrounds	25	25	25	25	25	23	23	23	18	12
Picnic areas	32	32	32	32	32	31	31	29	27	26
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ Spent on new construction	\$ 4,760,116	\$ 3,567,315	\$ 2,164,305	\$ 1,079,938	\$ 2,596,948	\$ 15,444,384	\$ 24,508,043	\$ 4,885,417	\$ 1,689,445	\$ 2,477,496
Miles of public streets	188.18	185.67	184.06	183.05	196.10	192.86	183.86	144.83	139.52	129.23
Water/Sewer										
Water mains (miles)	287.91	287.91	276.94	265.82	269.82	255.88	250.40	160.06	155.37	146.32
Sanitary sewers (miles)	231.91	231.91	218.88	222.62	215.88	212.77	209.95	117.51	113.58	107.83

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance



**CITY OF ROCKWALL, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## Introductory Section

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## City of Rockwall

*The New Horizon*

March 25, 2013

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2013, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Rutledge, Crain & Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2013, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.79 square miles and an estimated population of 38,755.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted in 2005. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### **Local Economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's local economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 10.4% in our local sales tax revenues. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 2.1%. The most recent five-year average is 2.7% per annum. During the downturn in the economy growth in the tax base slowed but remained positive each year. The City's largest taxpayers are varied and include retail developments, industry, and medical facilities. Table D-12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Allen Foods, worked with the Rockwall Economic Development Corporation to construct a new 276,000 square foot bakery facility which opened in 2013. In addition, the REDC attracted Hatfield and Company to relocate their 25,000 square foot facility to the Technology Park. The Whitmore Manufacturing Company added 100,000 square foot to their existing Rockwall headquarters facility in 2013 as well. Nolan Power Group constructed a new 25,000 square foot facility in the Rockwall Technology Park.
- Trend Tower changed the horizon line as it grew to seven stories on the hillside above Lake Ray Hubbard. The tower will be home to several corporations and medical offices including the locally owned and fast growing personnel outsourcing firm Trend HR. The building offers the city's first class-A office spaces.
- Texas A&M Commerce announced the opening of a Rockwall campus with classes beginning in January 2013. Since then they have partnered with Collin College to offer their classes within this location in the Rockwall Technology Park. Training partnerships are being developed to educate the area's workforce to meet the demand for careers with area industrial and medical employers.
- The Presbyterian Hospital of Rockwall completed a new stand-alone emergency room facility north of downtown Rockwall to allow easier access for residents in that area. Broadmoor Medical Lodge now provides short-term rehabilitative care and Liberty Heights offers upscale senior living.
- Downtown Rockwall benefits from the attention garnered from Rockwall's being a Texas Main Street City. Local favorite L. Trevino's moved their hometown favorite tex-mex restaurant to downtown and renewed their appeal with area diners. Zanata's, Bin 303 and KE Cellars Winery provide great options for dining downtown. The City has seen a 28.91% increase in sales taxes in the downtown area in the last fiscal year.

## Long-term Planning

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

## Financial Policies

The City Council adopted financial policies in 2001 which have guided the City, allowing us to build a strong fund balance, and reinforcing the city's philosophy to budget conservatively for both revenues and expenditures. The general fund reserve policy is reviewed annually and updated most recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level were available to fund capital projects in 2013 which included the City's participation in the funding of a joint use parking garage facility for the Harbor entertainment area with general fund reserves over the 3.5 month level.

## Budget Overview

The City Manager proposes a balanced budget to the City Council each year by August 1. Public hearings are conducted to receive comments and priorities of the community at large. The City Council must adopt the operating budget and set the City's tax rate for the next year by October 1<sup>st</sup> of each year.

## Planning Projects

Having identified the downtown area as a critical component of our long range plan, the City and business and community leaders work with the City's Texas Main Street Manager to coordinate planning efforts and develop interest in locating business downtown and to bring events to the Square. The Main Street program has afforded opportunities for businesses to qualify for façade restoration grants which are funded by the City and local financial institution Community Bank.

The City worked with a consulting firm to prepare an extensive conceptual plan for Planned Development 32 (PD32) which encompasses 60 acres of undeveloped land inside the City's tax increment financing zone and adjacent to the Harbor development. Having recognized the need to have the conceptual plan ready when the economy improved, the area has benefited from the Trend Tower project as well as a proposed condominium project and heightened interest from DFW area development firms has resulted. The City initiated the zoning process to establish a form based code for the area. The area is ready to see the expansion of the mixed-use concept with retail, restaurants, office and residential spaces.

The Rockwall Economic Development Corporation in conjunction with their Destination 2020 plan has refined the focus and role of their planning committee as well. Their marketing program now includes social media components and targeted marketing aimed at site selectors working with desired industries.

## Capital Improvement Planning

In May 2012, voters approved propositions to provide downtown accessibility projects, roadway rehabilitation and Interstate 30 ramp projects. The City hired design and construction management professionals to work with staff and City Council to develop the vision for the projects and cost estimates to ensure the projects as approved can move forward expeditiously and be completed within budget. Park improvements began in 2013 and will allow for improvements to begin in early 2014 on the Downtown Square. Walkability and accessibility are key components of the project as well as the construction of the San Jacinto plaza which will add an outdoor venue to the area.

## Strategic Planning

Bi-annually the City conducts a Citizen Satisfaction Survey to document our progress meeting the needs of our citizens. The City continues to receive good marks on our biannual survey, and positive feedback from our citizens regarding our progress on adopted goals and strategies as well as areas of interest for future projects.

## Future Development

### Transportation

The majority of the City's main thoroughfares are state facilities. TxDOT continued the project to widen FM740 in southern Rockwall with the grand opening held in December 2012. In 2013, Corporate Crossing, formerly FM549, was widened to provide improved and enhanced access to the City's light industrial area between I-30 and SH276. Design work is underway on the FM3549 overpass project which is expected to get underway in late 2014. FM 3097 – Horizon Road – a heavily traveled roadway in the retail and medical corridor is slated for reconstruction and widening in 2014 as well.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allow funding for the advance planning and design of 5 major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction. The Consortium looked at potential additions to the plan and reorganization of priorities in 2013 and will further that effort after the upcoming state transportation funding referendum vote.

### Medical Services

The presence of acute care at Presbyterian Hospital of Rockwall, kicked off growth in the medical corridor. Several new medical buildings with Doctor's suites and state of the art out-patient diagnostic imaging facilities have allowed Rockwall to become a regional medical services destination. The Presbyterian Hospital emergency medical facility opened in 2013. Lake Pointe Medical Center is opening an urgent care facility and Baylor is constructing a new surgical center set to open in 2014.

## Retail / Entertainment

“The Harbor” development is situated on the shores of Lake Ray Hubbard at I-30. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. The Conference Center continues to attract events including numerous corporate training and retreat sessions and expects many which are scheduled for 2014.

In conjunction with private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects. In a second project, the City collaborated with the Trend Tower developer on construction of the seven-story, 85,000 square foot office tower overlooking the lake. Trend Tower will offer Class-A office space to its corporate tenants as it opens in 2014. The City will partner with Trend on use of the parking garage offering much needed public parking for the Harbor events.

The City’s extremely successful Concert on the Lake Series managed by the City’s Recreation Department draws approximately 5,000 attendees each Thursday evening for a free concert. The series extended 13 weeks in 2013. Surveys conducted during the events gather data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here. The term “Live Music Capital of North Texas” has been coined to describe the many opportunities available year round in both public and restaurant venues.

Founder’s Day on the Downtown Square draws visitors to shop merchant’s wares, see artist’s exhibits, learn about city departments and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend.

A Farmer’s Market brings visitors downtown Saturdays from May to October. The annual “Rib Rub and Run” fall 2013 added a car show component this year. The BBQ contest draws more than 50 teams to the downtown square. The Main Street Advisory Board and “Friends of Downtown Rockwall”, citizen volunteer group, are working to plan more special events to bring shoppers downtown. A late evening shopping event is being added once a month to bring shoppers out to enjoy all the area has to offer.

The City has fast become the triathlon destination as well. In addition to several locally sponsored races, the City for the fourth time welcomed the Lifetime Fitness US Open Triathlon in fall 2013. The event saw more than 1,200 participants including a contingent of international Olympians take advantage of our lake access and terrain to complete the final event of the annual seven race series. The City will work with a west coast sports promoter on future Olympic distance triathlon US Open offerings beginning in 2014.

## Utilities

The water and sewer rates were increased in 2013 and the City is implementing a 10% rate increase for 2014. The City purchases treated water as a founding member city of the North Texas Municipal Water District. Construction was completed for the Squabble Creek sewer system which connects to the regional sewer interceptor system in early 2013. A number of main

extension projects continue to be undertaken to provide water and sewer service to annexed areas of the City.

The City's water system is recognized with the Texas Commission on Environmental Quality's "Superior" rating.

The City actively works to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations. It remains the City's desire to be the provider for all residents in our city limits. Negotiations with an investor owned utility were completed resulting in the acquisition of their complete private water and sewer system in 2013. This has resulted in increased service levels and significantly decreased rates for a large neighborhood within the city's limits. The package sewer treatment plant associated with this area will be demolished in 2014.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-13(net of Debt Service)	\$144,856,061
Estimated Population	38,755
G.O. Debt Per Capita	\$2,971
Net G.O. Debt per Assessed Value	3.54%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	AA+	A-	A-
Moody's Investor Service Inc.	Aa2	Aa3	A1

**AWARDS AND ACKNOWLEDGEMENTS**

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last twenty-three consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Richard R. Crowley  
City Manager



Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

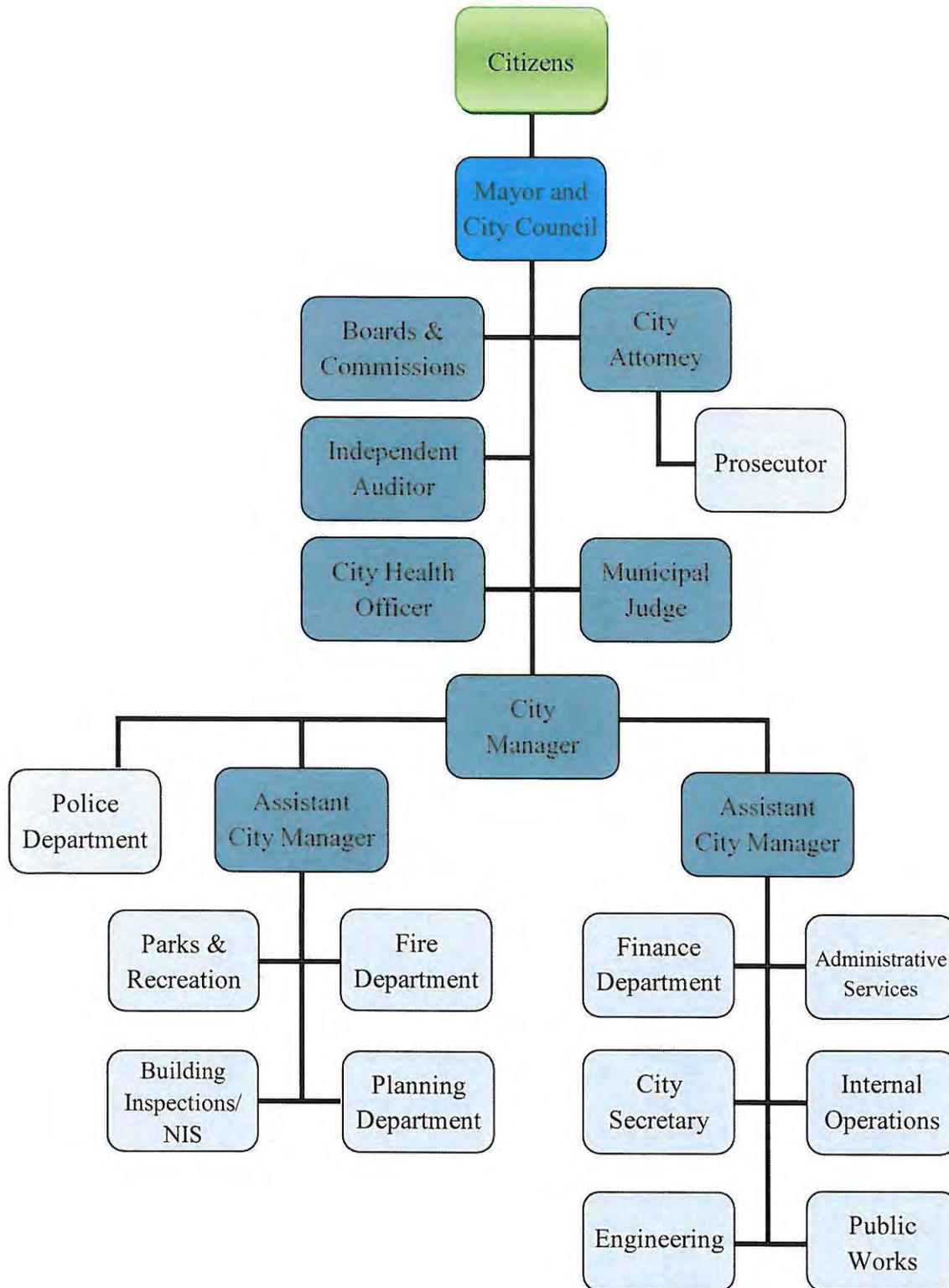
**City of Rockwall  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2013

**City Council**

David Sweet, Mayor  
David White, Mayor Pro-Tempore  
Bennie Daniels, Councilmember  
Dennis Lewis, Councilmember  
Scott Milder, Councilmember  
Jim Pruitt, Councilmember  
Mike Townsend, Councilmember

**City Staff**

Rick Crowley, City Manager  
Mary Smith, Assistant City Manager  
Brad Griggs, Assistant City Manager  
Cheryl Dunlop, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Planning and Zoning  
Tim Tumulty, Director of Public Works/City Engineer  
Joey Boyd, Director of Internal Operations

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## Financial Section

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INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinions**

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

**Emphasis of Matter**

As discussed in Note V. E. to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

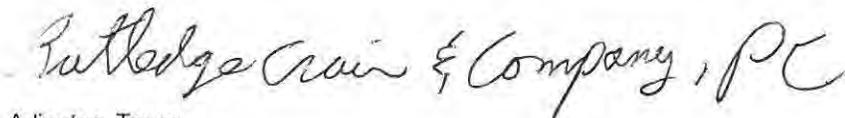
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19–30 and 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 Rockwall, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 and schedules 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Arlington, Texas  
March 25, 2014

## Management's Discussion and Analysis

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total net position was \$172,022,525 at September 30, 2013.
- During the year, the City's governmental activities expenses were \$1,461,712 less than the \$43,676,834 generated in program revenues, taxes, other revenues and transfers.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2013 by \$106,151,817 (net position).
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$11,273,469 or approximately 41.18 percent of the total general fund operating expenditures and transfers out.
- The City's total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) increased by \$5,261,962 during fiscal year 2013 due to issuance of voter approved bonds. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

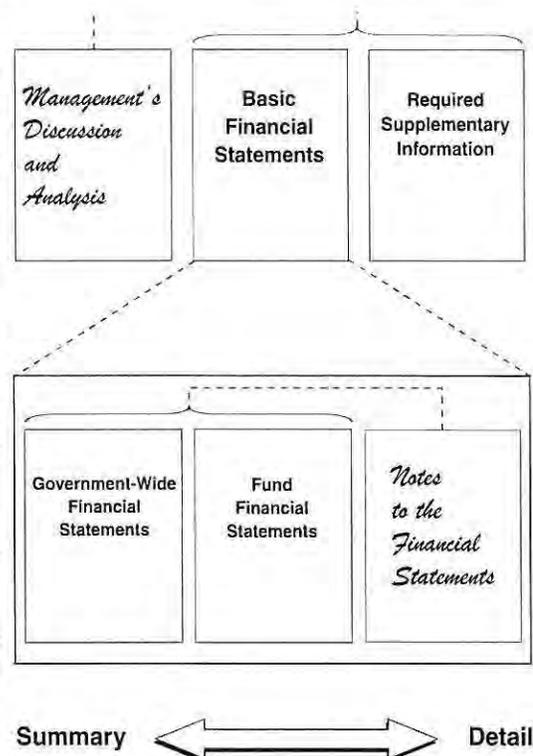
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements, followed by a section of required supplementary information, further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>◆ Statement of net position</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net position</li> <li>◆ Statement of revenues, expenses &amp; changes in fund net position</li> <li>◆ Statement of cash flows</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net positions* presents information on all of the city of Rockwall’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 condition of the City of Rockwall is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. We report the City’s water and sewer system here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements are found on pages 33-35 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 22 individual governmental funds. 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, Debt Service fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of assets and liabilities of the agency fund. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2013, the City's net position (assets exceeding liabilities) totaled \$172,022,525. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

The largest portion of the City's net position (79.08 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 37,100,730	\$ 34,910,868	\$ 11,802,419	\$ 13,708,924	\$ 48,903,149	\$ 48,619,792
Capital Assets	<u>191,362,677</u>	<u>187,014,473</u>	<u>94,760,405</u>	<u>91,249,536</u>	<u>286,123,082</u>	<u>278,264,009</u>
Total Assets	<u>228,463,407</u>	<u>221,925,341</u>	<u>106,562,824</u>	<u>104,958,460</u>	<u>335,026,231</u>	<u>326,883,801</u>
Deferred Outflows	<u>115,869</u>	<u>-</u>	<u>277,500</u>	<u>-</u>	<u>393,369</u>	<u>-</u>
Non-current liabilities	117,496,526	111,946,918	38,886,878	36,974,865	156,383,404	148,921,783
Other liabilities	<u>4,930,933</u>	<u>3,763,858</u>	<u>2,061,060</u>	<u>2,488,160</u>	<u>6,991,993</u>	<u>6,252,018</u>
Total Liabilities	<u>122,427,459</u>	<u>115,710,776</u>	<u>40,947,938</u>	<u>39,463,025</u>	<u>163,375,397</u>	<u>155,173,801</u>
Deferred Inflows	<u>21,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,678</u>	<u>-</u>
Net Position						
Invested in capital assets, net of related debt	89,523,344	89,851,392	60,558,579	58,888,435	150,081,923	148,739,827
Restricted for debt service	1,165,704	1,574,681	658,326	2,306,207	1,824,030	3,880,888
Restricted for capital projects	1,187,719	1,466,924	1,466,924	-	2,654,643	1,466,924
Unrestricted	<u>14,253,372</u>	<u>238,981</u>	<u>3,208,557</u>	<u>4,300,793</u>	<u>17,461,929</u>	<u>4,539,774</u>
Total net position	<u>\$ 106,130,139</u>	<u>\$ 93,131,978</u>	<u>\$ 65,892,386</u>	<u>\$ 65,495,435</u>	<u>\$ 172,022,525</u>	<u>\$ 158,627,413</u>

An additional portion of the City of Rockwall's governmental activities net position, \$1,165,704 or 1.10% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position, \$14,253,372, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net position for the year ended September 30, 2013.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Program revenues:</b>						
Charges for services	\$ 3,462,858	\$ 3,582,160	\$ 15,118,907	\$ 14,064,514	\$ 18,581,765	\$ 17,646,674
Operating grants & contributions	358,808	660,140	-	-	358,808	660,140
Capital grants & contributions	3,411,221	2,012,936	3,426,328	1,178,672	6,837,549	3,191,608
<b>General Revenues:</b>						
Property taxes	17,870,887	17,321,016	-	-	17,870,887	17,321,016
Sales taxes	14,045,093	12,720,023	-	-	14,045,093	12,720,023
Other	3,310,417	3,613,020	180,858	139,212	3,491,275	3,752,232
<b>Total revenues</b>	<b>42,459,284</b>	<b>39,909,295</b>	<b>18,726,093</b>	<b>15,382,398</b>	<b>61,185,377</b>	<b>55,291,693</b>
<b>Program expenses:</b>						
Mayor/Council	102,993	106,959	-	-	102,993	106,959
Administration	7,565,249	7,631,175	-	-	7,565,249	7,631,175
Finance	951,808	1,360,201	-	-	951,808	1,360,201
Municipal Court	357,208	358,745	-	-	357,208	358,745
Police	9,441,521	8,836,213	-	-	9,441,521	8,836,213
Fire	3,172,688	3,002,941	-	-	3,172,688	3,002,941
Public works	8,651,550	8,398,043	-	-	8,651,550	8,398,043
Community development	2,432,153	1,185,114	-	-	2,432,153	1,185,114
Parks and recreation	4,825,050	6,003,610	-	-	4,825,050	6,003,610
Interest on long-term debt	4,714,902	4,571,498	-	-	4,714,902	4,571,498
Water and sewer	-	-	16,723,552	15,519,759	16,723,552	15,519,759
<b>Total expenses</b>	<b>42,215,122</b>	<b>41,454,499</b>	<b>16,723,552</b>	<b>15,519,759</b>	<b>58,938,674</b>	<b>56,974,258</b>
<b>Increase (decrease) in net position</b>						
before transfers	244,162	(1,545,204)	2,002,541	(137,361)	2,246,703	(1,682,565)
Transfers	1,217,550	1,594,950	(1,217,550)	(1,594,950)	-	-
<b>Increase (decrease) in net position</b>	<b>1,461,712</b>	<b>49,746</b>	<b>784,991</b>	<b>(1,732,311)</b>	<b>2,246,703</b>	<b>(1,682,565)</b>
Net position, October 1	104,668,427	104,618,680	65,107,395	66,839,706	169,775,822	171,458,386
<b>Net position, September 30</b>	<b>\$ 106,130,139</b>	<b>\$ 104,668,426</b>	<b>\$ 65,892,386</b>	<b>\$ 65,107,395</b>	<b>\$ 172,022,525</b>	<b>\$ 169,775,821</b>

### Governmental Activities

The City's total revenues of governmental activities were \$42,459,284. A significant portion 42.1%, of the City's revenues came from property taxes. Another 33.1% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties and minor increases in assessed valuation throughout the City. Total assessed values of the properties in the City increased by 2.1%. The City adopted a property tax rate of 50.25 cents per \$100 of assessed valuation for fiscal year 2013. Growth in the assessed valuation and conservative budgets allowed the City to lower the rate for fiscal year 2013 by .06 cents per hundred dollars of assessed valuation. Sales tax revenue increased over the prior year by 10.42% and while a minor amount of new retail was added for 2013, it was most influenced by increases in same stores sales. While housing starts are not expected to return to pre-downturn levels, they are trending

Water and sewer impact fees (Capital recovery fees) revenue totaled \$797,203 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system's initial costs in building assets. Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

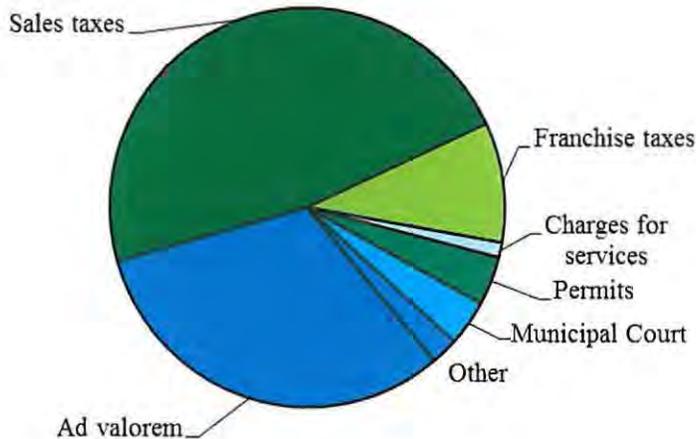
**Component Units**

The Rockwall Economic Development Corporation (REDC) reported revenues including the ½ cent sales tax, authorized under the Type A Corporation statutes, of \$4,528,427. Assets managed by the corporation include an inventory of over 325 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

**ANALYSIS OF INDIVIDUAL FUNDS**

The City's *General Fund* reported an ending unassigned fund balance of \$11,273,469. The largest source of general fund revenue is sales tax, it accounted for \$13,439,088 (47.5%) of total general fund revenue. Ad valorem property taxes account for \$8,988,016 (31.7%) of general fund revenues. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows. The City Council elected to use reserves to fund a portion of a shared use parking garage facility adjacent to the Harbor entertainment area. This planned use of reserves totaled \$1,244,000. The City's revenues increased sufficiently during the year to see the general fund balance increase by \$1,358,022 or 13.7%.

**Revenues by Source – General Fund**



The City's *Debt Service Fund* reported a reduction in fund balance of \$449,156. Property tax collections for debt service requirements were \$8,243,186. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City's bond election in 2005 authorized more than \$65,031,000 in projects. After extensive study, the City adopted a Roadway Impact Fee, which provided \$444,282 in new revenue to this fund in fiscal year 2012. The City Council chooses to budget a portion of this fund balance each year toward

meeting the debt service obligations. This allows the use of the debt service fund reserves to lessen the effect of new debt issues on the property tax rate each year.

The *G.O. Bonds Capital Projects Fund* reported an assigned fund balance of \$10,987,799, an increase of \$3,042,465 from the prior year. General Obligation bonds were issued in 2013 to fund the downtown improvement project and to begin the design of access ramp improvements on IH-30.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2013, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$24,927,150 decreased to \$24,797,450 while revenue estimates increased from \$26,290,750 to \$27,977,450. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$9,502,961 however due to the budget adjustments mentioned above and the planned reduction in fund balance for municipal court and police department office space remodels, the fund balance was re-estimated to be \$10,110,361.

General fund revenues were \$28,311,800, a positive variance of \$344,350 over the amended budget estimate, reflecting stronger than anticipated sales tax collections and cable franchise fees in the remaining months of the fiscal year. Actual general fund total expenditures were \$23,986,178 or \$811,272 less than final projections. Final expenditures in each department were less than anticipated with no negative variances reported. The City ended the year with a fund balance of \$11,275,983, or \$1,165,622 over the projected balance. The higher fund balance is attributable to management's conservative projections of both revenues and expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2013 the City had \$286,123,082 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 14,377,674	\$ 14,102,412	\$ 799,533	\$ 799,533	\$ 15,177,207	\$ 14,901,945
Buildings & systems	14,598,734	13,608,864	92,821,925	82,013,525	107,420,659	95,622,389
Improvements other than buildings	19,713,476	20,229,910	-	-	19,713,476	20,229,910
Machinery & equipment	6,335,672	4,627,960	788,904	1,175,931	7,124,576	5,803,891
Infrastructure	128,444,647	124,498,981	-	-	128,444,647	124,498,981
Construction in progress	<u>7,892,474</u>	<u>9,946,346</u>	<u>350,043</u>	<u>7,260,547</u>	<u>8,242,517</u>	<u>17,206,893</u>
	<u>\$ 191,362,677</u>	<u>\$187,014,473</u>	<u>\$ 94,760,405</u>	<u>\$ 91,249,536</u>	<u>\$286,123,082</u>	<u>\$278,264,009</u>

The City held a bond election in May 2012 at which voters approved propositions to fund several street reconstruction projects as well as infrastructure and accessibility projects in the downtown area in excess of \$27,800,000. Design was completed and the first phases of parking lot construction got underway on the downtown improvements. The interstate ramp projects approved by voters will be

under design in 2014 and design of the remaining roadway rehabilitation projects in 2015. In addition, infrastructure is being constructed within the Harbor hillside area.

Notably, the construction in progress at fiscal year end for business-type funds reflects the completion of a project to connect the Squabble Creek wastewater treatment plan to the regional wastewater interceptor project. Construction was completed and the line was put into service in 2013. Several projects to extend and improve service were being designed in 2013 with construction to begin in 2014.

Additional information regarding the City’s capital assets is found in note IV-D on pages 56-58.

Debt

At year end, the City had \$153,483,155 in bonds and capitalized leases shown in Table 4.

**Table 4**  
**City of Rockwall Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 88,562,670	\$ 84,675,708	\$ 47,330	\$ 69,292	\$ 88,610,000	\$ 84,745,000
Certificates of obligation	25,440,000	24,065,000	29,510,000	27,145,000	54,950,000	51,210,000
Revenue bonds	-	-	3,865,000	4,550,000	3,865,000	4,550,000
Capital Lease obligations	<u>148,083</u>	<u>193,299</u>	<u>5,910,072</u>	<u>6,321,743</u>	<u>6,058,155</u>	<u>6,515,042</u>
	<u>\$ 114,150,753</u>	<u>\$ 108,934,007</u>	<u>\$ 39,332,402</u>	<u>\$ 38,086,035</u>	<u>\$ 153,483,155</u>	<u>\$ 147,020,042</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 3.54% or \$2,922 per capita. This is an increase from the prior year with the addition of new bonds for the voter-approved projects underway.

The City’s bond ratings at September 30, 2013 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA+	A-	A-
Moody’s Investor Service Inc.	Aa2	Aa3	A1

Additional information on the City of Rockwall’s long-term debt may be found in note IV-F, on pages 58-65 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City’s elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rate, and fees that will be charged for the business-type activities. The major

factor affecting all decisions is the changing economy within the framework of the national economic recovery. Rockwall saw a small number of new commercial/retail business openings in 2013, which while expected to positively impact sales tax revenues in fiscal year 2014 is not expected to result in the larger sales tax growth seen in the previous two budgets. With the City's conservative budget philosophy, sales tax projections were increased by only 2%. Increases are expected in construction related activity as new subdivision phases are beginning and housing sales are improving. Interviews with local builders led the City to project continued improvement in home starts for the coming year.

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 5.3%, well below the national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2014. The budgeted revenues for fiscal year 2014 total \$27,815,350 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate remained at 50.25 cents per hundred dollars of assessed value.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City's fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The ending general fund balance for 2013 provides approximately 5 months of reserves for the City. The City Council elected to purchase capital equipment normally financed with short-term debt obligations due in large part to the healthy fund balance. The budget as adopted for fiscal year 2014 projects a fund balance of approximately 4.25 months of recurring operating expenditures. The 2014 budget reflects increased funding for street maintenance projects, dock repairs at the Harbor and the purchase of new handheld citation writers from reserves.

The 2014 budget expenditures include the addition of police communication center employees, as neighboring City of Fate becomes a customer of our communication center and the addition of an athletic program coordinator position as the City establishes the new Rockwall Baseball Softball League. The City continues to transition the Fire Department from predominately volunteer to a combined department and the new budget will include the addition of two new Fire Driver positions.

The water and sewer rate study has been updated to reflect increased charges from the North Texas Municipal Water District for treated water and the budget anticipates a 10% increase in those rates. A number of capital projects to replace older lines and to provide service to new areas are being designed for construction in fiscal year 2014. The City's revenues will continue to be impacted by mandatory conservation measures in effect, as the drought persists. System revenues will continue to be affected until lake levels improve and conservation measures are lifted. Operational costs will be closely monitored and controlled to be ready to react to any further reduction in available revenues.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

## Basic Financial Statements

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## CITY OF ROCKWALL, TEXAS

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,422,742	\$ 196,159	\$ 2,618,901	\$ 50,576
Investments	30,187,222	741,728	30,928,950	12,995,178
Receivables (net of allowances for uncollectibles)	2,341,424	2,302,651	4,644,075	97,388
Due from other governments	2,122,649	--	2,122,649	707,550
Inventories	26,693	211,047	237,740	15,653,772
Deposits	--	--	--	43,474
Restricted assets:				
Cash and cash equivalents	--	1,048,931	1,048,931	--
Investments	--	7,294,284	7,294,284	--
Accrued interest	--	7,619	7,619	--
Capital assets (net of accumulated depreciation)				
Land	14,377,674	799,533	15,177,207	--
Buildings and system	14,598,734	92,821,925	107,420,659	--
Improvements other than buildings	19,713,476	--	19,713,476	--
Machinery and equipment	6,335,672	788,904	7,124,576	43,954
Infrastructure	128,444,647	--	128,444,647	--
Construction in progress	7,892,474	350,043	8,242,517	--
Total Assets	<u>228,463,407</u>	<u>106,562,824</u>	<u>335,026,231</u>	<u>29,591,892</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred bond issue cost - insurance	11,391	--	11,391	11,392
Deferred charge on refunding	104,478	277,500	381,978	39,102
Total Deferred Outflows of Resources	<u>115,869</u>	<u>277,500</u>	<u>393,369</u>	<u>50,494</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	4,679,785	952,065	5,631,850	490,307
Due to other governments	251,148	--	251,148	--
Customer deposits	--	313,990	313,990	--
Liabilities payable from restricted assets:				
Noncurrent liabilities:				
Due within one year	7,126,423	2,469,814	9,596,237	1,828,331
Due in more than one year	110,370,103	37,212,069	147,582,172	26,605,346
Total Liabilities	<u>122,427,459</u>	<u>40,947,938</u>	<u>163,375,397</u>	<u>28,923,984</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-other	21,678	--	21,678	--
Total Deferred Inflows of Resources	<u>21,678</u>	<u>--</u>	<u>21,678</u>	<u>--</u>
<b>NET POSITION</b>				
Net investment in capital assets	89,523,344	60,558,579	150,081,923	43,954
Restricted For:				
Debt service	1,165,704	658,326	1,824,030	--
Capital projects	1,187,719	1,466,924	2,654,643	--
Unrestricted	14,253,372	3,208,557	17,461,929	674,448
Total Net Position	<u>\$ 106,130,139</u>	<u>\$ 65,892,386</u>	<u>\$ 172,022,525</u>	<u>\$ 718,402</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Mayor/Council	\$ 102,993	\$ --	\$ --	\$ --
Administration	7,565,249	144,351	47,858	2,430
Finance	951,808	--	--	--
Municipal court	357,208	967,113	--	--
Police	9,441,521	488,631	204,210	--
Fire	3,172,688	114,845	96,740	--
Public works	8,651,550	162,374	--	3,376,291
Community development	2,432,153	1,163,945	10,000	--
Parks and recreation	4,825,050	421,599	--	32,500
Interest on long-term debt	4,714,902	--	--	--
Total Governmental Activities	<u>42,215,122</u>	<u>3,462,858</u>	<u>358,808</u>	<u>3,411,221</u>
Business-type Activities:				
Water and Sewer	16,723,552	15,118,907	--	3,426,327
Total Business-type Activities	<u>16,723,552</u>	<u>15,118,907</u>	<u>--</u>	<u>3,426,327</u>
Total Primary Government	<u>\$ 58,938,674</u>	<u>\$ 18,581,765</u>	<u>\$ 358,808</u>	<u>\$ 6,837,548</u>
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	\$ 3,215,944	\$ --	\$ --	\$ 77,129
Rockwall Technology Park Association	147,379	157,401	--	--
Total Component Units	<u>\$ 3,363,323</u>	<u>\$ 157,401</u>	<u>\$ --</u>	<u>\$ 77,129</u>
General Revenues:				
Ad valorem taxes, penalty and interest				
Sales Taxes				
Franchise Taxes				
Miscellaneous				
Unrestricted Investment Earnings				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (102,993)		\$ (102,993)	
(7,370,610)		(7,370,610)	
(951,808)		(951,808)	
609,905		609,905	
(8,748,680)		(8,748,680)	
(2,961,103)		(2,961,103)	
(5,112,885)		(5,112,885)	
(1,258,208)		(1,258,208)	
(4,370,951)		(4,370,951)	
(4,714,902)		(4,714,902)	
<u>(34,982,235)</u>		<u>(34,982,235)</u>	
--	\$ 1,821,682	1,821,682	
--	1,821,682	1,821,682	
<u>(34,982,235)</u>	<u>1,821,682</u>	<u>(33,160,553)</u>	
			\$ (3,138,815)
			10,022
			<u>(3,128,793)</u>
17,870,887	--	17,870,887	--
14,045,093	--	14,045,093	4,528,427
2,743,839	--	2,743,839	160,000
588,236	177,274	765,510	314,511
(21,658)	3,585	(18,073)	2,917
1,217,550	(1,217,550)	--	--
<u>36,443,947</u>	<u>(1,036,691)</u>	<u>35,407,256</u>	<u>5,005,855</u>
1,461,712	784,991	2,246,703	1,877,062
104,668,427	65,107,395	169,775,822	(1,158,660)
<u>\$ 106,130,139</u>	<u>\$ 65,892,386</u>	<u>\$ 172,022,525</u>	<u>\$ 718,402</u>

**CITY OF ROCKWALL, TEXAS**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 132,801	\$ --
Investments	10,723,594	1,031,971
Receivables (net of allowances for uncollectibles):		
Taxes - delinquent	204,671	197,466
Fines	284,052	--
Accrued interest	5,440	--
Accounts receivable	78,867	9,659
Assessments receivable	--	--
Other receivables	170,182	--
Due from other funds	284,836	--
Due from other governments	2,068,893	--
Inventory	2,514	--
Total Assets	<u>\$ 13,955,850</u>	<u>\$ 1,239,096</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,918,524	\$ 3,500
Due to other funds	--	281,044
Due to other governments	251,148	--
Total Liabilities	<u>2,169,672</u>	<u>284,544</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue-property taxes	188,521	182,507
Unavailable revenue-fines	161,672	--
Unavailable revenue-other	160,002	--
Total deferred inflows of resources	<u>510,195</u>	<u>182,507</u>
<b>Fund balances:</b>		
Nonspendable	2,514	--
Restricted	--	772,045
Committed	--	--
Assigned	--	--
Unassigned	11,273,469	--
Total fund balances	<u>11,275,983</u>	<u>772,045</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 13,955,850</u>	 <u>\$ 1,239,096</u>

The accompanying notes are an integral part of this statement.

G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 295,205	\$ 1,826,316	\$ 2,254,322
10,815,033	6,839,286	29,409,884
--	9,337	411,474
--	--	284,052
11,563	4,486	21,489
22,584	162,864	273,974
--	83,951	83,951
--	--	170,182
--	70,001	354,837
--	53,756	2,122,649
--	24,179	26,693
<u>\$ 11,144,385</u>	<u>\$ 9,074,176</u>	<u>\$ 35,413,507</u>
\$ 156,586	\$ 1,035,912	\$ 3,114,522
--	73,793	354,837
--	--	251,148
<u>156,586</u>	<u>1,109,705</u>	<u>3,720,507</u>
--	9,337	380,365
--	--	161,672
--	105,630	265,632
<u>--</u>	<u>114,967</u>	<u>807,669</u>
--	--	2,514
--	328,435	1,100,480
--	2,973,086	2,973,086
10,987,799	4,547,983	15,535,782
--	--	11,273,469
<u>10,987,799</u>	<u>7,849,504</u>	<u>30,885,331</u>
<u>\$ 11,144,385</u>	<u>\$ 9,074,176</u>	<u>\$ 35,413,507</u>

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**CITY OF ROCKWALL, TEXAS**

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

Total fund balances - governmental funds balance sheet	\$ 30,885,331
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	191,362,677
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	380,365
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	365,410
Payables for bond principal which are not due in the current period are not reported in the funds.	(116,039,316)
Payables for capital leases which are not due in the current period are not reported in the funds.	(148,083)
Payables for bond interest which are not due in the current period are not reported in the funds.	(801,771)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,309,128)
Deferred outflows of resources are not available to pay for current period expenditures and are deferred in the funds.	115,870
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	161,672
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	913,155
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	160,002
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	83,955
Net position of governmental activities - Statement of Net Position	<u>\$ 106,130,139</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

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

	General Fund	Debt Service Fund
Revenues:		
Ad valorem taxes, penalty and interest	\$ 8,988,016	\$ 8,243,186
Sales taxes	13,439,088	--
Franchise taxes	2,748,707	--
Charges for services	344,383	--
Permits	1,119,438	--
Municipal court	1,050,955	--
Intergovernmental	399,890	--
Interest income	73,220	(110)
Miscellaneous	148,103	444,282
Donations	--	--
Total revenues	<u>28,311,800</u>	<u>8,687,358</u>
Expenditures:		
Current:		
Mayor/Council	102,995	--
Administration	3,544,762	--
Finance	621,638	--
Municipal court	349,536	--
Police	8,682,793	112,645
Fire	2,376,460	--
Public works	2,153,427	--
Community development	1,139,859	--
Parks and recreation	4,754,308	--
Total current	<u>23,725,778</u>	<u>112,645</u>
Capital outlay:		
Administration	169,805	--
Finance	--	--
Municipal court	--	--
Police	12,210	--
Fire	63,881	--
Parks and recreation	14,504	--
Total capital outlay	<u>260,400</u>	<u>--</u>
Debt service:		
Principal	--	4,998,038
Interest	--	3,979,531
Fiscal charges	--	10,500
Bond issuance cost	--	--
Total debt service:	<u>--</u>	<u>8,988,069</u>
Total expenditures	<u>23,986,178</u>	<u>9,100,714</u>
Excess (deficiency) of revenues over (under) expenditures	4,325,622	(413,356)
Other financing sources (uses):		
Transfers in	681,100	--
Transfers out	(3,648,700)	(35,800)
Issuance of long-term debt	--	--
Premium on bonds issued	--	--
Discount on bonds issued	--	--
Total other financing sources (uses)	<u>(2,967,600)</u>	<u>(35,800)</u>
Net change in fund balances	1,358,022	(449,156)
Fund balances, October 1	9,917,961	1,221,201
Fund balances, September 30	<u>\$ 11,275,983</u>	<u>\$ 772,045</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 659,233	\$ 17,890,435
--	606,005	14,045,093
--	--	2,748,707
--	704,751	1,049,134
--	--	1,119,438
--	--	1,050,955
--	40,360	440,250
4,178	(98,948)	(21,660)
--	202,919	795,304
--	44,929	44,929
<u>4,178</u>	<u>2,159,249</u>	<u>39,162,585</u>
--	--	102,995
--	276,993	3,821,755
--	302,777	924,415
--	--	349,536
--	52,217	8,847,655
--	7,372	2,383,832
--	--	2,153,427
--	--	1,139,859
--	138,148	4,892,456
<u>--</u>	<u>777,507</u>	<u>24,615,930</u>
4,515,392	3,746,699	8,431,896
--	124,302	124,302
--	205,947	205,947
--	155,377	167,587
--	2,103,899	2,167,780
--	51,030	65,534
<u>4,515,392</u>	<u>6,387,254</u>	<u>11,163,046</u>
--	270,000	5,268,038
--	634,256	4,613,787
--	--	10,500
70,908	19,707	90,615
<u>70,908</u>	<u>923,963</u>	<u>9,982,940</u>
4,586,300	8,088,724	45,761,916
(4,582,122)	(5,929,475)	(6,599,331)
--	1,596,450	2,277,550
(451,500)	(79,000)	(4,215,000)
7,905,000	2,625,000	10,530,000
216,914	64,806	281,720
(45,827)	(14,476)	(60,303)
<u>7,624,587</u>	<u>4,192,780</u>	<u>8,813,967</u>
3,042,465	(1,736,695)	2,214,636
7,945,334	9,586,199	28,670,695
<u>\$ 10,987,799</u>	<u>\$ 7,849,504</u>	<u>\$ 30,885,331</u>

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds	\$ 2,214,636
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	10,775,472
The depreciation of capital assets used in governmental activities is not reported in the funds.	(9,823,899)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(14,294)
Donations of capital assets increase net position in the SOA but not in the funds.	3,376,291
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(19,547)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	5,268,038
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	45,216
(Increase) decrease in accrued interest from beginning of period to end of period.	63,124
The net revenue (expense) of internal service funds is reported with governmental activities.	478,190
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(90,051)
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	(29,354)
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	3,292
Revenues in the SOA for franchise taxes not providing current financial resources are not reported in the funds.	(4,868)
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(10,530,000)
Bond premiums are reported in the funds but not in the SOA.	(281,720)
Bond discounts are reported in the funds but not in the SOA.	60,303
Certain contract revenues are deferred in the funds. This is the change in these amounts this year.	(29,117)
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,461,712</u>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 196,159	\$ 168,417
Investments	741,728	777,338
Accounts receivable (net of allowance)	2,302,651	--
Other receivables	--	183,147
Inventory	211,047	--
Restricted assets:		
Cash and cash equivalents	1,048,931	--
Investments	7,294,284	--
Accrued interest	7,619	--
Total current assets	<u>11,802,419</u>	<u>1,128,902</u>
Noncurrent assets:		
Capital assets not being depreciated	1,149,576	--
Capital assets being depreciated, net	93,610,829	--
Total noncurrent assets	<u>94,760,405</u>	<u>--</u>
Total Assets	<u>106,562,824</u>	<u>1,128,902</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred bond issue cost - insurance	--	--
Deferred charge on refunding	277,500	--
Total Deferred Outflow of Resources	<u>277,500</u>	<u>--</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	856,448	763,492
Customer deposits	313,990	--
General obligation bonds - current	1,631,962	--
Liabilities Payable From Restricted Assets:		
Revenue bonds payable - current	370,000	--
Obligations under capital leases - current	425,005	--
Accrued interest payable	95,617	--
Total current liabilities	<u>3,693,022</u>	<u>763,492</u>
Noncurrent Liabilities:		
General obligation bonds payable	27,925,368	--
Revenue bonds payable	3,730,920	--
Obligations under capital leases payable	5,485,067	--
Liability for compensated absences	113,561	--
Total noncurrent liabilities	<u>37,254,916</u>	<u>--</u>
Total Liabilities	<u>40,947,938</u>	<u>763,492</u>
<b>NET POSITION</b>		
Net investment in capital assets	60,558,579	--
Restricted for debt service	658,326	--
Restricted for construction	1,466,924	--
Unrestricted	3,208,557	365,410
Total Net Position	<u>\$ 65,892,386</u>	<u>\$ 365,410</u>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 15,118,907	\$ 959,454
Total Operating Revenues	<u>15,118,907</u>	<u>959,454</u>
OPERATING EXPENSES:		
Personnel services	1,870,744	--
Contractual services	8,936,999	3,660,406
Materials and supplies	468,436	--
Operations	203,809	--
Utilities	405,969	--
Depreciation and amortization	2,886,473	--
Total Operating Expenses	<u>14,772,430</u>	<u>3,660,406</u>
Operating Income (Loss)	<u>346,477</u>	<u>(2,700,952)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	3,585	(453)
Miscellaneous income	177,274	24,595
Paying agent fees	(35,061)	--
Interest expense	(1,916,061)	--
Total Non-operating Revenues (Expenses)	<u>(1,770,263)</u>	<u>24,142</u>
Net Income (Loss) before Operating Transfers and Capital Contributions	<u>(1,423,786)</u>	<u>(2,676,810)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
Capital contributions	3,426,327	--
Transfers in	451,500	3,155,000
Transfers from component unit	--	--
Transfers out	(1,669,050)	--
Total Transfers and Capital Contributions	<u>2,208,777</u>	<u>3,155,000</u>
Change in net position	784,991	478,190
Net position, October 1	65,107,395	(112,780)
Net position, September 30	<u>\$ 65,892,386</u>	<u>\$ 365,410</u>

## CITY OF ROCKWALL, TEXAS

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2013

	Business Type Activities Enterprise Water and Sewer Fund	Governmental Activities Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 15,715,650	\$ 894,881
Cash Payments to Employees for Services	(1,870,518)	--
Cash Payments to Other Suppliers for Goods and Services	(9,798,548)	(3,326,424)
Net Cash Provided (Used) by Operating Activities	<u>4,046,584</u>	<u>(2,431,543)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Cash Paid to Other Funds	(1,669,050)	(407,769)
Cash Received From Other Funds	451,500	3,155,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,217,550)</u>	<u>2,747,231</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from capital debt	3,480,000	--
Principal and Interest Paid	(4,042,864)	--
Capital recovery fees received	797,203	--
Acquisition or Construction of Capital Assets	(3,768,217)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(3,533,878)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investment Securities	(120,000)	(50,364)
Proceeds from Sale and Maturities of Securities	650,826	20,572
Interest and Dividends on Investments	3,584	(453)
Net Cash Provided (Used) for Investing Activities	<u>534,410</u>	<u>(30,245)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(170,434)	285,443
Cash and Cash Equivalents at Beginning of Year	8,351,112	553,865
Cash and Cash Equivalents at End of Year	8,180,678	839,308
<b>Cash Equivalents Included in Investments</b>	<u>(6,935,588)</u>	<u>(670,891)</u>
Net Cash and Cash Equivalents	<u>\$ 1,245,090</u>	<u>\$ 168,417</u>
<b>Reported on Statement of Net Position</b>		
Unrestricted cash	\$ 196,159	\$ 168,417
Restricted cash	1,048,931	--
	<u>\$ 1,245,090</u>	<u>\$ 168,417</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 346,477	\$ (2,700,952)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	2,886,473	--
Miscellaneous Income	177,274	24,595
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	425,729	(89,168)
Decrease (Increase) in Inventories	(16,223)	--
Decrease (Increase) in Prepaid Items	413,584	--
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(180,696)	333,982
Increase (Decrease) in Customer Deposits	(6,260)	--
Increase (Decrease) in Compensated Absences	226	--
Total Adjustments	<u>3,700,107</u>	<u>269,409</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,046,584</u>	<u>\$ (2,431,543)</u>
<b>Non-Cash Activities:</b>		
Capital Contributions	<u>\$ 2,629,125</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
 STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUND  
 SEPTEMBER 30, 2013

	Agency Fund
	Special Escrow Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 198,895
Investments	1,093,733
Accrued interest	964
Total Assets	<u>\$ 1,293,592</u>
<b>LIABILITIES</b>	
Due to developers	\$ 1,293,592
Total Liabilities	<u>\$ 1,293,592</u>

The accompanying notes are an integral part of this statement.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Rockwall, Texas, was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Rockwall, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City of Rockwall is a home rule municipality governed by an elected mayor and six member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

**Discretely Presented Component Units**

The Rockwall Economic Development Corporation (REDC) is governed by a seven member board of directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's board of directors is composed of representatives of the landowners. At September 30, 2013, REDC owned the majority of the land and the board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discrete component unit of the City. RTPA, is effectively controlled by the City through REDC and thus provides a potential financial benefit or burden to the City.

The funds of both REDC and RTPA are composed of governmental fund types. Stand alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2013 are not prepared.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* was established to account for street and drainage projects using proceeds from the issuance of bonds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance, and worker's compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2013

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and worker compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than 5 years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
- e. Certificates of deposit issued by a state or national bank domiciled in the state of Texas or a savings bank domiciled in the state of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items 1 – 4. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2013

- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least of the 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the state of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net assets value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

The City holds various mortgage backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Rockwall Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2013

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 30 years
Building Improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of 3 days sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of 3 days sick leave to one day vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of 3 days sick leave to one day vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

7. Long-term obligations

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

applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. Fund equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact are classified as nonspendable fund balance.

Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation are classified as restricted fund balance.

Amounts that are available for any purpose are classified as unassigned fund balance; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. The City has not established a formal policy to set forth a minimum level for fund balances.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "Deferred outflow of resources are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$115,870 difference are as follows:

Deferred outflow of resources:	
Bond issue costs - insurance	\$ 11,392
Loss on refunding	104,478
Total	<u>\$115,870</u>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2013, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:
  - Emergency Siren Fund
  - Downtown Improvement Fund
  - Art in Public Places Fund
  - Special Crimes Unit Fund
7. Capital Project funds were not budgeted. Since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

B. Deficit fund equity

There were no fund deficits at September 30, 2013:

**IV. DETAILED NOTES ON ALL FUNDS**

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2013, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$727,084 which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net position.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2013, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2013

Investments

At September 30, 2013, the City's investments were:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-24+
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Mortgage Corp.	\$3,278,021	\$ --	\$ --	\$ --	\$3,278,021
Federal National Mortgage Asso.	2,459,216	--	--	--	2,459,216
Federal Farm Credit Bank	443,732	--	--	--	443,732
Federal Farm Home Bank	294,372	--	--	--	294,372
Treasury bills and notes	707,441	--	--	--	707,441
	7,182,782	--	--	--	7,182,782
Money Market Funds	32,134,185	32,134,185	--	--	--
Total Primary Government	39,316,967	32,134,185	--	--	7,182,782
<b>Discrete Component Units</b>					
Rockwall Economic Development Corporation					
Money Market Funds	12,954,754	12,954,754	--	--	--
Rockwall Technology Park					
Money Market Funds	40,424	40,424	--	--	--
Total Discrete Component Units	12,995,178	12,995,178	--	--	--
Total Reporting Entity	<u>\$52,312,145</u>	<u>\$45,129,363</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$7,182,782</u>

Investments are reported in the

Statement of net position as follows:

Governmental activities \$30,187,222

Business-type activities 8,036,012

Fiduciary Fund 1,093,733

Discrete component units:

Rockwall Economic

Development Corporation 12,954,754

Rockwall Technology Park

40,424

\$52,312,145

The City has invested with money market funds with ratings from Aaa to AAA.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2013

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	GO Bonds Capital	Nonmajor and Other	Water and Sewer	Internal Service
Taxes receivable - delinquent	\$204,671	\$197,466	\$ --	\$ --	\$ --	\$ --
Fines receivable	\$386,956	\$ --	\$ --	\$ --	\$ --	\$ --
Allowance for uncollectibles	(102,904)	--	--	--	--	--
	\$284,052	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Interest	\$5,440	\$ --	\$11,563	\$4,486	\$ --	\$ --
Accounts receivable	\$78,867	\$9,659	\$22,584	\$162,864	\$2,998,174	\$ --
Allowance for uncollectibles	--	--	--	--	(695,523)	--
Net other receivables	\$78,867	\$9,659	\$22,584	\$162,864	\$2,302,651	\$ --
Assessments receivable	\$ --	\$ --	--	\$83,951	\$ --	\$ --
Other receivables	\$170,182	\$ --	\$ --	\$ --	\$ --	\$183,147

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$188,521	\$ --
Contract receivable not yet due (General Fund)	160,002	--
Fines receivable (General Fund)	161,672	--
Delinquent property taxes receivable (Debt Service Fund)	182,507	--
Delinquent property taxes receivable (Harbor Debt Service)	9,337	--
Assessments receivable not yet due (Street improvements)	83,951	--
Seizures not awarded (Special Crimes Unit)	21,679	21,678
Total deferred/unearned revenue for governmental funds	\$807,669	\$21,678

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2013

D. Capital assets

Capital asset activity for the year ended September 30, 2013:

Primary Government

	Balance 9/30/12	Additions	Retirements	Completed Construction	Balance 9/30/13
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets, not being depreciated					
Land	\$14,102,412	\$275,262	\$ --	--	\$14,377,674
Construction in progress	9,946,347	7,283,088	--	(9,336,961)	7,892,474
Total capital assets not being depreciated	24,048,759	7,558,350	--	(9,336,961)	22,270,148
Capital assets, being depreciated:					
Buildings	18,205,698	231,823	(141,918)	1,387,857	19,683,460
Improvements other than buildings	28,212,192	121,247	--	1,001,493	29,334,932
Machinery and equipment	14,653,437	2,707,662	(497,482)	264,555	17,128,172
Infrastructure	183,944,803	3,567,315	--	6,683,056	194,195,174
Total capital assets being depreciated	245,016,130	6,628,047	(639,400)	9,336,961	260,341,738
Less accumulated depreciation for					
Buildings	(4,596,834)	(627,907)	140,015	--	(5,084,726)
Improvements other than buildings	(7,982,282)	(1,639,174)	--	--	(9,621,456)
Machinery and equipment	(10,025,477)	(1,252,114)	485,091	--	(10,792,500)
Infrastructure	(59,445,822)	(6,304,705)	--	--	(65,750,527)
Total accumulated depreciation	(82,050,415)	(9,823,900)	625,106	--	(91,249,209)
Total capital assets being depreciated, net	162,965,715	(3,195,853)	(14,294)		169,092,529
Governmental activities capital assets, net	\$187,014,474	\$4,362,497	(\$14,294)	\$ --	\$191,362,677

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2013

	Balance 9/30/12	Additions	Retirements	Completed Construction	Balance 9/30/13
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$799,533	\$ --	\$ --	\$ --	\$799,533
Construction in progress	7,260,547	286,099	--	(7,196,603)	350,043
Total capital assets not being depreciated	8,060,080	286,099	--	(7,196,603)	1,149,576
Capital assets, being depreciated					
Buildings	198,109	--	--	--	198,109
Improvements other than buildings	93,501,682	5,869,168	--	7,196,603	106,567,453
Sewage treatment plants and pump station	12,516,072	--	--	--	12,516,072
Machinery and equipment	4,778,984	242,073	(59,523)	--	4,961,534
Total capital assets being depreciated	110,994,847	6,111,241	(59,523)	7,196,603	124,243,168
Less accumulated depreciation for:					
Buildings	(119,309)	(5,434)	--	--	(124,743)
Improvements other than buildings	(18,922,855)	(2,000,691)	--	--	(20,923,546)
Sewage treatment plants and pump station	(5,160,173)	(251,247)	--	--	(5,411,420)
Machinery and equipment	(3,603,053)	(628,760)	59,183	--	(4,172,630)
Total accumulated depreciation	(27,805,390)	(2,886,132)	59,183	--	(30,632,339)
Capital assets being depreciated, net	83,189,457	3,225,109	(340)	7,196,603	93,610,829
Business type activities capital assets, net	\$91,249,537	\$3,511,208	(\$340)	\$ --	\$94,760,405

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$807,151
Police	499,273
Fire	755,520
Public works	6,474,505
Community development	1,287,451
Total depreciation expense - governmental activities	<u>\$9,823,900</u>

Business-type activities:

Water and sewer	<u>\$2,886,132</u>
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**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2013

Construction commitments

The City has active construction projects as of September 30, 2013. The projects include street construction, parking improvements, water system improvements, and sewer system improvements.

Project	Spent to Date	Remaining Commitment
Harbor Infrastructure Project	\$3,646,989	\$1,297,011
Downtown Bond Project	1,052,865	7,572,135
	<u>\$4,699,854</u>	<u>\$8,869,146</u>

These projects are being financed by bond proceeds.

Discretely presented component units - Rockwall Economic Development Corporation:

	Balance 9/30/12	Additions	Retirements	Completed Construction	Balance 9/30/13
Capital assets, being depreciated					
Furniture and fixtures	\$93,598	\$29,826	--	--	\$123,424
Total capital assets being depreciated	93,598	29,826	--	--	123,424
Less accumulated depreciation for					
Furniture and fixtures	(75,324)	(4,146)	--	--	(79,470)
Total accumulated depreciation	(75,324)	(4,146)	--	--	(79,470)
Total capital assets being depreciated, net	<u>\$18,274</u>	<u>\$25,680</u>	<u>--</u>	<u>--</u>	<u>\$43,954</u>

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2013, is as follows:

Fund	Receivable	Payable
General Fund	\$284,836	\$ --
Debt Service	--	281,044
Nonmajor Governmental Funds	70,001	73,793
Totals	<u>\$354,837</u>	<u>\$354,837</u>

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. These are expected to be collected within one year.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2013

The composition of interfund transfers for the year ended September 30, 2013, is as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$681,100	\$3,648,700
Debt Service	--	35,800
G.O. Bonds Capital Projects	--	451,500
Nonmajor Governmental Funds	1,596,450	79,000
Water and Sewer Enterprise Fund	451,500	1,669,050
Internal Service Funds	3,155,000	--
Totals	<u>\$5,884,050</u>	<u>\$5,884,050</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

F. Long-term debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

General Obligation Debt Outstanding as of September 30, 2013, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/13
Governmental Activities					
General Obligation Bonds:					
Refunding	\$4,024,394	2003	2015	2.00%-4.00%	\$667,670
Refunding and Improvements	13,345,000	2005	2025	3.00%-4.50%	9,425,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	29,070,000
Improvements	21,765,000	2007	2037	5.13%-6.13%	18,705,000
Improvements	9,515,000	2008	2028	2.05%-2.50%	7,880,000
Improvements	9,065,000	2009	2029	2.00%-4.60%	6,835,000
Improvements and refunding	8,535,000	2011	2031	2.00%-5.00%	8,075,000
Improvements	7,905,000	2013	2033	2.00%-5.00%	7,905,000
Total General Obligation Bonds					<u>88,562,670</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2013

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/13
Certificates of Obligation Bonds:					
Improvements	12,415,000	2005	2025	3.00%-5.00%	9,875,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	3,135,000
Improvements	820,000	2012	2016	1.215%	620,000
Improvements	5,125,000	2009	2029	2.00%-4.60%	3,370,000
Improvements	4,675,000	2011	2031	2.00%-4.25%	4,485,000
Improvements	1,330,000	2011	2031	2.33%-5.30%	1,330,000
Improvements	2,625,000	2013	2033	2.00%-4.38%	<u>2,625,000</u>
Total Certificates of Obligation					<u>25,440,000</u>
Total Governmental Activities General Obligation Debt					<u>114,002,670</u>
Business-type Activities:					
General Obligation Bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	<u>47,330</u>
Certificates of Obligation:					
Improvements	10,310,000	2007	2027	4.25%-4.50%	8,110,000
Improvements	16,895,000	2008	2028	3.00%-5.00%	13,975,000
Improvements	5,740,000	2008	2028	3.00%-5.00%	3,945,000
Improvements	3,480,000	2013	2031	2.00%-4.38%	<u>3,480,000</u>
Total Certificates of obligation					<u>29,510,000</u>
Total business-type general obligation debt					<u>29,557,330</u>
Total General Debt					<u>\$143,560,000</u>

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2014	\$6,643,038	\$4,956,925	\$1,631,962	\$1,256,429	\$14,488,354
2015	6,919,632	4,731,262	1,705,368	1,204,716	14,560,978
2016	6,735,000	4,466,473	1,745,000	1,145,651	14,092,124
2017	6,440,000	4,203,354	1,830,000	1,083,976	13,557,330
2018	6,495,000	3,941,261	1,905,000	1,015,514	13,356,775
2019-2023	31,710,000	15,452,043	9,985,000	3,839,544	60,986,587
2024-2028	28,425,000	8,316,623	9,625,000	1,560,726	47,927,349
2029-2033	13,935,000	3,336,842	1,130,000	151,450	18,553,292
2034-2037	6,700,000	723,375	--	--	7,423,375
Total	<u>\$114,002,670</u>	<u>\$50,128,158</u>	<u>\$29,557,330</u>	<u>\$11,258,006</u>	<u>\$204,946,164</u>

REVENUE BONDS. The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding at year end are as follows:

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2013

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/13
Revenue Bonds					
Refunding and improvements	\$6,415,000	2005	2025	3.00%-4.50%	\$3,865,000
Total Revenue Bonds					3,865,000
Less unamortized premium (discount) on bonds					42,368
Total Revenue Bonds					<u>\$3,907,368</u>

Revenue bond debt service requirements to maturity are as follows:

Year	Water and Sewer Fund		
	Principal	Interest	Total
2014	\$370,000	\$163,019	\$533,019
2015	260,000	147,294	407,294
2016	270,000	136,894	406,894
2017	280,000	126,094	406,094
2018	290,000	114,894	404,894
2019-2023	1,635,000	384,730	2,019,730
2024-2025	760,000	51,288	811,288
Total	3,865,000	<u>\$ 1,124,213</u>	<u>\$4,989,213</u>
Unamortized Discount	42,368		
Total Revenue bonds	<u>\$3,907,368</u>		

**Capitalized Lease Obligations**

The City has entered into a contract with a software vendor for an upgrade to the public safety software system. This contract has been treated as a capitalized lease.

The City has entered into a contract with the North Texas Municipal Water District, a conservation and reclamation district and political subdivision of the state of Texas, for construction and operation of sewer plants and to provide treated water to the City. The contractual obligations have been treated as capitalized leases.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2013

Capitalized lease obligations outstanding at September 30, 2013 are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/13
<b>Capital Leases</b>					
<b>Governmental activities</b>					
Public safety computer upgrade	\$330,870	2010	2016	4.45%	\$148,083
<b>Business-type activities</b>					
South Plant Improvements	\$1,800,000	1996	2016	various	410,000
Ground Storage Facility	2,013,434	2005	2025	various	1,410,072
Pump Station	2,145,000	2006	2026	various	1,625,000
Buffalo Creek Plant	2,960,000	2008	2028	various	2,465,000
					<u>5,910,072</u>
<b>Total Capitalized Lease Obligations</b>					<u><u>\$6,058,155</u></u>

Capital lease obligation debt service requirements to maturity are as follows:

Year	Governmental Activities	Business-type Activities	Total
2014	\$53,818	\$714,226	\$768,044
2015	53,818	712,304	766,122
2016	53,818	717,674	771,492
2017	--	563,717	563,717
2018	--	561,522	561,522
2019-2023	--	2,844,438	2,844,438
2024-2028	--	2,069,287	2,069,287
<b>Total payments</b>	<u>161,454</u>	<u>8,183,168</u>	<u>8,344,622</u>
<b>Less imputed interest</b>	<u>(13,371)</u>	<u>(2,273,096)</u>	<u>(2,286,467)</u>
<b>Total Capital Lease Obligations</b>	<u><u>\$148,083</u></u>	<u><u>\$5,910,072</u></u>	<u><u>\$6,058,155</u></u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2013

**CHANGES IN LONG-TERM LIABILITIES**

During the year ended September 30, 2013, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/12	Additions	Retirements	Balance 9/30/13	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$84,675,708	\$7,905,000	(\$4,018,038)	\$88,562,670	\$4,478,038
Certificates of obligation	24,065,000	2,625,000	(1,250,000)	25,440,000	2,165,000
Unamortized premium (discount)	1,906,421	221,418	(103,339)	2,024,500	108,875
Total bonds payable	110,647,129	10,751,418	(5,371,377)	116,027,170	6,751,913
Capital lease obligations	193,299	--	(45,216)	148,083	47,228
Compensated absences	1,219,076	1,309,128	(1,219,076)	1,309,128	327,282
Governmental activity Long-Term Liabilities	<u>\$112,059,504</u>	<u>\$12,060,546</u>	<u>(\$6,635,669)</u>	<u>\$117,484,381</u>	<u>\$7,126,423</u>
<b>Business-type activities:</b>					
General obligation bonds and certificates	\$27,214,292	\$3,480,000	(\$1,136,962)	\$29,557,330	\$1,631,962
Revenue bonds	4,550,000	--	(685,000)	3,865,000	370,000
Unamortized premium (discount)	181,985	66,724	(12,789)	235,920	14,457
Total bonds payable	31,946,277	3,546,724	(1,834,751)	33,658,250	2,016,419
Capital lease obligations	6,321,743	--	(411,671)	5,910,072	425,005
Compensated absences	113,335	113,561	(113,335)	113,561	28,390
Business-type activities	<u>\$38,381,355</u>	<u>\$3,660,285</u>	<u>(\$2,359,757)</u>	<u>\$39,681,883</u>	<u>\$2,469,814</u>

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund.

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2013

Authorized and Unissued Debt

The following tables detail the status of all authorized general obligation and revenue bonded debt as of September 30, 2013:

Year Authorized	General Obligation Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/13
1985	\$1,500,000	(\$600,000)	\$900,000
1994	4,100,000	(3,600,000)	500,000
2012	27,800,000	(7,905,000)	19,895,000
	<u>\$33,400,000</u>	<u>(\$12,105,000)</u>	<u>\$21,295,000</u>

Year Authorized	Revenue Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/13
1980	\$2,000,000	(\$1,060,000)	\$940,000
1985	1,540,000	--	1,540,000
Totals	<u>\$3,540,000</u>	<u>(\$1,060,000)</u>	<u>\$2,480,000</u>

**Discretely presented component units - Rockwall Economic Development Corporation:**

General Obligation Debt Outstanding as of September 30, 2013, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/13
Sales Tax Revenue Bonds:					
Improvements	\$4,545,000	2008	2028	7.00%	\$3,870,000
Improvements	4,595,000	2013	2033	2.00%-4.00%	4,595,000
Improvements	2,405,000	2012	2019	2.00%	<u>2,080,000</u>
Total Sales Tax Revenue Bonds					<u>10,545,000</u>
Certificates of Obligation Bonds:					
Improvements	3,225,000	2005	2015	3.00%-5.00%	765,000
Improvements	5,540,000	2006	2025	4.25%-5.00%	4,145,000
Improvements	6,130,000	2008	2028	3.00%-5.00%	5,070,000
Improvements	2,625,000	2013	2033	1.65%-5.82%	<u>7,610,000</u>
Total Certificates of Obligation					<u>17,590,000</u>
Total					<u><u>28,135,000</u></u>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2013

Annual debt service requirements to maturity for REDC debt are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2014	\$1,800,000	\$1,197,286	\$2,997,286
2015	1,850,000	1,154,203	3,004,203
2016	1,510,000	1,089,375	2,599,375
2017	1,565,000	1,038,456	2,603,456
2018	1,615,000	983,052	2,598,052
2019-2023	7,580,000	3,981,367	11,561,367
2024-2028	8,255,000	2,098,011	10,353,011
2029-3033	3,960,000	553,916	4,513,916
<b>Total</b>	<b>\$28,135,000</b>	<b>\$12,095,666</b>	<b>\$40,230,666</b>

During the year ended September 30, 2013, the following changes occurred in liabilities reported in the capital long-term debt for REDC:

	Balance 9/30/12	Additions	Retirements	Balance 9/30/13	Due Within One Year
<b>Governmental activities</b>					
Sales tax revenue bonds	\$6,420,000	\$4,595,000	(\$470,000)	\$10,545,000	\$665,000
Certificates of obligation	10,785,000	7,610,000	(805,000)	17,590,000	1,135,000
Unamortized premium (discount)	182,044	111,698	(19,444)	274,298	22,236
Total bonds payable	17,387,044	12,316,698	(1,294,444)	28,409,298	1,822,236
Compensated absences	32,316	24,379	(32,316)	24,379	6,095
<b>Total</b>	<b>\$17,419,360</b>	<b>\$12,341,077</b>	<b>(\$1,326,760)</b>	<b>\$28,433,677</b>	<b>\$1,828,331</b>

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of the City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Medical claims in any one year exceeding \$75,000 per covered individual or, approximately \$3,238,610 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2013.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2013

obligation, based on an actuarial analysis, to fund a self-insured workers compensation plan. Under this plan, worker compensation insurance is provided in accordance with State statutes to all City employees. To protect the assets of the plan from a catastrophic claim the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a cap of \$600,000 per year.

The Worker's Compensation fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported, are not believed to be significant to the City's financial statements.

	Employee Benefits		Worker's Compensation	
	2013	2012	2013	2012
Claims payable beginning of the year	\$187,894	\$181,850	\$37,968	\$33,407
Claims incurred	3,693,090	3,193,314	92,479	183,041
Payment on claims	(3,441,641)	(3,187,270)	(119,617)	(178,480)
	<u>\$439,343</u>	<u>\$187,894</u>	<u>\$10,830</u>	<u>\$37,968</u>

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment processing and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams and underground water, for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest equity investments and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek and, in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable NTMWD to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next

ensuing calendar year, as shown in the Annual Budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the Paying Agent and the Registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2013, is \$5,910,072. See Note IV F for the annual requirements to amortize the bonds as of September 30, 2013.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

**C. Contingent Liabilities and Commitments**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 5 above, the general revenues of the City are contingently liable for the \$29,557,330 payable in General Obligation Bonds which are currently outstanding and recorded as obligations of the Enterprise Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2013, these commitments totaled \$3,231,768.

**D. Employee retirement systems and pension plans**

**1. Plan Description**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available within the options available in the governing state statutes of TMRS.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

2. Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2011 valuation is effective for rates beginning January 2013.

Actuarial Assumptions

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.2 Years - Closed Period
Amortization period for new Gains/Losses	30 Years
Asset Valuation Method	10 Year Smoothed Market
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost of Living Adjustments	0.0%

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2013

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/12	12/31/11	12/31/10
Actuarial Value of Asset	\$45,252,432	\$40,528,030	\$35,681,831
Actuarial Accrued Liabilities	\$57,979,914	\$55,019,733	\$50,277,529
Percentage Funded	78.0%	73.7%	71.0%
Unfunded (Over-funded) Actuarial			
Accrued Liability	\$12,727,482	\$14,491,703	\$14,595,698
Annual Covered Payroll	\$15,319,206	\$15,245,963	\$14,570,782
UAAL as a Percentage of Covered Payroll	83.1%	95.1%	100.2%
Net Pension Obligation (NPO)	\$ --	\$ --	\$ --

	Fiscal Year Ended September 30,		
	2013	2012	2011
Annual Required Contribution (ARC)	\$2,351,862	\$2,316,015	\$2,140,343
Interest on NPO	--	--	--
Adjustment to the ARC	--	--	--
	2,351,862	2,140,343	2,140,343
Contributions Made (100%)	2,351,862	2,140,343	2,140,343
Increase in NPO	--	--	--
NPO at the End of Period	\$ --	\$ --	\$ --

**Texas Statewide Emergency Services Personnel Retirement Fund**

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$50,500 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a board of directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 38 active participants currently covered by the Fund and payments are being made to 24 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments, however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P. O. Box 12577, Austin, Texas, 78711.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2013

E. Implementation of new GASB Accounting Standards/Restatement of Prior Year Amounts

The City has implemented new GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB-63, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources. Under GASB-65, bond issue costs (excluding bond insurance) are recognized as expenses in the period incurred rather than as assets to be amortized.

GASB 63 resulted in the reclassification of \$890,697 (deferred ad valorem tax revenue, deferred assessments revenue, deferred contract revenue, deferred seizures, and deferred fine revenue, which use is restricted to a subsequent fiscal year) to deferred inflows of resources for governmental funds.

Prior year financial statements have been restated to apply GASB Statement No. 65 with respect to nonrecognition of deferred bond issue costs. The effect of the restatements were, as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Component Unit</u>
Net position as reported 9/30/12	\$106,184,132	\$65,495,435	(\$979,126)
Implementation of GASB Statements	<u>(1,515,706)</u>	<u>(388,041)</u>	<u>(179,534)</u>
Net position as restated 9/30/12	<u>\$104,668,426</u>	<u>\$65,107,394</u>	<u>(\$1,158,660)</u>

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF ROCKWALL, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 8,852,150	\$ 8,896,000	\$ 8,988,016	\$ 92,016
Sales taxes	12,227,200	13,418,200	13,439,088	20,888
Franchise taxes	2,597,000	2,648,600	2,748,707	100,107
Charges for services	173,100	280,400	344,383	63,983
Permits	770,000	1,051,000	1,119,438	68,438
Municipal court	1,090,000	1,059,000	1,050,955	(8,045)
Intergovernmental	390,300	393,750	399,890	6,140
Interest income	40,000	40,000	73,220	33,220
Miscellaneous	151,000	190,500	148,103	(42,397)
Total revenues	<u>26,290,750</u>	<u>27,977,450</u>	<u>28,311,800</u>	<u>334,350</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor/Council Administration	118,600	118,600	102,995	15,605
Finance	3,216,250	3,664,200	3,544,762	119,438
Municipal court	1,083,950	660,050	621,638	38,412
Police	353,750	358,750	349,536	9,214
Fire	8,613,900	8,689,700	8,682,793	6,907
Public works	2,485,950	2,499,050	2,376,460	122,590
Community development	2,302,800	2,249,900	2,153,427	96,473
Parks and recreation	1,219,950	1,145,050	1,139,859	5,191
Total current	<u>24,510,050</u>	<u>24,330,350</u>	<u>23,725,778</u>	<u>604,572</u>
<b>Capital outlay:</b>				
Administration	278,000	328,000	169,805	158,195
Police	13,900	13,900	12,210	1,690
Fire	109,600	109,600	63,881	45,719
Parks and recreation	15,600	15,600	14,504	1,096
Total capital outlay	<u>417,100</u>	<u>467,100</u>	<u>260,400</u>	<u>206,700</u>
Total expenditures	<u>24,927,150</u>	<u>24,797,450</u>	<u>23,986,178</u>	<u>811,272</u>
Excess (deficiency) of revenues over (under) expenditures	1,363,600	3,180,000	4,325,622	1,145,622
<b>Other financing sources (uses):</b>				
Transfers in	681,100	691,100	681,100	(10,000)
Transfers out	(2,459,700)	(3,678,700)	(3,648,700)	30,000
Total other financing sources (uses)	<u>(1,778,600)</u>	<u>(2,987,600)</u>	<u>(2,967,600)</u>	<u>20,000</u>
Net change in fund balances	(415,000)	192,400	1,358,022	1,165,622
Fund balances, October 1	9,917,961	9,917,961	9,917,961	--
Fund balances, September 30	<u>\$ 9,502,961</u>	<u>\$ 10,110,361</u>	<u>\$ 11,275,983</u>	<u>\$ 1,165,622</u>

**CITY OF ROCKWALL, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
 September 30, 2013  
 (Unaudited)

EXHIBIT B-2

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2010	\$35,681,831	\$50,277,529	71.0%	\$14,595,698	\$14,590,752	100.2%
12/31/2011	40,528,030	55,019,733	73.6%	14,491,703	15,245,963	95.1%
12/31/2012	45,252,432	57,979,914	78.0%	12,727,482	15,319,206	83.1%

**CITY OF ROCKWALL, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2013

(Unaudited)

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Information concerning the budget and budget calendar are detailed in footnote III.A. The General Fund budget is presented on a generally accepted accounting principles basis.

## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery - established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation - established to account for donations, court security fees, and forfeitures.

Recreational Development - established to account for the annual lease income from marinas and golf course.

Radio System - established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements - established to account for the proceeds of street improvement assessments.

Hotel Motel Tax - established to account for the annual income from hotel motel taxes.

Fire Equipment - established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation - established to account for funds received from airport operations and related expenses.

Recycling - established to account for funds to be used for the City's recycling program.

Emergency Siren — established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement - established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places - established to account for donations received for developing art displays in public areas such as parks.

Special Crimes Unit - established to account for revenues and expenditures related to a county-wide crime task force.

### *DEBT SERVICE FUNDS*

Debt Service Funds are used to account for the accumulation of resources and payment of general, certificate, & contractual obligation bond principal and interest from governmental resources.

NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

*CAPITAL PROJECTS FUNDS*

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects - established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition — established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project — established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

The Harbor/TIF Capital Projects Fund — established to account for improvements in the Tax Increment Reinvestment Zone using the proceeds from the issuance of bonds.

*INTERNAL SERVICE FUNDS*

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund — established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund — established to account for the costs of the workers' compensation self-insurance program for the City.

*AGENCY FUND*

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Special Escrow Agency Fund - established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

## CITY OF ROCKWALL, TEXAS

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 186,780	\$ 74,926	\$ 1,564,610	\$ 1,826,316
Investments	2,938,276	--	3,901,010	6,839,286
Receivables (net of allowances for uncollectibles):				
Taxes - delinquent	--	9,337	--	9,337
Accrued interest	--	--	4,486	4,486
Accounts receivable	89,731	73,133	--	162,864
Assessments receivable	83,951	--	--	83,951
Due from other funds	70,001	--	--	70,001
Due from other governments	--	53,756	--	53,756
Inventory	24,179	--	--	24,179
Total Assets	<u>\$ 3,392,918</u>	<u>\$ 211,152</u>	<u>\$ 5,470,106</u>	<u>\$ 9,074,176</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 113,789	\$ --	\$ 922,123	\$ 1,035,912
Due to other funds	73,793	--	--	73,793
Total Liabilities	<u>187,582</u>	<u>--</u>	<u>922,123</u>	<u>1,109,705</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	--	9,337	--	9,337
Unavailable revenue-other	105,630	--	--	105,630
Total Deferred Inflows of Resources	<u>105,630</u>	<u>9,337</u>	<u>--</u>	<u>114,967</u>
<b>FUND BALANCES</b>				
Restricted	126,620	201,815	--	328,435
Committed	2,973,086	--	--	2,973,086
Assigned	--	--	4,547,983	4,547,983
Total Fund Balances	<u>3,099,706</u>	<u>201,815</u>	<u>4,547,983</u>	<u>7,849,504</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,392,918</u>	<u>\$ 211,152</u>	<u>\$ 5,470,106</u>	<u>\$ 9,074,176</u>

## CITY OF ROCKWALL, TEXAS

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

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ --	\$ 659,233	\$ --	\$ 659,233
Sales taxes	292,485	313,520	--	606,005
Charges for services	704,751	--	--	704,751
Intergovernmental	40,360	--	--	40,360
Interest income	38	--	(98,986)	(98,948)
Miscellaneous	202,694	--	225	202,919
Donations	44,870	--	59	44,929
Total revenues	<u>1,285,198</u>	<u>972,753</u>	<u>(98,702)</u>	<u>2,159,249</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	276,993	--	--	276,993
Finance	302,777	--	--	302,777
Police	52,217	--	--	52,217
Fire	7,372	--	--	7,372
Parks and recreation	138,148	--	--	138,148
Total current	<u>777,507</u>	<u>--</u>	<u>--</u>	<u>777,507</u>
<b>Capital outlay:</b>				
Administration	162,500	--	3,584,199	3,746,699
Finance	--	--	124,302	124,302
Municipal court	--	--	205,947	205,947
Police	139,911	--	15,466	155,377
Fire	35,048	--	2,068,851	2,103,899
Parks and recreation	51,030	--	--	51,030
Total capital outlay	<u>388,489</u>	<u>--</u>	<u>5,998,765</u>	<u>6,387,254</u>
<b>Debt service:</b>				
Principal	--	270,000	--	270,000
Interest	--	634,256	--	634,256
Bond issuance cost	--	--	19,707	19,707
Total debt service:	<u>--</u>	<u>904,256</u>	<u>19,707</u>	<u>923,963</u>
Total expenditures	<u>1,165,996</u>	<u>904,256</u>	<u>6,018,472</u>	<u>8,088,724</u>
Excess (deficiency) of revenues over (under) expenditures	119,202	68,497	(6,117,174)	(5,929,475)
<b>Other financing sources (uses):</b>				
Transfers in	175,000	35,800	1,385,650	1,596,450
Transfers out	(79,000)	--	--	(79,000)
Issuance of long-term debt	--	--	2,625,000	2,625,000
Premium on bonds issued	--	--	64,806	64,806
Discount on bonds issued	--	--	(14,476)	(14,476)
Total other financing sources (uses)	<u>96,000</u>	<u>35,800</u>	<u>4,060,980</u>	<u>4,192,780</u>
Net change in fund balances	215,202	104,297	(2,056,194)	(1,736,695)
Fund balances, October 1	2,884,504	97,518	6,604,177	9,586,199
Fund balances, September 30	<u>\$ 3,099,706</u>	<u>\$ 201,815</u>	<u>\$ 4,547,983</u>	<u>\$ 7,849,504</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2013

	Cemetery	Police Investigation	Recreational Development	Radio System
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,624	\$ 4,245	\$ 9,597	\$ 18,122
Investments	92,949	909,756	143,038	--
Receivables (net of allowances for uncollectibles):				
Accounts receivable	--	--	--	--
Assessments receivable	--	--	--	--
Due from other funds	--	--	70,001	--
Inventory	--	--	--	--
<b>Total Assets</b>	<b>\$ 101,573</b>	<b>\$ 914,001</b>	<b>\$ 222,636</b>	<b>\$ 18,122</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ --	\$ 50,974	\$ 18,848	\$ 1,960
Due to other funds	--	--	--	--
<b>Total Liabilities</b>	<b>--</b>	<b>50,974</b>	<b>18,848</b>	<b>1,960</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-other	--	--	--	--
<b>Total Deferred Inflows of Resources</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>FUND BALANCES</b>				
Restricted	--	--	--	--
Committed	101,573	863,027	203,788	16,162
<b>Total Fund Balances</b>	<b>101,573</b>	<b>863,027</b>	<b>203,788</b>	<b>16,162</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 101,573</b>	<b>\$ 914,001</b>	<b>\$ 222,636</b>	<b>\$ 18,122</b>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ 5,202	\$ 6,211	\$ 4,946	\$ 72,503	\$ 28,219
1,003,000	41,911	421,060	--	63,140
--	79,098	--	8,618	2,015
83,951	--	--	--	--
--	--	--	--	--
--	--	--	24,179	--
<u>\$ 1,092,153</u>	<u>\$ 127,220</u>	<u>\$ 426,006</u>	<u>\$ 105,300</u>	<u>\$ 93,374</u>
\$ --	\$ 600	\$ 14,403	\$ 22,582	\$ --
--	--	--	73,793	--
--	600	14,403	96,375	--
83,951	--	--	--	--
<u>83,951</u>	--	--	--	--
--	126,620	--	--	--
1,008,202	--	411,603	8,925	93,374
<u>1,008,202</u>	<u>126,620</u>	<u>411,603</u>	<u>8,925</u>	<u>93,374</u>
<u>\$ 1,092,153</u>	<u>\$ 127,220</u>	<u>\$ 426,006</u>	<u>\$ 105,300</u>	<u>\$ 93,374</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2013

	Emergency Siren	Downtown Improvement
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,319	\$ 3,974
Investments	14,999	58,168
Receivables (net of allowances for uncollectibles):		
Accounts receivable	--	--
Assessments receivable	--	--
Due from other funds	--	--
Inventory	--	--
Total Assets	<u>\$ 28,318</u>	<u>\$ 62,142</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ --	\$ 4,422
Due to other funds	--	--
Total Liabilities	<u>--</u>	<u>4,422</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue-other	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>
<b>FUND BALANCES</b>		
Restricted	--	--
Committed	28,318	57,720
Total Fund Balances	<u>28,318</u>	<u>57,720</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 28,318</u>	 <u>\$ 62,142</u>

Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 3,611	\$ 8,207	\$ 186,780
--	190,255	2,938,276
--	--	89,731
--	--	83,951
--	--	70,001
--	--	24,179
<u>\$ 3,611</u>	<u>\$ 198,462</u>	<u>\$ 3,392,918</u>
\$ --	\$ --	\$ 113,789
--	--	73,793
--	--	187,582
--	21,679	105,630
--	21,679	105,630
--	--	126,620
3,611	176,783	2,973,086
<u>3,611</u>	<u>176,783</u>	<u>3,099,706</u>
<u>\$ 3,611</u>	<u>\$ 198,462</u>	<u>\$ 3,392,918</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Cemetery	Police Investigation	Recreational Development	Radio System
Revenues:				
Sales taxes	\$ --	\$ --	\$ --	\$ --
Charges for services	--	236,161	327,932	39,239
Intergovernmental	--	31,741	--	--
Interest income	--	--	(3)	--
Miscellaneous	2,796	--	--	--
Donations	--	--	32,500	--
Total revenues	<u>2,796</u>	<u>267,902</u>	<u>360,429</u>	<u>39,239</u>
Expenditures:				
Current:				
Administration	--	--	--	188,240
Finance	--	--	--	--
Police	--	49,220	--	--
Fire	--	--	--	--
Parks and recreation	--	--	140,624	--
Total current	<u>--</u>	<u>49,220</u>	<u>140,624</u>	<u>188,240</u>
Capital outlay:				
Administration	--	--	--	--
Police	--	139,911	--	--
Fire	--	--	--	--
Parks and recreation	1,656	--	49,374	--
Total capital outlay	<u>1,656</u>	<u>139,911</u>	<u>49,374</u>	<u>--</u>
Debt service:				
Total expenditures	<u>1,656</u>	<u>189,131</u>	<u>189,998</u>	<u>188,240</u>
Excess (deficiency) of revenues over (under) expenditures	1,140	78,771	170,431	(149,001)
Other financing sources (uses):				
Transfers in	--	--	--	150,000
Transfers out	--	(29,000)	(50,000)	--
Total other financing sources (uses)	<u>--</u>	<u>(29,000)</u>	<u>(50,000)</u>	<u>150,000</u>
Net change in fund balances	1,140	49,771	120,431	999
Fund balances, October 1	100,433	813,256	83,357	15,163
Fund balances, September 30	<u>\$ 101,573</u>	<u>\$ 863,027</u>	<u>\$ 203,788</u>	<u>\$ 16,162</u>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ --	\$ 292,485	\$ --	\$ --	\$ --
--	--	93,600	--	--
--	--	--	8,619	--
41	--	--	--	--
71,154	--	80,501	22,787	25,456
--	--	--	--	--
<u>71,195</u>	<u>292,485</u>	<u>174,101</u>	<u>31,406</u>	<u>25,456</u>
--	--	--	76,591	12,162
--	302,777	--	--	--
--	--	--	--	--
--	--	7,372	--	--
--	--	--	--	--
<u>--</u>	<u>302,777</u>	<u>7,372</u>	<u>76,591</u>	<u>12,162</u>
162,500	--	--	--	--
--	--	--	--	--
--	--	35,048	--	--
--	--	--	--	--
<u>162,500</u>	<u>--</u>	<u>35,048</u>	<u>--</u>	<u>--</u>
<u>162,500</u>	<u>302,777</u>	<u>42,420</u>	<u>76,591</u>	<u>12,162</u>
(91,305)	(10,292)	131,681	(45,185)	13,294
--	--	--	25,000	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>25,000</u>	<u>--</u>
(91,305)	(10,292)	131,681	(20,185)	13,294
1,099,507	136,912	279,922	29,110	80,080
<u>\$ 1,008,202</u>	<u>\$ 126,620</u>	<u>\$ 411,603</u>	<u>\$ 8,925</u>	<u>\$ 93,374</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Emergency Siren</u>	<u>Downtown Improvement</u>
Revenues:		
Sales taxes	\$ --	\$ --
Charges for services	2,819	5,000
Intergovernmental	--	--
Interest income	--	--
Miscellaneous	--	--
Donations	--	10,000
Total revenues	<u>2,819</u>	<u>15,000</u>
Expenditures:		
Current:		
Administration	--	--
Finance	--	--
Police	--	--
Fire	--	--
Parks and recreation	--	(2,476)
Total current	<u>--</u>	<u>(2,476)</u>
Capital outlay:		
Administration	--	--
Police	--	--
Fire	--	--
Parks and recreation	--	--
Total capital outlay	<u>--</u>	<u>--</u>
Debt service:		
Total expenditures	<u>--</u>	<u>(2,476)</u>
Excess (deficiency) of revenues over (under) expenditures	2,819	17,476
Other financing sources (uses):		
Transfers in	--	--
Transfers out	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balances	2,819	17,476
Fund balances, October 1	25,499	40,244
Fund balances, September 30	<u>\$ 28,318</u>	<u>\$ 57,720</u>

Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 292,485
--	--	704,751
--	--	40,360
--	--	38
--	--	202,694
2,370	--	44,870
<u>2,370</u>	<u>--</u>	<u>1,285,198</u>
--	--	276,993
--	--	302,777
--	2,997	52,217
--	--	7,372
--	--	138,148
<u>--</u>	<u>2,997</u>	<u>777,507</u>
--	--	162,500
--	--	139,911
--	--	35,048
--	--	51,030
<u>--</u>	<u>--</u>	<u>388,489</u>
--	2,997	1,165,996
2,370	(2,997)	119,202
--	--	175,000
--	--	(79,000)
--	--	96,000
2,370	(2,997)	215,202
1,241	179,780	2,884,504
<u>\$ 3,611</u>	<u>\$ 176,783</u>	<u>\$ 3,099,706</u>

**CITY OF ROCKWALL, TEXAS**  
 CEMETERY FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-5

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Miscellaneous	\$ 2,500	\$ 2,796	\$ 296
Total revenues	<u>2,500</u>	<u>2,796</u>	<u>296</u>
Expenditures:			
Capital outlay:			
Parks and recreation	--	1,656	(1,656)
Total capital outlay	<u>--</u>	<u>1,656</u>	<u>(1,656)</u>
Total expenditures	<u>--</u>	<u>1,656</u>	<u>(1,656)</u>
Net change in fund balances	2,500	1,140	(1,360)
Fund balances, October 1	100,433	100,433	--
Fund balances, September 30	<u>\$ 102,933</u>	<u>\$ 101,573</u>	<u>\$ (1,360)</u>

**CITY OF ROCKWALL, TEXAS**  
 POLICE INVESTIGATION FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 64,200	\$ 236,161	\$ 171,961
Intergovernmental	31,100	31,741	641
Interest income	500	--	(500)
Total revenues	<u>95,800</u>	<u>267,902</u>	<u>172,102</u>
Expenditures:			
Current:			
Police	66,750	49,220	17,530
Total current	<u>66,750</u>	<u>49,220</u>	<u>17,530</u>
Capital outlay:			
Police	23,900	139,911	(116,011)
Total capital outlay	<u>23,900</u>	<u>139,911</u>	<u>(116,011)</u>
Total expenditures	<u>90,650</u>	<u>189,131</u>	<u>(98,481)</u>
Excess (deficiency) of revenues over (under) expenditures	5,150	78,771	73,621
Other financing sources (uses):			
Transfers out	(39,000)	(29,000)	10,000
Total other financing sources (uses)	<u>(39,000)</u>	<u>(29,000)</u>	<u>10,000</u>
Net change in fund balances	(33,850)	49,771	83,621
Fund balances, October 1	813,256	813,256	--
Fund balances, September 30	<u>\$ 779,406</u>	<u>\$ 863,027</u>	<u>\$ 83,621</u>

**CITY OF ROCKWALL, TEXAS**  
 RECREATIONAL DEVELOPMENT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 305,000	\$ 327,932	\$ 22,932
Interest income	--	(3)	(3)
Donations	30,000	32,500	2,500
Total revenues	<u>335,000</u>	<u>360,429</u>	<u>25,429</u>
Expenditures:			
Current:			
Parks and recreation	150,000	140,624	9,376
Total current	<u>150,000</u>	<u>140,624</u>	<u>9,376</u>
Capital outlay:			
Parks and recreation	--	49,374	(49,374)
Total capital outlay	<u>--</u>	<u>49,374</u>	<u>(49,374)</u>
Total expenditures	<u>150,000</u>	<u>189,998</u>	<u>(39,998)</u>
Excess (deficiency) of revenues over (under) expenditures	185,000	170,431	(14,569)
Other financing sources (uses):			
Transfers out	(50,000)	(50,000)	--
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>--</u>
Net change in fund balances	135,000	120,431	(14,569)
Fund balances, October 1	83,357	83,357	--
Fund balances, September 30	<u>\$ 218,357</u>	<u>\$ 203,788</u>	<u>\$ (14,569)</u>

**CITY OF ROCKWALL, TEXAS**  
 RADIO SYSTEM  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 39,200	\$ 39,239	\$ 39
Total revenues	<u>39,200</u>	<u>39,239</u>	<u>39</u>
Expenditures:			
Current:			
Administration	184,500	188,240	(3,740)
Total current	<u>184,500</u>	<u>188,240</u>	<u>(3,740)</u>
Total expenditures	<u>184,500</u>	<u>188,240</u>	<u>(3,740)</u>
Excess (deficiency) of revenues over (under) expenditures	(145,300)	(149,001)	(3,701)
Other financing sources (uses):			
Transfers in	150,000	150,000	--
Total other financing sources (uses)	<u>150,000</u>	<u>150,000</u>	<u>--</u>
Net change in fund balances	4,700	999	(3,701)
Fund balances, October 1	15,163	15,163	--
Fund balances, September 30	<u>\$ 19,863</u>	<u>\$ 16,162</u>	<u>\$ (3,701)</u>

**CITY OF ROCKWALL, TEXAS**  
 STREET IMPROVEMENTS FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$ 500	\$ 41	\$ (459)
Miscellaneous	64,200	71,154	6,954
Total revenues	<u>64,700</u>	<u>71,195</u>	<u>6,495</u>
Expenditures:			
Capital outlay:			
Administration	162,500	162,500	--
Total capital outlay	<u>162,500</u>	<u>162,500</u>	--
Total expenditures	<u>162,500</u>	<u>162,500</u>	--
Net change in fund balances	(97,800)	(91,305)	6,495
Fund balances, October 1	1,099,507	1,099,507	--
Fund balances, September 30	<u>\$ 1,001,707</u>	<u>\$ 1,008,202</u>	<u>\$ 6,495</u>

**CITY OF ROCKWALL, TEXAS**  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-10

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Sales taxes	\$ 275,000	\$ 292,485	\$ 17,485
Total revenues	<u>275,000</u>	<u>292,485</u>	<u>17,485</u>
Expenditures:			
Current:			
Finance	287,500	302,777	(15,277)
Total current	<u>287,500</u>	<u>302,777</u>	<u>(15,277)</u>
Total expenditures	<u>287,500</u>	<u>302,777</u>	<u>(15,277)</u>
Net change in fund balances	(12,500)	(10,292)	2,208
Fund balances, October 1	136,912	136,912	--
Fund balances, September 30	<u>\$ 124,412</u>	<u>\$ 126,620</u>	<u>\$ 2,208</u>

**CITY OF ROCKWALL, TEXAS**  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-11

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services	\$ 93,600	\$ 93,600	\$ --
Interest income	5,500	--	(5,500)
Miscellaneous	75,000	80,501	5,501
Total revenues	<u>174,100</u>	<u>174,101</u>	<u>1</u>
Expenditures:			
Current:			
Fire	11,000	7,372	3,628
Total current	<u>11,000</u>	<u>7,372</u>	<u>3,628</u>
Capital outlay:			
Fire	78,500	35,048	43,452
Total capital outlay	<u>78,500</u>	<u>35,048</u>	<u>43,452</u>
Total expenditures	<u>89,500</u>	<u>42,420</u>	<u>47,080</u>
Net change in fund balances	84,600	131,681	47,081
Fund balances, October 1	279,922	279,922	--
Fund balances, September 30	<u>\$ 364,522</u>	<u>\$ 411,603</u>	<u>\$ 47,081</u>

**CITY OF ROCKWALL, TEXAS**  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-12

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 7,500	\$ 8,619	\$ 1,119
Miscellaneous	9,000	22,787	13,787
Total revenues	<u>16,500</u>	<u>31,406</u>	<u>14,906</u>
Expenditures:			
Current:			
Administration	70,100	76,591	(6,491)
Total current	<u>70,100</u>	<u>76,591</u>	<u>(6,491)</u>
Total expenditures	<u>70,100</u>	<u>76,591</u>	<u>(6,491)</u>
Excess (deficiency) of revenues over (under) expenditures	(53,600)	(45,185)	8,415
Other financing sources (uses):			
Transfers in	25,000	25,000	--
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>--</u>
Net change in fund balances	(28,600)	(20,185)	8,415
Fund balances, October 1	29,110	29,110	--
Fund balances, September 30	<u>\$ 510</u>	<u>\$ 8,925</u>	<u>\$ 8,415</u>

**CITY OF ROCKWALL, TEXAS**  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-13

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Miscellaneous	\$ 29,800	\$ 25,456	\$ (4,344)
Total revenues	<u>29,800</u>	<u>25,456</u>	<u>(4,344)</u>
Expenditures:			
Current:			
Administration	14,000	12,162	1,838
Total current	<u>14,000</u>	<u>12,162</u>	<u>1,838</u>
Total expenditures	<u>14,000</u>	<u>12,162</u>	<u>1,838</u>
Net change in fund balances	15,800	13,294	(2,506)
Fund balances, October 1	80,080	80,080	--
Fund balances, September 30	<u>\$ 95,880</u>	<u>\$ 93,374</u>	<u>\$ (2,506)</u>

**CITY OF ROCKWALL, TEXAS**  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-14

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes, penalty and interest	\$ 8,247,000	\$ 8,243,186	\$ (3,814)
Interest income	1,000	(110)	(1,110)
Miscellaneous	390,000	444,282	54,282
Total revenues	<u>8,638,000</u>	<u>8,687,358</u>	<u>49,358</u>
Expenditures:			
Current:			
Police	117,150	112,645	4,505
Total current	<u>117,150</u>	<u>112,645</u>	<u>4,505</u>
Debt service:			
Principal	4,998,050	4,998,038	12
Interest	3,928,550	3,979,531	(50,981)
Fiscal charges	10,000	10,500	(500)
Total debt service:	<u>8,936,600</u>	<u>8,988,069</u>	<u>(51,469)</u>
Total expenditures	<u>9,053,750</u>	<u>9,100,714</u>	<u>(46,964)</u>
Excess (deficiency) of revenues over (under) expenditures	(415,750)	(413,356)	2,394
Other financing sources (uses):			
Transfers out	--	(35,800)	(35,800)
Total other financing sources (uses)	<u>--</u>	<u>(35,800)</u>	<u>(35,800)</u>
Net change in fund balances	(415,750)	(449,156)	(33,406)
Fund balances, October 1	1,221,201	1,221,201	--
Fund balances, September 30	<u>\$ 805,451</u>	<u>\$ 772,045</u>	<u>\$ (33,406)</u>

**CITY OF ROCKWALL, TEXAS**  
HARBOR DEBT SERVICE  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-15

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes, penalty and interest	\$ 610,100	\$ 659,233	\$ 49,133
Sales taxes	320,000	313,520	(6,480)
Total revenues	<u>930,100</u>	<u>972,753</u>	<u>42,653</u>
Expenditures:			
Current:			
Parks and recreation	6,000	--	6,000
Total current	<u>6,000</u>	<u>--</u>	<u>6,000</u>
Debt service:			
Principal	270,000	270,000	--
Interest	634,300	634,256	44
Total debt service:	<u>904,300</u>	<u>904,256</u>	<u>44</u>
Total expenditures	<u>910,300</u>	<u>904,256</u>	<u>6,044</u>
Excess (deficiency) of revenues over (under) expenditures	19,800	68,497	48,697
Other financing sources (uses):			
Transfers in	281,800	35,800	(246,000)
Total other financing sources (uses)	<u>281,800</u>	<u>35,800</u>	<u>(246,000)</u>
Net change in fund balances	301,600	104,297	(197,303)
Fund balances, October 1	97,518	97,518	--
Fund balances, September 30	<u>\$ 399,118</u>	<u>\$ 201,815</u>	<u>\$ (197,303)</u>

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**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2013

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 248,293	\$ 109,475
Investments	349,966	1,191,232
Receivables (net of allowances for uncollectibles):		
Accrued interest	3,564	922
<b>Total Assets</b>	<u>\$ 601,823</u>	<u>\$ 1,301,629</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 3,540	\$ 55,451
<b>Total Liabilities</b>	<u>3,540</u>	<u>55,451</u>
<b>FUND BALANCES</b>		
Assigned	598,283	1,246,178
<b>Total Fund Balances</b>	<u>598,283</u>	<u>1,246,178</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 601,823</u>	<u>\$ 1,301,629</u>

205 Bypass Project	Harbor/TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 317,781	\$ 889,061	\$ 1,564,610
--	2,359,812	3,901,010
--	--	4,486
<u>\$ 317,781</u>	<u>\$ 3,248,873</u>	<u>\$ 5,470,106</u>
\$ --	\$ 863,132	\$ 922,123
<u>--</u>	<u>863,132</u>	<u>922,123</u>
317,781	2,385,741	4,547,983
<u>317,781</u>	<u>2,385,741</u>	<u>4,547,983</u>
<u>\$ 317,781</u>	<u>\$ 3,248,873</u>	<u>\$ 5,470,106</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Capital Projects	Equipment Acquisition
Revenues:		
Interest income	\$ (90,897)	\$ (8,115)
Miscellaneous	--	225
Donations	--	--
Total revenues	<u>(90,897)</u>	<u>(7,890)</u>
Expenditures:		
Capital outlay:		
Administration	2,251,513	372,104
Finance	--	124,302
Municipal court	--	205,947
Police	--	15,466
Fire	--	2,068,851
Total capital outlay	<u>2,251,513</u>	<u>2,786,670</u>
Debt service:		
Bond issuance cost	--	19,707
Total debt service:	<u>--</u>	<u>19,707</u>
Total expenditures	<u>2,251,513</u>	<u>2,806,377</u>
Excess (deficiency) of revenues over (under) expenditures	(2,342,410)	(2,814,267)
Other financing sources (uses):		
Transfers in	--	141,650
Issuance of long-term debt	--	2,625,000
Premium on bonds issued	--	64,806
Discount on bonds issued	--	(14,476)
Total other financing sources (uses)	<u>--</u>	<u>2,816,980</u>
Net change in fund balances	(2,342,410)	2,713
Fund balances, October 1	2,940,693	1,243,465
Fund balances, September 30	<u>\$ 598,283</u>	<u>\$ 1,246,178</u>

205 Bypass Project	Harbor/TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ 26	\$ (98,986)
--	--	225
59	--	59
<u>59</u>	<u>26</u>	<u>(98,702)</u>
193,250	767,332	3,584,199
--	--	124,302
--	--	205,947
--	--	15,466
--	--	2,068,851
<u>193,250</u>	<u>767,332</u>	<u>5,998,765</u>
--	--	19,707
<u>--</u>	<u>--</u>	<u>19,707</u>
193,250	767,332	6,018,472
(193,191)	(767,306)	(6,117,174)
--	1,244,000	1,385,650
--	--	2,625,000
--	--	64,806
--	--	(14,476)
<u>--</u>	<u>1,244,000</u>	<u>4,060,980</u>
(193,191)	476,694	(2,056,194)
510,972	1,909,047	6,604,177
<u>\$ 317,781</u>	<u>\$ 2,385,741</u>	<u>\$ 4,547,983</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2013

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-7)
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 155,222	\$ 13,195	\$ 168,417
Investments	377,106	400,232	777,338
Other receivables	183,147	--	183,147
Total current assets	<u>715,475</u>	<u>413,427</u>	<u>1,128,902</u>
Total Assets	<u>715,475</u>	<u>413,427</u>	<u>1,128,902</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 653,514	\$ 109,978	\$ 763,492
Total current liabilities	<u>653,514</u>	<u>109,978</u>	<u>763,492</u>
Total Liabilities	<u>653,514</u>	<u>109,978</u>	<u>763,492</u>
<b>NET POSITION</b>			
Unrestricted	61,961	303,449	365,410
Total Net Position	<u>\$ 61,961</u>	<u>\$ 303,449</u>	<u>\$ 365,410</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-8)
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 959,454	\$ --	\$ 959,454
Total Operating Revenues	<u>959,454</u>	<u>--</u>	<u>959,454</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	3,441,641	218,765	3,660,406
Total Operating Expenses	<u>3,441,641</u>	<u>218,765</u>	<u>3,660,406</u>
Operating Income (Loss)	<u>(2,482,187)</u>	<u>(218,765)</u>	<u>(2,700,952)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	(221)	(232)	(453)
Miscellaneous income	24,095	500	24,595
Total Non-operating Revenues (Expenses)	<u>23,874</u>	<u>268</u>	<u>24,142</u>
Net Income (Loss) before Operating Transfers	<u>(2,458,313)</u>	<u>(218,497)</u>	<u>(2,676,810)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Capital contributions	--	--	--
Transfers in	3,125,000	30,000	3,155,000
Transfers from component unit	--	--	--
Transfers out	--	--	--
Total Transfers and Capital Contributions	<u>3,125,000</u>	<u>30,000</u>	<u>3,155,000</u>
Change in net position	<u>666,687</u>	<u>(188,497)</u>	<u>478,190</u>
Net position, October 1	(604,726)	491,946	(112,780)
Net position, September 30	<u>\$ 61,961</u>	<u>\$ 303,449</u>	<u>\$ 365,410</u>

**CITY OF ROCKWALL, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 894,381	\$ 500	\$ 894,881
Cash Payments to Suppliers for Goods and Services	(3,179,669)	(146,755)	(3,326,424)
Net Cash Provided (Used) by Operating Activities	<u>(2,285,288)</u>	<u>(146,255)</u>	<u>(2,431,543)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>			
Cash Received from Other Funds	3,125,000	30,000	3,155,000
Cash Paid to Other Funds	(387,219)	(20,550)	(407,769)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>2,737,781</u>	<u>9,450</u>	<u>2,747,231</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investment Securities	(50,364)	--	(50,364)
Proceeds from Sale and Maturities of Securities	--	20,572	20,572
Interest and Dividends on Investments	(221)	(232)	(453)
Net Cash Provided (Used) for Investing Activities	<u>(50,585)</u>	<u>20,340</u>	<u>(30,245)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	401,908	(116,465)	285,443
Cash and Cash Equivalents at Beginning of Year	78,780	475,085	553,865
Cash and Cash Equivalents at End of Year	480,688	358,620	839,308
Cash Equivalents Included in Investments	(325,466)	(345,425)	(670,891)
Net Cash and Cash Equivalents	<u>\$ 155,222</u>	<u>\$ 13,195</u>	<u>\$ 168,417</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ (2,482,187)	\$ (218,765)	\$ (2,700,952)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Miscellaneous income	24,095	500	24,595
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(89,168)	--	(89,168)
Increase (Decrease) in Accounts Payable	261,972	72,010	333,982
Total Adjustments	<u>196,899</u>	<u>72,510</u>	<u>269,409</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,285,288)</u>	<u>\$ (146,255)</u>	<u>\$ (2,431,543)</u>

**CITY OF ROCKWALL, TEXAS**

EXHIBIT C-21

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
YEAR ENDED SEPTEMBER 30, 2013

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013
<b>ASSETS</b>				
Cash	\$ 266,539	\$ 148,245	\$ 215,890	\$ 198,894
Investments	943,460	177,521	27,248	1,093,733
Accrued interest receivable	10,361	--	9,397	964
Total Assets	<u>\$ 1,220,360</u>	<u>\$ 325,766</u>	<u>\$ 252,535</u>	<u>\$ 1,293,591</u>
<b>LIABILITIES</b>				
Due to developers	\$ 1,220,360	\$ 325,766	\$ 252,535	\$ 1,293,591
Total Liabilities	<u>\$ 1,220,360</u>	<u>\$ 325,766</u>	<u>\$ 252,535</u>	<u>\$ 1,293,591</u>

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Capital Assets Used in the  
Operation of Governmental Funds

**CITY OF ROCKWALL, TEXAS**  
 COMPARATIVE SCHEDULES BY SOURCE OF  
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013 AND 2012

EXHIBIT C-22

	<u>2013</u>	<u>2012</u>
Governmental capital assets:		
Land	\$ 14,377,674	\$ 14,102,412
Buildings	19,683,459	18,205,698
Improvements other than buildings	29,334,932	28,212,192
Machinery and equipment	17,128,172	14,653,437
Infrastructure	194,195,174	183,944,803
Construction in progress	7,892,474	9,946,346
Total governmental capital assets	<u>\$ 282,611,885</u>	<u>\$ 269,064,888</u>
Investment in governmental capital assets by source:		
Bond proceeds	\$ 145,795,930	\$ 138,132,745
General government	45,994,003	43,933,868
Grants and entitlements	2,673,841	2,554,248
Developer contributions	88,148,111	84,444,027
Total governmental capital assets by source	<u>\$ 282,611,885</u>	<u>\$ 269,064,888</u>

**CITY OF ROCKWALL, TEXAS**

SCHEDULE BY FUNCTION AND ACTIVITY OF  
CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

EXHIBIT C-23

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Total
General government	\$ 3,164,065	\$ 7,892,474	\$ 6,259,729	\$ 4,657,900	\$ 3,552,312	--	\$ 25,526,480
Public works	8,499,781	--	357,984	1,532,174	1,343,193	194,195,174	205,928,306
Public safety	1,020,430	--	3,476,027	12,802	4,141,746	--	8,651,005
Recreational/development	1,693,398	--	2,293,648	23,132,056	1,297,322	--	28,416,424
Fire equipment	--	--	7,296,071	--	6,793,599	--	14,089,670
Total Governmental Capital Assets	\$ 14,377,674	\$ 7,892,474	\$ 19,683,459	\$ 29,334,932	\$ 17,128,172	\$ 194,195,174	\$ 282,611,885

**CITY OF ROCKWALL, TEXAS**

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY OF  
CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-24

Function and Activity	Capital Assets October 1, 2012	Additions	Deductions	Transfers	Capital Assets September 30, 2013
General government	\$ 26,928,464	\$ 8,029,136	(189,666)	\$ (9,241,454)	\$ 25,526,480
Public works	194,841,358	3,858,930	(21,462)	7,249,480	205,928,306
Public Safety	6,611,277	567,171	(128,613)	1,601,170	8,651,005
Recreation/development	28,024,302	24,560	(23,242)	390,804	28,416,424
Fire Equipment	12,659,487	1,706,600	(276,417)	--	14,089,670
Total governmental funds Capital Assets	<u>\$ 269,064,888</u>	<u>\$ 14,186,397</u>	<u>(639,400)</u>	<u>--</u>	<u>\$ 282,611,885</u>

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

### *DISCRETELY PRESENTED COMPONENT UNITS*

The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF NET POSITION - DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 26,870	\$ 23,706	\$ 50,576
Investments	12,954,754	40,424	12,995,178
Receivables (net of allowances for uncollectibles)	88,778	8,610	97,388
Internal balances	--	--	--
Due from other governments	707,550	--	707,550
Inventories	15,653,772	--	15,653,772
Deposits	43,474	--	43,474
Restricted assets:			
Capital assets (net of accumulated depreciation)			
Machinery and equipment	43,954	--	43,954
Total Assets	<u>29,519,152</u>	<u>72,740</u>	<u>29,591,892</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred bond issue cost - insurance	11,392	--	11,392
Deferred charge on refunding	39,102	--	39,102
Total Deferred Outflow of Resources	<u>50,494</u>	<u>--</u>	<u>50,494</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	465,015	25,292	490,307
Liabilities payable from restricted assets -			
Noncurrent liabilities:			
Due within one year	1,828,331	--	1,828,331
Due in more than one year	26,605,346	--	26,605,346
Total Liabilities	<u>28,898,692</u>	<u>25,292</u>	<u>28,923,984</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	43,954	--	43,954
Unrestricted	627,000	47,448	674,448
Total Net Position	<u>\$ 670,954</u>	<u>\$ 47,448</u>	<u>\$ 718,402</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF ACTIVITIES - DISCRETE COMPONENT UNITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>DISCRETE COMPONENT UNITS:</b>			
Rockwall Economic Development Corporation			
Administration	\$ 2,124,286	\$ --	\$ 77,129
Interest on long-term debt	1,091,658	--	--
Total Rockwall Economic Development Corporation	<u>3,215,944</u>	<u>--</u>	<u>77,129</u>
Administration			
Rockwall Technology Park Association			
Administration	147,379	157,401	--
Total Primary Government	<u>\$ 3,363,323</u>	<u>\$ 157,401</u>	<u>\$ 77,129</u>

General Revenues:

- Sales Taxes
- Franchise Taxes
- Miscellaneous
- Unrestricted Investment Earnings

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

<u>REDC</u>	<u>RTPA</u>	<u>Total</u>
\$ (2,047,157)		\$ (2,047,157)
(1,091,658)		(1,091,658)
<u>(3,138,815)</u>		<u>(3,138,815)</u>
	\$ 10,022	10,022
<u>(3,138,815)</u>	<u>10,022</u>	<u>(3,128,793)</u>
4,528,427	--	4,528,427
160,000	--	160,000
314,511	--	314,511
2,906	11	2,917
<u>5,005,844</u>	<u>11</u>	<u>5,005,855</u>
1,867,029	10,033	1,877,062
(1,196,075)	37,415	(1,158,660)
<u>\$ 670,954</u>	<u>\$ 47,448</u>	<u>\$ 718,402</u>

**CITY OF ROCKWALL, TEXAS**COMBINING BALANCE SHEET - DISCRETE COMPONENT UNITS  
SEPTEMBER 30, 2013

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 26,870	\$ 23,706	\$ 50,576
Investments	12,954,754	40,424	12,995,178
Receivables (net of allowances for uncollectibles):			
Accrued interest	141	--	141
Accounts receivable	88,637	8,610	97,247
Due from other governments	707,550	--	707,550
Inventory	15,653,772	--	15,653,772
Deposits	43,474	--	43,474
Total Assets	<u>\$ 29,475,198</u>	<u>\$ 72,740</u>	<u>\$ 29,547,938</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 281,340	\$ 25,292	\$ 306,632
Total Liabilities	<u>281,340</u>	<u>25,292</u>	<u>306,632</u>
<b>Fund balances:</b>			
Nonspendable	15,653,772	--	15,653,772
Restricted	13,540,086	47,448	13,587,534
Total fund balances	<u>29,193,858</u>	<u>47,448</u>	<u>29,241,306</u>
Total Liabilities and Fund Balances	<u>\$ 29,475,198</u>	<u>\$ 72,740</u>	<u>\$ 29,547,938</u>

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION - DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2013

Total fund balances - governmental funds balance sheet	\$ 29,241,306
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	43,954
Payables for bond principal which are not due in the current period are not reported in the funds.	(28,409,298)
Payables for bond interest which are not due in the current period are not reported in the funds.	(183,675)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(24,379)
Deferred resource outflows are not available to pay for current period expenditures and are deferred in the funds.	<u>50,494</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 718,402</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DISCRETE COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
Revenues:			
Sales taxes	\$ 4,528,426	\$ --	\$ 4,528,426
Franchise taxes	160,000	--	160,000
Intergovernmental	77,129	--	77,129
Interest income	2,906	11	2,917
Miscellaneous	314,511	157,401	471,912
Total revenues	<u>5,082,972</u>	<u>157,412</u>	<u>5,240,384</u>
	5,082,972		
Expenditures:			
Current:			
Administration	1,137,693	147,379	1,285,072
Total current	<u>1,137,693</u>	<u>147,379</u>	<u>1,285,072</u>
Capital outlay:			
Administration	1,005,234	--	1,005,234
Total capital outlay	<u>1,005,234</u>	<u>--</u>	<u>1,005,234</u>
Debt service:			
Principal	1,275,000	--	1,275,000
Interest	968,817	--	968,817
Fiscal charges	4,000	--	4,000
Bond issuance cost	97,902	--	97,902
Total debt service:	<u>2,345,719</u>	<u>--</u>	<u>2,345,719</u>
Total expenditures	<u>4,488,646</u>	<u>147,379</u>	<u>4,636,025</u>
Excess (deficiency) of revenues over (under) expenditures	594,326	10,033	604,359
Other financing sources (uses):			
Issuance of long-term debt	12,193,592	--	12,193,592
Premium on bonds issued	187,877	--	187,877
Discount on bonds issued	(76,179)	--	(76,179)
Total other financing sources (uses)	<u>12,305,290</u>	<u>--</u>	<u>12,305,290</u>
Net change in fund balances	12,899,616	10,033	12,909,649
Fund balances, October 1	16,294,242	37,415	16,331,657
Fund balances, September 30	<u>\$ 29,193,858</u>	<u>\$ 47,448</u>	<u>\$ 29,241,306</u>

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DISCRETE COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds	\$ 12,909,649
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	29,826
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,146)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,275,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(11,976)
(Increase) decrease in accrued interest from beginning of period to end of period.	(23,939)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	7,937
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(12,193,592)
Bond premiums are reported in the funds but not in the SOA.	(187,877)
Bond discounts are reported in the funds but not in the SOA.	76,180
	<u>1,877,062</u>
Change in net position of governmental activities - Statement of Activities	\$ <u>1,877,062</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
 ECONOMIC DEVELOPMENT CORPORATION  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-31

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 4,419,400	\$ 4,528,426	\$ 109,026
Franchise taxes	160,000	160,000	--
Intergovernmental	85,000	77,129	(7,871)
Interest income	3,500	2,906	(594)
Miscellaneous	--	314,511	314,511
Total revenues	<u>4,667,900</u>	<u>5,082,972</u>	<u>415,072</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Administration	1,157,350	1,137,693	19,657
Total current	<u>1,157,350</u>	<u>1,137,693</u>	<u>19,657</u>
<b>Capital outlay:</b>			
Administration	5,849,800	1,005,234	4,844,566
Total capital outlay	<u>5,849,800</u>	<u>1,005,234</u>	<u>4,844,566</u>
<b>Debt service:</b>			
Principal	1,275,000	1,275,000	--
Interest	984,050	968,817	15,233
Fiscal charges	4,500	4,000	500
Bond issuance cost	196,600	97,902	98,698
Total debt service:	<u>2,460,150</u>	<u>2,345,719</u>	<u>114,431</u>
Total expenditures	<u>9,467,300</u>	<u>4,488,646</u>	<u>4,978,654</u>
Excess (deficiency) of revenues over (under) expenditures	(4,799,400)	594,326	5,393,726
<b>Other financing sources (uses):</b>			
Issuance of long-term debt	12,205,000	12,193,592	(11,408)
Premium on bonds issued	--	187,877	187,877
Discount on bonds issued	--	(76,179)	76,179
Total other financing sources (uses)	<u>12,205,000</u>	<u>12,305,290</u>	<u>(100,290)</u>
Net change in fund balances	7,405,600	12,899,616	5,494,016
Fund balances, October 1	16,294,242	16,294,242	--
Fund balances, September 30	<u>\$ 23,699,842</u>	<u>\$ 29,193,858</u>	<u>\$ 5,494,016</u>

**CITY OF ROCKWALL, TEXAS**

ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-32

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Interest income	\$ 50	\$ 11	\$ (39)
Miscellaneous	170,050	157,401	(12,649)
Total revenues	<u>170,100</u>	<u>157,412</u>	<u>(12,688)</u>
Expenditures:			
Current:			
Administration	170,100	147,379	22,721
Total current	<u>170,100</u>	<u>147,379</u>	<u>22,721</u>
Total expenditures	<u>170,100</u>	<u>147,379</u>	<u>22,721</u>
Net change in fund balances	--	10,033	10,033
Fund balances, October 1	37,415	37,415	--
Fund balances, September 30	<u>\$ 37,415</u>	<u>\$ 47,448</u>	<u>\$ 10,033</u>

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# STATISTICAL SECTION

This part of the City of Rockwall, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	127
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	136
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	144
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	149
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	152
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF ROCKWALL, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Invested in capital assets, net of related debt	\$ 89,523,344	\$ 89,851,392	\$ 91,085,278	\$ 89,101,460	\$ 88,367,580	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043
Restricted	2,353,423	16,124,192	1,774,193	11,788,623	2,306,529	14,222,187	23,258,947	37,748,076	17,051,680	5,897,961
Unrestricted	14,253,372	238,981	13,400,417	4,308,457	12,955,777	13,643,810	13,386,297	11,683,150	11,850,426	10,242,495
Total governmental activities net position	\$ 106,130,139	\$ 106,214,565	\$ 106,259,888	\$ 105,198,540	\$ 103,629,886	\$ 91,412,270	\$ 86,132,544	\$ 83,451,860	\$ 70,248,286	\$ 63,835,499
Business-type activities										
Invested in capital assets, net of related debt	\$ 60,558,579	\$ 58,888,435	\$ 58,139,970	\$ 54,288,096	\$ 53,418,392	\$ 48,127,382	\$ 47,893,027	\$ 41,923,596	\$ 37,368,956	\$ 38,406,139
Restricted	2,125,250	2,306,207	2,992,291	6,221,719	7,568,701	17,888,236	14,620,878	18,060,049	18,350,884	11,698,161
Unrestricted	3,208,557	4,300,793	6,124,975	5,340,103	6,162,163	5,283,929	5,463,619	7,081,727	7,475,827	9,457,896
Total business-type activities net position	\$ 65,892,386	\$ 65,495,435	\$ 67,257,236	\$ 65,849,918	\$ 67,149,256	\$ 71,299,547	\$ 67,977,524	\$ 67,065,372	\$ 63,195,667	\$ 59,562,196
Primary government										
Invested in capital assets, net of related debt	\$ 150,081,923	\$ 148,739,827	\$ 149,225,248	\$ 143,389,556	\$ 141,785,972	\$ 111,673,655	\$ 97,380,327	\$ 75,944,230	\$ 78,715,136	\$ 86,101,182
Restricted	4,478,673	18,430,399	4,766,484	18,010,342	9,875,230	32,110,423	37,879,825	55,808,125	35,402,564	17,596,122
Unrestricted	17,461,929	4,539,774	19,525,392	9,648,560	19,117,940	18,927,739	18,849,916	18,764,877	19,326,253	19,700,391
Total primary government net position	\$ 172,022,525	\$ 171,710,000	\$ 173,517,124	\$ 171,048,458	\$ 170,779,142	\$ 162,711,817	\$ 154,110,068	\$ 150,517,232	\$ 133,443,953	\$ 123,397,695

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>										
<b>Governmental activities:</b>										
Mayor/Council	\$ 102,993	\$ 106,959	\$ 111,494	\$ 116,372	\$ 109,844	\$ 117,366	\$ 111,555	\$ 108,366	\$ 78,114	\$ 74,416
Administration	7,565,249	7,631,175	7,183,587	6,862,780	6,707,709	7,384,773	5,523,924	6,040,692	4,908,083	5,757,527
Finance	951,808	1,360,201	1,331,943	1,294,888	1,409,054	1,338,894	1,138,210	1,027,654	954,840	877,537
Municipal Court	357,208	358,745	362,149	353,147	334,922	312,601	298,383	304,492	295,379	254,210
Police	9,441,521	8,836,213	8,423,470	8,609,827	8,384,774	7,130,698	7,001,771	6,095,435	6,372,344	6,862,707
Fire	3,172,688	3,002,941	2,734,296	2,741,288	2,201,236	2,242,829	2,207,468	1,889,269	1,144,577	1,530,503
Public Works	8,651,550	8,398,043	8,008,701	6,669,448	5,482,571	7,094,068	6,928,067	5,530,219	4,753,190	6,155,726
Community Development	2,432,153	1,185,114	1,203,407	1,210,519	1,350,023	2,229,753	2,018,363	1,781,548	1,680,857	1,493,249
Parks and Recreation	4,825,050	6,003,610	5,843,647	5,805,241	5,250,506	4,025,927	3,088,750	2,583,547	2,329,095	2,323,558
Interest on long-term debt	4,714,902	4,666,567	4,554,433	4,717,319	4,669,459	4,418,519	3,612,523	2,179,950	1,136,584	1,277,825
<b>Total governmental activities expenses</b>	<b>42,215,122</b>	<b>41,549,568</b>	<b>39,757,127</b>	<b>38,380,829</b>	<b>35,900,098</b>	<b>36,295,428</b>	<b>31,929,014</b>	<b>27,541,172</b>	<b>23,653,063</b>	<b>26,607,258</b>
<b>Business-type activities:</b>										
Water and Sewer	16,723,552	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272
<b>Total business-type activities expenses</b>	<b>16,723,552</b>	<b>15,549,248</b>	<b>14,715,610</b>	<b>13,916,192</b>	<b>13,272,884</b>	<b>12,206,742</b>	<b>10,917,707</b>	<b>10,253,226</b>	<b>8,777,277</b>	<b>7,061,272</b>
<b>Total primary government expenses</b>	<b>58,938,674</b>	<b>57,098,816</b>	<b>54,472,737</b>	<b>52,297,021</b>	<b>49,172,982</b>	<b>48,502,170</b>	<b>42,846,721</b>	<b>37,794,398</b>	<b>32,430,340</b>	<b>33,668,530</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Community Development	1,163,945	1,125,092	792,029	664,711	1,020,979	1,072,444	1,118,001	1,318,516	1,687,141	1,680,531
Municipal Court	967,113	1,179,016	1,195,552	1,193,019	1,082,488	974,973	989,677	883,228	917,610	928,470
Police	488,631	463,565	550,947	522,919	516,591	658,015	415,637	649,261	720,395	402,980
Other	843,169	814,487	665,314	706,280	667,091	1,252,838	1,275,491	1,771,297	1,012,518	894,130
Operating grants & contributions	358,808	660,140	366,656	59,303	81,199	151,741	1,059,602	783,317	894,114	1,424,824
Capital grants & contributions	3,411,221	2,012,936	4,525,403	4,437,478	8,127,487	6,620,540	3,193,554	11,804,857	5,893,301	6,624,160
<b>Total governmental activities program revenues</b>	<b>7,232,887</b>	<b>6,255,236</b>	<b>8,095,901</b>	<b>7,583,710</b>	<b>11,495,835</b>	<b>10,730,551</b>	<b>8,051,962</b>	<b>17,210,476</b>	<b>11,125,079</b>	<b>11,955,095</b>

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Business-type activities:</b>										
Charges for services:										
Water Sales	\$ 8,285,306	\$ 7,780,095	\$ 8,547,662	\$ 6,917,587	\$ 6,574,110	\$ 6,060,043	\$ 4,815,631	\$ 6,547,846	\$ 5,379,382	\$ 4,474,069
Sewer Charges	4,255,951	3,720,357	3,406,283	2,864,595	2,748,160	2,409,614	2,338,820	2,355,821	2,046,425	1,922,989
Other	2,577,650	2,564,063	2,752,625	2,150,155	1,951,945	1,797,390	1,616,873	2,164,135	2,072,748	1,890,686
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	3,426,328	1,178,672	2,157,402	1,992,680	3,374,321	5,616,869	2,808,528	4,319,065	3,411,639	6,576,943
<b>Total business-type activities program revenues</b>	<b>18,545,235</b>	<b>15,243,186</b>	<b>16,863,972</b>	<b>13,925,017</b>	<b>14,648,536</b>	<b>15,883,916</b>	<b>11,579,852</b>	<b>15,386,867</b>	<b>12,910,194</b>	<b>14,864,687</b>
<b>Total primary government program revenues</b>	<b>25,778,122</b>	<b>21,498,422</b>	<b>24,959,873</b>	<b>21,508,727</b>	<b>26,144,371</b>	<b>26,614,467</b>	<b>19,631,814</b>	<b>32,597,343</b>	<b>24,035,273</b>	<b>26,819,782</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(34,982,235)	(35,294,332)	(31,661,226)	(30,797,119)	(24,404,263)	(25,564,877)	(23,877,052)	(10,330,696)	(12,527,984)	(14,652,163)
Business-type activities	1,821,683	(306,062)	2,148,362	8,825	1,375,652	3,677,174	662,145	5,133,641	4,132,917	7,803,415
<b>Total primary government net expense</b>	<b>(33,160,552)</b>	<b>(35,600,394)</b>	<b>(29,512,864)</b>	<b>(30,788,294)</b>	<b>(23,028,611)</b>	<b>(21,887,703)</b>	<b>(23,214,907)</b>	<b>(5,197,055)</b>	<b>(8,395,067)</b>	<b>(6,848,748)</b>
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	17,870,887	17,321,016	17,204,239	16,735,510	16,422,119	14,780,112	11,827,931	9,063,530	8,111,715	7,265,947
Sales taxes	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,636	8,901,929	8,529,051	7,379,841	6,736,054
Other	3,310,417	3,613,020	3,011,917	3,285,081	3,734,068	4,625,450	4,477,541	3,566,689	2,442,815	2,167,786
Transfers	1,217,550	1,594,950	979,863	1,511,785	6,201,291	1,315,405	1,350,335	2,375,000	1,006,400	867,500
<b>Total governmental activities</b>	<b>36,443,947</b>	<b>35,249,009</b>	<b>32,722,574</b>	<b>32,365,773</b>	<b>36,621,879</b>	<b>30,844,603</b>	<b>26,557,736</b>	<b>23,534,270</b>	<b>18,940,771</b>	<b>17,037,287</b>
Business-type activities:										
Other	180,858	139,212	238,819	203,622	675,348	960,254	1,600,342	1,111,064	506,954	519,436
Transfers	(1,217,550)	(1,594,950)	(979,863)	(1,511,785)	(6,201,291)	(1,315,405)	(1,350,335)	(2,375,000)	(1,006,400)	(867,500)
<b>Total business-type activities</b>	<b>(1,036,692)</b>	<b>(1,455,738)</b>	<b>(741,044)</b>	<b>(1,308,163)</b>	<b>(5,525,943)</b>	<b>(355,151)</b>	<b>250,007</b>	<b>(1,263,936)</b>	<b>(499,446)</b>	<b>(348,064)</b>
<b>Total primary government</b>	<b>35,407,255</b>	<b>33,793,271</b>	<b>31,981,530</b>	<b>31,057,610</b>	<b>31,095,936</b>	<b>30,489,452</b>	<b>26,807,743</b>	<b>22,270,334</b>	<b>18,441,325</b>	<b>16,689,223</b>
<b>Change in Net Position</b>										
Governmental activities	1,461,712	(45,323)	1,061,348	1,568,654	12,217,616	5,279,726	2,680,684	13,203,574	6,412,787	2,385,124
Business-type activities	784,991	(1,761,800)	1,407,318	(1,299,338)	(4,150,291)	3,322,023	912,152	3,869,705	3,633,471	7,455,351
<b>Total primary government</b>	<b>\$ 2,246,703</b>	<b>\$ (1,807,123)</b>	<b>\$ 2,468,666</b>	<b>\$ 269,316</b>	<b>\$ 8,067,325</b>	<b>\$ 8,601,749</b>	<b>\$ 3,592,836</b>	<b>\$ 17,073,279</b>	<b>\$ 10,046,258</b>	<b>\$ 9,840,475</b>

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2004	\$ 7,265,947	\$ 6,736,054	\$ 1,776,406	\$ 15,778,407
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842
2009	16,422,119	10,264,401	2,535,846	29,222,366
2010	16,735,510	10,833,397	2,748,483	30,317,390
2011	17,204,239	11,526,555	2,445,762	31,176,556
2012	17,321,016	12,720,023	2,821,451	32,862,490
2013	17,870,887	14,045,093	2,743,839	34,659,819

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2004	\$ 4,474,069	\$ 1,922,989	\$ 6,397,058
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182
2011	8,547,662	3,406,283	11,953,945
2012	7,780,095	3,720,357	11,500,451
2013	8,285,306	4,255,951	12,541,257

CITY OF ROCKWALL, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-5

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 2,870	\$ 2,446	\$ 1,407	\$ 26,130	\$ 26,980	\$ 16,104
Restricted	-	23,038	-	-	-	-	-	-	-	-
Non-spendable	2,514	1,120	2,116	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	9,159,333	8,293,107	8,264,368	8,335,289	7,692,662	7,301,334	6,860,155
Unassigned	11,273,469	9,893,803	10,085,001	-	-	-	-	-	-	-
Total general fund	<u>\$ 11,275,983</u>	<u>\$ 9,917,961</u>	<u>\$ 10,087,117</u>	<u>\$ 9,159,333</u>	<u>\$ 8,295,977</u>	<u>\$ 8,266,814</u>	<u>\$ 8,336,696</u>	<u>\$ 7,718,792</u>	<u>\$ 7,328,314</u>	<u>\$ 6,876,259</u>
All other governmental funds										
Reserved for:										
Debt Service	\$ 772,045	\$ -	\$ -	\$ 930,290	\$ 1,077,236	\$ 835,203	\$ 1,083,320	\$ 1,461,294	\$ 1,155,897	\$ 694,758
Restricted	328,435	1,511,561	1,641,992	-	-	-	-	-	-	-
Committed	2,973,086	2,722,094	2,608,081	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	2,320,833	2,399,605	3,145,275	2,797,330	2,422,376	2,046,410	1,358,357
Capital projects funds	-	-	-	10,319,501	16,906,340	13,094,614	21,877,706	36,529,256	16,113,095	5,271,300
Assigned	15,535,782	14,549,510	16,652,507	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 19,609,348</u>	<u>\$ 18,783,165</u>	<u>\$ 20,902,580</u>	<u>\$ 13,570,624</u>	<u>\$ 20,383,181</u>	<u>\$ 17,075,092</u>	<u>\$ 25,758,356</u>	<u>\$ 40,412,926</u>	<u>\$ 19,315,402</u>	<u>\$ 7,324,415</u>

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 17,890,435	\$ 17,338,798	\$ 17,329,982	\$ 16,560,766	\$ 16,407,575	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408
Sales taxes	14,045,093	12,720,023	11,526,555	10,833,397	10,264,401	10,123,637	8,901,929	8,529,051	7,379,841	6,736,054
Franchise taxes	2,748,707	2,879,585	2,604,569	2,728,251	2,444,296	2,179,847	2,046,674	1,981,016	1,715,242	1,702,156
Charges for services	1,049,134	1,383,158	710,007	713,760	738,146	362,107	417,049	426,996	268,125	266,450
Permits	1,119,438	1,076,770	765,500	651,108	1,005,541	1,122,505	1,132,985	1,325,832	1,718,218	1,709,832
Municipal court	1,050,955	1,141,742	1,157,838	1,173,907	1,056,904	1,177,410	1,019,260	987,066	906,634	937,164
Intergovernmental	440,250	835,948	478,037	506,100	428,747	419,700	1,097,790	1,011,739	3,182,350	1,772,811
Interest income	(21,660)	114,588	136,878	60,429	611,615	1,702,870	2,012,244	1,149,204	304,644	143,269
Miscellaneous	795,304	795,150	661,379	569,258	872,988	837,707	716,896	1,060,866	1,080,366	755,733
Contributions and donations	44,929	727,361	364,975	148,512	2,812,457	775,695	2,241,586	6,251,435	163,635	252,037
<b>Total Revenues</b>	<b>39,162,585</b>	<b>39,013,123</b>	<b>35,735,720</b>	<b>33,945,488</b>	<b>36,642,670</b>	<b>33,409,620</b>	<b>31,407,407</b>	<b>31,703,153</b>	<b>24,859,180</b>	<b>21,545,914</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	102,995	106,958	111,494	116,372	109,845	117,366	111,555	108,366	78,114	74,416
Administration	3,821,755	3,690,167	3,402,793	3,353,637	3,358,705	3,056,885	2,750,197	2,910,478	2,708,948	2,324,516
Finance	924,415	1,245,790	1,211,261	1,189,250	1,266,436	1,199,417	1,138,238	1,025,230	952,808	837,800
Municipal court	349,536	337,537	335,082	333,234	318,467	311,706	300,186	303,131	291,348	249,839
Police	8,847,655	8,299,514	7,982,280	8,083,075	7,775,622	6,923,679	6,426,957	6,235,463	6,070,311	6,083,676
Fire	2,383,832	2,347,279	2,146,012	2,179,372	1,618,559	1,451,970	1,340,624	1,242,836	1,075,427	950,622
Public works	2,153,427	2,285,737	2,122,710	1,577,760	1,528,010	2,824,267	2,427,535	2,411,324	2,050,077	2,005,360
Community development	1,139,859	1,164,786	1,178,982	1,130,169	1,258,030	2,219,167	2,002,767	1,783,961	1,682,480	1,477,483
Parks and recreation	4,892,456	4,689,177	4,590,161	4,529,739	4,493,524	2,907,229	2,473,238	2,318,135	1,826,608	1,758,180
<b>Total current</b>	<b>24,615,930</b>	<b>24,166,945</b>	<b>23,080,775</b>	<b>22,492,608</b>	<b>21,727,198</b>	<b>21,011,686</b>	<b>18,971,297</b>	<b>18,338,924</b>	<b>16,736,121</b>	<b>15,761,892</b>
<b>Capital outlay:</b>										
Administration	8,431,896	6,649,805	7,168,226	4,746,948	18,427,890	2,373,369	4,028,933	1,580,706	602,847	623,526
Finance	124,302	224,306	101,525	57,653	78,866	137,035	-	-	-	36,746
Municipal Court	205,947	-	-	-	-	-	-	-	-	3,958
Police	167,587	465,169	274,821	1,316,626	258,623	74,899	225,992	285,150	1,850,771	978,179
Fire	2,167,780	368,805	266,400	434,754	6,462,691	727,795	1,578,623	835,685	711,166	525,888
Public works	-	-	-	24,575	90,798	29,051,639	10,609,516	25,733,888	9,756,038	1,667,682
Community development	-	-	-	-	-	-	2,105	-	519	668
Parks and recreation	65,534	486,159	-	1,095,622	482,177	1,742,004	2,397,348	1,477,499	757,360	600,049
<b>Total capital outlay</b>	<b>11,163,046</b>	<b>8,194,244</b>	<b>7,810,972</b>	<b>7,676,178</b>	<b>25,801,045</b>	<b>34,106,741</b>	<b>18,842,517</b>	<b>29,912,928</b>	<b>13,678,701</b>	<b>4,436,696</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Debt service:</b>										
Principal	\$ 5,268,038	\$ 4,933,038	\$ 4,278,038	\$ 4,458,038	\$ 4,670,540	\$ 4,335,462	\$ 3,726,505	\$ 2,620,235	\$ 1,801,369	\$ 2,831,984
Interest	4,613,787	4,820,183	4,570,301	4,766,488	4,716,545	4,254,162	3,607,455	1,748,001	977,878	1,032,504
Bond issuance costs	90,615	44,305	150,900	-	242,173	468,837	9,500	500,889	429,728	99,311
Fiscal charges	10,500	8,800	11,200	7,032	15,284	6,384	6,484	6,020	5,063	7,403
<b>Total debt services</b>	<b>9,982,940</b>	<b>9,806,326</b>	<b>9,010,439</b>	<b>9,231,558</b>	<b>9,644,542</b>	<b>9,064,845</b>	<b>7,349,944</b>	<b>4,875,145</b>	<b>3,214,038</b>	<b>3,971,202</b>
<b>Total expenditures</b>	<b>45,761,916</b>	<b>42,167,515</b>	<b>39,902,186</b>	<b>39,400,344</b>	<b>57,172,785</b>	<b>64,183,272</b>	<b>45,163,758</b>	<b>53,126,997</b>	<b>33,628,860</b>	<b>24,169,790</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(6,599,331)</b>	<b>(3,154,392)</b>	<b>(4,166,466)</b>	<b>(5,454,856)</b>	<b>(20,530,115)</b>	<b>(30,773,652)</b>	<b>(13,756,351)</b>	<b>(21,423,844)</b>	<b>(8,769,680)</b>	<b>(2,623,876)</b>
<b>Other financing sources (uses):</b>										
Transfers in	2,277,550	2,217,035	3,456,450	1,478,835	8,664,757	1,975,436	2,585,804	4,305,332	2,959,535	2,429,909
Transfers out	(4,215,000)	(3,502,085)	(2,913,587)	(2,304,050)	(4,488,966)	(2,715,031)	(2,866,119)	(3,478,832)	(3,416,135)	(2,812,409)
Bonds issued	10,530,000	2,150,000	13,210,000	-	19,295,000	22,270,000	-	41,045,000	21,200,000	-
Capital Leases	-	-	-	330,870	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	4,805,000	-	-	-	6,095,000	4,067,415
Accrued interest on bonds issued	-	-	-	-	-	-	-	176,020	129,913	-
Premium (discounts) on bonds issued	221,417	-	325,248	-	444,623	490,101	-	864,326	271,518	-
Payment to refunded bond escrow agent	-	-	(1,651,905)	-	(4,853,047)	-	-	-	(6,027,109)	(3,120,178)
<b>Total other financing sources (uses)</b>	<b>8,813,967</b>	<b>864,950</b>	<b>12,426,206</b>	<b>(494,345)</b>	<b>23,867,367</b>	<b>22,020,506</b>	<b>(280,315)</b>	<b>42,911,846</b>	<b>21,212,722</b>	<b>564,737</b>
<b>Net change in fund balances</b>	<b>\$ 2,214,636</b>	<b>\$ (2,289,442)</b>	<b>\$ 8,259,740</b>	<b>\$ (5,949,201)</b>	<b>\$ 3,337,252</b>	<b>\$ (8,753,146)</b>	<b>\$ (14,036,666)</b>	<b>\$ 21,488,002</b>	<b>\$ 12,443,042</b>	<b>\$ (2,059,139)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>28.6%</b>	<b>28.7%</b>	<b>27.6%</b>	<b>29.1%</b>	<b>30.6%</b>	<b>24.0%</b>	<b>22.0%</b>	<b>17.4%</b>	<b>13.5%</b>	<b>14.4%</b>

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2004	\$ 7,270,408	\$ 6,736,054	\$ 1,702,156	\$ 15,708,618
2005	8,140,125	7,379,841	1,715,242	17,235,208
2006	8,979,948	8,529,051	1,981,016	19,490,015
2007	11,820,994	8,901,929	2,046,674	22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626
2009	16,407,575	10,264,401	2,444,296	29,116,272
2010	16,560,766	10,833,397	2,728,251	30,122,414
2011	17,329,982	11,526,555	2,604,569	31,461,106
2012	17,338,798	12,720,023	2,879,585	32,938,406
2013	17,890,435	14,045,093	2,748,707	34,684,235

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-8

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
2004	\$ 6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.69%	0.35
2008	10,123,637	70.46%	0.36
2009	10,264,401	64.30%	0.34
2010	10,833,397	65.80%	0.35
2011	11,526,555	68.74%	0.37
2012	12,720,023	75.10%	0.41
2013	14,045,093	81.14%	0.44

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-9

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2004	2003	1,371,585,380	487,360,218	258,028,313	130,750,657	1,986,223,254	0.3600
2005	2004	1,573,206,290	525,794,698	284,849,415	154,608,703	2,229,241,700	0.3600
2006	2005	1,736,808,885	567,435,458	286,808,498	163,343,787	2,427,709,054	0.3689
2007	2006	1,943,727,690	921,234,223	261,957,560	551,589,203	2,575,330,270	0.4250
2008	2007	2,405,432,149	709,899,929	289,545,141	602,975,668	2,801,901,551	0.4865
2009	2008	2,147,701,430	1,155,846,969	330,037,398	625,065,569	3,008,520,228	0.5031
2010	2009	2,185,092,860	1,222,610,470	338,639,915	663,151,492	3,083,191,753	0.5031
2011	2010	2,253,052,114	1,364,840,173	334,504,395	821,180,459	3,131,216,223	0.5031
2012	2011	2,286,707,230	1,370,512,205	329,854,968	852,396,351	3,134,678,052	0.5031
2013	2012	2,316,659,624	1,406,922,400	354,361,958	876,975,556	3,200,968,426	0.5025

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Exempt</u>
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093
2007	96,624,100	1,537,004	61,259,470	16,146,371	328,999
2008	104,805,677	1,658,500	66,881,780	13,651,705	248,013
2009	111,535,268	1,805,500	79,131,370	24,266,824	2,147,724
2010	117,336,354	6,522,310	101,284,160	25,091,542	182,290
2011	123,493,766	8,781,840	99,301,400	20,804,929	17,421
2012	130,833,284	10,360,860	105,251,440	20,979,952	573,415
2013	139,441,120	12,269,468	104,630,610	23,803,292	3,685,328

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-11

Fiscal Year	City of Rockwall			Overlapping Rates	
	M&O	Debt	Total	School	County
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.425	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750
2011	0.2562	0.2469	0.5031	1.4700	0.3864
2012	0.2563	0.2468	0.5031	1.4700	0.3864
2013	0.2619	0.2406	0.5025	1.4700	0.3864

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-12

Taxpayer	2013			2004		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Excel Rockwall, LP	\$ 45,458,300	1	1.42%	\$ -	-	-
Western Rim Investors	45,311,463	2	1.42%	-	-	-
Rockwall Regional Hospital, LLP	32,069,270	3	1.00%	-	-	-
Rockwall Hotel & Conference Group	28,480,380	4	0.89%	-	-	-
Continental Pet Technology	28,377,560	5	0.89%	35,129,020	1	1.76%
Rockwall Crossing LTD	23,244,236	6	0.73%	-	-	-
Wal-mart	23,895,982	7	0.75%	22,744,747	2	1.14%
Oncor Electric Delivery Service	21,870,200	8	0.68%	14,626,950	4	0.73%
CRP/Arrow Rockwall, LLC	19,995,050	9	0.62%	17,559,561	3	0.88%
T Rockwall Commons, LLC	17,406,030	10	0.54%	-	-	-
Rockwall/ S-30 Ltd.	-	-	-	12,899,820	5	0.65%
Lowes Home Centers, Inc.	-	-	-	12,641,842	6	0.63%
Steger Towne Crossing, LP	-	-	-	9,768,360	7	0.49%
Bent Tree Realty Co.	-	-	-	9,702,200	8	0.49%
Southwestern Bell Telephone	-	-	-	9,278,400	9	0.46%
Kohl's Department Store	-	-	-	8,919,017	10	0.45%
Subtotal	286,108,471		8.94%	153,269,917		7.67%
Total Taxable Value	\$ 3,200,968,426		100.00%	\$ 1,998,462,449		100.00%

Source: Rockwall Central Appraisal District  
 Note: For tax years 2012 and 2003

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-13

Fiscal Year	Tax Year	Total Tax Levy	Total Current Year Collections	Percent of Levy Collected During Fiscal Period	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy
2004	2003	7,207,138	7,145,433	99.14%	52,138	7,197,571	99.87%
2005	2004	8,079,370	8,021,945	99.29%	48,172	8,070,117	99.89%
2006	2005	8,987,722	8,921,613	99.26%	53,935	8,975,548	99.86%
2007	2006	11,607,235	11,433,286	98.50%	155,936	11,589,222	99.84%
2008	2007	14,367,824	14,173,725	98.65%	174,169	14,347,894	99.86%
2009	2008	15,962,353	15,777,483	98.84%	145,366	15,922,849	99.75%
2010	2009	16,465,193	16,182,308	98.28%	233,740	16,416,048	99.70%
2011	2010	16,768,511	16,616,216	99.09%	95,906	16,712,122	99.66%
2012	2011	16,937,674	16,780,370	99.07%	88,353	16,868,723	99.59%
2013	2012	17,309,347	17,205,265	99.40%	-	17,205,265	99.40%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-14

Customer	2013			2004		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	42,080,300	1	1.39%	29,407,300	2	1.86%
Mansions of Rockwall	31,396,900	2	1.03%	-	-	-
Rockwall I.S.D.	30,017,800	3	0.99%	44,920,100	1	2.84%
Excel Rockwall, L.P.	13,767,800	4	0.45%	-	-	-
D.W.C./Highlife Properties	12,483,600	5	0.41%	15,824,100	4	1.00%
TF-Harbor, LLC	12,082,300	6	0.40%	-	-	-
Mission Rockwall	11,878,900	7	0.39%	18,031,100	3	1.14%
Walden Residential Properties	10,520,700	8	0.35%	14,958,600	5	0.95%
Lakepointe Church	10,394,700	9	0.34%	9,543,600	9	0.60%
Rockwall Crossing	10,024,800	10	0.33%	-	-	-
Sabre Realty	-	-	-	13,629,600	6	0.86%
Caruth Ridge Estates	-	-	-	11,716,600	7	0.74%
Steger Towne Crossing	-	-	-	9,776,500	8	0.62%
Rockwall Travel Center	-	-	-	9,080,800	10	0.57%
Subtotal	<u>184,647,800</u>		<u>6.08%</u>	<u>176,888,300</u>		<u>11.20%</u>
Total Water Usage	<u>3,037,855,020</u>		<u>100.00%</u>	<u>1,579,572,000</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-15

Fiscal Year	Governmental Activities				Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds	Capitalized Lease Obligations			
2004	\$ 11,918,933	\$ 9,075,000	\$ 420,000	\$ -	\$ 271,067	\$ -	\$ -	\$ 10,035,000	\$ 1,780,000	\$ 33,500,000	3.67%	\$ 1,329
2005	22,992,564	17,940,000	345,000	-	247,436	-	-	14,910,000	1,385,000	57,820,000	5.43%	2,080
2006	57,632,329	21,825,000	315,000	-	212,671	-	-	14,145,000	1,145,000	95,275,000	7.88%	3,155
2007	55,720,824	20,045,000	280,000	-	184,176	-	-	13,360,000	5,040,094	94,630,094	7.20%	3,013
2008	74,925,362	18,810,000	245,000	-	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	8.13%	3,824
2009	86,179,822	22,425,000	-	-	135,178	25,890,000	-	11,670,000	7,431,754	153,731,754	10.38%	4,789
2010	83,271,784	20,875,000	-	278,034	113,216	25,005,000	-	10,775,000	7,080,083	147,398,117	8.74%	4,205
2011	88,473,746	23,050,000	-	236,589	91,254	28,205,000	-	5,215,000	6,710,000	151,981,589	8.08%	4,129
2012	84,675,708	24,065,000	-	193,299	69,292	27,145,000	-	4,550,000	6,321,743	147,020,042	7.44%	3,810
2013	88,562,670	25,440,000	-	148,083	47,330	29,510,000	-	3,865,000	5,910,072	153,483,155	7.51%	3,960

Note: See Table 20 for personal income and population data  
Debt is shown gross of deferred amounts

CITY OF ROCKWALL, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-16

Fiscal Year	Governmental Activities					Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable	
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Gross Bonded Debt	Deferred Amounts			Value	Per Capita
2004	\$ 11,918,933	\$ 9,075,000	\$ 420,000	\$ 21,413,933	\$ -	\$ 694,758	\$ 20,719,175	1.04%	\$ 822
2005	22,992,564	17,940,000	345,000	41,277,564	-	1,014,713	40,262,851	1.80%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,115,113	1,461,294	79,426,148	3.26%	2,630
2007	55,720,824	20,045,000	280,000	76,045,824	1,072,153	1,083,320	76,034,657	2.95%	2,421
2008	74,925,362	18,810,000	245,000	93,980,362	1,501,918	835,203	94,647,077	3.38%	2,981
2009	86,179,822	22,425,000	-	108,604,822	1,889,348	1,077,236	109,416,934	3.64%	3,408
2010	83,271,784	20,875,000	-	104,146,784	1,760,665	930,290	104,977,159	3.40%	2,995
2011	88,473,746	23,050,000	-	111,523,746	1,883,530	1,426,272	111,981,004	3.58%	3,042
2012	84,675,708	24,065,000	-	108,740,708	1,793,835	1,221,201	109,313,342	3.49%	2,833
2013	88,562,670	25,440,000	-	114,002,670	1,920,023	772,045	115,150,648	3.60%	2,971

Note: See Table 20 for population data and Table 8 for property value data  
Deferred amounts include unamortized premium (discount) and loss on refunding

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2013  
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall (2)	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 144,856,061	100.00%	\$ 144,856,061
Indirect:			
Rockwall Independent School District	348,148,255	60.56%	210,838,583
Rockwall County	91,570,000	51.05%	46,746,485
Total Indirect	439,718,255		257,585,068
Total Direct and Overlapping Bonded Debt	\$ 584,574,316		\$ 402,441,129
Average debt per capita			\$ 10,384

Source: Assessed value data used to estimate applicable percentages provided by Rockwall Central Appraisal District. Debt Outstanding data is provided by each governmental unit.

- (1) Includes all Governmental Activities General Obligation Bonds, Contractual Obligations, Certificates of Obligation and Capital Leases and the General Obligation Debt of the Business-Type Activities.
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable value.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.5025	0.5031	0.5031	0.5031	0.5031	0.4865	0.425	0.3689	0.3600	0.3600
Legal Debt Margin	1.9975	1.9969	1.9969	1.9969	1.9969	2.0135	2.0750	2.1311	2.1400	2.1400

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 10,081,442	\$ 5,194,575	\$ 4,886,867	\$ 520,000	\$ 476,108	\$ 996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98
2011	15,439,747	10,805,039	4,634,708	740,000	360,448	1,100,448	4.21
2012	14,809,266	11,463,657	3,345,609	665,000	219,253	884,253	3.78
2013	16,096,968	11,885,957	4,211,011	685,000	191,306	876,306	4.81

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE D-20

DEMOGRAPHICS

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	RISD School Enrollment (2)	Unemployment Rate (%) (1)
2004	25,200	\$ 911,711	\$ 36,179	10,527	5.1
2005	27,800	1,064,601	38,295	11,560	3.5
2006	30,200	1,209,238	40,041	12,627	3.4
2007	31,407	1,313,786	41,831	13,086	3.9
2008	31,748	1,494,029	47,059	13,407	4.9
2009	32,103	1,480,976	46,132	13,721	7.0
2010	35,050	1,687,272	48,139	14,030	6.6
2011	36,810	1,881,580	51,116	14,200	6.7
2012	38,586	1,976,529	51,224	14,300	5.1
2013	38,755	2,044,742	52,761	14,359	5.3

Source: (1) Texas Workforce Commission, 2012 and 2013 are estimates  
 (2) Rockwall Independent School District - private schools not included

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,550	1	7.65%	1,350	1	9.42%
Wal-Mart Superstore	492	2	2.43%	450	2	3.14%
Texas Star Express	484	3	2.39%	400	3	2.79%
Presbyterian Hospital	592	4	2.92%	-	-	-
Rockwall County	264	5	1.30%	250	4	1.75%
City of Rockwall	254	6	1.25%	200	5	1.40%
Hilton Bella Harbor	250	7	1.23%	-	-	-
Costco	250	8	1.23%	-	-	-
Special Products	205	9	1.01%	200	7	1.40%
Target	200	10	0.99%	170	9	1.19%
Rockwall Nursing Home	-	-	-	150	10	1.05%
James Helwig & Son	-	-	-	200	6	1.40%
Power Maintenance International	-	-	-	200	8	1.40%
Subtotal	<u>4,541</u>		<u>22.40%</u>	<u>3,570</u>		<u>24.92%</u>
Total	<u>20,269</u>		<u>100.00%</u>	<u>14,325</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-22

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Administration	25	21	21	22	22	22	22	21	21	21
Finance	5	8	8	8	8	8	8	8	7.5	6.5
Municipal Court	4	4	4	4	4	4	4	4	4	3
Fire	19	17	17	17	17	10	10	9	9	8
Police	97	92.5	91.5	90.5	90.5	88	85	80	72	70
Community Development	24.5	29.5	29.5	29.5	29.5	29.5	29.5	28.5	25.5	22
Parks & Recreation	25	26	26	26	26	24.5	24.5	25	24	21
Public Works	21	21	21	21	21	23	23	23	21	21
Water/Sewer	34	37	37	38	38	34	31	29	26	25
<b>Total</b>	<b>254.50</b>	<b>256.00</b>	<b>255.00</b>	<b>256.00</b>	<b>256.00</b>	<b>243.00</b>	<b>237.00</b>	<b>227.50</b>	<b>210.00</b>	<b>197.50</b>

CITY OF ROCKWALL, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-23

Function	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Finance										
Invoices processed	15,347	15,772	15,582	16,613	16,933	16,696	16,015	15,883	14,919	14,246
Payroll checks issued	7,769	8,262	8,460	8,356	8,176	7,765	7,840	7,042	6,579	6,543
Purchase orders issued	2,002	2,150	2,269	2,391	2,572	2,363	2,553	2,468	2,561	2,420
Municipal Court										
Violations Processed	15,208	16,859	16,361	17,261	16,526	12,984	17,455	16,635	15,225	13,913
Fire										
Employees (paid)	19	17	17	17	17	10	10	9	9	8
Volunteers	29	35	41	38	35	42	37	40	39	36
Fire Calls (City and County)	913	831	1,059	771	771	860	777	718	772	623
Police										
Employees (uniformed)	76	72	71	71	70	69	66	61	55	51
Employees (civilian)	21	20	20	20	20	19	18	18	17	17
Calls for Service*	16,317	18,267	21,490	30,569	30,610	29,097	27,158	21,121	17,915	16,066
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.										
Community Development										
# permits - New commercial construction	25	14	21	4	17	26	33	18	51	18
Value - New commercial construction	55,921,000	36,578,259	15,446,160	10,969,950	71,061,773	40,553,363	104,798,013	39,358,497	49,918,558	29,067,960
# permits - New residential construction	272	218	185	212	169	173	192	470	739	885
Value - New residential construction	56,266,387	39,815,104	36,244,834	40,293,359	30,914,120	31,962,169	40,174,623	82,305,725	123,215,423	135,501,919
Parks & Recreation										
The Center facility usage	84,000	81,500	84,001	68,665	61,713	76,530	69,988	75,757	71,118	58,060
Special event attendance	83,000	85,000	80,000	95,000	90,680	75,232	54,156	25,231	26,547	35,736
# recreation participants (youth & adult)	4,700	4,500	3,268	3,428	2,155	2,757	2,727	2,381	2,034	1,793

CITY OF ROCKWALL, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-23

Function	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Public Works</b>										
Streets - sq yd concrete street repair	2,333.00	4,316.37	2,276.40	2,851.55	5,507.20	3,415.26	739.69	1,967.75	2,961.55	2,395.76
\$ spent on concrete/asphalt street repair	\$ 712,451	\$ 654,243	\$ 602,167	\$ 575,446	\$ 541,430	\$ 411,814	\$ 341,685	\$ 478,169	\$ 352,048	\$ 431,475
Miles of public street maintained by City*	185.67	184.06	183.05	196.10	192.86	183.86	144.83	139.52	129.23	127.66
* Beginning in 2011, mileage calculations have changed and software advances have allowed for a more accurate count										
<b>Water/Sewer</b>										
Water customers	14,599	13,416	13,044	12,859	12,471	12,285	12,345	11,985	11,491	10,497
Sewer customers	12,968	12,137	11,891	11,651	11,401	11,106	10,987	10,445	10,020	9,282
Average daily water consumption (gal)	8,158,146	8,322,890	9,943,169	7,434,917	8,228,041	8,052,778	6,701,619	5,991,288	5,023,404	4,327,595
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	9,500,000	7,500,000	7,500,000	7,500,000	7,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-24

Function	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Fire										
Number of stations	4	4	4	4	2	2	2	2	2	2
Number of fire engines/trucks	13	15	15	14	12	11	11	9	8	8
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units		42	42	42	42	42	42	42	37	30
Parks & Recreation										
Parks acres (developed)	538.00	538.00	538.00	538.00	538.00	538.00	341.50	324.60	307.30	287.70
Playgrounds	25	25	25	25	23	23	23	18	12	12
Picnic areas	32	32	32	32	31	31	29	27	26	26
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	\$ 3,898,741	\$ 2,164,305	\$ 1,079,938	\$ 2,596,948	\$ 15,444,384	\$ 24,508,043	\$ 4,885,417	\$ 1,689,445	\$ 2,477,496	\$ 165,359
\$ spent on street rehabilitation	\$ 191,023	\$ 2,626,965	\$ 2,433,289	\$ 1,929,529	\$ 1,446,058	\$ 4,219,701	\$ 2,492,251	\$ 6,575,541	\$ 2,352,112	\$ 583,947
Miles of public street	185.67	184.06	183.05	196.10	192.86	183.86	144.83	139.52	129.23	127.66
Water/Sewer										
Water mains (miles)	287.91	276.94	265.82	269.82	255.88	250.40	160.06	155.37	146.32	139.93
Sanitary sewers (miles)	231.91	218.88	222.62	215.88	212.77	209.95	117.51	113.58	107.83	103.62

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance



**CITY OF ROCKWALL, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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**CITY OF ROCKWALL, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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*Introductory Section*

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City of Rockwall  
*The New Horizon*

March 18, 2012

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2012, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Rutledge, Crain & Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.78 square miles and an estimated population of 38,586.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted in 2005. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### Local Economy

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 10.35% in our local sales taxes. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by .11%. The most recent five-year average is 3.94% per annum. The City's largest taxpayers are varied and include retail developments, industry, and medical facilities. Table 12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Allen Foods, worked with the Rockwall Economic Development Corporation to construct a new 276,000 square foot bakery facility to be open in 2013. In addition, the REDC attracted Hatfield and Company to relocate their 25,000 square foot facility to the Technology Park. The Whitmore Manufacturing Company will be adding 100,000 square foot to their existing Rockwall headquarters facility breaking ground in summer 2012. With the completed construction of the extension of Discovery Boulevard from the Technology Park to John King Boulevard increasing access to the interstate from the Park, Texas A&M Commerce announced the opening of a Rockwall campus with classes starting in January 2013. Training partnerships are expected to develop to educate the area's workforce to meet the demand for careers with area industrial and medical employers.
- The Presbyterian Hospital of Rockwall continues to attract medical offices and quality long term care to the surrounding area. Construction began on an acute care facility to serve the northern side of the City. The Presbyterian development has added more than \$61,000,000 to the City's tax rolls.
- Downtown Rockwall benefits from the attention garnered from Rockwall's being a Texas Main Street City. A number of new retail establishments including Enjoy and KE Cellars winery joined to complement the many offerings in the downtown area. The City has seen a 12.33% increase in sales taxes in the downtown area in the last year.
- New retail and restaurant openings in 2012, including Cole Mountain and Perla's Kitchen, joined the extensive mix of restaurants to choose from including locally owned favorites and nationally recognized names. Popular accessories store Charming Charlie adds to the retail offerings this year.

## Long-term Planning

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

## Financial Policies

The City Council adopted financial policies in 2001 which have guided the City allowing us to build a strong fund balance and reinforcing the need to budget conservatively for both revenues and expenditures. The general fund reserve policy was reviewed and updated most recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level were available to fund capital projects in 2012 which included the purchase of a building to move Municipal Courts. The remodel of this facility and expansion of facilities for the Police Department will occur in 2013 with general fund reserves over the 3.5 month level.

## Budget Overview

The City Manager proposes a balanced budget to the City Council each year by August 1. Public hearings are conducted to receive comments and priorities of the community at large. The City Council must adopt the operating budget and set the City's tax rate for the next year by October 1<sup>st</sup> of each year.

## Planning Projects

The City completed annexation of several large tracts of land which are now incorporated into the City planning. The City Council completed the review of the City's Comprehensive Land Use Plan in 2012 and made necessary updates.

Having identified the downtown area as a critical component of our long range plan, the City and business and community leaders work with the City's Texas Main Street Manager to coordinate planning efforts and develop interest in locating business downtown and to bring events to the Square. The Main Street program has afforded opportunities for businesses to qualify for façade restoration grants which are funded by the City and local financial institution Community Bank.

The City worked with a consulting firm to prepare an extensive conceptual plan for Planned Development 32 (PD32) which encompasses 60 acres of undeveloped land inside the City's tax increment financing zone and adjacent to the Harbor development. The city recognized the importance of having the conceptual plan ready when the economy improves. The City initiated the zoning process to establish a form based code for the area. It is expected the area will soon see the expansion of the mixed-use concept with retail, restaurants, office and residential spaces as interest from the development community is being expressed. The first multi-story office tower project will commence construction in 2013.

The Rockwall Economic Development Corporation in conjunction with their Destination 2020 plan has refined the focus and role of their planning committee as well. Their marketing program now includes social media components and targeted marketing aimed at desired industries.

### Capital Improvement Planning

A Capital Improvements Committee (CIP) of citizens considered a slate of projects in 2011. The committee recommended projects for the bond election held in May 2012. While some initiatives were not successful, voters approved propositions to provide downtown accessibility projects roadway rehabilitation and Interstate 30 ramp projects. The City hired design and construction management professionals to work with staff and City Council to develop the vision for the projects and cost estimates to ensure the projects as approved can move forward expeditiously and be completed within budget.

### Strategic Planning

Organizationally, the City uses the Balanced Scorecard Methodology for strategic planning. Bi-annually the City conducts a Citizen Satisfaction Survey to document our progress meeting the needs of our citizens. The City continues to receive good marks on our biannual survey, most recently completed in 2011, regarding our progress on adopted goals and strategies as well as areas of interest for future projects.

### Future Development

#### Transportation

The City completed construction of John King Boulevard named in honor of our late council member. The Texas Department of Transportation completed work on the overpass which connects the northern and southern roadways and allow additional access to I-30 in August 2012. TxDOT continued the project to widen FM740 in southern Rockwall with the grand opening coming in December 2012. City projects completed in 2012 included the reconstruction of Airport Road, a much traveled east-west roadway allowing better access to John King Boulevard. In 2013, Corporate Crossing, formerly FM549, will be widened to provide improved and enhanced access to the City's light industrial area between I-30 and SH276.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allow funding for the advance planning and design of 5 major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction. The Consortium is looking at potential additions to the plan and reorganization of priorities in 2013 to situate projects for best funding potential in the coming years.

## Medical Services

Developments in the Horizon Road area have focused on medical services. With the availability of acute care at Presbyterian Hospital of Rockwall, the addition of several new medical buildings with Doctor's suites and state of the art out-patient diagnostic imaging facilities has allowed Rockwall to become a regional medical services destination. Additional ancillary medical office buildings and long term care facilities are planned for near term development. Construction began on the Presbyterian Hospital acute care facility.

## Retail / Entertainment

"The Harbor" development is situated on the shores of Lake Ray Hubbard at I-30. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. The Conference Center continues to attract events including numerous corporate training and retreat sessions and expects many which are scheduled for 2013.

In conjunction with private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects. In a second project, the City is collaborating with an office tower developer who is planning construction of a seven-story, 85,000 square foot office tower overlooking the lake. The Harbor Heights Trend Tower will offer Class-A office space to its corporate tenants with construction beginning in 2013. In addition to office space, the tower will offer needed public parking for the Harbor events.

The City's extremely successful Concert on the Lake Series managed by the City's Recreation Department draws approximately 5,000 attendees each Thursday evening for a free concert. The series extended 12 weeks in 2012. Surveys conducted during the events gather data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here. The term "Live Music Capital of North Texas" has been coined to describe the many opportunities available year round in both public and restaurant venues.

Founder's Day on the Downtown Square draws visitors to shop merchant's wares, see artist's exhibits, learn about city departments and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend.

A Farmer's Market brings visitors downtown Saturdays from May to October. The City sponsors an Art Fair one Saturday each month. The fourth annual "Rib Rub" was held in fall 2012 drawing more than 50 teams to the downtown square. The Main Street Advisory Board and "Friends of Downtown Rockwall", citizen volunteer group, are working to plan more special events to bring shoppers downtown.

The City is fast becoming the triathlon destination as well. In addition to several locally sponsored races, the City for the third time welcomed the Toyota US Open Triathlon in fall 2012. The event saw more than 1,200 participants including a contingent of international Olympians

take advantage of our lake access and terrain to complete the final event of the annual seven race series. The City has been notified the event plans to return for 2013. Early series races will be held in cities including Chicago, Miami, Minneapolis and Tempe culminating with the Rockwall race and the final prize standings.

Utilities

The water and sewer rates were last increased in 2012 and the City is implementing a 10% rate increase for 2013. The City purchases treated water as a founding member city of the North Texas Municipal Water District. Construction is nearing completion for the Squabble Creek sewer system which will connect to the regional sewer interceptor system in early 2013. A number of main extension projects continue to be undertaken to provide water and sewer service to annexed areas of the City.

The City’s water system is recognized with the Texas Commission on Environmental Quality’s “Superior” rating.

The City is actively working to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations and an investor owned utility. It remains the City’s desire to be the provider for all residents in our city limits. Negotiations with the investor owned utility are nearing culmination and the City is expected to complete acquisition of the private water and sewer system in 2013 resulting in increased service levels and decreased rates for a large neighborhood within the city’s limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-12(net of Debt Service)	\$107,543,706
Estimated Population	38,586
G.O. Debt Per Capita	\$2,787
Net G.O. Debt per Assessed Value	3.43%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA-	A-	A-
Moody’s Investor Service Inc.	Aa2	Aa3	A1

## AWARDS AND ACKNOWLEDGEMENTS

### Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

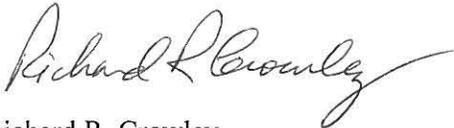
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last twenty-two consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Richard R. Crowley  
City Manager



Mary P. Smith, CPA  
Assistant City Manager/  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



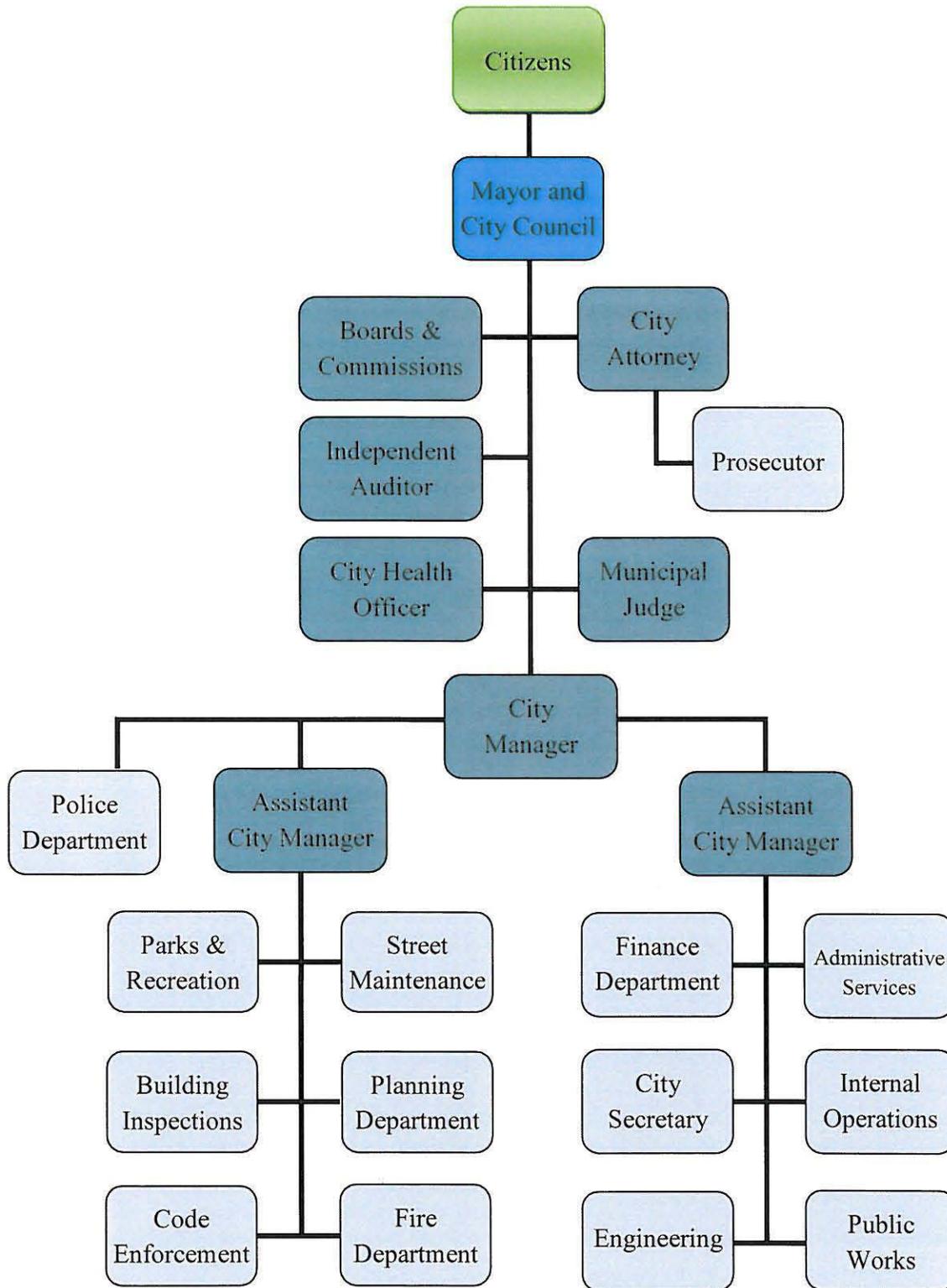
*Christopher P. Moivell*

President

*Jeffrey R. Emer*

Executive Director

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2012

**City Council**

David Sweet, Mayor  
David White, Mayor Pro-Tempore  
Bennie Daniels, Councilmember  
Dennis Lewis, Councilmember  
Jim Pruitt, Councilmember  
Michelle Smith, Councilmember  
Mike Townsend, Councilmember

**City Staff**

Rick Crowley, City Manager  
Mary Smith, Assistant City Manager  
Brad Griggs, Assistant City Manager  
Cheryl Dunlop, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Community Development

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*Financial Section*

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**RUTLEDGE CRAIN & COMPANY, PC**  
CERTIFIED PUBLIC ACCOUNTANTS  
2401 Garden Park Court, Suite B  
Arlington, Texas 76013

**Independent Auditors' Report on Financial Statements**

To the City Council  
City of Rockwall, Texas

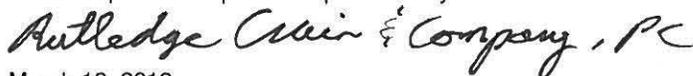
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Rockwall, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The City of Rockwall, Texas' management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the The City of Rockwall, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19 through 29 and 74 through 76 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the The City of Rockwall, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
March 18, 2013

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*Management's Discussion and Analysis*

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall’s financial performance provides an overview and analysis of the City’s financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City’s total net assets were \$171,710,000 at September 30, 2012.
- During the year, the City’s governmental activities expenses were \$45,323 more than the \$41,504,245 generated in program revenues, taxes, other revenues and transfers.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2012 by \$106,214,565 (net assets).
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$9,916,841 or approximately 41.17 percent of the total general fund operating expenditures and transfers out.
- The City’s total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) increased by \$2,783,038 during fiscal year 2012. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.

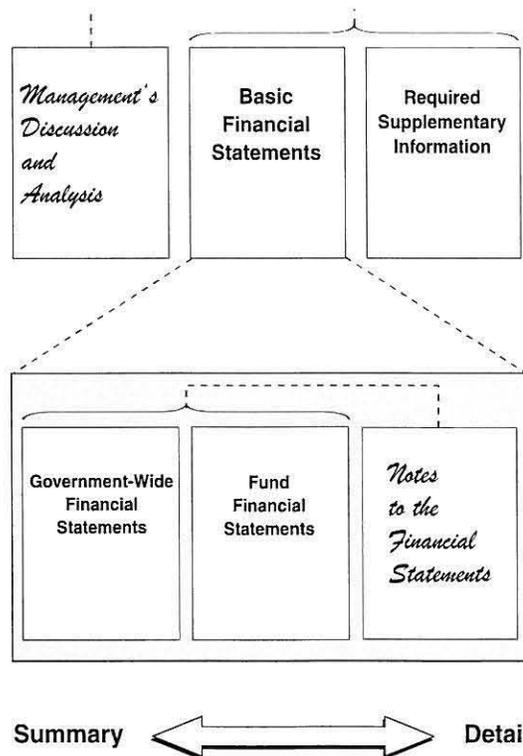
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of revenues, expenses &amp; changes in fund net assets</li> <li>◆ Statement of cash flows</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the city of Rockwall’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net assets changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer system is reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements can be found on pages 33-35 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 21 individual governmental funds. 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, Debt Service fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City’s enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City’s self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City’s retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City’s intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2012, the City's net assets (assets exceeding liabilities) totaled \$171,710,000. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

The largest portion of the City's net assets (86.7% percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$34,910,868	\$ 37,419,515	\$13,708,924	\$16,369,447	\$ 48,619,792	\$53,788,962
Capital Assets	<u>187,014,473</u>	<u>187,275,164</u>	<u>91,249,536</u>	<u>92,286,719</u>	<u>278,264,009</u>	<u>279,561,883</u>
Total Assets	<u>221,925,341</u>	<u>224,694,679</u>	<u>104,958,460</u>	<u>108,656,166</u>	<u>326,883,801</u>	<u>333,350,845</u>
Non-current liabilities	111,946,918	114,930,360	36,974,865	39,106,304	148,921,783	154,036,664
Other liabilities	<u>3,763,858</u>	<u>3,504,431</u>	<u>2,488,160</u>	<u>2,292,626</u>	<u>6,252,018</u>	<u>5,797,057</u>
Total Liabilities	<u>115,710,776</u>	<u>118,434,791</u>	<u>39,463,025</u>	<u>41,398,930</u>	<u>155,173,801</u>	<u>159,833,721</u>
Net Assets						
Invested in capital assets,						
net of related debt	89,851,392	91,085,278	58,888,435	58,139,970	148,739,827	149,225,248
Restricted for debt service	1,574,681	1,774,193	2,306,207	462,368	3,880,888	2,236,561
Restricted for capital projects	14,549,511	-	-	2,529,923	14,549,511	2,529,923
Unrestricted	<u>238,981</u>	<u>13,400,417</u>	<u>4,300,793</u>	<u>6,124,975</u>	<u>4,539,774</u>	<u>19,525,392</u>
Total net assets	<u>\$106,214,565</u>	<u>\$106,259,888</u>	<u>\$65,495,435</u>	<u>\$67,257,236</u>	<u>\$171,710,000</u>	<u>\$173,517,124</u>

An additional portion of the City of Rockwall's governmental activities net assets, \$1,574,681 or 1.48% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets, \$238,891, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the slight decrease in total net assets for the year ended September 30, 2012.

**Table 2**  
**Changes in Net Assets**

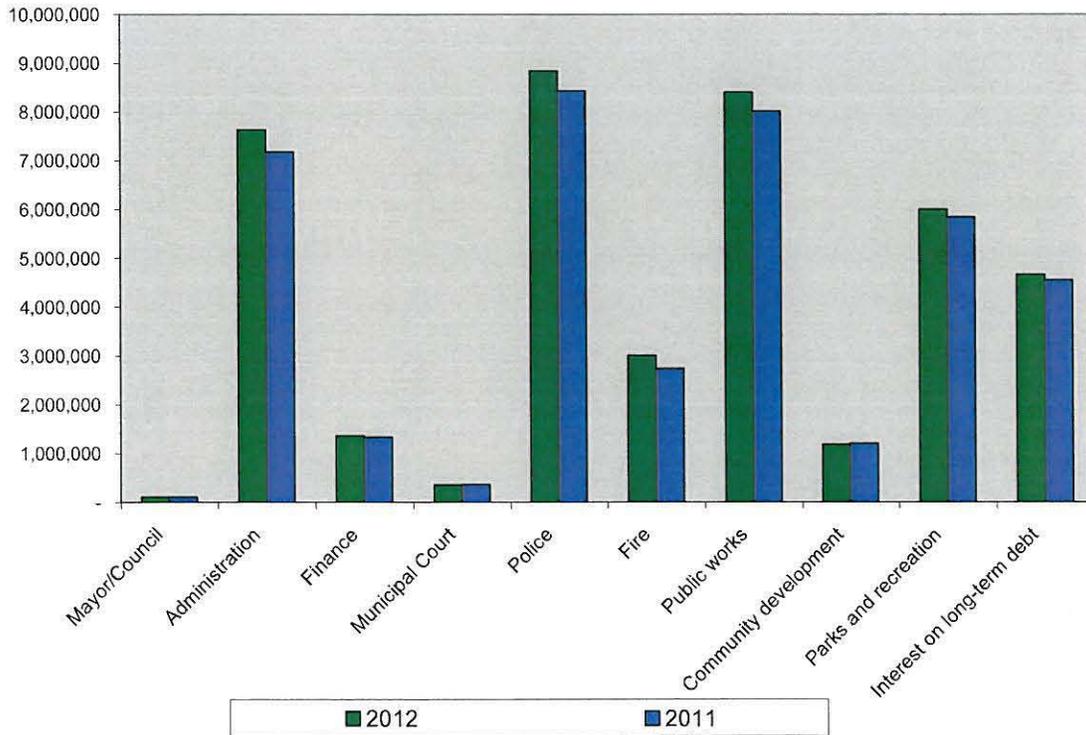
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 3,582,160	\$ 3,203,842	\$14,064,514	\$14,706,570	\$ 17,646,674	\$ 17,910,412
Operating grants & contributions	660,140	366,656	-	-	660,140	366,656
Capital grants & contributions	2,012,936	4,525,403	1,178,672	2,157,402	3,191,608	6,682,805
General Revenues:						
Property taxes	17,321,016	17,204,239	-	-	17,321,016	17,204,239
Sales taxes	12,720,023	11,526,555	-	-	12,720,023	11,526,555
Other	<u>3,613,020</u>	<u>3,011,917</u>	<u>139,212</u>	<u>238,819</u>	<u>3,752,232</u>	<u>3,250,736</u>
Total revenues	<u>39,909,295</u>	<u>39,838,612</u>	<u>15,382,398</u>	<u>17,102,791</u>	<u>55,291,693</u>	<u>56,941,403</u>
Program expenses:						
Mayor/Council	106,959	111,494	-	-	106,959	111,494
Administration	7,631,175	7,183,587	-	-	7,631,175	7,183,587
Finance	1,360,201	1,331,943	-	-	1,360,201	1,331,943
Municipal Court	358,745	362,149	-	-	358,745	362,149
Police	8,836,213	8,422,736	-	-	8,836,213	8,422,736
Fire	3,002,941	2,734,296	-	-	3,002,941	2,734,296
Public works	8,398,043	8,009,435	-	-	8,398,043	8,009,435
Community development	1,185,114	1,203,407	-	-	1,185,114	1,203,407
Parks and recreation	6,003,610	5,843,647	-	-	6,003,610	5,843,647
Interest on long-term debt	4,666,567	4,554,433	-	-	4,666,567	4,554,433
Water and sewer	-	-	<u>15,549,248</u>	<u>14,715,610</u>	<u>15,549,248</u>	<u>14,715,610</u>
Total expenses	<u>41,549,568</u>	<u>39,757,127</u>	<u>15,549,248</u>	<u>14,715,610</u>	<u>57,098,816</u>	<u>54,472,737</u>
Increase (decrease) in net assets						
before transfers	(1,640,273)	81,485	(166,850)	2,387,181	(1,807,123)	2,468,666
Transfers	<u>1,594,950</u>	<u>979,863</u>	<u>(1,594,950)</u>	<u>(979,863)</u>	-	-
Increase (decrease) in net assets	(45,323)	1,061,348	(1,761,800)	1,407,318	(1,807,123)	2,468,666
Net assets, October 1	<u>106,259,888</u>	<u>105,198,540</u>	<u>67,257,235</u>	<u>65,849,917</u>	<u>173,517,123</u>	<u>171,048,457</u>
Net assets, September 30	<u>\$106,214,565</u>	<u>\$106,259,888</u>	<u>\$65,495,435</u>	<u>\$67,257,235</u>	<u>\$ 171,710,000</u>	<u>\$ 173,517,123</u>

### Governmental Activities

The City's total revenues of governmental activities were \$39,909,295. A significant portion 43.4% of the City's revenues came from property taxes. Another 31.9% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties with minor increases in assessed valuation throughout the City. Assessed values of the properties in the City increased by .11%. The City adopted a property tax rate of 50.31 cents per \$100 of assessed valuation for fiscal year 2012. The rate has remained steady for four years. Sales tax revenue increased over the prior year by 10.35% and while a small amount of retail was

added for 2012, it was most influenced by increases in same stores sales. While housing starts are not expected to be back to pre downturn levels they are trending upward. That coupled with the nearly 500,000 square feet of industrial space being added resulted in a 53.3% increase in building permit revenues. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas.

**Comparative Expenses – Governmental Activities**



The total cost of all programs and services were \$41,549,568. Of these costs \$8,836,213 (21.3%) was for the Police Department. The department has increased the number of sworn officers in the patrol division to maintain minimum staffing numbers per shift. Public Works costs were \$8,358,043 (20.2%) and reflected ongoing street and park maintenance focused projects. Administrative departments including Administration, Human Resources, and Internal Operations had combined costs of \$7,631,175 (18.4%).

**Business-Type Activities**

The City’s business-type activities recorded a decrease of \$1,761,800 in net assets. Retail water sales decreased by 4.35% from the prior year due to significant water conservation measures necessary due to an extremely hot and dry year coupled with unanticipated water supply restrictions from one of the area’s supply lakes. The City’s rates were increased in 2012 and another increase is expected for 2013. The City implemented conservation water rates in 2001 and increases them each time new rates are adopted. Sewer charges were not affected significantly because the City uses winter averaging to calculate sewer billing. Water and sewer charges were \$14,064,514. The ending working capital, excluding restricted assets and liabilities payable from restricted assets, for the water and sewer fund was \$2,186,509.

Water and sewer impact fees (Capital recovery fees) revenue totaled \$595,899 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system’s initial costs in building assets.

Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

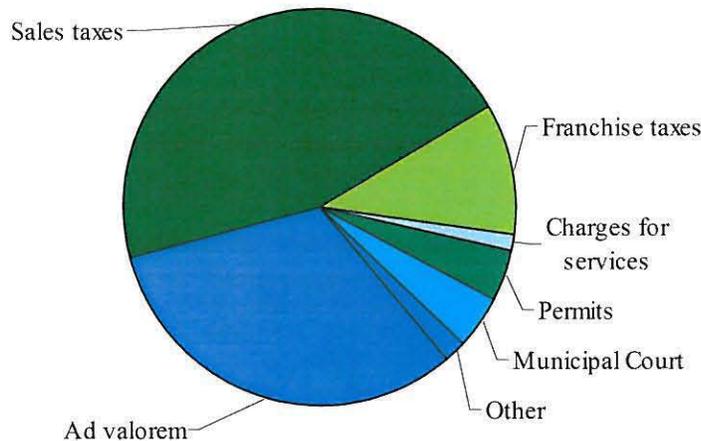
**Component Units**

The Rockwall Economic Development Corporation (REDC) reported revenues including the ½ cent sales tax, authorized under the Type A Corporation statutes, of \$4,356,285. Assets managed by the corporation include an inventory of over 310 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

**ANALYSIS OF INDIVIDUAL FUNDS**

The City’s *General Fund* reported an ending unassigned fund balance of \$9,916,841. The largest source of general fund revenue is sales tax, it accounted for \$12,140,716 (45.6%) of total general fund revenue. Ad valorem property taxes account for \$8,551,996 (32.0%) of general fund revenues. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City’s financial policies. This “reserve” balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows. The City Council elected to use reserves to purchase an existing building to move municipal court and to remodel the current police station. This planned use of reserves for projects totaled \$2,064,000. The City’s revenues increased sufficiently during the year that the net impact to fund balance was a reduction of only \$169,155 from the prior year.

**Revenues by Source – General Fund**



The City’s *Debt Service Fund* reported a reduction in fund balance of \$205,071. Property tax collections for debt service requirements were \$8,249,039. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City’s bond election in 2005 authorized more than \$65,031,000 in projects. After extensive study, the City adopted a Roadway Impact Fee which provided \$588,159 in new revenue to this fund in fiscal year 2012. The City’s budgeting practices for the debt service fund allow the use of reserves to mediate the effect of new debt issues on the property tax rate.

The *G.O. Bonds Capital Projects Fund* reported an assigned fund balance of \$8,915,955, a reduction of \$970,622 from the prior year. Bond proceeds were used to complete the construction of the Airport

Road during fiscal year 2012. Projects underway during 2013 include the reconstruction of Corporate Crossing and street lighting projects on recently completed roadways.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2012, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. The City purchased an existing office building to remodel for municipal court purposes which was unanticipated when the budget was prepared. With the adjustments made to the budget, the original budgeted expenditures of \$22,918,950 increased to \$24,492,400 while revenues increased from \$24,393,000 to \$25,730,200. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$10,087,116 however due to the budget adjustments mentioned above and the planned reduction in fund balance for municipal court and police department office space remodels, the fund balance was re-estimated to be \$8,572,016.

General fund revenues were \$26,621,592, a positive variance of \$891,391 over the amended budget estimate, reflecting strong than anticipated sales tax collections and increased building permit revenues resulting from new industrial projects and a small increase in housing starts. Actual general fund total expenditures were \$24,087,970 or \$404,430 less than final projections. Expenditures for administration and public works increased as a result of an internal reorganization which caused a one-time compensation increase being recognized by the City. The City ended the year with a fund balance of \$9,894,923, or \$1,322,907 over the projected balance. The higher fund balance is attributable to management's conservative projections of both revenues and expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2012 the City had \$278,264,009 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 14,102,412	\$ 14,102,412	\$ 799,533	\$ 799,533	\$ 14,901,945	\$ 14,901,945
Buildings & systems	13,608,864	13,451,182	82,013,525	79,136,653	95,622,389	92,587,835
Improvements other than buildings	20,229,910	20,297,789	-	-	20,229,910	20,297,789
Machinery & equipment	4,627,960	4,358,962	1,175,931	1,064,379	5,803,891	5,423,341
Infrastructure	124,498,981	123,244,231	-	-	124,498,981	123,244,231
Construction in progress	9,946,346	11,820,588	7,260,547	11,286,154	17,206,893	23,106,742
	<u>\$187,014,473</u>	<u>\$ 187,275,164</u>	<u>\$ 91,249,536</u>	<u>\$ 92,286,719</u>	<u>\$278,264,009</u>	<u>\$279,561,883</u>

The City's capital improvement program included a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects were completed prior to 2012. Airport Road was completed in 2012 causing a reduction in construction in progress. New projects underway in 2012 include the widening and reconstruction of Corporate Crossing.

The City held a bond election in May 2012 at which voters approved propositions to fund several street reconstruction projects as well as infrastructure and accessibility projects in the downtown area in excess of \$27,800,000. Design is in progress on the downtown improvements with roadway design not expected to start until later in 2014.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of a project to connect the Squabble Creek treatment plan to the regional wastewater interceptor project which is nearing completion in early 2013. Several projects to extend and improve service were completed during the year reducing construction in progress.

Additional information regarding the City’s capital assets is found in note IV-D on pages 57-59.

Debt

At year end, the City had \$147,020,035 in bonds and capitalized leases shown in Table 4.

**Table 4  
City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 84,675,708	\$ 88,473,746	\$ 69,292	\$ 91,254	\$ 84,745,000	\$ 88,565,000
Certificates of obligation	24,065,000	23,050,000	27,145,000	28,205,000	51,210,000	51,255,000
Revenue bonds	-	-	4,550,000	5,215,000	4,550,000	5,215,000
Capital Lease obligations	<u>193,292</u>	<u>236,589</u>	<u>6,321,743</u>	<u>6,710,080</u>	<u>6,515,035</u>	<u>6,946,669</u>
	<u>\$ 108,934,000</u>	<u>\$ 111,760,335</u>	<u>\$ 38,086,035</u>	<u>\$ 40,221,254</u>	<u>\$ 147,020,035</u>	<u>\$ 151,981,669</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 3.43% or \$2,787 per capita. This is a decrease from the prior year with the year’s scheduled principal payments in 2012 and limited new debt issuance.

The City’s bond ratings at September 30, 2012 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA-	A-	A-
Moody’s Investor Service Inc.	Aa2	Aa3	A1

Additional information on the City of Rockwall’s long-term debt can be found in note IV-F, on pages 60-67 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City’s elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rate, and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the slowed growth in our community and the impact of the recovering national economy. Rockwall saw a small number of new commercial/retail business openings in 2012 which would positively impact sales tax revenues in fiscal year 2013. With this in mind and to continue the City’s conservative budget philosophy, sales tax projections were increased by only 5%. Only modest increases in projecting

building permit revenues were used to continue to budget conservatively as well. Industrial building projects are in the early stages which should positively impact permit revenues in 2013. Interviews with local builders led the City to project continued slow home starts for the coming year but developers are reporting they will be beginning the infrastructure for new subdivision phases in the coming year.

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 5.1%, well below the national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2013. The budgeted revenues for fiscal year 2013 total \$26,215,750 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate was lowered slightly to 50.25 cents per hundred dollars of assessed value.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City's fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The budget as adopted for fiscal year 2013 projects a fund balance of approximately 4.25 months of recurring operating expenditures. The City anticipates the construction of City hall parking and improved driveway access for the police building with a portion of these available reserves as well as additional street maintenance projects and the addition of a number of emergency weather warning sirens to our system.

The 2013 budget expenditures includes absorbing the increasing costs of employee health and retirement costs as well as increasing street maintenance expenditures and the addition of four sworn police positions and two fire driver positions. The Finance/Human Resources/Utility Billing software will be upgraded in the new budget.

The water and sewer rate study has been updated and the budget anticipates a 10% increase in those rates. A number of capital projects to replace older lines and to provide service to new areas are being planned for fiscal year 2013. The City's revenues were impacted by mandatory conservation measures in effect in 2012. With those measures eased, system consumption and sales revenues are expected to correct to more normal levels. In the event that significant conservation measures are again warranted then operational costs will be closely monitored and controlled to correspond with to reduction in available revenues.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

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*Basic Financial Statements*

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**CITY OF ROCKWALL, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 1,585,912	\$ 57,169	\$ 1,643,081	\$ 1,164,986
<i>Investments</i>	26,463,581	1,178,929	27,642,510	3,774,657
<i>Receivables (net of allowances for uncollectibles)</i>	3,055,917	2,728,380	5,784,297	17,550
<i>Internal balances</i>	--	--	--	--
<i>Due from other governments</i>	2,111,213	--	2,111,213	703,737
<i>Due from component unit</i>	146,987	--	146,987	--
<i>Inventories</i>	1,120	194,824	195,944	11,012,689
<i>Prepaid items</i>	--	413,584	413,584	--
<b>Restricted assets:</b>				
<i>Cash and cash equivalents</i>	--	1,100,382	1,100,382	--
<i>Investments</i>	--	7,645,882	7,645,882	--
<i>Accrued interest</i>	--	1,733	1,733	--
<i>Deferred charges</i>	1,515,705	388,041	1,903,746	179,534
<b>Capital assets (net of accumulated depreciation)</b>				
<i>Land</i>	14,102,412	799,533	14,901,945	--
<i>Buildings and system</i>	13,608,864	82,013,525	95,622,389	--
<i>Improvements other than buildings</i>	20,229,910	--	20,229,910	--
<i>Machinery and equipment</i>	4,627,960	1,175,931	5,803,891	18,274
<i>Infrastructure</i>	124,498,981	--	124,498,981	--
<i>Construction in progress</i>	9,946,346	7,260,547	17,206,893	--
<b>Total Assets</b>	<b>221,894,908</b>	<b>104,958,460</b>	<b>326,853,368</b>	<b>16,871,427</b>
<b>LIABILITIES</b>				
<i>Accounts payable and accrued liabilities</i>	3,554,245	1,037,144	4,591,389	326,567
<i>Unearned revenue</i>	29,979	--	29,979	--
<i>Due to other governments</i>	179,634	--	179,634	--
<i>Due to primary government</i>	--	--	--	146,987
<i>Customer deposits</i>	--	320,250	320,250	--
<i>Liabilities payable from restricted assets -</i>				
<i>Due within one year</i>	--	1,130,766	1,130,766	--
<b>Noncurrent liabilities:</b>				
<i>Due within one year</i>	5,732,100	1,128,689	6,860,789	1,299,730
<i>Due in more than one year</i>	106,214,818	35,846,176	142,060,994	16,077,269
<b>Total Liabilities</b>	<b>115,710,776</b>	<b>39,463,025</b>	<b>155,173,801</b>	<b>17,850,553</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	89,851,392	58,888,435	148,739,827	18,274
<b>Restricted For:</b>				
Debt Service	1,544,248	2,306,207	3,850,455	--
Capital Projects	14,549,511	--	14,549,511	--
Unrestricted	238,981	4,300,793	4,539,774	(997,400)
<b>Total Net Assets</b>	<b>\$ 106,184,132</b>	<b>\$ 65,495,435</b>	<b>\$ 171,679,567</b>	<b>\$ (979,126)</b>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Mayor/Council	\$ 106,959	\$ --	\$ --	\$ --
Administration	7,631,175	136,259	96,131	878,683
Finance	1,360,201	--	--	--
Municipal court	358,745	1,179,016	--	--
Police	8,836,213	463,565	545,937	--
Fire	3,002,941	120,205	8,072	33,188
Public works	8,398,043	129,562	--	1,083,532
Community development	1,185,114	1,125,092	10,000	--
Parks and recreation	6,003,610	428,461	--	17,533
Interest on long-term debt	4,666,567	--	--	--
Total governmental activities	41,549,568	3,582,160	660,140	2,012,936
Business-type Activities:				
Water and Sewer	15,549,248	14,064,514	--	1,178,672
Total Business-type Activities	15,549,248	14,064,514	--	1,178,672
Total Primary Government	\$ 57,098,816	\$ 17,646,674	\$ 660,140	\$ 3,191,608
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	\$ 6,265,271	\$ 250,686	\$ --	\$ --
Rockwall Technology Park Association	166,239	164,828	--	--
Total Component Units	\$ 6,431,510	\$ 415,514	\$ --	\$ --

General Revenues:  
*Ad valorem taxes, penalty and interest*  
*Sales Taxes*  
*Franchise Taxes*  
*Miscellaneous*  
*Unrestricted Investment Earnings*  
Transfers  
Total General Revenues and Transfers  
Change in Net Assets  
Net Assets - Beginning  
Net Assets - Ending

The accompanying notes are an integral part of this statement.

## Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (106,959)		\$ (106,959)	
(6,520,102)		(6,520,102)	
(1,360,201)		(1,360,201)	
820,271		820,271	
(7,826,711)		(7,826,711)	
(2,841,476)		(2,841,476)	
(7,184,949)		(7,184,949)	
(50,022)		(50,022)	
(5,557,616)		(5,557,616)	
(4,666,567)		(4,666,567)	
<u>(35,294,332)</u>		<u>(35,294,332)</u>	
--	\$ (306,062)	(306,062)	
--	(306,062)	(306,062)	
<u>(35,294,332)</u>	<u>(306,062)</u>	<u>(35,600,394)</u>	
			\$ (6,014,585)
			(1,411)
			<u>(6,015,996)</u>
17,290,583	--	17,290,583	--
12,720,023	--	12,720,023	4,099,389
2,821,451	--	2,821,451	--
676,981	128,885	805,866	149
114,588	10,327	124,915	6,094
1,594,950	(1,594,950)	--	--
<u>35,218,576</u>	<u>(1,455,738)</u>	<u>33,762,838</u>	<u>4,105,632</u>
(75,756)	(1,761,800)	(1,837,556)	(1,910,364)
106,259,888	67,257,235	173,517,123	931,238
<u>\$ 106,184,132</u>	<u>\$ 65,495,435</u>	<u>\$ 171,679,567</u>	<u>\$ (979,126)</u>

**CITY OF ROCKWALL, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 48,916	\$ 1,144,008
<i>Investments</i>	8,199,973	32,081
Receivables (net of allowances for uncollectibles):		
<i>Taxes - delinquent</i>	218,844	214,950
<i>Fines</i>	217,864	--
<i>Accrued interest</i>	10,273	--
<i>Accounts receivable</i>	153,402	--
<i>Assessments receivable</i>	--	--
<i>Other receivables</i>	198,772	--
<i>Due from other funds</i>	557,092	--
<i>Due from other governments</i>	2,067,847	--
<i>Due from component unit</i>	--	--
<i>Inventory</i>	1,120	--
<b>Total Assets</b>	<b>\$ 11,674,103</b>	<b>\$ 1,391,039</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 1,021,978	\$ --
<i>Deferred revenue</i>	554,529	169,838
<i>Due to other funds</i>	--	--
<i>Due to other governments</i>	179,635	--
<b>Total Liabilities</b>	<b>1,756,142</b>	<b>169,838</b>
Fund balances:		
<i>Nonspendable</i>	1,120	--
<i>Restricted</i>	--	1,221,201
<i>Committed</i>	--	--
<i>Assigned</i>	--	--
<i>Unassigned</i>	9,916,841	--
<b>Total fund balances</b>	<b>9,917,961</b>	<b>1,221,201</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,674,103</b>	<b>\$ 1,391,039</b>

The accompanying notes are an integral part of this statement.

G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,008	\$ 318,825	\$ 1,512,757
8,443,669	9,230,492	25,906,215
--	55,690	489,484
--	--	217,864
6,335	8,351	24,959
--	875,463	1,028,865
--	80,660	80,660
--	3,311	202,083
--	--	557,092
--	43,366	2,111,213
--	146,987	146,987
--	--	1,120
<u>\$ 8,451,012</u>	<u>\$ 10,763,145</u>	<u>\$ 32,279,299</u>
\$ 505,679	\$ 861,294	\$ 2,388,951
--	166,330	890,697
--	149,323	149,323
--	--	179,635
<u>505,679</u>	<u>1,176,947</u>	<u>3,608,606</u>
--	--	1,120
--	259,927	1,481,128
--	2,722,094	2,722,094
7,945,333	6,604,177	14,549,510
--	--	9,916,841
<u>7,945,333</u>	<u>9,586,198</u>	<u>28,670,693</u>
<u>\$ 8,451,012</u>	<u>\$ 10,763,145</u>	<u>\$ 32,279,299</u>

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**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 28,670,693
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	187,014,473
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	399,912
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	(112,780)
Payables for bond principal which are not due in the current period are not reported in the funds.	(110,534,543)
Payables for capital leases which are not due in the current period are not reported in the funds.	(193,299)
Payables for bond interest which are not due in the current period are not reported in the funds.	(735,784)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,219,076)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	1,515,706
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	191,026
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	918,023
Contract receivables unavailable to pay for current period expenditures are deferred in the funds.	189,121
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	80,660
Net assets of governmental activities - Statement of Net Assets	\$ <u>106,184,132</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service Fund
Revenues:		
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,551,996	\$ 8,249,039
<i>Sales taxes</i>	12,140,716	--
<i>Franchise taxes</i>	2,879,585	--
<i>Charges for services</i>	338,975	--
<i>Permits</i>	1,076,770	--
<i>Municipal court</i>	1,141,742	--
<i>Intergovernmental</i>	377,775	--
<i>Interest income</i>	27,144	1,210
<i>Miscellaneous</i>	109,927	588,159
<i>Donations</i>	--	--
Total revenues	<u>26,644,630</u>	<u>8,838,408</u>
Expenditures:		
Current:		
<i>Mayor/Council</i>	106,958	--
<i>Administration</i>	3,405,096	--
<i>Finance</i>	1,032,733	--
<i>Municipal court</i>	337,537	--
<i>Police</i>	8,163,231	112,789
<i>Fire</i>	2,303,951	--
<i>Public works</i>	2,285,737	--
<i>Community development</i>	1,164,786	--
<i>Parks and recreation</i>	4,542,705	--
Total current	<u>23,342,734</u>	<u>112,789</u>
Capital outlay:		
<i>Administration</i>	724,318	--
<i>Finance</i>	--	--
<i>Police</i>	--	--
<i>Fire</i>	--	--
<i>Parks and recreation</i>	20,918	--
Total capital outlay	<u>745,236</u>	<u>--</u>
Debt service:		
<i>Principal</i>	--	4,788,038
<i>Interest</i>	--	4,133,852
<i>Fiscal charges</i>	--	8,800
<i>Bond issuance cost</i>	--	--
Total debt service:	<u>--</u>	<u>8,930,690</u>
Total expenditures	<u>24,087,970</u>	<u>9,043,479</u>
Excess (deficiency) of revenues over (under) expenditures	2,556,660	(205,071)
Other financing sources (uses):		
<i>Transfers in</i>	689,185	--
<i>Transfers out</i>	(3,415,000)	--
<i>Issuance of long-term debt</i>	--	--
Total other financing sources (uses)	<u>(2,725,815)</u>	<u>--</u>
Net change in fund balances	(169,155)	(205,071)
Fund balances, October 1	10,087,116	1,426,272
Fund balances, September 30	<u>\$ 9,917,961</u>	<u>\$ 1,221,201</u>

The accompanying notes are an integral part of this statement.

G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 507,330	\$ 17,308,365
--	579,307	12,720,023
--	--	2,879,585
--	1,044,183	1,383,158
--	--	1,076,770
--	--	1,141,742
--	458,173	835,948
31,859	54,375	114,588
--	97,064	795,150
118,412	608,949	727,361
150,271	3,349,381	38,982,690
--	--	106,958
--	285,071	3,690,167
--	213,057	1,245,790
--	--	337,537
--	23,494	8,299,514
--	43,328	2,347,279
--	--	2,285,737
--	--	1,164,786
--	146,472	4,689,177
--	711,422	24,166,945
1,120,893	4,803,723	6,648,934
--	224,306	224,306
--	465,169	465,169
--	368,805	368,805
--	465,241	486,159
1,120,893	6,327,244	8,193,373
--	145,000	4,933,038
--	686,331	4,820,183
--	--	8,800
--	44,305	44,305
--	875,636	9,806,326
1,120,893	7,914,302	42,166,644
(970,622)	(4,564,921)	(3,183,954)
--	1,527,850	2,217,035
--	(87,085)	(3,502,085)
--	2,150,000	2,150,000
--	3,590,765	864,950
(970,622)	(974,156)	(2,319,004)
8,915,955	10,560,354	30,989,697
\$ 7,945,333	\$ 9,586,198	\$ 28,670,693

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	\$ (2,319,004)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	7,988,223
The depreciation of capital assets used in governmental activities is not reported in the funds.	(9,332,445)
Donations of capital assets increase net assets in the SOA but not in the funds.	1,083,532
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(17,783)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	44,305
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,933,038
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	43,290
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(95,069)
(Increase) decrease in accrued interest from beginning of period to end of period.	162,416
The net revenue (expense) of internal service funds is reported with governmental activities.	(314,102)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	67,419
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	49,887
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(15,456)
Revenues in the SOA for franchise taxes not providing current financial resources are not reported in the funds.	(58,134)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,150,000)
Certain contract revenues are deferred in the funds. This is the change in these amounts this year.	(145,873)
Change in net assets of governmental activities - Statement of Activities	\$ (75,756)

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

SEPTEMBER 30, 2012

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current Assets:		
<i>Cash and cash equivalents</i>	\$ 57,169	\$ 73,154
<i>Investments</i>	1,178,929	557,366
<i>Accounts receivable (net of allowance)</i>	2,728,380	--
<i>Other receivables</i>	--	93,979
<i>Inventory</i>	194,824	--
<i>Prepaid items</i>	413,584	--
Restricted assets:		
<i>Cash and cash equivalents</i>	1,100,382	--
<i>Investments</i>	7,645,882	--
<i>Accrued interest</i>	1,733	--
Total current assets	<u>13,320,883</u>	<u>724,499</u>
Noncurrent assets:		
<i>Deferred charges</i>	388,041	--
<i>Capital assets not being depreciated</i>	8,060,080	--
<i>Capital assets being depreciated, net</i>	83,189,456	--
Total noncurrent assets	<u>91,637,577</u>	<u>--</u>
Total Assets	<u>104,958,460</u>	<u>724,499</u>
LIABILITIES		
Current Liabilities:		
<i>Accounts payable and accrued liabilities</i>	1,037,144	429,510
<i>Due to other funds</i>	--	407,769
<i>Customer deposits</i>	320,250	--
<i>General obligation bonds - current</i>	1,136,962	--
<i>Liability for compensated absences - current</i>	12,467	--
Liabilities Payable From Restricted Assets:		
<i>Revenue bonds payable - current</i>	685,000	--
<i>Obligations under capital leases - current</i>	411,671	--
<i>Accrued interest payable</i>	34,095	--
Total current liabilities	<u>3,637,589</u>	<u>837,279</u>
Noncurrent Liabilities:		
<i>General obligation bonds payable</i>	26,077,330	--
<i>Revenue bonds payable</i>	3,737,167	--
<i>Obligations under capital leases payable</i>	5,910,071	--
<i>Liability for compensated absences</i>	100,868	--
Total noncurrent liabilities	<u>35,825,436</u>	<u>--</u>
Total Liabilities	<u>39,463,025</u>	<u>837,279</u>
NET ASSETS		
<i>Invested in capital assets, net of related debt</i>	58,888,435	--
<i>Restricted for debt service</i>	2,306,207	--
<i>Unrestricted</i>	4,300,793	(112,780)
Total Net Assets	<u>\$ 65,495,435</u>	<u>\$ (112,780)</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES:		
<i>Charges for services</i>	\$ 14,064,514	\$ 535,428
<i>Reinsurance reimbursement</i>	--	289,045
Total Operating Revenues	14,064,514	824,473
OPERATING EXPENSES:		
<i>Personnel services</i>	1,968,779	--
<i>Contractual services</i>	8,493,172	4,027,503
<i>Materials and supplies</i>	469,561	--
<i>Operations</i>	139,570	--
<i>Utilities</i>	392,575	--
<i>Depreciation and amortization</i>	2,206,124	--
Total Operating Expenses	13,669,781	4,027,503
Operating Income (Loss)	394,733	(3,203,030)
NON-OPERATING REVENUES (EXPENSES):		
<i>Capital recovery fees</i>	595,899	--
<i>Interest income</i>	19,968	46
<i>Miscellaneous income</i>	128,885	8,882
<i>Paying agent fees</i>	(42,844)	--
<i>Interest expense</i>	(1,836,623)	--
Total Non-operating Revenues (Expenses)	(1,134,715)	8,928
Net Income (Loss) before Operating Transfers	(739,982)	(3,194,102)
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
<i>Capital contributions</i>	573,132	--
<i>Transfers in</i>	--	2,880,000
<i>Transfers out</i>	(1,594,950)	--
Total Transfers and Capital Contributions	(1,021,818)	2,880,000
Change in net assets	(1,761,800)	(314,102)
Net assets, October 1	67,257,235	201,322
Net assets, September 30	\$ 65,495,435	\$ (112,780)

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2012

	Business Type Activities Enterprise Water and Sewer Fund	Governmental Activities Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 13,956,556	\$ 802,419
Cash Payments to Employees for Services	(2,283,695)	--
Cash Payments to Other Suppliers for Goods and Services	(9,347,003)	(4,023,784)
Net Cash Provided (Used) by Operating Activities	<u>2,325,858</u>	<u>(3,221,365)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Cash Paid to Other Funds	(1,594,950)	--
Cash Received From Other Funds	--	3,030,812
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,594,950)</u>	<u>3,030,812</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from capital debt	--	--
Principal and Interest Paid	(3,203,923)	--
Capital recovery fees received	595,899	--
Acquisition or Construction of Capital Assets	(1,315,103)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(3,923,127)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investment Securities	(1,480,266)	(92,325)
Proceeds from Sale and Maturities of Securities	4,039,673	266,686
Interest and Dividends on Investments	19,968	46
Net Cash Provided (Used) for Investing Activities	<u>2,579,375</u>	<u>174,407</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(612,844)	(16,146)
Cash and Cash Equivalents at Beginning of Year	8,963,956	543,638
Cash and Cash Equivalents at End of Year	8,351,112	527,492
<b>Cash Equivalents Included in Investments</b>	<b>(7,193,561)</b>	<b>(454,338)</b>
Net Cash and Cash Equivalents	<u>\$ 1,157,551</u>	<u>\$ 73,154</u>
<b>Reported on Statement of Net Assets</b>		
Unrestricted cash	\$ 57,169	\$ 73,154
Restricted cash	1,100,382	--
	<u>\$ 1,157,551</u>	<u>\$ 73,154</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 394,733	\$ (3,203,030)
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation	2,206,124	--
Miscellaneous Income	128,885	8,882
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(255,285)	(30,936)
Decrease (Increase) in Inventories	83,141	--
Decrease (Increase) in Prepaid Items	(413,584)	--
Increase (Decrease) in Accounts Payable and Accrued Liabilities	162,081	3,719
Increase (Decrease) in Customer Deposits	9,880	--
Increase (Decrease) in Compensated Absences	9,883	--
Total Adjustments	<u>1,931,125</u>	<u>(18,335)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,325,858</u>	<u>\$ (3,221,365)</u>
<b>Non-Cash Activities:</b>		
Capital Contributions	<u>\$ 573,132</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2012

	Agency Fund	Special Escrow Agency
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 266,539	
<i>Investments</i>	943,460	
<i>Accrued interest</i>	10,361	
Total Assets	<u>1,220,360</u>	
<b>LIABILITIES</b>		
<i>Due to developers</i>	1,220,360	
Total Liabilities	<u>1,220,360</u>	
<b>NET ASSETS</b>		
Total Net Assets	\$ --	

The accompanying notes are an integral part of this statement.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Rockwall, Texas, was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Rockwall, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City of Rockwall is a home rule municipality governed by an elected mayor and six member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

**Discretely Presented Component Units**

The Rockwall Economic Development Corporation (REDC) is governed by a nine member board of directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half cent sales tax to support its activities.

The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within the park being developed by REDC. RTP's board of directors is composed of representatives of the landowners. At September 30, 2012, REDC owned the majority of the land and the board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discrete component unit of the City.

The funds of both REDC and RTP are composed of governmental fund types. Stand alone financial statements for RTP as of and for the fiscal year ended September 30, 2012 are not prepared.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* was established to account for street and drainage projects using proceeds from the issuance of bonds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance, and worker's compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and worker compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than 5 years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
- e. Certificates of deposit issued by a state or national bank domiciled in the state of Texas or a savings bank domiciled in the state of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items 1 – 4. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least of the 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the state of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net assets value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

The City holds various mortgage backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Rockwall County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

# CITY OF ROCKWALL, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2012

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 30 years
Building Improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

### 6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of 3 days sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of 3 days sick leave to one day vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of 3 days sick leave to one day vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

### 7. Long-term obligations

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

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

### 8. Fund equity

**Nonspendable Fund Balance** Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

**Restricted Fund Balance** - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

**Committed Fund Balance** - Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through legislation, resolution or ordinance, unless the City Council removes or changes the specified use by taking the same type of action used to commit the amounts.

**Assigned Fund Balance** - Amounts that are constrained by the City Council, or the City Manager or Director of Finance, based upon delegation of this authority by the City Council, that are to be used for specific purposes but are neither restricted nor committed.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

Unassigned Fund Balance - Amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. The City has not established a formal policy to set forth a minimum level for fund balances.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$1,515,706 difference are as follows:

Bonds issuance costs:	
City	<u>\$1,515,706</u>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2012, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

Emergency Siren Fund  
Downtown Improvement Fund  
Art in Public Places Fund  
Special Crimes Unit Fund

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

7. Capital Project funds were not budgeted. Since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

B. Deficit fund equity

The following fund had a deficit fund balance at September 30, 2012:

Employee Benefits Internal Service Fund	\$604,726
---	-----------

The deficit in the Employee Benefits fund was caused by unanticipated health care cost increases, and will be covered by additional transfers from the general fund.

**IV. DETAILED NOTES ON ALL FUNDS**

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2012, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$728,857 which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2012, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

Investments

At September 30, 2012, the City's investments were:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-24+
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Mortgage Corp.	\$4,408,769	\$ --	\$ --	\$ --	\$4,408,769
Federal National Mortgage Asso.	2,025,678	--	--	--	2,025,678
Treasury bills and notes	1,112,129	--	--	--	1,112,129
	7,546,576	--	--	--	7,546,576
Money Market Funds	28,685,276	28,685,276	--	--	--
Total Primary Government	36,231,852	28,685,276	--	--	7,546,576
<b>Discrete Component Units</b>					
Rockwall Economic Development Corporation					
Money Market Funds	3,734,243	3,734,243	--	--	--
Rockwall Technology Park					
Money Market Funds	40,414	40,414	--	--	--
Total Discrete Component Units	3,774,657	3,774,657	--	--	--
Total Reporting Entity	<u>\$40,006,509</u>	<u>\$32,459,933</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$7,546,576</u>

Investments are reported in the

Statement of net assets as follows:

Governmental activities	\$26,463,581
Business-type activities	8,824,811
Fiduciary Fund	943,460

Discrete component units:

Rockwall Economic Development Corporation	
Development Corporation	3,734,243
Rockwall Technology Park	40,414
	<u>\$40,006,509</u>

The City has invested with money market funds with ratings from Aaa to AAA.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	GO Bonds Capital	Nonmajor and Other	Water and Sewer	Internal Service
Taxes receivable - delinquent	\$203,253	\$214,950	\$ --	\$ --	\$ --	\$ --
Fines receivable	\$345,215	\$ --	\$ --	\$ --	\$ --	\$ --
Allowance for uncollectibles	(127,351)	--	--	--	--	--
	\$217,864	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Interest	\$10,273	\$ --	\$6,335	\$8,351	\$ --	\$ --
Accounts receivable	\$153,402	\$ --	\$ --	\$875,463	\$3,327,158	\$ --
Allowance for uncollectibles	--	--	--	--	(598,778)	--
Net other receivables	\$153,402	\$ --	\$ --	\$875,463	\$2,728,380	\$ --
Assessments receivable	\$ --	\$ --	--	\$80,660	\$ --	\$ --
Other receivables	\$198,772	\$ --	\$ --	\$3,311	\$ --	\$93,979

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$174,384	\$ --
Contract receivable not yet due (General Fund)	189,120	--
Fines receivable (General Fund)	191,025	--
Delinquent property taxes receivable (Debt Service Fund)	169,838	--
Delinquent property taxes receivable (Harbor Debt Service)	55,690	--
Assessments receivable not yet due (Street improvements)	80,660	--
Seizures not awarded (Special Crimes Unit)	29,980	29,979
Total deferred/unearned revenue for governmental funds	\$890,697	\$29,979

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2012

D. Capital assets

Capital asset activity for the year ended September 30, 2012:

Primary Government

	Balance 9/30/11	Additions	Retirements	Completed Construction	Balance 9/30/12
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$14,102,412	\$ --	\$ --	--	\$14,102,412
Construction in progress	11,820,588	5,908,954	--	(7,783,196)	9,946,346
Total capital assets not being depreciated	25,923,000	5,908,954	--	(7,783,196)	24,048,758
Capital assets, being depreciated:					
Buildings	17,460,462	745,236	--	--	18,205,698
Improvements other than buildings	26,755,323	138,856	--	1,318,013	28,212,192
Machinery and equipment	13,464,680	1,195,177	(287,643)	281,223	14,653,437
Infrastructure	176,677,312	1,083,531	--	6,183,960	183,944,803
Total capital assets being depreciated	234,357,777	3,162,800	(287,643)	7,783,196	245,016,130
Less accumulated depreciation for:					
Buildings	(4,009,280)	(587,554)	--	--	(4,596,834)
Improvements other than buildings	(6,457,534)	(1,524,748)	--	--	(7,982,282)
Machinery and equipment	(9,105,717)	(1,207,403)	287,643	--	(10,025,477)
Infrastructure	(53,433,082)	(6,012,740)	--	--	(59,445,822)
Total accumulated depreciation	(73,005,613)	(9,332,445)	287,643	--	(82,050,415)
Total capital assets being depreciated, net	161,352,164	(6,169,645)	--	7,783,196	162,965,715
Governmental activities capital assets, net	\$187,275,164	(\$260,691)	\$ --	\$ --	\$187,014,473

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

	Balance 9/30/11	Additions	Retirements	Completed Construction	Balance 9/30/12
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$799,533	--	--	--	\$799,533
Construction in progress	11,286,154	275,129	--	(4,300,736)	7,260,547
Total capital assets not being depreciated	12,085,687	275,129	--	(4,300,736)	8,060,080
Capital assets, being depreciated:					
Buildings	198,109	--	--	--	198,109
Improvements other than buildings	88,550,011	650,934	--	4,300,736	93,501,681
Sewage treatment plants and pump station	12,516,072	--	--	--	12,516,072
Machinery and equipment	4,566,763	242,878	(30,657)	--	4,778,984
Total capital assets being depreciated	105,830,955	893,812	(30,657)	4,300,736	110,994,846
Less accumulated depreciation for:					
Buildings	(113,875)	(5,434)	--	--	(119,309)
Improvements other than buildings	(17,102,338)	(1,820,517)	--	--	(18,922,855)
Sewage treatment plants and pump station	(4,911,326)	(248,847)	--	--	(5,160,173)
Machinery and equipment	(3,502,384)	(131,326)	30,657	--	(3,603,053)
Total accumulated depreciation	(25,629,923)	(2,206,124)	30,657	--	(27,805,390)
Capital assets being depreciated, net	80,201,032	(1,312,312)	--	4,300,736	83,189,456
Business type activities capital assets, net	\$92,286,719	(\$1,037,183)	\$ --	\$ --	\$91,249,536

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$633,386
Finance	94,326
Municipal court	21,208
Police	427,300
Fire	675,576
Public works	6,161,273
Community development	21,992
Parks and recreation	<u>1,297,384</u>
Total depreciation expense - governmental activities	<u>\$9,332,445</u>

Business-type activities:

Water and sewer	<u>\$2,206,124</u>
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**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

Construction commitments

The City has active construction projects as of September 30, 2012. The projects include street construction, parking improvements, water system improvements, and sewer system improvements.

Project	Spent to Date	Remaining Commitment
Street improvements	\$1,368,866	\$207,896

The street improvements are being financed by bond proceeds.

Discretely presented component units - Rockwall Economic Development Corporation:

	Balance 9/30/11	Additions	Retirements	Completed Construction	Balance 9/30/12
Capital assets, being depreciated:					
Furniture and fixtures	\$88,579	\$5,019	--	--	\$93,598
Total capital assets being depreciated	88,579	5,019	--	--	93,598
Less accumulated depreciation for:					
Furniture and fixtures	(73,079)	(2,245)	--	--	(75,324)
Total accumulated depreciation	(73,079)	(2,245)	--	--	(75,324)
Total capital assets being depreciated, net	\$15,500	\$2,774	--	--	\$18,274

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2012

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2012, is as follows:

Fund	Receivable	Payable
General Fund	\$557,092	\$ --
Nonmajor Governmental Funds	--	149,323
Internal Service Funds	--	407,769
Totals	\$557,092	\$557,092

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. These are expected to be collected within one year.

The composition of interfund transfers for the year ended September 30, 2012, is as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$689,185	\$3,415,000
Nonmajor Governmental Funds	1,527,850	87,085
Water and Sewer Enterprise Fund	--	1,594,950
Internal Service Funds	2,880,000	--
Totals	\$5,097,035	\$5,097,035

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

F. Long-term debt

The City issues general obligation debt ( in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2012

General Obligation Debt Outstanding as of September 30, 2012, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/12
Governmental Activities					
General Obligation Bonds:					
Refunding	\$4,024,394	2003	2015	2.00%-4.00%	\$975,708
Refunding and Improvements	13,345,000	2005	2025	3.00%-4.50%	10,260,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	30,155,000
Improvements	21,765,000	2007	2037	5.13%-6.13%	19,255,000
Improvements	9,515,000	2008	2028	2.05%-2.50%	8,230,000
Improvements	9,065,000	2009	2029	2.00%-4.60%	7,475,000
Improvements and refunding	8,535,000	2011	2031	2.00%-5.00%	8,325,000
Total General Obligation Bonds					<u>84,675,708</u>
Certificates of Obligation Bonds:					
Improvements	1,330,000	2011	2031	2.33%-5.30%	1,330,000
Improvements	12,415,000	2005	2025	3.00%-5.00%	9,995,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	3,415,000
Improvements	820,000	2012	2016	1.215%	820,000
Improvements	5,125,000	2009	2029	2.00%-4.60%	3,925,000
Improvements	5,125,000	2011	2031	2.00%-4.25%	4,580,000
Total Certificates of Obligation					<u>24,065,000</u>
Total Governmental Activities General Obligation Debt					<u>108,740,708</u>
Business-type Activities:					
General Obligation Bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	69,292
Certificates of Obligation:					
Improvements	10,310,000	2007	2027	4.25%-4.50%	8,510,000
Improvements	16,895,000	2008	2028	3.00%-5.00%	14,595,000
Improvements	16,895,000	2008	2028	3.00%-5.00%	4,040,000
Total Certificates of obligation					<u>27,145,000</u>
Total business-type general obligation debt					<u>27,214,292</u>
Total General Debt					<u><u>\$135,955,000</u></u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$5,268,038	\$4,479,626	\$1,136,962	\$1,168,949	\$12,053,575
2014	5,993,038	4,584,835	1,501,962	1,128,949	13,208,784
2015	6,269,632	4,358,159	1,580,368	1,075,060	13,283,219
2016	6,070,000	4,106,371	1,615,000	1,018,495	12,809,866
2017	5,755,000	3,863,202	1,695,000	960,720	12,273,922
2018-2022	29,170,000	15,418,541	9,340,000	3,724,375	57,652,916
2023-2027	28,610,000	8,804,709	9,065,000	1,632,322	48,112,031
2028-2032	13,165,000	3,608,843	1,280,000	60,800	18,114,643
2033-2037	8,440,000	1,127,187	--	--	9,567,187
Total	<u>\$108,740,708</u>	<u>\$50,351,473</u>	<u>\$27,214,292</u>	<u>\$10,769,670</u>	<u>\$197,076,143</u>

REVENUE BONDS. The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding at year end are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/12
Revenue Bonds					
Improvements	\$6,700,000	2002	2022	4.00%-4.90%	\$330,000
Refunding and improvements	6,415,000	2005	2025	3.00%-4.50%	4,220,000
Total Revenue Bonds					4,550,000
Less unamortized premium (discount) on bonds					181,985
Total Revenue Bonds					<u>\$4,731,985</u>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2012

Revenue bond debt service requirements to maturity are as follows:

Year	Water and Sewer Fund		Total
	Principal	Interest	
2013	\$685,000	\$191,306	\$876,306
2014	370,000	163,019	533,019
2015	260,000	147,294	407,294
2016	270,000	136,894	406,894
2017	280,000	126,094	406,094
2018-2022	1,570,000	450,356	2,020,356
2023-2025	1,115,000	100,556	1,215,556
Total	4,550,000	\$ 1,315,519	\$5,865,519
Unamortized Discount	181,985		
Total Revenue bonds	<u>\$4,731,985</u>		

Capitalized Lease Obligations

The City has entered into a contract with a software vendor for an upgrade to the public safety software system. This contract has been treated as a capitalized leases.

The City has entered into a contract with the North Texas Municipal Water District, a conservation and reclamation district and political subdivision of the state of Texas, for construction and operation of sewer plants and to provide treated water to the City. The contractual obligations have been treated as capitalized leases.

Capitalized lease obligations outstanding at September 30, 2012 are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/12
<b>Capital Leases</b>					
Governmental activities					
Public safety computer upgrade	\$330,870	2010	2016	4.45%	\$193,299
Business-type activities					
South Plant Improvements	\$1,800,000	1996	2016	various	535,000
Ground Storage Facility	2,013,434	2005	2025	various	1,496,743
Pump Station	2,145,000	2006	2026	various	1,715,000
Buffalo Creek Plant	2,960,000	2008	2028	various	2,575,000
					<u>6,321,743</u>
Total Capitalized Lease Obligations					<u>\$6,515,042</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

Capital lease obligation debt service requirements to maturity are as follows:

Year	Governmental Activities	Business-type Activities	Total
2013	\$53,818	\$720,501	\$774,319
2014	53,818	714,226	768,044
2015	53,818	712,304	766,122
2016	53,818	717,674	771,492
2017	--	563,717	563,717
2018-2022	--	2,837,581	2,837,581
2023-2027	--	2,389,152	2,389,152
2027	--	248,513	248,513
Total payments	215,272	8,903,668	9,118,940
Less imputed interest	(21,973)	(2,581,925)	(2,603,898)
Total Capital Lease Obligations	<u>\$193,299</u>	<u>\$6,321,743</u>	<u>\$6,515,042</u>

**CHANGES IN LONG-TERM LIABILITIES**

During the year ended September 30, 2012, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/11	Additions	Retirements	Balance 9/30/12	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$88,473,746	\$ --	(\$3,798,038)	\$84,675,708	\$4,018,038
Certificates of obligation	23,050,000	2,150,000	(1,135,000)	24,065,000	1,250,000
Deferred amounts:					
Unamortized premium (discount)	2,004,225	--	(97,804)	1,906,421	97,804
Loss on refunding	(120,695)	--	8,109	(112,586)	(8,109)
Total bonds payable	113,407,276	2,150,000	(5,022,733)	110,534,543	5,357,733
Capital lease obligations	236,589	--	(43,290)	193,299	45,216
Compensated absences	1,286,495	1,248,232	(1,315,651)	1,219,076	329,151
Governmental activity Long-Term Liabilities	<u>\$114,930,360</u>	<u>\$3,398,232</u>	<u>(\$6,381,674)</u>	<u>\$111,946,918</u>	<u>\$5,732,100</u>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2012

	Balance 9/30/11	Additions	Retirements	Balance 9/30/12	Due Within One Year
<b>Business-type activities:</b>					
General obligation bonds	\$28,296,254	\$ --	(\$1,081,962)	\$27,214,292	\$1,136,962
Revenue bonds	5,215,000	--	(665,000)	4,550,000	685,000
Unamortized premium (discount)	193,106	--	(11,121)	181,985	11,121
Loss on refunding	(341,221)	--	31,861	(309,360)	(31,861)
Total bonds payable	33,363,139	--	(1,726,222)	31,636,917	1,801,222
Capital lease obligations	6,710,080	--	(388,337)	6,321,743	411,671
Compensated absences	113,930	130,140	(130,735)	113,335	22,700
Business-type activities	<u>\$40,187,149</u>	<u>\$130,140</u>	<u>(\$2,245,294)</u>	<u>\$38,071,995</u>	<u>\$2,235,593</u>

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund. The government-wide statement of activities includes \$685,000 of revenue bonds and \$411,671 of capital leases due within one year for business-type activities in "liabilities payable from restricted assets" on that same statement. Liabilities payable from restricted assets also includes \$34,095 of accrued interest.

Authorized and Unissued Debt

The following tables detail the status of all authorized general obligation and revenue bonded debt as of September 30, 2012:

Year Authorized	General Obligation Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/12
1985	\$1,500,000	(\$600,000)	\$900,000
1994	4,100,000	(3,600,000)	500,000
2012	27,800,000	--	27,800,000
	<u>\$33,400,000</u>	<u>(\$4,200,000)</u>	<u>\$29,200,000</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

Year Authorized	Revenue Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/12
1980	\$2,000,000	(\$1,060,000)	\$940,000
1985	1,540,000	--	1,540,000
Totals	<u>\$3,540,000</u>	<u>(\$1,060,000)</u>	<u>\$2,480,000</u>

**Discretely presented component units - Rockwall Economic Development Corporation:**

\$2,405,000 Sales Tax Revenue Bonds, series 2012, payable in annual installments through August 1, 2019, interest payable at 2.00%	\$2,405,000
\$4,545,000 Sales Tax Revenue Bonds, series 2008, payable in annual installments through August 1, 2028, interest payable at 7.00%	<u>4,015,000</u>
Total Sales Tax Revenue Bonds	<u>6,420,000</u>
\$3,225,000 Certificates of Obligation, series 2005, payable in annual installments through August 1, 2015, interest payable at 3.00% to 5.00%	1,120,000
\$5,540,000 Certificates of Obligation, series 2006, payable in annual installments through August 1, 2025, interest payable at 4.25% to 5.00%	4,370,000
\$6,130,000 Certificates of Obligation, series 2008, payable in annual installments through August 1, 2028, interest payable at 3.00% to 5.00%	<u>5,295,000</u>
Total Certificates of Obligation	<u>10,785,000</u>
Total	<u>\$17,205,000</u>

Annual debt service requirements to maturity for REDC debt are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2013	\$1,275,000	\$804,993	\$2,079,993
2014	1,335,000	760,169	2,095,169
2015	1,390,000	708,007	2,098,007
2016	1,045,000	650,882	1,695,882
2017	1,090,000	611,232	1,701,232
2018-2022	5,030,000	2,381,506	7,411,506
2023-2027	5,180,000	1,087,761	6,267,761
2028	860,000	49,736	909,736
Total	<u>\$17,205,000</u>	<u>\$7,054,286</u>	<u>\$24,259,286</u>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2012

Current Refundings

Rockwall Economic Development Corporation issued \$2,405,000 of Sales Tax Revenue Bonds for a current refunding of \$2,675,000 of Sales tax revenue bonds. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of \$235,265 and a reduction of \$292,909 in future debt service payments.

During the year ended September 30, 2012, the following changes occurred in liabilities reported in the capital long-term debt for REDC:

	Balance 9/30/11	Additions	Retirements	Balance 9/30/12	Due Within One Year
<b>Governmental activities:</b>					
Sales tax revenue bonds	\$6,825,000	\$2,405,000	(\$2,810,000)	\$6,420,000	\$470,000
Certificates of obligation	11,555,000	--	(770,000)	10,785,000	805,000
Unamortized premium (discount)	153,323	42,347	(13,626)	182,044	16,651
Total bonds payable	18,533,323	2,447,347	(3,593,626)	17,387,044	1,291,651
Compensated absences	20,645	33,573	(21,902)	32,316	6,500
Total	<u>\$18,553,968</u>	<u>\$2,480,920</u>	<u>(\$3,615,528)</u>	<u>\$17,419,360</u>	<u>\$1,298,151</u>

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of the City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Medical claims in any one year exceeding \$75,000 per covered individual or, approximately \$3,238,610 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2012.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers compensation plan. Under this plan, worker compensation insurance is provided in accordance with State statutes to all City employees. To protect the assets of the plan from a catastrophic claim the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a cap of \$600,000 per year.

The Worker's Compensation fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported, are not believed to be significant to the City's financial statements.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

	Employee Benefits		Worker's Compensation	
	2012	2011	2012	2011
Claims payable beginning of the year	\$181,850	\$148,015	\$33,407	\$15,403
Claims incurred	3,193,314	2,633,737	183,041	160,788
Payment on claims	(3,187,270)	(2,599,902)	(178,480)	(142,784)
	<u>\$187,894</u>	<u>\$181,850</u>	<u>\$37,968</u>	<u>\$33,407</u>

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment processing and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams and underground water, for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest equity investments and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek and, in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable NTMWD to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the Annual Budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the Paying Agent and the Registrar.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2012, is \$6,321,743. See Note IV F for the annual requirements to amortize the bonds as of September 30, 2012.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

C. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 5 above, the general revenues of the City are contingently liable for the \$27,214,292 payable in General Obligation Bonds which are currently outstanding and recorded as obligations of the Enterprise Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2012, these commitments totaled \$4,352,379.

E. Employee retirement systems and pension plans

1. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available within the options available in the governing state statutes of TMRS.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

2. Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2010 valuation is effective for rates beginning January 2012.

	<u>Actuarial Assumptions</u>
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.2 Years - Closed Period
Amortization period for new Gains/Losses	30 Years
Asset Valuation Method	10 Year Smoothed Market

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2012

Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost of Living Adjustments	0.0%

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/11</u>	<u>12/31/10</u>	<u>12/31/09</u>
Actuarial Value of Asset	\$40,528,030	\$35,681,831	\$25,780,417
Actuarial Accrued Liabilities	\$55,019,733	\$50,277,529	\$40,255,888
Percentage Funded	73.7%	71.0%	64.0%
Unfunded (Over-funded) Actuarial			
Accrued Liability	\$14,491,703	\$14,595,698	\$14,475,471
Annual Covered Payroll	\$15,245,963	\$14,590,752	\$14,294,431
UAAL as a Percentage of Covered Payroll	95.1%	100.2%	101.3%
Net Pension Obligation (NPO)	\$ --	\$ --	\$ --

Fiscal Year Ended September 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$2,316,015	\$2,140,343	\$1,963,265
Interest on NPO	--	--	--
Adjustment to the ARC	--	--	--
	2,316,015	2,140,343	1,963,265
Contributions Made (100%)	2,316,015	2,140,343	1,963,265
Increase in NPO	--	--	--
NPO at the End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$50,500 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a board of directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 38 active participants currently covered by the Fund and payments are being made to 24 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments, however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P. O. Box 12577, Austin, Texas, 78711.

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### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF ROCKWALL, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,484,600	\$ 8,510,600	\$ 8,528,958	\$ 18,358
<i>Sales taxes</i>	10,856,000	11,701,000	12,140,716	439,716
<i>Franchise taxes</i>	2,585,000	2,728,000	2,879,585	151,585
<i>Charges for services</i>	192,100	281,600	338,975	57,375
<i>Permits</i>	649,000	866,000	1,076,770	210,770
<i>Municipal court</i>	1,125,000	1,125,000	1,141,742	16,742
<i>Intergovernmental</i>	375,300	382,000	377,775	(4,225)
<i>Interest income</i>	50,000	40,000	27,144	(12,856)
<i>Miscellaneous</i>	76,000	96,000	109,927	13,927
<b>Total revenues</b>	<b>24,393,000</b>	<b>25,730,200</b>	<b>26,621,592</b>	<b>891,392</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Mayor/Council</i>	118,600	118,600	106,958	11,642
<i>Administration</i>	3,199,900	3,546,550	3,405,096	141,454
<i>Finance</i>	1,034,150	1,045,950	1,032,733	13,217
<i>Municipal court</i>	341,250	344,950	337,537	7,413
<i>Police</i>	7,945,650	8,208,700	8,163,231	45,469
<i>Fire</i>	2,323,050	2,341,000	2,303,951	37,049
<i>Public works</i>	2,165,600	2,370,300	2,285,737	84,563
<i>Community development</i>	1,197,050	1,173,150	1,164,786	8,364
<i>Parks and recreation</i>	4,572,350	4,596,850	4,542,705	54,145
<b>Total current</b>	<b>22,897,600</b>	<b>23,746,050</b>	<b>23,342,734</b>	<b>403,316</b>
<b>Capital outlay:</b>				
<i>Administration</i>	--	725,000	724,318	682
<i>Parks and recreation</i>	21,350	21,350	20,918	432
<b>Total capital outlay</b>	<b>21,350</b>	<b>746,350</b>	<b>745,236</b>	<b>1,114</b>
<b>Total expenditures</b>	<b>22,918,950</b>	<b>24,492,400</b>	<b>24,087,970</b>	<b>404,430</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,474,050</b>	<b>1,237,800</b>	<b>2,533,622</b>	<b>1,295,822</b>
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	662,100	662,100	689,185	27,085
<i>Transfers out</i>	(2,115,000)	(3,415,000)	(3,415,000)	--
<b>Total other financing sources (uses)</b>	<b>(1,452,900)</b>	<b>(2,752,900)</b>	<b>(2,725,815)</b>	<b>27,085</b>
<b>Net change in fund balances</b>	<b>21,150</b>	<b>(1,515,100)</b>	<b>(192,193)</b>	<b>1,322,907</b>
<b>Fund balances, October 1</b>	<b>10,087,116</b>	<b>10,087,116</b>	<b>10,087,116</b>	<b>--</b>
<b>Fund balances, September 30</b>	<b>\$ 10,108,266</b>	<b>\$ 8,572,016</b>	<b>\$ 9,894,923</b>	<b>\$ 1,322,907</b>

**CITY OF ROCKWALL, TEXAS**

**EXHIBIT B-2**

SCHEDULE OF FUNDING PROGRESS

September 30, 2012

(Unaudited)

Acturial Valuation Date	Acturial Value of Assets	Acturial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2009	\$25,780,417	\$40,255,888	64.0%	\$14,475,471	\$14,294,431	101.3%
12/31/2010	35,681,831	50,277,529	71.0%	14,595,698	14,590,752	100.2%
12/31/2011	40,528,030	55,019,733	73.7%	14,491,703	15,245,963	95.1%

**CITY OF ROCKWALL, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2012

(Unaudited)

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Information concerning the budget and budget calendar are detailed in footnote III.A. The General Fund budget is presented on a generally accepted accounting principles basis.

*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery - established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation - established to account for donations, court security fees, and forfeitures.

Recreational Development - established to account for the annual lease income from marinas and golf course.

Radio System - established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements - established to account for the proceeds of street improvement assessments.

Hotel Motel Tax - established to account for the annual income from hotel motel taxes.

Fire Equipment - established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation - established to account for funds received from airport operations and related expenses.

Recycling - established to account for funds to be used for the City's recycling program.

Emergency Siren — established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement - established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places - established to account for donations received for developing art displays in public areas such as parks.

Special Crimes Unit - established to account for revenues and expenditures related to a county-wide crime task force.

### *DEBT SERVICE FUNDS*

Debt Service Funds are used to account for the accumulation of resources and payment of general, certificate, & contractual obligation bond principal and interest from governmental resources.

Debt Service Fund - established to account for the general governmental indebtedness of the City.

Harbor Debt Service Fund - established to account for debt issued in connection with the TIF.

NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

*CAPITAL PROJECTS FUNDS*

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects - established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition — established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project — established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

The *Harbor/TIF Capital Projects Fund* was established to account for improvements in a Tax Increment Reinvestment Zone using proceeds from the issuance of bonds.

*INTERNAL SERVICE FUNDS*

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund — established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund — established to account for the costs of the workers' compensation self-insurance program for the City.

*AGENCY FUND*

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Special Escrow Agency Fund - established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

## CITY OF ROCKWALL, TEXAS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 253,443	\$ --	\$ 65,382	\$ 318,825
<i>Investments</i>	2,688,237	--	6,542,255	9,230,492
Receivables (net of allowances for uncollectibles):				
<i>Taxes - delinquent</i>	--	55,690	--	55,690
<i>Accrued interest</i>	--	--	8,351	8,351
<i>Accounts receivable</i>	126,414	--	749,049	875,463
<i>Assessments receivable</i>	80,660	--	--	80,660
<i>Other receivables</i>	3,311	--	--	3,311
<i>Due from other governments</i>	--	43,366	--	43,366
<i>Due from component unit</i>	--	146,987	--	146,987
<b>Total Assets</b>	<b>\$ 3,152,065</b>	<b>\$ 246,043</b>	<b>\$ 7,365,037</b>	<b>\$ 10,763,145</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<i>Accounts payable and accrued liabilities</i>	\$ 142,738	\$ --	\$ 718,556	\$ 861,294
<i>Deferred revenue</i>	110,639	55,691	--	166,330
<i>Due to other funds</i>	14,185	92,834	42,304	149,323
<b>Total Liabilities</b>	<b>267,562</b>	<b>148,525</b>	<b>760,860</b>	<b>1,176,947</b>
<b>Fund balances:</b>				
<i>Restricted</i>	162,409	97,518	--	259,927
<i>Committed</i>	2,722,094	--	--	2,722,094
<i>Assigned</i>	--	--	6,604,177	6,604,177
<b>Total fund balances</b>	<b>2,884,503</b>	<b>97,518</b>	<b>6,604,177</b>	<b>9,586,198</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,152,065</b>	<b>\$ 246,043</b>	<b>\$ 7,365,037</b>	<b>\$ 10,763,145</b>

## CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
<i>Ad valorem taxes, penalty and interest</i>	\$ --	\$ 507,330	\$ --	\$ 507,330
<i>Sales taxes</i>	269,844	309,463	--	579,307
<i>Charges for services</i>	1,044,183	--	--	1,044,183
<i>Intergovernmental</i>	147,360	--	310,813	458,173
<i>Interest income</i>	962	--	53,413	54,375
<i>Miscellaneous</i>	95,107	--	1,957	97,064
<i>Donations</i>	41,138	--	567,811	608,949
<b>Total revenues</b>	<b>1,598,594</b>	<b>816,793</b>	<b>933,994</b>	<b>3,349,381</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Administration</i>	285,071	--	--	285,071
<i>Finance</i>	213,057	--	--	213,057
<i>Police</i>	23,494	--	--	23,494
<i>Fire</i>	43,328	--	--	43,328
<i>Parks and recreation</i>	146,472	--	--	146,472
<b>Total current</b>	<b>711,422</b>	<b>--</b>	<b>--</b>	<b>711,422</b>
<b>Capital outlay:</b>				
<i>Administration</i>	--	--	4,803,723	4,803,723
<i>Finance</i>	--	--	224,306	224,306
<i>Police</i>	182,517	--	282,652	465,169
<i>Fire</i>	94,571	--	274,234	368,805
<i>Parks and recreation</i>	465,241	--	--	465,241
<b>Total capital outlay</b>	<b>742,329</b>	<b>--</b>	<b>5,584,915</b>	<b>6,327,244</b>
<b>Debt service:</b>				
<i>Principal</i>	--	145,000	--	145,000
<i>Interest</i>	--	686,331	--	686,331
<i>Bond issuance cost</i>	--	--	44,305	44,305
<b>Total debt service:</b>	<b>--</b>	<b>831,331</b>	<b>44,305</b>	<b>875,636</b>
<b>Total expenditures</b>	<b>1,453,751</b>	<b>831,331</b>	<b>5,629,220</b>	<b>7,914,302</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>144,843</b>	<b>(14,538)</b>	<b>(4,695,226)</b>	<b>(4,564,921)</b>
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	115,000	--	1,412,850	1,527,850
<i>Transfers out</i>	(87,085)	--	--	(87,085)
<i>Issuance of long-term debt</i>	--	--	2,150,000	2,150,000
<b>Total other financing sources (uses)</b>	<b>27,915</b>	<b>--</b>	<b>3,562,850</b>	<b>3,590,765</b>
<b>Net change in fund balances</b>	<b>172,758</b>	<b>(14,538)</b>	<b>(1,132,376)</b>	<b>(974,156)</b>
Fund balances, October 1	2,711,745	112,056	7,736,553	10,560,354
Fund balances, September 30	\$ 2,884,503	\$ 97,518	\$ 6,604,177	\$ 9,586,198

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2012

	Cemetery	Police Investigation	Recreational Development	Radio System
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 3,196	\$ 113,599	\$ 2,136	\$ --
<i>Investments</i>	112,949	819,756	83,042	--
Receivables (net of allowances for uncollectibles):				
<i>Accounts receivable</i>	--	--	--	30,023
<i>Assessments receivable</i>	--	--	--	--
<i>Other receivables</i>	--	--	--	--
<b>Total Assets</b>	<b>\$ 116,145</b>	<b>\$ 933,355</b>	<b>\$ 85,178</b>	<b>\$ 30,023</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<i>Accounts payable and accrued liabilities</i>	\$ 15,712	\$ 120,098	\$ 1,822	\$ 675
<i>Deferred revenue</i>	--	--	--	--
<i>Due to other funds</i>	--	--	--	14,185
<b>Total Liabilities</b>	<b>15,712</b>	<b>120,098</b>	<b>1,822</b>	<b>14,860</b>
<b>Fund balances:</b>				
<i>Restricted</i>	--	--	--	--
<i>Committed</i>	100,433	813,257	83,356	15,163
<b>Total fund balances</b>	<b>100,433</b>	<b>813,257</b>	<b>83,356</b>	<b>15,163</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 116,145</b>	<b>\$ 933,355</b>	<b>\$ 85,178</b>	<b>\$ 30,023</b>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ 21,548	\$ 27,591	\$ 14,233	\$ 3,691	\$ 13,629
1,077,959	41,911	241,059	24,999	63,140
--	67,409	27,912	1,070	--
80,660	--	--	--	--
--	--	--	--	3,311
<u>\$ 1,180,167</u>	<u>\$ 136,911</u>	<u>\$ 283,204</u>	<u>\$ 29,760</u>	<u>\$ 80,080</u>
\$ --	\$ --	\$ 3,281	\$ 650	\$ --
80,660	--	--	--	--
--	--	--	--	--
<u>80,660</u>	<u>--</u>	<u>3,281</u>	<u>650</u>	<u>--</u>
--	136,911	--	--	--
1,099,507	--	279,923	29,110	80,080
<u>1,099,507</u>	<u>136,911</u>	<u>279,923</u>	<u>29,110</u>	<u>80,080</u>
<u>\$ 1,180,167</u>	<u>\$ 136,911</u>	<u>\$ 283,204</u>	<u>\$ 29,760</u>	<u>\$ 80,080</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2012

	Emergency Siren	Downtown Improvement
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 10,499	\$ 22,576
<i>Investments</i>	14,999	18,168
Receivables (net of allowances for uncollectibles):		
<i>Accounts receivable</i>	--	--
<i>Assessments receivable</i>	--	--
<i>Other receivables</i>	--	--
<b>Total Assets</b>	<b>\$ 25,498</b>	<b>\$ 40,744</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ --	\$ 500
<i>Deferred revenue</i>	--	--
<i>Due to other funds</i>	--	--
<b>Total Liabilities</b>	<b>--</b>	<b>500</b>
Fund balances:		
<i>Restricted</i>	25,498	--
<i>Committed</i>	--	40,244
<b>Total fund balances</b>	<b>25,498</b>	<b>40,244</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,498</b>	<b>\$ 40,744</b>

Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 1,241	\$ 19,504	\$ 253,443
--	190,255	2,688,237
--	--	126,414
--	--	80,660
--	--	3,311
<u>\$ 1,241</u>	<u>\$ 209,759</u>	<u>\$ 3,152,065</u>
\$ --	\$ --	\$ 142,738
--	29,979	110,639
--	--	14,185
<u>--</u>	<u>29,979</u>	<u>267,562</u>
--	--	162,409
<u>1,241</u>	<u>179,780</u>	<u>2,722,094</u>
<u>1,241</u>	<u>179,780</u>	<u>2,884,503</u>
<u>\$ 1,241</u>	<u>\$ 209,759</u>	<u>\$ 3,152,065</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Cemetery	Police Investigation	Recreational Development	Radio System
<b>Revenues:</b>				
<i>Sales taxes</i>	\$ --	\$ --	\$ --	\$ --
<i>Charges for services</i>	--	577,530	330,072	30,022
<i>Intergovernmental</i>	--	18,041	--	--
<i>Interest income</i>	--	--	--	--
<i>Miscellaneous</i>	2,075	--	--	--
<i>Donations</i>	--	13,516	17,533	--
<b>Total revenues</b>	<u>2,075</u>	<u>609,087</u>	<u>347,605</u>	<u>30,022</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Administration</i>	--	--	--	134,404
<i>Finance</i>	--	--	--	--
<i>Police</i>	--	21,492	--	--
<i>Fire</i>	--	--	--	--
<i>Parks and recreation</i>	--	--	144,091	--
<b>Total current</b>	<u>--</u>	<u>21,492</u>	<u>144,091</u>	<u>134,404</u>
<b>Capital outlay:</b>				
<i>Police</i>	--	182,517	--	--
<i>Fire</i>	--	--	--	--
<i>Parks and recreation</i>	42,610	--	422,631	--
<b>Total capital outlay</b>	<u>42,610</u>	<u>182,517</u>	<u>422,631</u>	<u>--</u>
<b>Total expenditures</b>	<u>42,610</u>	<u>204,009</u>	<u>566,722</u>	<u>134,404</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(40,535)</u>	<u>405,078</u>	<u>(219,117)</u>	<u>(104,382)</u>
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	--	--	--	115,000
<i>Transfers out</i>	--	(37,085)	(50,000)	--
<b>Total other financing sources (uses)</b>	<u>--</u>	<u>(37,085)</u>	<u>(50,000)</u>	<u>115,000</u>
<b>Net change in fund balances</b>	<u>(40,535)</u>	<u>367,993</u>	<u>(269,117)</u>	<u>10,618</u>
<b>Fund balances, October 1</b>	<u>140,968</u>	<u>445,264</u>	<u>352,473</u>	<u>4,545</u>
<b>Fund balances, September 30</b>	<u>\$ 100,433</u>	<u>\$ 813,257</u>	<u>\$ 83,356</u>	<u>\$ 15,163</u>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ --	\$ 269,844	\$ --	\$ --	\$ --
--	--	93,600	--	--
--	--	33,188	96,131	--
962	--	--	--	--
42,089	--	4,832	13,292	32,819
--	--	30	--	--
<u>43,051</u>	<u>269,844</u>	<u>131,650</u>	<u>109,423</u>	<u>32,819</u>
--	--	--	137,883	12,784
--	213,057	--	--	--
--	--	--	--	--
--	--	43,328	--	--
--	--	--	--	--
<u>--</u>	<u>213,057</u>	<u>43,328</u>	<u>137,883</u>	<u>12,784</u>
--	--	--	--	--
--	--	94,571	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>94,571</u>	<u>--</u>	<u>--</u>
--	213,057	137,899	137,883	12,784
43,051	56,787	(6,249)	(28,460)	20,035
--	--	--	--	--
--	--	--	--	--
<u>43,051</u>	<u>56,787</u>	<u>(6,249)</u>	<u>(28,460)</u>	<u>20,035</u>
1,056,456	80,124	286,172	57,570	60,045
<u>\$ 1,099,507</u>	<u>\$ 136,911</u>	<u>\$ 279,923</u>	<u>\$ 29,110</u>	<u>\$ 80,080</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Emergency Siren	Downtown Improvement
Revenues:		
<i>Sales taxes</i>	\$ --	\$ --
<i>Charges for services</i>	1,959	11,000
<i>Intergovernmental</i>	--	--
<i>Interest income</i>	--	--
<i>Miscellaneous</i>	--	--
<i>Donations</i>	--	10,000
Total revenues	<u>1,959</u>	<u>21,000</u>
Expenditures:		
Current:		
<i>Administration</i>	--	--
<i>Finance</i>	--	--
<i>Police</i>	--	--
<i>Fire</i>	--	--
<i>Parks and recreation</i>	--	2,381
Total current	<u>--</u>	<u>2,381</u>
Capital outlay:		
<i>Police</i>	--	--
<i>Fire</i>	--	--
<i>Parks and recreation</i>	--	--
Total capital outlay	<u>--</u>	<u>--</u>
Total expenditures	<u>--</u>	<u>2,381</u>
Excess (deficiency) of revenues over (under) expenditures	1,959	18,619
Other financing sources (uses):		
<i>Transfers in</i>	--	--
<i>Transfers out</i>	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balances	1,959	18,619
Fund balances, October 1	23,539	21,625
Fund balances, September 30	<u>\$ 25,498</u>	<u>\$ 40,244</u>

	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$	--	\$ --	\$ 269,844
	--	--	1,044,183
	--	--	147,360
	--	--	962
	--	--	95,107
	59	--	41,138
	<u>59</u>	<u>--</u>	<u>1,598,594</u>
	--	--	285,071
	--	--	213,057
	--	2,002	23,494
	--	--	43,328
	--	--	146,472
	<u>--</u>	<u>2,002</u>	<u>711,422</u>
	--	--	182,517
	--	--	94,571
	--	--	465,241
	<u>--</u>	<u>--</u>	<u>742,329</u>
	--	2,002	1,453,751
	59	(2,002)	144,843
	--	--	115,000
	--	--	(87,085)
	<u>--</u>	<u>--</u>	<u>27,915</u>
	59	(2,002)	172,758
	1,182	181,782	2,711,745
\$	<u>1,241</u>	\$ <u>179,780</u>	\$ <u>2,884,503</u>

**CITY OF ROCKWALL, TEXAS**  
**CEMETERY FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

EXHIBIT C-5

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Miscellaneous</i>	\$ 2,500	\$ 2,075	\$ (425)
Total revenues	<u>2,500</u>	<u>2,075</u>	<u>(425)</u>
Expenditures:			
Current:			
<i>Parks and recreation</i>	6,000	--	6,000
Total current	<u>6,000</u>	<u>--</u>	<u>6,000</u>
Capital outlay:			
<i>Parks and recreation</i>	64,000	42,610	21,390
Total capital outlay	<u>64,000</u>	<u>42,610</u>	<u>21,390</u>
Total expenditures	<u>70,000</u>	<u>42,610</u>	<u>27,390</u>
Net change in fund balances	(67,500)	(40,535)	26,965
Fund balances, October 1	140,968	140,968	--
Fund balances, September 30	<u>\$ 73,468</u>	<u>\$ 100,433</u>	<u>\$ 26,965</u>

**CITY OF ROCKWALL, TEXAS**  
**POLICE INVESTIGATION FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Charges for services</i>	\$ 207,500	\$ 577,530	\$ 370,030
<i>Intergovernmental</i>	18,050	18,041	(9)
<i>Interest income</i>	500	--	(500)
<i>Donations</i>	14,200	13,516	(684)
<b>Total revenues</b>	<u>240,250</u>	<u>609,087</u>	<u>368,837</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Police</i>	56,900	21,492	35,408
<b>Total current</b>	<u>56,900</u>	<u>21,492</u>	<u>35,408</u>
<b>Capital outlay:</b>			
<i>Police</i>	154,800	182,517	(27,717)
<b>Total capital outlay</b>	<u>154,800</u>	<u>182,517</u>	<u>(27,717)</u>
<b>Total expenditures</b>	<u>211,700</u>	<u>204,009</u>	<u>7,691</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>28,550</u>	<u>405,078</u>	<u>376,528</u>
<b>Other financing sources (uses):</b>			
<i>Transfers out</i>	(10,000)	(37,085)	(27,085)
<b>Total other financing sources (uses)</b>	<u>(10,000)</u>	<u>(37,085)</u>	<u>(27,085)</u>
<b>Net change in fund balances</b>	<u>18,550</u>	<u>367,993</u>	<u>349,443</u>
<b>Fund balances, October 1</b>	<u>445,264</u>	<u>445,264</u>	<u>--</u>
<b>Fund balances, September 30</b>	<u>\$ 463,814</u>	<u>\$ 813,257</u>	<u>\$ 349,443</u>

**CITY OF ROCKWALL, TEXAS**  
 RECREATIONAL DEVELOPMENT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Charges for services</i>	\$ 280,000	\$ 330,072	\$ 50,072
<i>Interest income</i>	500	--	(500)
<i>Donations</i>	17,550	17,533	(17)
<b>Total revenues</b>	<u>298,050</u>	<u>347,605</u>	<u>49,555</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Parks and recreation</i>	146,500	144,091	2,409
<b>Total current</b>	<u>146,500</u>	<u>144,091</u>	<u>2,409</u>
<b>Capital outlay:</b>			
<i>Parks and recreation</i>	372,000	422,631	(50,631)
<b>Total capital outlay</b>	<u>372,000</u>	<u>422,631</u>	<u>(50,631)</u>
<b>Total expenditures</b>	<u>518,500</u>	<u>566,722</u>	<u>(48,222)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(220,450)	(219,117)	1,333
<b>Other financing sources (uses):</b>			
<i>Transfers out</i>	(50,000)	(50,000)	--
<b>Total other financing sources (uses)</b>	<u>(50,000)</u>	<u>(50,000)</u>	<u>--</u>
<b>Net change in fund balances</b>	(270,450)	(269,117)	1,333
<b>Fund balances, October 1</b>	352,473	352,473	--
<b>Fund balances, September 30</b>	<u>\$ 82,023</u>	<u>\$ 83,356</u>	<u>\$ 1,333</u>

**CITY OF ROCKWALL, TEXAS**  
*RADIO SYSTEM*  
*SPECIAL REVENUE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2012*

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 30,000	\$ 30,022	\$ 22
Total revenues	30,000	30,022	22
Expenditures:			
Current:			
<i>Administration</i>	148,850	134,404	14,446
Total current	148,850	134,404	14,446
Total expenditures	148,850	134,404	14,446
Excess (deficiency) of revenues over (under) expenditures	(118,850)	(104,382)	14,468
Other financing sources (uses):			
<i>Transfers in</i>	115,000	115,000	--
Total other financing sources (uses)	115,000	115,000	--
Net change in fund balances	(3,850)	10,618	14,468
Fund balances, October 1	4,545	4,545	--
Fund balances, September 30	\$ 695	\$ 15,163	\$ 14,468

**CITY OF ROCKWALL, TEXAS**  
**STREET IMPROVEMENTS FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 1,000	\$ 962	\$ (38)
<i>Miscellaneous</i>	150	42,089	41,939
Total revenues	<u>1,150</u>	<u>43,051</u>	<u>41,901</u>
Net change in fund balances	1,150	43,051	41,901
Fund balances, October 1	1,056,456	1,056,456	--
Fund balances, September 30	<u>\$ 1,057,606</u>	<u>\$ 1,099,507</u>	<u>\$ 41,901</u>

**CITY OF ROCKWALL, TEXAS**  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-10

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Sales taxes</i>	\$ 220,000	\$ 269,844	\$ 49,844
Total revenues	220,000	269,844	49,844
Expenditures:			
Current:			
<i>Finance</i>	214,375	213,057	1,318
Total current	214,375	213,057	1,318
Total expenditures	214,375	213,057	1,318
Net change in fund balances	5,625	56,787	51,162
Fund balances, October 1	80,124	80,124	--
Fund balances, September 30	\$ 85,749	\$ 136,911	\$ 51,162

**CITY OF ROCKWALL, TEXAS**  
*FIRE EQUIPMENT FUND*  
*SPECIAL REVENUE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2012*

EXHIBIT C-11

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Charges for services</i>	\$ 93,600	\$ 93,600	\$ --
<i>Intergovernmental</i>	33,200	33,188	(12)
<i>Interest income</i>	250	--	(250)
<i>Miscellaneous</i>	--	4,832	4,832
<i>Donations</i>	--	30	30
<b>Total revenues</b>	<u>127,050</u>	<u>131,650</u>	<u>4,600</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Fire</i>	48,000	43,328	4,672
<b>Total current</b>	<u>48,000</u>	<u>43,328</u>	<u>4,672</u>
<b>Capital outlay:</b>			
<i>Fire</i>	163,250	94,571	68,679
<b>Total capital outlay</b>	<u>163,250</u>	<u>94,571</u>	<u>68,679</u>
<b>Total expenditures</b>	<u>211,250</u>	<u>137,899</u>	<u>73,351</u>
<b>Net change in fund balances</b>	(84,200)	(6,249)	77,951
<b>Fund balances, October 1</b>	286,172	286,172	--
<b>Fund balances, September 30</b>	<u>\$ 201,972</u>	<u>\$ 279,923</u>	<u>\$ 77,951</u>

**CITY OF ROCKWALL, TEXAS**

EXHIBIT C-12

AVIATION FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Intergovernmental</i>	\$ 96,150	\$ 96,131	\$ (19)
<i>Interest income</i>	100	--	(100)
<i>Miscellaneous</i>	13,700	13,292	(408)
Total revenues	109,950	109,423	(527)
Expenditures:			
Current:			
<i>Administration</i>	140,000	137,883	2,117
Total current	140,000	137,883	2,117
Total expenditures	140,000	137,883	2,117
Net change in fund balances	(30,050)	(28,460)	1,590
Fund balances, October 1	57,570	57,570	--
Fund balances, September 30	\$ 27,520	\$ 29,110	\$ 1,590

**CITY OF ROCKWALL, TEXAS**  
*RECYCLING FUND*  
*SPECIAL REVENUE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2012*

EXHIBIT C-13

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 100	\$ --	\$ (100)
<i>Miscellaneous</i>	33,000	32,819	(181)
Total revenues	<u>33,100</u>	<u>32,819</u>	<u>(281)</u>
Expenditures:			
Current:			
<i>Administration</i>	14,000	12,784	1,216
Total current	<u>14,000</u>	<u>12,784</u>	<u>1,216</u>
Total expenditures	<u>14,000</u>	<u>12,784</u>	<u>1,216</u>
Net change in fund balances	19,100	20,035	935
Fund balances, October 1	60,045	60,045	--
Fund balances, September 30	<u>\$ 79,145</u>	<u>\$ 80,080</u>	<u>\$ 935</u>

**CITY OF ROCKWALL, TEXAS**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

EXHIBIT C-14

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,211,050	\$ 8,224,840	\$ 13,790
<i>Interest income</i>	5,000	1,210	(3,790)
<i>Miscellaneous</i>	435,400	588,159	152,759
<b>Total revenues</b>	<u>8,651,450</u>	<u>8,814,209</u>	<u>162,759</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Police</i>	112,800	112,789	11
<b>Total current</b>	<u>112,800</u>	<u>112,789</u>	<u>11</u>
<b>Debt service:</b>			
<i>Principal</i>	4,788,050	4,788,038	12
<i>Interest</i>	4,133,000	4,133,852	(852)
<i>Fiscal charges</i>	10,000	8,800	1,200
<b>Total debt service</b>	<u>8,931,050</u>	<u>8,930,690</u>	<u>360</u>
<b>Total expenditures</b>	<u>9,043,850</u>	<u>9,043,479</u>	<u>371</u>
<b>Net change in fund balances</b>	(392,400)	(229,270)	163,130
<b>Fund balances, October 1</b>	1,426,272	1,426,272	--
<b>Fund balances, September 30</b>	<u>\$ 1,033,872</u>	<u>\$ 1,197,002</u>	<u>\$ 163,130</u>

**CITY OF ROCKWALL, TEXAS**  
*HARBOR DEBT SERVICE*  
*DEBT SERVICE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2012*

EXHIBIT C-15

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Ad valorem taxes, penalty and interest</i>	\$ 573,250	\$ 507,330	\$ (65,920)
<i>Sales taxes</i>	310,000	309,463	(537)
Total revenues	<u>883,250</u>	<u>816,793</u>	<u>(66,457)</u>
Expenditures:			
Debt service:			
<i>Principal</i>	145,000	145,000	--
<i>Interest</i>	560,900	686,331	(125,431)
Total debt service	<u>705,900</u>	<u>831,331</u>	<u>(125,431)</u>
Total expenditures	<u>705,900</u>	<u>831,331</u>	<u>(125,431)</u>
Net change in fund balances	177,350	(14,538)	(191,888)
Fund balances, October 1	112,056	112,056	--
Fund balances, September 30	<u>\$ 289,406</u>	<u>\$ 97,518</u>	<u>\$ (191,888)</u>

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**CITY OF ROCKWALL, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2012**

	Capital Projects	Equipment Acquisition
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 12,065	\$ 30,978
<i>Investments</i>	2,863,779	1,317,204
Receivables (net of allowances for uncollectibles):		
<i>Accrued interest</i>	7,930	421
<i>Accounts receivable</i>	181,239	--
<b>Total Assets</b>	<b>\$ 3,065,013</b>	<b>\$ 1,348,603</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 124,320	\$ 105,138
<i>Due to other funds</i>	--	--
<b>Total Liabilities</b>	<b>124,320</b>	<b>105,138</b>
Fund balances:		
<i>Assigned</i>	2,940,693	1,243,465
<b>Total fund balances</b>	<b>2,940,693</b>	<b>1,243,465</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ 3,065,013</b>	 <b>\$ 1,348,603</b>

205 Bypass Project	Harbor/TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ 22,339	\$ 65,382
--	2,361,272	6,542,255
--	--	8,351
567,810	--	749,049
<u>\$ 567,810</u>	<u>\$ 2,383,611</u>	<u>\$ 7,365,037</u>
\$ 14,534	\$ 474,564	\$ 718,556
42,304	--	42,304
<u>56,838</u>	<u>474,564</u>	<u>760,860</u>
510,972	1,909,047	6,604,177
<u>510,972</u>	<u>1,909,047</u>	<u>6,604,177</u>
<u>\$ 567,810</u>	<u>\$ 2,383,611</u>	<u>\$ 7,365,037</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Capital Projects	Equipment Acquisition
Revenues:		
<i>Intergovernmental</i>	\$ 135,985	\$ 174,828
<i>Interest income</i>	37,072	13,749
<i>Miscellaneous</i>	--	500
<i>Donations</i>	--	--
Total revenues	<u>173,057</u>	<u>189,077</u>
Expenditures:		
Current:		
Capital outlay:		
<i>Administration</i>	284,398	456,981
<i>Finance</i>	--	224,306
<i>Police</i>	--	282,652
<i>Fire</i>	--	274,234
Total capital outlay	<u>284,398</u>	<u>1,238,173</u>
Debt service:		
<i>Bond issuance cost</i>	--	20,305
Total debt service:	<u>--</u>	<u>20,305</u>
Total expenditures	<u>284,398</u>	<u>1,258,478</u>
Excess (deficiency) of revenues over (under) expenditures	(111,341)	(1,069,401)
Other financing sources (uses):		
<i>Transfers in</i>	1,300,000	112,850
<i>Issuance of long-term debt</i>	--	820,000
Total other financing sources (uses)	<u>1,300,000</u>	<u>932,850</u>
Net change in fund balances	1,188,659	(136,551)
Fund balances, October 1	1,752,034	1,380,016
Fund balances, September 30	<u>\$ 2,940,693</u>	<u>\$ 1,243,465</u>

205 Bypass Project	Harbor/TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ 310,813
529	2,063	53,413
1,457	--	1,957
567,811	--	567,811
<u>569,797</u>	<u>2,063</u>	<u>933,994</u>
2,009,611	2,052,733	4,803,723
--	--	224,306
--	--	282,652
--	--	274,234
<u>2,009,611</u>	<u>2,052,733</u>	<u>5,584,915</u>
--	24,000	44,305
--	<u>24,000</u>	<u>44,305</u>
2,009,611	2,076,733	5,629,220
(1,439,814)	(2,074,670)	(4,695,226)
--	--	1,412,850
--	1,330,000	2,150,000
--	<u>1,330,000</u>	<u>3,562,850</u>
(1,439,814)	(744,670)	(1,132,376)
1,950,786	2,653,717	7,736,553
<u>\$ 510,972</u>	<u>\$ 1,909,047</u>	<u>\$ 6,604,177</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2012

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-7)
<b>ASSETS</b>			
Current Assets:			
<i>Cash and cash equivalents</i>	\$ 73,154	\$ --	\$ 73,154
<i>Investments</i>	6,902	550,464	557,366
<i>Other receivables</i>	93,979	--	93,979
Total current assets	<u>174,035</u>	<u>550,464</u>	<u>724,499</u>
Total Assets	<u>\$ 174,035</u>	<u>\$ 550,464</u>	<u>\$ 724,499</u>
<b>LIABILITIES</b>			
Current Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 391,542	\$ 37,968	\$ 429,510
<i>Due to other funds</i>	387,219	20,550	407,769
<i>Liabilities Payable From Restricted Assets:</i>			
Total current liabilities	<u>778,761</u>	<u>58,518</u>	<u>837,279</u>
Total Liabilities	<u>778,761</u>	<u>58,518</u>	<u>837,279</u>
<b>NET ASSETS</b>			
<i>Unrestricted</i>	(604,726)	491,946	(112,780)
Total Net Assets	<u>\$ (604,726)</u>	<u>\$ 491,946</u>	<u>\$ (112,780)</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-8)
<b>OPERATING REVENUES:</b>			
<i>Charges for services</i>	\$ 535,428	\$ --	\$ 535,428
<i>Reinsurance reimbursement</i>	289,045	--	289,045
Total Operating Revenues	824,473	--	824,473
<b>OPERATING EXPENSES:</b>			
<i>Contractual services</i>	3,742,348	285,155	4,027,503
Total Operating Expenses	3,742,348	285,155	4,027,503
Operating Income (Loss)	(2,917,875)	(285,155)	(3,203,030)
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
<i>Interest income</i>	--	46	46
<i>Miscellaneous income</i>	--	8,882	8,882
Total Non-operating Revenues (Expenses)	--	8,928	8,928
Net Income (Loss) before Operating Transfers	(2,917,875)	(276,227)	(3,194,102)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
<i>Transfers in</i>	2,850,000	30,000	2,880,000
Total Transfers and Capital Contributions	2,850,000	30,000	2,880,000
Change in net assets	(67,875)	(246,227)	(314,102)
Net assets, October 1	(536,851)	738,173	201,322
Net assets, September 30	\$ (604,726)	\$ 491,946	\$ (112,780)

**CITY OF ROCKWALL, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 793,537	\$ 8,882	\$ 802,419
Cash Payments to Suppliers for Goods and Services	(3,743,190)	(280,594)	(4,023,784)
Net Cash Provided (Used) by Operating Activities	(2,949,653)	(271,712)	(3,221,365)
<b>Cash Flows from Non-capital Financing Activities:</b>			
Cash Received from Other Funds	2,980,262	50,550	3,030,812
Cash Paid to Other Funds	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	2,980,262	50,550	3,030,812
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investment Securities	--	(92,325)	(92,325)
Proceeds from Sale and Maturities of Securities	1,286	265,400	266,686
Interest and Dividends on Investments	--	46	46
Net Cash Provided (Used) for Investing Activities	1,286	173,121	174,407
Net Increase (Decrease) in Cash and Cash Equivalents	31,895	(48,041)	(16,146)
Cash and Cash Equivalents at Beginning of Year	46,885	496,753	543,638
Cash and Cash Equivalents at End of Year	\$ 78,780	\$ 448,712	\$ 527,492
<b>Cash Equivalents Included in Investments:</b>			
Unrestricted	\$ 5,626	\$ 448,712	\$ 454,338
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ (2,917,875)	\$ (285,155)	\$ (3,203,030)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>			
Miscellaneous income	--	8,882	8,882
<b>Change in Assets and Liabilities:</b>			
Decrease (Increase) in Receivables	(30,936)	--	(30,936)
Increase (Decrease) in Accounts Payable	(842)	4,561	3,719
Total Adjustments	(31,778)	13,443	(18,335)
Net Cash Provided (Used) by Operating Activities	\$ (2,949,653)	\$ (271,712)	\$ (3,221,365)

**CITY OF ROCKWALL, TEXAS**

EXHIBIT C-21

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
YEAR ENDED SEPTEMBER 30, 2011

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
<b>ASSETS</b>				
<i>Cash</i>	\$ 171,973	\$ 160,734	\$ 66,168	\$ 266,539
<i>Investments</i>	1,028,759	964,009	1,049,308	943,460
<i>Accrued interest receivable</i>	10,361	--	--	10,361
<b>Total Assets</b>	<b>\$ 1,211,093</b>	<b>\$ 1,124,743</b>	<b>\$ 1,115,476</b>	<b>\$ 1,220,360</b>
<b>LIABILITIES</b>				
<i>Due to developers</i>	\$ 1,211,093	\$ 1,124,743	\$ 1,115,476	\$ 1,220,360
<b>Total Liabilities</b>	<b>\$ 1,211,093</b>	<b>\$ 1,124,743</b>	<b>\$ 1,115,476</b>	<b>\$ 1,220,360</b>

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*Capital Assets Used in the  
Operation of Governmental Funds*

**CITY OF ROCKWALL, TEXAS**  
 COMPARATIVE SCHEDULES BY SOURCE OF  
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2012 AND 2011

EXHIBIT C-22

	2012	2011
Governmental capital assets:		
Land	\$ 14,102,412	\$ 14,102,412
Buildings	18,205,698	17,460,462
Improvements other than buildings	28,212,192	26,755,323
Machinery and equipment	14,653,437	13,464,680
Infrastructure	183,944,803	176,677,312
Construction in progress	9,946,346	11,820,588
Total governmental capital assets	<u>\$ 269,064,888</u>	<u>\$ 248,460,189</u>
Investment in governmental capital assets by source:		
Bond proceeds	\$ 138,132,745	\$ 132,378,199
General government	43,933,868	42,348,651
Grants and entitlements	2,554,248	2,304,133
Developer contributions	84,444,027	83,249,794
Total governmental capital assets by source	<u>\$ 269,064,888</u>	<u>\$ 260,280,777</u>

**CITY OF ROCKWALL, TEXAS**  
 SCHEDULE BY FUNCTION AND ACTIVITY OF  
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2012

EXHIBIT C-23

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Total
General government	\$ 3,051,303	\$ 9,946,346	\$ 6,271,242	\$ 4,492,388	\$ 3,167,186	--	\$ 26,928,465
Public works	8,337,281	--	324,434	965,750	1,269,090	183,944,803	194,841,358
Public safety	1,020,430	--	2,039,796	12,802	3,538,249	--	6,611,277
Recreational/development	1,693,398	--	2,293,648	22,741,252	1,296,003	--	28,024,301
Fire equipment	--	--	7,276,578	--	5,382,909	--	12,659,487
<b>Total Governmental Capital Asst</b>	<b>\$ 14,102,412</b>	<b>\$ 9,946,346</b>	<b>\$ 18,205,698</b>	<b>\$ 28,212,192</b>	<b>\$ 14,653,437</b>	<b>\$ 183,944,803</b>	<b>\$ 269,064,888</b>

**CITY OF ROCKWALL, TEXAS**

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY OF  
CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-24

Function and Activity	Capital Assets October 1, 2011	Additions	Deductions	Transfers	Capital Assets September 30, 2012
General government	\$ 26,578,063	\$ 6,867,100	(138,485)	\$ (6,378,213)	\$ 26,928,465
Public works	187,463,678	1,251,336	(57,616)	6,183,960	194,841,358
Public Safety	5,999,969	657,189	(45,881)	--	6,611,277
Recreation/development	27,895,494	172,752	(43,945)	--	28,024,301
Fire Equipment	12,343,573	123,379	(1,718)	194,253	12,659,487
Total governmental funds Capital Assets	\$ 260,280,777	\$ 9,071,756	(287,645)	\$ --	\$ 269,064,888

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

### *DISCRETELY PRESENTED COMPONENT UNITS*

The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF NET ASSETS - DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2012

	Economic Development Corporation	Rockwall Technology Park	Total
<b>ASSETS</b>			
<i>Cash and cash equivalents</i>	\$ 1,164,684	\$ 302	\$ 1,164,986
<i>Investments</i>	3,734,243	40,414	3,774,657
<i>Receivables (net of allowances for uncollectibles)</i>	8,919	8,631	17,550
<i>Internal balances</i>	--	--	--
<i>Due from other governments</i>	703,737	--	703,737
<i>Inventories</i>	11,012,689	--	11,012,689
<i>Deferred charges</i>	179,534	--	179,534
Capital assets (net of accumulated depreciation)			
<i>Machinery and equipment</i>	18,274	--	18,274
<b>Total Assets</b>	<u>16,822,080</u>	<u>49,347</u>	<u>16,871,427</u>
<b>LIABILITIES</b>			
<i>Accounts payable and accrued liabilities</i>	314,635	11,932	326,567
<i>Due to primary government</i>	146,987	--	146,987
Noncurrent liabilities:			
<i>Due within one year</i>	1,298,151	--	1,299,730
<i>Due in more than one year</i>	16,078,848	--	16,077,269
<b>Total Liabilities</b>	<u>17,838,621</u>	<u>11,932</u>	<u>17,850,553</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	18,274	--	18,274
Unrestricted	(1,034,815)	37,415	(997,400)
<b>Total Net Assets</b>	<u>\$ (1,016,541)</u>	<u>\$ 37,415</u>	<u>\$ (979,126)</u>

## CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF ACTIVITIES - DISCRETE COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	REDC	RTPA
<b>PRIMARY GOVERNMENT:</b>					
Discrete Component Units					
Rockwall Economic Development Corporation					
Administration	\$ 5,214,249	\$ 250,686	\$ (4,963,563)		\$ (4,963,563)
Interest on long-term debt	1,051,022	--	(1,051,022)		(1,051,022)
Total Rockwall Economic Development Corporation	6,265,271	250,686	(6,014,585)		(6,014,585)
Rockwall Technology Park Association					
Administration	166,239	164,828	--	\$ (1,411)	(1,411)
Total Discrete Component Units	\$ 6,431,510	\$ 415,514	(6,014,585)	(1,411)	(6,015,996)
General Revenues:					
Sales Taxes			4,099,389	--	4,099,389
Miscellaneous			149	--	149
Unrestricted Investment Earnings			6,060	34	6,094
Total General Revenues and Transfer			4,105,598	34	4,105,632
Change in Net Assets			(1,908,987)	(1,377)	(1,910,364)
Net Assets - Beginning			892,446	38,792	931,238
Net Assets - Ending			\$ (1,016,541)	\$ 37,415	\$ (979,126)

## CITY OF ROCKWALL, TEXAS

COMBINING BALANCE SHEET - DISCRETE COMPONENT UNITS  
SEPTEMBER 30, 2012

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>ASSETS</b>			
<i>Cash and cash equivalents</i>	\$ 1,164,684	\$ 302	\$ 1,164,986
<i>Investments</i>	3,734,243	40,414	3,774,657
Receivables (net of allowances for uncollectibles):			
<i>Accrued interest</i>	191	--	191
<i>Other receivables</i>	8,728	8,631	17,359
<i>Due from other governments</i>	703,737	--	703,737
<i>Inventory</i>	11,012,689	--	11,012,689
<b>Total Assets</b>	<b>\$ 16,624,272</b>	<b>\$ 49,347</b>	<b>\$ 16,673,619</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 183,043	\$ 11,932	\$ 194,975
<i>Due to primary government</i>	146,987	--	146,987
<b>Total Liabilities</b>	<b>330,030</b>	<b>11,932</b>	<b>341,962</b>
Fund balances:			
<i>Nonspendable</i>	11,012,689	--	11,012,689
<i>Restricted</i>	5,281,553	37,415	5,318,968
<b>Total fund balances</b>	<b>16,294,242</b>	<b>37,415</b>	<b>16,331,657</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,624,272</b>	<b>\$ 49,347</b>	<b>\$ 16,673,619</b>

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS - DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 16,331,657
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,274
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,344,683)
Payables for bond interest which are not due in the current period are not reported in the funds.	(131,591)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(32,317)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	179,534
Net assets of governmental activities - Statement of Net Assets	\$ <u>979,126</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DISCRETE COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
Revenues:			
<i>Sales taxes</i>	\$ 4,099,390	\$ --	\$ 4,099,390
<i>Interest income</i>	6,060	34	6,094
<i>Miscellaneous</i>	250,835	164,828	415,663
Total revenues	<u>4,356,285</u>	<u>164,862</u>	<u>4,521,147</u>
Expenditures:			
Current:			
<i>Administration</i>	4,160,335	166,239	4,323,574
Total current	<u>4,160,335</u>	<u>166,239</u>	<u>4,323,574</u>
Capital outlay:			
<i>Administration</i>	1,032,091	--	1,032,091
Total capital outlay	<u>1,032,091</u>	<u>--</u>	<u>1,032,091</u>
Debt service:			
<i>Principal</i>	1,185,000	--	1,185,000
<i>Interest</i>	1,078,230	--	1,078,230
<i>Fiscal charges</i>	4,122	--	4,122
<i>Bond issuance cost</i>	55,796	--	55,796
Total debt service	<u>2,323,148</u>	<u>--</u>	<u>2,323,148</u>
Total expenditures	<u>7,515,574</u>	<u>166,239</u>	<u>7,681,813</u>
Excess (deficiency) of revenues over (under) expenditures	(3,159,289)	(1,377)	(3,160,666)
Other financing sources (uses):			
<i>Issuance of long-term debt</i>	2,405,000	--	2,405,000
<i>Premium on bonds issued</i>	61,560	--	61,560
<i>Discount on bonds issued</i>	(19,213)	--	(19,213)
<i>Payment to refunded bond escrow agent</i>	(2,417,024)	--	(2,417,024)
Total other financing sources (uses)	<u>30,323</u>	<u>--</u>	<u>30,323</u>
Net change in fund balances	(3,128,966)	(1,377)	(3,130,343)
Fund balances, October 1	19,423,208	38,792	19,462,000
Fund balances, September 30	<u>\$ 16,294,242</u>	<u>\$ 37,415</u>	<u>\$ 16,331,657</u>

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS - DISCRETE COMPONENT UNITS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	\$ (3,130,343)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,246)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	55,795
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,602,024
(Increase) decrease in accrued interest from beginning of period to end of period.	23,424
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(11,671)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,405,000)
Bond premiums are reported in the funds but not in the SOA.	(61,560)
Bond discounts are reported in the funds but not in the SOA.	19,213
Change in net assets of governmental activities - Statement of Activities	<u>\$ (1,910,364)</u>

**CITY OF ROCKWALL, TEXAS**  
 ECONOMIC DEVELOPMENT CORPORATION  
 BUDGETARY COMPARISON SCHEDULE - DISCRETE COMPONENT UNIT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-31

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Sales taxes</i>	\$ 4,025,200	\$ 4,099,390	\$ 74,190
<i>Interest income</i>	8,500	6,060	(2,440)
<i>Miscellaneous</i>	250,700	250,835	135
<b>Total revenues</b>	<u>4,284,400</u>	<u>4,356,285</u>	<u>71,885</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Administration</i>	1,154,400	4,157,335	(3,002,935)
<b>Total current</b>	<u>1,154,400</u>	<u>4,157,335</u>	<u>(3,002,935)</u>
<b>Capital outlay:</b>			
<i>Administration</i>	1,507,600	1,032,091	475,509
<b>Total capital outlay</b>	<u>1,507,600</u>	<u>1,032,091</u>	<u>475,509</u>
<b>Debt service:</b>			
<i>Principal</i>	1,180,000	1,185,000	(5,000)
<i>Interest</i>	1,082,700	1,078,230	4,470
<i>Fiscal charges</i>	4,500	4,122	378
<i>Bond issuance cost</i>	--	55,796	(55,796)
<b>Total debt service</b>	<u>2,267,200</u>	<u>2,323,148</u>	<u>(55,948)</u>
<b>Total expenditures</b>	<u>4,929,200</u>	<u>7,515,574</u>	<u>(2,586,374)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(644,800)</u>	<u>(3,159,289)</u>	<u>(2,514,489)</u>
<b>Other financing sources (uses):</b>			
<i>Issuance of long-term debt</i>	--	2,405,000	2,405,000
<i>Premium on bonds issued</i>	--	61,560	61,560
<i>Discount on bonds issued</i>	--	(19,213)	(19,213)
<i>Payment to refunded bond escrow agent</i>	--	(2,417,024)	(2,417,024)
<b>Total other financing sources (uses)</b>	<u>--</u>	<u>30,323</u>	<u>30,323</u>
<b>Net change in fund balances</b>	<u>(644,800)</u>	<u>(3,128,966)</u>	<u>(2,484,166)</u>
<b>Fund balances, October 1</b>	19,423,208	19,423,208	--
<b>Fund balances, September 30</b>	<u>\$ 18,778,408</u>	<u>\$ 16,294,242</u>	<u>\$ (2,484,166)</u>

**CITY OF ROCKWALL, TEXAS**

ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 BUDGETARY COMPARISON SCHEDULE - DISCRETE COMPONENT UNIT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-32

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 50	\$ 34	\$ (16)
<i>Miscellaneous</i>	194,100	164,828	(29,272)
Total revenues	<u>194,150</u>	<u>164,862</u>	<u>(29,288)</u>
Expenditures:			
Current:			
<i>Administration</i>	184,100	166,239	17,861
Total current	<u>184,100</u>	<u>166,239</u>	<u>17,861</u>
Total expenditures	<u>184,100</u>	<u>166,239</u>	<u>17,861</u>
Net change in fund balances	10,050	(1,377)	(11,427)
Fund balances, October 1	38,792	38,792	--
Fund balances, September 30	<u>\$ 48,842</u>	<u>\$ 37,415</u>	<u>\$ (11,427)</u>

# STATISTICAL SECTION

This part of the City of Rockwall, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	127
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	136
<i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	144
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	149
<i>These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	152
<i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF ROCKWALL, TEXAS  
NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 89,851,392	\$ 91,085,278	\$ 89,101,460	\$ 88,367,580	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444
Restricted	16,093,759	1,774,193	11,788,623	2,306,529	14,222,187	23,258,947	37,748,076	17,051,680	5,897,961	8,354,614
Unrestricted	238,981	13,400,417	4,308,457	12,955,777	13,643,810	13,386,297	11,683,150	11,850,426	10,242,495	9,975,317
Total governmental activities net assets	106,184,132	106,259,888	105,198,540	103,629,886	91,412,270	86,132,544	83,451,860	70,248,286	63,835,499	61,450,375
Business-type activities										
Invested in capital assets, net of related debt	58,888,435	58,139,970	54,288,096	53,418,392	48,127,382	47,893,027	41,923,596	37,368,956	38,406,139	32,724,578
Restricted	2,306,207	2,992,291	6,221,719	7,568,701	17,888,236	14,620,878	18,060,049	18,350,884	11,698,161	15,635,741
Unrestricted	4,300,793	6,124,975	5,340,103	6,162,163	5,283,929	5,463,619	7,081,727	7,475,827	9,457,896	3,746,526
Total business-type activities net assets	65,495,435	67,257,236	65,849,918	67,149,256	71,299,547	67,977,524	67,065,372	63,195,667	59,562,196	52,106,845
Primary government										
Invested in capital assets, net of related debt	148,739,827	149,225,248	143,389,556	141,785,972	111,673,655	97,380,327	75,944,230	78,715,136	86,101,182	75,845,022
Restricted	18,399,966	4,766,484	18,010,342	9,875,230	32,110,423	37,879,825	55,808,125	35,402,564	17,596,122	23,990,355
Unrestricted	4,539,774	19,525,392	9,648,560	19,117,940	18,927,739	18,849,916	18,764,877	19,326,253	19,700,391	13,721,843
Total primary government net assets	\$ 171,679,567	\$ 173,517,124	\$ 171,048,458	\$ 170,779,142	\$ 162,711,817	\$ 154,110,068	\$ 150,517,232	\$ 133,443,953	\$ 123,397,695	\$ 113,557,220

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>										
<b>Governmental activities:</b>										
Mayor/Council	\$ 106,959	\$ 111,494	\$ 116,372	\$ 109,844	\$ 117,366	\$ 111,555	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378
Administration	7,631,175	7,183,587	6,862,780	6,707,709	7,384,773	5,523,924	6,040,692	4,908,083	5,757,527	3,583,719
Finance	1,360,201	1,331,943	1,294,888	1,409,054	1,338,894	1,138,210	1,027,654	954,840	877,537	760,436
Municipal Court	358,745	362,149	353,147	334,922	312,601	298,383	304,492	295,379	254,210	236,201
Police	8,836,213	8,423,470	8,609,827	8,384,774	7,130,698	7,001,771	6,095,435	6,372,344	6,862,707	5,446,279
Fire	3,002,941	2,734,296	2,741,288	2,201,236	2,242,829	2,207,468	1,889,269	1,144,577	1,530,503	966,400
Public Works	8,398,043	8,008,701	6,669,448	5,482,571	7,094,068	6,928,067	5,530,219	4,753,190	6,155,726	3,961,797
Community Development	1,185,114	1,203,407	1,210,519	1,350,023	2,229,753	2,018,363	1,781,548	1,680,857	1,493,249	442,470
Parks and Recreation	6,003,610	5,843,647	5,805,241	5,250,506	4,025,927	3,088,750	2,583,547	2,329,095	2,323,558	1,487,036
Interest on long-term debt	4,666,567	4,554,433	4,717,319	4,669,459	4,418,519	3,612,523	2,179,950	1,136,584	1,277,825	1,244,127
<b>Total governmental activities expenses</b>	<b>41,549,568</b>	<b>39,757,127</b>	<b>38,380,829</b>	<b>35,900,098</b>	<b>36,295,428</b>	<b>31,929,014</b>	<b>27,541,172</b>	<b>23,653,063</b>	<b>26,607,258</b>	<b>18,186,843</b>
<b>Business-type activities:</b>										
Water and Sewer	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878
<b>Total business-type activities expenses</b>	<b>15,549,248</b>	<b>14,715,610</b>	<b>13,916,192</b>	<b>13,272,884</b>	<b>12,206,742</b>	<b>10,917,707</b>	<b>10,253,226</b>	<b>8,777,277</b>	<b>7,061,272</b>	<b>6,436,878</b>
<b>Total primary government expenses</b>	<b>57,098,816</b>	<b>54,472,737</b>	<b>52,297,021</b>	<b>49,172,982</b>	<b>48,502,170</b>	<b>42,846,721</b>	<b>37,794,398</b>	<b>32,430,340</b>	<b>33,668,530</b>	<b>24,623,721</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Community Development	1,125,092	792,029	664,711	1,020,979	1,072,444	1,118,001	1,318,516	1,687,141	1,680,531	1,487,000
Municipal Court	1,179,016	1,195,552	1,193,019	1,082,488	974,973	989,677	883,228	917,610	928,470	730,753
Police	463,565	550,947	522,919	516,591	658,015	415,637	649,261	720,395	402,980	221,076
Other	814,487	665,314	706,280	667,091	1,252,838	1,275,491	1,771,297	1,012,518	894,130	492,282
Operating grants & contributions	660,140	366,656	59,303	81,199	151,741	1,059,602	783,317	894,114	1,424,824	772,911
Capital grants & contributions	2,012,936	4,525,403	4,437,478	8,127,487	6,620,540	3,193,554	11,804,857	5,893,301	6,624,160	181,426
<b>Total governmental activities program revenues</b>	<b>6,255,236</b>	<b>8,095,901</b>	<b>7,583,710</b>	<b>11,495,835</b>	<b>10,730,551</b>	<b>8,051,962</b>	<b>17,210,476</b>	<b>11,125,079</b>	<b>11,955,095</b>	<b>3,885,448</b>

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Business-type activities:</b>										
Charges for services:										
Water Sales	\$ 7,780,095	\$ 8,547,662	\$ 6,917,587	\$ 6,574,110	\$ 6,060,043	\$ 4,815,631	\$ 6,547,846	\$ 5,379,382	\$ 4,474,069	\$ 4,530,970
Sewer Charges	3,720,357	3,406,283	2,864,595	2,748,160	2,409,614	2,338,820	2,355,821	2,046,425	1,922,989	1,809,478
Other	2,564,063	2,752,625	2,150,155	1,951,945	1,797,390	1,616,873	2,164,135	2,072,748	1,890,686	1,797,588
Capital grants & contributions	1,178,672	2,157,402	1,992,680	3,374,321	5,616,869	2,808,528	4,319,065	3,411,639	6,576,943	2,906,811
<b>Total business-type activities program revenues</b>	<b>15,243,186</b>	<b>16,863,972</b>	<b>13,925,017</b>	<b>14,648,536</b>	<b>15,883,916</b>	<b>11,579,852</b>	<b>15,386,867</b>	<b>12,910,194</b>	<b>14,864,687</b>	<b>11,044,847</b>
<b>Total primary government program revenues</b>	<b>21,498,422</b>	<b>24,959,873</b>	<b>21,508,727</b>	<b>26,144,371</b>	<b>26,614,467</b>	<b>19,631,814</b>	<b>32,597,343</b>	<b>24,035,273</b>	<b>26,819,782</b>	<b>14,930,295</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(35,294,332)	(31,661,226)	(30,797,119)	(24,404,263)	(25,564,877)	(23,877,052)	(10,330,696)	(12,527,984)	(14,652,163)	(14,301,395)
Business-type activities	(306,062)	2,148,362	8,825	1,375,652	3,677,174	662,145	5,133,641	4,132,917	7,803,415	4,607,969
<b>Total primary government net expense</b>	<b>(35,600,394)</b>	<b>(29,512,864)</b>	<b>(30,788,294)</b>	<b>(23,028,611)</b>	<b>(21,887,703)</b>	<b>(23,214,907)</b>	<b>(5,197,055)</b>	<b>(8,395,067)</b>	<b>(6,848,748)</b>	<b>(9,693,426)</b>
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	17,321,016	17,204,239	16,735,510	16,422,119	14,780,112	11,827,931	9,063,530	8,111,715	7,265,947	6,717,883
Sales taxes	12,720,023	11,526,555	10,833,397	10,264,401	10,123,636	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216
Other	3,613,020	3,011,917	3,285,081	3,734,068	4,625,450	4,477,541	3,566,689	2,442,815	2,167,786	1,843,906
Transfers	1,594,950	979,863	1,511,785	6,201,291	1,315,405	1,350,335	2,375,000	1,006,400	867,500	1,337,963
<b>Total governmental activities</b>	<b>35,249,009</b>	<b>32,722,574</b>	<b>32,365,773</b>	<b>36,621,879</b>	<b>30,844,603</b>	<b>26,557,736</b>	<b>23,534,270</b>	<b>18,940,771</b>	<b>17,037,287</b>	<b>16,176,968</b>
Business-type activities:										
Other	139,212	238,819	203,622	675,348	960,254	1,600,342	1,111,064	506,954	519,436	345,017
Transfers	(1,594,950)	(979,863)	(1,511,785)	(6,201,291)	(1,315,405)	(1,350,335)	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)
<b>Total business-type activities</b>	<b>(1,455,738)</b>	<b>(741,044)</b>	<b>(1,308,163)</b>	<b>(5,525,943)</b>	<b>(355,151)</b>	<b>250,007</b>	<b>(1,263,936)</b>	<b>(499,446)</b>	<b>(348,064)</b>	<b>(992,946)</b>
<b>Total primary government</b>	<b>\$ 33,793,271</b>	<b>\$ 31,981,530</b>	<b>\$ 31,057,610</b>	<b>\$ 31,095,936</b>	<b>\$ 30,489,452</b>	<b>\$ 26,807,743</b>	<b>\$ 22,270,334</b>	<b>\$ 18,441,325</b>	<b>\$ 16,689,223</b>	<b>\$ 15,184,022</b>
<b>Change in Net Assets</b>										
Governmental activities	\$ (45,323)	\$ 1,061,348	\$ 1,568,654	\$ 12,217,616	\$ 5,279,726	\$ 2,680,684	\$ 13,203,574	\$ 6,412,787	\$ 2,385,124	\$ 1,875,573
Business-type activities	(1,761,800)	1,407,318	(1,299,338)	(4,150,291)	3,322,023	912,152	3,869,705	3,633,471	7,455,351	3,615,023
<b>Total primary government</b>	<b>\$ (1,807,123)</b>	<b>\$ 2,468,666</b>	<b>\$ 269,316</b>	<b>\$ 8,067,325</b>	<b>\$ 8,601,749</b>	<b>\$ 3,592,836</b>	<b>\$ 17,073,279</b>	<b>\$ 10,046,258</b>	<b>\$ 9,840,475</b>	<b>\$ 5,490,596</b>

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2003	\$ 6,717,883	\$ 6,277,216	\$ 1,567,874	\$ 14,562,973
2004	7,265,947	6,736,054	1,776,406	15,778,407
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842
2009	16,422,119	10,264,401	2,535,846	29,222,366
2010	16,735,510	10,833,397	2,748,483	30,317,390
2011	17,204,239	11,526,555	2,445,762	31,176,556
2012	17,321,016	12,720,023	2,821,451	32,862,490

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2003	\$ 4,530,970	\$ 1,809,478	\$ 6,340,448
2004	4,474,069	1,922,989	6,397,058
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182
2011	8,547,662	3,406,283	11,953,945
2012	7,780,095	3,720,357	11,500,451

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CITY OF ROCKWALL, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-5

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ 2,870	\$ 2,446	\$ 1,407	\$ 26,130	\$ 26,980	\$ 16,104	\$ 7,500
Restricted	-	-	-	-	-	-	-	-	-	-
Non-spendable	1,120	2,116	-	-	-	-	-	-	-	-
Unreserved	-	-	9,159,333	8,293,107	8,264,368	8,335,289	7,692,662	7,301,334	6,860,155	7,235,979
Unassigned	9,916,841	10,085,001	-	-	-	-	-	-	-	-
<b>Total general fund</b>	<b>\$ 9,917,961</b>	<b>\$ 10,087,117</b>	<b>\$ 9,159,333</b>	<b>\$ 8,295,977</b>	<b>\$ 8,266,814</b>	<b>\$ 8,336,696</b>	<b>\$ 7,718,792</b>	<b>\$ 7,328,314</b>	<b>\$ 6,876,259</b>	<b>\$ 7,243,479</b>
All other governmental funds										
Reserved for:										
Debt Service	\$ -	\$ -	\$ 930,290	\$ 1,077,236	\$ 835,203	\$ 1,083,320	\$ 1,461,294	\$ 1,155,897	\$ 694,758	\$ 683,650
Restricted	1,481,128	1,641,992	-	-	-	-	-	-	-	-
Committed	2,722,094	2,608,081	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	2,320,833	2,399,605	3,145,275	2,797,330	2,422,376	2,046,410	1,358,357	926,507
Capital projects funds	-	-	10,319,501	16,906,340	13,094,614	21,877,706	36,529,256	16,113,095	5,271,300	7,540,907
Assigned	14,549,510	16,652,507	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 18,752,732</b>	<b>\$ 20,902,580</b>	<b>\$ 13,570,624</b>	<b>\$ 20,383,181</b>	<b>\$ 17,075,092</b>	<b>\$ 25,758,356</b>	<b>\$ 40,412,926</b>	<b>\$ 19,315,402</b>	<b>\$ 7,324,415</b>	<b>\$ 9,151,064</b>

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 17,308,365	\$ 17,329,982	\$ 16,560,766	\$ 16,407,575	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166
Sales taxes	12,720,023	11,526,555	10,833,397	10,264,401	10,123,637	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216
Franchise taxes	2,879,585	2,604,569	2,728,251	2,444,296	2,179,847	2,046,674	1,981,016	1,715,242	1,702,156	1,548,499
Charges for services	1,383,158	710,007	713,760	738,146	362,107	417,049	426,996	268,125	266,450	263,349
Permits	1,076,770	765,500	651,108	1,005,541	1,122,505	1,132,985	1,325,832	1,718,218	1,709,832	1,521,019
Municipal court	1,141,742	1,157,838	1,173,907	1,056,904	1,177,410	1,019,260	987,066	906,634	937,164	734,500
Intergovernmental	835,948	478,037	506,100	428,747	419,700	1,097,790	1,011,739	3,182,350	1,772,811	1,100,961
Interest income	114,588	136,878	60,429	611,615	1,702,870	2,012,244	1,149,204	304,644	143,269	312,700
Miscellaneous	795,150	661,379	569,258	872,988	837,707	716,896	1,060,866	1,080,366	755,733	422,427
Contributions and donations	727,361	364,975	148,512	2,812,457	775,695	2,241,586	6,251,435	163,635	252,037	56,463
<b>Total Revenues</b>	<b>38,982,690</b>	<b>35,735,720</b>	<b>33,945,488</b>	<b>36,642,670</b>	<b>33,409,620</b>	<b>31,407,407</b>	<b>31,703,153</b>	<b>24,859,180</b>	<b>21,545,914</b>	<b>18,915,300</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	106,958	111,494	116,372	109,845	117,366	111,555	108,366	78,114	74,416	58,377
Administration	3,690,167	3,402,793	3,353,637	3,358,705	3,056,885	2,750,197	2,910,478	2,708,948	2,324,516	3,024,304
Finance	1,245,790	1,211,261	1,189,250	1,266,436	1,199,417	1,138,238	1,025,230	952,808	837,800	756,688
Municipal court	337,537	335,082	333,234	318,467	311,706	300,186	303,131	291,348	249,839	234,832
Police	8,299,514	7,982,280	8,083,075	7,775,622	6,923,679	6,426,957	6,235,463	6,070,311	6,083,676	5,171,682
Fire	2,347,279	2,146,012	2,179,372	1,618,559	1,451,970	1,340,624	1,242,836	1,075,427	950,622	757,447
Public works	2,285,737	2,122,710	1,577,760	1,528,010	2,824,267	2,427,535	2,411,324	2,050,077	2,005,360	1,781,760
Community development	1,164,786	1,178,982	1,130,169	1,258,030	2,219,167	2,002,767	1,783,961	1,682,480	1,477,483	440,481
Parks and recreation	4,689,177	4,590,161	4,529,739	4,493,524	2,907,229	2,473,238	2,318,135	1,826,608	1,758,180	1,369,986
<b>Total current</b>	<b>24,166,945</b>	<b>23,080,775</b>	<b>22,492,608</b>	<b>21,727,198</b>	<b>21,011,686</b>	<b>18,971,297</b>	<b>18,338,924</b>	<b>16,736,121</b>	<b>15,761,892</b>	<b>13,595,557</b>
<b>Capital outlay:</b>										
Administration	6,648,934	7,168,226	4,746,948	18,427,890	2,373,369	4,028,933	1,580,706	602,847	623,526	1,843,858
Finance	224,306	101,525	57,653	78,866	137,035	-	-	-	36,746	141,102
Municipal Court	-	-	-	-	-	-	-	-	3,958	13,152
Police	465,169	274,821	1,316,626	258,623	74,899	225,992	285,150	1,850,771	978,179	372,661
Fire	368,805	266,400	434,754	6,462,691	727,795	1,578,623	835,685	711,166	525,888	172,970
Public works	-	-	24,575	90,798	29,051,639	10,609,516	25,733,888	9,756,038	1,667,682	1,198,999
Community development	-	-	-	-	-	2,105	-	519	668	1,123
Parks and recreation	486,159	-	1,095,622	482,177	1,742,004	2,397,348	1,477,499	757,360	600,049	443,049
<b>Total capital outlay</b>	<b>8,193,373</b>	<b>7,810,972</b>	<b>7,676,178</b>	<b>25,801,045</b>	<b>34,106,741</b>	<b>18,842,517</b>	<b>29,912,928</b>	<b>13,678,701</b>	<b>4,436,696</b>	<b>4,186,914</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Debt service:</b>										
Principal	\$ 4,933,038	\$ 4,278,038	\$ 4,458,038	\$ 4,670,540	\$ 4,335,462	\$ 3,726,505	\$ 2,620,235	\$ 1,801,369	\$ 2,831,984	\$ 1,623,841
Interest	4,820,183	4,570,301	4,766,488	4,716,545	4,254,162	3,607,455	1,748,001	977,878	1,032,504	1,229,093
Bond issuance costs	44,305	150,900	-	242,173	468,837	9,500	500,889	429,728	99,311	-
Fiscal charges	8,800	11,200	7,032	15,284	6,384	6,484	6,020	5,063	7,403	9,272
<b>Total debt services</b>	<b>9,806,326</b>	<b>9,010,439</b>	<b>9,231,558</b>	<b>9,644,542</b>	<b>9,064,845</b>	<b>7,349,944</b>	<b>4,875,145</b>	<b>3,214,038</b>	<b>3,971,202</b>	<b>2,862,206</b>
<b>Total expenditures</b>	<b>42,166,644</b>	<b>39,902,186</b>	<b>39,400,344</b>	<b>57,172,785</b>	<b>64,183,272</b>	<b>45,163,758</b>	<b>53,126,997</b>	<b>33,628,860</b>	<b>24,169,790</b>	<b>20,644,677</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,183,954)</b>	<b>(4,166,466)</b>	<b>(5,454,856)</b>	<b>(20,530,115)</b>	<b>(30,773,652)</b>	<b>(13,756,351)</b>	<b>(21,423,844)</b>	<b>(8,769,680)</b>	<b>(2,623,876)</b>	<b>(1,729,377)</b>
<b>Other financing sources (uses):</b>										
Transfers in	2,217,035	3,456,450	1,478,835	8,664,757	1,975,436	2,585,804	4,305,332	2,959,535	2,429,909	4,445,973
Transfers out	(3,502,085)	(2,913,587)	(2,304,050)	(4,488,966)	(2,715,031)	(2,866,119)	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)
Bonds issued	2,150,000	13,210,000	-	19,295,000	22,270,000	-	41,045,000	21,200,000	-	-
Capital Leases	-	-	330,870	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	4,805,000	-	-	-	6,095,000	4,067,415	-
Accrued interest on bonds issued	-	-	-	-	-	-	176,020	129,913	-	-
Premium (discounts) on bonds issued	-	325,248	-	444,623	490,101	-	864,326	271,518	-	-
Payment to refunded bond escrow agent	-	(1,651,905)	-	(4,853,047)	-	-	-	(6,027,109)	(3,120,178)	-
<b>Total other financing sources (uses)</b>	<b>864,950</b>	<b>12,426,206</b>	<b>(494,345)</b>	<b>23,867,367</b>	<b>22,020,506</b>	<b>(280,315)</b>	<b>42,911,846</b>	<b>21,212,722</b>	<b>564,737</b>	<b>282,963</b>
<b>Net change in fund balances</b>	<b>\$ (2,319,004)</b>	<b>\$ 8,259,740</b>	<b>\$ (5,949,201)</b>	<b>\$ 3,337,252</b>	<b>\$ (8,753,146)</b>	<b>\$ (14,036,666)</b>	<b>\$ 21,488,002</b>	<b>\$ 12,443,042</b>	<b>\$ (2,059,139)</b>	<b>\$ (1,446,414)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>28.5%</b>	<b>28.1%</b>	<b>29.1%</b>	<b>30.6%</b>	<b>24.0%</b>	<b>22.0%</b>	<b>17.4%</b>	<b>13.5%</b>	<b>14.4%</b>	<b>18.1%</b>

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2003	\$ 6,678,166	\$ 6,277,216	\$ 1,548,499	\$ 14,503,881
2004	7,270,408	6,736,054	1,702,156	15,708,618
2005	8,140,125	7,379,841	1,715,242	17,235,208
2006	8,979,948	8,529,051	1,981,016	19,490,015
2007	11,820,994	8,901,929	2,046,674	22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626
2009	16,407,575	10,264,401	2,444,296	29,116,272
2010	16,560,766	10,833,397	2,728,251	30,122,414
2011	17,329,982	11,526,555	2,604,569	31,461,106
2012	17,308,365	12,720,023	2,879,585	32,907,973

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-8

Fiscal Year	Total Sales Tax Collections	Percent of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2003	\$ 6,277,216	94.00%	\$ 0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.69%	0.35
2008	10,123,637	70.47%	0.36
2009	10,264,401	64.35%	0.34
2010	10,833,397	65.84%	0.35
2011	11,526,555	68.66%	0.37
2012	12,720,023	75.10%	0.41

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-9

Fiscal Year	Levy Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2003	2002	\$ 1,180,867,660	\$ 484,847,529	\$ 271,117,946	\$ 99,943,555	\$ 1,836,889,580	\$ 0.3600
2004	2003	1,371,585,380	487,360,218	258,028,313	130,750,657	1,986,223,254	0.3600
2005	2004	1,573,206,290	525,794,698	284,849,415	154,608,703	2,229,241,700	0.3600
2006	2005	1,736,808,885	567,435,458	286,808,498	163,343,787	2,427,709,054	0.3689
2007	2006	1,943,727,690	921,234,223	261,957,560	551,589,203	2,575,330,270	0.4250
2008	2007	2,405,432,149	709,899,929	289,545,141	602,975,668	2,801,901,551	0.4865
2009	2008	2,147,701,430	1,155,846,969	330,037,398	625,065,569	3,008,520,228	0.5031
2010	2009	2,185,092,860	1,222,610,470	338,639,915	663,151,492	3,083,191,753	0.5031
2011	2010	2,253,052,114	1,364,840,173	334,504,395	821,180,459	3,131,216,223	0.5031
2012	2011	2,286,707,230	1,370,512,205	329,854,968	852,396,351	3,134,678,052	0.5031

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
2003	\$ 32,005,770	\$ 949,484	\$ 48,516,530	\$ 7,025,287	\$ 71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093
2007	96,624,100	1,537,004	61,259,470	16,146,371	328,999
2008	104,805,677	1,658,500	66,881,780	13,651,705	248,013
2009	111,535,268	1,805,500	79,131,370	24,266,824	2,147,724
2010	117,336,354	6,522,310	101,284,160	25,091,542	182,290
2011	123,493,766	8,781,840	99,301,400	20,804,929	17,421
2012	130,833,284	10,360,860	105,251,440	20,979,952	573,415

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-11

Fiscal Year	City of Rockwall			Overlapping Rates	
	M&O	Debt	Total	School	County
2003	\$ 0.1982	\$ 0.1618	\$ 0.3600	\$ 1.8800	\$ 0.3534
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.4250	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750
2011	0.2562	0.2469	0.5031	1.4700	0.3864
2012	0.2563	0.2468	0.5031	1.4700	0.3864

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-12

Taxpayer	2012			2003		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Excel Rockwall, LP	\$ 40,193,730	1	1.28%	\$ -	-	-
Rockwall Regional Hospital, LLP	33,609,770	2	1.07%	-	-	-
Western Rim Investors	31,218,380	3	1.00%	-	-	-
Rockwall Hotel & Conference Group	29,160,780	4	0.93%	-	-	-
Continental Pet Technology	26,389,590	5	0.84%	39,391,257	1	2.14%
Wal-mart	24,536,500	6	0.78%	20,839,943	2	1.13%
Rockwall Crossing LTD	21,841,596	7	0.70%	-	-	-
Oncor Electric Delivery Service	21,569,850	8	0.69%	13,327,250	4	0.72%
SPM/WRI Rockwall, L.P.	18,500,000	9	0.59%	17,559,561	3	0.96%
TF Harbor, LLC	17,169,160	10	0.55%	-	-	-
Lowes Home Centers, Inc.	-	-	-	13,139,684	5	0.71%
Rockwall/ S-30 Ltd.	-	-	-	11,938,840	6	0.65%
Steger Towne Crossing, LP	-	-	-	9,768,360	7	0.53%
Bent Tree Realty Co.	-	-	-	9,702,200	8	0.53%
Southwestern Bell Telephone	-	-	-	9,638,070	9	0.52%
Dayton Hudson/ Target	-	-	-	8,725,190	10	0.47%
Subtotal	<u>264,189,356</u>		<u>8.43%</u>	<u>154,030,355</u>		<u>8.38%</u>
Total Taxable Value	<u>\$ 3,134,678,052</u>		<u>100.00%</u>	<u>\$ 1,838,618,028</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-13

Fiscal Year	Levy Year	Total Tax Levy	Total Current Year Collections	Percent of Levy Collected During Fiscal Period	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy
2003	2002	\$ 6,626,078	\$ 6,487,602	97.91%	\$ 128,750	\$ 6,616,352	99.85%
2004	2003	7,207,138	7,145,433	99.14%	52,138	7,197,571	99.87%
2005	2004	8,079,370	8,021,945	99.29%	48,172	8,070,117	99.89%
2006	2005	8,987,722	8,921,613	99.26%	53,261	8,974,874	99.86%
2007	2006	11,607,235	11,433,286	98.50%	155,280	11,588,566	99.84%
2008	2007	14,365,659	14,173,725	98.66%	164,842	14,338,567	99.81%
2009	2008	15,951,071	15,777,483	98.91%	129,770	15,907,253	99.73%
2010	2009	16,454,594	16,182,308	98.35%	203,481	16,385,789	99.58%
2011	2010	16,788,934	16,616,216	98.97%	54,104	16,670,320	99.29%
2012	2011	16,936,727	16,780,370	99.08%	-	16,780,370	99.08%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-14

Customer	2012			2003		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	49,645,800	1	1.63%	22,684,600	2	1.48%
Rockwall I.S.D.	40,376,000	2	1.33%	57,041,700	1	3.71%
Mansions of Rockwall	28,801,000	3	0.95%	-	-	-
D.W.C./Highlife Properties	16,359,800	4	0.54%	15,592,500	5	1.01%
Walden Residential Properties	12,444,500	5	0.41%	13,887,300	6	0.90%
Mission Rockwall	11,990,200	6	0.39%	17,728,400	3	1.15%
Excel Rockwall, L.P.	11,305,300	7	0.37%	-	-	-
Rockwall Nursing Home	11,099,600	8	0.37%	11,446,400	8	0.74%
TF-Harbor, LLC	11,067,600	9	0.36%	-	-	-
Continental Can	10,068,800	10	0.33%	13,325,700	6	0.87%
Sabre Realty	-	-	-	17,120,100	4	1.11%
Lone Star Circuits	-	-	-	13,218,300	7	0.86%
Lakepointe Church	-	-	-	8,356,600	9	0.54%
Walmart	-	-	-	8,047,300	10	0.52%
Subtotal	<u>203,158,600</u>		<u>6.69%</u>	<u>198,448,900</u>		<u>12.92%</u>
Total Water Usage	<u><u>3,037,855,020</u></u>		<u><u>100.00%</u></u>	<u><u>1,536,457,500</u></u>		<u><u>100.00%</u></u>

Note: Usage stated in gallons

CITY OF ROCKWALL, TEXAS  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-15

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Water and Sewer Revenue Bonds	Capitalized Lease Obligations			
2003	\$ 12,521,523	\$ 9,890,000	\$ 690,000	\$ -	\$ 288,477	\$ -	\$ 10,555,000	\$ 2,150,000	\$ 36,095,000	4.61%	\$ 1,580
2004	11,918,933	9,075,000	420,000	-	271,067	-	10,035,000	1,780,000	33,500,000	3.67%	1,329
2005	22,992,564	17,940,000	345,000	-	247,436	-	14,910,000	1,385,000	57,820,000	5.43%	2,080
2006	57,632,329	21,825,000	315,000	-	212,671	-	14,145,000	1,145,000	95,275,000	7.88%	3,155
2007	55,720,824	20,045,000	280,000	-	184,176	-	13,360,000	5,040,094	94,630,094	7.20%	3,013
2008	74,925,362	18,810,000	245,000	-	154,638	9,935,000	12,530,000	4,805,090	121,405,090	8.13%	3,824
2009	86,179,822	22,425,000	-	-	135,178	25,890,000	11,670,000	7,431,754	153,731,754	10.38%	4,789
2010	83,271,784	20,875,000	-	278,034	113,216	25,005,000	10,775,000	7,080,083	147,398,117	8.74%	4,205
2011	88,473,746	23,050,000	-	236,589	91,254	28,205,000	5,215,000	6,710,000	151,981,589	8.08%	4,129
2012	84,675,708	24,065,000	-	193,299	69,292	27,145,000	4,550,000	6,321,743	147,020,042	7.24%	3,810

Note: See Table 20 for personal income and population data

CITY OF ROCKWALL, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-16

Fiscal Year	Governmental Activities				Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Gross Bonded Debt				
2003	\$ 12,521,523	\$ 9,890,000	\$ 690,000	\$ 23,101,523	\$ 683,650	\$ 22,417,873	1.21%	\$ 981
2004	11,918,933	9,075,000	420,000	21,413,933	694,758	20,719,175	1.04%	822
2005	22,992,564	17,940,000	345,000	41,277,564	1,014,713	40,262,851	1.80%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,461,294	78,311,035	3.22%	2,593
2007	55,720,824	20,045,000	280,000	76,045,824	1,083,320	74,962,504	2.91%	2,387
2008	74,925,362	18,810,000	245,000	93,980,362	835,203	93,145,159	3.32%	2,934
2009	86,179,822	22,425,000	-	108,604,822	1,077,236	107,527,586	3.57%	3,349
2010	83,271,784	20,875,000	-	104,146,784	930,290	103,216,494	3.35%	2,945
2011	88,473,746	23,050,000	-	111,523,746	1,426,272	110,097,474	3.52%	2,991
2012	84,675,708	24,065,000	-	108,740,708	1,197,002	107,543,706	3.43%	2,787

Note: See Table 20 for population data and Table 9 for property value data

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2012  
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall (2)	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 108,934,007	100.00%	\$ 108,934,007
Indirect:			
Rockwall Independent School District	348,168,257	58.49%	203,643,614
Rockwall County	<u>69,920,000</u>	49.26%	<u>34,442,592</u>
Total Indirect	<u>418,088,257</u>		<u>238,086,206</u>
Total Direct and Overlapping Bonded Debt	<u>\$ 527,022,264</u>		<u>\$ 347,020,213</u>
Average debt per capita			<u>\$ 8,993</u>

Source: Assessed value data used to estimate applicable percentages provided by Rockwall Central Appraisal District. Debt Outstanding data is provided by each governmental unit.

- (1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation and Capital Leases of the primary government.
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable value.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Maximum Rate	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
Total Tax Rate	0.5031	0.5031	0.5031	0.5031	0.4865	0.4250	0.3689	0.3600	0.3600	0.3600
Legal Debt Margin	\$ 1.9969	\$ 1.9969	\$ 1.9969	\$ 1.9969	\$ 2.0135	\$ 2.0750	\$ 2.1311	\$ 2.1400	\$ 2.1400	\$ 2.1400

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$ 9,259,528	\$ 4,647,959	\$ 4,611,569	\$ 510,000	\$ 486,884	\$ 996,884	4.63
2004	10,081,442	5,194,575	4,886,867	520,000	476,108	996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98
2011	15,439,747	10,805,039	4,634,708	740,000	360,448	1,100,448	4.21
2012	14,809,266	11,463,657	3,345,609	665,000	219,253	884,253	3.78

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE D-20

DEMOGRAPHICS					
Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	RISD School Enrollment (2)	Unemployment Rate (%) (1)
2003	22,850	\$ 782,658	\$ 34,252	10,077	6.7
2004	25,200	911,711	36,179	10,527	5.1
2005	27,800	1,064,601	38,295	11,560	3.5
2006	30,200	1,209,238	40,041	12,627	3.4
2007	31,407	1,313,786	41,831	13,086	3.9
2008	31,748	1,494,029	47,059	13,407	4.9
2009	32,103	1,480,976	46,132	13,721	7.0
2010	35,050	1,687,272	48,139	14,030	6.6
2011	36,810	1,881,580	51,116	14,200	6.7
2012	38,586	2,031,533	52,649	14,300	5.1

Source: (1) Texas Workforce Commission, 2011 and 2012 are estimates  
 (2) Rockwall Independent School District - private schools not included

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,550	1	8.00%	1,100	1	8.47%
Wal-Mart Superstore	492	2	2.54%	450	2	3.46%
Texas Star Express	484	3	2.50%	200	6	1.54%
Presbyterian Hospital	419	4	2.16%	-	-	-
Rockwall County	296	5	1.53%	-	-	-
City of Rockwall	256	6	1.32%	182	8	1.40%
Hilton Bella Harbor	250	7	1.29%	-	-	-
Special Products	205	8	1.06%	-	-	-
Target	200	9	1.03%	150	10	1.15%
Rockwall Nursing Home	160	10	0.83%	150	9	1.15%
Continental Express	-	-	-	225	3	1.73%
Precision Cable	-	-	-	200	4	1.54%
James Helwig & Son	-	-	-	200	5	1.54%
Power Maintenance International	-	-	-	200	7	1.54%
Subtotal	<u>4,312</u>		<u>22.26%</u>	<u>3,057</u>		<u>23.54%</u>
Total	<u>19,373</u>		<u>100.00%</u>	<u>12,989</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-22

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Administration	21.0	21.0	22.0	22.0	22.0	22.0	21.0	21.0	21.0	23.0
Finance	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.5	6.5	4.5
Municipal Court	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0
Fire	17.0	17.0	17.0	17.0	10.0	10.0	9.0	9.0	8.0	5.0
Police	92.5	91.5	90.5	90.5	88.0	85.0	80.0	72.0	70.0	68.0
Community Development	29.5	29.5	29.5	29.5	29.5	29.5	28.5	25.5	22.0	21.0
Parks & Recreation	26.0	26.0	26.0	26.0	24.5	24.5	25.0	24.0	21.0	21.0
Public Works	21.0	21.0	21.0	21.0	23.0	23.0	23.0	21.0	21.0	21.0
Water/Sewer	37.0	37.0	38.0	38.0	34.0	31.0	29.0	26.0	25.0	23.0
<b>Total</b>	<b>256.0</b>	<b>255.0</b>	<b>256.0</b>	<b>256.0</b>	<b>243.0</b>	<b>237.0</b>	<b>227.5</b>	<b>210.0</b>	<b>197.5</b>	<b>189.5</b>

CITY OF ROCKWALL, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-23

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Finance</b>										
Invoices processed	15,772	15,582	16,613	16,933	16,696	16,015	15,883	14,919	14,246	14,430
Payroll checks issued	8,262	8,460	8,356	8,176	7,765	7,840	7,042	6,579	6,543	5,882
Purchase orders issued	2,150	2,269	2,391	2,572	2,363	2,553	2,468	2,561	2,420	2,338
<b>Municipal Court</b>										
Violations Processed	16,859	16,361	17,261	16,526	12,984	17,455	16,635	15,225	13,913	15,000
<b>Fire</b>										
Employees (paid)	17	17	17	17	10	10	9	9	8	4
Volunteers	35	41	38	35	42	37	40	39	36	38
Fire Calls (City and County)	831	1,059	771	771	860	777	718	772	623	560
<b>Police</b>										
Employees (uniformed)	72	71	71	70	69	66	61	55	51	49
Employees (civilian)	20	20	20	20	19	18	18	17	17	15
Calls for Service*	18,267	21,490	30,569	30,610	29,097	27,158	21,121	17,915	16,066	14,699
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.										
<b>Community Development</b>										
# permits - New commercial construction	14	21	4	17	26	33	18	51	18	27
Value - New commercial construction	\$ 36,578,259	\$ 15,446,160	\$ 10,969,950	\$ 71,061,773	\$ 40,553,363	\$ 104,798,013	\$ 39,358,497	\$ 49,918,558	\$ 29,067,960	\$ 40,304,701
# permits - New residential construction	218	185	212	169	173	192	470	739	885	775
Value - New residential construction	\$ 39,815,104	\$ 36,244,834	\$ 40,293,359	\$ 30,914,120	\$ 31,962,169	\$ 40,174,623	\$ 82,305,725	\$ 123,215,423	\$ 135,501,919	\$ 117,512,216
<b>Parks &amp; Recreation</b>										
The Center facility usage	81,500	84,001	68,665	61,713	76,530	69,988	75,757	71,118	58,060	38,821
Special event attendance	85,000	80,000	95,000	90,680	75,232	54,156	25,231	26,547	35,736	14,300
# recreation participants (youth & adult)	4,500	3,268	3,428	2,155	2,757	2,727	2,381	2,034	1,793	1,411

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Public Works</b>										
Streets - sq yd concrete street repair	4,316.37	2,276.40	2,851.55	5,507.20	3,415.26	739.69	1,967.75	2,961.55	2,395.76	n/a
\$ spent on concrete/asphalt street repair	\$ 654,243	\$ 602,167	\$ 575,446	\$ 541,430	\$ 411,814	\$ 341,685	\$ 478,169	\$ 352,048	\$ 431,475	\$ 339,507
Miles of public street maintained by City*	184.06	183.05	196.10	192.86	183.86	144.83	139.52	129.23	127.66	122.70
* Beginning in 2011, mileage calculations have changed and software advances have allowed for a more accurate count										
<b>Water/Sewer</b>										
Water customers	13,416	13,044	12,859	12,471	12,285	12,345	11,985	11,491	10,497	9,440
Sewer customers	12,137	11,891	11,651	11,401	11,106	10,987	10,445	10,020	9,282	8,510
Average daily water consumption (gal)	8,322,890	9,943,169	7,434,917	8,228,041	8,052,778	6,701,619	5,991,288	5,023,404	4,327,595	4,209,473
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	12,000,000	9,500,000	7,500,000	7,500,000	7,500,000	7,500,000	5,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-24

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Fire										
Number of stations	4	4	4	2	2	2	2	2	2	2
Number of fire engines/trucks	15	15	14	12	11	11	9	8	8	8
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	42	42	42	42	42	42	37	30	26
Parks & Recreation										
Parks acres (developed)	538.00	538.00	538.00	538.00	538.00	341.50	324.60	307.30	287.70	283.20
Playgrounds	25	25	25	23	23	23	18	12	12	12
Picnic areas	32	32	32	31	31	29	27	26	26	25
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	\$ 2,164,305	\$ 1,079,938	\$ 2,596,948	\$ 15,444,384	\$ 24,508,043	\$ 4,885,417	\$ 1,689,445	\$ 2,477,496	\$ 165,359	\$ 116,368
\$ spent on street rehabilitation	\$ 2,626,965	\$ 2,433,289	\$ 1,929,529	\$ 1,446,058	\$ 4,219,701	\$ 2,492,251	\$ 6,575,541	\$ 2,352,112	\$ 583,947	\$ 397,026
Miles of public street	184.06	183.05	196.10	192.86	183.86	144.83	139.52	129.23	127.66	122.70
Water/Sewer										
Water mains (miles)	276.94	265.82	269.82	255.88	250.40	160.06	155.37	146.32	139.93	128.49
Sanitary sewers (miles)	218.88	222.62	215.88	212.77	209.95	117.51	113.58	107.83	103.62	96.64

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, CPA  
Director of Finance



**CITY OF ROCKWALL, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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*Introductory Section*

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City of Rockwall  
*The New Horizon*

March 21, 2012

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2011, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Rutledge, Crain & Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by

management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.78 square miles and an estimated population of 36,810.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted as recently as 2005. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

## Local Economy

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 6.4% in our local sales taxes. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 1.56%. The most recent five-year average is 5.26% per annum. The City's largest taxpayers are varied and include retail developments, industry, and medical facilities. Table 12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- SPR Packaging, worked with the Rockwall Economic Development Corporation and added 120,000 square feet to their facility which has tripled in size since their opening in 2008. In addition, the REDC completed construction of the extension of Discovery Boulevard from the Technology Park to John King Boulevard increasing access to the interstate from the Park.
- The Presbyterian Hospital of Rockwall continues to add attract medical offices and quality long term care to the surrounding area. In excess of 43,000 square feet of new space were added in the adjacent area during 2011. The Presbyterian development has added more than \$60,000,000 to the City's tax rolls.
- Downtown Rockwall benefits from the attention garnered from Rockwall's being a Texas Main Street City. A number of new retail establishments including The Fatted Calf, Candles by Carol and The Life House joined to complement the many offerings in the downtown area. The City has seen a 2.2% increase in sales taxes in the downtown area in the last year.
- The Woodmont Company completed construction of the 100,000 square foot, second phase of their "Plaza" development. They added retail draws such as Maurice's, Joann Fabrics and Home Goods and anticipate the addition of others shortly. Several restaurant spaces were added with Olive Garden opening in 2012.
- In-N-Out Burger came to town along with the new Allure Restaurant which opened in the Chandler's Landing Yacht Club. Mi Cocina opened in Plaza Phase I and Campisi's opened at the Harbor. They joined the extensive mix of restaurants to choose from including locally owned favorites and nationally recognized names.

## Long-term Planning

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

## Financial Policies

The City Council adopted financial policies in 2001 which have guided the City allowing us to build a strong fund balance and reinforcing the need to budget conservatively for both revenues and expenditures. The general fund reserve policy was reviewed and updated more recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level are available to fund capital projects in 2012 which includes expansion of facilities for the Police Department and Municipal Court.

## Planning Projects

The City has completed annexation of several large tracts of land which are now incorporated into the City planning. The City Council will complete the review of the City's Comprehensive Land Use Plan in 2012 and make updates as necessary.

Having identified the downtown area as a critical component of our long range plan, the City and business and community leaders work with the City's Texas Main Street Manager to coordinate planning efforts and develop interest in locating business downtown and to bring events to the Square. The Main Street program has afforded opportunities for businesses to qualify for façade restoration grants which are funded by the City and Community Bank..

The City worked with a consulting firm to prepare an extensive conceptual plan for Planned Development 32 (PD32) which encompasses 60 acres of undeveloped land inside the City's tax increment financing zone and adjacent to the Harbor development. The city recognized the importance of having the conceptual plan ready when the economy improves. The City initiated the zoning process to establish a form based code for the area. It is expected the area will soon see the expansion of the mixed-use concept with retail, restaurants, office and residential spaces as interest from the development community is being expressed.

The Rockwall Economic Development Corporation in conjunction with their Destination 2020 plan has refined the focus and role of their planning committee as well. Their marketing program now includes social media components and targeted marketing aimed at desired industries

## Capital Improvement Planning

A Capital Improvements Committee (CIP) of citizens considered a slate of projects in 2011. The committee recommended projects for a bond election to be held in May 2012. The ballot includes propositions to provide an athletic complex and downtown accessibility projects in addition to roadway and park projects. The City hired design and construction management professionals to work with staff and City Council to develop the vision for the projects and cost estimates to ensure the projects if approved can move forward expeditiously and be completed in budget.

## Strategic Planning

Organizationally, the City uses the Balanced Scorecard Methodology for strategic planning. Bi-annually the City conducts a Citizen Satisfaction Survey to document our progress meeting the

needs of our citizens. The City employs the C3 methodology of “Customer Centered Culture” which encourages cross department teams to follow a proven course of data compilation and actions that allow the teams to develop product and process improvements. C3 recognizes that the services we provide are ultimately comprised of a number of products and processes and those must be designed to meet our customer’s needs, not what we perceive are their needs. Project teams present their reports to Council and their suggested improvements are implemented as funding allows. The City continues to receive good marks on our biannual survey completed in 2011 regarding our progress on adopted goals and strategies as well as areas of interest for future projects.

## Future Development

### Transportation

The City completed construction of “John King Boulevard” in honor of our late council member. Shortly after its completion, the Texas Department of Transportation began work on the overpass which will connect the northern and southern roadways and allow additional access to I-30. With construction progressing, it should be completed mid 2012. TxDOT, continues the project to widen FM740 in southern Rockwall. City projects underway in 2012 will include the reconstruction of Airport Road, a much traveled east-west roadway which will allow better access to John King Boulevard. Corporate Crossing, formerly FM549, will be widened to provide improved and enhanced access to the City’s light industrial area between I-30 and SH276.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County’s transportation needs, which also involve planning and state participation. The County’s bond initiatives allow funding for the advance planning and design of 5 major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction.

### Medical Services

Developments in the Horizon Road area have focused on medical services. With the availability of acute care at Presbyterian Hospital of Rockwall, the addition of several new medical buildings with Doctor’s suites and state of the art out-patient diagnostic imaging facilities has allowed Rockwall to become a regional medical services destination. Additional ancillary medical office buildings and long term care facilities are planned for near term development. Autumn Leaves Alzheimer’s and Memory Care Center opened in 2011.

### Retail / Entertainment

“The Harbor” development is situated on the shores of Lake Ray Hubbard at I-30. A public/private partnership provides opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. The Conference Center continues to attract events including numerous corporate training and retreat sessions and expect many which are scheduled for 2012.

In conjunction with the private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development

Corporation to establish the TIF to finance the public projects. A new owner and property manager in late 2010 have focused on adding several new restaurants to the mixed use development including the highly recognized Campisi's name in 2011. Popular Willis Jewelers added a new concept store to the Harbor featuring estate and collectibles items. Sales taxes in this area grew by 8.7% this year. The City is collaborating with an office tower developer who is planning construction of a seven-story, 85,000 square foot office tower overlooking the lake. The Harbor Heights Trend Tower will offer Class-A office space to its corporate tenants.

The City's extremely successful Concert on the Lake Series managed by the City's Recreation Department draws approximately 5,000 attendees each Thursday evening for a free concert. The series extended 12 weeks in 2011. Surveys conducted during the events gather data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here. The term "Live Music Capital of North Texas" has been coined to describe the many opportunities available year round in both public and restaurant venues.

Founder's Day on the Downtown Square draws visitors to shop merchant's wares, see artist's exhibits, learn about city departments and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend.

A Farmer's Market brings visitors downtown Saturdays from May to October. The City sponsors an Art Fair one Saturday each month. The third annual "Rib Rub" was held in fall 2011 drawing more than 50 teams to the downtown square. The Main Street Advisory Board and "Friends of Downtown Rockwall", citizen volunteer group, are working to plan more special events downtown.

The City is fast becoming the triathlon destination as well. In addition to several locally sponsored races, the City for the second time welcomed the Toyota US Open Triathlon in fall 2011. The event saw more than 1,200 participants including a contingent of international Olympians take advantage of our lake access and terrain to complete the final event of the annual seven race series. The City has been notified the event plans to return for 2012. Early series races will be held in cities including Chicago, Miami, Minneapolis and Los Angeles culminating with the Rockwall race and the final prize standings.

#### Utilities

The water and sewer rates were last increased in 2010 and the City is implementing a 10% rate increase for 2012. The City purchases treated water as a founding member city of the North Texas Municipal Water District. Construction is nearing completion for the Squabble Creek sewer system which will connect to the regional sewer interceptor system in early 2012. A number of main extension projects continue to be undertaken to provide water and sewer service to annexed areas of the City.

The City's water system is recognized with the Texas Commission on Environmental Quality's "Superior" rating.

The City is actively working to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations and an investor owned utility. It remains the City's desire to be the provider for all residents in our city limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-11(net of Debt Service)	\$110,097,474
Estimated Population	36,810
G.O. Debt Per Capita	\$2,991
Net G.O. Debt per Assessed Value	3.52%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	AA-	A-	A-
Moody's Investor Service Inc.	Aa2	Aa3	A1

## **AWARDS AND ACKNOWLEDGEMENTS**

### Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

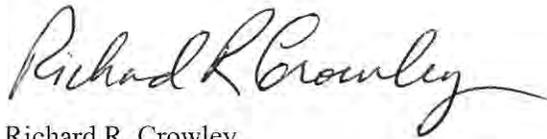
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last twenty-one consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Richard R. Crowley  
Interim City Manager



Mary P. Smith, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



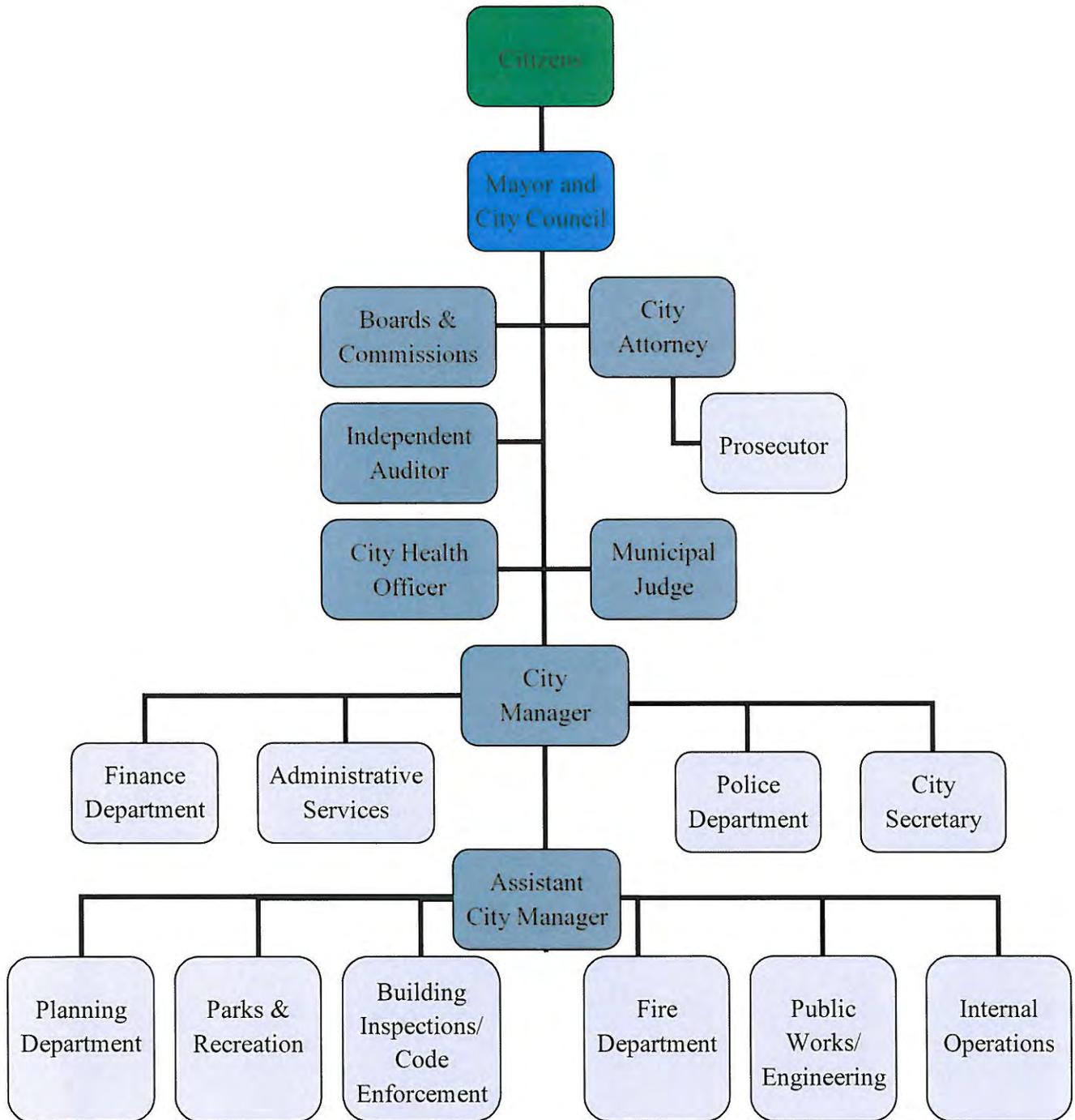
*Linda C. Dandson*

President

*Jeffrey R. Emer*

Executive Director

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2011

**City Council**

David Sweet, Mayor  
Mark Russo, Mayor Pro-Tempore  
Bennie Daniels, Councilmember  
Margo Nielsen, Councilmember  
Cliff Sevier, Councilmember  
Michelle Smith, Councilmember  
David White, Councilmember

**City Staff**

Rick Crowley, Interim City Manager  
Mary Smith, Director of Finance  
Cheryl Dunlop, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Community Development  
Chuck Todd, City Engineer/Director of Public Works  
Jeffrey Widmer, Director of Building Inspections & Code Enforcement  
Brad Griggs, Director of Parks, Recreation and Rights-of-Way

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*Financial Section*

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Rockwall, Texas

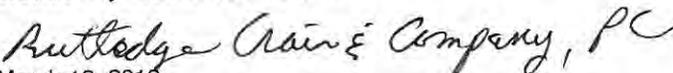
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rockwall, Texas' management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19 through 29 and 75 through 76 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockwall, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The required supplementary information, and 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 financial statements. The combining financial statements and individual fund budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
March 12, 2012

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*Management's Discussion and Analysis*

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall’s financial performance provides an overview and analysis of the City’s financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City’s total net assets were \$173,517,124 at September 30, 2011.
- During the year, the City’s expenses were \$1,061,378 less than the \$40,818,475 generated in taxes, other revenues and transfers for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2011 by \$106,259,888 (net assets). Of this amount \$13,400,417 (unrestricted net assets) may be used to meet the government’s ongoing obligations to citizens and creditors.
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$10,085,001 or approximately 41.25 percent of the total general fund operating expenditures and transfers out.
- The City’s total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) increased by \$7,376,962 during fiscal year 2011. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.

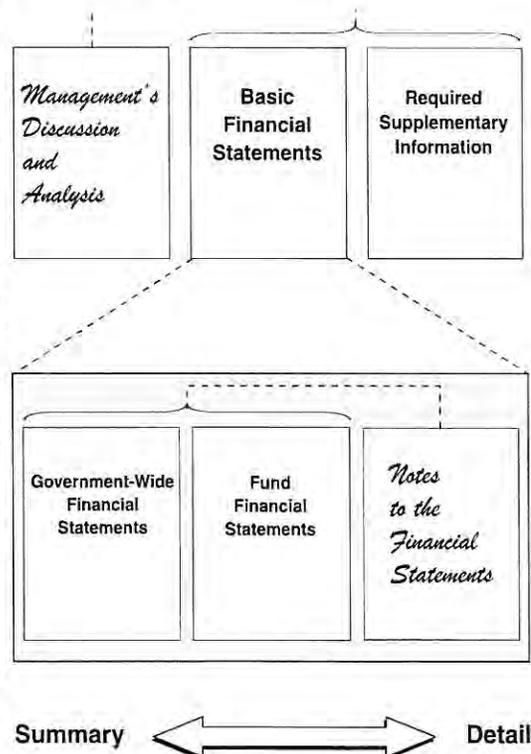
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of revenues, expenses &amp; changes in fund net assets</li> <li>◆ Statement of cash flows</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the city of Rockwall’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net assets changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer system is reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements can be found on pages 33-35 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 21 individual governmental funds. 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, Debt Service fund, Harbor/TIF Projects fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City’s enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City’s self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City’s retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City’s intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2011, the City's net assets (assets exceeding liabilities) totaled \$173,517,124. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

The largest portion of the City's net assets (86.0% percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<b>Current and other assets</b>	\$ 37,436,167	\$ 215,690,227	\$ 16,369,447	\$ 22,378,392	\$ 53,805,614	\$ 238,068,619
<b>Capital Assets</b>	<u>187,275,164</u>	<u>186,559,440</u>	<u>92,286,719</u>	<u>88,232,301</u>	<u>279,561,883</u>	<u>274,791,741</u>
<b>Total Assets</b>	<u>224,711,331</u>	<u>215,692,237</u>	<u>108,656,166</u>	<u>110,610,693</u>	<u>333,367,497</u>	<u>512,860,360</u>
<b>Non-current liabilities</b>	114,930,360	107,375,817	39,106,304	42,006,013	154,036,664	149,381,830
<b>Other liabilities</b>	<u>3,504,431</u>	<u>3,117,880</u>	<u>2,292,626</u>	<u>2,754,762</u>	<u>5,797,057</u>	<u>5,872,642</u>
<b>Total Liabilities</b>	<u>118,434,791</u>	<u>110,493,697</u>	<u>41,398,930</u>	<u>44,760,775</u>	<u>159,833,721</u>	<u>155,254,472</u>
<b>Net Assets</b>						
<b>Invested in capital assets, net of related debt</b>	91,085,278	89,101,460	58,139,970	54,288,096	149,225,248	143,389,556
<b>Restricted for debt service</b>	1,774,193	1,350,710	462,368	1,128,828	2,236,561	2,479,538
<b>Restricted for capital projects</b>	-	10,437,913	2,529,923	5,092,891	2,529,923	15,530,804
<b>Unrestricted</b>	<u>13,400,417</u>	<u>4,308,457</u>	<u>6,124,975</u>	<u>5,340,103</u>	<u>19,525,392</u>	<u>9,648,560</u>
<b>Total net assets</b>	<u>\$ 106,259,888</u>	<u>\$ 105,198,540</u>	<u>\$ 67,257,236</u>	<u>\$ 65,849,918</u>	<u>\$ 173,517,124</u>	<u>\$ 171,048,458</u>

An additional portion of the City of Rockwall's net assets, \$1,774,913 or 1.66% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets, \$13,400,417, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net assets for the year ended September 30, 2011.

**Table 2**  
**Changes in Net Assets**

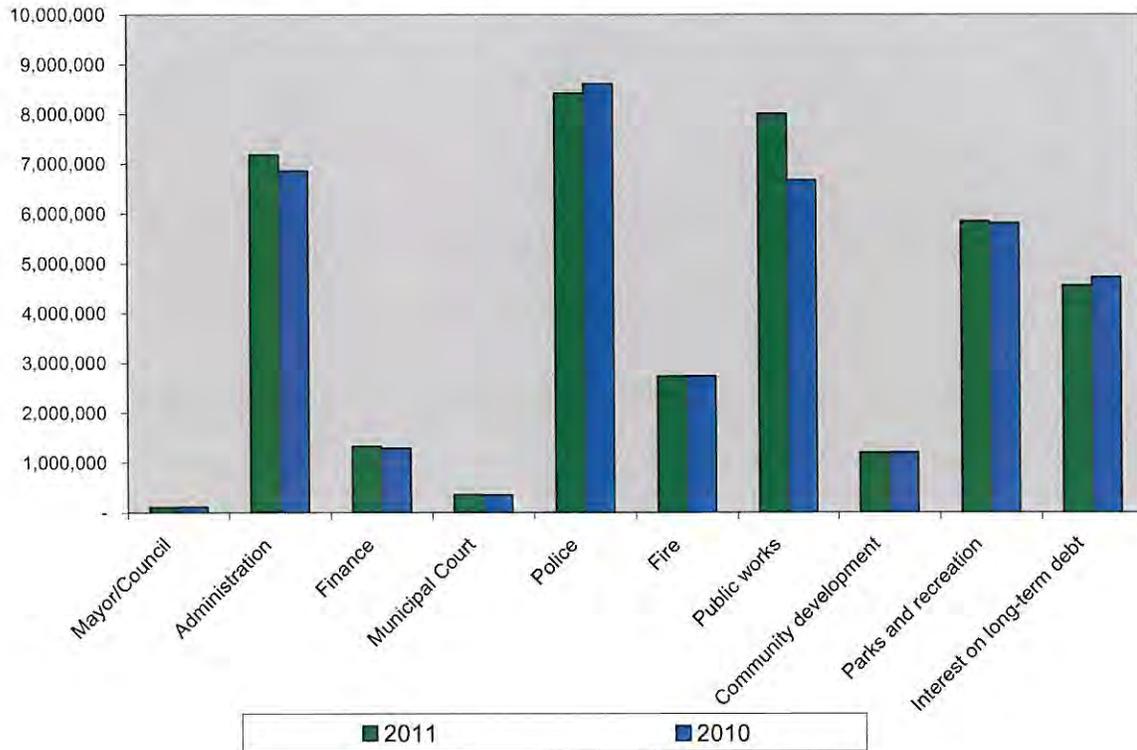
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<b>Program revenues:</b>						
Charges for services	\$ 3,203,842	\$ 3,086,929	\$ 14,706,570	\$ 11,932,337	\$ 17,910,412	\$ 15,019,266
Operating grants & contributions	366,656	56,783	-	-	366,656	56,783
Capital grants & contributions	4,525,403	4,439,998	2,157,402	1,992,680	6,682,805	6,432,678
<b>General Revenues:</b>						
Property taxes	17,204,239	16,735,510	-	-	17,204,239	16,735,510
Sales taxes	11,526,555	10,833,397	-	-	11,526,555	10,833,397
Other	<u>3,011,917</u>	<u>3,304,089</u>	<u>238,819</u>	<u>203,622</u>	<u>3,250,736</u>	<u>3,507,711</u>
Total revenues	39,838,612	38,456,706	17,102,791	14,128,639	56,941,403	52,585,345
<b>Program expenses:</b>						
Mayor/Council	111,494	116,372	-	-	111,494	116,372
Administration	7,183,587	6,881,788	-	-	7,183,587	6,881,788
Finance	1,331,943	1,294,888	-	-	1,331,943	1,294,888
Municipal Court	362,149	353,147	-	-	362,149	353,147
Police	8,422,736	8,609,827	-	-	8,422,736	8,609,827
Fire	2,734,296	2,741,288	-	-	2,734,296	2,741,288
Public works	8,009,435	6,669,448	-	-	8,009,435	6,669,448
Community development	1,203,407	1,210,519	-	-	1,203,407	1,210,519
Parks and recreation	5,843,647	5,805,241	-	-	5,843,647	5,805,241
Interest on long-term debt	4,554,433	4,717,319	-	-	4,554,433	4,717,319
Water and sewer	-	-	<u>14,715,610</u>	<u>13,916,192</u>	<u>14,715,610</u>	<u>13,916,192</u>
Total expenses	39,757,127	38,399,837	14,715,610	13,916,192	54,472,737	52,316,029
<b>Increase (decrease) in net assets</b>						
before transfers	81,485	56,869	2,387,181	212,447	2,468,666	269,316
Transfers	<u>979,863</u>	<u>1,511,785</u>	<u>(979,863)</u>	<u>(1,511,785)</u>	-	-
Increase (decrease) in net assets	1,061,348	1,568,654	1,407,318	(1,299,338)	2,468,666	269,316
Net assets, October 1	<u>105,198,540</u>	<u>103,629,886</u>	<u>65,849,918</u>	<u>67,149,256</u>	<u>171,048,458</u>	<u>171,048,458</u>
Net assets, September 30	<u>\$ 106,259,888</u>	<u>\$ 105,198,540</u>	<u>\$ 67,257,236</u>	<u>\$ 65,849,918</u>	<u>\$ 173,517,124</u>	<u>\$ 171,317,774</u>

## Governmental Activities

The City's total revenues of governmental activities were \$39,855,264. A significant portion 43.2% of the City's revenues came from property taxes. Another 28.9% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties and increased valuation throughout the City. Assessed values of the properties in the City increased by \$48,024,470 or 1.56%. The City adopted a property tax rate of 50.31 cents per \$100 of assessed valuation for fiscal year 2011. The rate has remained steady for three years. Sales tax revenue increased over the prior year by 6.4% and was reflective of the addition of more than 100,000 square feet of new retail businesses as well as an improving economy. The national decline in new housing starts had been felt on the local level with 2011 showing a 14.6% decrease in residential building permits but still higher than seen in years 2008-2009. Commercial development in 2011 increased with permit revenues increasing 17.6% over the prior years. Over the

past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas. The City’s investment earnings included in the “other” revenues above were reflective of today’s interest rate environment.

**Comparative Expenses – Governmental Activities**



The total cost of all programs and services were \$39,757,127. Of these costs \$8,422,736 (21.2%) was for the Police Department. The department brought the city’s drug enforcement efforts in house after participation in a county-wide enforcement task force. Public Works costs were \$8,009,435 (20.2%) and reflected ongoing street and park maintenance focused projects. Administrative departments including Administration, Human Resources, and Internal Operations had combined costs of \$7,183,587 (18.1%).

**Business-Type Activities**

The City’s business-type activities recorded a decrease of \$1,407,774 in net assets. Retail water sales increased by 23.2% over the prior year due to an extremely hot and dry weather pattern in the area for most of 2011. The City’s rates were last increased in 2010 but an increase is expected for 2012. The City implemented conservation water rates in 2001 and increases them each time new rates are adopted. Sewer charges were not affected significantly because the City uses winter averaging to calculate sewer billing. Water and sewer charges were \$14,706,570. The ending working capital, excluding restricted assets and liabilities payable from restricted assets, for the water and sewer fund was \$3,528,649.

Water and sewer impact fees (Capital recovery fees) revenue totaled \$494,357 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system’s initial costs in building assets. Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

The City’s water system maintains the “Superior” rating by the Texas Commission on Environmental Quality.

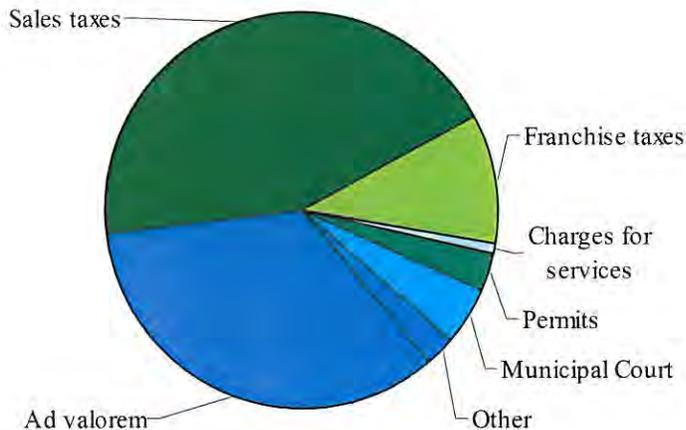
## Component Units

The Rockwall Economic Development Corporation (REDC) reported revenues primarily from a ½ cent sales tax, authorized under the Type A Corporation statutes, of \$3,702,718. Assets managed by the corporation include an inventory of over 310 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

## ANALYSIS OF INDIVIDUAL FUNDS

The City's *General Fund* reported an ending unassigned fund balance of \$10,085,001. The largest source of general fund revenue is sales tax, it accounted for \$10,972,918 (44.2%) of total general fund revenue. Ad valorem property taxes account for \$8,465,295 (34.1%) of general fund revenues. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows.

### Revenues by Source – General Fund



The City's *Debt Service Fund* reported an increase in fund balance of \$331,242. Property tax collections for debt service requirements were \$8,182,218. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City's bond election in 2005 authorized more than \$65,031,000 in projects. After extensive study, the City adopted a Roadway Impact Fee which provided \$324,839 in new revenue to this fund in fiscal year 2011.

The *Harbor/TIF Projects Fund* reported an assigned fund balance of \$2,653,717. Certificates of Obligation in the principal amount of \$4,283,000 were issued in 2011 to allow the construction of streets and utility improvements in a portion of the City's Tax Increment Reinvestment Zone in conjunction with the development of an office tower. The *G.O. Bonds Capital Projects Fund* reported an assigned fund balance of \$8,932,608 including the \$7,135,000 proceeds from the issuance of city debt to fund the final stages of projects remaining from the 2005 bond election. This includes the reconstruction of Airport Road underway at this time and the anticipated start of the reconstruction of Corporate Crossing in early 2012.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2011, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$22,157,000 increased to \$22,976,450 while revenues increased from \$23,335,700 to \$24,277,900. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$9,208,584 however due to the budget adjustments mentioned above and a planned reduction in fund balance for equipment for the police department, the fund balance was re-estimated to be \$8,970,234.

General fund revenues were \$24,823,994, an increase of \$546,094 over the amended budget estimate, reflecting strong sales tax collections in the latter months of the budget year. Actual general fund total expenditures were \$22,591,761 a decrease of \$384,689 less than final projections. This allowed the City to end the year with an unassigned fund balance of \$10,087,117, an increase of \$1,116,883 over the projected balance. The higher fund balance is attributable to management's conservative projections of both revenues and expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2011 the City had \$279,561,833 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 14,102,412	\$ 13,867,438	\$ 799,533	\$ 799,533	\$ 14,901,945	\$ 14,666,971
Buildings	13,451,182	14,025,618	84,234	89,668	13,535,416	14,115,286
Improvements other than buildings	20,297,789	21,754,264	71,447,673	70,870,766	91,745,462	92,625,030
Machinery & Equipment	4,358,962	5,020,277	1,064,379	714,704	5,423,341	5,734,981
Infrastructure	123,244,231	126,863,500	-	-	123,244,231	126,863,500
Construction in Progress	11,820,588	5,028,343	11,286,154	7,904,039	23,106,742	12,932,382
Sewage treatment facilities	-	-	7,604,746	7,853,592	7,604,746	7,853,592
	<u>\$ 187,275,164</u>	<u>\$ 186,559,440</u>	<u>\$ 92,286,719</u>	<u>\$88,232,302</u>	<u>\$279,561,883</u>	<u>\$274,791,742</u>

The City's ongoing capital improvement program included a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects were completed prior to 2011. New projects underway in 2011 and reflected in the increase in construction in progress above include the widening of Airport Road and the design of Corporate Crossing. A number of drainage projects were anticipated during the five-year planned capital improvement period and continue in various stages of progress.

The City held a bond election in November 2005 which funded road, park and fire projects in excess of \$65,031,000. In addition to the 205 Bypass project, the City was authorized to move forward with several neighborhood parks projects and the acquisition of land for two large regional parks. Progress was made and includes the purchase of land for a large park in the northern area of the City, and completed construction on all of the neighborhood parks.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of waterline improvements and the extension of sanitary sewers into new areas of the city. Work commenced on a project to connect the Squabble Creek treatment plan to the regional wastewater interceptor project and will continue into 2011.

Additional information regarding the City's capital assets is found in note IV-D on pages 57-59.

Debt

At year end, the City had \$151,981,669 in bonds and capitalized leases shown in Table 4.

**Table 4  
City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 88,473,746	\$ 83,271,784	\$ 91,254	\$ 113,216	\$ 88,565,000	\$ 83,406,962
Certificates of obligation	23,050,000	20,875,000	28,205,000	25,005,000	51,255,000	46,765,000
Revenue bonds	-	-	5,215,000	10,775,000	5,215,000	10,775,000
Capital Lease obligations	236,589	278,034	6,710,080	7,080,084	6,946,669	7,358,117
	<u>\$ 111,760,335</u>	<u>\$ 104,424,818</u>	<u>\$ 40,221,334</u>	<u>\$ 43,880,261</u>	<u>\$ 151,981,669</u>	<u>\$ 148,305,079</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 3.52% or \$2,991 per capita. This is an increase from the prior year due to issuance of debt in 2011. The City completed an advance refunding of certain obligations to restructure repayment terms and lower interest costs.

The City's bond ratings at September 30, 2011 were as follows:

	General Obligation	Revenue	Sales Tax(REDC)
Standard & Poor's Rating Group	AA-	A-	A-
Moody's Investor Service Inc.	Aa2	Aa3	A1

Additional information on the City of Rockwall's long-term debt can be found in note IV-F, on pages 60-67 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, tax rate, and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the slowed growth in our community and the impact of recovering national economy. Rockwall saw a number of new commercial/retail business openings in 2011 which would positively impact sales tax revenues in fiscal year 2012. With this in mind but to continue the City's conservative budget philosophy, sales tax projections were increased by only 2%. Slowed development caused the City to be very conservative in projecting building permit revenues as well. Commercial building starts were better in 2011 and a number of new projects are in the early planning stages which should positively impact permit revenues in 2012. Interviews with local builders led the City to project

continued slow home starts for the coming year but developers are anticipating the start of new subdivision phases in the coming year.

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 6.7%, well below the national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2012. The budgeted revenues for fiscal year 2012 total \$24,393,000 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. While new debt was issued in 2011, the issuance will be significantly less than in years 2006 – 2009 due to completion of the majority of voter approved projects. The property tax rate was maintained at 50.31 cents per hundred dollars of assessed value.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City's fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The budget as adopted for fiscal year 2012 projects a fund balance of approximately 4.9 months of recurring operating expenditures. The City anticipates the purchase and renovation of property to relocate our municipal court operations and the expansion/remodel of the police building with a portion of these available reserves.

The 2012 budget expenditures includes absorbing the increasing costs of employee health and retirement costs as well as increasing street maintenance expenditures and re-implementing the previously frozen employee merit system. Facility projects to install energy efficient lighting will be undertaken with grant funding. The budget did not include other significant new programs due to budgetary constraints.

The water and sewer rate study has been updated and the budget anticipates a 10% increase in those rates. A number of capital projects to continue system expansion and the system are being planned for fiscal year 2012. The City will closely monitor revenues due to the conservation measures now in effect due to drought conditions and water shortages. This will have a significant effect on revenues if it continues into the summer months of 2012. Operational costs will be closely monitored and controlled to reflect this anticipated reduction in available revenues.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

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*Basic Financial Statements*

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## CITY OF ROCKWALL, TEXAS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Governmental Activities	Primary Government Business-type Activities	Total	Component Units
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 829,341	\$ 86,590	\$ 915,931	\$ 4,893
<i>Investments</i>	30,493,522	3,061,846	33,555,368	4,972,515
<i>Receivables (net of allowances for uncollectibles)</i>	2,634,978	2,501,417	5,136,395	10,684
<i>Internal balances</i>	--	--	--	--
<i>Due from other governments</i>	1,893,089	--	1,893,089	631,049
<i>Inventories</i>	2,116	277,965	280,081	13,874,711
Restricted assets:				
<i>Cash and cash equivalents</i>	--	1,625,403	1,625,403	--
<i>Investments</i>	--	8,380,773	8,380,773	--
<i>Accrued interest</i>	--	10,440	10,440	--
<i>Deferred charges</i>	1,566,469	425,013	1,991,482	160,260
Capital assets (net of accumulated depreciation)				
<i>Land</i>	14,102,412	799,533	14,901,945	--
<i>Buildings and system</i>	13,451,182	79,136,653	92,587,835	--
<i>Improvements other than buildings</i>	20,297,789	--	20,297,789	--
<i>Machinery and equipment</i>	4,358,962	1,064,379	5,423,341	15,500
<i>Infrastructure</i>	123,244,231	--	123,244,231	--
<i>Construction in progress</i>	11,820,588	11,286,154	23,106,742	--
<b>Total Assets</b>	<b>224,694,679</b>	<b>108,656,166</b>	<b>333,350,845</b>	<b>19,669,612</b>
<b>LIABILITIES</b>				
<i>Accounts payable and accrued liabilities</i>	3,310,087	873,146	4,183,233	184,405
<i>Unearned revenue</i>	38,979	--	38,979	--
<i>Due to other governments</i>	155,365	--	155,365	--
<i>Customer deposits</i>	--	330,130	330,130	--
<i>Liabilities payable from restricted assets -</i>				
<i>Due within one year</i>	--	1,089,350	1,089,350	--
Noncurrent liabilities:				
<i>Due within one year</i>	5,417,225	1,137,761	6,554,986	1,200,786
<i>Due in more than one year</i>	109,513,135	37,968,543	147,481,678	17,353,182
<b>Total Liabilities</b>	<b>118,434,791</b>	<b>41,398,930</b>	<b>159,833,721</b>	<b>18,738,373</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	91,085,278	58,139,970	149,225,248	15,500
Restricted For:				
Debt Service	1,774,193	462,368	2,236,561	--
Capital Projects	--	2,529,923	2,529,923	--
Unrestricted	13,400,417	6,124,975	19,525,392	915,739
<b>Total Net Assets</b>	<b>\$ 106,259,888</b>	<b>\$ 67,257,236</b>	<b>\$ 173,517,124</b>	<b>\$ 931,239</b>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Mayor/Council	\$ 111,494	\$ --	\$ --	\$ --
Administration	7,183,587	114,768	--	45,333
Finance	1,331,943	1,425	--	--
Municipal court	362,149	1,195,552	--	--
Police	8,423,470	550,947	347,124	--
Fire	2,734,296	126,635	9,532	--
Public works	8,008,701	55,316	--	4,455,561
Community development	1,203,407	792,029	10,000	--
Parks and recreation	5,843,647	367,170	--	24,509
Interest on long-term debt	4,554,433	--	--	--
Total governmental activities	39,757,127	3,203,842	366,656	4,525,403
Business-type Activities:				
Water and Sewer	14,715,610	14,706,570	--	2,157,402
Total Business-type Activities	14,715,610	14,706,570	--	2,157,402
Total Primary Government	\$ 54,472,737	\$ 17,910,412	\$ 366,656	\$ 6,682,805
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	\$ 4,563,659	\$ --	\$ --	\$ --
Rockwall Technology Park Association	180,847	174,101	--	--
Total Component Units	\$ 4,744,506	\$ 174,101	\$ --	\$ --
General Revenues:				
<i>Ad valorem taxes, penalty and interest</i>				
<i>Sales Taxes</i>				
<i>Franchise Taxes</i>				
<i>Miscellaneous</i>				
<i>Unrestricted Investment Earnings</i>				
Transfers				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of this statement.

## Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (111,494)		\$ (111,494)	
(7,023,486)		(7,023,486)	
(1,330,518)		(1,330,518)	
833,403		833,403	
(7,525,399)		(7,525,399)	
(2,598,129)		(2,598,129)	
(3,497,824)		(3,497,824)	
(401,378)		(401,378)	
(5,451,968)		(5,451,968)	
(4,554,433)		(4,554,433)	
<u>(31,661,226)</u>		<u>(31,661,226)</u>	
	\$ 2,148,362	2,148,362	
	2,148,362	2,148,362	
<u>(31,661,226)</u>	<u>2,148,362</u>	<u>(29,512,864)</u>	
			\$ (4,563,659)
			(6,746)
			<u>(4,570,405)</u>
17,204,239	--	17,204,239	--
11,526,555	--	11,526,555	3,702,718
2,445,762	--	2,445,762	--
429,279	146,562	575,841	291
136,876	92,257	229,133	7,937
979,863	(979,863)	--	--
<u>32,722,574</u>	<u>(741,044)</u>	<u>31,981,530</u>	<u>3,710,946</u>
1,061,348	1,407,318	2,468,666	(859,459)
105,198,540	65,849,918	171,048,458	1,790,698
<u>\$ 106,259,888</u>	<u>\$ 67,257,236</u>	<u>\$ 173,517,124</u>	<u>\$ 931,239</u>

**CITY OF ROCKWALL, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 266,801	\$ 213,114
<i>Investments</i>	8,888,365	1,000,135
Receivables (net of allowances for uncollectibles):		
<i>Taxes - delinquent</i>	203,253	226,343
<i>Fines</i>	164,136	--
<i>Accrued interest</i>	19,338	--
<i>Accounts receivable</i>	63,501	--
<i>Assessments receivable</i>	--	--
<i>Other receivables</i>	226,234	--
<i>Due from other funds</i>	256,957	192,111
<i>Due from other governments</i>	1,845,068	--
<i>Inventory</i>	2,116	--
<b>Total Assets</b>	<b>\$ 11,935,769</b>	<b>\$ 1,631,703</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 1,153,736	\$ --
<i>Deferred revenue</i>	539,552	205,431
<i>Due to other funds</i>	--	--
<i>Due to other governments</i>	155,364	--
<b>Total Liabilities</b>	<b>1,848,652</b>	<b>205,431</b>
Fund balances:		
<i>Nonspendable</i>	2,116	--
<i>Restricted</i>	--	1,426,272
<i>Committed</i>	--	--
<i>Assigned</i>	--	--
<i>Unassigned</i>	10,085,001	--
<b>Total fund balances</b>	<b>10,087,117</b>	<b>1,426,272</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,935,769</b>	<b>\$ 1,631,703</b>

The accompanying notes are an integral part of this statement.

Harbor/TIF Projects	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 11,199	\$ 145,789	\$ 128,822	\$ 765,725
2,783,000	8,776,219	8,288,390	29,736,109
--	--	30,433	460,029
--	--	--	164,136
--	8,099	21,714	49,151
--	127,912	412,698	604,111
--	--	76,116	76,116
11,628	--	4,375	242,237
--	--	--	449,068
--	--	48,021	1,893,089
--	--	--	2,116
\$ 2,805,827	\$ 9,058,019	\$ 9,010,569	\$ 34,441,887
\$ 152,110	\$ 23,651	\$ 746,295	\$ 2,075,792
--	118,412	165,528	1,028,923
--	--	192,111	192,111
--	--	--	155,364
152,110	142,063	1,103,934	3,452,190
--	--	--	2,116
--	--	215,720	1,641,992
--	--	2,608,081	2,608,081
2,653,717	8,915,956	5,082,834	16,652,507
--	--	--	10,085,001
2,653,717	8,915,956	7,906,635	30,989,697
\$ 2,805,827	\$ 9,058,019	\$ 9,010,569	\$ 34,441,887

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**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2011

Total fund balances - governmental funds balance sheet	\$ 30,989,697
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	187,275,164
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	417,695
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	201,322
Payables for bond principal which are not due in the current period are not reported in the funds.	(113,407,275)
Payables for capital leases which are not due in the current period are not reported in the funds.	(236,589)
Payables for bond interest which are not due in the current period are not reported in the funds.	(808,504)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,286,496)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	1,566,470
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	141,139
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	976,156
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	118,412
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	96,116
Contracts receivable unavailable to pay for current period expenditures are deferred in the funds.	216,581
Net assets of governmental activities - Statement of Net Assets	\$ 106,259,888

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	General Fund	Debt Service Fund
<b>Revenues:</b>		
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,465,295	\$ 8,182,218
<i>Sales taxes</i>	10,972,918	--
<i>Franchise taxes</i>	2,604,569	--
<i>Charges for services</i>	249,117	--
<i>Permits</i>	765,500	--
<i>Municipal court</i>	1,157,838	--
<i>Intergovernmental</i>	416,046	--
<i>Interest income</i>	61,768	2,901
<i>Miscellaneous</i>	130,943	339,839
<i>Donations</i>	--	--
<b>Total revenues</b>	<b>24,823,994</b>	<b>8,524,958</b>
<b>Expenditures:</b>		
<b>Current:</b>		
<i>Mayor/Council Administration</i>	111,494	--
<i>Finance</i>	3,230,591	--
<i>Municipal court</i>	1,028,761	--
<i>Police</i>	335,082	--
<i>Fire</i>	7,839,488	87,296
<i>Public works</i>	2,142,078	--
<i>Community development</i>	2,122,710	--
<i>Parks and recreation</i>	1,178,982	--
<i>Parks and recreation</i>	4,463,087	--
<b>Total current</b>	<b>22,452,273</b>	<b>87,296</b>
<b>Capital outlay:</b>		
<i>Administration</i>	139,488	--
<i>Finance</i>	--	--
<i>Police</i>	--	--
<i>Fire</i>	--	--
<b>Total capital outlay</b>	<b>139,488</b>	<b>--</b>
<b>Debt service:</b>		
<i>Principal</i>	--	4,128,038
<i>Interest</i>	--	3,970,282
<i>Fiscal charges</i>	--	8,100
<i>Bond issuance cost</i>	--	--
<b>Total debt service:</b>	<b>--</b>	<b>8,106,420</b>
<b>Total expenditures</b>	<b>22,591,761</b>	<b>8,193,716</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,232,233</b>	<b>331,242</b>
<b>Other financing sources (uses):</b>		
<i>Transfers in</i>	693,900	--
<i>Transfers from component unit</i>	--	--
<i>Transfers out</i>	(1,998,350)	--
<i>Issuance of long-term debt</i>	--	--
<i>Premium on bonds issued</i>	--	--
<i>Discount on bonds issued</i>	--	--
<i>Payment to refunded bond escrow agent</i>	--	--
<b>Total other financing sources (uses)</b>	<b>(1,304,450)</b>	<b>--</b>
<b>Net change in fund balances</b>	<b>927,783</b>	<b>331,242</b>
<b>Fund balances, October 1</b>	<b>9,159,334</b>	<b>1,095,030</b>
<b>Fund balances, September 30</b>	<b>\$ 10,087,117</b>	<b>\$ 1,426,272</b>

The accompanying notes are an integral part of this statement.

Harbor/TIF Projects	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 682,469	\$ 17,329,982
--	--	553,637	11,526,555
--	--	--	2,604,569
--	--	460,890	710,007
--	--	--	765,500
--	--	--	1,157,838
--	--	61,991	478,037
--	32,373	39,836	136,878
--	--	190,597	661,379
--	--	364,975	364,975
--	32,373	2,354,395	35,735,720
--	--	--	111,494
10,587	--	161,615	3,402,793
--	--	182,500	1,211,261
--	--	--	335,082
--	--	55,496	7,982,280
--	--	3,934	2,146,012
--	--	--	2,122,710
--	--	--	1,178,982
--	--	127,074	4,590,161
10,587	--	530,619	23,080,775
3,930,324	452,077	2,646,337	7,168,226
--	--	101,525	101,525
--	--	274,821	274,821
--	--	266,400	266,400
3,930,324	452,077	3,289,083	7,810,972
--	--	150,000	4,278,038
--	--	600,019	4,570,301
458	2,600	42	11,200
53,076	92,966	4,858	150,900
53,534	95,566	754,919	9,010,439
3,994,445	547,643	4,574,621	39,902,186
(3,994,445)	(515,270)	(2,220,226)	(4,166,466)
--	224,000	238,550	1,156,450
2,300,000	--	--	2,300,000
--	--	(915,237)	(2,913,587)
4,283,000	7,135,000	1,792,000	13,210,000
97,204	327,778	8,897	433,879
(32,042)	(73,656)	(2,933)	(108,631)
--	(1,651,905)	--	(1,651,905)
6,648,162	5,961,217	1,121,277	12,426,206
2,653,717	5,445,947	(1,098,949)	8,259,740
--	3,470,009	9,005,584	22,729,957
\$ 2,653,717	\$ 8,915,956	\$ 7,906,635	\$ 30,989,697

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds	\$ 8,259,740
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	8,443,584
The depreciation of capital assets used in governmental activities is not reported in the funds.	(9,307,384)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(576,037)
Donations of capital assets increase net assets in the SOA but not in the funds.	2,155,561
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(125,743)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	150,899
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,278,038
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	41,445
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(90,482)
(Increase) decrease in accrued interest from beginning of period to end of period.	27,066
The net revenue (expense) of internal service funds is reported with governmental activities.	11,090
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(96,163)
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	61,755
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(15,448)
Revenues in the SOA for franchise taxes not providing current financial resources are not reported in the funds.	(158,807)
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(13,210,000)
Bond premiums are reported in the funds but not in the SOA.	(433,879)
Bond discounts are reported in the funds but not in the SOA.	108,631
Certain contracts receivable revenues are deferred in the funds. This is the change in these amounts this year.	(114,423)
Payments to bond escrow agent is recognized as other uses in the funds but not as an expense in the SOA.	1,651,905
Change in net assets of governmental activities - Statement of Activities	\$ <u>1,061,348</u>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

SEPTEMBER 30, 2011

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 86,590	\$ 63,614
Investments	3,061,846	757,413
Accounts receivable (net of allowance)	2,501,417	--
Other receivables	--	63,043
Inventory	277,965	--
Restricted assets:		
Cash and cash equivalents	1,625,403	--
Investments	8,380,773	--
Accrued interest	10,440	--
Total current assets	15,944,434	884,070
Noncurrent assets:		
Deferred charges	425,013	--
Capital assets not being depreciated	12,085,687	--
Capital assets being depreciated, net	80,201,032	--
Total noncurrent assets	92,711,732	--
Total Assets	\$ 108,656,166	\$ 884,070
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 873,146	\$ 425,791
Due to other funds	--	256,957
Customer deposits	330,130	--
General obligation bonds - current	1,081,962	--
Liability for compensated absences - current	12,817	--
Liabilities Payable From Restricted Assets:		
Revenue bonds payable - current	665,000	--
Obligations under capital leases - current	388,338	--
Accrued interest payable	36,012	--
Total current liabilities	3,387,405	682,748
Noncurrent Liabilities:		
General obligation bonds payable	27,214,292	--
Revenue bonds payable	4,374,377	--
Obligations under capital leases payable	6,321,742	--
Liability for compensated absences	101,114	--
Total noncurrent liabilities	10,797,233	--
Total Liabilities	41,398,930	682,748
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	58,128,392	--
Restricted for debt service	462,368	--
Restricted for construction	2,529,923	--
Unrestricted	6,136,553	201,322
Total Net Assets	\$ 67,257,236	\$ 201,322

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
<b>OPERATING REVENUES:</b>		
<i>Charges for services</i>	\$ 14,706,571	\$ 505,811
<i>Reinsurance reimbursement</i>	-	155,477
<b>Total Operating Revenues</b>	<b>14,706,571</b>	<b>661,288</b>
<b>OPERATING EXPENSES:</b>		
<i>Personnel services</i>	1,905,271	-
<i>Contractual services</i>	7,913,192	3,410,686
<i>Materials and supplies</i>	417,307	-
<i>Operations</i>	159,687	-
<i>Utilities</i>	409,582	-
<i>Depreciation and amortization</i>	2,116,931	-
<b>Total Operating Expenses</b>	<b>12,921,970</b>	<b>3,410,686</b>
<b>Operating Income (Loss)</b>	<b>1,784,601</b>	<b>(2,749,398)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
<i>Capital recovery fees</i>	494,357	-
<i>Interest income</i>	92,257	2,252
<i>Miscellaneous income</i>	146,562	21,236
<i>Paying agent fees</i>	(5,572)	-
<i>Interest expense</i>	(1,788,068)	-
<b>Total Non-operating Revenues (Expenses)</b>	<b>(1,060,464)</b>	<b>23,488</b>
<b>Net Income (Loss) before Operating Transfers</b>	<b>724,137</b>	<b>(2,725,910)</b>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
<i>Capital contributions</i>	1,663,044	-
<i>Transfers in</i>	564,837	2,737,000
<i>Transfers from component unit</i>	-	-
<i>Transfers out</i>	(1,544,700)	-
<b>Total Transfers and Capital Contributions</b>	<b>683,181</b>	<b>2,737,000</b>
<b>Change in net assets</b>	<b>1,407,318</b>	<b>11,090</b>
<b>Net assets, October 1</b>	<b>65,849,918</b>	<b>190,232</b>
<b>Net assets, September 30</b>	<b>\$ 67,257,236</b>	<b>\$ 201,322</b>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2011

	Business Type Activities Enterprise Water and Sewer Fund	Governmental Activities Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 14,500,975	\$ 631,389
Cash Payments to Employees for Services	(1,901,533)	--
Cash Payments to Other Suppliers for Goods and Services	(9,365,587)	(3,259,901)
Net Cash Provided (Used) by Operating Activities	3,233,855	(2,628,512)
<b>Cash Flows from Non-capital Financing Activities:</b>		
Cash Paid to Other Funds	(1,544,700)	(260,517)
Cash Received From Other Funds	564,837	2,737,000
Net Cash Provided (Used) by Non-capital Financing Activities	(979,863)	2,476,483
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from capital debt	4,130,000	--
Principal and Interest Paid	(7,998,278)	--
Capital recovery fees received	594,357	--
Acquisition or Construction of Capital Assets	(5,366,462)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	(8,640,383)	--
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investment Securities	(4,980,203)	(277,388)
Proceeds from Sale and Maturities of Securities	6,155,104	--
Interest and Dividends on Investments	92,257	2,441
Net Cash Provided (Used) for Investing Activities	1,267,158	(274,947)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,119,233)	(426,976)
Cash and Cash Equivalents at Beginning of Year	14,083,189	970,614
Cash and Cash Equivalents at End of Year	8,963,956	543,638
<b>Cash Equivalents Included in Investments</b>	<b>(7,251,963)</b>	<b>(480,024)</b>
Net Cash and Cash Equivalents	\$ 1,711,993	\$ 63,614
<b>Reported on Statement of Net Assets</b>		
Unrestricted cash	\$ 86,590	\$ 63,614
Restricted cash	1,625,403	--
	\$ 1,711,993	\$ 63,614
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 1,784,601	\$ (2,749,398)
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation	2,116,931	--
Miscellaneous Income	146,562	21,236
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(361,748)	(51,135)
Decrease (Increase) in Inventories	(52,702)	--
Decrease (Increase) in Due From Other Governments	--	--
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(413,117)	150,785
Increase (Decrease) in Customer Deposits	9,590	--
Increase (Decrease) in Compensated Absences	3,738	--
Total Adjustments	1,449,254	120,886
Net Cash Provided (Used) by Operating Activities	\$ 3,233,855	\$ (2,628,512)
<b>Non-Cash Activities:</b>		
Capital Contributions	\$ 1,663,044	\$ --

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

SEPTEMBER 30, 2011

	Agency Fund	Special Escrow Agency
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 171,974	
<i>Investments</i>	1,028,758	
<i>Accrued interest</i>	10,361	
Total Assets	1,211,093	
<b>LIABILITIES</b>		
<i>Due to developers</i>	1,211,093	
Total Liabilities	<u>1,211,093</u>	
<b>NET ASSETS</b>		
Total Net Assets	\$ --	

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Rockwall, Texas, was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Rockwall, Texas, conform to generally accepted accounting principals issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City of Rockwall is a home rule municipality governed by an elected mayor and six member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

**Discretely Presented Component Units**

The Rockwall Economic Development Corporation (REDC) is governed by a nine member board of directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half cent sales tax to support its activities.

The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within the park being developed by REDC. RTP's board of directors is composed of representatives of the landowners. At September 30, 2011, REDC owned the majority of the land and the board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discrete component unit of the City.

The funds of both REDC and RTP are composed of governmental fund types. Stand alone financial statements for RTP as of and for the fiscal year ended September 30, 2011 are not prepared.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2011

segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* was established to account for street and drainage projects using proceeds from the issuance of bonds.

The *Harbor/TIF Capital Projects Fund* was established to account for improvements in a Tax Incremental Reinvestment Zone using proceeds from the issuance of bonds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance, and worker's compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2011

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and worker compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than 5 years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.

## CITY OF ROCKWALL, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2011

- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
- e. Certificates of deposit issued by a state or national bank domiciled in the state of Texas or a savings bank domiciled in the state of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items 1 – 4. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least of the 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the state of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net assets value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

The City holds various mortgage backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2011

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Rockwall County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

# CITY OF ROCKWALL, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2011

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 30 years
Building Improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

### 6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of 3 days sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of 3 days sick leave to one day vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of 3 days sick leave to one day vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

### 7. Long-term obligations

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

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

### 8. Fund equity

Nonspendable Fund Balance Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through legislation, resolution or ordinance, unless the City Council removes or changes the specified use by taking the same type of action used to commit the amounts.

Assigned Fund Balance - Amounts that are constrained by the City Council, or by another City official or the finance division to which the City has delegated authority, that are to be used for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance - Amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$1,566,470 difference are as follows:

Bonds issuance costs:	
City	<u>\$1,566,470</u>

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2011, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

- Emergency Siren Fund
- Downtown Improvement Fund
- Art in Public Places Fund
- Special Crimes Unit Fund

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
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7. Capital Project funds were not budgeted. Since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

B. Deficit fund equity

The following fund had a deficit fund balance at September 30, 2011:

Employee Benefits Internal Service Fund	\$536,851
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The deficit in the Employee Benefits fund was caused by unanticipated health care cost increases, and will be covered by additional transfers from the general fund.

**IV. DETAILED NOTES ON ALL FUNDS**

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2011, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$1,099,365 which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2011, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2011

Investments

At September 30, 2011, the City's investments were:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-18
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Mortgage Corp.	\$3,262,107	\$ --	\$ --	\$ --	\$3,262,107
Federal National Mortgage Asso.	12,408,321	--	--	4,993,608	7,414,713
Treasury bills and notes	1,496,841	--	--	--	1,499,855
	17,167,269	--	--	4,993,608	12,176,675
Money Market Funds	25,797,630	25,797,630	--	--	--
Total Primary Government	42,964,899	25,797,630	--	4,993,608	12,176,675
<b>Discrete Component Units</b>					
Rockwall Economic Development Corporation					
Money Market Funds	4,932,135	4,932,135	--	--	--
Rockwall Technology Park					
Money Market Funds	40,380	40,380	--	--	--
Total Discrete Component Units	4,972,515	4,972,515	--	--	--
Total Reporting Entity	\$47,937,414	\$30,770,145	\$ --	\$4,993,608	\$12,176,675

Investments are reported in the

Statement of net assets as follows:

Governmental activities	\$30,493,522
Business-type activities	11,442,619
Fiduciary Fund	1,028,758

Discrete component units:

Rockwall Economic Development Corporation	
Development Corporation	4,932,135
Rockwall Technology Park	40,380
	<u>\$47,937,414</u>

The City has invested with money market funds with ratings from Aaa to AAA.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
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B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	GO Bonds Capital	Nonmajor and Other	Water and Sewer	Internal Service
Taxes receivable - delinquent	\$203,253	\$226,343	\$ --	\$30,433	\$ --	\$ --
Fines receivable	\$273,561	\$ --	\$ --	\$ --	\$ --	\$ --
Allowance for uncollectibles	(109,425)	--	--	--	--	--
	\$164,136	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Interest	\$19,338	\$ --	\$8,099	\$21,714	\$10,440	\$ --
Accounts receivable	\$63,501	\$ --	\$127,912	\$412,698	\$3,100,196	\$ --
Allowance for uncollectibles	--	--	--	--	(598,779)	--
Net other receivables	\$63,501	\$ --	\$127,912	\$412,698	\$2,501,417	\$ --
Assessments receivable	\$ --	\$ --	--	\$76,116	\$ --	\$ --
Other receivables	\$226,234	\$11,628	\$ --	\$4,375	\$ --	\$63,043

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$181,832	\$ --
Contract receivable not yet due (General Fund)	216,581	--
Fines receivable (General Fund)	141,139	--
Delinquent property taxes receivable (Debt Service Fund)	205,431	--
Delinquent property taxes receivable (Harbor Debt Service)	30,433	--
Assessments receivable not yet due (Street improvements)	96,116	--
Contributions not yet received (Street Improvements)	118,412	--
Seizures not awarded (Special Crimes Unit)	38,979	38,979
Total deferred/unearned revenue for governmental funds	\$1,028,923	\$38,979

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
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D. Capital assets

Capital asset activity for the year ended September 30, 2011:

Primary Government

	Balance 9/30/10	Additions	Retirements	Completed Construction	Balance 9/30/11
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$13,867,438	\$234,974	\$ --	--	\$14,102,412
Construction in progress	5,028,343	7,425,817	(554,037)	(79,535)	11,820,588
Total capital assets not being depreciated	18,895,781	7,660,791	(554,037)	(79,535)	25,923,000
Capital assets, being depreciated:					
Buildings	17,320,974	139,488	--	--	17,460,462
Improvements other than buildings	26,755,323	--	--	--	26,755,323
Machinery and equipment	13,247,315	621,305	(403,941)	--	13,464,679
Infrastructure	174,442,217	2,155,561	--	79,535	176,677,313
Total capital assets being depreciated	231,765,829	2,916,354	(403,941)	79,535	234,357,777
Less accumulated depreciation for:					
Buildings	(3,295,356)	(713,924)	--	--	(4,009,280)
Improvements other than buildings	(5,001,059)	(1,456,475)	--	--	(6,457,534)
Machinery and equipment	(8,227,038)	(1,236,610)	357,931	--	(9,105,717)
Infrastructure	(47,578,717)	(5,854,365)	--	--	(53,433,082)
Total accumulated depreciation	(64,102,170)	(9,261,374)	357,931	--	(73,005,613)
Total capital assets being depreciated, net	167,663,659	(6,345,020)	(46,010)	79,535	161,352,164
Governmental activities capital assets, net	\$186,559,440	\$1,315,771	(\$600,047)	\$ --	\$187,275,164

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2011

	Balance 9/30/10	Additions	Retirements	Completed Construction	Balance 9/30/11
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$799,533	--	--	--	\$799,533
Construction in progress	7,904,039	3,686,673	--	(304,558)	11,286,154
Total capital assets not being depreciated	8,703,572	3,686,673	--	(304,558)	12,085,687
Capital assets, being depreciated:					
Buildings	198,109	--	--	--	198,109
Improvements other than buildings	86,225,347	2,324,664	--	--	88,550,011
Sewage treatment plants and pump station	12,516,072	--	--	--	12,516,072
Machinery and equipment	4,139,873	138,006	(15,674)	304,558	4,566,763
Total capital assets being depreciated	103,079,401	2,462,670	(15,674)	304,558	105,830,955
Less accumulated depreciation for:					
Buildings	(108,441)	(5,434)	--	--	(113,875)
Improvements other than buildings	(15,354,584)	(1,747,754)	--	--	(17,102,338)
Sewage treatment plants and pump station	(4,662,479)	(248,847)	--	--	(4,911,326)
Machinery and equipment	(3,425,167)	(92,891)	15,674	--	(3,502,384)
Total accumulated depreciation	(23,550,671)	(2,094,926)	15,674	--	(25,629,923)
Capital assets being depreciated, net	79,528,730	367,744	--	304,558	80,201,032
Business type activities capital assets, net	\$88,232,302	\$4,054,417	\$ --	\$ --	\$92,286,719

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$769,545
Finance	84,256
Municipal court	21,208
Police	458,433
Fire	655,846
Public works	5,953,729
Community development	25,717
Parks and recreation	1,292,640
Total depreciation expense - governmental activities	<u>\$9,261,374</u>

Business-type activities:

Water and sewer	<u>\$2,094,926</u>
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**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2011

Construction commitments

The City has active construction projects as of September 30, 2011. The projects include street construction, parking improvements, water system improvements, and sewer system improvements.

Project	Spent to Date	Remaining Commitment
Street improvements	\$5,547,550	\$2,124,180
Utility improvements	1,213,466	140,624
Harbor project	1,069,225	3,541,137
Air conditioner system	53,616	13,704
	<u>\$7,883,857</u>	<u>\$5,819,645</u>

The street improvements, and harbor project improvements are being financed by bond proceeds. The commitment for utility improvements are being financed by bond proceeds. The air conditioner replacement is being financed by a grant.

Discretely presented component units - Rockwall Economic Development Corporation:

	Balance 9/30/10	Additions	Retirements	Completed Construction	Balance 9/30/11
Capital assets, being depreciated:					
Furniture and fixtures	\$85,421	\$3,158	--	--	\$88,579
Total capital assets being depreciated	<u>85,421</u>	<u>3,158</u>	<u>--</u>	<u>--</u>	<u>88,579</u>
Less accumulated depreciation for:					
Furniture and fixtures	(70,823)	(2,256)	--	--	(73,079)
Total accumulated depreciation	<u>(70,823)</u>	<u>(2,256)</u>	<u>--</u>	<u>--</u>	<u>(73,079)</u>
Total capital assets being depreciated, net	<u>\$14,598</u>	<u>\$902</u>	<u>--</u>	<u>--</u>	<u>\$15,500</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2011

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2011, is as follows:

Fund	Receivable	Payable
General Fund	\$256,957	\$ --
Debt Service Fund	192,111	--
Nonmajor governmental funds	--	192,111
Internal Service Funds	--	256,957
Total Internal Service Funds	449,068	449,068
Totals	\$449,068	\$449,068

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. These are expected to be collected within one year.

The composition of interfund transfers for the year ended September 30, 2011, is as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$693,900	\$1,998,350
G.O. Bonds Capital Projects	224,000	--
Nonmajor Governmental Funds	238,550	915,237
Water and Sewer Enterprise Fund	564,837	--
Internal Service Funds	2,737,000	1,544,700
Totals	\$4,458,287	\$4,458,287

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

F. Long-term debt

The City issues general obligation debt ( in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2011

General Obligation Debt Outstanding as of September 30, 2011, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/11
<b>Governmental Activities</b>					
General Obligation Bonds:					
Refunding	4,024,394	2003	2015	2.00%-4.00%	1,263,746
Refunding and Improvements	13,345,000	2005	2025	3.00%-4.50%	11,055,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	31,190,000
Improvements	21,765,000	2007	2037	5.13%-6.13%	19,780,000
Improvements	9,515,000	2008	2028	2.05%-2.50%	8,560,000
Improvements	9,065,000	2009	2029	2.00%-4.60%	8,090,000
Improvements and refunding	8,535,000	2011	2031	2.00%-5.00%	8,535,000
<b>Total General Obligation Bonds</b>					<b>88,473,746</b>
Certificates of Obligation Bonds:					
Improvements	4,295,000	2002	2012	2.80%-3.80%	125,000
Improvements	12,415,000	2005	2025	3.00%-5.00%	9,995,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	3,680,000
Improvements	395,000	2008	2028	3.00%-5.00%	105,000
Improvements	5,125,000	2009	2029	2.00%-4.60%	4,470,000
Improvements	5,125,000	2011	2031	2.00%-4.25%	4,675,000
<b>Total Certificates of Obligation</b>					<b>23,050,000</b>
<b>Total Governmental Activities General Obligation Debt</b>					<b>111,523,746</b>
<b>Business-type Activities:</b>					
General Obligation Bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	91,254
Certificates of Obligation:					
Improvements	10,310,000	2007	2027	4.25%-4.50%	8,890,000
Improvements	16,895,000	2008	2028	3.00%-5.00%	15,185,000
Improvements	16,895,000	2008	2028	3.00%-5.00%	4,130,000
<b>Total Certificates of obligation</b>					<b>28,205,000</b>
<b>Total business-type general obligation debt</b>					<b>28,296,254</b>
<b>Total General Debt</b>					<b>\$139,820,000</b>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2011

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$4,933,038	\$4,930,416	\$1,081,962	\$1,222,827	\$12,168,243
2013	5,068,038	4,412,246	1,136,962	1,168,949	11,786,195
2014	5,788,038	4,518,584	1,501,962	1,128,949	12,937,533
2015	6,014,632	4,294,398	1,580,368	1,075,060	12,964,458
2016	5,805,000	4,046,250	1,615,000	1,018,495	12,484,745
2017-2021	28,985,000	16,454,512	9,040,000	4,103,475	58,582,987
2022-2026	29,905,000	9,984,366	9,070,000	2,060,542	51,019,908
2027-2031	14,925,000	4,234,406	3,270,000	214,200	22,643,606
2032-2036	9,180,000	1,544,430	--	--	10,724,430
2037	920,000	43,700	--	--	963,700
<b>Total</b>	<b>\$111,523,746</b>	<b>\$54,463,308</b>	<b>\$28,296,254</b>	<b>\$11,992,497</b>	<b>\$206,275,805</b>

REVENUE BONDS. The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding at year end are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/11
Revenue Bonds					
Improvements	\$6,700,000	2002	2022	4.00%-4.90%	\$645,000
Refunding and improvements	6,415,000	2005	2025	3.00%-4.50%	4,570,000
Total Revenue Bonds					5,215,000
Less unamortized premium (discount) on bonds					(193,106)
Total Revenue Bonds					<u>\$5,021,894</u>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2011

Revenue bond debt service requirements to maturity are as follows:

Year	Water and Sewer Fund		Total
	Principal	Interest	
2012	\$665,000	\$219,253	\$884,253
2013	685,000	191,306	876,306
2014	370,000	163,019	533,019
2015	260,000	147,294	407,294
2016	270,000	136,894	406,894
2017-2021	1,510,000	512,732	2,022,732
2022-2025	1,455,000	164,276	1,619,276
Total	5,215,000	\$ 1,534,774	\$6,749,774
Unamortized Discount	<u>(193,106)</u>		
Total Revenue bonds	<u>\$5,021,894</u>		

Capitalized Lease Obligations

The City has entered into a contract with a software vendor for an upgrade to the public safety software system. This contract has been treated as a capitalized leases.

The City has entered into a contract with the North Texas Municipal Water District, a conservation and reclamation district and political subdivision of the state of Texas, for construction and operation of sewer plants and to provide treated water to the City. The contractual obligations have been treated as capitalized leases.

Capitalized lease obligations outstanding at September 30, 2011 are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/11
<b>Capital Leases</b>					
<b>Governmental activities</b>					
Public safety computer upgrade	\$330,870	2010	2016	4.45%	<u>\$236,589</u>
<b>Business-type activities</b>					
South Plant Improvements	\$1,800,000	1996	2016	various	650,000
Ground Storage Facility	2,013,434	2005	2025	various	1,580,000
Pump Station	2,145,000	2006	2026	various	1,800,000
Buffalo Creek Plant	2,960,000	2008	2028	various	2,680,000
					<u>6,710,000</u>
Total Capitalized Lease Obligations					<u>\$6,946,589</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2011

Capital lease obligation debt service requirements to maturity are as follows:

Year	Governmental Activities	Business-type Activities	Total
2012	\$53,818	\$715,125	\$768,943
2013	53,818	720,501	774,319
2014	53,818	714,226	768,044
2015	53,818	712,304	766,122
2016	53,818	717,674	771,492
2017-2021	--	2,833,693	2,833,693
2022-2026	--	2,710,594	2,710,594
2027	--	494,674	494,674
Total payments	269,090	9,618,791	9,887,881
Less imputed interest	(32,501)	(2,908,791)	(2,941,292)
Total Capital Lease Obligations	<u>\$236,589</u>	<u>\$6,710,000</u>	<u>\$6,946,589</u>

**CHANGES IN LONG-TERM LIABILITIES**

During the year ended September 30, 2011, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/10	Additions	Retirements	Balance 9/30/11	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$83,271,784	\$8,535,000	(\$3,333,038)	\$88,473,746	\$3,798,038
Certificates of obligation	20,875,000	4,675,000	(2,500,000)	23,050,000	1,135,000
Deferred amounts:					
Unamortized premium (discount)	1,783,124	330,291	(109,190)	2,004,225	97,804
Loss on refunding	(22,459)	(102,914)	4,678	(120,695)	(8,109)
Total bonds payable	105,907,449	13,437,377	(5,937,550)	113,407,276	5,022,733
Capital lease obligations	278,034	--	(41,445)	236,589	43,290
Compensated absences	1,190,335	1,100,709	(1,004,549)	1,286,495	351,202
Governmental activity Long-Term Liabilities	<u>\$107,375,818</u>	<u>\$14,538,086</u>	<u>(\$6,983,544)</u>	<u>\$114,930,360</u>	<u>\$5,417,225</u>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2011

	Balance 9/30/10	Additions	Retirements	Balance 9/30/11	Due Within One Year
<b>Business-type activities:</b>					
General obligation bonds	\$113,216	\$ --	(\$21,962)	\$91,254	\$21,962
Certificates of obligation	25,005,000	4,130,000	(930,000)	28,205,000	1,060,000
Revenue bonds	10,775,000	--	(5,560,000)	5,215,000	665,000
Unamortized premium (discount)	44,102	158,193	(9,189)	193,106	11,121
Loss on refunding	--	357,151	(15,930)	341,221	31,861
Total bonds payable	35,937,318	4,645,344	(6,537,081)	34,045,581	1,789,944
Capital lease obligations	7,080,083	--	(370,003)	6,710,080	388,338
Compensated absences	110,193	121,410	(117,673)	113,930	12,817
Business-type activities	<u>\$43,127,594</u>	<u>\$4,766,754</u>	<u>(\$7,024,757)</u>	<u>\$40,869,591</u>	<u>\$2,191,099</u>

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund. The government-wide statement of activities includes \$665,000 of revenue bonds and \$388,338 of capital leases due within one year for business-type activities in "liabilities payable from restricted assets" on that same statement.

**Conduit Debt Obligations**

Certain revenue bonds have been issued in the past to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2011, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issue was \$1,700,000. This bond was called for optional redemption on October 19, 2011.

**Authorized and Unissued Debt**

The following tables detail the status of all authorized general obligation and revenue bonded debt as of September 30, 2011:

Year Authorized	General Obligation Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/11
1985	\$1,500,000	(\$600,000)	\$900,000
1994	4,100,000	(3,600,000)	500,000
	<u>\$5,600,000</u>	<u>(\$4,200,000)</u>	<u>\$1,400,000</u>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2011

Year Authorized	Revenue Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/11
1980	\$2,000,000	(\$1,060,000)	\$940,000
1985	1,540,000	--	1,540,000
Totals	<u>\$3,540,000</u>	<u>(\$1,060,000)</u>	<u>\$2,480,000</u>

Discretely presented component units - Rockwall Economic Development Corporation:

\$5,000,000 Sales Tax Revenue Bonds, series 1999, payable in annual installments through August 1, 2019, interest payable at 4.20% to 6.20%	\$2,675,000
\$4,545,000 Sales Tax Revenue Bonds, series 2008, payable in annual installments through August 1, 2028, interest payable at 7.00%	<u>4,150,000</u>
Total Sales Tax Revenue Bonds	<u>6,825,000</u>
\$3,225,000 Certificates of Obligation, series 2005, payable in annual installments through August 1, 2015, interest payable at 3.00% to 5.00%	1,460,000
\$5,540,000 Certificates of Obligation, series 2006, payable in annual installments through August 1, 2025, interest payable at 4.25% to 5.00%	4,585,000
\$6,130,000 Certificates of Obligation, series 2008, payable in annual installments through August 1, 2028, interest payable at 3.00% to 5.00%	<u>5,510,000</u>
Total Certificates of Obligation	<u>11,555,000</u>
Total	<u>\$18,380,000</u>

Annual debt service requirements to maturity for REDC debt are as follows:

Year	Governmental Activities		Total
	Principal	Interest	
2012	\$1,185,000	\$935,657	\$2,120,657
2013	1,245,000	881,319	2,126,319
2014	1,315,000	823,569	2,138,569
2015	1,380,000	762,507	2,142,507
2016	1,040,000	695,832	1,735,832
2017-2021	5,220,000	2,681,281	7,901,281
2022-2026	5,325,000	1,374,081	6,699,081
2027-2028	1,670,000	146,272	1,816,272
Total	<u>\$18,380,000</u>	<u>\$8,300,518</u>	<u>\$26,680,518</u>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2011

During the year ended September 30, 2011, the following changes occurred in liabilities reported in the capital long-term debt for REDC:

	Balance 9/30/10	Additions	Retirements	Balance 9/30/11	Due Within One Year
<b>Governmental activities:</b>					
Sales tax revenue bonds	\$7,220,000	\$ --	(\$395,000)	\$6,825,000	\$415,000
Certificates of obligation	12,295,000	--	(740,000)	11,555,000	770,000
Unamortized premium (discount)	163,924	--	(10,601)	153,323	10,602
Total bonds payable	19,678,924	--	(1,145,601)	18,533,323	1,195,602
Compensated absences	15,664	25,324	(20,343)	20,645	5,184
Total	\$19,694,588	\$25,324	(\$1,165,944)	\$18,553,968	\$1,200,786

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of the City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Medical claims in any one year exceeding \$75,000 per covered individual or, approximately \$3,238,610 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2011.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers compensation plan. Under this plan, worker compensation insurance is provided in accordance with State statutes to all City employees. To protect the assets of the plan from a catastrophic claim the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a cap of \$600,000 per year.

The Worker's Compensation fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported, are not believed to be significant to the City's financial statements.

	Employee Benefits		Worker's Compensation	
	2011	2010	2011	2010
Claims payable beginning of the year	\$148,015	\$173,703	\$15,403	\$17,454
Claims incurred	2,633,737	2,717,990	160,788	64,996
Payment on claims	(2,563,187)	(2,743,678)	(142,784)	(67,047)
	\$218,565	\$148,015	\$33,407	\$15,403

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2011

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment processing and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams and underground water, for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest equity investments and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek and, in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable NTMWD to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the Annual Budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the Paying Agent and the Registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2011, is \$6,710,080. See Note IV F for the annual requirements to amortize the bonds as of September 30, 2011.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2011

C. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 5 above, the general revenues of the City are contingently liable for the \$28,296,254 payable in General Obligation Bonds which are currently outstanding and recorded as obligations of the Enterprise Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2011, these commitments totaled \$1,963,020.

E. Employee retirement systems and pension plans

1. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available within the options available in the governing state statutes of TMRS.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2011

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

2. Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2009 valuation is effective for rates beginning January 2011.

<u>Actuarial Assumptions</u>	
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.2 Years - Closed Period
Amortization period for new Gains/Losses	30 Years
Asset Valuation Method	10 Year Smoothed Market
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost of Living Adjustments	0.0%

<u>Schedule of Actuarial Liabilities and Funding Progress</u>			
Actuarial Valuation Date	<u>12/31/10</u>	<u>12/31/09</u>	<u>12/31/08</u>
Actuarial Value of Asset	\$35,681,831	\$25,780,417	\$22,226,747
Actuarial Accrued Liabilities	\$50,277,529	\$40,255,888	\$35,689,690
Percentage Funded	71.0%	64.0%	62.3%
Unfunded (Over-funded) Actuarial			
Accrued Liability	\$14,595,698	\$14,475,471	\$13,462,943
Annual Covered Payroll	\$14,590,752	\$14,294,431	\$13,582,924
UAAL as a Percentage of Covered Payroll	100.2%	101.3%	99.1%
Net Pension Obligation (NPO)	\$ --	\$ --	\$ --

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2011

	Fiscal Year Ended September 30,		
	2011	2010	2009
Annual Required Contribution (ARC)	\$2,140,343	\$1,963,265	\$1,743,863
Interest on NPO	--	--	--
Adjustment to the ARC	--	--	--
	2,140,343	1,963,265	1,743,863
Contributions Made (100%)	2,140,343	1,963,265	1,743,863
Increase in NPO	--	--	--
NPO at the End of Period	\$ --	\$ --	\$ --

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$50,500 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a board of directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 38 active participants currently covered by the Fund and payments are being made to 24 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments, however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P. O. Box 12577, Austin, Texas, 78711.

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## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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**CITY OF ROCKWALL, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**EXHIBIT B-1**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,412,000	\$ 8,431,000	\$ 8,465,295	\$ 34,295
<i>Sales taxes</i>	10,137,000	10,684,000	10,972,918	288,918
<i>Franchise taxes</i>	2,425,000	2,538,000	2,604,569	66,569
<i>Charges for services</i>	149,100	195,400	249,117	53,717
<i>Permits</i>	647,250	719,750	765,500	45,750
<i>Municipal court</i>	1,020,000	1,156,000	1,157,838	1,838
<i>Intergovernmental</i>	408,350	397,750	416,046	18,296
<i>Interest income</i>	60,000	60,000	61,768	1,768
<i>Miscellaneous</i>	77,000	96,000	130,943	34,943
<b>Total revenues</b>	<b>23,335,700</b>	<b>24,277,900</b>	<b>24,823,994</b>	<b>546,094</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Mayor/Council</i>	131,400	114,400	111,494	2,906
<i>Administration</i>	3,059,550	3,267,750	3,230,591	37,159
<i>Finance</i>	1,025,950	1,040,850	1,028,761	12,089
<i>Municipal court</i>	331,250	333,450	335,082	(1,632)
<i>Police</i>	7,635,200	7,843,300	7,839,488	3,812
<i>Fire</i>	2,244,950	2,237,750	2,142,078	95,672
<i>Public works</i>	2,115,750	2,169,750	2,122,710	47,040
<i>Community development</i>	1,166,600	1,209,550	1,178,982	30,568
<i>Parks and recreation</i>	4,446,350	4,619,650	4,463,087	156,563
<b>Total current</b>	<b>22,157,000</b>	<b>22,836,450</b>	<b>22,452,273</b>	<b>384,177</b>
<b>Capital outlay:</b>				
<i>Administration</i>	--	140,000	139,488	512
<b>Total capital outlay</b>	<b>--</b>	<b>140,000</b>	<b>139,488</b>	<b>512</b>
<b>Total expenditures</b>	<b>22,157,000</b>	<b>22,976,450</b>	<b>22,591,761</b>	<b>384,689</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,178,700</b>	<b>1,301,450</b>	<b>2,232,233</b>	<b>930,783</b>
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	668,900	668,900	693,900	25,000
<i>Transfers out</i>	(1,798,350)	(2,159,450)	(1,998,350)	161,100
<b>Total other financing sources (uses)</b>	<b>(1,129,450)</b>	<b>(1,490,550)</b>	<b>(1,304,450)</b>	<b>186,100</b>
<b>Net change in fund balances</b>	<b>49,250</b>	<b>(189,100)</b>	<b>927,783</b>	<b>1,116,883</b>
<b>Fund balances, October 1</b>	<b>9,159,334</b>	<b>9,159,334</b>	<b>9,159,334</b>	<b>--</b>
<b>Fund balances, September 30</b>	<b>\$ 9,208,584</b>	<b>\$ 8,970,234</b>	<b>\$ 10,087,117</b>	<b>\$ 1,116,883</b>

**CITY OF ROCKWALL, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2011

(Unaudited)

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Information concerning the budget and budget calendar are detailed in footnote III.A. The General Fund budget is presented on a generally accepted accounting principles basis.

*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery - established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation - established to account for donations, court security fees, and forfeitures.

Recreational Development - established to account for the annual lease income from marinas and golf course.

Radio System - established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements - established to account for the proceeds of street improvement assessments.

Hotel Motel Tax - established to account for the annual income from hotel motel taxes.

Fire Equipment - established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation - established to account for funds received from airport operations and related expenses.

Recycling - established to account for funds to be used for the City's recycling program.

Emergency Siren — established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement - established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places - established to account for donations received for developing art displays in public areas such as parks.

Special Crimes Unit - established to account for revenues and expenditures related to a county-wide crime task force.

### *DEBT SERVICE FUNDS*

Debt Service Funds are used to account for the accumulation of resources and payment of general, certificate, & contractual obligation bond principal and interest from governmental resources.

NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

*CAPITAL PROJECTS FUNDS*

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects - established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition — established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project — established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

*INTERNAL SERVICE FUNDS*

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund — established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund — established to account for the costs of the workers' compensation self-insurance program for the City.

*AGENCY FUND*

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Special Escrow Agency Fund - established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

## CITY OF ROCKWALL, TEXAS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 92,067	\$ --	\$ 36,755	\$ 128,822
<i>Investments</i>	2,687,275	--	5,601,115	8,288,390
Receivables (net of allowances for uncollectibles):				
<i>Taxes - delinquent</i>	--	30,433	--	30,433
<i>Accrued interest</i>	--	--	21,714	21,714
<i>Accounts receivable</i>	111,297	256,147	45,254	412,698
<i>Assessments receivable</i>	76,116	--	--	76,116
<i>Other receivables</i>	3,311	--	1,064	4,375
<i>Due from other governments</i>	--	48,021	--	48,021
<b>Total Assets</b>	<b>\$ 2,970,066</b>	<b>\$ 334,601</b>	<b>\$ 5,705,902</b>	<b>\$ 9,010,569</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<i>Accounts payable and accrued liabilities</i>	\$ 123,227	\$ --	\$ 623,068	\$ 746,295
<i>Deferred revenue</i>	135,095	30,433	--	165,528
<i>Due to other funds</i>	--	192,111	--	192,111
<b>Total Liabilities</b>	<b>258,322</b>	<b>222,544</b>	<b>623,068</b>	<b>1,103,934</b>
<b>Fund balances:</b>				
<i>Restricted</i>	103,663	112,057	--	215,720
<i>Committed</i>	2,608,081	--	--	2,608,081
<i>Assigned</i>	--	--	5,082,834	5,082,834
<b>Total fund balances</b>	<b>2,711,744</b>	<b>112,057</b>	<b>5,082,834</b>	<b>7,906,635</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,970,066</b>	<b>\$ 334,601</b>	<b>\$ 5,705,902</b>	<b>\$ 9,010,569</b>

## CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
<i>Ad valorem taxes, penalty and interest</i>	\$ --	\$ 682,469	\$ --	\$ 682,469
<i>Sales taxes</i>	246,245	307,392	--	553,637
<i>Charges for services</i>	460,890	--	--	460,890
<i>Intergovernmental</i>	16,736	--	45,255	61,991
<i>Interest income</i>	2,502	--	37,334	39,836
<i>Miscellaneous</i>	153,643	36,954	--	190,597
<i>Donations</i>	364,975	--	--	364,975
<b>Total revenues</b>	<b>1,244,991</b>	<b>1,026,815</b>	<b>82,589</b>	<b>2,354,395</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Administration</i>	161,615	--	--	161,615
<i>Finance</i>	182,500	--	--	182,500
<i>Police</i>	55,496	--	--	55,496
<i>Fire</i>	3,934	--	--	3,934
<i>Parks and recreation</i>	127,074	--	--	127,074
<b>Total current</b>	<b>530,619</b>	<b>--</b>	<b>--</b>	<b>530,619</b>
<b>Capital outlay:</b>				
<i>Administration</i>	1,228	--	2,645,109	2,646,337
<i>Finance</i>	--	--	101,525	101,525
<i>Police</i>	66,892	--	207,929	274,821
<i>Fire</i>	19,140	--	247,260	266,400
<b>Total capital outlay</b>	<b>87,260</b>	<b>--</b>	<b>3,201,823</b>	<b>3,289,083</b>
<b>Debt service:</b>				
<i>Principal</i>	--	150,000	--	150,000
<i>Interest</i>	--	600,019	--	600,019
<i>Fiscal charges</i>	--	--	42	42
<i>Bond issuance cost</i>	--	--	4,858	4,858
<b>Total debt service:</b>	<b>--</b>	<b>750,019</b>	<b>4,900</b>	<b>754,919</b>
<b>Total expenditures</b>	<b>617,879</b>	<b>750,019</b>	<b>3,206,723</b>	<b>4,574,621</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>627,112</b>	<b>276,796</b>	<b>(3,124,134)</b>	<b>(2,220,226)</b>
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	100,000	--	138,550	238,550
<i>Transfers out</i>	(336,200)	--	(579,037)	(915,237)
<i>Issuance of long-term debt</i>	--	--	1,792,000	1,792,000
<i>Premium on bonds issued</i>	--	--	8,897	8,897
<i>Discount on bonds issued</i>	--	--	(2,933)	(2,933)
<b>Total other financing sources (uses)</b>	<b>(236,200)</b>	<b>--</b>	<b>1,357,477</b>	<b>1,121,277</b>
<b>Net change in fund balances</b>	<b>390,912</b>	<b>276,796</b>	<b>(1,766,657)</b>	<b>(1,098,949)</b>
<b>Fund balances, October 1</b>	<b>2,320,832</b>	<b>(164,739)</b>	<b>6,849,491</b>	<b>9,005,584</b>
<b>Fund balances, September 30</b>	<b>\$ 2,711,744</b>	<b>\$ 112,057</b>	<b>\$ 5,082,834</b>	<b>\$ 7,906,635</b>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2011

	Cemetery	Police Investigation	Recreational Development	Radio System
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 3,019	\$ 13,366	\$ 2,938	\$ 4,545
<i>Investments</i>	137,949	544,756	358,042	--
Receivables (net of allowances for uncollectibles):				
<i>Accounts receivable</i>	--	1,862	--	--
<i>Assessments receivable</i>	--	--	--	--
<i>Other receivables</i>	--	--	--	--
<b>Total Assets</b>	<b>\$ 140,968</b>	<b>\$ 559,984</b>	<b>\$ 360,980</b>	<b>\$ 4,545</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
<i>Accounts payable and accrued liabilities</i>	\$ --	\$ 114,720	\$ 8,507	\$ --
<i>Deferred revenue</i>	--	--	--	--
<b>Total Liabilities</b>	<b>--</b>	<b>114,720</b>	<b>8,507</b>	<b>--</b>
Fund balances:				
<i>Restricted</i>	--	--	--	--
<i>Committed</i>	140,968	445,264	352,473	4,545
<b>Total fund balances</b>	<b>140,968</b>	<b>445,264</b>	<b>352,473</b>	<b>4,545</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 140,968</b>	<b>\$ 559,984</b>	<b>\$ 360,980</b>	<b>\$ 4,545</b>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ 22,459	\$ 1,874	\$ 22,016	\$ 2,571	\$ 3,594
1,033,997	11,911	241,059	54,999	53,140
20,000	66,339	23,096	--	--
76,116	--	--	--	--
--	--	--	--	3,311
\$ 1,152,572	\$ 80,124	\$ 286,171	\$ 57,570	\$ 60,045
\$ --	\$ --	\$ --	\$ --	\$ --
96,116	--	--	--	--
96,116	--	--	--	--
--	80,124	--	--	--
1,056,456	--	286,171	57,570	60,045
1,056,456	80,124	286,171	57,570	60,045
\$ 1,152,572	\$ 80,124	\$ 286,171	\$ 57,570	\$ 60,045

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2011

	Emergency Siren	Downtown Improvement
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 8,540	\$ 3,457
<i>Investments</i>	14,999	18,168
Receivables (net of allowances for uncollectibles):		
<i>Accounts receivable</i>	--	--
<i>Assessments receivable</i>	--	--
<i>Other receivables</i>	--	--
<b>Total Assets</b>	<b>\$ 23,539</b>	<b>\$ 21,625</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ --	\$ --
<i>Deferred revenue</i>	--	--
<b>Total Liabilities</b>	<b>--</b>	<b>--</b>
Fund balances:		
<i>Restricted</i>	23,539	--
<i>Committed</i>	--	21,625
<b>Total fund balances</b>	<b>23,539</b>	<b>21,625</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,539</b>	<b>\$ 21,625</b>

	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$	1,182	\$	92,067
	--	218,255	2,687,275
	--	--	111,297
	--	--	76,116
	--	--	3,311
\$	<u>1,182</u>	\$	<u>2,970,066</u>
\$	--	\$	123,227
	--	38,979	135,095
	--	<u>38,979</u>	<u>258,322</u>
	--	--	103,663
	1,182	181,782	2,608,081
	<u>1,182</u>	<u>181,782</u>	<u>2,711,744</u>
\$	<u>1,182</u>	\$	<u>2,970,066</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Cemetery	Police Investigation	Recreational Development	Radio System
<b>Revenues:</b>				
Sales taxes	\$ --	\$ --	\$ --	\$ --
Charges for services	1,425	61,983	265,451	31,812
Intergovernmental	--	16,736	--	--
Interest income	--	--	--	--
Miscellaneous	--	--	--	--
Donations	--	330,388	24,509	--
Total revenues	1,425	409,107	289,960	31,812
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	--	--	--	137,282
Finance	--	--	--	--
Police	--	60,714	--	--
Fire	--	--	--	--
Parks and recreation	12,000	--	105,946	--
Total current	12,000	60,714	105,946	137,282
<b>Capital outlay:</b>				
Administration	--	--	--	--
Police	--	66,892	--	--
Fire	--	--	--	--
Total capital outlay	--	66,892	--	--
<b>Total expenditures</b>	12,000	127,606	105,946	137,282
Excess (deficiency) of revenues over (under) expenditures	(10,575)	281,501	184,014	(105,470)
<b>Other financing sources (uses):</b>				
Transfers in	--	--	--	100,000
Transfers out	--	(20,000)	(50,000)	--
Total other financing sources (uses)	--	(20,000)	(50,000)	100,000
<b>Net change in fund balances</b>	(10,575)	261,501	134,014	(5,470)
Fund balances, October 1	151,543	183,763	218,459	10,015
Fund balances, September 30	\$ 140,968	\$ 445,264	\$ 352,473	\$ 4,545

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ --	\$ 246,245	\$ --	\$ --	\$ --
--	--	93,600	--	--
--	--	--	--	--
2,502	--	--	--	--
33,422	--	38,876	11,351	31,778
--	--	--	--	--
35,924	246,245	132,476	11,351	31,778
--	--	--	10,769	13,564
--	182,500	--	--	--
--	--	--	--	--
--	--	3,934	--	--
--	--	--	--	--
--	182,500	3,934	10,769	13,564
--	--	--	--	--
--	--	--	--	--
--	--	19,140	--	--
--	--	19,140	--	--
--	182,500	23,074	10,769	13,564
35,924	63,745	109,402	582	18,214
--	--	--	--	--
(266,200)	--	--	--	--
(266,200)	--	--	--	--
(230,276)	63,745	109,402	582	18,214
1,286,732	16,379	176,769	56,988	41,831
\$ 1,056,456	\$ 80,124	\$ 286,171	\$ 57,570	\$ 60,045

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Emergency Siren	Downtown Improvement
Revenues:		
Sales taxes	\$ --	\$ --
Charges for services	619	6,000
Intergovernmental	--	--
Interest income	--	--
Miscellaneous	--	--
Donations	--	10,000
Total revenues	<u>619</u>	<u>16,000</u>
Expenditures:		
Current:		
Administration	--	--
Finance	--	--
Police	--	--
Fire	--	--
Parks and recreation	--	9,128
Total current	<u>--</u>	<u>9,128</u>
Capital outlay:		
Administration	1,228	--
Police	--	--
Fire	--	--
Total capital outlay	<u>1,228</u>	<u>--</u>
Total expenditures	<u>1,228</u>	<u>9,128</u>
Excess (deficiency) of revenues over (under) expenditures	(609)	6,872
Other financing sources (uses):		
Transfers in	--	--
Transfers out	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balances	(609)	6,872
Fund balances, October 1	24,148	14,753
Fund balances, September 30	<u>\$ 23,539</u>	<u>\$ 21,625</u>

	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$	--	\$ --	\$ 246,245
	--	--	460,890
	--	--	16,736
	--	--	2,502
	--	38,216	153,643
	78	--	364,975
	<u>78</u>	<u>38,216</u>	<u>1,244,991</u>
	--	--	161,615
	--	--	182,500
	--	(5,218)	55,496
	--	--	3,934
	--	--	127,074
	<u>--</u>	<u>(5,218)</u>	<u>530,619</u>
	--	--	1,228
	--	--	66,892
	--	--	19,140
	<u>--</u>	<u>--</u>	<u>87,260</u>
	--	(5,218)	617,879
	78	43,434	627,112
	--	--	100,000
	--	--	(336,200)
	<u>--</u>	<u>--</u>	<u>(236,200)</u>
	78	43,434	390,912
	1,104	138,348	2,320,832
\$	<u>1,182</u>	\$ <u>181,782</u>	\$ <u>2,711,744</u>

**CITY OF ROCKWALL, TEXAS**  
**CEMETERY FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**EXHIBIT C-5**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 2,500	\$ 1,425	\$ (1,075)
Total revenues	<u>2,500</u>	<u>1,425</u>	<u>(1,075)</u>
Expenditures:			
Current:			
<i>Parks and recreation</i>	13,000	12,000	1,000
Total current	<u>13,000</u>	<u>12,000</u>	<u>1,000</u>
Total expenditures	<u>13,000</u>	<u>12,000</u>	<u>1,000</u>
Net change in fund balances	(10,500)	(10,575)	(75)
Fund balances, October 1	151,543	151,543	--
Fund balances, September 30	<u>\$ 141,043</u>	<u>\$ 140,968</u>	<u>\$ (75)</u>

**CITY OF ROCKWALL, TEXAS**  
 POLICE INVESTIGATION FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 63,500	\$ 61,983	\$ (1,517)
<i>Intergovernmental</i>	16,750	16,736	(14)
<i>Interest income</i>	500	--	(500)
<i>Donations</i>	289,300	330,388	41,088
Total revenues	370,050	409,107	39,057
Expenditures:			
Current:			
<i>Police</i>	88,600	60,714	27,886
Total current	88,600	60,714	27,886
Capital outlay:			
<i>Police</i>	70,000	66,892	3,108
Total capital outlay	70,000	66,892	3,108
Total expenditures	158,600	127,606	30,994
Excess (deficiency) of revenues over (under) expenditures	211,450	281,501	70,051
Other financing sources (uses):			
<i>Transfers out</i>	(20,000)	(20,000)	--
Total other financing sources (uses)	(20,000)	(20,000)	--
Net change in fund balances	191,450	261,501	70,051
Fund balances, October 1	183,763	183,763	--
Fund balances, September 30	\$ 375,213	\$ 445,264	\$ 70,051

**CITY OF ROCKWALL, TEXAS**  
 RECREATIONAL DEVELOPMENT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Charges for services</i>	\$ 251,800	\$ 265,451	\$ 13,651
<i>Interest income</i>	500	—	(500)
<i>Donations</i>	24,500	24,509	9
<b>Total revenues</b>	<u>276,800</u>	<u>289,960</u>	<u>13,160</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Parks and recreation</i>	117,500	105,946	11,554
<b>Total current</b>	<u>117,500</u>	<u>105,946</u>	<u>11,554</u>
<b>Total expenditures</b>	<u>117,500</u>	<u>105,946</u>	<u>11,554</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>159,300</u>	<u>184,014</u>	<u>24,714</u>
<b>Other financing sources (uses):</b>			
<i>Transfers out</i>	(50,000)	(50,000)	—
<b>Total other financing sources (uses)</b>	<u>(50,000)</u>	<u>(50,000)</u>	<u>—</u>
<b>Net change in fund balances</b>	<u>109,300</u>	<u>134,014</u>	<u>24,714</u>
<b>Fund balances, October 1</b>	<u>218,459</u>	<u>218,459</u>	<u>—</u>
<b>Fund balances, September 30</b>	<u>\$ 327,759</u>	<u>\$ 352,473</u>	<u>\$ 24,714</u>

**CITY OF ROCKWALL, TEXAS**  
*RADIO SYSTEM*  
*SPECIAL REVENUE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2011*

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 31,600	\$ 31,812	\$ 212
Total revenues	31,600	31,812	212
Expenditures:			
Current:			
<i>Administration</i>	138,950	137,282	1,668
Total current	138,950	137,282	1,668
Total expenditures	138,950	137,282	1,668
Excess (deficiency) of revenues over (under) expenditures	(107,350)	(105,470)	1,880
Other financing sources (uses):			
<i>Transfers in</i>	100,000	100,000	--
Total other financing sources (uses)	100,000	100,000	--
Net change in fund balances	(7,350)	(5,470)	1,880
Fund balances, October 1	10,015	10,015	--
Fund balances, September 30	\$ 2,665	\$ 4,545	\$ 1,880

**CITY OF ROCKWALL, TEXAS**  
**STREET IMPROVEMENTS FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 2,000	\$ 2,502	\$ 502
<i>Miscellaneous</i>	16,200	33,422	17,222
Total revenues	18,200	35,924	17,724
Expenditures:			
Current:			
<i>Administration</i>	20,000	--	20,000
Total current	20,000	--	20,000
Total expenditures	20,000	--	20,000
Excess (deficiency) of revenues over (under) expenditures	(1,800)	35,924	37,724
Other financing sources (uses):			
<i>Transfers out</i>	(586,200)	(266,200)	(320,000)
Total other financing sources (uses)	(586,200)	(266,200)	(320,000)
Net change in fund balances	(588,000)	(230,276)	357,724
Fund balances, October 1	1,286,732	1,286,732	--
Fund balances, September 30	\$ 698,732	\$ 1,056,456	\$ 357,724

**CITY OF ROCKWALL, TEXAS**  
*HOTEL MOTEL TAX*  
*SPECIAL REVENUE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2011*

EXHIBIT C-10

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Sales taxes</i>	\$ 190,000	\$ 246,245	\$ 56,245
Total revenues	190,000	246,245	56,245
Expenditures:			
Current:			
<i>Finance</i>	182,500	182,500	--
Total current	182,500	182,500	--
Total expenditures	182,500	182,500	--
Net change in fund balances	7,500	63,745	56,245
Fund balances, October 1	16,379	16,379	--
Fund balances, September 30	\$ 23,879	\$ 80,124	\$ 56,245

**CITY OF ROCKWALL, TEXAS**  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-11

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 93,600	\$ 93,600	\$ --
Interest income	500	--	(500)
Miscellaneous	--	38,876	38,876
Total revenues	94,100	132,476	38,376
Expenditures:			
Current:			
Fire	11,000	3,934	7,066
Total current	11,000	3,934	7,066
Capital outlay:			
Fire	32,000	19,140	12,860
Total capital outlay	32,000	19,140	12,860
Debt service:			
Total expenditures	43,000	23,074	19,926
Net change in fund balances	51,100	109,402	58,302
Fund balances, October 1	176,769	176,769	--
Fund balances, September 30	\$ 227,869	\$ 286,171	\$ 58,302

**CITY OF ROCKWALL, TEXAS**  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-12

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$ 100	\$ --	\$ (100)
Miscellaneous	13,700	11,351	(2,349)
Total revenues	13,800	11,351	(2,449)
Expenditures:			
Current:			
Administration	13,050	10,769	2,281
Total current	13,050	10,769	2,281
Total expenditures	13,050	10,769	2,281
Net change in fund balances	750	582	(168)
Fund balances, October 1	56,988	56,988	--
Fund balances, September 30	\$ 57,738	\$ 57,570	\$ (168)

**CITY OF ROCKWALL, TEXAS**  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-13

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 100	\$ --	\$ (100)
<i>Miscellaneous</i>	33,000	31,778	(1,222)
Total revenues	33,100	31,778	(1,322)
Expenditures:			
Current:			
<i>Administration</i>	14,000	13,564	436
Total current	14,000	13,564	436
Total expenditures	14,000	13,564	436
Net change in fund balances	19,100	18,214	(886)
Fund balances, October 1	41,831	41,831	--
Fund balances, September 30	\$ 60,931	\$ 60,045	\$ (886)

**CITY OF ROCKWALL, TEXAS**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

EXHIBIT C-14

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,165,350	\$ 8,182,218	\$ 16,868
<i>Interest income</i>	5,000	2,901	(2,099)
<i>Miscellaneous</i>	315,000	339,839	24,839
Total revenues	8,485,350	8,524,958	39,608
Expenditures:			
Current:			
<i>Police</i>	87,300	87,296	4
Total current	87,300	87,296	4
Debt service:			
<i>Principal</i>	4,118,000	4,128,038	(10,038)
<i>Interest</i>	3,979,700	3,970,282	9,418
<i>Fiscal charges</i>	10,000	8,100	1,900
Total debt service:	8,107,700	8,106,420	1,280
Total expenditures	8,195,000	8,193,716	1,284
Net change in fund balances	290,350	331,242	40,892
Fund balances, October 1	1,095,030	1,095,030	--
Fund balances, September 30	\$ 1,385,380	\$ 1,426,272	\$ 40,892

**CITY OF ROCKWALL, TEXAS**

HARBOR DEBT SERVICE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-15

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Ad valorem taxes, penalty and interest</i>	\$ 727,200	\$ 682,469	\$ (44,731)
<i>Sales taxes</i>	300,700	307,392	6,692
<i>Miscellaneous</i>	36,950	36,954	4
Total revenues	<u>1,064,850</u>	<u>1,026,815</u>	<u>(38,035)</u>
Expenditures:			
Debt service:			
<i>Principal</i>	150,000	150,000	--
<i>Interest</i>	603,250	600,019	3,231
Total debt service:	<u>753,250</u>	<u>750,019</u>	<u>3,231</u>
Total expenditures	<u>753,250</u>	<u>750,019</u>	<u>3,231</u>
Net change in fund balances	311,600	276,796	(34,804)
Fund balances, October 1	(164,739)	(164,739)	--
Fund balances, September 30	<u>\$ 146,861</u>	<u>\$ 112,057</u>	<u>\$ (34,804)</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2011

	Capital Projects	Equipment Acquisition	205 Bypass Project	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 18,780	\$ 11,205	\$ 6,770	\$ 36,755
<i>Investments</i>	1,995,752	1,372,920	2,232,443	5,601,115
Receivables (net of allowances for uncollectibles):				
<i>Accrued interest</i>	16,069	5,645	--	21,714
<i>Accounts receivable</i>	45,254	--	--	45,254
<i>Other receivables</i>	--	1,064	--	1,064
<b>Total Assets</b>	<b>\$ 2,075,855</b>	<b>\$ 1,390,834</b>	<b>\$ 2,239,213</b>	<b>\$ 5,705,902</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
<i>Accounts payable and accrued liabilities</i>	\$ 323,822	\$ 10,819	\$ 288,427	\$ 623,068
<b>Total Liabilities</b>	<b>323,822</b>	<b>10,819</b>	<b>288,427</b>	<b>623,068</b>
Fund balances:				
<i>Assigned</i>	1,752,033	1,380,015	1,950,786	5,082,834
<b>Total fund balances</b>	<b>1,752,033</b>	<b>1,380,015</b>	<b>1,950,786</b>	<b>5,082,834</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,075,855</b>	<b>\$ 1,390,834</b>	<b>\$ 2,239,213</b>	<b>\$ 5,705,902</b>

## CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Capital Projects	Equipment Acquisition	205 Bypass Project	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Intergovernmental	\$ 45,255	\$ --	\$ --	\$ 45,255
Interest income	24,043	4,862	8,429	37,334
Total revenues	69,298	4,862	8,429	82,589
Expenditures:				
Capital outlay:				
Administration	863,715	144,590	1,636,804	2,645,109
Finance	--	101,525	--	101,525
Police	--	207,929	--	207,929
Fire	--	247,260	--	247,260
Total capital outlay	863,715	701,304	1,636,804	3,201,823
Debt service:				
Fiscal charges	--	42	--	42
Bond issuance cost	--	4,858	--	4,858
Total debt service:	--	4,900	--	4,900
Total expenditures	863,715	706,204	1,636,804	3,206,723
Excess (deficiency) of revenues over (under) expenditures	(794,417)	(701,342)	(1,628,375)	(3,124,134)
Other financing sources (uses):				
Transfers in	31,400	107,150	--	138,550
Transfers out	(25,000)	--	(554,037)	(579,037)
Issuance of long-term debt	--	392,000	1,400,000	1,792,000
Premium on bonds issued	--	8,897	--	8,897
Discount on bonds issued	--	(2,933)	--	(2,933)
Total other financing sources (uses)	6,400	505,114	845,963	1,357,477
Net change in fund balances	(788,017)	(196,228)	(782,412)	(1,766,657)
Fund balances, October 1	2,540,050	1,576,243	2,733,198	6,849,491
Fund balances, September 30	\$ 1,752,033	\$ 1,380,015	\$ 1,950,786	\$ 5,082,834

**CITY OF ROCKWALL, TEXAS**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2011**

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-7)
<b>ASSETS</b>			
Current Assets:			
<i>Cash and cash equivalents</i>	\$ 42,452	\$ 21,162	\$ 63,614
<i>Investments</i>	6,995	750,418	757,413
<i>Other receivables</i>	63,043	--	63,043
Total current assets	112,490	771,580	884,070
Total Assets	112,490	\$ 771,580	\$ 884,070
<b>LIABILITIES</b>			
Current Liabilities:			
<i>Accounts payable and accrued liabilities</i>	392,384	\$ 33,407	\$ 425,791
<i>Due to other funds</i>	256,957	--	256,957
Total current liabilities	649,341	33,407	682,748
Total Liabilities	649,341	33,407	682,748
<b>NET ASSETS (DEFICITS)</b>			
<i>Unrestricted</i>	(536,851)	738,173	201,322
Total Net Assets (Deficits)	\$ (536,851)	\$ 738,173	\$ 201,322

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-8)
<b>OPERATING REVENUES:</b>			
<i>Charges for services</i>	\$ 505,811	\$ --	\$ 505,811
<i>Reinsurance reimbursement</i>	155,477	--	155,477
Total Operating Revenues	661,288	--	661,288
<b>OPERATING EXPENSES:</b>			
<i>Contractual services</i>	3,155,945	254,741	3,410,686
Total Operating Expenses	3,155,945	254,741	3,410,686
Operating Income (Loss)	(2,494,657)	(254,741)	(2,749,398)
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
<i>Interest income</i>	1,012	1,240	2,252
<i>Miscellaneous income</i>	--	21,236	21,236
Total Non-operating Revenues (Expenses)	1,012	22,476	23,488
Net Income (Loss) before Operating Transfers	(2,493,645)	(232,265)	(2,725,910)
<b>TRANSFERS</b>			
<i>Transfers in</i>	2,707,000	30,000	2,737,000
Change in net assets	213,355	(202,265)	11,090
Net assets (deficits), October 1	(750,206)	940,438	190,232
Net assets (deficits), September 30	\$ (536,851)	\$ 738,173	\$ 201,322

**CITY OF ROCKWALL, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 610,153	\$ 21,236	\$ 631,389
Cash Payments to Suppliers for Goods and Services	(3,023,164)	(236,737)	(3,259,901)
Net Cash Provided (Used) by Operating Activities	(2,413,011)	(215,501)	(2,628,512)
<b>Cash Flows from Non-capital Financing Activities:</b>			
Cash Received from Other Funds	2,707,000	30,000	2,737,000
Cash Paid to Other Funds	(260,517)	--	(260,517)
Net Cash Provided (Used) by Non-capital Financing Activities	2,446,483	30,000	2,476,483
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investment Securities	(2,561)	(274,827)	(277,388)
Proceeds from Sale and Maturities of Securities	--	--	--
Interest and Dividends on Investments	1,012	1,429	2,441
Net Cash Provided (Used) for Investing Activities	(1,549)	(273,398)	(274,947)
Net Increase (Decrease) in Cash and Cash Equivalents	31,923	(458,899)	(426,976)
Cash and Cash Equivalents at Beginning of Year	14,962	955,652	970,614
Cash and Cash Equivalents at End of Year	\$ 46,885	\$ 496,753	\$ 543,638
<b>Cash Equivalents Included in Investments:</b>			
Unrestricted	\$ 4,443	\$ 475,591	\$ 480,034
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ (2,494,657)	\$ (254,741)	\$ (2,749,398)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Miscellaneous income	--	21,236	21,236
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(51,135)	--	(51,135)
Increase (Decrease) in Accounts Payable	132,781	18,004	150,785
Total Adjustments	81,646	39,240	120,886
Net Cash Provided (Used) by Operating Activities	\$ (2,413,011)	\$ (215,501)	\$ (2,628,512)

**CITY OF ROCKWALL, TEXAS**

EXHIBIT C-21

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
YEAR ENDED SEPTEMBER 30, 2011

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011
<b>ASSETS</b>				
Cash	\$ 45,818	\$ 453,763	\$ 327,608	\$ 171,973
Investments	1,311,252	1,568,497	1,850,990	1,028,759
Accrued interest receivable	7,826	15,927	13,392	10,361
Total Assets	\$ 1,364,896	\$ 2,038,187	\$ 2,191,990	\$ 1,211,093
<b>LIABILITIES</b>				
Due to developers	\$ 1,364,896	\$ 155,289	\$ 309,092	\$ 1,211,093
Total Liabilities	\$ 1,364,896	\$ 155,289	\$ 309,092	\$ 1,211,093

*Capital Assets Used in the  
Operation of Governmental Funds*

**CITY OF ROCKWALL, TEXAS**

EXHIBIT C-22

COMPARATIVE SCHEDULES BY SOURCE OF  
CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011 AND 2010

	2011	2010
General fixed assets:		
Land	\$ 14,102,412	\$ 13,867,438
Construction in progress	11,820,588	5,028,343
Buildings	17,460,462	17,320,974
Improvements other than buildings	26,755,323	26,755,323
Machinery and equipment	13,464,680	13,247,315
Infrastructure	176,677,312	174,442,217
Total general fixed assets	\$ 260,280,777	\$ 250,661,610
Investment in general fixed assets by source:		
Bond proceeds	\$ 132,378,199	\$ 125,929,295
General government	42,348,651	42,208,596
Grants and entitlements	2,304,133	2,238,598
Developer contributions	83,249,794	80,285,121
Total investment in general fixed assets	\$ 260,280,777	\$ 250,661,610

**CITY OF ROCKWALL, TEXAS**  
 SCHEDULE BY FUNCTION AND ACTIVITY OF  
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011

EXHIBIT C-23

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Total
General government	\$ 3,051,303	\$ 11,820,588	\$ 5,546,924	\$ 3,174,375	\$ 2,984,873	--	\$ 26,578,063
Public works	8,337,281	--	324,434	826,893	1,297,758	176,677,312	187,463,678
Public safety	1,020,430	--	2,039,796	12,802	2,926,941	--	5,999,969
Recreational/development	1,693,398	--	2,272,730	22,741,253	1,188,113	--	27,895,494
Fire equipment	--	--	7,276,578	--	5,066,995	--	12,343,573
<b>Total Governmental Capital Assets</b>	<b>\$ 14,102,412</b>	<b>\$ 11,820,588</b>	<b>\$ 17,460,462</b>	<b>\$ 26,755,323</b>	<b>\$ 13,464,680</b>	<b>\$ 176,677,312</b>	<b>\$ 260,280,777</b>

**CITY OF ROCKWALL, TEXAS**

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY OF  
CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-24

Function and Activity	Capital Assets October 1, 2010	Additions	Deductions	Transfers	Capital Assets September 30, 2011
General government	\$ 19,727,956	\$ 7,661,886	(732,244)	\$ (79,535)	\$ 26,578,063
Public works	184,947,670	2,501,115	(64,642)	79,535	187,463,678
Public Safety	5,757,048	404,012	(161,091)	--	5,999,969
Recreation/development	27,895,494	--	--	--	27,895,494
Fire Equipment	12,333,442	10,131	--	--	12,343,573
Total governmental funds Capital Assets	\$ 250,661,610	\$ 10,577,144	(957,977)	\$ --	\$ 260,280,777

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

### *DISCRETELY PRESENTED COMPONENT UNITS*

The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.

## CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF NET ASSETS - DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2011

	REDC	RTPA	Total
<b>ASSETS</b>			
<i>Cash and cash equivalents</i>	\$ 1,835	\$ 3,058	\$ 4,893
<i>Investments</i>	4,932,135	40,380	4,972,515
<i>Receivables (net of allowances for uncollectibles)</i>	3,616	7,068	10,684
<i>Due from other governments</i>	631,049	--	631,049
<i>Inventories</i>	13,874,711	--	13,874,711
<b>Restricted assets:</b>			
<i>Deferred charges</i>	160,260	--	160,260
<b>Capital assets (net of accumulated depreciation)</b>			
<i>Machinery and equipment</i>	15,500	--	15,500
<b>Total Assets</b>	<b>19,619,106</b>	<b>50,506</b>	<b>19,669,612</b>
<b>LIABILITIES</b>			
<i>Accounts payable and accrued liabilities</i>	172,691	11,714	184,405
<b>Noncurrent liabilities:</b>			
<i>Due within one year</i>	1,210,673	--	1,210,673
<i>Due in more than one year</i>	17,343,295	--	17,343,295
<b>Total Liabilities</b>	<b>18,726,659</b>	<b>11,714</b>	<b>18,738,373</b>
<b>NET ASSETS</b>			
<b>Invested in Capital Assets</b>	<b>15,500</b>	<b>--</b>	<b>15,500</b>
<b>Unrestricted</b>	<b>876,947</b>	<b>38,792</b>	<b>915,739</b>
<b>Total Net Assets</b>	<b>\$ 892,447</b>	<b>\$ 38,792</b>	<b>\$ 931,239</b>

## CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF ACTIVITIES - DISCRETE COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			REDC	RTPA	Total
<b>Discrete component Units</b>					
<b>Rockwall Economic Development Corporation</b>					
Administration	\$ 2,463,629	\$ --	\$ (2,463,629)		\$ (2,463,629)
Interest on long-term debt	2,100,030	--	(2,100,030)		(2,100,030)
Total REDC	4,563,659	--	(4,563,659)		(4,563,659)
<b>Rockwall Technology Park Association</b>					
Administration	180,847	174,101	--	\$ (6,746)	(6,746)
Total Discrete Component Units	\$ 4,744,506	\$ 174,101	(4,563,659)	(6,746)	(4,570,405)
<b>General Revenues:</b>					
Sales Taxes			3,702,718	--	3,702,718
Miscellaneous			291	--	291
Unrestricted Investment Earnings			7,921	16	7,937
Transfers			--	--	--
Total General Revenues			3,710,930	16	3,710,946
Change in Net Assets			(852,729)	(6,730)	(859,459)
Net Assets - Beginning			1,745,176	45,522	1,790,698
Net Assets - Ending			\$ 892,447	\$ 38,792	\$ 931,239

## CITY OF ROCKWALL, TEXAS

COMBINING BALANCE SHEET - DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2011

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>ASSETS</b>			
<i>Cash and cash equivalents</i>	\$ 1,835	\$ 3,058	\$ 4,893
<i>Investments</i>	4,932,135	40,380	4,972,515
Receivables (net of allowances for uncollectibles):			
<i>Accrued interest</i>	286	--	286
<i>Accounts receivable</i>	3,330	7,068	10,398
<i>Due from other governments</i>	631,049	--	631,049
<i>Inventory</i>	13,874,711	--	13,874,711
<b>Total Assets</b>	<b>\$ 19,443,346</b>	<b>\$ 50,506</b>	<b>\$ 19,493,852</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
<i>Accounts payable and accrued liabilities</i>	\$ 20,138	\$ 11,714	\$ 31,852
<b>Total Liabilities</b>	<b>20,138</b>	<b>11,714</b>	<b>31,852</b>
<b>Fund balances:</b>			
<i>Nonspendable</i>	13,874,711	--	13,874,711
<i>Restricted</i>	5,548,497	38,792	5,587,289
<b>Total fund balances</b>	<b>19,423,208</b>	<b>38,792</b>	<b>19,462,000</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,443,346</b>	<b>\$ 50,506</b>	<b>\$ 19,493,852</b>

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE DISCRETE COMPONENT UNITS GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2011

Total fund balances - governmental funds balance sheet	\$ 19,462,000
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	15,501
Payables for bond principal which are not due in the current period are not reported in the funds.	(18,533,324)
Payables for bond interest which are not due in the current period are not reported in the funds.	(152,553)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(20,645)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	160,260
Net assets of governmental activities - Statement of Net Assets	\$ <u>931,239</u>

**CITY OF ROCKWALL, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>Revenues:</b>			
<i>Sales taxes</i>	\$ 3,702,718	\$ --	\$ 3,702,718
<i>Interest income</i>	7,921	16	7,937
<i>Miscellaneous</i>	291	174,101	174,392
<b>Total revenues</b>	<b>3,710,930</b>	<b>174,117</b>	<b>3,885,047</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Administration</i>	1,025,534	180,847	1,206,381
<b>Total current</b>	<b>1,025,534</b>	<b>180,847</b>	<b>1,206,381</b>
<b>Capital outlay:</b>			
<i>Administration</i>	256,957	--	256,957
<b>Total capital outlay</b>	<b>256,957</b>	<b>--</b>	<b>256,957</b>
<b>Debt service:</b>			
<i>Principal</i>	1,135,000	--	1,135,000
<i>Interest</i>	979,399	--	979,399
<i>Fiscal charges</i>	4,322	--	4,322
<b>Total debt service:</b>	<b>2,118,721</b>	<b>--</b>	<b>2,118,721</b>
<b>Total expenditures</b>	<b>3,401,212</b>	<b>180,847</b>	<b>3,582,059</b>
Excess (deficiency) of revenues over (under) expenditures	309,718	(6,730)	302,988
<b>Other financing sources (uses):</b>			
<i>Transfers to primary government</i>	(2,300,000)	--	(2,300,000)
<b>Total other financing sources (uses)</b>	<b>(2,300,000)</b>	<b>--</b>	<b>(2,300,000)</b>
<b>Net change in fund balances</b>	<b>(1,990,282)</b>	<b>(6,730)</b>	<b>(1,997,012)</b>
Fund balances, October 1	21,413,490	45,522	21,459,012
<b>Fund balances, September 30</b>	<b>\$ 19,423,208</b>	<b>\$ 38,792</b>	<b>\$ 19,462,000</b>

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF DISCRETE COMPONENT UNIT GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds	\$ (1,997,012)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,158
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,256)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,135,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(12,060)
(Increase) decrease in accrued interest from beginning of period to end of period.	18,691
Special termination benefits are reported as the amount earned in the SOA but as the amount paid in the funds	(4,980)
Change in net assets of governmental activities - Statement of Activities	\$ (859,459)

**CITY OF ROCKWALL, TEXAS**

**EXHIBIT C-31**

*ECONOMIC DEVELOPMENT CORPORATION - DISCRETE COMPONENT UNIT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Sales taxes</i>	\$ 3,358,400	\$ 3,505,000	\$ 3,702,718	\$ 197,718
<i>Interest income</i>	10,000	10,000	7,921	(2,079)
<i>Miscellaneous</i>	--	295	291	(4)
<b>Total revenues</b>	<b>3,368,400</b>	<b>3,515,295</b>	<b>3,710,930</b>	<b>195,635</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Administration</i>	969,000	1,024,601	1,025,534	(933)
<b>Total current</b>	<b>969,000</b>	<b>1,024,601</b>	<b>1,025,534</b>	<b>(933)</b>
<b>Capital outlay:</b>				
<i>Administration</i>	806,500	466,500	256,957	209,543
<b>Total capital outlay</b>	<b>806,500</b>	<b>466,500</b>	<b>256,957</b>	<b>209,543</b>
<b>Debt service:</b>				
<i>Principal</i>	1,135,000	1,135,000	1,135,000	--
<i>Interest</i>	979,397	979,397	979,399	(2)
<i>Fiscal charges</i>	4,500	4,500	4,322	178
<b>Total debt service:</b>	<b>2,118,897</b>	<b>2,118,897</b>	<b>2,118,721</b>	<b>176</b>
<b>Total expenditures</b>	<b>3,894,397</b>	<b>3,609,998</b>	<b>3,401,212</b>	<b>208,786</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(525,997)</b>	<b>(94,703)</b>	<b>309,718</b>	<b>404,421</b>
<b>Other financing sources (uses):</b>				
<i>Transfers to primary government</i>	--	(2,300,000)	(2,300,000)	--
<b>Total other financing sources (uses)</b>	<b>--</b>	<b>(2,300,000)</b>	<b>(2,300,000)</b>	<b>--</b>
<b>Net change in fund balances</b>	<b>(525,997)</b>	<b>(2,394,703)</b>	<b>(1,990,282)</b>	<b>404,421</b>
Fund balances, October 1	21,413,490	21,413,490	21,413,490	--
Fund balances, September 30	\$ 20,887,493	\$ 19,018,787	\$ 19,423,208	\$ 404,421

**CITY OF ROCKWALL, TEXAS**  
 ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-32

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Interest income</i>	\$ 2,600	\$ 1,050	\$ 16	\$ (1,034)
<i>Miscellaneous</i>	187,100	191,100	174,101	(16,999)
Total revenues	189,700	192,150	174,117	(18,033)
Expenditures:				
Current:				
<i>Administration</i>	187,100	190,100	180,847	9,253
Total current	187,100	190,100	180,847	9,253
Total expenditures	187,100	190,100	180,847	9,253
Net change in fund balances	2,600	2,050	(6,730)	(8,780)
Fund balances, October 1	45,522	45,522	45,522	--
Fund balances, September 30	\$ 48,122	\$ 47,572	\$ 38,792	\$ (8,780)

# STATISTICAL SECTION

This part of the City of Rockwall, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	123
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	132
<i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	140
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	145
<i>These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	148
<i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF ROCKWALL, TEXAS  
NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 91,085,278	\$ 89,101,460	\$ 88,367,580	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444
Restricted	1,774,193	11,788,623	2,306,529	14,222,187	23,258,947	37,748,076	17,051,680	5,897,961	8,354,614
Unrestricted	13,400,417	4,308,457	12,955,777	13,643,810	13,386,297	11,683,150	11,850,426	10,242,495	9,975,317
<b>Total governmental activities net assets</b>	<b>\$ 106,259,888</b>	<b>\$ 105,198,540</b>	<b>\$ 103,629,886</b>	<b>\$ 91,412,270</b>	<b>\$ 86,132,544</b>	<b>\$ 83,451,860</b>	<b>\$ 70,248,286</b>	<b>\$ 63,835,499</b>	<b>\$ 61,450,375</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 58,139,970	\$ 54,288,096	\$ 53,418,392	\$ 48,127,382	\$ 47,893,027	\$ 41,923,596	\$ 37,368,956	\$ 38,406,139	\$ 32,724,578
Restricted	2,992,291	6,221,719	7,568,701	17,888,236	14,620,878	18,060,049	18,350,384	11,698,161	15,635,741
Unrestricted	6,124,975	5,340,103	6,162,163	5,283,929	5,463,619	7,081,727	7,475,827	9,457,896	3,746,526
<b>Total business-type activities net assets</b>	<b>\$ 67,257,236</b>	<b>\$ 65,849,918</b>	<b>\$ 67,149,256</b>	<b>\$ 71,299,547</b>	<b>\$ 67,977,524</b>	<b>\$ 67,065,372</b>	<b>\$ 63,195,667</b>	<b>\$ 59,562,196</b>	<b>\$ 52,106,845</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 149,225,248	\$ 143,389,556	\$ 141,785,972	\$ 111,673,655	\$ 97,380,327	\$ 75,944,230	\$ 78,715,136	\$ 86,101,182	\$ 75,845,022
Restricted	4,766,484	18,010,342	9,875,230	32,110,423	37,879,825	55,808,125	35,402,564	17,596,122	23,990,355
Unrestricted	19,525,392	9,648,560	19,117,940	18,927,739	18,849,916	18,764,877	19,326,253	19,700,391	13,721,843
<b>Total primary government net assets</b>	<b>\$ 173,517,124</b>	<b>\$ 171,048,458</b>	<b>\$ 170,779,142</b>	<b>\$ 162,711,817</b>	<b>\$ 154,110,068</b>	<b>\$ 150,517,232</b>	<b>\$ 133,443,953</b>	<b>\$ 123,397,695</b>	<b>\$ 113,557,220</b>

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>									
Governmental activities:									
Mayor/Council	\$ 111,494	\$ 116,372	\$ 109,844	\$ 117,366	\$ 111,555	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378
Administration	7,183,587	6,862,780	6,707,709	7,384,773	5,523,924	6,040,692	4,908,083	5,757,527	3,583,719
Finance	1,331,943	1,294,888	1,409,054	1,338,894	1,138,210	1,027,654	954,840	877,537	760,436
Municipal Court	362,149	353,147	334,922	312,601	298,383	304,492	295,379	254,210	236,201
Police	8,423,470	8,609,827	8,384,774	7,130,698	7,001,771	6,095,435	6,372,344	6,862,707	5,446,279
Fire	2,734,296	2,741,288	2,201,236	2,242,829	2,207,468	1,889,269	1,144,577	1,530,503	966,400
Public Works	8,008,701	6,669,448	5,482,571	7,094,068	6,928,067	5,530,219	4,753,190	6,155,726	3,961,797
Community Development	1,203,407	1,210,519	1,350,023	2,229,753	2,018,363	1,781,548	1,680,857	1,493,249	442,470
Parks and Recreation	5,843,647	5,805,241	5,250,506	4,025,927	3,088,750	2,583,547	2,329,095	2,323,558	1,487,036
Interest on long-term debt	4,554,433	4,717,319	4,669,459	4,418,519	3,612,523	2,179,950	1,136,584	1,277,825	1,244,127
Total governmental activities expenses	39,757,127	38,380,829	35,900,098	36,295,428	31,929,014	27,541,172	23,653,063	26,607,258	18,186,843
Business-type activities:									
Water and Sewer	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878
Total business-type activities expenses	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878
Total primary government expenses	\$ 54,472,737	\$ 52,297,021	\$ 49,172,982	\$ 48,502,170	\$ 42,846,721	\$ 37,794,398	\$ 32,430,340	\$ 33,668,530	\$ 24,623,721
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
Community Development	\$ 792,029	\$ 664,711	\$ 1,020,979	\$ 1,072,444	\$ 1,118,001	\$ 1,318,516	\$ 1,687,141	\$ 1,680,531	\$ 1,487,000
Municipal Court	1,195,552	1,193,019	1,082,488	974,973	989,677	883,228	917,610	928,470	730,753
Police	550,947	522,919	516,591	658,015	415,637	649,261	720,395	402,980	221,076
Other	665,314	706,280	667,091	1,252,838	1,275,491	1,771,297	1,012,518	894,130	492,282
Operating grants & contributions	366,656	59,303	81,199	151,741	1,059,602	783,317	894,114	1,424,824	772,911
Capital grants & contributions	4,525,403	4,437,478	8,127,487	6,620,540	3,193,554	11,804,657	5,893,301	6,624,160	181,426
Total governmental activities program revenues	8,095,901	7,583,710	11,495,835	10,730,551	8,051,962	17,210,476	11,125,079	11,955,095	3,885,448

**CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(unaudited)**

TABLE D-2

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Business-type activities:</b>									
Charges for services:									
Water Sales	8,547,662	6,917,587	6,574,110	6,060,043	4,815,631	6,547,846	5,379,382	4,474,069	4,530,970
Sewer Charges	3,406,283	2,864,595	2,748,160	2,409,614	2,338,820	2,355,821	2,046,425	1,922,989	1,809,478
Other	2,752,625	2,150,155	1,951,945	1,797,390	1,616,873	2,164,135	2,072,748	1,890,686	1,797,588
Operating grants & contributions	2,157,402	1,992,680	3,374,321	5,616,869	2,808,528	4,319,065	3,411,639	6,576,943	2,906,811
Capital grants & contributions	16,863,972	13,925,017	14,648,536	15,883,916	11,579,852	15,386,867	12,910,194	14,864,687	11,044,847
<b>Total business-type activities program revenues</b>	<b>\$ 24,959,873</b>	<b>\$ 21,508,727</b>	<b>\$ 26,144,371</b>	<b>\$ 26,614,467</b>	<b>\$ 19,631,814</b>	<b>\$ 32,597,343</b>	<b>\$ 24,035,273</b>	<b>\$ 26,819,782</b>	<b>\$ 14,930,295</b>
<b>Total primary government program revenues</b>	<b>(31,661,226)</b>	<b>(30,797,119)</b>	<b>(24,404,263)</b>	<b>(25,564,877)</b>	<b>(23,877,052)</b>	<b>(10,330,696)</b>	<b>(12,527,984)</b>	<b>(14,652,163)</b>	<b>(14,301,395)</b>
<b>Net (Expense)/Revenue</b>	<b>2,148,362</b>	<b>8,825</b>	<b>1,375,652</b>	<b>3,677,174</b>	<b>662,145</b>	<b>5,133,641</b>	<b>4,132,917</b>	<b>7,803,415</b>	<b>4,607,969</b>
<b>Governmental activities</b>	<b>(29,512,864)</b>	<b>(30,788,294)</b>	<b>(23,028,611)</b>	<b>(21,887,703)</b>	<b>(23,214,907)</b>	<b>(5,197,055)</b>	<b>(8,395,067)</b>	<b>(6,848,748)</b>	<b>(9,693,426)</b>
<b>Business-type activities</b>	<b>979,863</b>	<b>1,511,785</b>	<b>6,201,291</b>	<b>1,315,405</b>	<b>1,350,335</b>	<b>2,375,000</b>	<b>1,006,400</b>	<b>867,500</b>	<b>1,337,963</b>
<b>Total governmental activities</b>	<b>\$ 17,204,239</b>	<b>\$ 16,735,510</b>	<b>\$ 16,422,119</b>	<b>\$ 14,780,112</b>	<b>\$ 11,827,931</b>	<b>\$ 9,063,530</b>	<b>\$ 8,111,715</b>	<b>\$ 7,265,947</b>	<b>\$ 6,717,883</b>
<b>General Revenues and Transfers</b>	<b>11,526,555</b>	<b>10,833,397</b>	<b>10,264,401</b>	<b>10,123,636</b>	<b>8,901,929</b>	<b>8,529,051</b>	<b>7,379,841</b>	<b>6,736,054</b>	<b>6,277,216</b>
Governmental activities:									
Property taxes	3,011,917	3,285,081	3,734,068	4,625,450	4,477,541	3,566,689	2,442,815	2,167,786	1,843,906
Sales taxes	979,863	1,511,785	6,201,291	1,315,405	1,350,335	2,375,000	1,006,400	867,500	1,337,963
Other	32,722,574	32,365,773	36,621,879	30,844,603	26,557,736	23,534,270	18,940,771	17,037,287	16,176,968
<b>Total business-type activities</b>	<b>238,819</b>	<b>203,622</b>	<b>675,348</b>	<b>960,254</b>	<b>1,600,342</b>	<b>1,111,064</b>	<b>506,954</b>	<b>519,436</b>	<b>345,017</b>
Transfers	(979,863)	(1,511,785)	(6,201,291)	(1,315,405)	(1,350,335)	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)
<b>Total business-type activities</b>	<b>(741,044)</b>	<b>(1,308,163)</b>	<b>(5,525,943)</b>	<b>(355,151)</b>	<b>250,007</b>	<b>(1,263,936)</b>	<b>(499,446)</b>	<b>(348,064)</b>	<b>(992,946)</b>
<b>Total primary government</b>	<b>\$ 31,981,530</b>	<b>\$ 31,057,610</b>	<b>\$ 31,095,936</b>	<b>\$ 30,489,452</b>	<b>\$ 26,807,743</b>	<b>\$ 22,270,334</b>	<b>\$ 18,441,325</b>	<b>\$ 16,689,223</b>	<b>\$ 15,184,022</b>
<b>Change in Net Assets</b>	<b>\$ 1,061,348</b>	<b>\$ 1,568,654</b>	<b>\$ 12,217,616</b>	<b>\$ 5,279,726</b>	<b>\$ 2,680,684</b>	<b>\$ 13,203,574</b>	<b>\$ 6,412,787</b>	<b>\$ 2,385,124</b>	<b>\$ 1,875,573</b>
Governmental activities	1,407,318	(1,299,338)	(4,150,291)	3,322,023	912,152	3,869,705	3,633,471	7,455,351	3,615,023
Business-type activities	\$ 2,468,666	\$ 269,316	\$ 8,067,325	\$ 8,601,749	\$ 3,592,836	\$ 17,073,279	\$ 10,046,258	\$ 9,840,475	\$ 5,490,596

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

Fiscal Year	Property Tax	Sales Tax		Franchise Tax	Total
2002	\$ -	\$ -	\$ -	-	\$ -
2003	6,717,883	6,277,216	1,567,874	14,562,973	
2004	7,265,947	6,736,054	1,776,406	15,778,407	
2005	8,111,715	7,379,841	1,765,509	17,257,065	
2006	9,063,530	8,529,051	2,111,798	19,704,379	
2007	11,827,931	8,901,929	2,014,845	22,744,705	
2008	14,780,112	10,123,636	2,421,094	27,324,842	
2009	16,422,119	10,264,401	2,535,846	29,222,366	
2010	16,735,510	10,833,397	2,748,483	30,317,390	
2011	17,204,239	11,526,555	2,445,762	31,176,556	

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

Fiscal Year	Water Sales	Sewer Charges	Total
2002	\$ 3,913,496	\$ 1,770,522	\$ 5,684,018
2003	4,530,970	1,809,478	6,340,448
2004	4,474,069	1,922,989	6,397,058
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182
2011	8,547,662	3,406,283	11,953,945

CITY OF ROCKWALL, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Reserved	\$ -	\$ -	2,870	2,446	1,407	26,130	26,980	16,104	7,500	6,862
Restricted	-	-	-	-	-	-	-	-	-	-
Non-spendable	2,116	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unreserved	-	9,159,333	8,293,107	8,264,368	8,335,289	7,692,662	7,301,334	6,860,155	7,235,979	7,579,095
Unassigned	10,085,001	-	-	-	-	-	-	-	-	-
Total general fund	\$ 10,087,117	\$ 9,159,333	\$ 8,295,977	\$ 8,266,814	\$ 8,336,696	\$ 7,718,792	\$ 7,328,314	\$ 6,876,259	\$ 7,243,479	\$ 7,585,957
All other governmental funds										
Reserved for:										
Debt Service	\$ -	\$ 930,290	1,077,236	835,203	1,083,320	1,461,294	1,155,897	694,758	683,650	551,753
Restricted	1,641,992	-	-	-	-	-	-	-	-	-
Committed	2,608,081	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	2,320,833	2,399,605	3,145,275	2,797,330	2,422,376	2,046,410	1,358,357	926,507	671,382
Capital projects funds	-	10,319,501	16,906,340	13,094,614	21,877,706	36,529,256	16,113,095	5,271,300	7,540,907	9,031,865
Assigned	16,652,507	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 20,902,580	\$ 13,570,624	\$ 20,383,181	\$ 17,075,092	\$ 25,758,356	\$ 40,412,926	\$ 19,315,402	\$ 7,324,415	\$ 9,151,064	\$ 10,255,000

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

CITY OF ROCKWALL, TEXAS  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-6

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 17,329,982	\$ 16,560,766	\$ 16,407,575	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166	\$ 5,722,744
Sales taxes	11,526,555	10,833,397	10,264,401	10,123,637	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	6,228,716
Franchise taxes	2,604,569	2,728,251	2,444,296	2,179,847	2,046,674	1,981,016	1,715,242	1,702,156	1,548,499	1,506,971
Charges for services	710,007	713,760	738,146	362,107	417,049	426,996	268,125	266,450	263,349	159,451
Permits	765,500	651,108	1,005,541	1,122,505	1,132,985	1,325,832	1,718,218	1,709,832	1,521,019	1,467,736
Municipal court	1,157,838	1,173,907	1,056,904	1,177,410	1,019,260	987,066	906,634	937,164	734,500	584,171
Intergovernmental	478,037	506,100	428,747	419,700	1,097,790	1,011,739	3,182,350	1,772,811	1,100,961	1,452,565
Interest income	136,878	60,429	611,615	1,702,870	2,012,244	1,149,204	304,644	143,269	312,700	598,483
Miscellaneous	661,379	569,258	872,988	837,707	716,896	1,060,866	1,080,366	755,733	422,427	375,753
Contributions and donations	364,975	148,512	2,812,457	775,695	2,241,586	6,251,435	163,635	252,037	56,463	35,112
<b>Total Revenues</b>	<b>35,735,720</b>	<b>33,945,488</b>	<b>36,642,670</b>	<b>33,409,620</b>	<b>31,407,407</b>	<b>31,703,153</b>	<b>24,859,180</b>	<b>21,545,914</b>	<b>18,915,300</b>	<b>18,131,702</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	111,494	116,372	109,845	117,366	111,555	108,366	78,114	74,416	58,377	68,480
Administration	3,402,793	3,353,637	3,358,705	3,056,885	2,750,197	2,910,478	2,708,948	2,324,516	3,024,304	2,421,992
Finance	1,211,261	1,189,250	1,266,436	1,199,417	1,138,238	1,025,230	952,808	837,800	756,688	707,823
Municipal court	335,082	333,234	318,467	311,706	300,186	303,131	291,348	249,839	234,832	189,088
Police	7,982,280	8,083,075	7,775,622	6,923,679	6,426,957	6,235,463	6,070,311	6,083,676	5,171,682	5,024,188
Fire	2,146,012	2,179,372	1,618,559	1,451,970	1,340,624	1,242,836	1,075,427	950,622	757,447	373,099
Public works	2,122,710	1,577,760	1,528,010	2,824,267	2,427,535	2,411,324	2,050,077	2,005,360	1,781,760	1,648,599
Community development	1,178,982	1,130,169	1,258,030	2,219,167	2,002,767	1,783,961	1,682,480	1,477,483	440,481	302,156
Parks and recreation	4,590,161	4,529,739	4,493,524	2,907,229	2,473,238	2,318,135	1,826,608	1,758,180	1,369,986	1,322,614
<b>Total current</b>	<b>23,080,775</b>	<b>22,492,608</b>	<b>21,727,198</b>	<b>21,011,686</b>	<b>18,971,297</b>	<b>18,338,924</b>	<b>16,736,121</b>	<b>15,761,892</b>	<b>13,595,557</b>	<b>12,058,039</b>
<b>Capital outlay:</b>										
Administration	7,168,226	4,746,948	18,427,890	2,373,369	4,028,933	1,580,706	602,847	623,526	1,843,858	8,767,869
Finance	101,525	57,653	78,866	137,035	-	-	-	36,746	141,102	104,138
Municipal Court	-	-	-	-	-	-	-	3,958	13,152	-
Police	274,821	1,316,626	258,623	74,899	225,992	285,150	1,850,771	978,179	372,661	370,552
Fire	266,400	434,754	6,462,691	727,795	1,578,623	835,685	711,166	525,888	172,970	542,049
Public works	-	24,575	90,798	29,051,639	10,609,516	25,733,888	9,756,038	1,667,682	1,198,999	892,865
Community development	-	-	-	-	2,105	-	519	668	1,123	-
Parks and recreation	-	1,095,622	482,177	1,742,004	2,397,348	1,477,499	757,360	600,049	443,049	199,661
<b>Total capital outlay</b>	<b>7,810,972</b>	<b>7,676,178</b>	<b>25,801,045</b>	<b>34,106,741</b>	<b>18,842,517</b>	<b>29,912,928</b>	<b>13,678,701</b>	<b>4,436,696</b>	<b>4,186,914</b>	<b>10,877,134</b>

CITY OF ROCKWALL, TEXAS  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-6

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Debt service:</b>										
Principal	4,278,038	4,458,038	4,670,540	4,335,462	3,726,505	2,620,235	1,801,369	2,831,984	1,623,841	1,590,000
Interest	4,570,301	4,766,488	4,716,545	4,254,162	3,607,455	1,748,001	977,878	1,032,504	1,229,093	1,198,065
Bond issuance costs	150,900	-	242,173	468,837	9,500	500,889	429,728	99,311	-	50,879
Fiscal charges	11,200	7,032	15,284	6,384	6,484	6,020	5,063	7,403	9,272	14,580
Total debt services	9,010,439	9,231,558	9,644,542	9,064,845	7,349,944	4,875,145	3,214,038	3,971,202	2,862,206	2,853,524
Total expenditures	39,902,186	39,400,344	57,172,785	64,183,272	45,163,758	53,126,997	33,628,860	24,169,790	20,644,677	25,788,697
Excess (deficiency) of revenues over (under) expenditures	(4,166,466)	(5,454,856)	(20,530,115)	(30,773,652)	(13,756,351)	(21,423,844)	(8,769,680)	(2,623,876)	(1,729,377)	(7,656,995)
<b>Other financing sources (uses):</b>										
Transfers in	3,456,450	1,478,835	8,664,757	1,975,436	2,585,804	4,305,332	2,959,535	2,429,909	4,445,973	4,976,111
Transfers out	(2,913,587)	(2,304,050)	(4,488,966)	(2,715,031)	(2,866,119)	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)	(4,971,711)
Bonds issued	13,210,000	-	19,295,000	22,270,000	-	41,045,000	21,200,000	-	-	4,295,000
Capital Leases	-	330,870	-	-	-	-	-	-	-	-
Refunding bonds issued	-	-	4,805,000	-	-	-	6,095,000	4,067,415	-	-
Accrued interest on bonds issued	-	-	-	-	-	176,020	129,913	-	-	-
Premium (discounts) on bonds issued	325,248	-	444,623	490,101	-	864,326	271,518	-	-	-
Payment to refunded bond escrow agent	(1,651,905)	-	(4,853,047)	-	-	-	(6,027,109)	(3,120,178)	-	-
Total other financing sources (uses)	12,426,206	(494,345)	23,867,367	22,020,506	(280,315)	42,911,846	21,212,722	564,737	282,963	4,299,400
Net change in fund balances	8,259,740	(5,949,201)	3,337,252	(8,753,146)	(14,036,666)	21,488,002	12,443,042	(2,059,139)	(1,446,414)	(3,357,595)
Debt service as a percentage of noncapital expenditures	27.6%	29.1%	30.6%	24.0%	22.0%	17.4%	13.5%	14.4%	18.1%	19.1%

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

Fiscal Year	Property Tax	Sales Tax		Franchise Tax	Total
2002	\$ 5,722,744	\$ 6,228,716	\$ 1,506,971	\$ 13,458,431	
2003	6,678,166	6,277,216	1,548,499	14,503,881	
2004	7,270,408	6,736,054	1,702,156	15,708,618	
2005	8,140,125	7,379,841	1,715,242	17,235,208	
2006	8,979,948	8,529,051	1,981,016	19,490,015	
2007	11,820,994	8,901,929	2,046,674	22,769,597	
2008	14,708,142	10,123,637	2,179,847	27,011,626	
2009	16,407,575	10,264,401	2,444,296	29,116,272	
2010	16,560,766	10,833,397	2,728,251	30,122,414	
2011	17,329,982	11,526,555	2,604,569	31,461,106	

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
2002	\$ 6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.73%	0.35
2008	10,123,637	70.44%	0.36
2009	10,264,401	64.13%	0.34
2010	10,833,397	65.62%	0.35
2011	11,526,555	68.55%	0.37

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2002	2001	\$ 1,005,596,905	\$ 434,430,607	\$ 231,005,372	\$ 1,578,877,552	0.3600	
2003	2002	1,180,867,660	484,847,529	271,117,946	1,836,889,580	0.3600	
2004	2003	1,371,585,380	487,360,218	258,028,313	1,986,223,254	0.3600	
2005	2004	1,573,206,290	525,794,698	284,849,415	2,229,241,700	0.3600	
2006	2005	1,736,808,885	567,435,458	286,808,498	2,427,709,054	0.3689	
2007	2006	1,943,727,690	921,234,223	261,957,560	2,575,330,270	0.4250	
2008	2007	2,405,432,149	709,899,929	289,545,141	2,801,901,551	0.4865	
2009	2008	2,147,701,430	1,155,846,969	330,037,398	3,008,520,228	0.5031	
2010	2009	2,185,092,860	1,222,610,470	338,639,915	3,083,191,753	0.5031	
2011	2010	2,253,052,114	1,364,840,173	334,504,395	3,131,216,223	0.5031	

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
 PROPERTY TAX EXEMPTIONS  
 LAST TEN FISCAL YEARS  
 (unaudited)

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
2002	\$ 31,135,770	\$ 938,984	\$ 47,080,860	\$ 7,031,665	\$ -
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093
2007	96,624,100	1,537,004	61,259,470	16,146,371	328,999
2008	104,805,677	1,658,500	66,881,780	13,651,705	248,013
2009	111,535,268	1,805,500	79,131,370	24,266,824	2,147,724
2010	117,336,354	6,522,310	101,284,160	25,091,542	182,290
2011	123,493,766	8,781,840	99,301,400	20,804,929	17,421

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

Fiscal Year	City of Rockwall			Overlapping Rates	
	M&O	Debt	Total	School	County
2002	0.1826	0.1774	0.3600	1.8372	0.3534
2003	0.1982	0.1618	0.3600	1.8800	0.3534
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.425	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750
2011	0.2562	0.2469	0.5031	1.4700	0.3864

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

Taxpayer	2011			2002		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
CNLRs Rockwall, LP	\$ 50,948,210	1	1.63%	\$ -	-	-
Continental Pet Technology	37,595,890	2	1.20%	41,841,947	1	2.64%
Rockwall Regional Hospital, LLP	36,925,810	3	1.18%	-	-	-
Mariah Bay Development, Inc	30,981,690	4	0.99%	-	-	-
Rockwall Hotel & Conference Group	29,160,780	5	0.93%	-	-	-
Rockwall HH, LLC	25,000,000	6	0.80%	-	-	-
Wal-mart	23,474,360	7	0.75%	20,839,943	2	1.32%
Rockwall Crossing LTD	22,646,520	8	0.72%	-	-	-
Oncor Electric Delivery Service	21,633,760	9	0.69%	13,327,250	5	0.84%
Texas Star Express	18,814,200	10	0.60%	-	-	-
SPM/WRI Rockwall, L.P.	-	-	-	17,559,561	3	1.11%
Lowes Home Centers, Inc.	-	-	-	13,592,294	4	0.86%
Rockwall/ S-30 Ltd.	-	-	-	11,938,840	6	0.75%
Steger Towne Crossing, LP	-	-	-	9,768,360	7	0.62%
Bent Tree Realty Co.	-	-	-	9,702,200	8	0.61%
Southwestern Bell Telephone	-	-	-	9,638,070	9	0.61%
Dayton Hudson	-	-	-	8,725,190	10	0.55%
Subtotal	<u>297,181,220</u>		<u>9.49%</u>	<u>156,933,655</u>		<u>9.92%</u>
Total Taxable Value	<u>\$ 3,131,216,223</u>		<u>100.00%</u>	<u>\$ 1,582,093,220</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District  
 Note: For tax years 2010 and 2001

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

Fiscal Year	Tax Year	Total Tax Levy	Total Current Year Collections	Percent of Levy Collected During Fiscal Period	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy
2002	2001	\$ 5,696,005	\$ 5,605,385	98.41%	\$ 55,841	\$ 5,661,226	99.39%
2003	2002	6,619,325	6,487,602	98.01%	77,090	6,564,692	99.17%
2004	2003	7,194,520	7,145,433	99.32%	176,253	7,321,686	101.77%
2005	2004	8,063,888	8,021,945	99.48%	141,227	8,163,172	101.23%
2006	2005	8,984,907	8,921,613	99.30%	114,598	9,036,211	100.57%
2007	2006	11,602,218	11,433,285	98.54%	112,247	11,545,532	99.51%
2008	2007	14,371,045	14,173,725	98.63%	139,450	14,313,175	99.60%
2009	2008	16,005,417	15,923,847	99.49%	269,545	16,193,392	101.17%
2010	2009	16,509,972	16,280,346	98.61%	138,823	16,419,169	99.45%
2011	2010	16,815,649	16,739,517	99.55%	233,560	16,973,077	100.94%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-14

Customer	2011			2002		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	62,366,600	1	1.72%	12,605,600	8	1.14%
Rockwall I.S.D.	48,449,000	2	1.33%	18,610,800	2	1.69%
Mansions of Rockwall	33,135,100	3	0.91%	-	-	-
Excel Rockwall, L.P.	17,815,600	4	0.49%	-	-	-
D.W.C./Highlife Properties	16,896,500	5	0.47%	14,582,900	4	1.32%
Mission Rockwall	15,966,700	6	0.44%	20,436,700	1	1.85%
Rockwall Crossing, Ltd.	15,498,400	7	0.43%	-	-	-
Walden Residential Properties	14,198,700	8	0.39%	14,499,200	5	1.32%
TF-Harbor, LLC	12,541,100	9	0.35%	-	-	-
Lakepointe Church	11,723,500	10	0.32%	-	-	-
Sabre Realty	-	-	-	17,738,400	3	1.61%
Continental Can	-	-	-	13,325,700	6	1.21%
Lone Star Circuits	-	-	-	13,218,300	7	1.20%
Steger Towne Crossing	-	-	-	11,494,600	9	1.04%
Rockwall Nursing Home	-	-	-	10,721,100	10	0.97%
Subtotal	<u>248,591,200</u>		<u>6.85%</u>	<u>147,233,300</u>		<u>13.36%</u>
Total Water Usage	<u>3,629,256,940</u>		<u>100.00%</u>	<u>1,102,291,150</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-15

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds	Capitalized Lease Obligations				
2002	\$ 13,295,364	\$ 10,485,000	\$ 945,000	\$ -	\$ 384,636	\$ -	\$ -	\$ 10,991,569	\$ 2,505,000	\$ 38,606,569	5.23%	\$ 1,841	
2003	12,521,523	9,890,000	690,000	-	288,477	-	-	10,555,000	2,150,000	36,095,000	4.61%	1,580	
2004	11,918,933	9,075,000	420,000	-	271,067	-	-	10,035,000	1,780,000	33,500,000	3.67%	1,329	
2005	22,992,564	17,940,000	345,000	-	247,436	-	-	14,910,000	1,385,000	57,820,000	5.43%	2,080	
2006	57,632,329	21,825,000	315,000	-	212,671	-	-	14,145,000	1,145,000	95,275,000	7.88%	3,155	
2007	55,720,824	20,045,000	280,000	-	184,176	-	-	13,360,000	5,040,094	94,630,094	7.20%	3,013	
2008	74,925,362	18,810,000	245,000	-	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	8.72%	3,824	
2009	86,179,822	22,425,000	-	-	135,178	25,890,000	-	11,670,000	7,431,754	153,731,754	11.14%	4,789	
2010	83,271,784	20,875,000	-	278,034	113,216	25,005,000	-	10,775,000	7,080,083	147,398,117	9.62%	4,205	
2011	88,473,746	23,050,000	-	236,589	91,254	28,205,000	-	5,215,000	6,946,589	152,218,178	9.17%	4,135	

Note: See Table 20 for personal income and population data

CITY OF ROCKWALL, TEXAS  
 RATIO OF GENERAL BONDED DEBT OUTSTANDING  
 LAST TEN FISCAL YEARS  
 (unaudited)

Fiscal Year	Governmental Activities						Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Gross Bonded Debt	Less: Debt Service Fund Balance				
2001	\$ 14,088,900	\$ 6,375,000	\$ 1,374,329	\$ 21,838,229	\$ 509,255	\$ 21,328,974	1.58%	\$ 1,126	
2002	13,295,364	10,485,000	945,000	24,725,364	551,753	24,173,611	1.52%	1,153	
2003	12,521,523	9,890,000	690,000	23,101,523	683,650	22,417,873	1.21%	981	
2004	11,918,933	9,075,000	420,000	21,413,933	694,758	20,719,175	1.04%	822	
2005	22,992,564	17,940,000	345,000	41,277,564	1,014,713	40,262,851	1.80%	1,448	
2006	57,632,329	21,825,000	315,000	79,772,329	1,461,294	78,311,035	3.22%	2,593	
2007	55,720,824	20,045,000	280,000	76,045,824	1,083,320	74,962,504	2.91%	2,387	
2008	74,925,362	18,810,000	245,000	93,980,362	835,203	93,145,159	3.32%	2,934	
2009	86,179,822	22,425,000	-	108,604,822	1,077,236	107,527,586	3.57%	3,349	
2010	83,271,784	20,875,000	-	104,146,784	930,290	103,216,494	3.35%	2,945	
2011	88,473,746	23,050,000	-	111,523,746	1,426,272	110,097,474	3.52%	2,991	

Note: See Table 20 for population data and Table 8 for property value data

CITY OF ROCKWALL, TEXAS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
SEPTEMBER 30, 2011

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 110,097,474	100.00%	\$ 110,097,474
Indirect:			
Rockwall Independent School District	346,468,101	59.33%	205,559,524
Rockwall County	56,500,000	49.93%	28,210,450
Total Indirect	402,968,101		233,769,974
Total Direct and Overlapping Bonded Debt	\$ 513,065,575		\$ 343,867,448
Average debt per capita			\$ 9,811

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.5031	0.5031	0.5031	0.4865	0.425	0.3689	0.3600	0.3600	0.3600	0.3600
Legal Debt Margin	1.9969	1.9969	1.9969	2.0135	2.0750	2.1311	2.1400	2.1400	2.1400	2.1400

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
2002	7,785,753	4,159,459	3,626,294	280,000	213,638	493,638	7.35
2003	9,259,528	4,647,959	4,611,569	510,000	486,884	996,884	4.63
2004	10,081,442	5,194,575	4,886,867	520,000	476,108	996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98
2011	15,439,747	10,805,039	4,634,708	740,000	360,448	1,100,448	4.21

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

DEMOGRAPHICS						
Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita		RISD School Enrollment (2)	Unemployment Rate (%) (1)
			Personal Income (1)	Personal Income (1)		
2002	20,967	737,850	35,191	9,617	7.1	
2003	22,850	782,658	34,252	10,077	6.7	
2004	25,200	911,711	36,179	10,527	5.1	
2005	27,800	1,064,601	38,295	11,560	3.5	
2006	30,200	1,209,238	40,041	12,627	3.4	
2007	31,407	1,313,786	41,831	13,086	3.9	
2008	31,748	1,392,658	43,866	13,407	4.9	
2009	32,103	1,380,397	42,999	13,721	7.0	
2010	35,050	1,531,825	43,704	14,030	6.6	
2011	36,810	1,659,505	45,083	14,200	6.7	

Source: (1) Texas Workforce Commission, 2010 and 2011 are estimates  
 (2) Rockwall Independent School District - private schools not included

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,550	1	8.17%	1,100	1	9.23%
Texas Star Express	484	2	2.55%	200	6	1.68%
Wal-Mart Superstore	450	3	2.37%	450	2	3.78%
Presbyterian Hospital	419	4	2.21%	-	-	-
Rockwall County	298	5	1.57%	-	-	-
City of Rockwall	255	6	1.34%	-	-	-
Special Products	205	7	1.08%	-	-	-
Target	200	8	1.05%	150	9	1.26%
Rockwall Nursing Home	160	9	0.84%	-	-	-
Kohl's Department Store	140	10	0.74%	150	8	1.26%
Continental Express	-	-	-	225	3	1.89%
Precision Cable	-	-	-	200	4	1.68%
James Helwig & Son	-	-	-	200	5	1.68%
Power Maintenance International	-	-	-	200	7	1.68%
Home Depot	-	-	-	149	10	1.25%
Subtotal	4,161		21.94%	3,024		25.37%
Total	18,963		100.00%	11,919		100.00%

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Administration	21	22	22	22	22	21	21	21	23	19
Finance	8	8	8	8	8	8	7.5	6.5	4.5	4.5
Municipal Court	4	4	4	4	4	4	4	3	3	3
Fire	17	17	17	10	10	9	9	8	5	4
Police	91.5	90.5	90.5	88	85	80	72	70	68	63
Community Development	29.5	29.5	29.5	29.5	29.5	28.5	25.5	22	21	19
Parks & Recreation	26	26	26	24.5	24.5	25	24	21	21	22
Public Works	21	21	21	23	23	23	21	21	21	20
Water/Sewer	37	38	38	34	31	29	26	25	23	22
Total	255.00	256.00	256.00	243.00	237.00	227.50	210.00	197.50	189.50	176.50

CITY OF ROCKWALL, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-23

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Finance										
Invoices processed	15,582	16,613	16,933	16,696	16,015	15,883	14,919	14,246	14,430	n/a
Payroll checks issued	8,460	8,356	8,176	7,765	7,840	7,042	6,579	6,543	5,882	4,983
Purchase orders issued	2,269	2,391	2,572	2,363	2,553	2,468	2,561	2,420	2,338	n/a
Municipal Court										
Violations Processed	16,361	17,261	16,526	12,984	17,455	16,635	15,225	13,913	15,000	9,364
Fire										
Employees (paid)	16	16	16	9	9	9	9	8	4	3
Volunteers	41	38	35	42	37	40	39	36	38	38
Fire Calls (City and County)	1,059	771	771	860	777	718	772	623	560	474
Police										
Employees (uniformed)	71	71	70	69	66	61	55	51	49	42
Employees (civilian)	20	20	20	19	18	18	17	17	15	12
Calls for Service*	21,490	30,569	30,610	29,097	27,158	21,121	17,915	16,066	14,699	14,717
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.										
Community Development										
# permits - New commercial construction	21	4	17	26	33	18	51	18	27	22
Value - New commercial construction	15,446,160	10,969,950	71,061,773	40,553,363	104,798,013	39,358,497	49,918,558	29,067,960	40,304,701	41,967,125
# permits - New residential construction	185	212	169	173	192	470	739	885	775	945
Value - New residential construction	36,244,834	40,293,359	30,914,120	31,962,169	40,174,623	82,305,725	123,215,423	135,501,919	117,512,216	144,002,845
Parks & Recreation										
The Center facility usage	84,001	68,665	61,713	76,530	69,988	75,757	71,118	58,060	38,821	2,713
Special event attendance	80,000	95,000	90,680	75,232	54,156	25,231	26,547	35,736	14,300	9,113
# recreation participants (youth & adult)	3,268	3,428	2,155	2,757	2,727	2,381	2,034	1,793	1,411	882

CITY OF ROCKWALL, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-23

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Works										
Streets - sq yd concrete street repair	2,276.40	2,851.55	5,507.20	3,415.26	739.69	1,967.75	2,961.55	2,395.76	n/a	n/a
\$ spent on concrete/asphalt street repair	602,167	575,446	541,430	411,814	341,685	478,169	352,048	431,475	339,507	284,129
Miles of public street maintained by City*	183.05	196.10	192.86	183.86	144.83	139.52	129.23	127.66	122.70	116.03
* mileage calculations have changed and software advances have allowed for a more accurate count										
Water/Sewer										
Water customers	13,044	12,859	12,471	12,285	12,345	11,985	11,491	10,497	9,440	8,827
Sewer customers	11,891	11,651	11,401	11,106	10,987	10,445	10,020	9,282	8,510	7,781
Average daily water consumption (gal)	9,943,169	7,434,917	8,228,041	8,052,778	6,701,619	5,991,288	5,023,404	4,327,595	4,209,473	3,019,976
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	9,500,000	7,500,000	7,500,000	7,500,000	7,500,000	5,500,000	5,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.  
n/a - Data not available

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Fire</b>										
Number of stations	4	4	2	2	2	2	2	2	2	2
Number of fire engines/trucks	15	14	12	11	11	9	8	8	8	8
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	42	42	42	42	42	37	30	26	22
<b>Parks &amp; Recreation</b>										
Parks acres (developed)	538.00	538.00	538.00	538.00	341.50	324.60	307.30	287.70	283.20	n/a
Playgrounds	25	25	23	23	23	18	12	12	12	11
Picnic areas	32	32	31	31	29	27	26	26	25	12
Swimming pools	2	2	2	2	2	2	2	2	2	2
<b>Public Works</b>										
\$ spent on new street construction	1,079,938	2,596,948	15,444,384	24,508,043	4,885,417	1,689,445	2,477,496	165,359	116,368	1,670,734
\$ spent on street rehabilitation	2,433,289	1,929,529	1,446,058	4,219,701	2,492,251	6,575,541	2,352,112	583,947	397,026	967,878
Miles of public street	183.05	196.10	192.86	183.86	144.83	139.52	129.23	127.66	122.70	116.03
<b>Water/Sewer</b>										
Water mains (miles)	265.82	269.82	255.88	250.40	160.06	155.37	146.32	139.93	128.49	120.93
Sanitary sewers (miles)	222.62	215.88	212.77	209.95	117.51	113.58	107.83	103.62	96.64	91.87

Source: City departments  
 Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.  
 n/a - data not available

**CITY OF ROCKWALL, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Prepared by:

**CITY OF ROCKWALL, TEXAS**

**FINANCE DEPARTMENT**

Mary P. Smith, CPA  
Director of Finance



**CITY OF ROCKWALL, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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**CITY OF ROCKWALL, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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**CITY OF ROCKWALL, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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## Introductory Section

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City of Rockwall  
*The New Horizon*

March 2, 2011

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2010, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Rutledge, Crain & Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by

management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.62 square miles and an estimated population of 35,050.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted as recently as 2005. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

## Local Economy

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. In spite of the continued slow economy throughout the nation, Rockwall saw some new businesses open in 2010 and others break ground. The city's revenues increased over the prior year due in part to the new businesses which are described below. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 2.48%. The most recent five-year average is 6.73% per annum. The City's largest taxpayers include a number of commercial developments. Table 12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Tom Thumb opened a 59,000 square foot "lifestyle" store in May 2010. This marked the first new store for Tom Thumb in several years and the first full service grocery store in the northern area of the city. It opened as the anchor tenant for the Shops at Stone Creek which added an additional 15,000 square feet of neighborhood services retail space. Out parcel development is expected to kick off in 2011.
- After welcoming Presbyterian Hospital of Rockwall in late 2008, more than 78,000 square feet of medical office space has been added in the adjacent area. In addition, a 54,000 square foot assisted living development opened in early 2010. The Presbyterian development has added more than \$55,000,000 to the City's tax rolls.
- Downtown Rockwall benefited from the attention garnered as Rockwall has been named a Texas Main Street City. A number of new retail establishments including Candles by Carol and Bella's House on the Square and the Candy Jar Malt Shop joined to complement the many offerings in the downtown area. The City has seen a 25% increase in sales taxes in the downtown area in the last year.
- Half Price Books joined the retail mix in April 2010 allowing the City to meet a long standing goal of a book store opening in the City.
- The Woodmont Company broke ground on the 100,000 square foot, second phase of their "Plaza" development. They will add retail draws such as Maurice's, Joann Fabrics and Home Goods as well as several restaurant favorites including Freebirds in 2011.
- The City completed annexation of more than 1,000 acres of largely agricultural land in the southeastern quadrant. This area is expected to include frontage on the TxDOT proposed "Outer Loop" project.

## Long-term Planning

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

## Financial Policies

The City Council adopted financial policies in 2001 which have guided the City allowing us to build a strong fund balance and reinforcing the need to budget conservatively for both revenues and expenditures. The general fund reserve policy was reviewed and updated more recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level will be available to fund capital projects in coming years.

## Planning Projects

Having identified the downtown area as a critical component of our long range plan, the City and business and community leaders work with the City's Texas Main Street Manager to coordinate planning efforts and develop interest in locating business downtown and to bring events to the Square. The structured Main Street program provides planning and design opportunities.

The City worked with a consulting firm to prepare an extensive conceptual plan for Planned Development 32 (PD32) which encompasses 60 acres of undeveloped land inside the City's tax increment financing zone and adjacent to the Harbor development. The city recognized the importance of having the conceptual plan ready when the economy improves. The City initiated the zoning process to establish a form based code for the area. It is expected the area will soon see the expansion of the mixed-use concept with retail, restaurants, office and residential spaces as interest from the development community is being expressed.

The Rockwall Economic Development Corporation in conjunction with their Destination 2020 plan has refined the focus and role of their planning committee as well. Their marketing program now includes social media components and targeted marketing aimed at desired industries

## Capital Improvement Planning

Having accepted the report from a street condition study designed to evaluate the condition of and prioritize street repairs; the City increased budgeted funding and began a capital improvement planning process.

Planning is underway for a bond election to be held in November 2011. The ballot will include propositions to provide an athletic complex and downtown accessibility projects in addition to roadway and park projects. The City will hire design and construction management professionals to work with staff and City Council to develop the vision for the projects and cost estimates to ensure the projects if approved can move forward expeditiously and in budget.

## Strategic Planning

Organizationally, the City uses the Balanced Scorecard Methodology for strategic planning. Bi-annually the City conducts a Citizen Satisfaction Survey to document our progress meeting the needs of our citizens. The City employs the C3 methodology of "Customer Centered Culture" which encourages cross department teams to follow a proven course of data compilation and actions that allow the teams to develop product and process improvements. C3 recognizes that the services we provide are ultimately comprised of a number of products and processes and

those must be designed to meet our customer's needs, not what we perceive are their needs. Two project teams presented their reports to Council in 2010 and many of their suggested improvements have been implemented. The City will move ahead with a biannual survey of our residents' opinions regarding our progress on adopted goals and strategies as well as areas of interest for future projects.

## Future Development

### Transportation

The City completed construction of the 205 Bypass roadway project which is officially named "John King Boulevard" in honor of our late council member. Shortly after completion of the final railroad crossing in spring 2010, the Texas Department of Transportation began work on the overpass which will connect the northern and southern roadways and allow additional access to I-30. With construction progressing, it should be completed mid 2012. TxDOT, having completed widening of SH205 (Goliad Street) through the City in early 2010, began the widening project for FM740 through southern Rockwall. City projects underway in 2011 will include the reconstruction of Airport Road, a much traveled east-west roadway which will allow better access to John King Boulevard. Having obtained the release of a segment of FM549 from the State, the roadway renamed "Corporate Crossing" will be widened to provide improved and enhanced access to the City's light industrial area between I-30 and SH276.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allow funding for the advance planning and design of 5 major roadway projects. This will allow those projects to be ready to commence as soon as state funding is allocated for construction.

### Medical Services

Developments in the Horizon Road area have focused on medical services. With the availability of acute care with the opening of Presbyterian Hospital of Rockwall in 2008, and the addition of several new medical buildings with Doctor's suites and state of the art out-patient diagnostic imaging facilities in the past two years, Rockwall has become a regional medical services destination. Additional ancillary medical office buildings and long term care facilities are planned for near term development. Arbor House Assisted Living Center opened in 2010 and will be joined by another such facility in 2011.

### Retail / Entertainment

"The Harbor" public improvements, situated on the shores of Lake Ray Hubbard at I-30, were completed in 2007. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. The Conference Center has been busy with many more events scheduled for 2011. The development has become a regional entertainment destination.

In conjunction with the private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects. A new owner and property manager in late 2010 have focused on adding several new restaurants to the mixed use development including Paradise Burgers, Urban Slice and Luna De Noche. The City completed construction of new boat docks to enhance the development and allow boaters easy access to come into the entertainment area after spending time on the lake.

The City's extremely successful Concert on the Lake Series managed by the City's Recreation Department draws approximately 5,000 attendees each Thursday evening for a free concert. The series extended 16 weeks in 2010. Surveys conducted during the events gathered data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here. The term "Live Music Capital of North Texas" has been coined to describe the many opportunities available year round.

Founder's Day on the Downtown Square draws visitors to shop merchant's wares, see artist's exhibits, learn about city departments and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend.

A Farmer's Market brings visitors downtown Saturdays from May to October. In 2010 the City added an Art Fair each month. The second annual "Rib Rub" was held in fall 2010 drawing more than 50 teams to the downtown square. The Main Street Advisory Board and "Friends of Downtown Rockwall", citizen volunteer group, are working to plan more special events downtown.

The City is fast becoming the triathlon destination as well. In addition to several locally sponsored races, the City welcomed the Toyota US Open Triathlon in fall 2010. The event saw more than 1,200 participants including a contingent of international Olympians take advantage of our lake access and terrain to complete the final event of the annual seven race series. The City has been notified the event will return for 2011. Early series races will be held in cities including Chicago, Miami and Los Angeles culminating with the Rockwall race and the final prize standings.

### Utilities

The water and sewer rates were increased in 2010 and staff will not be recommending a rate increase for 2011. The City purchases treated water as a founding member city of the North Texas Municipal Water District. Construction is ongoing for the Squabble Creek sewer system which will connect to the regional sewer interceptor system. A number of main extension projects are being undertaken to provide water and sewer service to annexed areas of the City.

The City's water system is recognized with the Texas Commission on Environmental Quality's "Superior" rating.

The City is actively working to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations and an investor owned utility. It remains the City's desire to be the provider for all residents in our city limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-10(net of Debt Service)	\$101,747,179
Estimated Population	35,050
G.O. Debt Per Capita	\$2,903
Net G.O. Debt per Assessed Value	3.30%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	AA-	A-	A-
Moody's Investor Service Inc.	Aa2	Aa3	A1

## **AWARDS AND ACKNOWLEDGEMENTS**

### Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last twenty consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

  
Julie Couch  
City Manager



Mary Smith, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

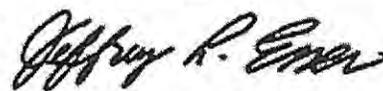
City of Rockwall  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

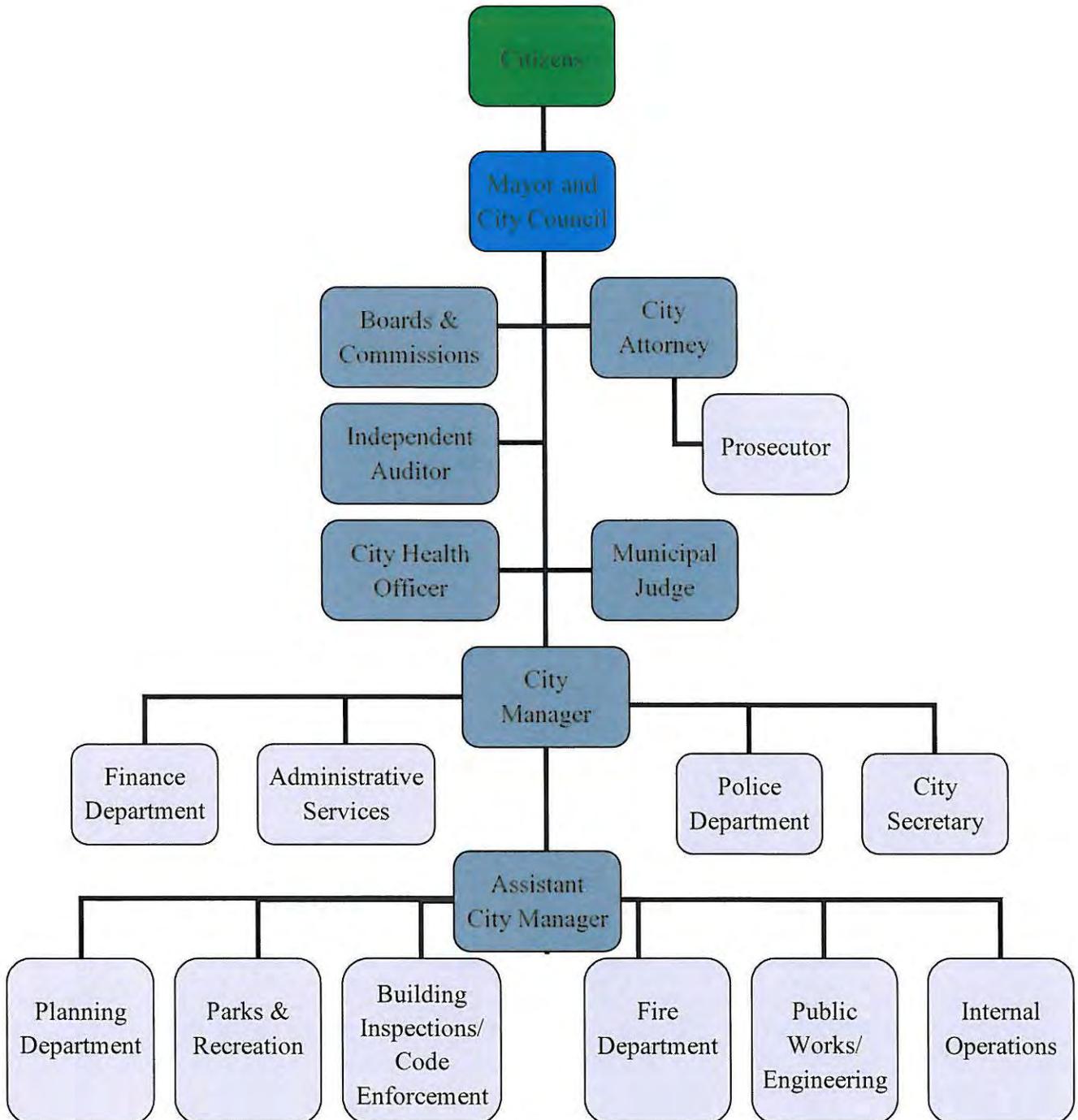


President



Executive Director

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2010

**City Council**

Bill Cecil, Mayor  
Glen Farris, Mayor Pro-Tempore  
Margo Nielsen, Councilmember  
Mark Russo, Councilmember  
Matt Scott, Councilmember  
Cliff Sevier, Councilmember  
David Sweet, Councilmember

**City Staff**

Julie Couch, City Manager  
Rick Crowley, Assistant City Manager  
Mary Smith, Director of Finance  
Cheryl Dunlop, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Community Development  
Chuck Todd, City Engineer/Director of Public Works  
Jeffrey Widmer, Director of Building Inspections & Code Enforcement  
Brad Griggs, Director of Parks, Recreation and Rights-of-Way

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## Financial Section

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RUTLEDGE CRAIN & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS

2401 Garden Park Court, Suite B  
Arlington, Texas 76013

**Independent Auditors' Report on Financial Statements**

To the City Council  
City of Rockwall, Texas

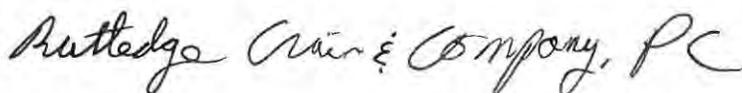
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rockwall, Texas' management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19 through 29 and 71 through 72 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockwall, Texas financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



February 21, 2011

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## Management's Discussion and Analysis

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total net assets were \$171,048,458 at September 30, 2010.
- During the year, the City's expenses were \$1,568,653 less than the \$39,949,481 generated in taxes and other revenues for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2010 by \$105,198,540 (net assets). Of this amount \$4,308,457 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of this fiscal year, unreserved fund balance for the general fund was \$9,159,333 or approximately 38.80 percent of the total general fund operating expenditures and transfers out.
- The City's total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) decreased by \$4,458,038 during fiscal year 2010. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

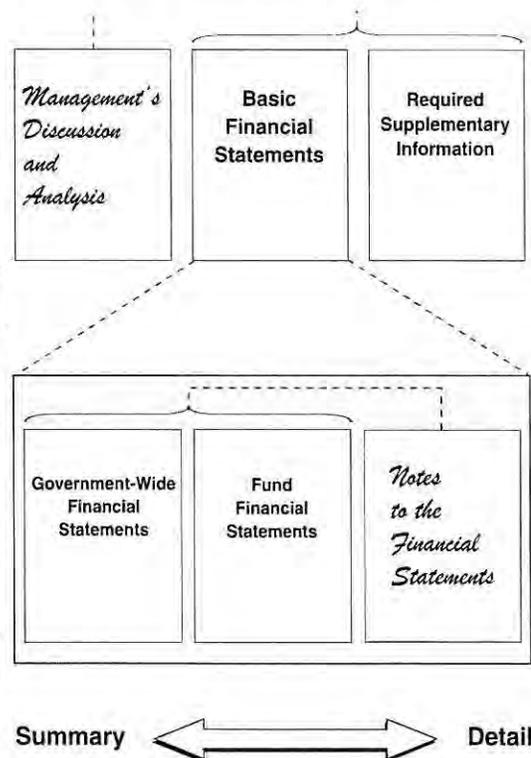
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of revenues, expenses &amp; changes in fund net assets</li> <li>◆ Statement of cash flows</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the city of Rockwall’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net assets changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer system is reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements can be found on pages 33-35 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 20 individual governmental funds. 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 are considered major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City’s enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City’s self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City’s retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City’s intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2010, the City's net assets (assets exceeding liabilities) totaled \$171,048,458. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

The largest portion of the City's net assets (83.82% percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 29,132,797	\$ 35,699,050	\$ 22,378,392	\$ 30,640,868	\$ 51,511,189	\$ 66,339,918
Capital Assets	<u>186,559,440</u>	<u>182,827,873</u>	<u>88,232,301</u>	<u>83,311,589</u>	<u>274,791,741</u>	<u>266,139,462</u>
Total Assets	<u>215,692,237</u>	<u>218,526,923</u>	<u>110,610,693</u>	<u>113,952,457</u>	<u>326,302,930</u>	<u>332,479,380</u>
Non-current liabilities	107,375,817	111,487,365	42,006,013	44,007,156	149,381,830	155,494,521
Other liabilities	<u>3,117,880</u>	<u>3,409,672</u>	<u>2,754,762</u>	<u>2,796,045</u>	<u>5,872,642</u>	<u>6,205,717</u>
Total Liabilities	<u>110,493,697</u>	<u>114,897,037</u>	<u>44,760,775</u>	<u>46,803,201</u>	<u>155,254,472</u>	<u>161,700,238</u>
Net Assets						
Invested in capital assets,						
net of related debt	89,101,460	88,367,580	54,288,096	53,418,392	143,389,556	141,785,972
Restricted for debt service	1,350,710	1,268,238	1,128,828	1,216,379	2,479,538	2,484,617
Restricted for capital projects	10,437,913	1,038,291	5,092,891	6,352,322	15,530,804	7,390,613
Unrestricted	<u>4,308,457</u>	<u>12,955,777</u>	<u>5,340,103</u>	<u>6,162,163</u>	<u>9,648,560</u>	<u>19,117,940</u>
Total net assets	<u>\$105,198,540</u>	<u>\$103,629,886</u>	<u>\$ 65,849,918</u>	<u>\$ 67,149,256</u>	<u>\$ 171,048,458</u>	<u>\$170,779,142</u>

An additional portion of the City of Rockwall's net assets, \$18,010,342 or 10.53% represents resources that are subject to external restrictions on how they may be used. The net assets which are *Restricted for capital projects* are due to debt which was issued as projects are designed and construction is beginning. The remaining unrestricted net assets, \$9,648,560, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net assets for the year ended September 30, 2010.

**Table 2**  
**Changes in Net Assets**

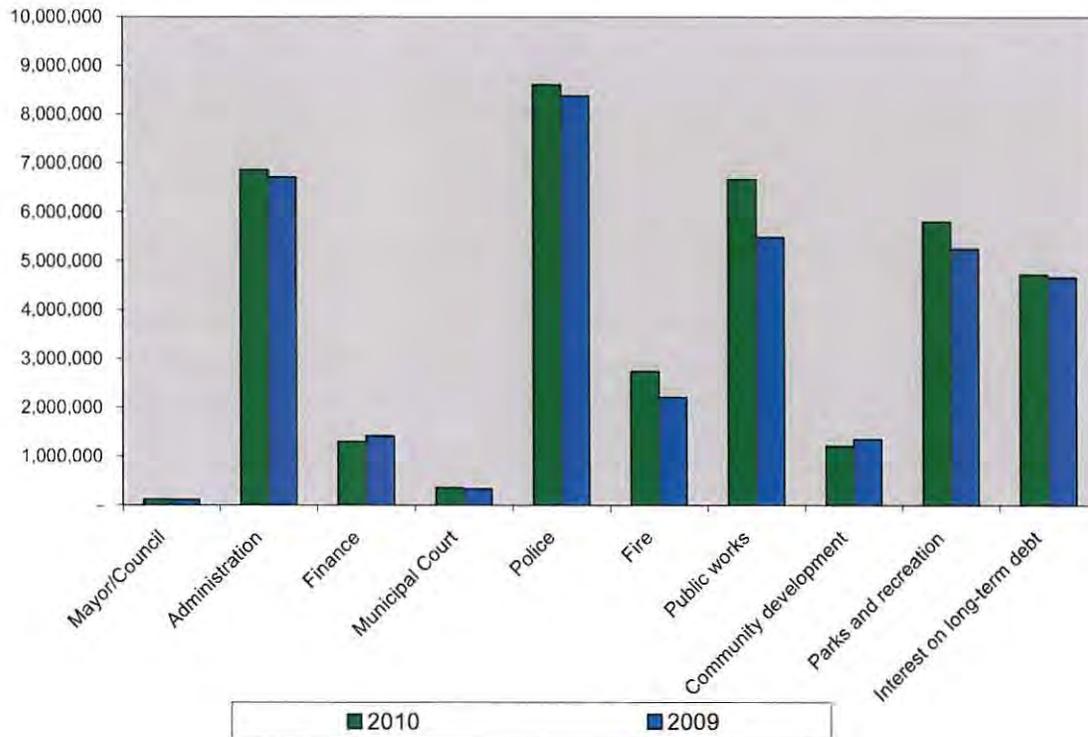
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	\$ 3,086,929	\$ 3,287,149	\$ 11,932,337	\$ 11,274,215	\$ 15,019,266	\$ 14,561,364
Operating grants & contributions	56,783	81,199	-	-	56,783	81,199
Capital grants & contributions	4,439,998	8,127,487	1,992,680	3,374,321	6,432,678	11,501,808
General Revenues:						
Property taxes	16,735,510	16,422,119	-	-	16,735,510	16,422,119
Sales taxes	10,833,398	10,264,401	-	-	10,833,398	10,264,401
Other	<u>3,304,089</u>	<u>3,734,068</u>	<u>203,622</u>	<u>675,348</u>	<u>3,507,711</u>	<u>4,409,416</u>
Total revenues	38,456,706	41,916,423	14,128,639	15,323,884	52,585,345	57,240,307
Program expenses:						
Mayor/Council	116,372	109,844	-	-	116,372	109,844
Administration	6,881,788	6,707,709	-	-	6,881,788	6,707,709
Finance	1,294,888	1,409,054	-	-	1,294,888	1,409,054
Municipal Court	353,147	334,922	-	-	353,147	334,922
Police	8,609,827	8,384,774	-	-	8,609,827	8,384,774
Fire	2,741,288	2,201,236	-	-	2,741,288	2,201,236
Public works	6,669,448	5,482,571	-	-	6,669,448	5,482,571
Community development	1,210,519	1,350,023	-	-	1,210,519	1,350,023
Parks and recreation	5,805,241	5,250,506	-	-	5,805,241	5,250,506
Interest on long-term debt	4,717,319	4,669,459	-	-	4,717,319	4,669,459
Water and sewer	-	-	<u>13,916,192</u>	<u>13,272,884</u>	<u>13,916,192</u>	<u>13,272,884</u>
Total expenses	38,399,837	35,900,098	13,916,192	13,272,884	52,316,029	49,172,982
Increase (decrease) in net assets						
before transfers	56,869	6,016,325	212,447	2,051,000	269,316	8,067,325
Transfers	<u>1,511,785</u>	<u>6,201,291</u>	<u>(1,511,785)</u>	<u>(6,201,291)</u>	-	-
Increase (decrease) in net assets	1,568,654	12,217,616	(1,299,338)	(4,150,291)	269,316	8,067,325
Net assets, October 1	<u>103,629,886</u>	<u>91,412,270</u>	<u>67,149,256</u>	<u>71,299,547</u>	<u>170,779,142</u>	<u>170,779,142</u>
Net assets, September 30	<u>\$105,198,540</u>	<u>\$103,629,886</u>	<u>\$ 65,849,918</u>	<u>\$ 67,149,256</u>	<u>\$171,048,458</u>	<u>\$178,846,467</u>

## Governmental Activities

The City's total revenues of governmental activities were \$38,437,698. A significant portion 43.6%, of the City's revenues came from property taxes. Another 28.2% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties and increased valuation throughout the City as well as increases in the tax rate to pay debt service. Assessed values of the properties in the City increased by \$74,671,525 or 2.48%. The City adopted a property tax rate of 50.31 cents per \$100 of assessed valuation for fiscal year 2010. The rate did not increase over the prior year's rate. Sales tax revenue increased over the prior year by 5.54% and was reflective of the addition of Costco Wholesale and other new retail business openings.

The economy while slower than in years past began to improve. The national decline in new housing starts had been felt on the local level but 2010 saw a 25% increase in residential building permits. This represented the largest number of housing starts since 2006. The City experienced little commercial development during the fiscal year but revenues were in line with prior years. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas. The City's investment earnings included in the "other" revenues above were reflective of today's interest rate environment.

### Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$38,380,829. Of these costs \$8,609,827 (22.4%) was for the Police Department. The department added a new officer and a dispatcher in fiscal year 2010 and upgraded their dispatch and mobile reporting software. Administrative departments including Administration, Human Resources, and Internal Operations had combined costs of \$6,862,780 (17.9%). Public Works costs were \$6,669,448 (17.4%) and reflected ongoing maintenance focused projects.

### Business-Type Activities

The City's business-type activities recorded a decrease of \$1,299,338 in net assets. Retail water sales increased by 4.78% over the prior year but are not back to the consumption levels seen before the extended period of near record drought conditions in 2007-08. The City's rates were increased in January 2010 which led to the additional revenue this year. The City implemented conservation water rates in 2001 and increases them each time new rates are adopted. Sewer charges were not affected significantly because the City uses winter averaging to calculate sewer billing. Water and sewer charges were \$11,932,337. The ending working capital, excluding restricted assets and liabilities payable from restricted assets, for the water and sewer fund was \$3,590,491.

Water and sewer impact fees revenue totaled \$508,124 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system's initial costs in building assets. Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the start of site development.

The City's water system has achieved the "Superior" rating by the Texas Commission on Environmental Quality.

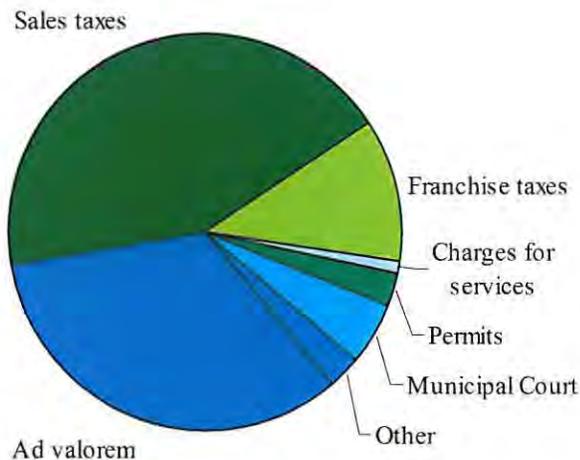
**Component Units**

The Rockwall Economic Development Corporation (REDC) reported revenues primarily from a ½ cent sales tax, authorized under the Type A Corporation statutes, of \$3,493,708. Assets managed by the corporation include an inventory of over 310 acres of land, zoned for light industrial uses and available for sale and an industrial building currently leased and also available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

**ANALYSIS OF INDIVIDUAL FUNDS**

The City's *General Fund* reported an ending unreserved fund balance of \$9,159,333. The largest source of general fund revenue is sales tax, it accounted for \$10,366,522 (43.7%) of total general fund revenue. Ad valorem property taxes account for \$7,917,126 (33.4%) of general fund revenues. The City maintains the unreserved fund balance at or above acceptable levels as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows.

**Revenues by Source – General Fund**



The City's *Debt Service Fund* reported an increase in fund balance of \$17,734. Property tax collections for debt service requirements were \$8,317,432. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed in 2009 or underway in 2010. After extensive study, the City adopted a Roadway Impact Fee in fiscal year 2009 which provided \$232,702 in new revenue to this fund in fiscal year 2010.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2010, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$21,875,100 increased to \$21,951,150 while revenues increased from \$22,829,800 to \$23,200,650. The City of Rockwall had originally estimated the ending general fund balance to be \$8,331,129 however due to the budget adjustments mentioned above and a planned reduction in fund balance for equipment for the police department, the fund balance was re-estimated to be \$8,209,929.

General fund revenues were \$23,731,553, an increase of \$530,903, reflecting strong sales tax collections in the latter months of the budget year. Actual general fund total expenditures were \$21,863,517 a decrease of \$87,633 less than final projections. This allowed the City to end the year with a fund balance of \$9,159,333, an increase of \$949,406 over the projected balance. The higher fund balance is attributable to management's conservative projections of both revenues and expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2010 the City had \$274,791,741 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$13,867,438	\$ 5,692,561	\$ 799,533	\$ 799,533	\$ 14,666,971	\$ 6,492,094
Buildings	14,025,618	9,288,285	89,668	95,102	14,115,286	9,383,387
Improvements other than buildings	21,754,264	21,622,268	70,870,766	60,685,467	92,625,030	82,307,735
Machinery & Equipment	5,020,277	5,263,317	714,704	708,000	5,734,981	5,971,317
Infrastructure	126,863,500	79,401,906	-	-	126,863,500	79,401,906
Construction in Progress	5,028,343	61,559,536	7,904,039	12,921,047	12,932,382	74,480,583
Wastewater treatment facilities	-	-	7,853,592	8,102,439	7,853,592	8,102,439
	<u>\$186,559,440</u>	<u>\$182,827,873</u>	<u>\$ 88,232,302</u>	<u>\$ 83,311,588</u>	<u>\$274,791,742</u>	<u>\$266,139,461</u>

The City's capital improvement program included a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects were completed in 2010 reflected in the reduction of construction in progress above. A number of drainage projects were anticipated during the five-year planned capital improvement period.

The City held a bond election in November 2005 which funded road, park and fire projects in excess of \$64,000,000. In addition to the 205 Bypass project, the City was authorized to move forward with several neighborhood parks projects and the acquisition of land for two large regional parks. Progress was made and includes the purchase of land for a large park in the northern area of the City, and completed construction on all of the neighborhood parks.

Construction in progress at September 30, 2010 for governmental activities included the ongoing construction costs associated with the Airport Road and Discovery Boulevard projects, the addition of a public safety radio tower which is nearing completion and various other improvements.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of waterline improvements and the extension of sanitary sewers into new areas of the city. Work commenced on a project to connect the Squabble Creek treatment plan to the regional wastewater interceptor project and will continue into 2011.

Additional information regarding the City's capital assets is found in note IV-C on pages 54-56.

Debt

At year end, the City had \$148,305,079 in bonds and capitalized leases shown in Table 4.

**Table 4  
City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 83,271,784	\$ 86,179,822	\$ 135,178	\$ 135,178	\$ 83,406,962	\$ 86,315,000
Certificates of obligation	20,875,000	22,425,000	25,890,000	25,890,000	46,765,000	48,315,000
Revenue bonds	-	-	10,775,000	11,670,000	10,775,000	11,670,000
Capital Lease obligations	278,034	-	7,080,083	7,431,754	7,358,117	7,431,754
	<u>\$ 104,424,818</u>	<u>\$108,604,822</u>	<u>\$ 43,880,261</u>	<u>\$ 45,126,932</u>	<u>\$148,305,079</u>	<u>\$153,731,754</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 3.30% or \$2,903 per capita. This is a reduction from the prior year due to the approximately 9.2% population increase experienced as a result of annexation efforts.

The City's bond ratings at September 30, 2010 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	A+	A-	A-
Moody's Investor Service Inc.	Aa2	Aa3	A1

Additional information on the City of Rockwall's long-term debt can be found in note IV-E, on pages 58-64 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rate, and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the slowed growth in our community and the impact of the national economic recession. Rockwall saw only a few new commercial/retail business openings in 2010 which would positively impact sales tax revenues in fiscal year 2011. With this in mind and to continue the City's conservative budget philosophy,

sales tax projections were flat. Slowed development caused the City to be very conservative in projecting building permit revenues as well. Commercial building starts were strong in late 2010 but are not expected to impact new year revenues. Interviews with local builders led the City to project continued slow home starts for the coming year.

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 6.6%, well below the national totals.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2011. The budgeted revenues for fiscal year 2011 total \$23,335,700 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. New debt was not issued in 2010 and the 2011 issuance will be significantly less than in years 2006 – 2009 due to completion of the majority of voter approved projects. The property tax rate was maintained at 50.31 cents per hundred dollars of assessed value.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City's fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The budget as adopted for fiscal year 2011 projects a fund balance of approximately 4.9 months of recurring operating expenditures.

The 2011 budget expenditures includes absorbing the increasing costs of employee health and retirement costs as well as increasing police patrol overtime and street maintenance expenditures. The budget did not include significant new programs due to budgetary constraints.

The water and sewer rate study has been updated and the budget does not anticipate an increase in those rates. A number of capital projects to continue system expansion and the system are being planned for fiscal year 2011 while operational costs will be slightly reduced from prior year levels.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087, Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

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## Basic Financial Statements

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## CITY OF ROCKWALL, TEXAS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,707,296	\$ 210,496	\$ 2,917,792	\$ 309,916
Investments	20,243,439	2,810,073	23,053,512	6,734,785
Receivables (net of allowances for uncollectibles)	2,788,708	2,139,669	4,928,377	4,631
Due from other governments	1,862,314	--	1,862,314	591,787
Due from component unit	1,050	--	1,050	--
Inventories	3,453	225,263	228,716	13,874,711
Restricted assets:				
Cash and cash equivalents	--	1,731,239	1,731,239	--
Investments	--	14,681,381	14,681,381	--
Accrued interest	--	56,632	56,632	--
Deferred charges	1,526,537	523,639	2,050,176	172,320
Capital assets (net of accumulated depreciation)				
Land	13,867,438	799,533	14,666,971	--
Buildings and system	14,025,618	78,814,025	92,839,643	--
Improvements other than buildings	21,754,264	--	21,754,264	--
Machinery and equipment	5,020,277	714,704	5,734,981	14,598
Infrastructure	126,863,500	--	126,863,500	--
Construction in progress	5,028,343	7,904,039	12,932,382	--
Total Assets	215,692,237	110,610,693	326,302,930	21,702,748
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	2,918,555	1,286,263	4,204,818	216,411
Unearned revenue	38,978	--	38,978	--
Due to other governments	160,347	--	160,347	--
Due to primary government	--	--	--	1,050
Customer deposits	--	320,540	320,540	--
Liabilities payable from restricted assets	--	1,147,959	1,147,959	--
Noncurrent liabilities:				
Due within one year	5,110,370	966,200	6,076,570	1,152,219
Due in more than one year	102,265,447	41,039,813	143,305,260	18,542,370
Total Liabilities	110,493,697	44,760,775	155,254,472	19,912,050
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	89,101,460	54,288,096	143,389,556	14,598
Restricted For:				
Debt Service	1,350,710	1,128,828	2,479,538	--
Capital Projects	10,437,913	5,092,891	15,530,804	--
Unrestricted	4,308,457	5,340,103	9,648,560	1,776,100
Total Net Assets	\$ 105,198,540	\$ 65,849,918	\$ 171,048,458	\$ 1,790,698

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Mayor/Council	\$ 116,372	\$ --	\$ --	\$ --
Administration	6,881,788	136,990	1,950	120
Finance	1,294,888	4,922	18,798	--
Municipal court	353,147	1,193,019	--	--
Police	8,609,827	522,919	32,344	--
Fire	2,741,288	125,450	3,691	78,000
Public works	6,669,448	62,795	--	4,251,768
Community development	1,210,519	664,711	--	--
Parks and recreation	5,805,241	376,123	--	110,110
Interest on long-term debt	4,717,319	--	--	--
Total governmental activities	38,399,837	3,086,929	56,783	4,439,998
Business-type Activities:				
Water and Sewer	13,916,192	11,932,337	--	1,992,680
Total Business-type Activities	13,916,192	11,932,337	--	1,992,680
Total Primary Government	\$ 52,316,029	\$ 15,019,266	\$ 56,783	\$ 6,432,678
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	\$ 2,122,769	\$ --	\$ --	\$ --
Rockwall Technology Park Association	160,721	151,047	--	--
Total Component Units	\$ 2,283,490	\$ 151,047	\$ --	\$ --
General Revenues:				
Ad valorem taxes, penalty and interest				
Sales Taxes				
Franchise Taxes				
Miscellaneous				
Unrestricted Investment Earnings				
Transfers				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of this statement.

## Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (116,372)		\$ (116,372)	
(6,742,728)		(6,742,728)	
(1,271,168)		(1,271,168)	
839,872		839,872	
(8,054,564)		(8,054,564)	
(2,534,147)		(2,534,147)	
(2,354,885)		(2,354,885)	
(545,808)		(545,808)	
(5,319,008)		(5,319,008)	
(4,717,319)		(4,717,319)	
<u>(30,816,127)</u>		<u>(30,816,127)</u>	
	\$ 8,825	8,825	
	8,825	8,825	
<u>(30,816,127)</u>	<u>8,825</u>	<u>(30,807,302)</u>	
			\$ (2,122,769)
			(9,674)
			<u>(2,132,443)</u>
16,735,510	--	16,735,510	--
10,833,397	--	10,833,397	3,493,708
2,748,483	--	2,748,483	--
476,168	149,248	625,416	295
79,438	54,374	133,812	9,604
1,511,785	(1,511,785)	--	--
<u>32,384,781</u>	<u>(1,308,163)</u>	<u>31,076,618</u>	<u>3,503,607</u>
1,568,654	(1,299,338)	269,316	1,371,164
103,629,886	67,149,256	170,779,142	419,534
<u>\$ 105,198,540</u>	<u>\$ 65,849,918</u>	<u>\$ 171,048,458</u>	<u>\$ 1,790,698</u>

**CITY OF ROCKWALL, TEXAS**  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2010

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 369,983	\$ 782,567	\$ 1,521,603	\$ 2,674,153
Investments	7,388,066	296,501	11,621,401	19,305,968
Receivables (net of allowances for uncollectibles):				
Taxes - delinquent	225,866	232,618	116,811	575,295
Fines	93,333	--	--	93,333
Accrued interest	37,656	--	38,424	76,080
Accounts receivable	86,535	--	484,859	571,394
Assessments receivable	--	--	71,563	71,563
Other receivables	251,559	--	2,423	253,982
Due from other funds	1,036,953	--	--	1,036,953
Due from other governments	1,713,677	--	148,637	1,862,314
Due from component unit	1,050	--	--	1,050
Inventory	3,453	--	--	3,453
Total Assets	<u>\$ 11,208,131</u>	<u>\$ 1,311,686</u>	<u>\$ 14,005,721</u>	<u>\$ 26,525,538</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,340,544	\$ --	\$ 552,430	\$ 1,892,974
Deferred revenue	533,407	216,657	472,717	1,222,781
Due to other funds	14,500	--	504,979	519,479
Due to other governments	160,347	--	--	160,347
Total Liabilities	<u>2,048,798</u>	<u>216,657</u>	<u>1,530,126</u>	<u>3,795,581</u>
Fund balances:				
Reserved for:				
Debt service	--	1,095,029	--	1,095,029
Unreserved, reported in:				
General fund	9,159,333	--	--	9,159,333
Debt service fund deficit	--	--	(164,739)	(164,739)
Special revenue funds	--	--	2,320,833	2,320,833
Capital projects funds	--	--	10,319,501	10,319,501
Total fund balances	<u>9,159,333</u>	<u>1,095,029</u>	<u>12,475,595</u>	<u>22,729,957</u>
Total Liabilities and Fund Balances	<u>\$ 11,208,131</u>	<u>\$ 1,311,686</u>	<u>\$ 14,005,721</u>	<u>\$ 26,525,538</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010

Total fund balances - governmental funds balance sheet	\$ 22,729,957
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	186,559,440
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	543,438
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	190,231
Payables for bond principal which are not due in the current period are not reported in the funds.	(105,907,449)
Payables for capital leases which are not due in the current period are not reported in the funds.	(278,034)
Payables for bond interest which are not due in the current period are not reported in the funds.	(750,578)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,190,335)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	1,526,537
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	79,384
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	1,134,969
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	118,412
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	111,563
Contracts receivable unavailable to pay for current period expenditures are deferred in the funds .	331,005
Net assets of governmental activities - Statement of Net Assets	\$ 105,198,540

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 7,917,126	\$ 8,317,432	\$ 326,208	\$ 16,560,766
Sales taxes	10,366,522	--	466,875	10,833,397
Franchise taxes	2,728,251	--	--	2,728,251
Charges for services	239,059	--	474,701	713,760
Permits	651,108	--	--	651,108
Municipal court	1,165,983	--	7,924	1,173,907
Intergovernmental	413,290	--	92,810	506,100
Interest income	54,156	5,432	19,849	79,437
Miscellaneous	186,058	247,701	135,499	569,258
Donations	10,000	--	138,512	148,512
Total revenues	23,731,553	8,570,565	1,662,378	33,964,496
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor/Council	116,372	--	--	116,372
Administration	3,095,616	--	277,028	3,372,644
Finance	1,007,850	--	181,400	1,189,250
Municipal court	333,234	--	--	333,234
Police	7,818,034	88,604	176,437	8,083,075
Fire	2,061,243	--	118,129	2,179,372
Public works	1,577,760	--	--	1,577,760
Community development	1,130,169	--	--	1,130,169
Parks and recreation	4,392,369	--	137,370	4,529,739
Total current	21,532,647	88,604	890,364	22,511,615
<b>Capital outlay:</b>				
Administration	--	--	4,746,949	4,746,949
Finance	--	--	57,653	57,653
Police	330,870	--	985,756	1,316,626
Fire	--	--	434,754	434,754
Public works	--	--	24,575	24,575
Parks and recreation	--	--	1,095,622	1,095,622
Total capital outlay	330,870	--	7,345,309	7,676,179
<b>Debt service:</b>				
Principal	--	4,208,038	250,000	4,458,038
Interest	--	4,124,157	642,331	4,766,488
Fiscal charges	--	7,032	--	7,032
Total debt service:	--	8,339,227	892,331	9,231,558
Total expenditures	21,863,517	8,427,831	9,128,004	39,419,352
Excess (deficiency) of revenues over (under) expenditures	1,868,036	142,734	(7,465,626)	(5,454,856)
<b>Other financing sources (uses):</b>				
Transfers in	721,200	--	757,635	1,478,835
Transfers out	(2,056,750)	(125,000)	(122,300)	(2,304,050)
Capital leases	330,870	--	--	330,870
Total other financing sources (uses)	(1,004,680)	(125,000)	635,335	(494,345)
Net change in fund balances	863,356	17,734	(6,830,291)	(5,949,201)
Fund balances, October 1	8,295,977	1,077,295	19,305,886	28,679,158
Fund balances, September 30	\$ 9,159,333	\$ 1,095,029	\$ 12,475,595	\$ 22,729,957

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances - total governmental funds	\$ (5,949,201)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	7,701,014
The depreciation of capital assets used in governmental activities is not reported in the funds.	(8,176,847)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(44,367)
Donations of capital assets increase net assets in the SOA but not in the funds.	4,251,767
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	174,745
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,458,038
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	52,836
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(88,090)
(Increase) decrease in accrued interest from beginning of period to end of period.	56,201
The net revenue (expense) of internal service funds is reported with governmental activities.	(452,540)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(149,726)
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	24,020
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(38,026)
Revenues in the SOA for franchise taxes not providing current financial resources are not reported in the funds.	20,232
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(330,870)
Certain contracts receivable revenues are deferred in the funds. This is the change in these amounts this year.	59,468
Change in net assets of governmental activities - Statement of Activities	\$ <u>1,568,654</u>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

SEPTEMBER 30, 2010

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 210,496	\$ 33,143
Investments	2,810,073	937,471
Accrued interest	--	189
Accounts receivable (net of allowance)	2,139,669	--
Other receivables	--	11,908
Inventory	225,263	--
Restricted assets:		
Cash and cash equivalents	1,731,239	--
Investments	14,681,381	--
Accrued interest	56,632	--
Total current assets	<u>21,854,753</u>	<u>982,711</u>
Noncurrent assets:		
Deferred charges	523,639	--
Capital assets not being depreciated	8,703,572	--
Capital assets being depreciated, net	79,528,729	--
Total noncurrent assets	<u>88,755,940</u>	<u>--</u>
Total Assets	<u>\$ 110,610,693</u>	<u>\$ 982,711</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,286,263	\$ 275,006
Due to other funds	--	517,474
Customer deposits	320,540	--
General obligation bonds - current	951,962	--
Liability for compensated absences	110,193	--
Liabilities Payable From Restricted Assets:		
Revenue bonds payable - current	740,000	--
Obligations under capital leases - current	370,004	--
Accrued interest payable	37,955	--
Total current liabilities	<u>3,816,917</u>	<u>792,480</u>
Noncurrent Liabilities:		
General obligation bonds payable	24,166,254	--
Revenue bonds payable	10,067,524	--
Obligations under capital leases payable	6,710,080	--
Total noncurrent liabilities	<u>40,943,858</u>	<u>--</u>
Total Liabilities	<u>44,760,775</u>	<u>792,480</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	54,288,096	--
Restricted for debt service	1,128,828	--
Restricted for construction	5,092,891	--
Unrestricted	5,340,103	190,231
Total Net Assets	<u>\$ 65,849,918</u>	<u>\$ 190,231</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 11,932,337	\$ 503,147
Reinsurance reimbursement	--	72,113
Total Operating Revenues	<u>11,932,337</u>	<u>575,260</u>
OPERATING EXPENSES:		
Personnel services	1,986,514	--
Contractual services	6,919,880	3,375,727
Materials and supplies	397,304	--
Operations	186,132	--
Utilities	382,159	--
Depreciation and amortization	1,930,306	--
Total Operating Expenses	<u>11,802,295</u>	<u>3,375,727</u>
Operating Income (Loss)	130,042	<u>(2,800,467)</u>
NON-OPERATING REVENUES (EXPENSES):		
Capital recovery fees	508,124	--
Interest income	54,374	5,187
Miscellaneous income	149,248	5,740
Paying agent fees	(6,922)	--
Interest expense	(2,106,975)	--
Total Non-operating Revenues (Expenses)	<u>(1,402,151)</u>	<u>10,927</u>
Net Income (Loss) before Operating Transfers	<u>(1,272,109)</u>	<u>(2,789,540)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
Capital contributions	1,484,556	--
Transfers in	--	2,337,000
Transfers out	(1,511,785)	--
Total Transfers and Capital Contributions	<u>(27,229)</u>	<u>2,337,000</u>
Change in net assets	(1,299,338)	(452,540)
Net assets, October 1	67,149,256	642,771
Net assets, September 30	<u>\$ 65,849,918</u>	<u>\$ 190,231</u>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2010

	Business Type Activities	Governmental Activities
	Enterprise Water and Sewer Fund	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 11,703,738	\$ 662,758
Cash Payments to Employees for Services	(1,968,049)	--
Cash Payments to Other Suppliers for Goods and Services	(7,794,716)	(3,457,484)
Net Cash Provided (Used) by Operating Activities	<u>1,940,973</u>	<u>(2,794,726)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Cash Paid to Other Funds	(1,511,785)	--
Cash Received From Other Funds	--	2,637,058
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,511,785)</u>	<u>2,637,058</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from capital debt	--	--
Principal and Interest Paid	(4,198,851)	--
Capital recovery fees received	508,124	--
Acquisition or Construction of Capital Assets	(5,366,462)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(9,057,189)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investment Securities	(3,350,000)	--
Proceeds from Sale and Maturities of Securities	9,620,284	--
Interest and Dividends on Investments	54,374	4,129
Net Cash Provided (Used) for Investing Activities	<u>6,324,658</u>	<u>4,129</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,303,343)	(153,539)
Cash and Cash Equivalents at Beginning of Year	16,386,532	1,124,153
Cash and Cash Equivalents at End of Year	<u>\$ 14,083,189</u>	<u>\$ 970,614</u>
<b>Cash Equivalents Included in Investments:</b>		
Unrestricted	\$ 1,310,073	\$ 937,471
Restricted	10,831,381	--
	<u>\$ 12,141,454</u>	<u>\$ 937,471</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 130,072	\$ (2,799,598)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	1,930,306	--
Miscellaneous Income	149,248	5,740
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(378,867)	80,889
Decrease (Increase) in Inventories	(5,362)	--
Decrease (Increase) in Due From Other Governments	--	--
Increase (Decrease) in Accounts Payable and Accrued Liabilities	96,124	(81,757)
Increase (Decrease) in Customer Deposits	990	--
Increase (Decrease) in Compensated Absences	18,462	--
Total Adjustments	<u>1,810,901</u>	<u>4,872</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,940,973</u>	<u>\$ (2,794,726)</u>
<b>Non-Cash Activities:</b>		
Capital Contributions	\$ 1,484,556	\$ --

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2010

	Agency Fund
	Special Escrow Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 45,818
Investments	1,311,252
Accrued interest	7,826
Total Assets	<u>1,364,896</u>
<b>LIABILITIES</b>	
Due to developers	1,364,896
Total Liabilities	<u>1,364,896</u>
<b>NET ASSETS</b>	
Total Net Assets	\$ <u>          --</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Rockwall, Texas, was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Rockwall, Texas, conform to generally accepted accounting principals issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City of Rockwall is a home rule municipality governed by an elected mayor and six member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

**Discretely Presented Component Units**

The Rockwall Economic Development Corporation (REDC) is governed by a nine member board of directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half cent sales tax to support its activities.

The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within the park being developed by REDC. RTP's board of directors is composed of representatives of the landowners. At September 30, 2010, REDC owned the majority of the land and the board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City.

The funds of both REDC and RTP are composed of governmental fund types. Stand alone financial statements for RTP as of and for the fiscal year ended September 30, 2010 are not prepared.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance, and worker's compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and worker compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than 5 years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
- e. Certificates of deposit issued by a state or national bank domiciled in the state of Texas or a savings bank domiciled in the state of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items 1 – 4. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least of the 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the state of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net assets value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

The City holds various mortgage backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
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2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Rockwall County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2010

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 30 years
Building Improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of 3 days sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of 3 days sick leave to one day vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of 3 days sick leave to one day vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

7. Long-term obligations

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

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

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$1,526,537 difference are as follows:

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

Bonds issuance costs:  
City

\$1,526,537

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2010, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:  
  
Emergency Siren Fund  
Downtown Improvement Fund  
Art in Public Places Fund
7. Capital Project funds were not budgeted. Since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

B. Deficit fund equity

The following funds had deficit fund balances at September 30, 2010:

Harbor Debt Service Fund	\$164,739
Employee Benefits Internal Service Fund	\$750,207

The deficit in the Harbor Debt Service Fund was caused by property tax revenue delays, and will be covered by additional revenues in the future. The deficit in the Employee Benefits fund was caused by unanticipated health care cost increases, and will be covered by additional transfers from the general fund.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

**IV. DETAILED NOTES ON ALL FUNDS**

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2010, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$1,235,723 which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2010, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

Investments

At September 30, 2010, the City's investments were:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-18
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Bank	\$9,529,988	\$ --	\$ --	\$1,495,545	\$8,034,443
Federal Home Loan Mortgage Corp.	2,351,174	--	--	--	2,351,174
Federal National Mortgage Asso.	3,457,992	--	--	1,998,808	1,459,184
Treasury bills and notes	<u>2,197,480</u>	<u>697,625</u>	--	--	<u>1,499,855</u>
	17,536,634	697,625	--	3,494,353	13,344,656
Money Market Funds	<u>21,509,510</u>	<u>21,509,510</u>	--	--	--
Total Primary Government	<u>39,046,144</u>	<u>22,207,135</u>	--	<u>3,494,353</u>	<u>13,344,656</u>
<b>Discrete Component Units</b>					
Rockwall Economic Development Corporation					
Money Market Funds	6,694,421	6,694,421	--	--	--
Rockwall Technology Park					
Money Market Funds	<u>40,364</u>	<u>40,364</u>	--	--	--
Total Discrete Component Units	<u>6,734,785</u>	<u>6,734,785</u>	--	--	--
Total Reporting Entity	<u>\$45,780,929</u>	<u>\$28,941,920</u>	<u>\$ --</u>	<u>\$3,494,353</u>	<u>\$13,344,656</u>

Investments are reported in the

Statement of net assets as follows:

Governmental activities \$20,243,439

Business-type activities 17,491,454

Fiduciary Fund 1,311,251

Discrete component units:

Rockwall Economic

Development Corporation 6,694,421

Rockwall Technology Park 40,364

\$45,780,929

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2010

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Nonmajor and Other	Total Governmental	Water and Sewer
Taxes receivable - delinquent	\$225,866	\$232,618	\$116,811	\$575,295	\$ --
Fines receivable	\$146,256	\$ --	\$ --	\$146,256	\$ --
Allowance for uncollectibles	(52,923)	--	--	(52,923)	--
	\$93,333	\$ --	\$ --	\$93,333	\$ --
Accrued Interest	\$37,656	\$ --	\$38,424	\$76,080	\$56,632
Accounts receivable	\$86,535	\$ --	\$484,859	\$571,394	\$2,699,540
Allowance for uncollectibles	--	--	--	--	(559,871)
Net other receivables	\$86,535	\$ --	\$484,859	\$571,394	\$2,139,669
Assessments receivable	\$ --	\$ --	\$71,563	\$71,563	\$ --
Other receivables	\$251,559	\$ --	\$2,423	\$253,982	\$ --

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$209,971	\$ --
Contract receivable not yet due	244,052	--
Fines receivable	79,384	--
Delinquent property taxes receivable (Debt Service Fund)	216,657	--
Delinquent property taxes receivable (Harbor Debt Service)	116,811	--
Contract receivable not yet due (Harbor Debt service)	--	86,953
Assessments receivable not yet due (Street improvements)	111,563	--
Contributions not yet received (Street Improvements)	118,412	--
Seizures not awarded (Special Crimes Unit)	--	38,979
Total deferred/unearned revenue for governmental funds	\$1,096,850	\$125,932

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2010

C. Capital assets

Capital asset activity for the year ended September 30, 2010:

Primary Government

	Balance 9/30/09	Additions	Retirements	Completed Construction	Balance 9/30/10
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$5,692,561	\$ --	\$ --	\$8,174,877	\$13,867,438
Construction in progress	61,559,536	5,773,539	(7,930)	(62,296,802)	5,028,343
Total capital assets not being depreciated	67,252,097	5,773,539	(7,930)	(54,121,925)	18,895,781
Capital assets, being depreciated:					
Buildings	12,167,916	--	(78,999)	5,232,057	17,320,974
Improvements other than buildings	25,208,584	1,107,315	--	439,424	26,755,323
Machinery and equipment	12,574,776	820,160	(444,547)	296,926	13,247,315
Infrastructure	122,036,932	4,251,767	--	48,153,518	174,442,217
Total capital assets being depreciated	171,988,208	6,179,242	(523,546)	54,121,925	231,765,829
Less accumulated depreciation for:					
Buildings	(2,879,631)	(489,309)	73,584	--	(3,295,356)
Improvements other than buildings	(3,586,316)	(1,414,743)	--	--	(5,001,059)
Machinery and equipment	(7,311,459)	(1,329,104)	413,525	--	(8,227,038)
Infrastructure	(42,635,026)	(4,943,691)	--	--	(47,578,717)
Total accumulated depreciation	(56,412,432)	(8,176,847)	487,109	--	(64,102,170)
Total capital assets being depreciated, net	115,575,776	(1,997,605)	(36,437)	--	167,663,659
Governmental activities capital assets, net	\$182,827,873	\$3,775,934	(\$44,367)	\$ --	\$186,559,440

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2010

	Balance 9/30/09	Additions	Retirements	Completed Construction	Balance 9/30/10
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$799,533	--	--	--	\$799,533
Construction in progress	12,921,047	5,238,030	--	(10,255,038)	7,904,039
Total capital assets not being depreciated	13,720,580	5,238,030	--	(10,255,038)	8,703,572
Capital assets, being depreciated:					
Buildings	198,109	--	--	--	198,109
Improvements other than buildings	74,424,332	1,545,980	--	10,255,038	86,225,350
Sewage treatment plants and pump station	12,516,072	--	--	--	12,516,072
Machinery and equipment	4,072,862	67,009	--	--	4,139,871
Total capital assets being depreciated	91,211,375	1,612,989	--	--	103,079,402
Less accumulated depreciation for:					
Buildings	(103,007)	(5,434)	--	--	(108,441)
Improvements other than buildings	(13,738,864)	(1,615,720)	--	--	(15,354,584)
Sewage treatment plants and pump station	(4,413,633)	(248,847)	--	--	(4,662,480)
Machinery and equipment	(3,364,862)	(60,305)	--	--	(3,425,167)
Total accumulated depreciation	(21,620,366)	(1,930,306)	--	--	(23,550,672)
Capital assets being depreciated, net	69,591,009	(317,317)	--	--	79,528,730
Business type activities capital assets, net	\$83,311,589	\$4,920,713	\$ --	\$ --	\$88,232,302

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$568,904
Finance	96,785
Municipal court	19,123
Police	446,750
Fire	606,463
Public works	5,089,720
Community development	75,727
Parks and recreation	1,273,375
Total depreciation expense - governmental activities	<u>\$8,176,847</u>

Business-type activities:

Water and sewer	<u>\$1,930,306</u>
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**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2010

Construction commitments

The City has active construction projects as of September 30, 2010. The projects include street construction, parking improvements, water system improvements, and sewer system improvements.

Project	Spent to Date	Remaining Commitment
Street improvements	\$820,770	\$41,583
Parking improvements	131,769	51,714
Communications improvements	652,757	87,724
Water system improvements	462,792	112,105
Sewer system improvements	3,457,251	1,594,458
	<u>\$5,525,339</u>	<u>\$1,887,584</u>

The street improvements, parking improvements, and communications improvements are being financed by bond proceeds. The commitment for water system improvements and sewer system improvements are being financed by bond proceeds.

Discretely presented component units - Rockwall Economic Development Corporation:

	Balance 9/30/09	Additions	Retirements	Completed Construction	Balance 9/30/10
Capital assets, being depreciated:					
Furniture and fixtures	\$83,945	\$1,476	--	--	\$85,421
Total capital assets being depreciated	83,945	1,476	--	--	85,421
Less accumulated depreciation for:					
Furniture and fixtures	(67,872)	(2,951)	--	--	(70,823)
Total accumulated depreciation	(67,872)	(2,951)	--	--	(70,823)
Total capital assets being depreciated, net	<u>\$16,073</u>	<u>(\$1,475)</u>	<u>--</u>	<u>--</u>	<u>\$14,598</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2010, is as follows:

Fund	Receivable	Payable
General Fund	\$1,036,953	\$14,500
Nonmajor governmental funds	--	504,979
Internal Service Funds	--	517,474
Total Internal Service Funds	1,036,953	1,036,953
Totals	\$1,036,953	\$1,036,953

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. These are expected to be collected within one year.

The composition of interfund transfers for the year ended September 30, 2010, is as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$721,200	\$2,056,750
Debt Service Fund	--	125,000
Nonmajor Governmental Funds	757,635	122,300
Water and Sewer Enterprise Fund	--	1,511,785
Internal Service Funds	2,337,000	--
Totals	\$3,815,835	\$3,815,835

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

E. Long-term debt

The City issues general obligation debt ( in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

General Obligation Debt Outstanding as of September 30, 2010, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/10
<b>Governmental Activities</b>					
General Obligation Bonds:					
Refunding	4,024,394	2003	2015	2.00%-4.00%	1,541,784
Refunding and Improvements	13,345,000	2005	2025	3.00%-4.50%	11,815,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	32,185,000
Improvements	21,765,000	2007	2037	5.13%-6.13%	20,275,000
Improvements	9,515,000	2008	2028	2.05%-2.50%	8,875,000
Improvements	9,065,000	2009	2029	2.00%-4.60%	8,580,000
<b>Total General Obligation Bonds</b>					<b>83,271,784</b>
Certificates of Obligation Bonds:					
Improvements	4,295,000	2002	2012	2.80%-3.80%	240,000
Improvements	12,415,000	2005	2025	3.00%-5.00%	11,650,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	3,845,000
Improvements	505,000	2007	2011	4.25%-4.50%	135,000
Improvements	395,000	2008	2028	3.00%-5.00%	205,000
Improvements	5,125,000	2009	2029	2.00%-4.60%	4,800,000
<b>Total Certificates of Obligation</b>					<b>20,875,000</b>
<b>Total Governmental Activities General Obligation Debt</b>					<b>104,146,784</b>
<b>Business-type Activities:</b>					
General Obligation Bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	113,216
Certificates of Obligation:					
Improvements	10,310,000	2007	2027	4.25%-4.50%	9,255,000
Improvements	16,895,000	2008	2028	3.00%-5.00%	15,750,000
<b>Total Certificates of obligation</b>					<b>25,005,000</b>
<b>Total business-type general obligation debt</b>					<b>25,118,216</b>
<b>Total General Debt</b>					<b>\$129,265,000</b>

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2010

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$4,748,038	\$4,603,526	\$951,962	\$1,094,412	\$11,397,938
2012	5,218,038	4,417,033	991,962	1,061,949	11,688,982
2013	5,218,038	4,206,821	1,041,962	1,028,099	11,494,920
2014	5,428,038	4,400,284	1,091,962	990,949	11,911,233
2015	5,459,632	3,785,898	1,145,368	949,360	11,340,258
2016-2020	26,990,000	15,433,725	6,490,000	4,037,238	52,950,963
2021-2025	26,130,000	9,491,763	8,240,000	2,433,668	46,295,431
2026-2030	13,270,000	4,264,689	5,165,000	458,675	23,158,364
2031-2035	8,745,000	1,951,306	--	--	10,696,306
2036-2037	2,940,000	181,919	--	--	3,121,919
Total	<u>\$104,146,784</u>	<u>\$52,736,964</u>	<u>\$25,118,216</u>	<u>\$12,054,350</u>	<u>\$194,056,314</u>

REVENUE BONDS. The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding at year end are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/10
Revenue Bonds					
Improvements	\$3,535,000	1999	2019	4.15%-5.00%	\$1,115,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	4,755,000
Refunding and improvements	6,415,000	2005	2025	3.00%-4.50%	4,905,000
Total Revenue Bonds					10,775,000
Plus unamortized premium					89,045
Less unamortized discount on bonds					(133,147)
Total Revenue Bonds					<u>\$10,730,898</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

Revenue bond debt service requirements to maturity are as follows:

Year	Water and Sewer Fund		Total
	Principal	Interest	
2011	\$740,000	\$471,228	\$1,211,228
2012	770,000	440,817	1,210,817
2013	795,000	407,986	1,202,986
2014	830,000	374,474	1,204,474
2015	750,000	339,084	1,089,084
2016-2020	4,115,000	1,182,789	5,297,789
2021-2025	2,775,000	315,066	3,090,066
Total	10,775,000	\$ 3,531,444	\$14,306,444
Unamortized Premium	89,045		
Unamortized Discount	(133,147)		
Total Revenue bonds	\$10,730,898		

Capitalized Lease Obligations

The City has entered into a contract with a software vendor for an upgrade to the public safety software system. This contract has been treated as a capitalized leases.

The City has entered into a contract with the North Texas Municipal Water District), a conservation and reclamation district and political subdivision of the state of Texas, for construction and operation of sewer plants and to provide treated water to the City. The contractual obligations have been treated as capitalized leases.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2010

Capitalized lease obligations outstanding at September 30, 2010 are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/10
<b>Capital Leases</b>					
Governmental activities					
Public safety computer upgrade	\$330,870	2010	2016	4.45%	\$278,034
Business-type activities					
South Plant Improvements	\$1,800,000	1996	2016	various	760,000
Ground Storage Facility	2,013,434	2005	2025	various	1,660,084
Pump Station	2,145,000	2006	2026	various	1,880,000
Buffalo Creek Plant	2,960,000	2008	2028	various	2,780,000
					7,080,084
Total Capitalized Lease Obligations					\$7,358,118

Capital lease obligation debt service requirements to maturity are as follows:

Year	Governmental Activities	Business-type Activities	Total
2010	\$53,818	\$713,791	\$767,609
2011	53,818	715,125	768,943
2012	53,818	720,501	774,319
2013	53,818	714,226	768,044
2014	53,818	712,304	766,122
2015-2019	53,818	2,980,721	3,034,539
2020-2024	--	2,860,412	2,860,412
2025-2026	--	915,502	915,502
Total payments	322,908	10,332,582	10,655,490
Less imputed interest	(44,874)	(3,252,498)	(3,297,372)
Total Capital Lease Obligations	\$278,034	\$7,080,084	\$7,358,118

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

**CHANGES IN LONG-TERM LIABILITIES**

During the year ended September 30, 2010, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/09	Additions	Retirements	Balance 9/30/10	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$86,179,822	--	(\$2,908,038)	\$83,271,784	\$3,333,038
Certificates of obligation	22,425,000	--	(1,550,000)	20,875,000	1,415,000
Deferred amounts:					
Unamortized premium (discount)	1,865,641	--	(82,517)	1,783,124	82,517
Loss on refunding	(23,707)	--	1,248	(22,459)	(1,248)
Total bonds payable	110,446,756	--	(4,539,307)	105,907,449	4,829,307
Capital lease obligations	--	330,870	(52,836)	278,034	41,445
Compensated absences	1,040,609	1,029,774	(880,048)	1,190,335	239,618
<b>Governmental activity Long-Term Liabilities</b>	<b>\$111,487,365</b>	<b>\$1,360,644</b>	<b>(\$5,472,191)</b>	<b>\$107,375,818</b>	<b>\$5,110,370</b>
<b>Business-type activities:</b>					
General obligation bonds	\$26,025,178	--	(\$906,962)	\$25,118,216	\$951,962
Revenue bonds	11,670,000	--	(895,000)	10,775,000	740,000
Less deferred premium (discount)	46,741	--	(14,216)	32,525	2,639
Total bonds payable	37,741,919	--	(1,816,178)	35,925,741	1,694,601
Capital lease obligations	7,431,754	--	(351,671)	7,080,083	370,004
Compensated absences	91,731	147,663	(129,201)	110,193	11,599
<b>Business-type activities</b>	<b>\$45,265,404</b>	<b>\$147,663</b>	<b>(\$2,297,050)</b>	<b>\$43,116,017</b>	<b>\$2,076,204</b>

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund. The government-wide statement of activities includes \$740,000 of revenue bonds and \$370,004 of capital leases due within one year for business-type activities in "liabilities payable from restricted assets" on that same statement.

**Conduit Debt Obligations**

Certain revenue bonds have been issued in the past to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2010, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issue was \$1,700,000.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2010

Authorized and Unissued Debt

The following tables detail the status of all authorized general obligation and revenue bonded debt as of September 30, 2010:

Year Authorized	General Obligation Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/10
1985	\$1,500,000	(\$600,000)	\$900,000
1994	4,100,000	(3,600,000)	500,000
2002	19,845,000	(19,540,000)	305,000
2005	63,705,000	(56,985,000)	6,720,000
	<u>\$89,150,000</u>	<u>(\$80,725,000)</u>	<u>\$8,425,000</u>

Year Authorized	Revenue Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/10
1980	\$2,000,000	(\$1,060,000)	\$940,000
1985	1,540,000	--	1,540,000
Totals	<u>\$3,540,000</u>	<u>(\$1,060,000)</u>	<u>\$2,480,000</u>

Discretely presented component units - Rockwall Economic Development Corporation:

\$5,000,000 Sales Tax Revenue Bonds, series 1999, payable in annual installments through August 1, 2019, interest payable at 4.20% to 6.20%	\$2,940,000
\$4,545,000 Sales Tax Revenue Bonds, series 2008, payable in annual installments through August 1, 2028, interest payable at 7.00%	<u>4,280,000</u>
Total Sales Tax Revenue Bonds	<u>7,220,000</u>
\$3,225,000 Certificates of Obligation, series 2005, payable in annual installments through August 1, 2015, interest payable at 3.00% to 5.00%	1,785,000
\$5,540,000 Certificates of Obligation, series 2006, payable in annual installments through August 1, 2025, interest payable at 4.25% to 5.00%	4,795,000
\$6,130,000 Certificates of Obligation, series 2008, payable in annual installments through August 1, 2028, interest payable at 3.00% to 5.00%	<u>5,715,000</u>
Total Certificates of Obligation	<u>12,295,000</u>
Total	<u>\$19,515,000</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

Annual debt service requirements to maturity for REDC debt are as follows:

Year	Governmental Activities		Total
	Principal	Interest	
2011	\$1,135,000	\$985,269	\$2,120,269
2012	1,185,000	935,657	2,120,657
2013	1,245,000	881,319	2,126,319
2014	1,315,000	823,569	2,138,569
2015	1,380,000	762,507	2,142,507
2016-2020	5,355,000	2,946,169	8,301,169
2021-2025	5,050,000	1,644,662	6,694,662
2026-2028	2,850,000	306,635	3,156,635
Total	<u>\$19,515,000</u>	<u>\$9,285,787</u>	<u>\$28,800,787</u>

During the year ended September 30, 2010, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/09	Additions	Retirements	Balance 9/30/10	Due Within One Year
<b>Governmental activities:</b>					
Sales tax revenue bonds	\$7,595,000	\$ --	(\$375,000)	\$7,220,000	\$395,000
Certificates of obligation	13,005,000	--	(710,000)	12,295,000	740,000
Unamortized premium (discount)	174,526	--	(10,602)	163,924	10,602
Total bonds payable	20,774,526	--	(1,095,602)	19,678,924	1,145,602
Compensated absences	20,384	20,605	(25,325)	15,664	6,617
Total	<u>\$20,794,910</u>	<u>\$20,605</u>	<u>(\$1,120,927)</u>	<u>\$19,694,588</u>	<u>\$1,152,219</u>

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of the City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Medical claims in any one year exceeding \$75,000 per covered individual or, approximately \$3,238,610 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2010.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers compensation plan. Under this plan, worker compensation insurance is provided in accordance with State statutes to all City employees. To protect the assets of the plan from a catastrophic claim the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a cap of \$600,000 per year.

The Worker's Compensation fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported, are not believed to be significant to the City's financial statements.

	Employee Benefits		Worker's Compensation	
	2010	2009	2010	2009
Claims payable beginning of the year	\$173,703	\$176,172	\$17,454	\$10,697
Claims incurred	2,717,990	2,427,029	64,996	90,752
Payment on claims	(2,743,678)	(2,429,498)	(67,047)	(83,995)
	<u>\$148,015</u>	<u>\$173,703</u>	<u>\$15,403</u>	<u>\$17,454</u>

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**B. North Texas Municipal Water District**

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment processing and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams and underground water, for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest equity investments and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek and, in 1978 entered into an agreement with the District for the

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable NTMWD to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the Annual Budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the Paying Agent and the Registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2010, is \$7,080,084. See Note IV E for the annual requirements to amortize the bonds as of September 30, 2010.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

**C. Contingent Liabilities and Commitments**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 5 above, the general revenues of the City are contingently liable for the \$25,118,216 payable in General Obligation Bonds which are currently outstanding and recorded as obligations of the Enterprise Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2010, these commitments totaled \$2,173,020.

**E. Employee retirement systems and pension plans**

**1. Plan Description**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available within the options available in the governing state statutes of TMRS.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2010

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

2. Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2008 valuation is effective for rates beginning January 2010.

Actuarial Assumptions

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization	25 Years - Closed Period
Asset Valuation Method	Amortized Cost

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2010

Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost of Living Adjustments	0.0%

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/09</u>	<u>12/31/08</u>	<u>12/31/07</u>
Actuarial Value of Asset	\$25,780,417	\$22,226,747	\$20,486,755
Actuarial Accrued Liabilities	\$40,255,888	\$35,689,690	\$32,796,027
Percentage Funded	64.0%	62.3%	62.5%
Unfunded (Over-funded) Actuarial			
Accrued Liability	\$14,475,471	\$13,462,943	\$12,309,272
Annual Covered Payroll	\$14,294,431	\$13,582,924	\$12,404,225
UAAL as a Percentage of Covered Payroll	101.3%	99.1%	99.2%
Net Pension Obligation (NPO)	\$ --	\$ --	\$ --

	<u>Fiscal Year Ended September 30,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contribution (ARC)	\$1,963,265	\$1,743,863	\$1,561,437
Interest on NPO	--	--	--
Adjustment to the ARC	--	--	--
	<u>1,963,265</u>	<u>1,743,863</u>	<u>1,561,347</u>
Contributions Made (100%)	1,963,265	1,743,863	1,561,347
Increase in NPO	--	--	--
NPO at the End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$50,500 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a board of directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 38 active participants currently covered by the Fund and payments are being made to 22 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments, however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P. O. Box 12577, Austin, Texas, 78711.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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**CITY OF ROCKWALL, TEXAS**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 7,785,200	\$ 7,908,200	\$ 7,917,126	\$ 8,926
Sales taxes	10,117,000	10,137,000	10,366,522	229,522
Franchise taxes	2,355,000	2,624,000	2,728,251	104,251
Charges for services	218,500	224,100	239,059	14,959
Permits	745,750	656,250	651,108	(5,142)
Municipal court	995,000	1,030,000	1,165,983	135,983
Intergovernmental	416,350	409,100	413,290	4,190
Interest income	110,000	75,000	54,156	(20,844)
Miscellaneous	77,000	127,000	186,058	59,058
Donations	10,000	10,000	10,000	--
Total revenues	<u>22,829,800</u>	<u>23,200,650</u>	<u>23,731,553</u>	<u>530,903</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor/Council Administration	118,700	118,700	116,372	2,328
Finance	3,113,450	3,119,750	3,095,616	24,134
Municipal court	1,031,800	1,018,600	1,007,850	10,750
Police	329,050	341,450	333,234	8,216
Fire	7,817,200	7,906,150	7,818,034	88,116
Public works	2,173,550	2,133,550	2,061,243	72,307
Community development	1,617,650	1,631,250	1,577,760	53,490
Parks and recreation	1,161,050	1,171,950	1,130,169	41,781
Total current	<u>4,512,650</u>	<u>4,509,750</u>	<u>4,392,369</u>	<u>117,381</u>
Total current	<u>21,875,100</u>	<u>21,951,150</u>	<u>21,532,647</u>	<u>418,503</u>
<b>Capital outlay:</b>				
Police	--	--	330,870	(330,870)
Total capital outlay	<u>--</u>	<u>--</u>	<u>330,870</u>	<u>(330,870)</u>
Total expenditures	<u>21,875,100</u>	<u>21,951,150</u>	<u>21,863,517</u>	<u>87,633</u>
Excess (deficiency) of revenues over (under) expenditures	954,700	1,249,500	1,868,036	618,536
<b>Other financing sources (uses):</b>				
Transfers in	721,200	721,200	721,200	--
Transfers out	(1,640,750)	(2,056,750)	(2,056,750)	--
Capital leases	--	--	330,870	330,870
Total other financing sources (uses)	<u>(919,550)</u>	<u>(1,335,550)</u>	<u>(1,004,680)</u>	<u>330,870</u>
Net change in fund balances	35,150	(86,050)	863,356	949,406
Fund balances, October 1	8,295,977	8,295,977	8,295,977	--
Fund balances, September 30	<u>\$ 8,331,127</u>	<u>\$ 8,209,927</u>	<u>\$ 9,159,333</u>	<u>\$ 949,406</u>

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## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery - established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation - established to account for donations, court security fees, and forfeitures.

Recreational Development - established to account for the annual lease income from marinas and golf course.

Radio System - established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements - established to account for the proceeds of street improvement assessments.

Hotel Motel Tax - established to account for the annual income from hotel motel taxes.

Fire Equipment - established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation - established to account for funds received from airport operations and related expenses.

Recycling - established to account for funds to be used for the City's recycling program.

Emergency Siren — established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement - established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places - established to account for donations received for developing art displays in public areas such as parks.

Special Crimes Unit - established to account for revenues and expenditures related to a county-wide crime task force.

### *DEBT SERVICE FUNDS*

Debt Service Funds are used to account for the accumulation of resources and payment of general, certificate, & contractual obligation bond principal and interest from governmental resources.

NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

*CAPITAL PROJECTS FUNDS*

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects - established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition — established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project — established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

G.O. Bonds Capital Projects — established to account for street and drainage projects using proceeds from the issuance of bonds.

*INTERNAL SERVICE FUNDS*

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund — established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund — established to account for the costs of the workers' compensation self-insurance program for the City.

*AGENCY FUND*

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Special Escrow Agency Fund - established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

## CITY OF ROCKWALL, TEXAS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 599,829	\$ 4	\$ 921,770	\$ 1,521,603
Investments	1,764,424	--	9,856,977	11,621,401
Receivables (net of allowances for uncollectibles):				
Taxes - delinquent	--	116,811	--	116,811
Accrued interest	350	--	38,074	38,424
Accounts receivable	107,954	236,573	140,332	484,859
Assessments receivable	71,563	--	--	71,563
Other receivables	2,423	--	--	2,423
Due from other governments	--	148,637	--	148,637
Total Assets	\$ 2,546,543	\$ 502,025	\$ 10,957,153	\$ 14,005,721
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 33,190	\$ --	\$ 519,240	\$ 552,430
Deferred revenue	150,541	203,764	118,412	472,717
Due to other funds	41,979	463,000	--	504,979
Total Liabilities	225,710	666,764	637,652	1,530,126
<b>Fund balances (deficits):</b>				
<b>Unreserved, reported in:</b>				
Debt service fund deficit	--	(164,739)	--	(164,739)
Special revenue funds	2,320,833	--	--	2,320,833
Capital projects funds	--	--	10,319,501	10,319,501
Total fund balances (deficits)	2,320,833	(164,739)	10,319,501	12,475,595
Total Liabilities and Fund Balances	\$ 2,546,543	\$ 502,025	\$ 10,957,153	\$ 14,005,721

## CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ --	\$ 326,208	\$ --	\$ 326,208
Sales taxes	190,432	276,443	--	466,875
Charges for services	474,701	--	--	474,701
Municipal court	7,924	--	--	7,924
Intergovernmental	92,810	--	--	92,810
Interest income	3,866	--	15,983	19,849
Miscellaneous	135,499	--	--	135,499
Donations	138,512	--	--	138,512
Total revenues	<u>1,043,744</u>	<u>602,651</u>	<u>15,983</u>	<u>1,662,378</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	213,587	--	63,441	277,028
Finance	181,400	--	--	181,400
Police	176,437	--	--	176,437
Fire	118,129	--	--	118,129
Parks and recreation	137,370	--	--	137,370
Total current	<u>826,923</u>	<u>--</u>	<u>63,441</u>	<u>890,364</u>
<b>Capital outlay:</b>				
Administration	98,070	--	4,648,879	4,746,949
Finance	--	--	57,653	57,653
Police	47,047	--	938,709	985,756
Fire	54,592	--	380,162	434,754
Public works	--	--	24,575	24,575
Parks and recreation	144,334	--	951,288	1,095,622
Total capital outlay	<u>344,043</u>	<u>--</u>	<u>7,001,266</u>	<u>7,345,309</u>
<b>Debt service:</b>				
Principal	--	250,000	--	250,000
Interest	--	642,331	--	642,331
Total debt service:	<u>--</u>	<u>892,331</u>	<u>--</u>	<u>892,331</u>
Total expenditures	<u>1,170,966</u>	<u>892,331</u>	<u>7,064,707</u>	<u>9,128,004</u>
Excess (deficiency) of revenues over (under) expenditures	(127,222)	(289,680)	(7,048,724)	(7,465,626)
<b>Other financing sources (uses):</b>				
Transfers in	170,750	125,000	461,885	757,635
Transfers out	(122,300)	--	--	(122,300)
Total other financing sources (uses)	<u>48,450</u>	<u>125,000</u>	<u>461,885</u>	<u>635,335</u>
Net change in fund balances	(78,772)	(164,680)	(6,586,839)	(6,830,291)
Fund balances (deficits), October 1	2,399,605	(59)	16,906,340	19,305,886
Fund balances (deficits), September 30	<u>\$ 2,320,833</u>	<u>\$ (164,739)</u>	<u>\$ 10,319,501</u>	<u>\$ 12,475,595</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2010

	Cemetery	Police Investigation	Recreational Development	Radio System
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,796	\$ 4,651	\$ 148,889	\$ 10,015
Investments	137,949	194,756	80,042	--
Receivables (net of allowances for uncollectibles):				
Accrued interest	--	--	--	--
Accounts receivable	8,798	--	--	--
Assessments receivable	--	--	--	--
Other receivables	--	--	--	--
Total Assets	<u>\$ 151,543</u>	<u>\$ 199,407</u>	<u>\$ 228,931</u>	<u>\$ 10,015</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ --	\$ 15,644	\$ 10,472	\$ --
Deferred revenue	--	--	--	--
Due to other funds	--	--	--	--
Total Liabilities	<u>--</u>	<u>15,644</u>	<u>10,472</u>	<u>--</u>
Fund balances:				
Unreserved	151,543	183,763	218,459	10,015
Total fund balances	<u>151,543</u>	<u>183,763</u>	<u>218,459</u>	<u>10,015</u>
Total Liabilities and Fund Balances	<u>\$ 151,543</u>	<u>\$ 199,407</u>	<u>\$ 228,931</u>	<u>\$ 10,015</u>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ 384,236	\$ --	\$ 5,752	\$ 18,829	\$ 6,268
902,146	1,911	171,059	36,999	33,140
350	--	--	--	--
40,000	56,446	600	2,110	--
71,563	--	--	--	--
--	--	--	--	2,423
<u>\$ 1,398,295</u>	<u>\$ 58,357</u>	<u>\$ 177,411</u>	<u>\$ 57,938</u>	<u>\$ 41,831</u>
\$ --	\$ --	\$ 642	\$ 950	\$ --
111,563	--	--	--	--
--	41,979	--	--	--
<u>111,563</u>	<u>41,979</u>	<u>642</u>	<u>950</u>	<u>--</u>
1,286,732	16,378	176,769	56,988	41,831
<u>1,286,732</u>	<u>16,378</u>	<u>176,769</u>	<u>56,988</u>	<u>41,831</u>
<u>\$ 1,398,295</u>	<u>\$ 58,357</u>	<u>\$ 177,411</u>	<u>\$ 57,938</u>	<u>\$ 41,831</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2010

	Emergency Siren	Downtown Improvement
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,150	\$ 1,585
Investments	14,999	13,168
Receivables (net of allowances for uncollectibles):		
Accrued interest	--	--
Accounts receivable	--	--
Assessments receivable	--	--
Other receivables	--	--
Total Assets	<u>\$ 24,149</u>	<u>\$ 14,753</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ --	\$ --
Deferred revenue	--	--
Due to other funds	--	--
Total Liabilities	<u>--</u>	<u>--</u>
Fund balances:		
Unreserved	<u>24,149</u>	<u>14,753</u>
Total fund balances	<u>24,149</u>	<u>14,753</u>
 Total Liabilities and Fund Balances	 <u>\$ 24,149</u>	 <u>\$ 14,753</u>

	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$	1,105	\$ 4,553	\$ 599,829
	--	178,255	1,764,424
	--	--	350
	--	--	107,954
	--	--	71,563
	--	--	2,423
\$	1,105	\$ 182,808	\$ 2,546,543
\$	--	\$ 5,482	\$ 33,190
	--	38,978	150,541
	--	--	41,979
	--	44,460	225,710
	1,105	138,348	2,320,833
	1,105	138,348	2,320,833
\$	1,105	\$ 182,808	\$ 2,546,543

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Cemetery	Police Investigation	Recreational Development	Radio System
Revenues:				
Sales taxes	\$ --	\$ --	\$ --	\$ --
Charges for services	3,650	63,417	278,407	32,818
Municipal court	--	7,924	--	--
Intergovernmental	--	12,860	--	--
Interest income	--	--	--	--
Miscellaneous	--	--	--	--
Donations	8,798	19,484	110,110	--
Total revenues	<u>12,448</u>	<u>103,685</u>	<u>388,517</u>	<u>32,818</u>
Expenditures:				
Current:				
Administration	--	--	--	158,127
Finance	--	--	--	--
Police	--	14,963	--	--
Fire	--	--	--	--
Parks and recreation	--	--	132,311	--
Total current	<u>--</u>	<u>14,963</u>	<u>132,311</u>	<u>158,127</u>
Capital outlay:				
Administration	--	--	--	--
Police	--	47,047	--	--
Fire	--	--	--	--
Parks and recreation	--	--	144,334	--
Total capital outlay	<u>--</u>	<u>47,047</u>	<u>144,334</u>	<u>--</u>
Total expenditures	<u>--</u>	<u>62,010</u>	<u>276,645</u>	<u>158,127</u>
Excess (deficiency) of revenues over (under) expenditures	12,448	41,675	111,872	(125,309)
Other financing sources (uses):				
Transfers in	--	--	--	115,000
Transfers out	--	(72,300)	(50,000)	--
Total other financing sources (uses)	<u>--</u>	<u>(72,300)</u>	<u>(50,000)</u>	<u>115,000</u>
Net change in fund balances	12,448	(30,625)	61,872	(10,309)
Fund balances, October 1	139,095	214,388	156,587	20,324
Fund balances, September 30	<u>\$ 151,543</u>	<u>\$ 183,763</u>	<u>\$ 218,459</u>	<u>\$ 10,015</u>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ --	\$ 190,432	\$ --	\$ --	\$ --
--	--	95,900	--	--
--	--	--	--	--
--	--	78,000	1,950	--
3,866	--	--	--	--
42,270	--	--	13,809	35,779
--	--	--	--	--
<u>46,136</u>	<u>190,432</u>	<u>173,900</u>	<u>15,759</u>	<u>35,779</u>
8,014	--	--	12,546	34,164
--	181,400	--	--	--
--	--	--	--	--
--	--	118,129	--	--
--	--	--	--	--
<u>8,014</u>	<u>181,400</u>	<u>118,129</u>	<u>12,546</u>	<u>34,164</u>
98,070	--	--	--	--
--	--	--	--	--
--	--	54,592	--	--
--	--	--	--	--
<u>98,070</u>	<u>--</u>	<u>54,592</u>	<u>--</u>	<u>--</u>
106,084	181,400	172,721	12,546	34,164
(59,948)	9,032	1,179	3,213	1,615
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>(59,948)</u>	<u>9,032</u>	<u>1,179</u>	<u>3,213</u>	<u>1,615</u>
1,346,680	7,346	175,590	53,775	40,216
\$ <u>1,286,732</u>	\$ <u>16,378</u>	\$ <u>176,769</u>	\$ <u>56,988</u>	\$ <u>41,831</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Emergency Siren	Downtown Improvement
Revenues:		
Sales taxes	\$ --	\$ --
Charges for services	509	--
Municipal court	--	--
Intergovernmental	--	--
Interest income	--	--
Miscellaneous	--	--
Donations	--	--
Total revenues	<u>509</u>	<u>--</u>
Expenditures:		
Current:		
Administration	--	736
Finance	--	--
Police	--	--
Fire	--	--
Parks and recreation	--	5,059
Total current	<u>--</u>	<u>5,795</u>
Capital outlay:		
Administration	--	--
Police	--	--
Fire	--	--
Parks and recreation	--	--
Total capital outlay	<u>--</u>	<u>--</u>
Total expenditures	<u>--</u>	<u>5,795</u>
Excess (deficiency) of revenues over (under) expenditures	509	(5,795)
Other financing sources (uses):		
Transfers in	--	--
Transfers out	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balances	509	(5,795)
Fund balances, October 1	23,640	20,548
Fund balances, September 30	<u>\$ 24,149</u>	<u>\$ 14,753</u>

	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$	--	\$ --	\$ 190,432
	--	--	474,701
	--	--	7,924
	--	--	92,810
	--	--	3,866
	--	43,641	135,499
	120	--	138,512
	120	<u>43,641</u>	<u>1,043,744</u>
	--	--	213,587
	--	--	181,400
	--	161,474	176,437
	--	--	118,129
	--	--	137,370
	--	<u>161,474</u>	<u>826,923</u>
	--	--	98,070
	--	--	47,047
	--	--	54,592
	--	--	144,334
	--	--	<u>344,043</u>
	--	<u>161,474</u>	<u>1,170,966</u>
	120	(117,833)	(127,222)
	--	55,750	170,750
	--	--	(122,300)
	--	<u>55,750</u>	<u>48,450</u>
	120	(62,083)	(78,772)
	985	200,431	2,399,605
\$	<u>1,105</u>	\$ <u>138,348</u>	\$ <u>2,320,833</u>

**CITY OF ROCKWALL, TEXAS**  
**CEMETERY FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**EXHIBIT C-5**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 1,300	\$ 3,650	\$ 2,350
Interest income	900	--	(900)
Donations	--	8,798	8,798
Total revenues	<u>2,200</u>	<u>12,448</u>	<u>10,248</u>
Expenditures:			
Current:			
Parks and recreation	6,000	--	6,000
Total current	<u>6,000</u>	<u>--</u>	<u>6,000</u>
Total expenditures	<u>6,000</u>	<u>--</u>	<u>6,000</u>
Net change in fund balances	(3,800)	12,448	16,248
Fund balances, October 1	139,095	139,095	--
Fund balances, September 30	<u>\$ 135,295</u>	<u>\$ 151,543</u>	<u>\$ 16,248</u>

**CITY OF ROCKWALL, TEXAS**  
POLICE INVESTIGATION FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 59,800	\$ 63,417	\$ 3,617
Municipal court	8,500	7,924	(576)
Intergovernmental	15,200	12,860	(2,340)
Interest income	500	--	(500)
Donations	19,150	19,484	334
Total revenues	<u>103,150</u>	<u>103,685</u>	<u>535</u>
Expenditures:			
Current:			
Police	36,850	14,963	21,887
Total current	<u>36,850</u>	<u>14,963</u>	<u>21,887</u>
Capital outlay:			
Police	39,500	47,047	(7,547)
Total capital outlay	<u>39,500</u>	<u>47,047</u>	<u>(7,547)</u>
Total expenditures	<u>76,350</u>	<u>62,010</u>	<u>14,340</u>
Excess (deficiency) of revenues over (under) expenditures	26,800	41,675	14,875
Other financing sources (uses):			
Transfers out	(72,300)	(72,300)	--
Total other financing sources (uses)	<u>(72,300)</u>	<u>(72,300)</u>	<u>--</u>
Net change in fund balances	(45,500)	(30,625)	14,875
Fund balances, October 1	214,388	214,388	--
Fund balances, September 30	<u>\$ 168,888</u>	<u>\$ 183,763</u>	<u>\$ 14,875</u>

**CITY OF ROCKWALL, TEXAS**  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 307,900	\$ 278,407	\$ (29,493)
Interest income	1,600	--	(1,600)
Donations	112,000	110,110	(1,890)
Total revenues	<u>421,500</u>	<u>388,517</u>	<u>(32,983)</u>
Expenditures:			
Current:			
Parks and recreation	154,200	132,311	21,889
Total current	<u>154,200</u>	<u>132,311</u>	<u>21,889</u>
Capital outlay:			
Parks and recreation	140,000	144,334	(4,334)
Total capital outlay	<u>140,000</u>	<u>144,334</u>	<u>(4,334)</u>
Total expenditures	<u>294,200</u>	<u>276,645</u>	<u>17,555</u>
Excess (deficiency) of revenues over (under) expenditures	127,300	111,872	(15,428)
Other financing sources (uses):			
Transfers out	(50,000)	(50,000)	--
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>--</u>
Net change in fund balances	77,300	61,872	(15,428)
Fund balances, October 1	156,587	156,587	--
Fund balances, September 30	<u>\$ 233,887</u>	<u>\$ 218,459</u>	<u>\$ (15,428)</u>

**CITY OF ROCKWALL, TEXAS**  
 RADIO SYSTEM  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 32,800	\$ 32,818	\$ 18
Total revenues	<u>32,800</u>	<u>32,818</u>	<u>18</u>
Expenditures:			
Current:			
Administration	158,400	158,127	273
Total current	<u>158,400</u>	<u>158,127</u>	<u>273</u>
Total expenditures	<u>158,400</u>	<u>158,127</u>	<u>273</u>
Excess (deficiency) of revenues over (under) expenditures	(125,600)	(125,309)	291
Other financing sources (uses):			
Transfers in	115,000	115,000	--
Total other financing sources (uses)	<u>115,000</u>	<u>115,000</u>	<u>--</u>
Net change in fund balances	(10,600)	(10,309)	291
Fund balances, October 1	20,324	20,324	--
Fund balances, September 30	<u>\$ 9,724</u>	<u>\$ 10,015</u>	<u>\$ 291</u>

**CITY OF ROCKWALL, TEXAS**  
**STREET IMPROVEMENTS FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**EXHIBIT C-9**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$ 8,000	\$ 3,866	\$ (4,134)
Miscellaneous	3,200	42,270	39,070
Total revenues	<u>11,200</u>	<u>46,136</u>	<u>34,936</u>
Expenditures:			
Current:			
Administration	8,150	8,014	136
Total current	<u>8,150</u>	<u>8,014</u>	<u>136</u>
Capital outlay:			
Administration	100,050	98,070	1,980
Total capital outlay	<u>100,050</u>	<u>98,070</u>	<u>1,980</u>
Total expenditures	<u>108,200</u>	<u>106,084</u>	<u>2,116</u>
Net change in fund balances	(97,000)	(59,948)	37,052
Fund balances, October 1	1,346,680	1,346,680	--
Fund balances, September 30	<u>\$ 1,249,680</u>	<u>\$ 1,286,732</u>	<u>\$ 37,052</u>

**CITY OF ROCKWALL, TEXAS**  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-10

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Sales taxes	\$ 175,000	\$ 190,432	\$ 15,432
Total revenues	<u>175,000</u>	<u>190,432</u>	<u>15,432</u>
Expenditures:			
Current:			
Finance	181,400	181,400	--
Total current	<u>181,400</u>	<u>181,400</u>	<u>--</u>
Total expenditures	<u>181,400</u>	<u>181,400</u>	<u>--</u>
Net change in fund balances	(6,400)	9,032	15,432
Fund balances, October 1	7,346	7,346	--
Fund balances, September 30	<u>\$ 946</u>	<u>\$ 16,378</u>	<u>\$ 15,432</u>

**CITY OF ROCKWALL, TEXAS**  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-11

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 94,750	\$ 95,900	\$ 1,150
Intergovernmental	78,000	78,000	--
Interest income	1,000	--	(1,000)
Total revenues	<u>173,750</u>	<u>173,900</u>	<u>150</u>
Expenditures:			
Current:			
Fire	120,000	118,129	1,871
Total current	<u>120,000</u>	<u>118,129</u>	<u>1,871</u>
Capital outlay:			
Fire	104,200	54,592	49,608
Total capital outlay	<u>104,200</u>	<u>54,592</u>	<u>49,608</u>
Total expenditures	<u>224,200</u>	<u>172,721</u>	<u>51,479</u>
Net change in fund balances	(50,450)	1,179	51,629
Fund balances, October 1	175,590	175,590	--
Fund balances, September 30	<u>\$ 125,140</u>	<u>\$ 176,769</u>	<u>\$ 51,629</u>

**CITY OF ROCKWALL, TEXAS**

**EXHIBIT C-12**

AVIATION FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 24,800	\$ 1,950	\$ (22,850)
Interest income	250	--	(250)
Miscellaneous	14,500	13,809	(691)
Total revenues	<u>39,550</u>	<u>15,759</u>	<u>(23,791)</u>
Expenditures:			
Current:			
Administration	46,200	12,546	33,654
Total current	<u>46,200</u>	<u>12,546</u>	<u>33,654</u>
Total expenditures	<u>46,200</u>	<u>12,546</u>	<u>33,654</u>
Net change in fund balances	(6,650)	3,213	9,863
Fund balances, October 1	53,775	53,775	--
Fund balances, September 30	<u>\$ 47,125</u>	<u>\$ 56,988</u>	<u>\$ 9,863</u>

**CITY OF ROCKWALL, TEXAS**  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-13

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$ 350	\$ --	\$ (350)
Miscellaneous	33,000	35,779	2,779
Total revenues	<u>33,350</u>	<u>35,779</u>	<u>2,429</u>
Expenditures:			
Current:			
Administration	45,750	34,164	11,586
Total current	<u>45,750</u>	<u>34,164</u>	<u>11,586</u>
Total expenditures	<u>45,750</u>	<u>34,164</u>	<u>11,586</u>
Net change in fund balances	(12,400)	1,615	14,015
Fund balances, October 1	40,216	40,216	--
Fund balances, September 30	<u>\$ 27,816</u>	<u>\$ 41,831</u>	<u>\$ 14,015</u>

**CITY OF ROCKWALL, TEXAS**

SPECIAL CRIMES UNIT  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-14

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$ 250	\$ --	\$ (250)
Miscellaneous	--	43,641	43,641
Total revenues	<u>250</u>	<u>43,641</u>	<u>43,391</u>
Expenditures:			
Current:			
Police	179,850	161,474	18,376
Total current	<u>179,850</u>	<u>161,474</u>	<u>18,376</u>
Total expenditures	<u>179,850</u>	<u>161,474</u>	<u>18,376</u>
Excess (deficiency) of revenues over (under) expenditures	(179,600)	(117,833)	61,767
Other financing sources (uses):			
Transfers in	55,750	55,750	--
Total other financing sources (uses)	<u>55,750</u>	<u>55,750</u>	<u>--</u>
Net change in fund balances	(123,850)	(62,083)	61,767
Fund balances, October 1	200,431	200,431	--
Fund balances, September 30	<u>\$ 76,581</u>	<u>\$ 138,348</u>	<u>\$ 61,767</u>

**CITY OF ROCKWALL, TEXAS**  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-15

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes, penalty and interest	\$ 8,288,000	\$ 8,317,432	\$ 29,432
Interest income	5,000	5,432	432
Miscellaneous	240,000	247,701	7,701
Total revenues	<u>8,533,000</u>	<u>8,570,565</u>	<u>37,565</u>
Expenditures:			
Current:			
Police	88,600	88,604	(4)
Total current	<u>88,600</u>	<u>88,604</u>	<u>(4)</u>
Debt service:			
Principal	4,209,000	4,208,038	962
Interest	4,125,450	4,124,157	1,293
Fiscal charges	12,600	7,032	5,568
Total debt service:	<u>8,347,050</u>	<u>8,339,227</u>	<u>7,823</u>
Total expenditures	<u>8,435,650</u>	<u>8,427,831</u>	<u>7,819</u>
Excess (deficiency) of revenues over (under) expenditures	97,350	142,734	45,384
Other financing sources (uses):			
Transfers out	(125,000)	(125,000)	--
Total other financing sources (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>--</u>
Net change in fund balances	(27,650)	17,734	45,384
Fund balances, October 1	1,077,295	1,077,295	--
Fund balances, September 30	<u>\$ 1,049,645</u>	<u>\$ 1,095,029</u>	<u>\$ 45,384</u>

**CITY OF ROCKWALL, TEXAS**  
HARBOR DEBT SERVICE  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-16

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes, penalty and interest	\$ 528,800	\$ 326,208	\$ (202,592)
Sales taxes	250,700	276,443	25,743
Total revenues	<u>779,500</u>	<u>602,651</u>	<u>(176,849)</u>
Expenditures:			
Debt service:			
Principal	250,000	250,000	--
Interest	642,350	642,331	19
Total debt service:	<u>892,350</u>	<u>892,331</u>	<u>19</u>
Total expenditures	<u>892,350</u>	<u>892,331</u>	<u>19</u>
Excess (deficiency) of revenues over (under) expenditures	(112,850)	(289,680)	(176,830)
Other financing sources (uses):			
Transfers in	125,000	125,000	--
Total other financing sources (uses)	<u>125,000</u>	<u>125,000</u>	<u>--</u>
Net change in fund balances	12,150	(164,680)	(176,830)
Fund balances (deficit), October 1	(59)	(59)	--
Fund balances (deficit), September 30	<u>\$ 12,091</u>	<u>\$ (164,739)</u>	<u>\$ (176,830)</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2010

	Capital Projects	Equipment Acquisition
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,088	\$ 51,275
Investments	2,523,613	1,806,058
Receivables (net of allowances for uncollectibles):		
Accrued interest	17,178	5,645
Accounts receivable	--	--
Total Assets	<u>\$ 2,541,879</u>	<u>\$ 1,862,978</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,828	\$ 286,735
Deferred revenue	--	--
Total Liabilities	<u>1,828</u>	<u>286,735</u>
Fund balances:		
Unreserved	<u>2,540,051</u>	<u>1,576,243</u>
Total fund balances	<u>2,540,051</u>	<u>1,576,243</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,541,879</u>	 <u>\$ 1,862,978</u>

	205 Bypass Project	G.O. Bonds Capital Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
	\$ 806,957	\$ 62,450	\$ 921,770
	2,029,844	3,497,462	9,856,977
	10,170	5,081	38,074
	--	140,332	140,332
	\$ 2,846,971	\$ 3,705,325	\$ 10,957,153
	\$ 113,773	\$ 116,904	\$ 519,240
	--	118,412	118,412
	113,773	235,316	637,652
	2,733,198	3,470,009	10,319,501
	2,733,198	3,470,009	10,319,501
	\$ 2,846,971	\$ 3,705,325	\$ 10,957,153

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Capital Projects	Equipment Acquisition
Revenues:		
Interest income	\$ 4,525	\$ 7,393
Total revenues	<u>4,525</u>	<u>7,393</u>
Expenditures:		
Current:		
Administration	44,434	--
Total current	<u>44,434</u>	<u>--</u>
Capital outlay:		
Administration	192,453	225
Finance	--	57,653
Police	--	938,709
Fire	--	234,826
Public works	575	24,000
Parks and recreation	951,288	--
Total capital outlay	<u>1,144,316</u>	<u>1,255,413</u>
Total expenditures	<u>1,188,750</u>	<u>1,255,413</u>
Excess (deficiency) of revenues over (under) expenditures	(1,184,225)	(1,248,020)
Other financing sources (uses):		
Transfers in	25,000	372,500
Total other financing sources (uses)	<u>25,000</u>	<u>372,500</u>
Net change in fund balances	(1,159,225)	(875,520)
Fund balances, October 1	3,699,276	2,451,763
Fund balances, September 30	<u>\$ 2,540,051</u>	<u>\$ 1,576,243</u>

	205 Bypass Project	G.O. Bonds Capital Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
	\$ 4,065	\$ --	\$ 15,983
	4,065	--	15,983
	--	19,007	63,441
	--	19,007	63,441
	3,356,976	1,099,225	4,648,879
	--	--	57,653
	--	--	938,709
	--	145,336	380,162
	--	--	24,575
	--	--	951,288
	3,356,976	1,244,561	7,001,266
	3,356,976	1,263,568	7,064,707
	(3,352,911)	(1,263,568)	(7,048,724)
	64,385	--	461,885
	64,385	--	461,885
	(3,288,526)	(1,263,568)	(6,586,839)
	6,021,724	4,733,577	16,906,340
\$	2,733,198	\$ 3,470,009	\$ 10,319,501

**CITY OF ROCKWALL, TEXAS**  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2010

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 6,480	\$ 26,663	\$ 33,143
Investments	8,482	928,989	937,471
Accrued interest	—	189	189
Other receivables	11,908	—	11,908
Total current assets	<u>26,870</u>	<u>955,841</u>	<u>982,711</u>
Total Assets	<u>\$ 26,870</u>	<u>\$ 955,841</u>	<u>\$ 982,711</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 259,603	\$ 15,403	\$ 275,006
Due to other funds	517,474	—	517,474
Total current liabilities	<u>777,077</u>	<u>15,403</u>	<u>792,480</u>
Total Liabilities	<u>777,077</u>	<u>15,403</u>	<u>792,480</u>
<b>NET ASSETS (DEFICITS)</b>			
Unrestricted	(750,207)	940,438	190,231
Total Net Assets (Deficits)	<u>\$ (750,207)</u>	<u>\$ 940,438</u>	<u>\$ 190,231</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-8)
OPERATING REVENUES:			
Charges for services	\$ 503,147	\$ --	\$ 503,147
Reinsurance reimbursement	72,113	--	72,113
Total Operating Revenues	<u>575,260</u>	<u>--</u>	<u>575,260</u>
OPERATING EXPENSES:			
Contractual services	3,205,719	170,008	3,375,727
Total Operating Expenses	<u>3,205,719</u>	<u>170,008</u>	<u>3,375,727</u>
Operating Income (Loss)	<u>(2,630,459)</u>	<u>(170,008)</u>	<u>(2,800,467)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	869	4,318	5,187
Miscellaneous income	--	5,740	5,740
Total Non-operating Revenues (Expenses)	<u>869</u>	<u>10,058</u>	<u>10,927</u>
Net Income (Loss) before Operating Transfers	<u>(2,629,590)</u>	<u>(159,950)</u>	<u>(2,789,540)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Transfers in	2,307,000	30,000	2,337,000
Total Transfers and Capital Contributions	<u>2,307,000</u>	<u>30,000</u>	<u>2,337,000</u>
Change in net assets	(322,590)	(129,950)	(452,540)
Net assets (deficits), October 1	(427,617)	1,070,388	642,771
Net assets (deficits), September 30	<u>\$ (750,207)</u>	<u>\$ 940,438</u>	<u>\$ 190,231</u>

**CITY OF ROCKWALL, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 657,018	\$ 5,740	\$ 662,758
Cash Payments to Suppliers for Goods and Services	(3,285,425)	(172,059)	(3,457,484)
Net Cash Provided (Used) by Operating Activities	<u>(2,628,407)</u>	<u>(166,319)</u>	<u>(2,794,726)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>			
Cash Received from Other Funds	2,607,058	30,000	2,637,058
Net Cash Provided (Used) by Non-capital Financing Activities	<u>2,607,058</u>	<u>30,000</u>	<u>2,637,058</u>
<b>Cash Flows from Investing Activities:</b>			
Interest and Dividends on Investments	--	4,129	4,129
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>4,129</u>	<u>4,129</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(21,349)	(132,190)	(153,539)
Cash and Cash Equivalents at Beginning of Year	36,311	1,087,842	1,124,153
Cash and Cash Equivalents at End of Year	<u>\$ 14,962</u>	<u>\$ 955,652</u>	<u>\$ 970,614</u>
<b>Cash Equivalents Included in Investments:</b>			
Unrestricted	<u>\$ 8,482</u>	<u>\$ 928,989</u>	<u>\$ 937,471</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ (2,629,590)	\$ (170,008)	\$ (2,799,598)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Miscellaneous income	--	5,740	5,740
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	80,889	--	80,889
Increase (Decrease) in Accounts Payable	(79,706)	(2,051)	(81,757)
Total Adjustments	1,183	3,689	4,872
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,628,407)</u>	<u>\$ (166,319)</u>	<u>\$ (2,794,726)</u>

**CITY OF ROCKWALL, TEXAS**

EXHIBIT C-22

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 SPECIAL ESCROW AGENCY FUND  
 YEAR ENDED SEPTEMBER 30, 2010

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
<b>ASSETS</b>				
Cash	\$ 25,421	\$ 1,245,536	\$ 1,225,139	\$ 45,818
Investments	1,342,797	3,541,039	3,572,584	1,311,252
Accrued interest receivable	--	7,826	--	7,826
Total Assets	<u>\$ 1,368,218</u>	<u>\$ 4,794,401</u>	<u>\$ 4,797,723</u>	<u>\$ 1,364,896</u>
<b>LIABILITIES</b>				
Due to developers	\$ 1,368,218	\$ 136,966	\$ 140,288	\$ 1,364,896
Total Liabilities	<u>\$ 1,368,218</u>	<u>\$ 136,966</u>	<u>\$ 140,288</u>	<u>\$ 1,364,896</u>

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Capital Assets Used in the  
Operation of Governmental Funds

**CITY OF ROCKWALL, TEXAS**  
 COMPARATIVE SCHEDULES BY SOURCE OF  
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2010 AND 2009

EXHIBIT C-23

	2010	2009
General fixed assets:		
Land	\$ 13,867,438	\$ 5,692,561
Construction in progress	5,028,343	61,559,537
Buildings	17,320,974	12,465,268
Improvements other than buildings	26,755,323	25,208,584
Machinery and equipment	13,247,315	12,574,777
Infrastructure	174,442,217	122,036,931
Total general fixed assets	<u>\$ 250,661,610</u>	<u>\$ 239,537,658</u>
Investment in general fixed assets by source:		
Bond proceeds	\$ 125,929,295	\$ 119,355,741
General government	42,208,596	42,062,576
Grants and entitlements	2,238,598	2,177,098
Developer contributions	80,285,121	75,942,243
Total investment in general fixed assets	<u>\$ 250,661,610</u>	<u>\$ 239,537,658</u>

**CITY OF ROCKWALL, TEXAS**

SCHEDULE BY FUNCTION AND ACTIVITY OF  
CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010

EXHIBIT C-24

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Total
General government	\$ 3,051,302	\$ 5,028,343	\$ 5,407,436	\$ 3,174,375	\$ 3,066,501	--	\$ 19,727,957
Public works	8,102,308	--	324,434	826,893	1,251,818	174,442,217	184,947,670
Public safety	1,020,430	--	2,039,796	12,802	2,684,021	--	5,757,049
Recreational/development	1,693,398	--	2,272,730	22,741,253	1,188,113	--	27,895,494
Fire equipment	--	--	7,276,578	--	5,056,863	--	12,333,441
<b>Total Governmental Capital Asss</b>	<b>\$ 13,867,438</b>	<b>\$ 5,028,343</b>	<b>\$ 17,320,974</b>	<b>\$ 26,755,323</b>	<b>\$ 13,247,316</b>	<b>\$ 174,442,217</b>	<b>\$ 250,661,611</b>

**CITY OF ROCKWALL, TEXAS**

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY OF  
CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-25

Function and Activity	Capital Assets October 1, 2009	Additions	Deductions	Transfers	Capital Assets September 30, 2010
General government	\$ 75,772,015	\$ 5,868,861	(7,932)	\$ (61,904,988)	\$ 19,727,956
Public works	124,651,234	4,311,235	(104,060)	56,089,261	184,947,670
Public Safety	5,312,360	524,005	(274,558)	195,241	5,757,048
Recreation/development	26,798,604	1,107,315	(101,927)	91,502	27,895,494
Fire Equipment	6,706,093	141,365	(43,000)	5,528,984	12,333,442
Total governmental funds Capital Assets	\$ 239,240,306	\$ 11,952,781	(531,477)	\$ --	\$ 250,661,610

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

### *DISCRETELY PRESENTED COMPONENT UNITS*

The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.

**CITY OF ROCKWALL, TEXAS**

COMBINING BALANCE SHEET - DISCRETE COMPONENT UNITS  
 SEPTEMBER 30, 2010

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,415	\$ 2,501	\$ 9,916
Investments	6,994,421	40,364	7,034,785
Receivables (net of allowances for uncollectibles):			
Accrued interest	421	--	421
Accounts receivable	--	4,210	4,210
Due from other governments	591,787	--	591,787
Inventory	13,874,711	--	13,874,711
Total Assets	\$ 21,468,755	\$ 47,075	\$ 21,515,830
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 54,216	\$ 1,553	\$ 55,769
Due to primary government	1,050	--	1,050
Total Liabilities	55,266	1,553	56,819
<b>Fund balances:</b>			
Reserved for:			
Inventory	13,874,711	--	13,874,711
Unreserved	7,538,778	45,522	7,584,300
Total fund balances	21,413,489	45,522	21,459,011
Total Liabilities and Fund Balances	\$ 21,468,755	\$ 47,075	\$ 21,515,830

**CITY OF ROCKWALL, TEXAS**
**RECONCILIATION OF THE DISCRETE COMPONENT UNITS GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2010**

Total fund balances - discrete component units governmental funds balance sheet	\$ 21,459,011
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	14,598
Payables for bond interest which are not due in the current period are not reported in the funds.	(160,642)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(15,664)
Payables for contracts which are not due in the current period are not reported in the funds.	(19,678,925)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>172,320</u>
Net assets of governmental activities discrete component units - Statement of Net Assets	\$ <u>1,790,698</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DISCRETE COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>Revenues:</b>			
Sales taxes	\$ 3,493,708	\$ --	\$ 3,493,708
Interest income	9,575	30	9,605
Miscellaneous	295	151,047	151,342
Total revenues	3,503,578	151,077	3,654,655
<b>Expenditures:</b>			
<b>Current:</b>			
Administration	826,790	160,721	987,511
Total current	826,790	160,721	987,511
<b>Capital outlay:</b>			
Administration	272,267	--	272,267
Total capital outlay	272,267	--	272,267
<b>Debt service:</b>			
Principal	1,085,000	--	1,085,000
Interest	1,024,266	--	1,024,266
Fiscal charges	8,817	--	8,817
Total debt service:	2,118,083	--	2,118,083
Total expenditures	3,217,140	160,721	3,377,861
Net change in fund balances	286,438	(9,644)	276,794
Fund balances, October 1	21,127,051	55,166	21,182,217
Fund balances, September 30	\$ 21,413,489	\$ 45,522	\$ 21,459,011

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances - total governmental funds	\$	276,794
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		1,475
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,950)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,085,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		(12,060)
(Increase) decrease in accrued interest from beginning of period to end of period.		18,186
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		4,719
Change in net assets of governmental activities - Statement of Activities	\$	<u>1,371,164</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
 ECONOMIC DEVELOPMENT CORPORATION  
 DISCRETE COMPONENT UNIT  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-30

	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 3,358,400	\$ 3,493,708	\$ 135,308
Interest income	12,500	9,575	(2,925)
Miscellaneous	--	295	295
Total revenues	3,370,900	3,503,578	132,678
<b>Expenditures:</b>			
<b>Current:</b>			
Administration	944,000	826,790	117,210
Total current	944,000	826,790	117,210
<b>Capital outlay:</b>			
Administration	495,100	272,267	222,833
Total capital outlay	495,100	272,267	222,833
<b>Debt service:</b>			
Principal	1,085,000	1,085,000	--
Interest	1,034,466	1,024,266	10,200
Fiscal charges	3,500	8,817	(5,317)
Total debt service	2,122,966	2,118,083	4,883
Total expenditures	3,562,066	3,217,140	344,926
Net change in fund balances	(191,166)	286,438	477,604
Fund balances, October 1	21,127,051	21,127,051	--
Fund balances, September 30	\$ 20,935,885	\$ 21,413,489	\$ 477,604

**CITY OF ROCKWALL, TEXAS**  
 ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 DISCRETE COMPONENT UNIT  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-31

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$ 500	\$ 30	\$ (470)
Miscellaneous	172,600	151,047	(21,553)
Total revenues	173,100	<u>151,077</u>	<u>(22,023)</u>
Expenditures:			
Current:			
Administration	172,600	160,721	11,879
Total current	172,600	<u>160,721</u>	<u>11,879</u>
Total expenditures	172,600	<u>160,721</u>	<u>11,879</u>
Net change in fund balances	500	(9,644)	(10,144)
Fund balances, October 1	55,166	55,166	--
Fund balances, September 30	\$ 55,666	\$ <u>45,522</u>	\$ <u>(10,144)</u>

# STATISTICAL SECTION

This part of the City of Rockwall, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	121
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	130
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	138
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	143
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	146
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF ROCKWALL, TEXAS  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities								
Invested in capital assets, net of related debt	\$ 89,101,460	\$ 88,367,580	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444
Restricted	11,788,623	2,306,529	14,222,187	23,258,947	37,748,076	17,051,680	5,897,961	8,354,614
Unrestricted	4,308,457	12,955,777	13,643,810	13,386,297	11,683,150	11,850,426	10,242,495	9,975,317
Total governmental activities net assets	<u>\$ 105,198,540</u>	<u>\$ 103,629,886</u>	<u>\$ 91,412,270</u>	<u>\$ 86,132,544</u>	<u>\$ 83,451,860</u>	<u>\$ 70,248,286</u>	<u>\$ 63,835,499</u>	<u>\$ 61,450,375</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 54,288,096	\$ 53,418,392	\$ 48,127,382	\$ 47,893,027	\$ 41,923,596	\$ 37,368,956	\$ 38,406,139	\$ 32,724,578
Restricted	6,221,719	7,568,701	17,888,236	14,620,878	18,060,049	18,350,884	11,698,161	15,635,741
Unrestricted	5,340,103	6,162,163	5,283,929	5,463,619	7,081,727	7,475,827	9,457,896	3,746,526
Total business-type activities net assets	<u>\$ 65,849,918</u>	<u>\$ 67,149,256</u>	<u>\$ 71,299,547</u>	<u>\$ 67,977,524</u>	<u>\$ 67,065,372</u>	<u>\$ 63,195,667</u>	<u>\$ 59,562,196</u>	<u>\$ 52,106,845</u>
Primary government								
Invested in capital assets, net of related debt	\$ 143,389,556	\$ 141,785,972	\$ 111,673,655	\$ 97,380,327	\$ 75,944,230	\$ 78,715,136	\$ 86,101,182	\$ 75,845,022
Restricted	18,010,342	9,875,230	32,110,423	37,879,825	55,808,125	35,402,564	17,596,122	23,990,355
Unrestricted	9,648,560	19,117,940	18,927,739	18,849,916	18,764,877	19,326,253	19,700,391	13,721,843
Total primary government net assets	<u>\$ 171,048,458</u>	<u>\$ 170,779,142</u>	<u>\$ 162,711,817</u>	<u>\$ 154,110,068</u>	<u>\$ 150,517,232</u>	<u>\$ 133,443,953</u>	<u>\$ 123,397,695</u>	<u>\$ 113,557,220</u>

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>								
Governmental activities:								
Mayor/Council	\$ 116,372	\$ 109,844	\$ 117,366	\$ 111,555	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378
Administration	6,862,780	6,707,709	7,384,773	5,523,924	6,040,692	4,908,083	5,757,527	3,583,719
Finance	1,294,888	1,409,054	1,338,894	1,138,210	1,027,654	954,840	877,537	760,436
Municipal Court	353,147	334,922	312,601	298,383	304,492	295,379	254,210	236,201
Police	8,609,827	8,384,774	7,130,698	7,001,771	6,095,435	6,372,344	6,862,707	5,446,279
Fire	2,741,288	2,201,236	2,242,829	2,207,468	1,889,269	1,144,577	1,530,503	966,400
Public Works	6,669,448	5,482,571	7,094,068	6,928,067	5,530,219	4,753,190	6,155,726	3,961,797
Community Development	1,210,519	1,350,023	2,229,753	2,018,363	1,781,548	1,680,857	1,493,249	442,470
Parks and Recreation	5,805,241	5,250,506	4,025,927	3,088,750	2,583,547	2,329,095	2,323,558	1,487,036
Interest on long-term debt	4,717,319	4,669,459	4,418,519	3,612,523	2,179,950	1,136,584	1,277,825	1,244,127
Total governmental activities expenses	<u>38,380,829</u>	<u>35,900,098</u>	<u>36,295,428</u>	<u>31,929,014</u>	<u>27,541,172</u>	<u>23,653,063</u>	<u>26,607,258</u>	<u>18,186,843</u>
Business-type activities:								
Water and Sewer	13,916,192	13,272,884	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878
Total business-type activities expenses	<u>13,916,192</u>	<u>13,272,884</u>	<u>12,206,742</u>	<u>10,917,707</u>	<u>10,253,226</u>	<u>8,777,277</u>	<u>7,061,272</u>	<u>6,436,878</u>
Total primary government expenses	<u>\$ 52,297,021</u>	<u>\$ 49,172,982</u>	<u>\$ 48,502,170</u>	<u>\$ 42,846,721</u>	<u>\$ 37,794,398</u>	<u>\$ 32,430,340</u>	<u>\$ 33,668,530</u>	<u>\$ 24,623,721</u>
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
Community Development	\$ 664,711	\$ 1,020,979	\$ 1,072,444	\$ 1,118,001	\$ 1,318,516	\$ 1,687,141	\$ 1,680,531	\$ 1,487,000
Municipal Court	1,193,019	1,082,488	974,973	989,677	883,228	917,610	928,470	730,753
Police	522,919	516,591	658,015	415,637	649,261	720,395	402,980	221,076
Other	706,280	667,091	1,252,838	1,275,491	1,771,297	1,012,518	894,130	492,282
Operating grants & contributions	59,303	81,199	151,741	1,059,602	783,317	894,114	1,424,824	772,911
Capital grants & contributions	4,437,478	8,127,487	6,620,540	3,193,554	11,804,857	5,893,301	6,624,160	181,426
Total governmental activities program revenues	<u>7,583,710</u>	<u>11,495,835</u>	<u>10,730,551</u>	<u>8,051,962</u>	<u>17,210,476</u>	<u>11,125,079</u>	<u>11,955,095</u>	<u>3,885,448</u>

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
(unaudited)

TABLE D-2  
(continued)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Business-type activities:								
Charges for services:								
Water Sales	6,917,587	6,574,110	6,060,043	4,815,631	6,547,846	5,379,382	4,474,069	4,530,970
Sewer Charges	2,864,595	2,748,160	2,409,614	2,338,820	2,355,821	2,046,425	1,922,989	1,809,478
Other	2,150,155	1,951,945	1,797,390	1,616,873	2,164,135	2,072,748	1,890,686	1,797,588
Operating grants & contributions	-	-	-	-	-	-	-	-
Capital grants & contributions	1,992,680	3,374,321	5,616,869	2,808,528	4,319,065	3,411,639	6,576,943	2,906,811
Total business-type activities program revenues	<u>13,925,017</u>	<u>14,648,536</u>	<u>15,883,916</u>	<u>11,579,852</u>	<u>15,386,867</u>	<u>12,910,194</u>	<u>14,864,687</u>	<u>11,044,847</u>
Total primary government program revenues	<u>\$ 21,508,727</u>	<u>\$ 26,144,371</u>	<u>\$ 26,614,467</u>	<u>\$ 19,631,814</u>	<u>\$ 32,597,343</u>	<u>\$ 24,035,273</u>	<u>\$ 26,819,782</u>	<u>\$ 14,930,295</u>
Net (Expense)/Revenue								
Governmental activities	(30,797,119)	(24,404,263)	(25,564,877)	(23,877,052)	(10,330,696)	(12,527,984)	(14,652,163)	(14,301,395)
Business-type activities	8,825	1,375,652	3,677,174	662,145	5,133,641	4,132,917	7,803,415	4,607,969
Total primary government net expense	<u>(30,788,294)</u>	<u>(23,028,611)</u>	<u>(21,887,703)</u>	<u>(23,214,907)</u>	<u>(5,197,055)</u>	<u>(8,395,067)</u>	<u>(6,848,748)</u>	<u>(9,693,426)</u>
<b>General Revenues and Transfers</b>								
Governmental activities:								
Property taxes	\$ 16,735,510	\$ 16,422,119	\$ 14,780,112	\$ 11,827,931	\$ 9,063,530	\$ 8,111,715	\$ 7,265,947	\$ 6,717,883
Sales taxes	10,833,397	10,264,401	10,123,636	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216
Other	3,285,081	3,734,068	4,625,450	4,477,541	3,566,689	2,442,815	2,167,786	1,843,906
Transfers	1,511,785	6,201,291	1,315,405	1,350,335	2,375,000	1,006,400	867,500	1,337,963
Total governmental activities	<u>32,365,773</u>	<u>36,621,879</u>	<u>30,844,603</u>	<u>26,557,736</u>	<u>23,534,270</u>	<u>18,940,771</u>	<u>17,037,287</u>	<u>16,176,968</u>
Business-type activities:								
Other	203,622	675,348	960,254	1,600,342	1,111,064	506,954	519,436	345,017
Transfers	(1,511,785)	(6,201,291)	(1,315,405)	(1,350,335)	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)
Total business-type activities	<u>(1,308,163)</u>	<u>(5,525,943)</u>	<u>(355,151)</u>	<u>250,007</u>	<u>(1,263,936)</u>	<u>(499,446)</u>	<u>(348,064)</u>	<u>(992,946)</u>
Total primary government	<u>\$ 31,057,610</u>	<u>\$ 31,095,936</u>	<u>\$ 30,489,452</u>	<u>\$ 26,807,743</u>	<u>\$ 22,270,334</u>	<u>\$ 18,441,325</u>	<u>\$ 16,689,223</u>	<u>\$ 15,184,022</u>
<b>Change in Net Assets</b>								
Governmental activities	\$ 1,568,654	\$ 12,217,616	\$ 5,279,726	\$ 2,680,684	\$ 13,203,574	\$ 6,412,787	\$ 2,385,124	\$ 1,875,573
Business-type activities	(1,299,338)	(4,150,291)	3,322,023	912,152	3,869,705	3,633,471	7,455,351	3,615,023
Total primary government	<u>\$ 269,316</u>	<u>\$ 8,067,325</u>	<u>\$ 8,601,749</u>	<u>\$ 3,592,836</u>	<u>\$ 17,073,279</u>	<u>\$ 10,046,258</u>	<u>\$ 9,840,475</u>	<u>\$ 5,490,596</u>

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2001	-	-	-	-
2002	-	-	-	-
2003	6,717,883	6,277,216	1,567,874	14,562,973
2004	7,265,947	6,736,054	1,776,406	15,778,407
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842
2009	16,422,119	10,264,401	2,535,846	29,222,366
2010	16,735,510	10,833,397	2,748,483	30,317,390

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2001	3,835,507	1,601,062	5,436,569
2002	3,913,496	1,770,522	5,684,018
2003	4,530,970	1,809,478	6,340,448
2004	4,474,069	1,922,989	6,397,058
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182

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CITY OF ROCKWALL, TEXAS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-5

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ -	\$ 2,870	\$ 2,446	\$ 1,407	\$ 26,130	\$ 26,980	\$ 16,104	\$ 7,500	\$ 6,862	\$ 16,414
Unreserved	9,159,333	8,293,107	8,264,368	8,335,289	7,692,662	7,301,334	6,860,155	7,235,979	7,579,095	6,436,530
Total general fund	<u>\$ 9,159,333</u>	<u>\$ 8,295,977</u>	<u>\$ 8,266,814</u>	<u>\$ 8,336,696</u>	<u>\$ 7,718,792</u>	<u>\$ 7,328,314</u>	<u>\$ 6,876,259</u>	<u>\$ 7,243,479</u>	<u>\$ 7,585,957</u>	<u>\$ 6,452,944</u>
All other governmental funds										
Reserved for:										
Debt Service	\$ 930,290	\$ 1,077,236	\$ 835,203	\$ 1,083,320	\$ 1,461,294	\$ 1,155,897	\$ 694,758	\$ 683,650	\$ 551,753	\$ 509,255
Unreserved, reported in:										
Special revenue funds	2,320,833	2,399,605	3,145,275	2,797,330	2,422,376	2,046,410	1,358,357	926,507	671,382	1,171,009
Capital projects funds	10,319,501	16,906,340	13,094,614	21,877,706	36,529,256	16,113,095	5,271,300	7,540,907	9,031,865	13,065,344
Total all other governmental funds	<u>\$ 13,570,624</u>	<u>\$ 20,383,181</u>	<u>\$ 17,075,092</u>	<u>\$ 25,758,356</u>	<u>\$ 40,412,926</u>	<u>\$ 19,315,402</u>	<u>\$ 7,324,415</u>	<u>\$ 9,151,064</u>	<u>\$ 10,255,000</u>	<u>\$ 14,745,608</u>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 16,560,766	\$ 16,407,575	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166	\$ 5,722,744	\$ 5,032,885
Sales taxes	10,833,397	10,264,401	10,123,637	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	6,228,716	6,109,463
Franchise taxes	2,728,251	2,444,296	2,179,847	2,046,674	1,981,016	1,715,242	1,702,156	1,548,499	1,506,971	1,278,671
Charges for services	713,760	738,146	362,107	417,049	426,996	268,125	266,450	263,349	159,451	135,417
Permits	651,108	1,005,541	1,122,505	1,132,985	1,325,832	1,718,218	1,709,832	1,521,019	1,467,736	618,405
Municipal court	1,173,907	1,056,904	1,177,410	1,019,260	987,066	906,634	937,164	734,500	584,171	509,645
Intergovernmental	506,100	428,747	419,700	1,097,790	1,011,739	3,182,350	1,772,811	1,100,961	1,452,565	1,155,484
Interest income	60,429	611,615	1,702,870	2,012,244	1,149,204	304,644	143,269	312,700	598,483	1,002,624
Miscellaneous	569,258	872,988	837,707	716,896	1,060,866	1,080,366	755,733	422,427	375,753	297,490
Contributions and donations	148,512	2,812,457	775,695	2,241,586	6,251,435	163,635	252,037	56,463	35,112	60,539
<b>Total Revenues</b>	<b>33,945,488</b>	<b>36,642,670</b>	<b>33,409,620</b>	<b>31,407,407</b>	<b>31,703,153</b>	<b>24,859,180</b>	<b>21,545,914</b>	<b>18,915,300</b>	<b>18,131,702</b>	<b>16,200,623</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	116,372	109,845	117,366	111,555	108,366	78,114	74,416	58,377	68,480	38,068
Administration	3,353,637	3,358,705	3,056,885	2,750,197	2,910,478	2,708,948	2,324,516	3,024,304	2,421,992	1,880,816
Finance	1,189,250	1,266,436	1,199,417	1,138,238	1,025,230	952,808	837,800	756,688	707,823	615,694
Municipal court	333,234	318,467	311,706	300,186	303,131	291,348	249,839	234,832	189,088	187,687
Police	8,083,075	7,775,622	6,923,679	6,426,957	6,235,463	6,070,311	6,083,676	5,171,682	5,024,188	4,261,907
Fire	2,179,372	1,618,559	1,451,970	1,340,624	1,242,836	1,075,427	950,622	757,447	373,099	336,556
Public works	1,577,760	1,528,010	2,824,267	2,427,535	2,411,324	2,050,077	2,005,360	1,781,760	1,648,599	1,393,969
Community development	1,130,169	1,258,030	2,219,167	2,002,767	1,783,961	1,682,480	1,477,483	440,481	302,156	391,843
Parks and recreation	4,529,739	4,493,524	2,907,229	2,473,238	2,318,135	1,826,608	1,758,180	1,369,986	1,322,614	1,030,236
<b>Total current</b>	<b>22,492,608</b>	<b>21,727,198</b>	<b>21,011,686</b>	<b>18,971,297</b>	<b>18,338,924</b>	<b>16,736,121</b>	<b>15,761,892</b>	<b>13,595,557</b>	<b>12,058,039</b>	<b>10,136,776</b>
<b>Capital outlay:</b>										
Administration	4,746,948	18,427,890	2,373,369	4,028,933	1,580,706	602,847	623,526	1,843,858	8,767,869	3,101,580
Finance	57,653	78,866	137,035	-	-	-	36,746	141,102	104,138	66,898
Municipal Court	-	-	-	-	-	-	3,958	13,152	-	-
Police	1,316,626	258,623	74,899	225,992	285,150	1,850,771	978,179	372,661	370,552	298,869
Fire	434,754	6,462,691	727,795	1,578,623	835,685	711,166	525,888	172,970	542,049	1,322,965
Public works	24,575	90,798	29,051,639	10,609,516	25,733,888	9,756,038	1,667,682	1,198,999	892,865	1,306,605
Community development	-	-	-	2,105	-	519	668	1,123	-	97,479
Parks and recreation	1,095,622	482,177	1,742,004	2,397,348	1,477,499	757,360	600,049	443,049	199,661	646,525
<b>Total capital outlay</b>	<b>7,676,178</b>	<b>25,801,045</b>	<b>34,106,741</b>	<b>18,842,517</b>	<b>29,912,928</b>	<b>13,678,701</b>	<b>4,436,696</b>	<b>4,186,914</b>	<b>10,877,134</b>	<b>6,840,921</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6  
 (continued)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt service:										
Principal	4,458,038	4,670,540	4,335,462	3,726,505	2,620,235	1,801,369	2,831,984	1,623,841	1,590,000	1,196,321
Interest	4,766,488	4,716,545	4,254,162	3,607,455	1,748,001	977,878	1,032,504	1,229,093	1,198,065	1,305,721
Bond issuance costs	-	242,173	468,837	9,500	500,889	429,728	99,311	-	50,879	-
Fiscal charges	7,032	15,284	6,384	6,484	6,020	5,063	7,403	9,272	14,580	10,380
Total debt services	9,231,558	9,644,542	9,064,845	7,349,944	4,875,145	3,214,038	3,971,202	2,862,206	2,853,524	2,512,422
Total expenditures	39,400,344	57,172,785	64,183,272	45,163,758	53,126,997	33,628,860	24,169,790	20,644,677	25,788,697	19,490,119
Excess (deficiency) of revenues over (under) expenditures	(5,454,856)	(20,530,115)	(30,773,652)	(13,756,351)	(21,423,844)	(8,769,680)	(2,623,876)	(1,729,377)	(7,656,995)	(3,289,496)
<b>Other financing sources (uses):</b>										
Transfers in	1,478,835	8,664,757	1,975,436	2,585,804	4,305,332	2,959,535	2,429,909	4,445,973	4,976,111	2,942,643
Transfers out	(2,304,050)	(4,488,966)	(2,715,031)	(2,866,119)	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)	(4,971,711)	(2,996,182)
Bonds issued	-	19,295,000	22,270,000	-	41,045,000	21,200,000	-	-	4,295,000	-
Capital Leases	330,870	-	-	-	-	-	-	-	-	-
Refunding bonds issued	-	4,805,000	-	-	-	6,095,000	4,067,415	-	-	-
Accrued interest on bonds issued	-	-	-	-	176,020	129,913	-	-	-	-
Premium (discounts) on bonds issued	-	444,623	490,101	-	864,326	271,518	-	-	-	-
Payment to refunded bond escrow agent	-	(4,853,047)	-	-	-	(6,027,109)	(3,120,178)	-	-	-
Total other financing sources (uses)	(494,345)	23,867,367	22,020,506	(280,315)	42,911,846	21,212,722	564,737	282,963	4,299,400	(53,539)
Net change in fund balances	(5,949,201)	3,337,252	(8,753,146)	(14,036,666)	21,488,002	12,443,042	(2,059,139)	(1,446,414)	(3,357,595)	(3,343,035)
Debt service as a percentage of noncapital expenditures	29.1%	30.6%	24.0%	22.0%	17.4%	13.5%	14.4%	18.1%	19.1%	19.9%

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2001	\$ 5,032,885	\$ 6,109,463	\$ 1,278,671	\$ 12,421,019
2002	5,722,744	6,228,716	1,506,971	13,458,431
2003	6,678,166	6,277,216	1,548,499	14,503,881
2004	7,270,408	6,736,054	1,702,156	15,708,618
2005	8,140,125	7,379,841	1,715,242	17,235,208
2006	8,979,948	8,529,051	1,981,016	19,490,015
2007	11,820,994	8,901,929	2,046,674	22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626
2009	16,407,575	10,264,401	2,444,296	29,116,272
2010	16,560,766	10,833,397	2,728,251	30,122,414

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-8

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
2001	\$6,109,463	124.62%	0.45
2002	6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.73%	0.35
2008	10,123,637	70.44%	0.36
2009	10,264,401	64.13%	0.34
2010	10,833,397	65.62%	0.35

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-9

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2001	2000	879,924,785	370,271,592	201,150,402	86,564,864	1,364,781,915	0.3600
2002	2001	1,005,596,905	434,430,607	231,005,372	92,155,332	1,578,877,552	0.3600
2003	2002	1,180,867,660	484,847,529	271,117,946	99,943,555	1,836,889,580	0.3600
2004	2003	1,371,585,380	487,360,218	258,028,313	130,750,657	1,986,223,254	0.3600
2005	2004	1,573,206,290	525,794,698	284,849,415	154,608,703	2,229,241,700	0.3600
2006	2005	1,736,808,885	567,435,458	286,808,498	163,343,787	2,427,709,054	0.3689
2007	2006	1,943,727,690	921,234,223	261,957,560	551,589,203	2,575,330,270	0.4250
2008	2007	2,405,432,149	709,899,929	289,545,141	602,975,668	2,801,901,551	0.4865
2009	2008	2,147,701,430	1,155,846,969	330,037,398	625,065,569	3,008,520,228	0.5031
2010	2009	2,185,092,860	1,222,610,470	338,639,915	663,151,492	3,083,191,753	0.5031

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	-
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093
2007	96,624,100	1,537,004	61,259,470	16,146,371	328,999
2008	104,805,677	1,658,500	66,881,780	13,651,705	248,013
2009	111,535,268	1,805,500	79,131,370	24,266,824	2,147,724
2010	117,336,354	6,522,310	101,284,160	25,091,542	182,290

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-11

Fiscal Year	City of Rockwall			Overlapping Rates	
	M&O	Debt	Total	School	County
2001	0.1748	0.1852	0.3600	1.8400	0.3534
2002	0.1826	0.1774	0.3600	1.8372	0.3534
2003	0.1982	0.1618	0.3600	1.8800	0.3534
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.425	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-12

Taxpayer	2010			2001		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
CNLRs Rockwall, LP	\$ 50,948,210	1	1.65%	\$ -	-	-
Continental Pet Technology	37,595,890	2	1.22%	27,613,168	1	2.02%
Rockwall Regional Hospital, LLP	36,925,810	3	1.20%	-	-	-
Mariah Bay Development, Inc	30,981,690	4	1.00%	-	-	-
Rockwall Hotel & Conference Group	29,160,780	5	0.95%	-	-	-
Rockwall HH, LLC	25,000,000	6	0.81%	-	-	-
Wal-mart	23,474,360	7	0.76%	16,666,249	2	1.22%
Rockwall Crossing LTD	22,646,520	8	0.73%	-	-	-
Oncor Electric Delivery Service	21,633,760	9	0.70%	13,217,490	5	0.97%
Texas Star Express	18,814,200	10	0.61%	-	-	-
SPM/WRI Rockwall, L.P.	-	-	-	16,631,660	3	1.22%
Lowes Home Centers, Inc.	-	-	-	14,302,570	4	1.05%
Rockwall/ S-30 Ltd.	-	-	-	12,199,550	6	0.89%
Steger Towne Crossing, LP	-	-	-	9,644,750	7	0.71%
Southwestern Bell Telephone	-	-	-	9,638,070	8	0.71%
Bent Tree Realty Co.	-	-	-	9,322,760	9	0.68%
Dayton Hudson	-	-	-	9,141,165	10	0.67%
Subtotal	<u>297,181,220</u>		<u>9.64%</u>	<u>138,377,432</u>		<u>10.14%</u>
Total Taxable Value	<u><u>3,083,191,753</u></u>		<u><u>100.00%</u></u>	<u><u>1,365,273,846</u></u>		<u><u>100.00%</u></u>

Source: Rockwall Central Appraisal District  
 Note: For tax years 2009 and 2000

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-13

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Total Current Year Collections</b>	<b>Percent of Levy Collected During Fiscal Period</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Tax Levy</b>
2001	2000	4,915,155	4,864,930	98.98%	110,627	4,975,557	101.23%
2002	2001	5,696,005	5,605,385	98.41%	55,841	5,661,226	99.39%
2003	2002	6,619,325	6,487,602	98.01%	77,090	6,564,692	99.17%
2004	2003	7,194,520	7,145,433	99.32%	176,253	7,321,686	101.77%
2005	2004	8,063,888	8,021,945	99.48%	141,227	8,163,172	101.23%
2006	2005	8,984,907	8,921,613	99.30%	114,598	9,036,211	100.57%
2007	2006	11,602,218	11,433,285	98.54%	112,247	11,545,532	99.51%
2008	2007	14,371,045	14,173,725	98.63%	139,450	14,313,175	99.60%
2009	2008	16,005,417	15,923,847	99.49%	269,545	16,193,392	101.17%
2010	2009	16,509,972	16,280,346	98.61%	138,823	16,419,169	99.45%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-14

Customer	2010			2001		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	55,989,000	1	1.92%	13,569,900	8	0.94%
Rockwall I.S.D.	40,715,900	2	1.40%	40,728,500	1	2.83%
Mission Rockwall	17,258,600	3	0.59%	19,873,200	3	1.38%
D.W.C./Highlife Properties	16,933,800	4	0.58%	17,954,100	4	1.25%
TF-Harbor, LLC	16,153,700	5	0.55%	-	-	-
Mansions of Rockwall	14,100,400	6	0.48%	-	-	-
Walden Residential Properties	11,754,000	7	0.40%	13,236,600	9	0.92%
Rockwall Nursing Home	11,046,400	8	0.38%	11,156,700	10	0.78%
Rockwall Crossing, Ltd.	10,028,300	9	0.34%	-	-	-
Continental Can	9,590,300	10	0.33%	13,634,000	7	0.95%
Lone Star Circuits	-	-	-	24,041,200	2	1.67%
Steger Towne Crossing	-	-	-	15,369,300	5	1.07%
Sabre Realty	-	-	-	14,955,000	6	1.04%
Subtotal	<u>203,570,400</u>		<u>6.99%</u>	<u>184,518,500</u>		<u>12.84%</u>
Total Water Usage	<u>2,913,744,835</u>		<u>100.00%</u>	<u>1,437,149,000</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-15

Fiscal Year	Governmental Activities				Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds	Capitalized Lease Obligations			
2001	14,088,900	6,375,000	1,374,329	-	506,100	-	60,644	4,563,753	2,840,000	29,808,726	5.53%	1,574
2002	13,295,364	10,485,000	945,000	-	384,636	-	-	10,991,569	2,505,000	38,606,569	6.54%	1,841
2003	12,521,523	9,890,000	690,000	-	288,477	-	-	10,555,000	2,150,000	36,095,000	5.60%	1,580
2004	11,918,933	9,075,000	420,000	-	271,067	-	-	10,035,000	1,780,000	33,500,000	4.07%	1,329
2005	22,992,564	17,940,000	345,000	-	247,436	-	-	14,910,000	1,385,000	57,820,000	6.22%	2,080
2006	57,632,329	21,825,000	315,000	-	212,671	-	-	14,145,000	1,145,000	95,275,000	9.57%	3,155
2007	55,720,824	20,045,000	280,000	-	184,176	-	-	13,360,000	5,040,094	94,630,094	8.87%	3,013
2008	74,925,362	18,810,000	245,000	-	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	11.18%	3,824
2009	86,179,822	22,425,000	-	-	135,178	25,890,000	-	11,670,000	7,431,754	153,731,754	14.29%	4,789
2010	83,271,784	20,875,000	-	278,034	113,216	25,005,000	-	10,775,000	7,080,083	147,398,117	11.67%	4,205

Note: See Table 19 for personal income and population data

CITY OF ROCKWALL, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-16

Fiscal Year	Governmental Activities				Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable	
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Gross Bonded Debt			Value	Per Capita
2001	14,088,900	6,375,000	1,374,329	21,838,229	509,255	21,328,974	1.58%	1,126
2002	13,295,364	10,485,000	945,000	24,725,364	551,753	24,173,611	1.52%	1,153
2003	12,521,523	9,890,000	690,000	23,101,523	683,650	22,417,873	1.21%	981
2004	11,918,933	9,075,000	420,000	21,413,933	694,758	20,719,175	1.04%	822
2005	22,992,564	17,940,000	345,000	41,277,564	1,014,713	40,262,851	1.80%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,461,294	78,311,035	3.22%	2,593
2007	55,720,824	20,045,000	280,000	76,045,824	1,083,320	74,962,504	2.91%	2,387
2008	74,925,362	18,810,000	245,000	93,980,362	835,203	93,145,159	3.32%	2,934
2009	86,179,822	22,425,000	-	108,604,822	1,077,236	107,527,586	3.57%	3,349
2010	83,271,784	20,875,000	-	104,146,784	2,399,605	101,747,179	3.30%	2,903

Note: See Table 19 for population data and Table 8 for property value data

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2010  
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 104,146,784	100.00%	\$ 104,146,784
Indirect:			
Rockwall Independent School District	356,233,119	58.31%	207,719,532
Rockwall County	62,230,000	49.09%	30,548,707
Total Indirect	418,463,119		238,268,239
Total Direct and Overlapping Bonded Debt	\$ 522,609,903		\$ 342,415,023
Average debt per capita			9,769

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.5031	0.5031	0.4865	0.425	0.3689	0.3600	0.3600	0.3600	0.3600	0.3600
Legal Debt Margin	1.9969	1.9969	2.0135	2.0750	2.1311	2.1400	2.1400	2.1400	2.1400	2.1400

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			
				Principal	Interest	Total	Coverage
2001	10,253,437	3,773,301	6,480,136	260,000	227,663	487,663	13.29
2002	7,785,753	4,159,459	3,626,294	280,000	213,638	493,638	7.35
2003	9,259,528	4,647,959	4,611,569	510,000	486,884	996,884	4.63
2004	10,081,442	5,194,575	4,886,867	520,000	476,108	996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE D-20

DEMOGRAPHICS					
Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	RISD School Enrollment (2)	Unemployment Rate (%) (3)
2001	18,934	539,278	28,482	8,898	5.5
2002	20,967	590,473	28,162	9,617	7.1
2003	22,850	644,256	28,195	10,077	6.7
2004	25,200	822,453	32,637	10,527	5.1
2005	27,800	929,882	33,449	11,560	3.5
2006	30,200	995,574	32,966	12,627	3.4
2007	31,407	1,066,362	33,953	13,086	3.9
2008	31,748	1,085,718	34,198	13,407	4.9
2009	32,103	1,075,900	33,514	13,721	7.0
2010	35,050	1,263,553	36,050	14,030	6.6

Source: (1) Rockwall Economic Development Corporation and North Central Texas Workforce Solutions  
 (2) Rockwall Independent School District - private schools not included  
 (3) Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,896	1	10.89%	1,200	1	11.15%
Texas Star Express	484	2	2.78%	200	6	1.86%
Wal-Mart Superstore	450	3	2.59%	500	2	4.65%
Presbyterian Hospital	419	4	2.41%	-	-	-
Rockwall County	298	5	1.71%	140	7	1.30%
City of Rockwall	256	6	1.47%	-	-	-
Special Products	205	7	1.18%	135	10	1.25%
Target	200	8	1.15%	-	-	-
Rockwall Nursing Home	160	9	0.92%	140	9	1.30%
Kohl's Department Store	140	10	0.80%	140	8	1.30%
Continental Pet	-	-	-	225	3	2.09%
Precision Cable	-	-	-	200	4	1.86%
James Helwig & Son	-	-	-	200	5	1.86%
Subtotal	<u>4,508</u>		<u>25.90%</u>	<u>3,080</u>		<u>28.62%</u>
Total	<u>17,407</u>		<u>100.00%</u>	<u>10,763</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-22

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Administration	22	22	22	22	21	21	21	23	19	13
Finance	8	8	8	8	8	7.5	6.5	4.5	4.5	5
Municipal Court	4	4	4	4	4	4	3	3	3	3
Fire	17	17	10	10	9	9	8	5	4	3
Police	90.5	90.5	88	85	80	72	70	68	63	57
Community Development	29.5	29.5	29.5	29.5	28.5	25.5	22	21	19	14
Parks & Recreation	26	26	24.5	24.5	25	24	21	21	22	18
Public Works	21	21	23	23	23	21	21	21	20	19
Water/Sewer	38	38	34	31	29	26	25	23	22	21
<b>Total</b>	<b>256.00</b>	<b>256.00</b>	<b>243.00</b>	<b>237.00</b>	<b>227.50</b>	<b>210.00</b>	<b>197.50</b>	<b>189.50</b>	<b>176.50</b>	<b>153.00</b>

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Finance										
Invoices processed	16,613	16,933	16,696	16,015	15,883	14,919	14,246	14,430	n/a	n/a
Payroll checks issued	8,356	8,176	7,765	7,840	7,042	6,579	6,543	5,882	4,983	4,277
Purchase orders issued	2,391	2,572	2,363	2,553	2,468	2,561	2,420	2,338	n/a	n/a
Municipal Court										
Violations Processed	17,261	16,526	12,984	17,455	16,635	15,225	13,913	15,000	9,364	8,010
Fire										
Employees (paid)	16	16	9	9	9	9	8	4	3	2
Volunteers	38	35	42	37	40	39	36	38	38	36
Fire Calls (City and County)	771	771	860	777	718	772	623	560	474	460
Police										
Employees (uniformed)	70	70	69	66	61	55	51	49	42	37
Employees (civilian)	20	20	19	18	18	17	17	15	12	12
Calls for Service	30,569	30,610	29,097	27,158	21,121	17,915	16,066	14,699	14,717	13,924
Community Development										
# permits - New commercial construction	4	17	26	33	18	51	18	27	22	13
Value - New commercial construction	10,969,950	71,061,773	40,553,363	104,798,013	39,358,497	49,918,558	29,067,960	40,304,701	41,967,125	16,001,068
# permits - New residential construction	212	169	173	192	470	739	885	775	945	767
Value - New residential construction	40,293,359	30,914,120	31,962,169	40,174,623	82,305,725	123,215,423	135,501,919	117,512,216	144,002,845	119,521,248
Parks & Recreation										
The Center facility usage	68,665	61,713	76,530	69,988	75,757	71,118	58,060	38,821	2,713	n/a
Special event attendance	95,000	90,680	75,232	54,156	25,231	26,547	35,736	14,300	9,113	5,440
# recreation participants (youth & adult)	3,428	2,155	2,757	2,727	2,381	2,034	1,793	1,411	882	1,028

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23  
 (continued)

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Works										
Streets - sq yd concrete street repair	2,851.55	5,507.20	3,415.26	739.69	1,967.75	2,961.55	2,395.76	n/a	n/a	n/a
\$ spent on concrete/asphalt street repair	575,446	541,430	411,814	341,685	478,169	352,048	431,475	339,507	284,129	242,810
Miles of public street maintained by City	196.10	192.86	183.86	144.83	139.52	129.23	127.66	122.70	116.03	105.38
Water/Sewer										
Water customers	12,859	12,471	12,285	12,345	11,985	11,491	10,497	9,440	8,827	7,875
Sewer customers	11,651	11,401	11,106	10,987	10,445	10,020	9,282	8,510	7,781	7,026
Average daily water consumption (gal)	7,434,917	8,228,041	8,052,778	6,701,619	5,991,288	5,023,404	4,327,595	4,209,473	3,019,976	3,937,395
Maximum storage capacity (gal)	12,000,000	12,000,000	9,500,000	7,500,000	7,500,000	7,500,000	7,500,000	5,500,000	5,500,000	5,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-24

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Fire										
Number of stations	4	2	2	2	2	2	2	2	2	1
Number of fire engines/trucks	14	12	11	11	9	8	8	8	8	8
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	42	42	42	42	37	30	26	22	n/a
Parks & Recreation										
Parks acres (developed)	538.00	538.00	538.00	341.50	324.60	307.30	287.70	283.20	n/a	n/a
Playgrounds	25	23	23	23	18	12	12	12	11	10
Picnic areas	32	31	31	29	27	26	26	25	12	5
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	2,596,948	15,444,384	24,508,043	4,885,417	1,689,445	2,477,496	165,359	116,368	1,670,734	377,153
\$ spent on street rehabilitation	1,929,529	1,446,058	4,219,701	2,492,251	6,575,541	2,352,112	583,947	397,026	967,878	1,503,738
Miles of public street	196.10	192.86	183.86	144.83	139.52	129.23	127.66	122.70	116.03	105.38
Water/Sewer										
Water mains (miles)	269.82	255.88	250.40	160.06	155.37	146.32	139.93	128.49	120.93	105.35
Sanitary sewers (miles)	215.88	212.77	209.95	117.51	113.58	107.83	103.62	96.64	91.87	79.21

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

*COMPREHENSIVE ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2009*

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, Director of Finance



**CITY OF ROCKWALL, TEXAS**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2009*

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**CITY OF ROCKWALL, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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City of Rockwall  
*The New Horizon*

March 18, 2010

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2009, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Rutledge, Crain & Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2009, are free of material misstatement. The independent audit

involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 28.09 square miles and an estimated population of 32,103.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments have been adopted as recently as 2005. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### **Local Economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. In spite of the down economy throughout the nation, Rockwall saw some new businesses open in 2009. The city's revenues were flat where they may otherwise have fallen if not for the new businesses which are described below. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by 4.06%. The most recent five-year average is 6.75% per annum. The City's largest taxpayers include a number of commercial developments. Table 12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Costco Corporation completed construction on a Costco Wholesale store in Rockwall. The 149,000 square foot store enhanced Rockwall's role as a regional shopping destination.
- Presbyterian Hospital of Rockwall having opened their acute care facility in December 2008, completed construction of approximately 40,000 square feet of medical office space in the adjacent area in 2009. Other similarly sized private medical offices were constructed during the year.
- Shenaniganz, calling itself an "eater-tainment destination opened in late in 2008 and includes bowling, laser tag, an arcade, rock climbing, go carts and restaurant areas.
- Downtown Rockwall benefited from the attention garnered as Rockwall was named a Texas Main Street City in October 2008. The program officially kicked off with a visit by the First Lady of Texas in spring 2009. A number of new restaurants including Restaurant Ava, Bin303, El Cayote Rojo and Texas Roast joined the downtown area. Zanata's Restaurant doubled their seating area.
- Ground was broken for the Shops at Stone Creek and their anchor tenant, Tom Thumb. The approximately 59,000 square foot "lifestyle" format store is expected to open in May 2010. The store is expected to draw customers from surrounding towns as well. More than 15,000 square feet of retail space adjoins the store with out-parcels available.
- Half Price Books will join the retail mix in April 2010, opening a location in the Rockwall Crossing shopping center. This announcement allowed the City to meet a long standing goal of a book store opening in the City.
- The City completed the annexation process, after three years of planning, for the Lake Rockwall Estates area. This area includes over 3,000 residents who will now receive city services. In anticipation of this annexation, the City conducted studies and worked with residents to address long standing needs and plan for improvements to the area in the near and long-term.

## Long-term Planning

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

## Financial Policies

The City Council adopted financial policies in 2001 which have guided the City allowing us to build a strong fund balance and reinforcing the need to budget conservatively for both revenues and expenditures. The general fund reserve policy was reviewed and updated in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has consistently maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level will be available to fund capital projects in coming years.

## Planning Projects

Having identified the downtown area as a critical component of our long range plan, the City working with business and community leaders coordinated an effort to be named a Texas Main Street City and is pursuing the planning and design opportunities this program provides.

The City worked with a consulting firm to prepare an extensive conceptual plan for Planned Development 32 (PD32) which encompasses 60 acres of undeveloped land inside the City's tax increment financing zone and adjacent to the Harbor development. The city recognizes the importance of having the conceptual plan ready when the economy improves. The area is expected to include an expansion of the mixed-use concept with retail, restaurants, office and residential spaces.

The city accepted the report from a street condition study to better evaluate the priorities for needed street repairs. The study results will be employed as the City develops future maintenance budgets and capital improvement programs.

The Rockwall Economic Development Corporation refined their vision in their Destination 2020 plan in 2008. This comprehensive document includes demographics, target industries, marketing strategies, competition, site selection criteria, and alliances among its parameters. The REDC hired a Marketing Manager in 2009 to better position them to attract and retain industry.

## Strategic Planning

Organizationally, the City uses the Balanced Scorecard Methodology for strategic planning. Bi-annually the City conducts a Citizen Satisfaction Survey to document our progress meeting the needs of our citizens. The City employs the C3 methodology of "Customer Centered Culture" which encourages cross department teams to follow a proven course of data compilation and actions that allow the teams to develop product and process improvements. C3 recognizes that the services we provide are ultimately comprised of a number of products and processes and those must be designed to meet our customer's needs, not what we perceive are their needs. Two project teams presented their reports to Council in 2009 and many of their suggested improvements have been implemented, with more teams starting in late 2009.

## Future Development

### Transportation

The City has nearly completed the construction of the 205 Bypass roadway project which is officially named "John King Boulevard" in honor of our late council member. The road includes one railroad crossing which is expected to be completed in spring 2010. Texas Department of Transportation has begun work on the overpass which will connect the northern and southern roadways and allow additional access to I-30. It is expected to be completed mid 2012. TxDot will complete work on the widening of SH205 (Goliad Street) through the City in early 2010. The construction of FM740 through southern Rockwall will commence in 2010 also. City projects under construction in 2010 will include the reconstruction of Airport Road, a much traveled east-west roadway which will allow better access to John King Boulevard and the widening of a section of FM549.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County bond initiative which met with positive voter approval allows funding for the advance planning and design of 5 major roadway projects. This will allow those projects to be ready to commence as soon as state funding is allocated for construction.

### Medical Services

Developments in the Horizon Road area have focused on medical services. With the opening of Presbyterian Hospital of Rockwall in 2008, acute care is available in the City. Several new medical buildings with Doctor's suites joined state of the art out-patient diagnostic imaging facilities in the past two years. Ancillary medical office buildings and long term care facilities are planned for near term development. This corridor has developed into a regional medical destination. Arbor House Assisted Living Center opened in

### Retail / Entertainment

"The Harbor" public improvements, situated on the shores of Lake Ray Hubbard at I-30, were completed in 2007. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. A number of conferences have used the facilities with many more scheduled for 2010. The development has become a regional entertainment destination.

In conjunction with the private development, the City established a tax increment financing (TIF) zone in an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects.

The City's Concert on the Lake Series managed by the City's Recreation Department draws approximately 5,000 attendees each Thursday evening for a free concert. The series was extended to 22 weeks in 2009. Surveys conducted during the events gathered data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here.

Founder's Day on the Downtown Square draws visitors to shop merchant's wares, see artist's exhibits, learn about city departments and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend.

A Farmer's Market brings visitors downtown weeks during the year. In 2010 the City will be adding an Art Fair each month. The first annual "Rib Rub" was held in fall 2009. The Main Street Advisory Board and "Friends of Downtown Rockwall", citizen volunteer group, are working to plan special events downtown.

### Facilities

Construction was completed on Fire Stations 3 and 4, approved by voters in 2005. The stations were dedicated to two long time volunteer firefighters, Mr. Bennie Tanner and Mr. Paul Merritt respectively. With the addition of these stations the City continued the transition to a combination paid/volunteer department by adding several fully paid shift positions.

The Rockwall Police Community Services Office was rededicated in memory of long time volunteer and supporter John Fitzwater Sr.

### Utilities

The water and sewer rates which were increased in 2009 are being reviewed and staff will be recommending a rate increase for early 2010. The City purchases treated water as a founding member city of the North Texas Municipal Water District. Construction is ongoing for the Squabble Creek sewer system which will connect to the regional sewer interceptor system. A number of main extension projects are being undertaken to provide water and sewer service to annexed areas of the City.

The City's water system was recognized with the Texas Commission on Environmental Quality's "Superior" rating in 2008.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-09(net of Debt Service)	\$107,527,586
Estimated Population	32,103
G.O. Debt Per Capita	\$3,349
Net G.O. Debt per Assessed Value	3.57%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	AA-	A-	A-
Moody's Investor Service Inc.	A1	A2	A2

## AWARDS AND ACKNOWLEDGEMENTS

### Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last nineteen consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Julie Couch  
City Manager



Mary Smith, CPA  
Director of Finance

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



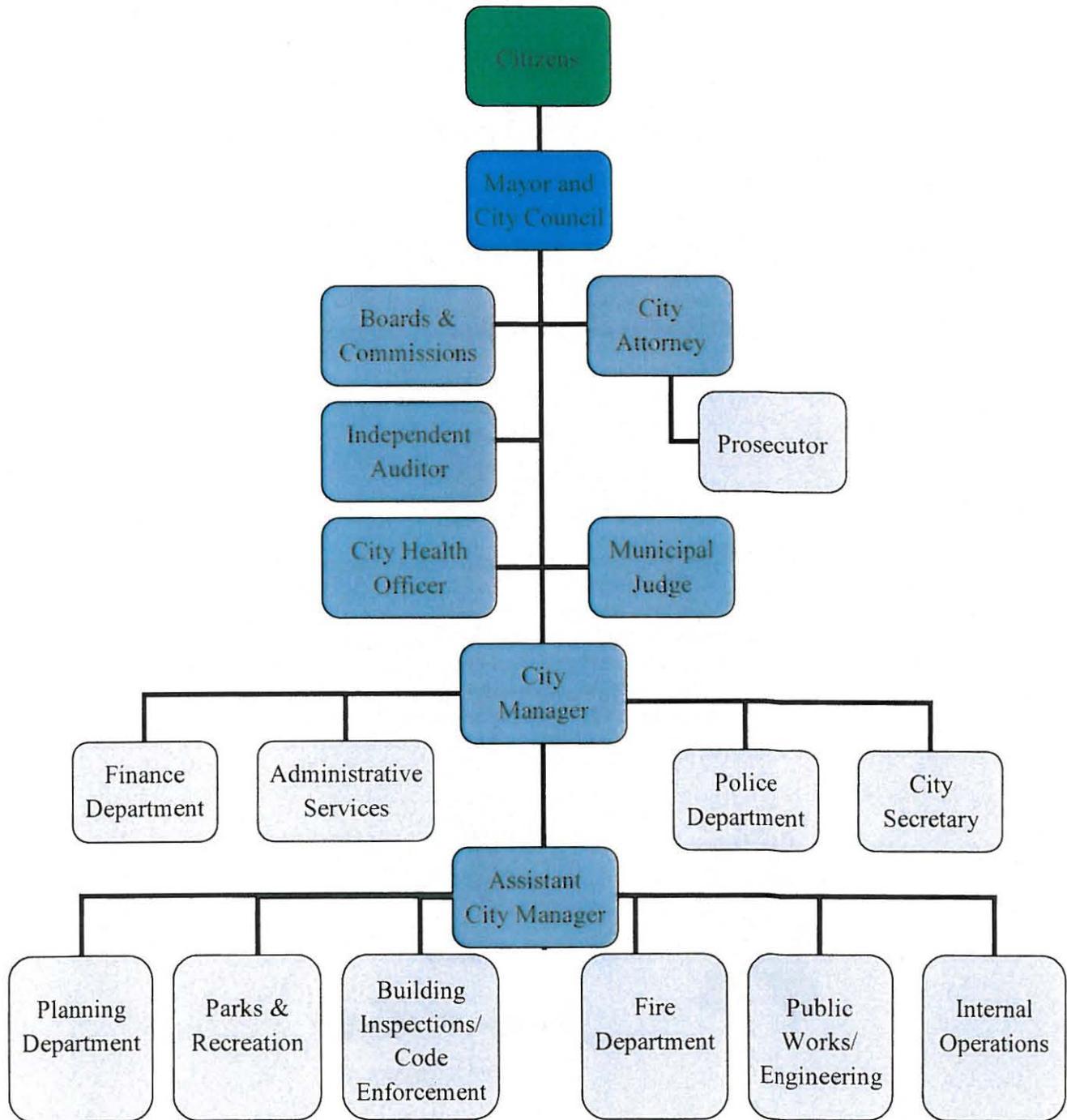
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2009

**City Council**

Bill Cecil, Mayor  
David Sweet, Mayor Pro-Tempore  
Glen Farris, Councilmember  
Margo Nielsen, Councilmember  
Mark Russo, Councilmember  
Matt Scott, Councilmember  
Cliff Sevier, Councilmember

**City Staff**

Julie Couch, City Manager  
Rick Crowley, Assistant City Manager  
Mary Smith, Director of Finance  
Cheryl Dunlop, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Community Development  
Chuck Todd, City Engineer/Director of Public Works  
Jeffrey Widmer, Director of Building Inspections & Code Enforcement  
Brad Griggs, Director of Parks, Recreation and Rights-of-Way

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*Financial Section*

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**Independent Auditors' Report on Financial Statements**

To the City Council  
City of Rockwall, Texas

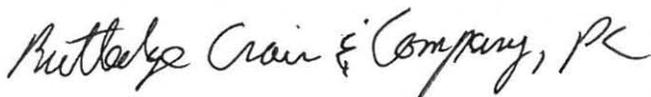
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rockwall, Texas' management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis identified as Required Supplementary Information in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Rockwall, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules, and statistical tables 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 and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



March 18, 2009

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*Management's Discussion and Analysis*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total net assets were \$170,779,142 at September 30, 2009.
- During the year, the City's expenses were \$12,217,616 less than the \$48,117,714 generated in taxes and other revenues for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2009 by \$103,629,886 (net assets). Of this amount \$12,955,777 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of this fiscal year, unreserved fund balance for the general fund was \$8,293,107 or approximately 39.90 percent of the total general fund expenditures and transfers out.
- The City's total outstanding bonds and certificates of obligation (excluding enterprise and component unit debt) increased by \$14,624,460 during fiscal year 2009. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

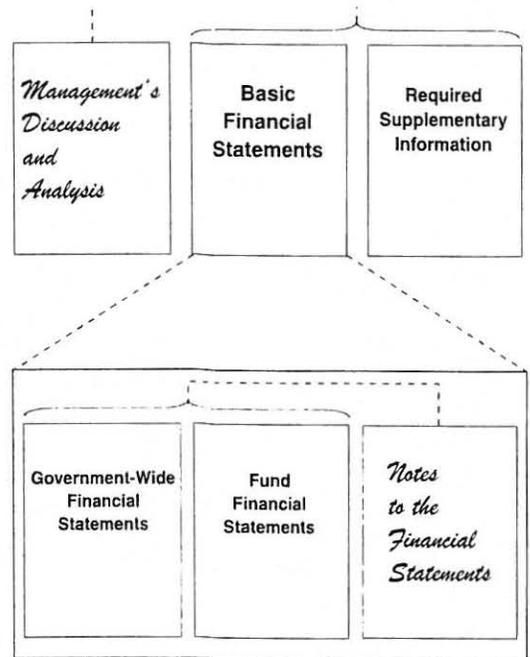
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



Summary ←→ Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City' government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of revenues, expenses &amp; changes in fund net assets</li> <li>◆ Statement of cash flows</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the city of Rockwall’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net assets changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer system is reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s 4A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements can be found on pages 33-35 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 20 individual governmental funds. 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, Debt Service fund, 205 Bypass fund, and the G.O. Bonds Capital Projects fund all of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2009, the City's net assets (assets exceeding liabilities) totaled \$170,779,142. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

The largest portion of the City's net assets (83.02% percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 35,699,050	\$ 36,360,385	\$ 30,640,868	\$ 24,777,143	\$ 66,339,918	\$ 61,137,528
Capital Assets	<u>182,827,873</u>	<u>159,028,553</u>	<u>83,311,589</u>	<u>75,677,237</u>	<u>266,139,462</u>	<u>234,705,790</u>
Total Assets	<u>218,526,923</u>	<u>195,388,938</u>	<u>113,952,457</u>	<u>100,454,380</u>	<u>332,479,380</u>	<u>295,843,318</u>
Non-current liabilities	111,487,365	96,442,149	44,007,156	27,620,000	155,494,521	124,062,149
Other liabilities	<u>3,409,672</u>	<u>7,534,519</u>	<u>2,796,045</u>	<u>1,534,833</u>	<u>6,205,717</u>	<u>9,069,352</u>
Total Liabilities	<u>114,897,037</u>	<u>103,976,668</u>	<u>46,803,201</u>	<u>29,154,833</u>	<u>161,700,238</u>	<u>133,131,501</u>
Net Assets						
Invested in capital assets, net of related debt	88,367,580	63,546,273	53,418,392	48,127,382	141,785,972	111,673,655
Restricted for debt service	1,268,238	1,009,161	1,216,379	2,242,596	2,484,617	3,251,757
Restricted for capital projects	1,038,291	13,213,026	6,352,322	15,645,640	7,390,613	28,858,666
Unrestricted	<u>12,955,777</u>	<u>13,643,810</u>	<u>6,162,163</u>	<u>5,283,929</u>	<u>19,117,940</u>	<u>18,927,739</u>
Total net assets	<u>\$103,629,886</u>	<u>\$ 91,412,270</u>	<u>\$67,149,256</u>	<u>\$ 71,299,547</u>	<u>\$170,779,142</u>	<u>\$ 162,711,817</u>

An additional portion of the City of Rockwall's net assets, \$9,875,230 or 5.78% represents resources that are subject to external restrictions on how they may be used. The net assets which are *Restricted for capital projects* are due to debt being issued as projects are designed and construction is beginning. Several projects were completed or are nearing so causing this to be significantly less than in prior years. The remaining unrestricted net assets, \$19,117,940, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net assets for the year ended September 30, 2009.

**Table 2**  
**Changes in Net Assets**

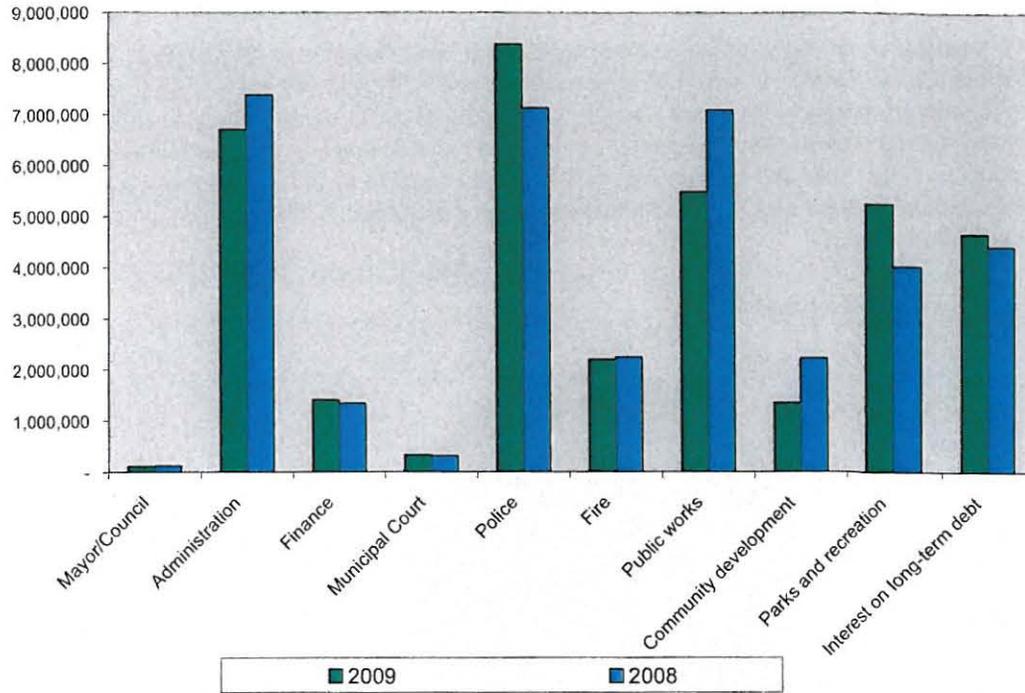
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$ 3,287,149	\$ 3,958,270	\$11,274,215	\$ 10,267,047	\$ 14,561,364	\$ 12,570,130
Operating grants & contributions	81,199	151,741	-	-	81,199	1,059,602
Capital grants & contributions	8,127,487	6,620,540	3,374,321	5,616,869	11,501,808	6,002,082
General Revenues:						
Property taxes	16,422,119	14,780,112	-	-	16,422,119	11,827,931
Sales taxes	10,264,401	10,123,636	-	-	10,264,401	8,901,929
Other	<u>3,734,068</u>	<u>4,625,450</u>	<u>675,348</u>	<u>960,254</u>	<u>4,409,416</u>	<u>6,077,883</u>
Total revenues	41,916,423	40,259,749	15,323,884	16,844,170	57,240,307	46,439,557
Program expenses:						
Mayor/Council	109,844	117,366	-	-	109,844	111,555
Administration	6,707,709	7,384,773	-	-	6,707,709	5,523,924
Finance	1,409,054	1,338,894	-	-	1,409,054	1,138,210
Municipal Court	334,922	312,601	-	-	334,922	298,383
Police	8,384,774	7,130,698	-	-	8,384,774	7,001,771
Fire	2,201,236	2,242,829	-	-	2,201,236	2,207,468
Public works	5,482,571	7,094,068	-	-	5,482,571	6,928,067
Community development	1,350,023	2,229,753	-	-	1,350,023	2,018,363
Parks and recreation	5,250,506	4,025,927	-	-	5,250,506	3,088,750
Interest on long-term debt	4,669,459	4,418,519	-	-	4,669,459	3,612,523
Water and sewer	-	-	<u>13,272,884</u>	<u>12,206,742</u>	<u>13,272,884</u>	<u>10,917,707</u>
Total expenses	35,900,098	36,295,428	13,272,884	12,206,742	49,172,982	42,846,721
Increase (decrease) in net assets						
before transfers	6,016,325	3,964,321	2,051,000	4,637,428	8,067,325	3,592,836
Transfers	<u>6,201,291</u>	<u>1,315,405</u>	<u>(6,201,291)</u>	<u>(1,315,405)</u>	-	-
Increase (decrease) in net assets	12,217,616	5,279,726	(4,150,291)	3,322,023	8,067,325	3,592,836
Net assets, October 1	<u>91,412,270</u>	<u>86,132,544</u>	<u>71,299,547</u>	<u>67,977,524</u>	<u>162,711,817</u>	<u>154,110,068</u>
Net assets, September 30	<u>\$103,629,886</u>	<u>\$ 91,412,270</u>	<u>\$ 67,149,256</u>	<u>\$ 71,299,547</u>	<u>\$ 170,779,142</u>	<u>\$ 157,702,904</u>

### Governmental Activities

The City's total revenues of governmental activities were \$41,916,423. A significant portion 39.2%, of the City's revenues came from property taxes. Another 24.5% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties and increased valuation throughout the City as well as increases in the tax rate to pay debt service. Assessed values of the properties in the City increased by \$206,618,677 or 7.4%. The City adopted a property tax rate of 50.31 cents per \$100 of assessed valuation for fiscal year 2009. The rate did not increase over the prior year's rate. Sales tax revenue increased only slightly over the prior year. The increase, a modest 1.39% was reflective of a general slowing of the economy tempered by new business openings.

The economy which began to slow during 2008, continued slowing in 2009. The national decline in new housing starts was felt on the local level with residential building permits low but in line with the prior year. The City experienced moderate levels of commercial building during the fiscal year which kept revenues in line with prior years. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas. The City's investment earnings included in the "other" revenues above were significantly lower than in year's past.

**Comparative Expenses – Governmental Activities**



The total cost of all programs and services were \$35,900,098. Of these costs \$8,384,774 (23.6%) was for the Police Department. Administrative departments including Administration, Human Resources, and Internal Operations had combined costs of \$6,707,709 (18.7%). Public Works costs were \$5,482,571 (15.3%) and reflected ongoing projects.

**Business-Type Activities**

The City's business-type activities recorded a decrease of \$4,150,291 in net assets. Water sales increased by 8.9% over the prior year but are not back to the consumption levels seen before the extended period of near record drought conditions in 2007-08. The City's rates were increased in January 2009 which led to the additional revenue this year. The City implemented conservation water rates in 2001 and increases them each time new rates are adopted. Sewer charges were not affected significantly because the City uses winter averaging to calculate sewer billing. Water and sewer charges were \$11,274,415. The ending working capital, excluding restricted assets and accounts payable to be paid from restricted assets, for the water and sewer fund was \$3,944,920.

Water and sewer impact fees revenue totaled \$731,094 for the fiscal year. The City conducted an impact fee analysis and new rates were adopted during this fiscal year, positively impacting revenues. Impact fees, paid by developers and are designed to reduce the system's initial costs in building assets.

The City's water system has achieved the "Superior" rating by the Texas Commission on Environmental Quality.

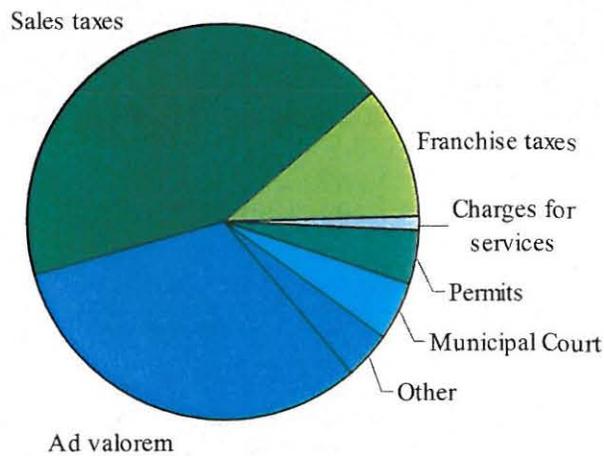
## Component Units

The Rockwall Economic Development Corporation (REDC) reported revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$3,300,452. Assets managed by the corporation include an inventory of over 310 acres of land, zoned for light industrial uses and available for sale and an industrial building currently leased and also available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

## ANALYSIS OF INDIVIDUAL FUNDS

The City's *General Fund* reported an ending unreserved fund balance of \$8,293,017. The main source of general fund revenue is sales tax, it accounted for \$9,791,542 (43.3%) of total general fund revenue. Ad valorem property taxes account for \$7,174,251 (31.7%) of general fund revenues. The City maintains the unreserved fund balance at or above acceptable levels as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows.

### Revenues by Source – General Fund



The City's *Debt Service Fund* reported an increase in fund balance of \$286,543. Property tax collections for debt service requirements were \$8,698,663. This represents an increase of 12.8% in order to pay debt service payments on bonds issued to construct numerous road and parks projects underway in 2009. After extensive study, the City adopted a Roadway Impact Fee in fiscal year 2009 which will be a revenue source in this fund.

The City began several road projects in fiscal year 2007 and 2008 which were funded through debt issuance. The City reports these projects in its *GO Bonds Capital Projects Fund*. The City issued General Obligation bonds for voter approved projects. In addition to roadway rehabilitation and extension projects, completion of neighborhood parks projects and construction of two fire stations was funded. Capital Outlay totaling \$7,487,349 is reported for 2009 on these multi-year projects. The majority of the projects, including both fire stations were completed in 2009.

The City also issued General Obligation bonds in years 2006 - 2009 to complete the design and construction of the new *205 Bypass Project*, now formally named John King Boulevard. Voters approved construction of the roadway in a 2005 Bond Election Proposition. The project included the multi-phase design, right of way acquisition and construction of a new 7 mile roadway on the eastern edge of the City designed to alleviate traffic burdens on State Highway 205 through the center of the City. The project will be completed by December 31, 2009 and is expected to be under budget.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2009, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of \$21,622,400 decreased to \$21,286,100 while revenues increased from \$21,860,000 to \$22,540,900. The City of Rockwall had originally estimated the ending general fund balance to be \$7,881,164 however due to the budget adjustments mentioned above and a planned reduction in fund balance for equipment for the new fire stations, the fund balance was re-estimated to be \$7,708,764.

General fund revenues were \$22,604,520, in line with the final budget projections. Actual general fund total expenditures were \$20,843,407 a decrease of \$442,693 less than final projections. This allowed the City to end the year with a fund balance of \$8,295,977, an increase of \$587,213 over the projected balance. The higher fund balance is attributable to management's conservative projections of both revenues and expenditures and savings in the final fire station equipment costs.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2009 the City had \$266,139,461 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 5,692,561	\$ 5,692,561	\$ 799,533	\$ 799,533	\$ 6,492,094	\$ 6,492,094
Buildings	9,288,285	8,055,502	95,102	100,537	9,383,387	8,156,039
Improvements other than buildings	21,622,268	21,826,441	60,685,467	56,659,071	82,307,735	78,485,512
Machinery & Equipment	5,263,317	5,034,169	708,000	613,745	5,971,317	5,647,914
Infrastructure	79,401,906	73,584,182	-	-	79,401,906	73,584,182
Construction in Progress	61,559,536	44,835,698	12,921,047	9,153,065	74,480,583	53,988,763
Wastewater treatment facilities	-	-	8,102,439	8,351,286	8,102,439	8,351,286
	<u>\$82,827,873</u>	<u>\$159,028,553</u>	<u>\$ 83,311,588</u>	<u>\$75,677,237</u>	<u>\$266,139,461</u>	<u>\$234,705,790</u>

The City's capital improvement program includes a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects were under construction in 2009 and nearing completion. A number of drainage projects were anticipated during the five-year planned capital improvement period. The City completed construction on the Fire Stations 3 and 4 in summer 2009.

The City held a bond election in November 2005 which funded road, park and fire projects in excess of \$64,000,000. In addition to the 205 Bypass project, the City was authorized to move forward with several neighborhood parks projects and the acquisition of land for two large regional parks. Progress has been made and includes the purchase of land for a large park in the northern area of the City, and completed construction on all of the neighborhood parks.

Construction in progress at September 30, 2009 for governmental activities included the ongoing construction costs associated with the 205 Bypass project and various other improvements.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of waterline improvements and the extension of sanitary sewers into new areas of the city. Work commenced on a project to connect the Squabble Creek treatment plan to the regional wastewater interceptor project and will continue through 2010

Additional information regarding the City's capital assets is found in note IV-C on pages 62-64.

Debt

At year end, the City had \$153,731,754 in bonds and capitalized leases shown in Table 4.

**Table 4  
City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 86,179,822	\$ 74,925,362	\$ 135,178	\$ 154,638	\$ 86,315,000	\$ 75,080,000
Certificates of obligation	22,425,000	18,810,000	25,890,000	9,935,000	48,315,000	28,745,000
Contractual obligations	-	245,000	-	-	-	245,000
Tax notes	-	-	-	-	-	-
Revenue bonds	-	-	11,670,000	12,530,000	11,670,000	12,530,000
Capital Lease obligations	-	-	7,431,754	4,805,090	7,431,754	4,805,090
	<u>\$ 108,604,822</u>	<u>\$ 93,980,362</u>	<u>\$ 45,126,932</u>	<u>\$27,424,728</u>	<u>\$153,731,754</u>	<u>\$121,405,090</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 3.57% or \$3,349 per capita.

The City's bond ratings at September 30, 2009 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	A+	A-	A-
Moody's Investor Service Inc.	A1	A2	A2

Additional information on the City of Rockwall's long-term debt can be found in note IV-E, on pages 65-72 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rate, and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the slowed growth in our community and the impact of the national economic recession. Rockwall saw the construction of several new commercial/retail business developments which positively impacted sales tax revenues in 2009. Costco's opening in April 2009 provided a new stream of sales tax revenues which will continue into a portion of budget year 2010. Slowed development caused the City to be very conservative in projecting revenues from sales taxes and building permits. Commercial

building starts were strong in 2009, but are projected to be more moderate in 2010. Interviews with local builders led the City to project continued slow home starts for the coming year.

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Ft. Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 7%, well below the national totals.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2010. The budgeted revenues for fiscal year 2010 total \$22,829,800 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. Debt issuance in 2010 will be significantly less than in years 2006 – 2009 due to completion of several major voter approved projects. The property tax rate was maintained at 50.31 cents per hundred dollars of assessed value. Due to the slowing economy but in recognition of the impact of several months of new revenues from the Costco Wholesale Store, city officials have projected a .5% increase in that revenue over the prior fiscal year.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City's fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The budget as adopted for fiscal year 2010 projects a fund balance of approximately 4.3 months of recurring operating expenditures.

The 2010 budget expenditures includes absorbing the remaining costs associated with the addition of nine shift firefighter positions with the opening of the new fire stations as well as the Main Street program. The budget did not include significant new programs due to budgetary constraints. The City completed annexation of the Lake Rockwall Estates area and the budget does include costs necessary to begin city services to the area.

The water and sewer rate study has been updated and the budget anticipates an increase in the rates which will be considered by the City Council in fall 2009. A number of capital projects to continue system expansion and the system are being planned for fiscal year 2010 while operational costs will be maintained at prior year levels.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

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*Basic Financial Statements*

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## CITY OF ROCKWALL, TEXAS

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 2,641,638	\$ 188,982	\$ 2,830,620	\$ 335,485
<i>Investments</i>	26,640,827	3,786,586	30,427,413	6,590,684
<i>Receivables (net of allowances for uncollectibles)</i>	3,128,381	1,760,832	4,889,213	25,191
<i>Internal balances</i>	--	--	--	--
<i>Due from other governments</i>	1,670,706	--	1,670,706	556,571
<i>Due from primary government</i>	--	--	--	16,422
<i>Inventories</i>	2,870	219,901	222,771	13,866,127
Restricted assets:				
<i>Cash and cash equivalents</i>	--	1,994,982	1,994,982	--
<i>Investments</i>	--	22,036,266	22,036,266	--
<i>Accrued interest</i>	--	92,708	92,708	--
<i>Deferred charges</i>	1,614,628	560,611	2,175,239	184,380
Capital assets (net of accumulated depreciation)				
<i>Land</i>	5,692,561	799,533	6,492,094	--
<i>Buildings and system</i>	9,288,283	68,883,009	78,171,292	--
<i>Improvements other than buildings</i>	21,622,268	--	21,622,268	--
<i>Machinery and equipment</i>	5,263,318	708,000	5,971,318	16,073
<i>Infrastructure</i>	79,401,906	--	79,401,906	--
<i>Construction in progress</i>	61,559,537	12,921,047	74,480,584	--
<b>Total Assets</b>	<b>218,526,923</b>	<b>113,952,457</b>	<b>332,479,380</b>	<b>21,590,933</b>
<b>LIABILITIES</b>				
<i>Accounts payable and accrued liabilities</i>	3,194,371	1,190,138	4,384,509	376,489
<i>Deferred revenue</i>	44,208	--	44,208	--
<i>Due to other governments</i>	154,671	--	154,671	--
<i>Due to primary government</i>	16,422	--	16,422	--
<i>Customer deposits</i>	--	319,550	319,550	--
<i>Liabilities payable from restricted assets</i>	--	1,286,357	1,286,357	--
Noncurrent liabilities:				
<i>Due within one year</i>	4,730,243	935,276	5,665,519	1,106,930
<i>Due in more than one year</i>	106,757,122	43,071,880	149,829,002	19,687,980
<b>Total Liabilities</b>	<b>114,897,037</b>	<b>46,803,201</b>	<b>161,700,238</b>	<b>21,171,399</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	88,367,580	53,418,392	141,785,972	16,073
Restricted For:				
<i>Debt Service</i>	1,268,238	1,216,379	2,484,617	--
<i>Capital Projects</i>	1,038,291	6,352,322	7,390,613	--
Unrestricted	12,955,777	6,162,163	19,117,940	403,461
<b>Total Net Assets</b>	<b>\$ 103,629,886</b>	<b>\$ 67,149,256</b>	<b>\$ 170,779,142</b>	<b>\$ 419,534</b>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Mayor/Council	\$ 109,844	\$ --	\$ --	\$ --
Administration	6,707,709	70,773	33,134	111
Finance	1,409,054	375	10,000	--
Municipal court	334,922	1,082,488	--	--
Police	8,384,774	516,591	27,277	37,745
Fire	2,201,236	124,830	10,788	--
Public works	5,482,571	99,753	--	8,088,298
Community development	1,350,023	1,025,979	--	--
Parks and recreation	5,250,506	366,360	--	1,333
Interest on long-term debt	4,669,459	--	--	--
Total governmental activities	<u>35,900,098</u>	<u>3,287,149</u>	<u>81,199</u>	<u>8,127,487</u>
Business-type Activities:				
Water and Sewer	13,272,884	11,274,215	--	3,374,321
Total Business-type Activities	<u>13,272,884</u>	<u>11,274,215</u>	<u>--</u>	<u>3,374,321</u>
Total Primary Government	<u>\$ 49,172,982</u>	<u>\$ 14,561,364</u>	<u>\$ 81,199</u>	<u>\$ 11,501,808</u>
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	\$ 4,089,806	\$ 4,236	\$ --	\$ --
Rockwall Technology Park Association	142,192	146,625	--	--
Total Component Units	<u>\$ 4,231,998</u>	<u>\$ 150,861</u>	<u>\$ --</u>	<u>\$ --</u>
General Revenues:				
<i>Ad valorem taxes, penalty and interest</i>				
<i>Sales Taxes</i>				
<i>Franchise Taxes</i>				
<i>Miscellaneous</i>				
<i>Unrestricted Investment Earnings</i>				
Transfers				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (109,844)		\$ (109,844)	
(6,603,691)		(6,603,691)	
(1,398,679)		(1,398,679)	
747,566		747,566	
(7,803,161)		(7,803,161)	
(2,065,618)		(2,065,618)	
2,705,480		2,705,480	
(324,044)		(324,044)	
(4,882,813)		(4,882,813)	
(4,669,459)		(4,669,459)	
<u>(24,404,263)</u>		<u>(24,404,263)</u>	
--	\$ 1,375,652	1,375,652	
--	1,375,652	1,375,652	
<u>(24,404,263)</u>	<u>1,375,652</u>	<u>(23,028,611)</u>	
			\$ (4,085,570)
			4,433
			<u>(4,081,137)</u>
16,422,119	--	16,422,119	--
10,264,401	--	10,264,401	3,300,452
2,352,745	--	2,352,745	--
769,707	97,102	866,809	--
611,616	578,246	1,189,862	95,176
6,201,291	(6,201,291)	--	--
<u>36,621,879</u>	<u>(5,525,943)</u>	<u>31,095,936</u>	<u>3,395,628</u>
12,217,616	(4,150,291)	8,067,325	(685,509)
91,412,270	71,299,547	162,711,817	1,105,043
<u>\$ 103,629,886</u>	<u>\$ 67,149,256</u>	<u>\$ 170,779,142</u>	<u>\$ 419,534</u>

**CITY OF ROCKWALL, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 895,485	\$ 167,580
<i>Investments</i>	6,763,154	635,858
Receivables (net of allowances for uncollectibles):	--	--
<i>Taxes - delinquent</i>	191,425	207,569
<i>Fines</i>	65,559	--
<i>Accrued interest</i>	55,958	--
<i>Accounts receivable</i>	16,961	--
<i>Assessments receivable</i>	--	--
<i>Other receivables</i>	278,809	--
<i>Due from other funds</i>	267,728	273,712
<i>Due from other governments</i>	1,633,626	--
<i>Inventory</i>	2,870	--
<b>Total Assets</b>	<b>\$ 10,171,575</b>	<b>\$ 1,284,719</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 1,216,338	\$ --
<i>Deferred revenue</i>	504,589	191,002
<i>Due to other funds</i>	--	--
<i>Due to other governments</i>	154,671	--
<i>Due to primary government</i>	--	16,422
<b>Total Liabilities</b>	<b>1,875,598</b>	<b>207,424</b>
Fund balances:		
Reserved for:		
<i>Inventory</i>	2,870	--
<i>Debt service</i>	--	1,077,295
Unreserved, reported in:		
<i>General fund</i>	8,293,107	--
<i>Special revenue funds</i>	--	--
<i>Capital projects funds</i>	--	--
<b>Total fund balances</b>	<b>8,295,977</b>	<b>1,077,295</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,171,575</b>	<b>\$ 1,284,719</b>

The accompanying notes are an integral part of this statement.

205 Bypass Project	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 878,655	\$ 311,811	\$ 359,176	\$ 2,612,707
5,514,853	4,603,188	8,028,550	25,545,603
--	--	--	--
--	--	--	398,994
--	--	--	65,559
36,866	27,943	--	120,767
--	118,412	767,090	902,463
--	--	149,589	149,589
--	--	4,670	283,479
--	--	--	541,440
--	--	37,080	1,670,706
--	--	--	2,870
<u>\$ 6,430,374</u>	<u>\$ 5,061,354</u>	<u>\$ 9,346,155</u>	<u>\$ 32,294,177</u>
\$ 408,650	\$ 209,365	\$ 277,748	\$ 2,112,101
--	118,412	193,797	1,007,800
--	--	324,025	324,025
--	--	--	154,671
--	--	--	16,422
<u>408,650</u>	<u>327,777</u>	<u>795,570</u>	<u>3,615,019</u>
--	--	--	2,870
--	--	(59)	1,077,236
--	--	--	8,293,107
--	--	2,399,605	2,399,605
6,021,724	4,733,577	6,151,039	16,906,340
<u>6,021,724</u>	<u>4,733,577</u>	<u>8,550,585</u>	<u>28,679,158</u>
<u>\$ 6,430,374</u>	<u>\$ 5,061,354</u>	<u>\$ 9,346,155</u>	<u>\$ 32,294,177</u>

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**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	\$ 28,679,158
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	182,827,873
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	368,693
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	642,772
Payables for bond principal which are not due in the current period are not reported in the funds.	(110,446,756)
Payables for bond interest which are not due in the current period are not reported in the funds.	(725,507)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,040,609)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	1,614,628
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	55,364
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	1,114,733
Contribution receivables unavailable to pay for current period expenditures are deferred in the funds.	118,412
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	149,589
Contracts receivable unavailable to pay for current period expenditures are deferred in the funds.	271,536
Net assets of governmental activities - statement of net assets	<u>\$ 103,629,886</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	General Fund	Debt Service Fund
<b>Revenues:</b>		
<i>Ad valorem taxes, penalty and interest</i>	\$ 7,174,251	\$ 8,698,663
<i>Sales taxes</i>	9,791,542	--
<i>Franchise taxes</i>	2,444,296	--
<i>Charges for services</i>	268,466	--
<i>Permits</i>	1,005,541	--
<i>Municipal court</i>	1,052,403	--
<i>Intergovernmental</i>	375,981	--
<i>Interest income</i>	313,048	9,246
<i>Miscellaneous</i>	168,992	118,248
<i>Donations</i>	10,000	--
<b>Total revenues</b>	<u>22,604,520</u>	<u>8,826,157</u>
<b>Expenditures:</b>		
<b>Current:</b>		
<i>Mayor/Council</i>	109,845	--
<i>Administration</i>	3,069,653	--
<i>Finance</i>	998,497	--
<i>Municipal court</i>	318,467	--
<i>Police</i>	7,583,087	--
<i>Fire</i>	1,615,570	--
<i>Public works</i>	1,528,010	--
<i>Community development</i>	1,258,030	--
<i>Parks and recreation</i>	4,320,322	--
<b>Total current</b>	<u>20,801,481</u>	<u>--</u>
<b>Capital outlay:</b>		
<i>Administration</i>	--	--
<i>Finance</i>	--	--
<i>Police</i>	20,425	--
<i>Fire</i>	--	--
<i>Public works</i>	735	--
<i>Parks and recreation</i>	20,766	--
<b>Total capital outlay</b>	<u>41,926</u>	<u>--</u>
<b>Debt service:</b>		
<i>Principal</i>	--	4,430,540
<i>Interest</i>	--	4,062,552
<i>Fiscal charges</i>	--	15,284
<i>Bond issuance cost</i>	--	--
<b>Total debt service:</b>	<u>--</u>	<u>8,508,376</u>
<b>Total expenditures</b>	<u>20,843,407</u>	<u>8,508,376</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,761,113</b>	<b>317,781</b>
<b>Other financing sources (uses):</b>		
<i>Transfers in</i>	754,800	18,762
<i>Transfers out</i>	(2,486,750)	(50,000)
<i>Proceeds of long-term debt</i>	--	--
<i>Premium on bonds issued</i>	--	--
<i>Discount on bonds issued</i>	--	--
<i>Payment to refunded bond escrow agent</i>	--	--
<b>Total other financing sources (uses)</b>	<u>(1,731,950)</u>	<u>(31,238)</u>
<b>Net change in fund balances</b>	<b>29,163</b>	<b>286,543</b>
<b>Fund balances, October 1</b>	<b>8,266,814</b>	<b>790,752</b>
<b>Fund balances, September 30</b>	<u>\$ 8,295,977</u>	<u>\$ 1,077,295</u>

The accompanying notes are an integral part of this statement.

205 Bypass Project	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 534,661	\$ 16,407,575
--	--	472,859	10,264,401
--	--	--	2,444,296
--	--	469,680	738,146
--	--	--	1,005,541
--	--	4,501	1,056,904
--	--	52,766	428,747
172,024	97,940	19,357	611,615
17,252	3,577	564,919	872,988
810,527	145,096	1,846,834	2,812,457
<u>999,803</u>	<u>246,613</u>	<u>3,965,577</u>	<u>36,642,670</u>
--	--	--	109,845
--	--	289,052	3,358,705
--	--	267,939	1,266,436
--	--	--	318,467
--	--	192,535	7,775,622
--	--	2,989	1,618,559
--	--	--	1,528,010
--	--	--	1,258,030
--	--	173,202	4,493,524
--	--	<u>925,717</u>	<u>21,727,198</u>
16,154,563	2,012,324	261,003	18,427,890
--	--	78,866	78,866
--	--	238,198	258,623
--	5,127,105	1,335,586	6,462,691
--	--	90,063	90,798
--	347,920	113,491	482,177
<u>16,154,563</u>	<u>7,487,349</u>	<u>2,117,207</u>	<u>25,801,045</u>
--	--	240,000	4,670,540
--	--	653,993	4,716,545
--	--	--	15,284
122,464	72,533	47,176	242,173
<u>122,464</u>	<u>72,533</u>	<u>941,169</u>	<u>9,644,542</u>
16,277,027	7,559,882	3,984,093	57,172,785
(15,277,224)	(7,313,269)	(18,516)	(20,530,115)
3,068,404	4,297,691	525,100	8,664,757
(13,788)	(1,073,378)	(865,050)	(4,488,966)
12,143,219	6,436,781	5,520,000	24,100,000
290,639	191,905	73,591	556,135
(40,192)	(30,546)	(40,774)	(111,512)
(2,757,413)	(2,095,634)	--	(4,853,047)
<u>12,690,869</u>	<u>7,726,819</u>	<u>5,212,867</u>	<u>23,867,367</u>
(2,586,355)	413,550	5,194,351	3,337,252
8,608,079	4,320,027	3,356,234	25,341,906
<u>\$ 6,021,724</u>	<u>\$ 4,733,577</u>	<u>\$ 8,550,585</u>	<u>\$ 28,679,158</u>

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**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds	\$ 3,337,252
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	25,678,145
The depreciation of capital assets used in governmental activities is not reported in the funds.	(6,914,147)
Donations of capital assets increase net assets in the SOA but not in the funds.	5,332,675
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	14,545
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	9,523,587
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	188,197
(Increase) decrease in accrued interest from beginning of period to end of period.	62,370
The net revenue (expense) of internal service funds is reported with governmental activities.	(306,180)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(80,738)
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	43,377
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	526
Revenues in the SOA for franchise taxes not providing current financial resources are not reported in the funds.	(91,551)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(24,100,000)
Bond premiums are reported in the funds but not in the SOA.	(556,135)
Bond discounts are reported in the funds but not in the SOA.	111,512
Certain contracts receivable revenues are deferred in the funds. This is the change in these amounts this year.	(25,819)
Change in net assets of governmental activities - statement of activities	\$ <u>12,217,616</u>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

SEPTEMBER 30, 2009

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 188,982	\$ 28,929
Investments	3,786,586	1,095,224
Accounts receivable (net of allowance)	1,760,832	--
Other receivables	--	92,797
Inventory	219,901	--
Restricted assets:		
Cash and cash equivalents	1,994,982	--
Investments	22,036,266	--
Accrued interest	92,708	--
Total current assets	<u>30,080,257</u>	<u>1,216,950</u>
Noncurrent assets:		
Deferred charges	560,611	--
Capital assets not being depreciated	13,720,580	--
Capital assets being depreciated, net	69,591,009	--
Total noncurrent assets	<u>83,872,200</u>	<u>--</u>
Total Assets	<u>113,952,457</u>	<u>1,216,950</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	1,190,138	356,763
Due to other funds	--	217,415
Customer deposits	319,550	--
General obligation bonds - current	906,962	--
Liability for compensated absences	91,731	--
Liabilities Payable From Restricted Assets:		
Revenue bonds payable - current	895,000	--
Obligations under capital leases - current	351,671	--
Accrued interest payable	39,686	--
Total current liabilities	<u>3,794,738</u>	<u>574,178</u>
Noncurrent Liabilities:		
General obligation bonds payable	25,118,216	--
Revenue bonds payable	10,810,163	--
Obligations under capital leases payable	7,080,084	--
Total noncurrent liabilities	<u>43,008,463</u>	<u>--</u>
Total Liabilities	<u>46,803,201</u>	<u>574,178</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	53,418,392	--
Restricted for debt service	1,216,379	--
Restricted for construction	6,352,322	--
Unrestricted	6,162,163	642,772
Total Net Assets	<u>\$ 67,149,256</u>	<u>\$ 642,772</u>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES:		
<i>Charges for services</i>	\$ 11,274,215	\$ 463,195
<i>Reinsurance reimbursement</i>	--	245,543
<b>Total Operating Revenues</b>	<u>11,274,215</u>	<u>708,738</u>
OPERATING EXPENSES:		
<i>Personnel services</i>	1,966,671	--
<i>Contractual services</i>	6,459,406	3,062,573
<i>Materials and supplies</i>	466,925	--
<i>Operations</i>	184,279	--
<i>Utilities</i>	439,659	--
<i>Depreciation and amortization</i>	1,740,428	--
<b>Total Operating Expenses</b>	<u>11,257,368</u>	<u>3,062,573</u>
<b>Operating Income (Loss)</b>	<u>16,847</u>	<u>(2,353,835)</u>
NON-OPERATING REVENUES (EXPENSES):		
<i>Capital recovery fees</i>	757,241	--
<i>Interest income</i>	578,246	13,327
<i>Miscellaneous income</i>	97,102	8,828
<i>Paying agent fees</i>	(6,494)	--
<i>Interest expense</i>	(2,009,022)	--
<b>Total Non-operating Revenues (Expenses)</b>	<u>(582,927)</u>	<u>22,155</u>
<b>Net Income (Loss) before Operating Transfers</b>	<u>(566,080)</u>	<u>(2,331,680)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
<i>Capital contributions</i>	2,617,080	--
<i>Transfers in</i>	34,000	2,025,500
<i>Transfers from component unit</i>	--	--
<i>Transfers out</i>	(6,235,291)	--
<b>Total Transfers and Capital Contributions</b>	<u>(3,584,211)</u>	<u>2,025,500</u>
<b>Change in net assets</b>	<u>(4,150,291)</u>	<u>(306,180)</u>
<b>Net assets, October 1</b>	<u>71,299,547</u>	<u>948,952</u>
<b>Net assets, September 30</b>	<u>\$ 67,149,256</u>	<u>\$ 642,772</u>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2009

	Business Type Activities	Governmental Activities
	Enterprise Water and Sewer Fund	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
<i>Cash Received from Customers</i>	\$ 10,974,757	\$ 663,097
<i>Cash Payments to Employees for Services</i>	(1,945,089)	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(7,298,912)	(3,036,071)
Net Cash Provided (Used) by Operating Activities	<u>1,730,756</u>	<u>(2,372,974)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
<i>Cash Paid to Other Funds</i>	(6,235,291)	--
<i>Cash Received From Other Funds</i>	34,000	2,242,915
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(6,201,291)</u>	<u>2,242,915</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
<i>Proceeds from capital debt</i>	19,855,000	--
<i>Principal and Interest Paid</i>	(4,279,529)	--
<i>Capital recovery fees received</i>	757,241	--
<i>Acquisition or Construction of Capital Assets</i>	(6,757,700)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>9,575,012</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
<i>Purchase of Investment Securities</i>	(33,499,247)	--
<i>Proceeds from Sale and Maturities of Securities</i>	35,855,732	--
<i>Interest and Dividends on Investments</i>	578,246	13,608
Net Cash Provided (Used) for Investing Activities	<u>2,934,731</u>	<u>13,608</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,039,208	(116,451)
Cash and Cash Equivalents at Beginning of Year	8,347,324	1,240,604
Cash and Cash Equivalents at End of Year	<u>\$ 16,386,532</u>	<u>\$ 1,124,153</u>
<b>Cash Equivalents Included in Investments:</b>		
<i>Unrestricted</i>	\$ 2,082,622	\$ 1,095,224
<i>Restricted</i>	12,119,946	--
	<u>\$ 14,202,568</u>	<u>\$ 1,095,224</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 16,847	\$ (2,353,835)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
<i>Depreciation</i>	1,740,428	--
<i>Miscellaneous Income</i>	97,102	8,828
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	(221,570)	(54,469)
<i>Decrease (Increase) in Inventories</i>	61,822	--
<i>Decrease (Increase) in Due From Other Governments</i>	--	--
<i>Increase (Decrease) in Accounts Payable and Accrued Liabilities</i>	(7,219)	26,502
<i>Increase (Decrease) in Customer Deposits</i>	21,760	--
<i>Increase (Decrease) in Compensated Absences</i>	21,586	--
Total Adjustments	<u>1,713,909</u>	<u>(19,139)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,730,756</u>	<u>\$ (2,372,974)</u>
<b>Non-Cash Activities:</b>		
<i>Capital Contributions</i>	<u>\$ 2,617,080</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2009**

	Agency Fund
	Special Escrow Agency
<b>ASSETS</b>	
<i>Cash and cash equivalents</i>	\$ 25,421
<i>Investments</i>	1,342,797
<b>Total Assets</b>	<b>\$ 1,368,218</b>
<b>LIABILITIES</b>	
<i>Due to developers</i>	\$ 1,368,218
<b>Total Liabilities</b>	<b>\$ 1,368,218</b>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	Rockwall Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
<b>ASSETS</b>			
<i>Cash and cash equivalents</i>	\$ 320,544	\$ 14,940	\$ 335,484
<i>Investments</i>	6,550,349	40,335	6,590,684
Receivables (net of allowances for uncollectibles):	--	--	--
<i>Accrued interest</i>	1,102	--	1,102
<i>Accounts receivable</i>	22,226	1,863	24,089
<i>Due from other governments</i>	556,571	--	556,571
<i>Due from primary government</i>	16,422	--	16,422
<i>Inventory</i>	13,866,127	--	13,866,127
<b>Total Assets</b>	<b>\$ 21,333,341</b>	<b>\$ 57,138</b>	<b>\$ 21,390,479</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
<i>Accounts payable and accrued liabilities</i>	\$ 206,290	\$ 1,972	\$ 208,262
Liabilities payable from restricted assets:	--	--	--
<b>Total Liabilities</b>	<b>206,290</b>	<b>1,972</b>	<b>208,262</b>
<b>Fund balances:</b>			
<i>Reserved for:</i>			
<i>Inventory</i>	13,866,127	--	13,866,127
<i>Unreserved</i>	7,260,924	55,166	7,316,090
<b>Total fund balances</b>	<b>21,127,051</b>	<b>55,166</b>	<b>21,182,217</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,333,341</b>	<b>\$ 57,138</b>	<b>\$ 21,390,479</b>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE COMPONENT UNIT GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	\$ 21,182,217
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	16,074
Payables for bond principal which are not due in the current period are not reported in the funds.	(20,774,526)
Payables for bond interest which are not due in the current period are not reported in the funds.	(168,227)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(20,384)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>184,380</u>
Net assets of governmental activities - statement of net assets	<u>\$ 419,534</u>

The accompanying notes are an integral part of this statement.

## CITY OF ROCKWALL, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Rockwall Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
Revenues:			
<i>Sales taxes</i>	\$ 3,300,451	\$ --	\$ 3,300,451
<i>Charges for services</i>	4,236	--	4,236
<i>Interest income</i>	94,774	402	95,176
<i>Miscellaneous</i>	--	146,625	146,625
Total revenues	<u>3,399,461</u>	<u>147,027</u>	<u>3,546,488</u>
Expenditures:			
Current:			
<i>Administration</i>	879,836	142,192	1,022,028
Total current	<u>879,836</u>	<u>142,192</u>	<u>1,022,028</u>
Capital outlay:			
<i>Administration</i>	2,147,960	--	2,147,960
Total capital outlay	<u>2,147,960</u>	<u>--</u>	<u>2,147,960</u>
Debt service:			
<i>Principal</i>	1,095,000	--	1,095,000
<i>Interest</i>	943,226	--	943,226
<i>Fiscal charges</i>	3,322	--	3,322
<i>Bond issuance cost</i>	100,159	--	100,159
Total debt service:	<u>2,141,707</u>	<u>--</u>	<u>2,141,707</u>
Total expenditures	<u>5,169,503</u>	<u>142,192</u>	<u>5,311,695</u>
Excess (deficiency) of revenues over (under) expenditure	(1,770,042)	4,835	(1,765,207)
Other financing sources (uses):			
<i>Proceeds of long-term debt</i>	6,130,000	--	6,130,000
Total other financing sources (uses)	<u>6,130,000</u>	<u>--</u>	<u>6,130,000</u>
Net change in fund balances	4,359,958	4,835	4,364,793
Fund balances, October 1	16,767,093	50,331	16,817,424
Fund balances, September 30	<u>\$ 21,127,051</u>	<u>\$ 55,166</u>	<u>\$ 21,182,217</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF COMPONENT UNIT GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds	\$ 4,364,793
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,997)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,095,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	70,897
(Increase) decrease in accrued interest from beginning of period to end of period.	(79,267)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(2,935)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(6,130,000)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (685,509)</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Rockwall, Texas, was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Rockwall, Texas, conform to generally accepted accounting principals issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City of Rockwall is a home rule municipality governed by an elected mayor and six member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

**Discretely Presented Component Units**

The Rockwall Economic Development Corporation (REDC) is governed by a five member board of directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half cent sales tax to support its activities.

The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within the park being developed by REDC. RTP's board of directors is composed of representatives of the landowners. At September 30, 2009, REDC owned the majority of the land and the board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City.

The funds of both REDC and RTP are composed of governmental fund types. Stand alone financial statements for RTP as of and for the fiscal year ended September 30, 2009 are not prepared.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2009

segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *205 Bypass Project Fund* accounts for revenues and expenditures related to the construction of the of the new 205 Bypass roadway project.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance, and worker's compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2009

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and worker compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than 5 years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.

**CITY OF ROCKWALL, TEXAS**  
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Year Ended September 30, 2009

- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
- e. Certificates of deposit issued by a state or national bank domiciled in the state of Texas or a savings bank domiciled in the state of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items 1 – 4. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least of the 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the state of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net assets value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

The City holds various mortgage backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2009

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Rockwall County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2009

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 30 years
Building Improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 1.25 days per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of 3 days sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of 3 days sick leave to one day vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of 3 days sick leave to one day vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

7. Long-term obligations

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

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

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2009

element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$1,614,628 difference are as follows:

Bonds issuance costs:	
City	<u>\$1,614,628</u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities :

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Revenues in the Statement of Activities not providing current financial resources are not reported as revenues in the funds." The details of this \$91,551 difference are as follows:

Estimate of semi-annual franchise tax on electricity	<u>\$91,551</u>
--	-----------------

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

- A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2009, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

    Emergency Siren Fund  
    Downtown Improvement Fund  
    Art in Public Places Fund

7. Capital Project funds were not budgeted. Since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2009

B. Excess of expenditures over appropriations

The following funds had expenditures in excess of appropriations:

SPECIAL REVENUE FUNDS	
Cemetery Fund	\$800
PID	304,026

C. Deficit fund equity

The following funds had deficit fund balances at September 30, 2009:

Harbor Debt Service Fund	\$59
Employee Benefits Internal Service Fund	\$427,616

The deficit in the Harbor Debt Service Fund was caused by unanticipated expenditures, and will be covered by additional revenues in the future. The deficit in the Employee Benefits fund was caused by unanticipated health care cost increases, and will be covered by additional transfers from the general fund.

**IV. DETAILED NOTES ON ALL FUNDS**

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2009, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$1,992,054 which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2009, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2009

Investments

At September 30, 2009, the City's investments were:

	Carrying	Maturity (months)			
	Value	Less than 1	2-6	7-12	13-18
<b>Primary Government</b>					
U.S. Government Agencies					
Federal Home Loan Bank	\$12,247,756	\$5,000,000	--	\$2,079,005	\$5,168,751
Federal Home Loan Mortgage Corp.	3,000,000	--	3,000,000	--	--
Federal National Mortgage Asso.	3,500,000	--	--	3,500,000	--
	18,747,756	5,000,000	3,000,000	5,579,005	5,168,751
Money Market Funds	33,715,923	33,715,923	--	--	--
Total Primary Government	52,463,679	38,715,923	3,000,000	5,579,005	5,168,751
Fiduciary Fund	1,342,797	1,342,797	--	--	--
<b>Discrete Component Units</b>					
Rockwall Economic Development Corporation					
Money Market Funds	6,550,349	6,550,349	--	--	--
Rockwall Technology Park					
Money Market Funds	40,335	40,335	--	--	--
Total Discrete Component Units	6,590,684	6,590,684	--	--	--
Total Reporting Entity	<u>\$60,397,160</u>	<u>\$46,649,404</u>	<u>\$3,000,000</u>	<u>\$5,579,005</u>	<u>\$5,168,751</u>
Investments are reported in the Statement of net assets as follows:					
Governmental activities	\$26,640,827				
Business-type activities	25,822,852				
Discrete component units:					
Rockwall Economic Development Corporation					
	6,550,349				
Rockwall Technology Park	40,335				
Fiduciary Fund	1,342,797				
	<u>\$60,397,160</u>				

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2009

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	205 Bypass Project	G.O. Bonds Capital Projects	Nonmajor and Other	Water and Sewer
Taxes receivable - delinquent	\$191,425	\$207,569	\$ --	\$ --	\$ --	\$ --
Fines receivable	\$102,469	\$ --	\$ --	\$ --	\$ --	\$ --
Allowance for uncollectibles	(36,910)	--	--	--	--	--
	\$65,559	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Interest	\$55,958	\$ --	\$36,866	\$27,943	\$ --	\$92,708
Accounts receivable	\$16,961	\$ --	\$ --	\$118,412	\$767,090	\$2,250,250
Allowance for uncollectibles	--	--	--	--	--	(489,418)
Net other receivables	\$16,961	\$ --	\$ --	\$118,412	\$767,090	\$1,760,832
Assessments receivable	\$ --	\$ --	\$ --	\$ --	\$149,589	\$149,589
Other receivables	\$278,809	\$ --	\$ --	\$ --	\$4,670	\$ --

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$177,691	\$ --
Contract receivable not yet due	271,534	--
Fines receivable	55,364	--
Delinquent property taxes receivable (Debt Service Fund)	191,002	--
Assessments receivable not yet due (Street improvements)	149,589	--
Contributions not yet received (Street Improvements)	118,412	--
Seizures not awarded (Special Crimes Unit)	44,208	44,208
Total deferred/unearned revenue for governmental funds	\$1,007,800	\$44,208

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2009

C. Capital assets

Capital asset activity for the year ended September 30, 2009:

Primary Government

	Balance 9/30/08	Additions	Retirements	Completed Construction	Balance 9/30/09
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$5,692,561	\$ --	\$ --	\$ --	\$5,692,561
Construction in progress	44,835,698	22,883,881	--	(6,160,043)	61,559,536
Total capital assets not being depreciated	50,528,259	22,883,881	--	(6,160,043)	67,252,097
Capital assets, being depreciated:					
Buildings	10,554,952	20,425	(297,353)	1,889,892	12,167,916
Improvements other than buildings	24,074,474	380,337	--	753,773	25,208,584
Machinery and equipment	11,415,874	1,471,202	(378,923)	66,623	12,574,776
Infrastructure	112,332,202	6,254,975	--	3,449,755	122,036,932
Total capital assets being depreciated	158,377,502	8,126,939	(676,276)	6,160,043	171,988,208
Less accumulated depreciation for:					
Buildings	(2,499,450)	(380,181)	--	--	(2,879,631)
Improvements other than buildings	(2,248,033)	(1,338,283)	--	--	(3,586,316)
Machinery and equipment	(6,381,705)	(1,308,677)	378,923	--	(7,311,459)
Infrastructure	(38,748,020)	(3,887,006)	--	--	(42,635,026)
Total accumulated depreciation	(49,877,208)	(6,914,147)	378,923	--	(56,412,432)
Total capital assets being depreciated, net	108,500,294	1,212,792	(297,353)	--	115,575,776
Governmental activities capital assets, net	\$159,028,553	\$24,096,673	(\$297,353)	\$ --	\$182,827,873

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2009

	Balance 9/30/08	Additions	Retirements	Completed Construction	Balance 9/30/09
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$799,533	--	--	--	\$799,533
Construction in progress	9,153,065	6,189,972	--	(2,421,990)	12,921,047
Total capital assets not being depreciated	9,952,598	6,189,972	--	(2,421,990)	13,720,580
Capital assets, being depreciated:					
Buildings	198,109	--	--	--	198,109
Improvements other than buildings	68,973,183	3,029,158	--	2,421,990	74,424,331
Sewage treatment plants and pump station	12,516,072	--	--	--	12,516,072
Machinery and equipment	3,917,212	155,650	--	--	4,072,862
Total capital assets being depreciated	85,604,576	3,184,808	--	2,421,990	91,211,374
Less accumulated depreciation for:					
Buildings	(97,572)	(5,435)	--	--	(103,007)
Improvements other than buildings	(12,314,112)	(1,424,752)	--	--	(13,738,864)
Sewage treatment plants and pump station	(4,164,786)	(248,847)	--	--	(4,413,633)
Machinery and equipment	(3,303,467)	(61,395)	--	--	(3,364,862)
Total accumulated depreciation	(19,879,937)	(1,740,429)	--	--	(21,620,366)
Capital assets being depreciated, net	65,724,639	1,444,379	--	--	69,591,008
Business type activities capital assets, net	\$75,677,237	\$7,634,351	\$ --	\$ --	\$83,311,588

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	570,430
Finance	120,897
Municipal court	16,020
Police	398,203
Fire	476,405
Public works	4,006,292
Community development	84,503
Parks and recreation	1,241,397
Total depreciation expense - governmental activities	<u>\$6,914,147</u>

Business-type activities:

Water and sewer	<u>\$1,740,429</u>
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**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2009

Construction commitments

The City has active construction projects as of September 30, 2009. The projects include street construction, parking improvements, water system improvements, and sewer system improvements.

Project	Spent to Date	Remaining Commitment
Street improvements	\$8,532,052	\$126,265
Parking improvements	131,769	51,714
Drainage improvements	36,760	233,725
Water system improvements	7,996,733	239,917
Sewer system improvements	136,678	1,657,528
	<u>\$16,833,992</u>	<u>\$2,309,149</u>

The street improvements and parking improvements are being financed by bond proceeds. The commitment for water system improvements and sewer system improvements are being financed by bond proceeds.

Discretely presented component units - Rockwall Economic Development Corporation:

	Balance 9/30/08	Additions	Retirements	Completed Construction	Balance 9/30/09
Capital assets, being depreciated:					
Furniture and fixtures	\$83,946	--	--	--	\$83,946
Total capital assets being depreciated	83,946	--	--	--	83,946
Less accumulated depreciation for:					
Furniture and fixtures	(63,876)	(3,856)	--	--	(67,732)
Total accumulated depreciation	(63,876)	(3,856)	--	--	(67,732)
Total capital assets being depreciated, net	<u>\$20,070</u>	<u>(\$3,856)</u>	<u>--</u>	<u>--</u>	<u>\$16,214</u>

The Rockwall Economic Development Corporation has active construction projects as of September 30, 2009 to improve the industrial park. \$1,499,306 has been spent to date on the project, with a remaining commitment of \$162,415. The project is being funded by contractual obligations.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2009

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2009, is as follows:

Fund	Receivable	Payable
General Fund	\$267,728	\$ --
Debt Service	273,712	--
Nonmajor governmental funds	--	324,025
Internal Service Funds	--	217,415
Total Internal Service Funds	541,440	541,440
Totals	\$541,440	\$541,440

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

The composition of interfund transfers for the year ended September 30, 2009, is as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$754,800	\$2,486,750
Debt Service Fund	18,762	50,000
205 Bypass Project	3,068,404	13,788
G.O. Bonds Capital Projects	4,297,691	1,073,378
Nonmajor Governmental Funds	525,100	865,050
Water and Sewer Enterprise Fund	34,000	6,235,291
Internal Service Funds	2,025,500	--
Totals	\$10,724,257	\$10,724,257

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

E. Long-term debt

The City issues general obligation debt ( in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2009

General Obligation Debt Outstanding as of September 30, 2009, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/09
<b>Governmental Activities</b>					
General Obligation Bonds:					
Improvements	2,150,000	2000	2020	5.00%-6.00%	\$100,000
Refunding	4,024,394	2003	2015	2.00%-4.00%	1,809,822
Refunding and Improvements	13,345,000	2005	2025	3.00%-4.50%	12,140,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	33,140,000
Improvements	21,765,000	2007	2037	5.13%-6.13%	20,750,000
Improvements	9,515,000	2008	2028	2.05%-2.50%	9,175,000
Improvements	9,065,000	2009	2029	2.00%-4.60%	9,065,000
<b>Total General Obligation Bonds</b>					<b>86,179,822</b>
Certificates of Obligation Bonds:					
Improvements	6,500,000	2000	2020	4.75%-5.75%	300,000
Improvements	4,295,000	2002	2012	2.80%-3.80%	355,000
Improvements	12,415,000	2005	2025	3.00%-5.00%	11,855,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	4,225,000
Improvements	505,000	2007	2011	4.25%-4.50%	265,000
Improvements	395,000	2008	2028	3.00%-5.00%	300,000
Improvements	5,125,000	2009	2029	2.00%-4.60%	5,125,000
<b>Total Certificates of Obligation</b>					<b>22,425,000</b>
<b>Total Governmental Activities General Obligation Debt</b>					<b>108,604,822</b>
<b>Business-type Activities:</b>					
General Obligation Bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	135,178
Certificates of Obligation:					
Improvements	10,310,000	2007	2027	4.25%-4.50%	9,605,000
Improvements	16,895,000	2008	2028	3.00%-5.00%	16,285,000
<b>Total Certificates of obligation</b>					<b>25,890,000</b>
<b>Total business-type general obligation debt</b>					<b>26,025,178</b>
<b>Total General Debt</b>					<b>\$134,630,000</b>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2009

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2010	\$4,458,038	\$4,766,487	\$906,962	\$1,125,337	\$11,256,824
2011	4,748,038	4,603,526	951,962	1,094,412	11,397,938
2012	5,218,038	4,417,033	991,962	1,061,949	11,688,982
2013	5,218,038	4,206,821	1,041,962	1,028,099	11,494,920
2014	5,428,038	4,000,284	1,091,962	990,949	11,511,233
2015-2019	27,184,632	16,628,935	6,210,368	4,284,728	54,308,663
2020-2024	25,670,000	9,757,508	7,855,000	2,804,793	46,087,301
2025-2029	17,490,000	5,074,200	6,975,000	789,420	30,328,620
2030-2034	8,325,000	2,338,351	--	--	10,663,351
2035-2037	4,865,000	410,213	--	--	5,275,213
Total	<u>\$108,604,822</u>	<u>\$56,203,358</u>	<u>\$26,025,178</u>	<u>\$13,179,687</u>	<u>\$204,013,045</u>

REVENUE BONDS. The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding at year end are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/09
Revenue Bonds					
Improvements	\$3,535,000	1999	2019	4.15%-5.00%	\$1,405,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	5,040,000
Refunding and improvements	6,415,000	2005	2025	3.00%-4.50%	5,225,000
Total Revenue Bonds					11,670,000
Plus unamortized premium					14,464
Less unamortized discount on bonds					(64,853)
Total Revenue Bonds					<u>\$11,619,611</u>

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2009

Revenue bond debt service requirements to maturity are as follows:

Year	Water and Sewer Fund		
	Principal	Interest	Total
2010	\$895,000	\$507,658	\$1,402,658
2011	740,000	471,228	1,211,228
2012	770,000	440,817	1,210,817
2013	795,000	407,986	1,202,986
2014	830,000	374,474	1,204,474
2015-2019	4,085,000	1,360,830	5,445,830
2020-2024	3,165,000	458,558	3,623,558
2025	390,000	17,550	407,550
Total	11,670,000	\$ 4,039,101	\$15,709,101
Unamortized Premium	14,464		
Unamortized Discount	(64,853)		
Total Revenue bonds	\$11,619,611		

**Refunded Bonds**

In previous years, the City purchased U.S. government securities that were placed in irrevocable trusts with escrow agents to provide for all future debt service payments on certain bonds. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the City's statement of net assets. The outstanding balances of refunded bonds at September 30, 2009, are as follows:

Bond Type	Year of Issue	Year Refunded	Balance 9/30/09
General obligation	2000	2005	\$1,395,000
Certificates of obligation	2000	2005	4,235,000
General obligation	1999	2009	4,595,000
Contractual obligation	1999	2009	210,000
			<u>\$10,435,000</u>

**Capitalized Lease Obligations**

The City has entered into a contract with the North Texas Municipal Water District, a conservation and reclamation district and political subdivision of the state of Texas, for construction and operation of sewer plants and to provide treated water to the City. The contractual obligations have been treated as capitalized leases.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2009

Capitalized lease obligations outstanding at September 30, 2009 are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/09
Capital Leases					
South Plant Improvements	\$1,800,000	1996	2016	various	\$865,000
Ground Storage Facility	2,013,434	2005	2025	various	1,736,754
Pump Station	2,145,000	2006	2026	various	1,955,000
Buffalo Creek Plant	2,960,000	2008	2028	various	2,875,000
Total Capitalized Lease Obligations					<u>\$7,431,754</u>

Capital lease obligation debt service requirements to maturity are as follows:

Year	Total
2010	\$711,141
2011	713,791
2012	715,125
2013	720,501
2014	714,226
2015-2019	3,122,039
2020-2024	2,855,560
2025-2026	<u>996,667</u>
Total payments	10,549,050
Less imputed interest	<u>(3,117,296)</u>
Total Capital Lease Obligations	<u>\$7,431,754</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
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**CHANGES IN LONG-TERM LIABILITIES**

During the year ended September 30, 2009, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/08	Additions	Retirements	Balance 9/30/09	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$74,925,362	\$18,580,000	(\$7,325,540)	\$86,179,822	\$2,908,038
Contractual obligations	245,000	--	(245,000)	--	--
Certificates of obligation	18,810,000	5,520,000	(1,905,000)	22,425,000	1,550,000
Deferred amounts:					
Unamortized premium (discount)	1,501,918	446,240	(82,517)	1,865,641	82,517
On refunding	--	24,955	(1,248)	23,707	1,248
Total bonds payable	95,482,280	24,571,195	(9,559,305)	110,494,170	4,541,803
Compensated absences	959,869	1,032,706	(951,966)	1,040,609	190,936
Governmental activity Long-Term Liabilities	<u>\$96,442,149</u>	<u>\$25,603,901</u>	<u>(\$10,511,27)</u>	<u>\$111,534,77</u>	<u>\$4,732,739</u>
<b>Business-type activities:</b>					
General obligation bonds	\$10,089,638	\$16,895,000	(\$959,460)	\$26,025,178	\$906,962
Revenue bonds	12,530,000	--	(860,000)	11,670,000	895,000
Less deferred premium (discount)	(24,638)	84,475	(13,096)	46,741	2,639
Total bonds payable	22,595,000	16,979,475	(1,832,556)	37,741,919	1,804,601
Capital lease obligations	4,805,094	2,960,000	(333,340)	7,431,754	351,671
Compensated absences	70,145	172,873	(151,287)	91,731	25,675
Business-type activities Long-Term Liabilities	<u>\$27,470,239</u>	<u>\$20,112,348</u>	<u>(\$2,317,183)</u>	<u>\$45,265,404</u>	<u>\$2,181,947</u>

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund. The government-wide statement of activities includes \$895,000 of revenue bonds and \$351,671 of capital leases due within one year for business-type activities in "liabilities payable from restricted assets" on that same statement.

**Conduit Debt Obligations**

Certain revenue bonds have been issued in the past to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2009, there was one series of revenue bonds outstanding. The aggregate principal amount

**CITY OF ROCKWALL, TEXAS**  
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payable for the issue was \$1,700,000.

Authorized and Unissued Debt

The following tables detail the status of all authorized general obligation and revenue bonded debt as of September 30, 2009:

Year Authorized	General Obligation Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/09
1985	\$1,500,000	(\$600,000)	\$900,000
1994	4,100,000	(3,600,000)	500,000
2002	19,845,000	(19,540,000)	305,000
2005	63,705,000	(56,985,000)	6,720,000
	<u>\$89,150,000</u>	<u>(\$80,725,000)</u>	<u>\$8,425,000</u>

Year Authorized	Revenue Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/09
1980	\$2,000,000	(\$1,060,000)	\$940,000
1985	1,540,000	--	1,540,000
Totals	<u>\$3,540,000</u>	<u>(\$1,060,000)</u>	<u>\$2,480,000</u>

Discretely presented component units - Rockwall Economic Development Corporation:

\$5,000,000 Sales Tax Revenue Bonds, series 1999, payable in annual installments through August 1, 2019, interest payable at 4.20% to 6.20%	\$3,195,000
\$4,545,000 Sales Tax Revenue Bonds, series 2008, payable in annual installments through August 1, 2028, interest payable at 7.00%	<u>4,400,000</u>
Total Sales Tax Revenue Bonds	<u>7,595,000</u>
\$3,225,000 Certificates of Obligation, series 2005, payable in annual installments through August 1, 2025, interest payable at 3.00% to 5.00%	2,100,000
\$5,540,000 Certificates of Obligation, series 2006, payable in annual installments through August 1, 2025, interest payable at 4.25% to 5.00%	4,995,000
\$6,130,000 Certificates of Obligation, series 2008, payable in annual installments through August 1, 2028, interest payable at 3.00% to 5.00%	<u>5,910,000</u>
Total Certificates of Obligation	<u>13,005,000</u>
Total	<u>\$20,600,000</u>

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
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Annual debt service requirements to maturity for REDC debt are as follows:

Year	Governmental Activities		Total
	Principal	Interest	
2010	\$1,085,000	\$1,031,794	\$2,116,794
2011	1,135,000	985,269	2,120,269
2012	1,185,000	935,657	2,120,657
2013	1,245,000	881,319	2,126,319
2014	1,315,000	823,569	2,138,569
2015-2019	5,875,000	3,232,495	9,107,495
2020-2024	4,790,000	1,899,956	6,689,956
2025-2028	3,970,000	527,522	4,497,522
<b>Total</b>	<b>\$20,600,000</b>	<b>\$10,317,581</b>	<b>\$30,917,581</b>

During the year ended September 30, 2009, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/08	Additions	Retirements	Balance 9/30/09	Due Within One Year
<b>Governmental activities:</b>					
Sales tax revenue bonds	\$7,980,000	\$ --	(\$385,000)	\$7,595,000	\$375,000
Certificates of obligation	7,585,000	6,130,000	(710,000)	13,005,000	710,000
Unamortized premium (discount)	163,550	30,650	(19,674)	174,526	10,602
Total bonds payable	15,728,550	6,160,650	(1,114,674)	20,774,526	1,095,602
Compensated absences	17,449	22,003	(19,068)	20,384	11,328
<b>Total</b>	<b>\$15,745,999</b>	<b>\$6,182,653</b>	<b>(\$1,133,742)</b>	<b>\$20,794,910</b>	<b>\$1,106,930</b>

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of the City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Medical claims in any one year exceeding \$65,000 per covered individual or, approximately \$2,162,253 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2009.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
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The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers compensation plan. Under this plan, worker compensation insurance is provided in accordance with State statutes to all City employees. To protect the assets of the plan from a catastrophic claim the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a cap of \$600,000 per year.

The Worker's Compensation fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported, are not believed to be significant to the City's financial statements.

	Employee Benefits		Worker's Compensation	
	2009	2008	2009	2008
Claims payable beginning of the year	\$176,172	\$147,395	\$10,697	\$2,517
Claims incurred	2,427,029	2,542,806	90,752	104,293
Payment on claims	(2,429,498)	(2,514,029)	(83,995)	(96,113)
	<u>\$173,703</u>	<u>\$176,172</u>	<u>\$17,454</u>	<u>\$10,697</u>

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**B. North Texas Municipal Water District**

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment processing and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams and underground water, for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest equity investments and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek and, in 1978 entered into an agreement with the District for the

**CITY OF ROCKWALL, TEXAS**  
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construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable NTMWD to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the Annual Budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the Paying Agent and the Registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2009, is \$7,431,754. See Note IV E for the annual requirements to amortize the bonds as of September 30, 2009.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

**C. Contingent Liabilities and Commitments**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 5 above, the general revenues of the City are contingently liable for the \$26,025,178 payable in General Obligation Bonds which are currently outstanding and recorded as obligations of the Enterprise Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2009, these commitments totaled \$1,521,520.

**E. Employee retirement systems and pension plans**

**1. Plan Description**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available within the options available in the governing state statutes of TMRS.

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2009

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

2. Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2007 valuation is effective for rates beginning January 2009.

Actuarial Assumptions

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization	25 Years - Closed Period
Asset Valuation Method	Amortized Cost

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2009

Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost of Living Adjustments	0.0%

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/08</u>	<u>12/31/07</u>	<u>12/31/06</u>
Actuarial Value of Asset	\$22,226,74	\$20,486,755	\$17,878,974
Actuarial Accrued Liabilities	\$35,689,69	\$32,796,027	\$23,911,430
Percentage Funded	62.3%	62.5%	74.8%
Unfunded (Over-funded) Actuarial	\$13,462,94	\$12,309,272	\$6,032,456
Annual Covered Payroll	\$13,582,92	\$12,404,225	\$10,942,328
UAAL as a Percentage of Covered Payroll	99.1%	99.2%	55.1%
Net Pension Obligation (NPO)	\$ --	\$ --	\$ --

Fiscal Year Ended September 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Required Contribution (ARC)	\$1,743,863	\$1,561,437	\$1,491,116
Interest on NPO	--	--	--
Adjustment to the ARC	--	--	--
	<u>1,743,863</u>	<u>1,561,347</u>	<u>1,491,116</u>
Contributions Made (100%)	1,743,863	1,561,347	1,491,116
Increase in NPO	--	--	--
NPO at the End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$55,300 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a board of directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 37 active participants currently covered by the Fund and payments are being made to 15 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments, however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P. O. Box 12577, Austin, Texas, 78711.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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**CITY OF ROCKWALL, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Ad valorem taxes, penalty and interest</i>	\$ 7,120,350	\$ 7,146,000	\$ 7,174,251	\$ 28,251
<i>Sales taxes</i>	9,850,900	10,074,000	9,791,542	(282,458)
<i>Franchise taxes</i>	2,215,000	2,411,000	2,444,296	33,296
<i>Charges for services</i>	307,500	264,000	268,466	4,466
<i>Permits</i>	756,750	944,750	1,005,541	60,791
<i>Municipal court</i>	958,000	1,040,000	1,052,403	12,403
<i>Intergovernmental</i>	353,500	358,150	375,981	17,831
<i>Interest income</i>	210,000	150,000	313,048	163,048
<i>Miscellaneous</i>	78,000	143,000	168,992	25,992
<i>Donations</i>	10,000	10,000	10,000	--
<b>Total revenues</b>	<u>21,860,000</u>	<u>22,540,900</u>	<u>22,604,520</u>	<u>63,620</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Mayor/Council</i>	122,700	111,500	109,845	1,655
<i>Administration</i>	3,074,450	3,078,350	3,069,653	8,697
<i>Finance</i>	1,027,400	1,018,700	998,497	20,203
<i>Municipal court</i>	325,200	321,100	318,467	2,633
<i>Police</i>	7,789,650	7,693,850	7,583,087	110,763
<i>Fire</i>	1,900,200	1,674,800	1,615,570	59,230
<i>Public works</i>	1,631,000	1,597,700	1,528,010	69,690
<i>Community development</i>	1,313,050	1,292,200	1,258,030	34,170
<i>Parks and recreation</i>	4,394,900	4,454,050	4,320,322	133,728
<b>Total current</b>	<u>21,578,550</u>	<u>21,242,250</u>	<u>20,801,481</u>	<u>440,769</u>
<b>Capital outlay:</b>				
<i>Police</i>	20,500	20,500	20,425	75
<i>Public works</i>	800	800	735	65
<i>Parks and recreation</i>	22,550	22,550	20,766	1,784
<b>Total capital outlay</b>	<u>43,850</u>	<u>43,850</u>	<u>41,926</u>	<u>1,924</u>
<b>Total expenditures</b>	<u>21,622,400</u>	<u>21,286,100</u>	<u>20,843,407</u>	<u>442,693</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	237,600	1,254,800	1,761,113	506,313
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	747,900	754,800	754,800	--
<i>Transfers out</i>	(1,416,150)	(2,567,650)	(2,486,750)	(80,900)
<b>Total other financing sources (uses)</b>	<u>(623,250)</u>	<u>(1,812,850)</u>	<u>(1,731,950)</u>	<u>(80,900)</u>
<b>Net change in fund balances</b>	(385,650)	(558,050)	29,163	587,213
<b>Fund balances, October 1</b>	8,266,814	8,266,814	8,266,814	--
<b>Fund balances, September 30</b>	<u>\$ 7,881,164</u>	<u>\$ 7,708,764</u>	<u>\$ 8,295,977</u>	<u>\$ 587,213</u>

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery - established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation - established to account for donations, court security fees, and forfeitures.

Recreational Development - established to account for the annual lease income from marinas and golf course.

Radio System - established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements - established to account for the proceeds of street improvement assessments.

Hotel Motel Tax - established to account for the annual income from hotel motel taxes.

Fire Equipment - established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation - established to account for funds received from airport operations and related expenses.

Recycling - established to account for funds to be used for the City's recycling program.

Emergency Siren — established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement - established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places - established to account for donations received for developing art displays in public areas such as parks.

Special Crimes Unit - established to account for revenues and expenditures related to a county-wide crime task force.

### *DEBT SERVICE FUNDS*

Debt Service Funds are used to account for the accumulation of resources and payment of general, certificate, & contractual obligation bond principal and interest from governmental resources.

NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

*CAPITAL PROJECTS FUNDS*

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects - established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition — established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

G.O. Bonds Capital Projects — established to account for street and drainage projects using proceeds from the issuance of bonds.

205 Bypass Project — established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

*INTERNAL SERVICE FUNDS*

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund — established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund — established to account for the costs of the workers' compensation self-insurance program for the City.

*AGENCY FUND*

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Special Escrow Agency Fund - established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

*DISCRETELY PRESENTED COMPONENT UNITS*

The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.

**CITY OF ROCKWALL, TEXAS**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 121,554	\$ --	\$ 237,622	\$ 359,176
<i>Investments</i>	2,490,909	--	5,537,641	8,028,550
Receivables (net of allowances for uncollectibles):	--	--	--	--
<i>Accounts receivable</i>	80,292	236,573	450,225	767,090
<i>Assessments receivable</i>	149,589	--	--	149,589
<i>Other receivables</i>	4,670	--	--	4,670
<i>Due from other governments</i>	--	37,080	--	37,080
<b>Total Assets</b>	<b>\$ 2,847,014</b>	<b>\$ 273,653</b>	<b>\$ 6,225,488</b>	<b>\$ 9,346,155</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<i>Accounts payable and accrued liabilities</i>	\$ 203,299	\$ --	\$ 74,449	\$ 277,748
<i>Deferred revenue</i>	193,797	--	--	193,797
<i>Due to other funds</i>	50,313	273,712	--	324,025
<b>Total Liabilities</b>	<b>447,409</b>	<b>273,712</b>	<b>74,449</b>	<b>795,570</b>
<b>Fund balances (deficits):</b>				
<i>Reserved for:</i>				
<i>Debt service</i>	--	(59)	--	(59)
<i>Unreserved, reported in:</i>				
<i>Special revenue funds</i>	2,399,605	--	--	2,399,605
<i>Capital projects funds</i>	--	--	6,151,039	6,151,039
<b>Total fund balances (deficits)</b>	<b>2,399,605</b>	<b>(59)</b>	<b>6,151,039</b>	<b>8,550,585</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,847,014</b>	<b>\$ 273,653</b>	<b>\$ 6,225,488</b>	<b>\$ 9,346,155</b>

## CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds	Debt Service Fund Harbor Deft Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
<i>Ad valorem taxes, penalty and interest</i>	\$ --	\$ 534,661	\$ --	\$ 534,661
<i>Sales taxes</i>	208,038	264,821	--	472,859
<i>Charges for services</i>	469,680	--	--	469,680
<i>Municipal court</i>	4,501	--	--	4,501
<i>Intergovernmental</i>	39,566	--	13,200	52,766
<i>Interest income</i>	15,473	--	3,884	19,357
<i>Miscellaneous</i>	106,438	--	458,481	564,919
<i>Donations</i>	46,834	--	1,800,000	1,846,834
<b>Total revenues</b>	<u>890,530</u>	<u>799,482</u>	<u>2,275,565</u>	<u>3,965,577</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Administration</i>	210,676	--	78,376	289,052
<i>Finance</i>	267,939	--	--	267,939
<i>Police</i>	192,535	--	--	192,535
<i>Fire</i>	2,989	--	--	2,989
<i>Parks and recreation</i>	173,202	--	--	173,202
<b>Total current</b>	<u>847,341</u>	<u>--</u>	<u>78,376</u>	<u>925,717</u>
<b>Capital outlay:</b>				
<i>Administration</i>	142,716	--	118,287	261,003
<i>Finance</i>	--	--	78,866	78,866
<i>Police</i>	63,901	--	174,297	238,198
<i>Fire</i>	114,800	--	1,220,786	1,335,586
<i>Public works</i>	--	--	90,063	90,063
<i>Parks and recreation</i>	113,491	--	--	113,491
<b>Total capital outlay</b>	<u>434,908</u>	<u>--</u>	<u>1,682,299</u>	<u>2,117,207</u>
<b>Debt service:</b>				
<i>Principal</i>	--	240,000	--	240,000
<i>Interest</i>	--	653,993	--	653,993
<i>Bond issuance cost</i>	--	--	47,176	47,176
<b>Total debt service:</b>	<u>--</u>	<u>893,993</u>	<u>47,176</u>	<u>941,169</u>
<b>Total expenditures</b>	<u>1,282,249</u>	<u>893,993</u>	<u>1,807,851</u>	<u>3,984,093</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(391,719)</b>	<b>(94,511)</b>	<b>467,714</b>	<b>(18,516)</b>
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	161,750	50,000	313,350	525,100
<i>Transfers out</i>	(515,700)	--	(349,350)	(865,050)
<i>Proceeds of long-term debt</i>	--	--	5,520,000	5,520,000
<i>Premium on bonds issued</i>	--	--	73,591	73,591
<i>Discount on bonds issued</i>	--	--	(40,774)	(40,774)
<b>Total other financing sources (uses)</b>	<u>(353,950)</u>	<u>50,000</u>	<u>5,516,817</u>	<u>5,212,867</u>
<b>Net change in fund balances</b>	<b>(745,669)</b>	<b>(44,511)</b>	<b>5,984,531</b>	<b>5,194,351</b>
<b>Fund balances, October 1</b>	<b>3,145,274</b>	<b>44,452</b>	<b>166,508</b>	<b>3,356,234</b>
<b>Fund balances (deficits), September 30</b>	<u>\$ 2,399,605</u>	<u>\$ (59)</u>	<u>\$ 6,151,039</u>	<u>\$ 8,550,585</u>

**CITY OF ROCKWALL, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2009**

	Cemetery	Police Investigation	Recreational Development	Radio System
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 1,146	\$ 1,365	\$ 2,226	\$ 450
<i>Investments</i>	137,949	214,756	195,042	20,000
Receivables (net of allowances for uncollectibles):	--	--	--	--
<i>Accounts receivable</i>	--	24,545	--	--
<i>Assessments receivable</i>	--	--	--	--
<i>Other receivables</i>	--	--	--	--
<b>Total Assets</b>	<b>\$ 139,095</b>	<b>\$ 240,666</b>	<b>\$ 197,268</b>	<b>\$ 20,450</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<i>Accounts payable and accrued liabilities</i>	\$ --	\$ 26,278	\$ 40,681	\$ 126
<i>Deferred revenue</i>	--	--	--	--
<i>Due to other funds</i>	--	--	--	--
<b>Total Liabilities</b>	<b>--</b>	<b>26,278</b>	<b>40,681</b>	<b>126</b>
<b>Fund balances:</b>				
<i>Unreserved</i>	139,095	214,388	156,587	20,324
<b>Total fund balances</b>	<b>139,095</b>	<b>214,388</b>	<b>156,587</b>	<b>20,324</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 139,095</b>	<b>\$ 240,666</b>	<b>\$ 197,268</b>	<b>\$ 20,450</b>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ 74,069	\$ --	\$ 4,531	\$ 16,776	\$ 2,406
1,403,630	1,912	171,059	36,999	33,140
--	--	--	--	--
--	55,747	--	--	--
149,589	--	--	--	--
--	--	--	--	4,670
<u>\$ 1,627,288</u>	<u>\$ 57,659</u>	<u>\$ 175,590</u>	<u>\$ 53,775</u>	<u>\$ 40,216</u>
\$ 131,019	\$ --	\$ --	\$ --	\$ --
149,589	--	--	--	--
--	50,313	--	--	--
<u>280,608</u>	<u>50,313</u>	<u>--</u>	<u>--</u>	<u>--</u>
1,346,680	7,346	175,590	53,775	40,216
<u>1,346,680</u>	<u>7,346</u>	<u>175,590</u>	<u>53,775</u>	<u>40,216</u>
<u>\$ 1,627,288</u>	<u>\$ 57,659</u>	<u>\$ 175,590</u>	<u>\$ 53,775</u>	<u>\$ 40,216</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2009

	Emergency Siren	Downtown Improvement
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 8,641	\$ 7,380
<i>Investments</i>	14,999	13,168
Receivables (net of allowances for uncollectibles):	--	--
<i>Accounts receivable</i>	--	--
<i>Assessments receivable</i>	--	--
<i>Other receivables</i>	--	--
<b>Total Assets</b>	<u>\$ 23,640</u>	<u>\$ 20,548</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ --	\$ --
<i>Deferred revenue</i>	--	--
<i>Due to other funds</i>	--	--
<b>Total Liabilities</b>	<u>--</u>	<u>--</u>
Fund balances:		
<i>Unreserved</i>	23,640	20,548
<b>Total fund balances</b>	<u>23,640</u>	<u>20,548</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 23,640</u>	<u>\$ 20,548</u>

Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 985	\$ 1,579	\$ 121,554
--	248,255	2,490,909
--	--	--
--	--	80,292
--	--	149,589
--	--	4,670
<u>\$ 985</u>	<u>\$ 249,834</u>	<u>\$ 2,847,014</u>
\$ --	\$ 5,195	\$ 203,299
--	44,208	193,797
--	--	50,313
<u>--</u>	<u>49,403</u>	<u>447,409</u>
985	200,431	2,399,605
<u>985</u>	<u>200,431</u>	<u>2,399,605</u>
<u>\$ 985</u>	<u>\$ 249,834</u>	<u>\$ 2,847,014</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Cemetery	Police Investigation	Recreational Development	Radio System
<b>Revenues:</b>				
<i>Sales taxes</i>	\$ --	\$ --	\$ --	\$ --
<i>Charges for services</i>	375	86,801	287,591	--
<i>Municipal court</i>	--	4,501	--	--
<i>Intergovernmental</i>	--	39,566	--	--
<i>Interest income</i>	687	1,368	1,215	--
<i>Miscellaneous</i>	--	--	1,192	--
<i>Donations</i>	--	12,256	1,333	33,134
<b>Total revenues</b>	<u>1,062</u>	<u>144,492</u>	<u>291,331</u>	<u>33,134</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Administration</i>	--	--	--	157,556
<i>Finance</i>	--	--	--	--
<i>Police</i>	--	38,018	--	--
<i>Fire</i>	--	--	--	--
<i>Parks and recreation</i>	800	--	172,402	--
<b>Total current</b>	<u>800</u>	<u>38,018</u>	<u>172,402</u>	<u>157,556</u>
<b>Capital outlay:</b>				
<i>Administration</i>	--	--	--	--
<i>Police</i>	--	63,901	--	--
<i>Fire</i>	--	--	--	--
<i>Parks and recreation</i>	--	--	113,491	--
<b>Total capital outlay</b>	<u>--</u>	<u>63,901</u>	<u>113,491</u>	<u>--</u>
<b>Total expenditures</b>	<u>800</u>	<u>101,919</u>	<u>285,893</u>	<u>157,556</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	262	42,573	5,438	(124,422)
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	--	--	--	120,000
<i>Transfers out</i>	--	(115,200)	(50,000)	--
<b>Total other financing sources (uses)</b>	<u>--</u>	<u>(115,200)</u>	<u>(50,000)</u>	<u>120,000</u>
<b>Net change in fund balances</b>	262	(72,627)	(44,562)	(4,422)
<b>Fund balances, October 1</b>	138,833	287,015	201,149	24,746
<b>Fund balances, September 30</b>	<u>\$ 139,095</u>	<u>\$ 214,388</u>	<u>\$ 156,587</u>	<u>\$ 20,324</u>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ --	\$ 208,038	\$ --	\$ --	\$ --
--	--	93,600	--	--
--	--	--	--	--
--	--	--	--	--
8,729	10	1,140	184	264
23,684	--	3,334	10,437	26,460
--	--	--	--	--
<u>32,413</u>	<u>208,048</u>	<u>98,074</u>	<u>10,621</u>	<u>26,724</u>
27,881	--	--	10,184	15,055
--	267,939	--	--	--
--	--	--	--	--
--	--	2,989	--	--
--	--	--	--	--
<u>27,881</u>	<u>267,939</u>	<u>2,989</u>	<u>10,184</u>	<u>15,055</u>
142,716	--	--	--	--
--	--	--	--	--
--	--	114,800	--	--
--	--	--	--	--
<u>142,716</u>	<u>--</u>	<u>114,800</u>	<u>--</u>	<u>--</u>
170,597	267,939	117,789	10,184	15,055
(138,184)	(59,891)	(19,715)	437	11,669
31,750	--	--	10,000	--
(306,500)	--	(10,000)	--	(34,000)
<u>(274,750)</u>	<u>--</u>	<u>(10,000)</u>	<u>10,000</u>	<u>(34,000)</u>
(412,934)	(59,891)	(29,715)	10,437	(22,331)
1,759,614	67,237	205,305	43,338	62,547
<u>\$ 1,346,680</u>	<u>\$ 7,346</u>	<u>\$ 175,590</u>	<u>\$ 53,775</u>	<u>\$ 40,216</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Emergency Siren	Downtown Improvement
Revenues:		
<i>Sales taxes</i>	\$ --	\$ --
<i>Charges for services</i>	1,313	--
<i>Municipal court</i>	--	--
<i>Intergovernmental</i>	--	--
<i>Interest income</i>	75	66
<i>Miscellaneous</i>	--	--
<i>Donations</i>	--	--
Total revenues	<u>1,388</u>	<u>66</u>
Expenditures:		
Current:		
<i>Administration</i>	--	--
<i>Finance</i>	--	--
<i>Police</i>	--	--
<i>Fire</i>	--	--
<i>Parks and recreation</i>	--	--
Total current	<u>--</u>	<u>--</u>
Capital outlay:		
<i>Administration</i>	--	--
<i>Police</i>	--	--
<i>Fire</i>	--	--
<i>Parks and recreation</i>	--	--
Total capital outlay	<u>--</u>	<u>--</u>
Total expenditures	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	1,388	66
Other financing sources (uses):		
<i>Transfers in</i>	--	--
<i>Transfers out</i>	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balances	1,388	66
Fund balances, October 1	22,252	20,482
Fund balances, September 30	<u>\$ 23,640</u>	<u>\$ 20,548</u>

Art in Public Places	Special Crime Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 208,038
--	--	469,680
--	--	4,501
--	--	39,566
--	1,735	15,473
--	41,331	106,438
111	--	46,834
<u>111</u>	<u>43,066</u>	<u>890,530</u>
--	--	210,676
--	--	267,939
--	154,517	192,535
--	--	2,989
--	--	173,202
<u>--</u>	<u>154,517</u>	<u>847,341</u>
--	--	142,716
--	--	63,901
--	--	114,800
<u>--</u>	<u>--</u>	<u>113,491</u>
<u>--</u>	<u>--</u>	<u>434,908</u>
--	154,517	1,282,249
111	(111,451)	(391,719)
--	--	161,750
<u>--</u>	<u>--</u>	<u>(515,700)</u>
<u>--</u>	<u>--</u>	<u>(353,950)</u>
111	(111,451)	(745,669)
874	311,882	3,145,274
<u>\$ 985</u>	<u>\$ 200,431</u>	<u>\$ 2,399,605</u>

**CITY OF ROCKWALL, TEXAS**  
**CEMETERY FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

EXHIBIT C-5

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 3,700	\$ 375	\$ (3,325)
<i>Interest income</i>	900	687	(213)
Total revenues	<u>4,600</u>	<u>1,062</u>	<u>(3,538)</u>
Expenditures:			
Current:			
<i>Parks and recreation</i>	--	800	(800)
Total current	<u>--</u>	<u>800</u>	<u>(800)</u>
Total expenditures	<u>--</u>	<u>800</u>	<u>(800)</u>
Net change in fund balances	4,600	262	(4,338)
Fund balances, October 1	138,833	138,833	--
Fund balances, September 30	<u>\$ 143,433</u>	<u>\$ 139,095</u>	<u>\$ (4,338)</u>

**CITY OF ROCKWALL, TEXAS**  
POLICE INVESTIGATION FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 85,450	\$ 86,801	\$ 1,351
<i>Municipal court</i>	3,700	4,501	801
<i>Intergovernmental</i>	39,700	39,566	(134)
<i>Interest income</i>	2,000	1,368	(632)
<i>Donations</i>	9,450	12,256	2,806
Total revenues	<u>140,300</u>	<u>144,492</u>	<u>4,192</u>
Expenditures:			
Current:			
<i>Police</i>	39,800	38,018	1,782
Total current	<u>39,800</u>	<u>38,018</u>	<u>1,782</u>
Capital outlay:			
<i>Police</i>	69,050	63,901	5,149
Total capital outlay	<u>69,050</u>	<u>63,901</u>	<u>5,149</u>
Total expenditures	<u>108,850</u>	<u>101,919</u>	<u>6,931</u>
Excess (deficiency) of revenues over (under) expenditures	31,450	42,573	11,123
Other financing sources (uses):			
<i>Transfers out</i>	(115,200)	(115,200)	--
Total other financing sources (uses)	<u>(115,200)</u>	<u>(115,200)</u>	<u>--</u>
Net change in fund balances	(83,750)	(72,627)	11,123
Fund balances, October 1	287,015	287,015	--
Fund balances, September 30	<u>\$ 203,265</u>	<u>\$ 214,388</u>	<u>\$ 11,123</u>

**CITY OF ROCKWALL, TEXAS**  
 RECREATIONAL DEVELOPMENT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 288,300	\$ 287,591	\$ (709)
Interest income	1,600	1,215	(385)
Miscellaneous	--	1,192	1,192
Donations	--	1,333	1,333
Total revenues	<u>289,900</u>	<u>291,331</u>	<u>1,431</u>
Expenditures:			
Current:			
Parks and recreation	196,000	172,402	23,598
Total current	<u>196,000</u>	<u>172,402</u>	<u>23,598</u>
Capital outlay:			
Parks and recreation	116,000	113,491	2,509
Total capital outlay	<u>116,000</u>	<u>113,491</u>	<u>2,509</u>
Total expenditures	<u>312,000</u>	<u>285,893</u>	<u>26,107</u>
Excess (deficiency) of revenues over (under) expenditures	(22,100)	5,438	27,538
Other financing sources (uses):			
Transfers out	(50,000)	(50,000)	--
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>--</u>
Net change in fund balances	(72,100)	(44,562)	27,538
Fund balances, October 1	201,149	201,149	--
Fund balances, September 30	<u>\$ 129,049</u>	<u>\$ 156,587</u>	<u>\$ 27,538</u>

**CITY OF ROCKWALL, TEXAS**  
*RADIO SYSTEM*  
*SPECIAL REVENUE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2009*

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Donations</i>	\$ 33,100	\$ 33,134	\$ 34
Total revenues	<u>33,100</u>	<u>33,134</u>	<u>34</u>
Expenditures:			
Current:			
<i>Administration</i>	163,150	157,556	5,594
Total current	<u>163,150</u>	<u>157,556</u>	<u>5,594</u>
Total expenditures	<u>163,150</u>	<u>157,556</u>	<u>5,594</u>
Excess (deficiency) of revenues over (under) expenditures	(130,050)	(124,422)	5,628
Other financing sources (uses):			
<i>Transfers in</i>	120,000	120,000	--
Total other financing sources (uses)	<u>120,000</u>	<u>120,000</u>	<u>--</u>
Net change in fund balances	(10,050)	(4,422)	5,628
Fund balances, October 1	24,746	24,746	--
Fund balances, September 30	<u>\$ 14,696</u>	<u>\$ 20,324</u>	<u>\$ 5,628</u>

**CITY OF ROCKWALL, TEXAS**  
**STREET IMPROVEMENTS FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 11,000	\$ 8,729	\$ (2,271)
<i>Miscellaneous</i>	24,050	23,684	(366)
Total revenues	<u>35,050</u>	<u>32,413</u>	<u>(2,637)</u>
Expenditures:			
Current:			
<i>Administration</i>	36,500	27,881	8,619
Total current	<u>36,500</u>	<u>27,881</u>	<u>8,619</u>
Capital outlay:			
<i>Administration</i>	330,800	142,716	188,084
Total capital outlay	<u>330,800</u>	<u>142,716</u>	<u>188,084</u>
Total expenditures	<u>367,300</u>	<u>170,597</u>	<u>196,703</u>
Excess (deficiency) of revenues over (under) expenditures	(332,250)	(138,184)	194,066
Other financing sources (uses):			
<i>Transfers in</i>	31,750	31,750	--
<i>Transfers out</i>	--	(306,500)	306,500
Total other financing sources (uses)	<u>31,750</u>	<u>(274,750)</u>	<u>306,500</u>
Net change in fund balances	(300,500)	(412,934)	(112,434)
Fund balances, October 1	1,759,614	1,759,614	--
Fund balances, September 30	<u>\$ 1,459,114</u>	<u>\$ 1,346,680</u>	<u>\$ (112,434)</u>

**CITY OF ROCKWALL, TEXAS**  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-10

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Sales taxes</i>	\$ 259,000	\$ 208,038	\$ (50,962)
<i>Interest income</i>	1,000	10	(990)
Total revenues	<u>260,000</u>	<u>208,048</u>	<u>(51,952)</u>
Expenditures:			
Current:			
<i>Finance</i>	270,880	267,939	2,941
Total current	<u>270,880</u>	<u>267,939</u>	<u>2,941</u>
Total expenditures	<u>270,880</u>	<u>267,939</u>	<u>2,941</u>
Net change in fund balances	(10,880)	(59,891)	(49,011)
Fund balances, October 1	67,237	67,237	--
Fund balances, September 30	<u>\$ 56,357</u>	<u>\$ 7,346</u>	<u>\$ (49,011)</u>

**CITY OF ROCKWALL, TEXAS**  
*FIRE EQUIPMENT FUND*  
*SPECIAL REVENUE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2009*

EXHIBIT C-11

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 93,600	\$ 93,600	\$ --
<i>Interest income</i>	1,500	1,140	(360)
<i>Miscellaneous</i>	3,300	3,334	34
<i>Donations</i>	250	--	(250)
Total revenues	<u>98,650</u>	<u>98,074</u>	<u>(576)</u>
Expenditures:			
Current:			
<i>Fire</i>	11,000	2,989	8,011
Total current	<u>11,000</u>	<u>2,989</u>	<u>8,011</u>
Capital outlay:			
<i>Fire</i>	146,900	114,800	32,100
Total capital outlay	<u>146,900</u>	<u>114,800</u>	<u>32,100</u>
Total expenditures	<u>157,900</u>	<u>117,789</u>	<u>40,111</u>
Excess (deficiency) of revenues over (under) expenditures	(59,250)	(19,715)	39,535
Other financing sources (uses):			
<i>Transfers out</i>	(10,000)	(10,000)	--
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>--</u>
Net change in fund balances	(69,250)	(29,715)	39,535
Fund balances, October 1	205,305	205,305	--
Fund balances, September 30	<u>\$ 136,055</u>	<u>\$ 175,590</u>	<u>\$ 39,535</u>

**CITY OF ROCKWALL, TEXAS**

AVIATION FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-12

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Intergovernmental</i>	\$ 900	\$ --	\$ (900)
<i>Interest income</i>	250	184	(66)
<i>Miscellaneous</i>	11,200	10,437	(763)
Total revenues	<u>12,350</u>	<u>10,621</u>	<u>(1,729)</u>
Expenditures:			
Current:			
<i>Administration</i>	13,600	10,184	3,416
Total current	<u>13,600</u>	<u>10,184</u>	<u>3,416</u>
Total expenditures	<u>13,600</u>	<u>10,184</u>	<u>3,416</u>
Excess (deficiency) of revenues over (under) expenditures	(1,250)	437	1,687
Other financing sources (uses):			
<i>Transfers in</i>	10,000	10,000	--
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>--</u>
Net change in fund balances	8,750	10,437	1,687
Fund balances, October 1	43,338	43,338	--
Fund balances, September 30	<u>\$ 52,088</u>	<u>\$ 53,775</u>	<u>\$ 1,687</u>

**CITY OF ROCKWALL, TEXAS**  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-13

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$ 350	\$ 264	\$ (86)
Miscellaneous	25,000	26,460	1,460
Total revenues	<u>25,350</u>	<u>26,724</u>	<u>1,374</u>
Expenditures:			
Current:			
Administration	15,100	15,055	45
Total current	<u>15,100</u>	<u>15,055</u>	<u>45</u>
Total expenditures	<u>15,100</u>	<u>15,055</u>	<u>45</u>
Excess (deficiency) of revenues over (under) expenditures	10,250	11,669	1,419
Other financing sources (uses):			
Transfers out	(34,000)	(34,000)	--
Total other financing sources (uses)	<u>(34,000)</u>	<u>(34,000)</u>	<u>--</u>
Net change in fund balances	(23,750)	(22,331)	1,419
Fund balances, October 1	62,547	62,547	--
Fund balances, September 30	<u>\$ 38,797</u>	<u>\$ 40,216</u>	<u>\$ 1,419</u>

**CITY OF ROCKWALL, TEXAS**  
*SPECIAL CRIMES UNIT*  
*SPECIAL REVENUE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2009*

EXHIBIT C-14

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 250	\$ 1,735	\$ 1,485
<i>Miscellaneous</i>	29,800	41,331	11,531
Total revenues	<u>30,050</u>	<u>43,066</u>	<u>13,016</u>
Expenditures:			
Current:			
<i>Police</i>	175,300	154,517	20,783
Total current	<u>175,300</u>	<u>154,517</u>	<u>20,783</u>
Capital outlay:			
<i>Police</i>	3,300	--	3,300
Total capital outlay	<u>3,300</u>	<u>--</u>	<u>3,300</u>
Total expenditures	<u>178,600</u>	<u>154,517</u>	<u>24,083</u>
Net change in fund balances	(148,550)	(111,451)	37,099
Fund balances, October 1	311,882	311,882	--
Fund balances, September 30	<u>\$ 163,332</u>	<u>\$ 200,431</u>	<u>\$ 37,099</u>

**CITY OF ROCKWALL, TEXAS**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

EXHIBIT C-15

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,654,200	\$ 8,698,663	\$ 44,463
<i>Interest income</i>	10,000	9,246	(754)
<i>Miscellaneous</i>	60,000	118,248	58,248
<b>Total revenues</b>	<u>8,724,200</u>	<u>8,826,157</u>	<u>101,957</u>
<b>Expenditures:</b>			
<b>Debt service:</b>			
<i>Principal</i>	4,430,550	4,430,540	10
<i>Interest</i>	4,175,050	4,062,552	112,498
<i>Fiscal charges</i>	12,000	15,284	(3,284)
<b>Total debt service:</b>	<u>8,617,600</u>	<u>8,508,376</u>	<u>109,224</u>
<b>Total expenditures</b>	<u>8,617,600</u>	<u>8,508,376</u>	<u>109,224</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>106,600</b>	<b>317,781</b>	<b>211,181</b>
<b>Other financing sources (uses):</b>			
<i>Transfers in</i>	--	18,762	18,762
<i>Transfers out</i>	(50,000)	(50,000)	--
<b>Total other financing sources (uses)</b>	<u>(50,000)</u>	<u>(31,238)</u>	<u>18,762</u>
<b>Net change in fund balances</b>	<b>56,600</b>	<b>286,543</b>	<b>229,943</b>
<b>Fund balances, October 1</b>	<b>790,752</b>	<b>790,752</b>	<b>--</b>
<b>Fund balances, September 30</b>	<u>\$ 847,352</u>	<u>\$ 1,077,295</u>	<u>\$ 229,943</u>

**CITY OF ROCKWALL, TEXAS**

HARBOR DEBT SERVICE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-16

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Ad valorem taxes, penalty and interest</i>	\$ 569,650	\$ 534,661	\$ (34,989)
<i>Sales taxes</i>	283,600	264,821	(18,779)
Total revenues	<u>853,250</u>	<u>799,482</u>	<u>(53,768)</u>
Expenditures:			
Debt service:			
<i>Principal</i>	240,000	240,000	--
<i>Interest</i>	654,000	653,993	7
Total debt service:	<u>894,000</u>	<u>893,993</u>	<u>7</u>
Total expenditures	<u>894,000</u>	<u>893,993</u>	<u>7</u>
Excess (deficiency) of revenues over (under) expenditures	(40,750)	(94,511)	(53,761)
Other financing sources (uses):			
<i>Transfers in</i>	50,000	50,000	--
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>--</u>
Net change in fund balances	9,250	(44,511)	(53,761)
Fund balances, October 1	44,452	44,452	--
Fund balances, September 30	<u>\$ 53,702</u>	<u>\$ (59)</u>	<u>\$ (53,761)</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2009

	Capital Projects	Equipment Acquisition	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS</b>			
<i>Cash and cash equivalents</i>	\$ 206,391	\$ 31,231	\$ 237,622
<i>Investments</i>	3,042,885	2,494,756	5,537,641
Receivables (net of allowances for uncollectibles):	--	--	--
<i>Accounts receivable</i>	450,000	225	450,225
<b>Total Assets</b>	<u>\$ 3,699,276</u>	<u>\$ 2,526,212</u>	<u>\$ 6,225,488</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
<i>Accounts payable and accrued liabilities</i>	\$ --	\$ 74,449	\$ 74,449
<b>Total Liabilities</b>	<u>--</u>	<u>74,449</u>	<u>74,449</u>
<b>Fund balances:</b>			
<i>Unreserved</i>	3,699,276	2,451,763	6,151,039
<b>Total fund balances</b>	<u>3,699,276</u>	<u>2,451,763</u>	<u>6,151,039</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,699,276</u>	<u>\$ 2,526,212</u>	<u>\$ 6,225,488</u>

## CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Capital Projects	Equipment Acquisition	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
<i>Intergovernmental</i>	\$ --	\$ 13,200	\$ 13,200
<i>Interest income</i>	1,447	2,437	3,884
<i>Miscellaneous</i>	450,000	8,481	458,481
<i>Donations</i>	1,800,000	--	1,800,000
Total revenues	<u>2,251,447</u>	<u>24,118</u>	<u>2,275,565</u>
Expenditures:			
Current:			
<i>Administration</i>	78,376	--	78,376
Total current	<u>78,376</u>	<u>--</u>	<u>78,376</u>
Capital outlay:			
<i>Administration</i>	118,287	--	118,287
<i>Finance</i>	--	78,866	78,866
<i>Police</i>	--	174,297	174,297
<i>Fire</i>	--	1,220,786	1,220,786
<i>Public works</i>	14,876	75,187	90,063
Total capital outlay	<u>133,163</u>	<u>1,549,136</u>	<u>1,682,299</u>
Debt service:			
<i>Bond issuance cost</i>	14,199	32,977	47,176
Total debt service:	<u>14,199</u>	<u>32,977</u>	<u>47,176</u>
Total expenditures	<u>225,738</u>	<u>1,582,113</u>	<u>1,807,851</u>
Excess (deficiency) of revenues over (under) expenditures	2,025,709	(1,557,995)	467,714
Other financing sources (uses):			
<i>Transfers in</i>	130,000	183,350	313,350
<i>Transfers out</i>	(349,350)	--	(349,350)
<i>Proceeds of long-term debt</i>	1,571,869	3,948,131	5,520,000
<i>Premium on bonds issued</i>	21,965	51,626	73,591
<i>Discount on bonds issued</i>	(12,010)	(28,764)	(40,774)
Total other financing sources (uses)	<u>1,362,474</u>	<u>4,154,343</u>	<u>5,516,817</u>
Net change in fund balances	3,388,183	2,596,348	5,984,531
Fund balances, October 1	311,093	(144,585)	166,508
Fund balances, September 30	<u>\$ 3,699,276</u>	<u>\$ 2,451,763</u>	<u>\$ 6,151,039</u>

**CITY OF ROCKWALL, TEXAS**  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2009

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-7)
<b>ASSETS</b>			
Current Assets:			
<i>Cash and cash equivalents</i>	\$ 18,698	\$ 10,231	\$ 28,929
<i>Investments</i>	17,613	1,077,611	1,095,224
<i>Other receivables</i>	92,797	--	92,797
Total current assets	<u>129,108</u>	<u>1,087,842</u>	<u>1,216,950</u>
Total Assets	<u>129,108</u>	<u>1,087,842</u>	<u>1,216,950</u>
<b>LIABILITIES</b>			
Current Liabilities:			
<i>Accounts payable and accrued liabilities</i>	339,309	17,454	356,763
<i>Due to other funds</i>	217,415	--	217,415
Total current liabilities	<u>556,724</u>	<u>17,454</u>	<u>574,178</u>
Total Liabilities	<u>556,724</u>	<u>17,454</u>	<u>574,178</u>
<b>NET ASSETS (DEFICITS)</b>			
<i>Unrestricted</i>	(427,616)	1,070,388	642,772
Total Net Assets (Deficits)	<u>\$ (427,616)</u>	<u>\$ 1,070,388</u>	<u>\$ 642,772</u>

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-8)
<b>OPERATING REVENUES:</b>			
<i>Charges for services</i>	\$ 463,195	\$ --	\$ 463,195
<i>Reinsurance reimbursement</i>	245,543	--	245,543
Total Operating Revenues	<u>708,738</u>	<u>--</u>	<u>708,738</u>
<b>OPERATING EXPENSES:</b>			
<i>Contractual services</i>	2,863,517	199,056	3,062,573
Total Operating Expenses	<u>2,863,517</u>	<u>199,056</u>	<u>3,062,573</u>
Operating Income (Loss)	<u>(2,154,779)</u>	<u>(199,056)</u>	<u>(2,353,835)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
<i>Interest income</i>	7,473	5,854	13,327
<i>Miscellaneous income</i>	--	8,828	8,828
Total Non-operating Revenues (Expenses)	<u>7,473</u>	<u>14,682</u>	<u>22,155</u>
Net Income (Loss) before Operating Transfers	<u>(2,147,306)</u>	<u>(184,374)</u>	<u>(2,331,680)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
<i>Transfers in</i>	1,995,500	30,000	2,025,500
Total Transfers and Capital Contributions	<u>1,995,500</u>	<u>30,000</u>	<u>2,025,500</u>
Change in net assets	<u>(151,806)</u>	<u>(154,374)</u>	<u>(306,180)</u>
Net assets, October 1	(275,810)	1,224,762	948,952
Net assets, September 30	<u>\$ (427,616)</u>	<u>\$ 1,070,388</u>	<u>\$ 642,772</u>

**CITY OF ROCKWALL, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
<b>Cash Flows from Operating Activities:</b>			
<i>Cash Received from Customers</i>	\$ 654,269	\$ 8,828	\$ 663,097
<i>Cash Payments to Suppliers for Goods and Services</i>	(2,843,617)	(192,454)	(3,036,071)
Net Cash Provided (Used) by Operating Activities	<u>(2,189,348)</u>	<u>(183,626)</u>	<u>(2,372,974)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>			
<i>Payments Made to Other Funds</i>	--	--	--
<i>Cash Received from Other Funds</i>	2,212,915	30,000	2,242,915
Net Cash Provided (Used) by Non-capital Financing Activities	<u>2,212,915</u>	<u>30,000</u>	<u>2,242,915</u>
<b>Cash Flows from Investing Activities:</b>			
<i>Purchase of Investment Securities</i>	--	--	--
<i>Proceeds from Sale and Maturities of Securities</i>	--	--	--
<i>Interest and Dividends on Investments</i>	7,473	6,135	13,608
Net Cash Provided (Used) for Investing Activities	<u>7,473</u>	<u>6,135</u>	<u>13,608</u>
Net Increase (Decrease) in Cash and Cash Equivalents	31,040	(147,491)	(116,451)
Cash and Cash Equivalents at Beginning of Year	5,271	1,235,333	1,240,604
Cash and Cash Equivalents at End of Year	<u>\$ 36,311</u>	<u>\$ 1,087,842</u>	<u>\$ 1,124,153</u>
<b>Cash Equivalents Included in Investments:</b>			
<i>Unrestricted</i>	<u>\$ 17,613</u>	<u>\$ 1,077,611</u>	<u>\$ 1,095,224</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ (2,154,779)	\$ (199,056)	\$ (2,353,835)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
<i>Miscellaneous income</i>	--	8,828	8,828
Change in Assets and Liabilities:			
<i>Decrease (Increase) in Receivables</i>	(54,469)	--	(54,469)
<i>Increase (Decrease) in Accounts Payable</i>	19,900	6,602	26,502
<i>Increase (Decrease) in Bank Overdraft</i>	--	--	--
Total Adjustments	<u>(34,569)</u>	<u>15,430</u>	<u>(19,139)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,189,348)</u>	<u>\$ (183,626)</u>	<u>\$ (2,372,974)</u>

**CITY OF ROCKWALL, TEXAS**

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-22

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
<b>ASSETS</b>				
<i>Cash</i>	\$ 199	\$ 3,415,542	\$ 3,390,320	\$ 25,421
<i>Investments</i>	1,717,589	4,357,646	4,732,438	1,342,797
<i>Accrued interest receivable</i>	25,183	396	25,579	--
Total Assets	<u>\$ 1,742,971</u>	<u>\$ 7,773,584</u>	<u>\$ 8,148,337</u>	<u>\$ 1,368,218</u>
<b>LIABILITIES</b>				
<i>Due to developers</i>	\$ 1,742,971	\$ 187,017	\$ 561,769	\$ 1,368,219
Total Liabilities	<u>\$ 1,742,971</u>	<u>\$ 187,017</u>	<u>\$ 561,769</u>	<u>\$ 1,368,219</u>

**CITY OF ROCKWALL, TEXAS**  
 ECONOMIC DEVELOPMENT CORPORATION  
 DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-23

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Sales taxes</i>	\$ 3,309,400	\$ 3,300,451	\$ (8,949)
<i>Charges for services</i>	460,200	4,236	(455,964)
<i>Interest income</i>	86,000	94,774	8,774
<b>Total revenues</b>	<b>3,855,600</b>	<b>3,399,461</b>	<b>(456,139)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Administration</i>	971,400	879,836	91,564
<b>Total current</b>	<b>971,400</b>	<b>879,836</b>	<b>91,564</b>
<b>Capital outlay:</b>			
<i>Administration</i>	5,058,000	2,147,960	2,910,040
<b>Total capital outlay</b>	<b>5,058,000</b>	<b>2,147,960</b>	<b>2,910,040</b>
<b>Debt service:</b>			
<i>Principal</i>	1,095,000	1,095,000	--
<i>Interest</i>	996,163	943,226	52,937
<i>Fiscal charges</i>	3,500	3,322	178
<i>Bond issuance cost</i>	138,800	100,159	38,641
<b>Total debt service:</b>	<b>2,233,463</b>	<b>2,141,707</b>	<b>91,756</b>
<b>Total expenditures</b>	<b>8,262,863</b>	<b>5,169,503</b>	<b>3,093,360</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(4,407,263)</b>	<b>(1,770,042)</b>	<b>2,637,221</b>
<b>Other financing sources (uses):</b>			
<i>Proceeds of long-term debt</i>	6,268,710	6,130,000	(138,710)
<b>Total other financing sources (uses)</b>	<b>6,268,710</b>	<b>6,130,000</b>	<b>138,710</b>
<b>Net change in fund balances</b>	<b>1,861,447</b>	<b>4,359,958</b>	<b>2,498,511</b>
<b>Fund balances, October 1</b>	<b>16,767,093</b>	<b>16,767,093</b>	<b>--</b>
<b>Fund balances, September 30</b>	<b>\$ 18,628,540</b>	<b>\$ 21,127,051</b>	<b>\$ 2,498,511</b>

**CITY OF ROCKWALL, TEXAS**  
 ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 DISCRETE COMPONENT UNIT  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-24

	Budget	Actual	Variance Positive (Negative)
Revenues.			
<i>Interest income</i>	\$ 1,500	\$ 402	\$ (1,098)
<i>Miscellaneous</i>	181,900	146,625	(35,275)
Total revenues	183,400	147,027	(36,373)
Expenditures:			
Current:			
<i>Administration</i>	181,900	142,192	39,708
Total current	181,900	142,192	39,708
Capital outlay:			
Total expenditures	181,900	142,192	39,708
Net change in fund balances	1,500	4,835	3,335
Fund balances, October 1	50,331	50,331	--
Fund balances, September 30	\$ 51,831	\$ 55,166	\$ 3,335

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*Capital Assets Used in the  
Operation of Governmental Funds*

**CITY OF ROCKWALL, TEXAS**  
 COMPARATIVE SCHEDULES BY SOURCE OF  
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2009 AND 2008

EXHIBIT C-25

	2009	2008
General fixed assets:		
<i>Land</i>	\$ 5,692,561	\$ 5,692,561
<i>Construction in progress</i>	61,559,537	44,835,698
<i>Buildings</i>	12,465,268	10,554,952
<i>Improvements other than buildings</i>	25,208,584	24,074,474
<i>Machinery and equipment</i>	12,574,777	11,415,874
<i>Infrastructure</i>	122,036,931	112,332,202
Total governmental funds capital assets	<u>\$ 239,537,658</u>	<u>\$ 208,905,761</u>
Investment in general fixed assets by source:		
<i>Bond proceeds</i>	\$ 119,355,741	\$ 96,921,882
<i>General government</i>	42,062,576	40,155,136
<i>Grants and entitlements</i>	2,177,098	2,141,475
<i>Developer contributions</i>	75,942,243	69,687,268
Total investment in governmental funds capital assets	<u>\$ 239,537,658</u>	<u>\$ 208,905,761</u>

**CITY OF ROCKWALL, TEXAS**

SCHEDULE BY FUNCTION AND ACTIVITY OF  
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2009

EXHIBIT C-26

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Total
General government	\$ 2,900,172	\$ 61,559,537	\$ 5,704,789	\$ 2,933,693	\$ 2,989,895	--	\$ 76,088,086
Public works	273,803	--	324,434	719,654	1,296,411	122,036,931	124,651,233
Public safety	825,188	--	2,118,795	12,802	2,355,575	--	5,312,360
Recreational/development	1,693,398	--	2,272,730	21,542,435	1,290,040	--	26,798,603
Fire equipment	--	--	2,044,520	--	4,642,856	--	6,687,376
<b>Total Governmental Capital Assets</b>	<b>\$ 5,692,561</b>	<b>\$ 61,559,537</b>	<b>\$ 12,465,268</b>	<b>\$ 25,208,584</b>	<b>\$ 12,574,777</b>	<b>\$ 122,036,931</b>	<b>\$ 239,537,658</b>

**CITY OF ROCKWALL, TEXAS**

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY OF  
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS  
 YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-27

Function and Activity	Capital Assets October 1, 2008	Additions	Deductions	Transfers	Capital Assets September 30, 2009
General government	\$ 57,270,178	\$ 22,984,331	(21,325)	\$ (4,163,817)	\$ 76,069,367
Public works	114,178,816	6,678,033	--	3,794,385	124,651,234
Public Safety	5,255,882	268,699	(212,221)	--	5,312,360
Recreation/development	26,399,830	88,733	(59,391)	369,432	26,798,604
Fire Equipment	5,801,055	991,024	(85,986)	--	6,706,093
Total governmental funds Capital Assets	\$ 208,905,761	\$ 31,010,820	(378,923)	\$ --	\$ 239,537,658

# STATISTICAL SECTION

This part of the City of Rockwall, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	121
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	132
<i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	138
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	143
<i>These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	145
<i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF ROCKWALL, TEXAS  
NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-1

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Governmental activities										
Invested in capital assets, net of related debt	\$ 88,367,580	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444	\$ -	\$ -	\$ -
Restricted	2,306,529	14,222,187	23,258,947	37,748,076	17,051,680	5,897,961	8,354,614	-	-	-
Unrestricted	12,955,777	13,643,810	13,386,297	11,683,150	11,850,426	10,242,495	9,975,317	-	-	-
Total governmental activities net assets	<u>\$ 103,629,886</u>	<u>\$ 91,412,270</u>	<u>\$ 86,132,544</u>	<u>\$ 83,451,860</u>	<u>\$ 70,248,286</u>	<u>\$ 63,835,499</u>	<u>\$ 61,450,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 53,418,392	\$ 48,127,382	\$ 47,893,027	\$ 41,923,596	\$ 37,368,956	\$ 38,406,139	\$ 32,724,578	\$ -	\$ -	\$ -
Restricted	7,568,701	17,888,236	14,620,878	18,060,049	18,350,884	11,698,161	15,635,741	-	-	-
Unrestricted	6,162,163	5,283,929	5,463,619	7,081,727	7,475,827	9,457,896	3,746,526	-	-	-
Total business-type activities net assets	<u>\$ 67,149,256</u>	<u>\$ 71,299,547</u>	<u>\$ 67,977,524</u>	<u>\$ 67,065,372</u>	<u>\$ 63,195,667</u>	<u>\$ 59,562,196</u>	<u>\$ 52,106,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government										
Invested in capital assets, net of related debt	\$ 141,785,972	\$ 111,673,655	\$ 97,380,327	\$ 75,944,230	\$ 78,715,136	\$ 86,101,182	\$ 75,845,022	\$ -	\$ -	\$ -
Restricted	9,875,230	32,110,423	37,879,825	55,808,125	35,402,564	17,596,122	23,990,355	-	-	-
Unrestricted	19,117,940	18,927,739	18,849,916	18,764,877	19,326,253	19,700,391	13,721,843	-	-	-
Total primary government net assets	<u>\$ 170,779,142</u>	<u>\$ 162,711,817</u>	<u>\$ 154,110,068</u>	<u>\$ 150,517,232</u>	<u>\$ 133,443,953</u>	<u>\$ 123,397,695</u>	<u>\$ 113,557,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Expenses</b>										
Governmental activities:										
Mayor/Council	\$ 109,844	\$ 117,366	\$ 111,555	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378	\$ -	\$ -	\$ -
Administration	6,707,709	7,384,773	5,523,924	6,040,692	4,908,083	5,757,527	3,583,719	-	-	-
Finance	1,409,054	1,338,894	1,138,210	1,027,654	954,840	877,537	760,436	-	-	-
Municipal Court	334,922	312,601	298,383	304,492	295,379	254,210	236,201	-	-	-
Police	8,384,774	7,130,698	7,001,771	6,095,435	6,372,344	6,862,707	5,446,279	-	-	-
Fire	2,201,236	2,242,829	2,207,468	1,889,269	1,144,577	1,530,503	966,400	-	-	-
Public Works	5,482,571	7,094,068	6,928,067	5,530,219	4,753,190	6,155,726	3,961,797	-	-	-
Community Development	1,350,023	2,229,753	2,018,363	1,781,548	1,680,857	1,493,249	442,470	-	-	-
Parks and Recreation	5,250,506	4,025,927	3,088,750	2,583,547	2,329,095	2,323,558	1,487,036	-	-	-
Interest on long-term debt	4,669,459	4,418,519	3,612,523	2,179,950	1,136,584	1,277,825	1,244,127	-	-	-
<b>Total governmental activities expenses</b>	<b>35,900,098</b>	<b>36,295,428</b>	<b>31,929,014</b>	<b>27,541,172</b>	<b>23,653,063</b>	<b>26,607,258</b>	<b>18,186,843</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business-type activities:										
Water and Sewer	13,272,884	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878	-	-	-
<b>Total business-type activities expenses</b>	<b>13,272,884</b>	<b>12,206,742</b>	<b>10,917,707</b>	<b>10,253,226</b>	<b>8,777,277</b>	<b>7,061,272</b>	<b>6,436,878</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government expenses</b>	<b>\$ 49,172,982</b>	<b>\$ 48,502,170</b>	<b>\$ 42,846,721</b>	<b>\$ 37,794,398</b>	<b>\$ 32,430,340</b>	<b>\$ 33,668,530</b>	<b>\$ 24,623,721</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Community Development	1,020,979	1,072,444	1,118,001	1,318,516	1,687,141	1,680,531	1,487,000	\$ -	\$ -	\$ -
Municipal Court	1,082,488	974,973	989,677	883,228	917,610	928,470	730,753	-	-	-
Police	516,591	658,015	415,637	649,261	720,395	402,980	221,076	-	-	-
Other	667,091	1,252,838	1,275,491	1,771,297	1,012,518	894,130	492,282	-	-	-
Operating grants & contributions	81,199	151,741	1,059,602	783,317	894,114	1,424,824	772,911	-	-	-
Capital grants & contributions	8,127,487	6,620,540	3,193,554	11,804,857	5,893,301	6,624,160	181,426	-	-	-
<b>Total governmental activities program revenues</b>	<b>11,495,835</b>	<b>10,730,551</b>	<b>8,051,962</b>	<b>17,210,476</b>	<b>11,125,079</b>	<b>11,955,095</b>	<b>3,885,448</b>	<b>-</b>	<b>-</b>	<b>-</b>

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-2

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Business-type activities:										
Charges for services:										
Water Sales	6,574,110	6,060,043	4,815,631	6,547,846	5,379,382	4,474,069	4,530,970	-	-	-
Sewer Charges	2,748,160	2,409,614	2,338,820	2,355,821	2,046,425	1,922,989	1,809,478	-	-	-
Other	1,951,945	1,797,390	1,616,873	2,164,135	2,072,748	1,890,686	1,797,588	-	-	-
Operating grants & contributions		-	-	-	-	-	-	-	-	-
Capital grants & contributions	3,374,321	5,616,869	2,808,528	4,319,065	3,411,639	6,576,943	2,906,811	-	-	-
Total business-type activities program revenues	14,648,536	15,883,916	11,579,852	15,386,867	12,910,194	14,864,687	11,044,847	-	-	-
Total primary government program revenues	\$ 26,144,371	\$ 26,614,467	\$ 19,631,814	\$ 32,597,343	\$ 24,035,273	\$ 26,819,782	\$ 14,930,295	\$ -	\$ -	\$ -
Net (Expense)/Revenue										
Governmental activities	(24,404,263)	(25,564,877)	(23,877,052)	(10,330,696)	(12,527,984)	(14,652,163)	(14,301,395)	-	-	-
Business-type activities	1,375,652	3,677,174	662,145	5,133,641	4,132,917	7,803,415	4,607,969	-	-	-
Total primary government net expense	(23,028,611)	(21,887,703)	(23,214,907)	(5,197,055)	(8,395,067)	(6,848,748)	(9,693,426)	-	-	-
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	\$ 16,422,119	\$ 14,780,112	\$ 11,827,931	\$ 9,063,530	\$ 8,111,715	\$ 7,265,947	\$ 6,717,883	\$ -	\$ -	\$ -
Sales taxes	10,264,401	10,123,636	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	-	-	-
Other	3,734,068	4,625,450	4,477,541	3,566,689	2,442,815	2,167,786	1,843,906	-	-	-
Transfers	6,201,291	1,315,405	1,350,335	2,375,000	1,006,400	867,500	1,337,963	-	-	-
Total governmental activities	36,621,879	30,844,603	26,557,736	23,534,270	18,940,771	17,037,287	16,176,968	-	-	-
Business-type activities:										
Other	675,348	960,254	1,600,342	1,111,064	506,954	519,436	345,017	-	-	-
Transfers	(6,201,291)	(1,315,405)	(1,350,335)	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)	-	-	-
Total business-type activities	(5,525,943)	(355,151)	250,007	(1,263,936)	(499,446)	(348,064)	(992,946)	-	-	-
Total primary government	\$ 31,095,936	\$ 30,489,452	\$ 26,807,743	\$ 22,270,334	\$ 18,441,325	\$ 16,689,223	\$ 15,184,022	\$ -	\$ -	\$ -
<b>Change in Net Assets</b>										
Governmental activities	\$ 12,217,616	\$ 5,279,726	\$ 2,680,684	\$ 13,203,574	\$ 6,412,787	\$ 2,385,124	\$ 1,875,573	\$ -	\$ -	\$ -
Business-type activities	(4,150,291)	3,322,023	912,152	3,869,705	3,633,471	7,455,351	3,615,023	-	-	-
Total primary government	\$ 8,067,325	\$ 8,601,749	\$ 3,592,836	\$ 17,073,279	\$ 10,046,258	\$ 9,840,475	\$ 5,490,596	\$ -	\$ -	\$ -

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	6,717,883	6,277,216	1,567,874	14,562,973
2004	7,265,947	6,736,054	1,776,406	15,778,407
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842
2009	16,422,119	10,264,401	2,535,846	29,222,366

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
1999	3,252,453	1,260,397	4,512,850
2000	3,612,008	1,379,684	4,991,692
2001	3,835,507	1,601,062	5,436,569
2002	3,913,496	1,770,522	5,684,018
2003	4,530,970	1,809,478	6,340,448
2004	4,474,069	1,922,989	6,397,058
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270

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CITY OF ROCKWALL, TEXAS  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS

TABLE D-5

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Fund										
Reserved	\$ 2,870	\$ 2,446	\$ 1,407	\$ 26,130	\$ 26,980	\$ 16,104	\$ 7,500	\$ 6,862	\$ 16,414	\$ 11,663
Unreserved	8,293,107	8,264,368	8,335,289	7,692,662	7,301,334	6,860,155	7,235,979	7,579,095	6,436,530	6,770,275
Total general fund	<u>\$ 8,295,977</u>	<u>\$ 8,266,814</u>	<u>\$ 8,336,696</u>	<u>\$ 7,718,792</u>	<u>\$ 7,328,314</u>	<u>\$ 6,876,259</u>	<u>\$ 7,243,479</u>	<u>\$ 7,585,957</u>	<u>\$ 6,452,944</u>	<u>\$ 6,781,938</u>
All other governmental funds										
Reserved for:										
Debt Service	\$ 1,077,236	\$ 835,203	\$ 1,083,320	\$ 1,461,294	\$ 1,155,897	\$ 694,758	\$ 683,650	\$ 551,753	\$ 509,255	\$ 386,149
Unreserved, reported in:										
Special revenue funds	2,399,605	3,145,275	2,797,330	2,422,376	2,046,410	1,358,357	926,507	671,382	1,171,009	5,120,309
Capital projects funds	16,906,340	13,094,614	21,877,706	36,529,256	16,113,095	5,271,300	7,540,907	9,031,865	13,065,344	16,135,737
Total all other governmental funds	<u>\$ 20,383,181</u>	<u>\$ 17,075,092</u>	<u>\$ 25,758,356</u>	<u>\$ 40,412,926</u>	<u>\$ 19,315,402</u>	<u>\$ 7,324,415</u>	<u>\$ 9,151,064</u>	<u>\$ 10,255,000</u>	<u>\$ 14,745,608</u>	<u>\$ 21,642,195</u>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 16,407,575	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166	\$ 5,722,744	\$ 5,032,885	\$ 4,072,641
Sales taxes	10,264,401	10,123,637	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	6,228,716	6,109,463	7,726,450
Franchise taxes	2,444,296	2,179,847	2,046,674	1,981,016	1,715,242	1,702,156	1,548,499	1,506,971	1,278,671	1,034,660
Charges for services	738,146	362,107	417,049	426,996	268,125	266,450	263,349	159,451	135,417	108,441
Permits	1,005,541	1,122,505	1,132,985	1,325,832	1,718,218	1,709,832	1,521,019	1,467,736	618,405	570,932
Municipal court	1,056,904	1,177,410	1,019,260	987,066	906,634	937,164	734,500	584,171	509,645	472,921
Intergovernmental	428,747	419,700	1,097,790	1,011,739	3,182,350	1,772,811	1,100,961	1,452,565	1,155,484	1,891,965
Interest income	611,615	1,702,870	2,012,244	1,149,204	304,644	143,269	312,700	598,483	1,002,624	1,569,214
Miscellaneous	872,988	837,707	716,896	1,060,866	1,080,366	755,733	422,427	375,753	297,490	584,386
Contributions and donations	2,812,457	775,695	2,241,586	6,251,435	163,635	252,037	56,463	35,112	60,539	244,594
<b>Total Revenues</b>	<b>36,642,670</b>	<b>33,409,620</b>	<b>31,407,407</b>	<b>31,703,153</b>	<b>24,859,180</b>	<b>21,545,914</b>	<b>18,915,300</b>	<b>18,131,702</b>	<b>16,200,623</b>	<b>18,276,204</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	109,845	117,366	111,555	108,366	78,114	74,416	58,377	68,480	38,068	31,148
Administration	3,358,705	3,056,885	2,750,197	2,910,478	2,708,948	2,324,516	3,024,304	2,421,992	1,880,816	1,348,888
Finance	1,266,436	1,199,417	1,138,238	1,025,230	952,808	837,800	756,688	707,823	615,694	515,463
Municipal court	318,467	311,706	300,186	303,131	291,348	249,839	234,832	189,088	187,687	163,977
Police	7,775,622	6,923,679	6,426,957	6,235,463	6,070,311	6,083,676	5,171,682	5,024,188	4,261,907	3,770,329
Fire	1,618,559	1,451,970	1,340,624	1,242,836	1,075,427	950,622	757,447	373,099	336,556	267,251
Public works	1,528,010	2,824,267	2,427,535	2,411,324	2,050,077	2,005,360	1,781,760	1,648,599	1,393,969	1,278,762
Community development	1,258,030	2,219,167	2,002,767	1,783,961	1,682,480	1,477,483	440,481	302,156	391,843	954,429
Parks and recreation	4,493,524	2,907,229	2,473,238	2,318,135	1,826,608	1,758,180	1,369,986	1,322,614	1,030,236	862,235
<b>Total current</b>	<b>21,727,198</b>	<b>21,011,686</b>	<b>18,971,297</b>	<b>18,338,924</b>	<b>16,736,121</b>	<b>15,761,892</b>	<b>13,595,557</b>	<b>12,058,039</b>	<b>10,136,776</b>	<b>9,192,482</b>
<b>Capital outlay:</b>										
Administration	18,427,890	2,373,369	4,028,933	1,580,706	602,847	623,526	1,843,858	8,767,869	3,101,580	4,596,796
Finance	78,866	137,035	-	-	-	36,746	141,102	104,138	66,898	88,238
Municipal Court	-	-	-	-	-	3,958	13,152	-	-	11,705
Police	258,623	74,899	225,992	285,150	1,850,771	978,179	372,661	370,552	298,869	880,517
Fire	6,462,691	727,795	1,578,623	835,685	711,166	525,888	172,970	542,049	1,322,965	750,226
Public works	90,798	29,051,639	10,609,516	25,733,888	9,756,038	1,667,682	1,198,999	892,865	1,306,605	108,831
Community development	-	-	2,105	-	519	668	1,123	-	97,479	60,738
Parks and recreation	482,177	1,742,004	2,397,348	1,477,499	757,360	600,049	443,049	199,661	646,525	239,448
<b>Total capital outlay</b>	<b>25,801,045</b>	<b>34,106,741</b>	<b>18,842,517</b>	<b>29,912,928</b>	<b>13,678,701</b>	<b>4,436,696</b>	<b>4,186,914</b>	<b>10,877,134</b>	<b>6,840,921</b>	<b>6,736,499</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-6

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Debt service:										
Principal	4,670,540	4,335,462	3,726,505	2,620,235	1,801,369	2,831,984	1,623,841	1,590,000	1,196,321	780,188
Interest	4,716,545	4,254,162	3,607,455	1,748,001	977,878	1,032,504	1,229,093	1,198,065	1,305,721	1,438,232
Bond issuance costs	242,173	468,837	9,500	500,889	429,728	99,311	-	50,879	-	-
Fiscal charges	15,284	6,384	6,484	6,020	5,063	7,403	9,272	14,580	10,380	6,968
Total debt services	9,644,542	9,064,845	7,349,944	4,875,145	3,214,038	3,971,202	2,862,206	2,853,524	2,512,422	2,225,388
Total expenditures	57,172,785	64,183,272	45,163,758	53,126,997	33,628,860	24,169,790	20,644,677	25,788,697	19,490,119	18,154,369
Excess (deficiency) of revenues over (under) expenditures	(20,530,115)	(30,773,652)	(13,756,351)	(21,423,844)	(8,769,680)	(2,623,876)	(1,729,377)	(7,656,995)	(3,289,496)	121,835
<b>Other financing sources (uses):</b>										
Transfers in	8,664,757	1,975,436	2,585,804	4,305,332	2,959,535	2,429,909	4,445,973	4,976,111	2,942,643	2,815,824
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers out	(4,488,966)	(2,715,031)	(2,866,119)	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)	(4,971,711)	(2,996,182)	(3,055,824)
Bonds issued	19,295,000	22,270,000	-	41,045,000	21,200,000	-	-	4,295,000	-	8,650,000
Refunding bonds issued	4,805,000	-	-	-	6,095,000	4,067,415	-	-	-	-
Accrued interest on bonds issued	-	-	-	176,020	129,913	-	-	-	-	-
Premium (discounts) on bonds issued	444,623	490,101	-	864,326	271,518	-	-	-	-	-
Payment to refunded bond escrow agent	(4,853,047)	-	-	-	(6,027,109)	(3,120,178)	-	-	-	-
Total other financing sources (uses)	23,867,367	22,020,506	(280,315)	42,911,846	21,212,722	564,737	282,963	4,299,400	(53,539)	8,410,000
Net change in fund balances	3,337,252	(8,753,146)	(14,036,666)	21,488,002	12,443,042	(2,059,139)	(1,446,414)	(3,357,595)	(3,343,035)	8,531,835
Debt service as a percentage of noncapital expenditures	30.6%	24.0%	22.0%	17.4%	13.5%	14.4%	18.1%	19.1%	19.9%	19.5%

CITY OF ROCKWALL, TEXAS  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2000	4,072,641	7,726,450	1,034,660	12,833,751
2001	5,032,885	6,109,463	1,278,671	12,421,019
2002	5,722,744	6,228,716	1,506,971	13,458,431
2003	6,678,166	6,277,216	1,548,499	14,503,881
2004	7,270,408	6,736,054	1,702,156	15,708,618
2005	8,140,125	7,379,841	1,715,242	17,235,208
2006	8,979,948	8,529,051	1,981,016	19,490,015
2007	11,820,994	8,901,929	2,046,674	22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626
2009	16,407,575	10,264,401	2,444,296	29,116,272

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-8

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
2000	5,834,244	143.91%	0.52
2001	6,109,463	124.62%	0.45
2002	6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.73%	0.35
2008	10,123,637	70.44%	0.36
2009	10,264,401	64.13%	0.34

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-9

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2000	1999	713,080,370	313,108,302	161,240,698	65,713,842	1,121,715,528	0.3600
2001	2000	879,924,785	370,271,592	201,150,402	86,564,864	1,364,781,915	0.3600
2002	2001	1,005,596,905	434,430,607	231,005,372	92,155,332	1,578,877,552	0.3600
2003	2002	1,180,867,660	484,847,529	271,117,946	99,943,555	1,836,889,580	0.3600
2004	2003	1,371,585,380	487,360,218	258,028,313	130,750,657	1,986,223,254	0.3600
2005	2004	1,573,206,290	525,794,698	284,849,415	154,608,703	2,229,241,700	0.3600
2006	2005	1,736,808,885	567,435,458	286,808,498	163,343,787	2,427,709,054	0.3689
2007	2006	1,943,727,690	921,234,223	261,957,560	551,589,203	2,575,330,270	0.4250
2008	2007	2,405,432,149	709,899,929	289,545,141	602,975,668	2,801,901,551	0.4865
2009	2008	2,147,701,430	1,155,846,969	330,037,398	625,065,569	3,008,520,228	0.5031

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
2000	27,511,159	759,504	34,508,640	7,041,464	26,250
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	-
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093
2007	96,624,100	1,537,004	61,259,470	16,146,371	328,999
2008	104,805,677	1,658,500	66,881,780	13,651,705	248,013
2009	111,535,268	1,805,500	79,131,370	24,266,824	2,147,724

CITY OF ROCKWALL, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-11

Fiscal Year	City of Rockwall			Overlapping Rates	
	M&O	Debt	Total	School	County
1999	0.2179	0.1421	0.3600	1.4900	0.3202
2000	0.1898	0.1702	0.3600	1.5780	0.3536
2001	0.1748	0.1852	0.3600	1.8400	0.3534
2002	0.1826	0.1774	0.3600	1.8372	0.3534
2003	0.1982	0.1618	0.3600	1.8800	0.3534
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.425	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-12

Taxpayer	2009			2000		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
CNLRS Rockwall, LP	49,246,880	1	1.76%	-	-	-
Continental Pet Technology	40,604,530	2	1.45%	19,831,801	1	1.76%
Rockwall Regional Hospital, LLP	36,873,290	3	1.32%	-	-	-
Mariah Bay Development, Inc	31,915,280	4	1.14%	-	-	-
Oncor Electric Delivery Service	23,337,850	5	0.83%	10,628,510	6	0.94%
Rockwall Crossing LTD	23,069,615	6	0.82%	-	-	-
Wal-mart	22,081,420	7	0.79%	16,303,431	2	1.45%
SPM/WRI Rockwall, L.P.	20,500,000	8	0.73%	15,027,200	3	1.34%
Rockwall Hotel & Conference Group	19,167,110	9	0.68%	-	-	-
Texas Star Express	18,872,090	10	0.67%	-	-	-
Lowes Home Centers, Inc.	-	-	-	14,147,116	4	1.26%
Rockwall/ S-30 Ltd.	-	-	-	12,104,170	5	1.08%
Steger Towne Crossing, LP	-	-	-	10,158,450	7	0.90%
Dayton Hudson	-	-	-	9,402,800	8	0.84%
Kohl's Department Stores, Inc.	-	-	-	9,183,280	9	0.82%
Bent Tree Realty Co.	-	-	-	9,144,820	10	0.81%
Subtotal	<u>236,421,185</u>		<u>8.44%</u>	<u>125,931,578</u>		<u>11.19%</u>
Total Taxable Value	<u>2,801,901,551</u>		<u>100.00%</u>	<u>1,125,145,000</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District  
 Note: For tax years 2008 and 1999

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-13

Fiscal Year	Tax Year	Total Tax Levy	Current Tax Collections	Total Current Year Collections	Percent of Levy Collected During Fiscal Period	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy
1999	1998	3,403,144	3,314,812	3,314,812	97.40%	90,041	3,404,853	100.05%
2000	1999	4,054,089	3,937,051	3,937,051	97.11%	90,041	4,027,092	99.33%
2001	2000	4,915,155	4,864,930	4,864,930	98.98%	110,627	4,975,557	101.23%
2002	2001	5,696,005	5,605,385	5,605,385	98.41%	55,841	5,661,226	99.39%
2003	2002	6,619,325	6,487,602	6,487,602	98.01%	77,090	6,564,692	99.17%
2004	2003	7,194,520	7,145,433	7,145,433	99.32%	176,253	7,321,686	101.77%
2005	2004	8,063,888	8,021,945	8,021,945	99.48%	141,227	8,163,172	101.23%
2006	2005	8,984,907	8,921,613	8,921,613	99.30%	114,598	9,036,211	100.57%
2007	2006	11,602,218	11,433,285	11,433,285	98.54%	112,247	11,545,532	99.51%
2008	2007	14,371,045	14,173,725	14,173,725	98.63%	139,450	14,313,175	99.60%
2009	2008	16,005,417	15,923,847	15,923,847	99.49%	269,545	16,193,392	101.17%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE D-14

Customer	2009			2000		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	61,481,900	1	2.05%	11,103,600	9	0.55%
Rockwall I.S.D.	33,372,600	2	1.11%	30,102,000	2	1.50%
Whittle Development	23,317,400	3	0.78%	-	-	-
D.W.C./Highlife Properties	17,269,800	4	0.58%	19,616,500	5	0.98%
Mission Rockwall	15,450,700	5	0.51%	21,429,500	4	1.07%
Walden Residential Properties	13,288,600	6	0.44%	21,581,400	3	1.08%
Rockwall Crossing, Ltd.	11,000,700	7	0.37%	-	-	-
Rockwall Nursing Home	10,816,300	8	0.36%	-	-	-
Lake Pointe Church	10,710,400	9	0.36%	-	-	-
Continental Can	9,366,600	10	0.31%	12,061,400	8	0.60%
Lone Star Circuits	-	-	-	31,047,100	1	1.55%
Steger Towne Crossing	-	-	-	16,043,600	6	0.80%
Sabre Realty	-	-	-	13,667,000	7	0.68%
Bent Creek Condos, HOA	-	-	-	9,257,100	10	0.46%
Subtotal	<u>206,075,000</u>		<u>6.86%</u>	<u>185,909,200</u>		<u>9.28%</u>
Total Water Usage	<u>3,003,234,960</u>		<u>100.00%</u>	<u>2,003,102,000</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-15

Fiscal Year	Governmental Activities			Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds	Capitalized Lease Obligations			
2000	14,809,306	6,500,000	1,725,245	610,694	-	119,755	4,815,936	3,185,000	31,765,936	5.69%	1,863
2001	14,088,900	6,375,000	1,374,329	506,100	-	60,644	4,563,753	2,840,000	29,808,726	5.53%	1,574
2002	13,295,364	10,485,000	945,000	384,636	-	-	10,991,569	2,505,000	38,606,569	6.54%	1,841
2003	12,521,523	9,890,000	690,000	288,477	-	-	10,555,000	2,150,000	36,095,000	5.60%	1,580
2004	11,918,933	9,075,000	420,000	271,067	-	-	10,035,000	1,780,000	33,500,000	4.07%	1,329
2005	22,992,564	17,940,000	345,000	247,436	-	-	14,910,000	1,385,000	57,820,000	6.22%	2,080
2006	57,632,329	21,825,000	315,000	212,671	-	-	14,145,000	1,145,000	95,275,000	9.57%	3,155
2007	55,720,824	20,045,000	280,000	184,176	-	-	13,360,000	5,040,094	94,630,094	8.87%	3,013
2008	74,925,362	18,810,000	245,000	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	11.18%	3,824
2009	86,179,822	22,425,000	-	135,178	25,890,000	-	11,670,000	7,431,754	153,731,754	14.29%	4,789

Note: See Table 19 for personal income and population data

CITY OF ROCKWALL, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-16

Fiscal Year	Governmental Activities				Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Gross Bonded Debt				
1999	13,094,712	-	1,990,449	15,085,161	284,139	14,801,022	1.56%	919
2000	14,809,306	6,500,000	1,725,245	23,034,551	386,149	22,648,402	2.01%	1,328
2001	14,088,900	6,375,000	1,374,329	21,838,229	509,255	21,328,974	1.58%	1,126
2002	13,295,364	10,485,000	945,000	24,725,364	551,753	24,173,611	1.52%	1,153
2003	12,521,523	9,890,000	690,000	23,101,523	683,650	22,417,873	1.21%	981
2004	11,918,933	9,075,000	420,000	21,413,933	694,758	20,719,175	1.04%	822
2005	22,992,564	17,940,000	345,000	41,277,564	1,014,713	40,262,851	1.80%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,461,294	78,311,035	3.22%	2,593
2007	55,720,824	20,045,000	280,000	76,045,824	1,083,320	74,962,504	2.91%	2,387
2008	74,925,362	18,810,000	245,000	93,980,362	835,203	93,145,159	3.32%	2,934
2009	86,179,822	22,425,000	-	108,604,822	1,077,236	107,527,586	3.57%	3,349

Note: See Table 19 for population data and Table 8 for property value data

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2009  
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 134,630,000	100.00%	\$ 134,630,000
Indirect:			
Rockwall Independent School District	349,963,101	57.86%	202,488,650
Rockwall County	<u>60,060,000</u>	48.89%	<u>29,363,334</u>
Total Indirect	<u>410,023,101</u>		<u>231,851,984</u>
Total Direct and Overlapping Bonded Debt	<u>\$ 544,653,101</u>		<u>\$ 366,481,984</u>
Average debt per capita			<u>11,416</u>

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.5031	0.4865	0.425	0.3689	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600
Legal Debt Margin	1.9969	2.0135	2.0750	2.1311	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
2000	9,225,111	3,068,964	6,156,147	255,000	242,228	497,228	12.38
2001	10,253,437	3,773,301	6,480,136	260,000	227,663	487,663	13.29
2002	7,785,753	4,159,459	3,626,294	280,000	213,638	493,638	7.35
2003	9,259,528	4,647,959	4,611,569	510,000	486,884	996,884	4.63
2004	10,081,442	5,194,575	4,886,867	520,000	476,108	996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE D-20

DEMOGRAPHICS					
Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	RISD School Enrollment (2)	Unemployment Rate (%) (3)
2000	17,050	558,064	32,731	8,435	3.0
2001	18,934	539,278	28,482	8,898	5.5
2002	20,967	590,473	28,162	9,617	7.1
2003	22,850	644,256	28,195	10,077	6.7
2004	25,200	822,453	32,637	10,527	5.1
2005	27,800	929,882	33,449	11,560	3.5
2006	30,200	995,574	32,966	12,627	3.4
2007	31,407	1,066,362	33,953	13,086	3.9
2008	31,748	1,085,718	34,198	13,407	4.9
2009	32,103	1,075,900	33,514	13,721	7.0

Source: (1) Rockwall Economic Development Corporation  
 (2) Rockwall Independent School District - private schools not included  
 (3) Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE D-21

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,667	1	9.76%	1200	1	12.38%
Texas Star Express	484	2	2.83%	200	6	2.06%
Wal-Mart Superstore	450	3	2.63%	500	2	5.16%
Presbyterian Hospital	419	4	2.45%	-	-	-
Rockwall County	253	5	1.48%	140	7	1.44%
City of Rockwall	256	6	1.50%	-	-	-
Special Products	205	7	1.20%	135	10	1.39%
Target	200	8	1.17%	-	-	-
Rockwall Nursing Home	160	9	0.94%	140	9	1.44%
Kohl's Department Store	140	10	0.82%	140	8	1.44%
Precision Cable	-	-	-	200	4	2.06%
James Helwig & Son	-	-	-	200	5	2.06%
Continental Pet	-	-	-	225	3	2.32%
Subtotal	<u>4,234</u>		<u>24.79%</u>	<u>3,080</u>		<u>31.78%</u>
Total	<u><u>17,081</u></u>		<u><u>100.00%</u></u>	<u><u>9,692</u></u>		<u><u>100.00%</u></u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-22

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Administration	22	22	22	21	21	21	23	19	13	12
Finance	8	8	8	8	7.5	6.5	4.5	4.5	5	5
Municipal Court	4	4	4	4	4	3	3	3	3	3
Fire	17	10	10	9	9	8	5	4	3	2
Police	90.5	88	85	80	72	70	68	63	57	53
Community Development	29.5	29.5	29.5	28.5	25.5	22	21	19	14	15
Parks & Recreation	26	24.5	24.5	25	24	21	21	22	18	16
Public Works	21	23	23	23	21	21	21	20	19	19.5
Water/Sewer	38	34	31	29	26	25	23	22	21	20
<b>Total</b>	<b>256.00</b>	<b>243.00</b>	<b>237.00</b>	<b>227.50</b>	<b>210.00</b>	<b>197.50</b>	<b>189.50</b>	<b>176.50</b>	<b>153.00</b>	<b>145.50</b>

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Finance										
Invoices processed	16,933	16,696	16,015	15,883	14,919	14,246	14,430	n/a	n/a	n/a
Payroll checks issued	8,176	7,765	7,840	7,042	6,579	6,543	5,882	4,983	4,277	4,196
Purchase orders issued	2,572	2,363	2,553	2,468	2,561	2,420	2,338	n/a	n/a	n/a
Municipal Court										
Violations Processed	16,526	12,984	17,455	16,635	15,225	13,913	15,000	9,364	8,010	7,173
Fire										
Employees (paid)	16	9	9	9	9	8	4	3	2	1
Volunteers	35	42	37	40	39	36	38	38	36	37
Fire Calls (City and County)	771	860	777	718	772	623	560	474	460	425
Police										
Employees (uniformed)	70	69	66	61	55	51	49	42	37	36
Employees (civilian)	20	19	18	18	17	17	15	12	12	12
Calls for Service	30,610	29,097	27,158	21,121	17,915	16,066	14,699	14,717	13,924	14,633
Community Development										
# permits - New commercial construction	17	26	33	18	51	18	27	22	13	26
Value - New commercial construction	71,061,773	40,553,363	104,798,013	39,358,497	49,918,558	29,067,960	40,304,701	41,967,125	16,001,068	12,444,115
# permits - New residential construction	169	173	192	470	739	885	775	945	767	655
Value - New residential construction	30,914,120	31,962,169	40,174,623	82,305,725	123,215,423	135,501,919	117,512,216	144,002,845	119,521,248	94,343,746
Parks & Recreation										
The Center facility usage	61,713	76,530	69,988	75,757	71,118	58,060	38,821	2,713	n/a	n/a
Special event attendance	90,680	75,232	54,156	25,231	26,547	35,736	14,300	9,113	5,440	n/a
# recreation participants (youth & adult)	2,155	2,757	2,727	2,381	2,034	1,793	1,411	882	1,028	n/a

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Public Works</b>										
Streets - sq yd concrete street repair	5,507.20	3,415.26	739.69	1,967.75	2,961.55	2,395.76	n/a	n/a	n/a	n/a
\$ spent on concrete/asphalt street repair	541,430	411,814	341,685	478,169	352,048	431,475	339,507	284,129	242,810	294,895
Miles of public street maintained by City	192.86	183.86	144.83	139.52	129.23	127.66	122.70	116.03	105.38	98.70
<b>Water/Sewer</b>										
Water customers	12,471	12,285	12,345	11,985	11,491	10,497	9,440	8,827	7,875	7,035
Sewer customers	11,401	11,106	10,987	10,445	10,020	9,282	8,510	7,781	7,026	6,310
Average daily water consumption (gal)	8,228,041	8,052,778	6,701,619	5,991,288	5,023,404	4,327,595	4,209,473	3,019,976	3,937,395	3,874,655
Maximum storage capacity (gal)	12,000,000	9,500,000	7,500,000	7,500,000	7,500,000	7,500,000	5,500,000	5,500,000	5,500,000	5,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE D-24

Function	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Fire										
Number of stations	2	2	2	2	2	2	2	2	1	1
Number of fire engines/trucks	12	11	11	9	8	8	8	8	8	8
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	42	42	42	37	30	26	22	n/a	n/a
Parks & Recreation										
Parks acres (developed)	538.00	538.00	341.50	324.60	307.30	287.70	283.20	n/a	n/a	n/a
Playgrounds	23	23	23	18	12	12	12	11	10	10
Picnic areas	31	31	29	27	26	26	25	12	5	5
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	15,444,384	24,508,043	4,885,417	1,689,445	2,477,496	165,359	116,368	1,670,734	377,153	n/a
\$ spent on street rehabilitation	1,446,058	4,219,701	2,492,251	6,575,541	2,352,112	583,947	397,026	967,878	1,503,738	n/a
Miles of public street	192.86	183.86	144.83	139.52	129.23	127.66	122.70	116.03	105.38	98.70
Water/Sewer										
Water mains (miles)	255.88	250.40	160.06	155.37	146.32	139.93	128.49	120.93	105.35	96.43
Sanitary sewers (miles)	212.77	209.95	117.51	113.58	107.83	103.62	96.64	91.87	79.21	69.59

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, Director of Finance

**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2008**

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**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2008**

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***INTRODUCTORY SECTION***



## City of Rockwall

*The New Horizon*

March 9, 2009

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2008, is hereby submitted. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Rockwall. Consequently, management assumes full responsibility for both the accuracy of the data, and the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities has been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company, CPA a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, County Seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 25.43 square miles and an estimated population of 31,748.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments have been adopted as recently as 2005. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### **Local Economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. Rockwall enjoys a favorable economic environment and local indicators point to continued stability. In 2008 commercial development slowed as the national economy did. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Property values rose modestly. The most recent five-year average is 8.39% per annum. The City's largest taxpayers include a number of commercial developments. Table 12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to assist companies looking to locate their business in the City. The year's highlights included:

- Completion by Whittle Development of the full service Hilton Hotel and Conference Center which complements Phase I of their Bella Harbor, lakefront development. The development includes approximately 90,000 square feet of retail and restaurant space which provided premier entertainment opportunities for the area during the year.
- Belk's Department Store, Best Buy and Dick's Sporting Goods opened in time for the 2007 Holiday shopping season with Staples, Ulta and JC Penney following shortly after the holidays. These stores are featured in the Plaza Development.
- Sports Authority opened a 53,600 square foot store in the Steger Towne Development.
- Costco Corporation began construction on a Costco Wholesale store location in Rockwall. The 149,000 square foot store will enhance Rockwall's role as a regional shopping destination.
- Presbyterian Hospital of Rockwall opened their acute care facility in December 2008 and began construction of approximately 40,000 square feet of medical office space in the immediate area.
- Shenaniganz, calling itself an "eater-tainment destination will open late in 2008 and will include bowling, laser tag, an arcade, rock climbing, go carts and restaurant areas.
- Downtown Rockwall will benefit from the attention that will be garnered as Rockwall was named a Texas Main Street City in October 2008. The program will officially kick off with a visit by the First Lady of Texas in spring 2009.
- SPR Packaging, LLC completed development of a major rail-served industrial location on the new Justin Road and Industrial Boulevard extensions. SPR is expected to build, phased-development in excess of 150,000 square feet, adding significant value to the property tax base.

## Long-term Financial Planning

The City Council and staff have recognized the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

A number of long-range studies have been completed or updated recently. Our Parks consultant completed development of concept plans for several future parks projects, while the City is moving forward with the acquisition of land for another regional park project. This land will allow the City to develop a 50-acre park in the southern area of the City. The City Council also has reviewed the consultant's report on long range planning of space needs for the next 20 years.

The Planning and Zoning department worked to expand the city's use of GIS technology by coordinating training and information gathering across departments. The City Council has identified the downtown area as a critical component of our long range plan. The City working with business and community leaders coordinated an effort to be named a Texas Main Street City and will be pursuing the planning and design opportunities this program provides. An update of the Central Business District zoning was completed in 2008 as well as the full documentation of the historic business buildings in the downtown area with the assistance of a Historic Preservationist.

The city initiated a street condition study to evaluate the priorities for street repairs needed. The study results will be employed as the City develops future maintenance budgets and capital improvement programs.

The City hired a consulting firm to expand the Harbor development concept by looking at the development potential of the adjacent 60 acres of undeveloped land. A concept plan for Planned Development 32 (PD 32) is being completed and will include expanding the mixed-use concept and will include retail, restaurants, office and residential spaces.

The City completed the study and implementation of a roadway impact fee as well as updates to the water and sewer impact fees. A water and sewer rate study will be completed in late 2008.

The Rockwall Economic Development Corporation furthered their planning efforts by finalizing their Destination 2020 plan in 2008. This comprehensive document includes demographics, target industries, marketing strategies, competition, site selection criteria, and alliances among its parameters. The REDC is establishing a marketing manager position to better position them to attract and retain industry in Rockwall.

Organizationally, the City began the process of refining its strategic plan using the Balanced Scorecard Methodology. When the strategy map was completed in 2003, the City's strategic initiatives for the implementation of the City's goals were formalized within the organization. Departmental business plans were developed and are updated as progress is made and priorities change. These business plans develop performance measures for the strategic initiatives for which each department is responsible. During 2006, the City began a process to implement the Customer Centered Culture methodology (C3) into the organization.

C3 encourages cross department teams to follow a proven course of data compilation and actions that allow the teams to develop product improvements. C3 recognizes that the services we provide are ultimately comprised of a number of products and processes and those must be

designed to meet our customer's needs, not what we perceive are their needs. Training was conducted with more than 40 employees to develop meeting facilitation skills in order to further this effort. Four project teams presented their reports to Council in 2008 and many of their suggested improvements have been implemented. Their efforts were used to build the framework by which the City moves forward integrating C3 organizationally with new teams established as projects become known.

In addition, the City refined its "Rockwall University" program to cover a broader range of training programs. Courses initially allowed employees to understand the workings of departments other than their own. The course offerings will also be used to complement the city's succession planning program. Mid level managers and first line supervisors have and will continue to participate in workshops to develop their management skills and prepare our next generation of organization leaders. This group will collaborate on projects to build cross department alliances and understanding of the resources available to our managers.

## Future Development

### Transportation

The City continued progress on the multi-phased construction of the 205 Bypass roadway project approved by voters in late 2005. The roadway was officially named "John King Boulevard" in honor of our late council member. This roadway, on the eastern edge of the City is expected to provide traffic relief through the City's center and will be completed in December 2008. The Texas Department of Transportation is expected to begin construction on a new overpass which will allow an additional means of crossing I-30 on the new roadway. TxDot continued work on the widening of SH205 (Goliad Street) through the City in 2008, a project which will take up to 4 years to complete. City projects under construction in 2009 will include the reconstruction of Airport Road, a much traveled east-west roadway.

The City is a member of a County-wide Consortium which allows the County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, most of which involves partial or complete state participation. The County presented a bond initiative to voters which met with positive approval and will provide advance planning and design funds for 4 major roadway projects. This will allow those projects to be ready to commence as soon as state funding is allocated for construction.

### Medical Services

Recent developments in the Horizon Road area have focused on medical services. With the opening of Presbyterian Hospital of Rockwall in 2008, acute care is now available in the City. Expansion of the facility is being studied now. Several new medical buildings with Doctor's suites joined state of the art out-patient diagnostic imaging facilities in the past two years. Ancillary medical office buildings and long term care facilities are planned for near term development. The medical corridor is quickly developing into a regional medical destination.

### Retail / Entertainment

"The Harbor" public improvements, situated on the shores of Lake Ray Hubbard at I-30, were completed early in fiscal year 2008. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space. The largely undeveloped

hillside now includes a full-service Hilton Hotel and Conference Center. The City and Chamber of Commerce are working to attract events to the Conference Center formally open in spring 2008. The development has become a regional entertainment destination.

In conjunction with the private development, the City established a tax increment financing (TIF) zone in an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects.

### Recreation

The City completed construction on neighborhood parks in the Emerald Bay and Hickory Ridge subdivisions in 2008. Planning for the third major park included a C3 project by the City to determine customer's desires for the park and its amenities. The City Council reviewed concept plans for the remaining regional parks projects. Trail development has long been a priority for the City and construction of trail connections will continue in 2009 with voter approved bond proceeds.

The City's popular Concert on the Lake series continues to draw thousands of residents and visitors each week. Founder's Day on the Downtown Square draws visitors to shop merchant's wares, see artist's exhibits, learn about city departments and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend.

### Facilities

Design of Fire Stations 3 and 4, approved by voters in 2005, has been completed and construction is underway. The stations should be open in summer 2009.

The new Rockwall Animal Adoption Center opened its doors in 2008, the culmination of many years of planning and funding efforts. The new facility allows staff to care for animals until they are reunited with their family and provide opportunities for the public to find their new pet.

The Rockwall Police Department began training in their new Firearms Training Facility in 2008. A joint effort between the county and four area cities allows each entity to provide a training facility which should meet their department's needs for many years at a reasonable cost to the taxpayers. The joint project was the first capital improvement project financed by the Emergency Services Corporation, a local government corporation established by Rockwall County and its seven cities to promote regional cooperation on emergency services projects.

### Utilities

The water and sewer rates last increased in 2006 are being reviewed and staff will be recommending a rate increase in early 2009. The City purchases treated water as a founding member city of the North Texas Municipal Water District. The City completed construction on a new two-million gallon water tower in the northern area of the City and construction is ongoing Squabble Creek sewer system which will connect to the regional sewer interceptor system. A number of main extension projects are being undertaken to provide water and sewer service to annexed areas of the City.

The City's water system was recognized with the Texas Commission on Environmental Quality's "Superior" rating in 2008.

Cash Management: The City invests cash temporarily idle during the year in money market funds and short-term notes of the U.S. Government and its agencies. Other cash classified as being not immediately needed is invested in longer-term obligations of the U.S. Government and its agencies. All of these investments are classified as "hold-to-maturity" investments. The City believes that it will not be required to sell these investments prior to maturity, barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no reverse repos nor has any other form of borrowing been used to finance the City's portfolio.

The City's investment policy is to safeguard the City's assets and maintain liquidity while enhancing the yield of its portfolio and ensuring public trust. Securities owned by the City were held in a financial institution trust department acting as an agent of the City, in the City's name.

Risk Management: In fiscal year 1990, the City established a Self-Insurance and Risk Management Program. Under the terms of this program, the City is permitted by law and its home rule charter to insure itself against the various risks of liability and loss to which it is exposed. This may be done either through an insurance provider or through a defined self-insurance program. The City's program includes employee health insurance and workers' compensation. Other risks to which the City is exposed are covered by commercial insurance.

Retirement System: The City of Rockwall provides pension benefits to all full-time employees through a nontraditional, joint contributory defined benefit plan administered by the Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. Pension expense for the calendar year ended December 31, 2008 (including prior service costs amortized over 25 years) was \$1,561,437. The City is aware of changes in the actuarial methodology TMRS will be employing and is incorporating those changes into our operating budget as needed. The City of Rockwall does not provide post employment health and dental benefits for retirees.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-08(net of Debt Service)	\$93,145,159
Estimated Population	31,748
G.O. Debt Per Capita	\$2,934
Net G.O. Debt per Assessed Value	3.32%

The City received a bond ratings upgrade in September 2008 from Standard & Poor's Ratings Group and the current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	AA-	A-	A-
Moody's Investor Service Inc.	A1	A2	A3

## AWARDS AND ACKNOWLEDGEMENTS

### Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

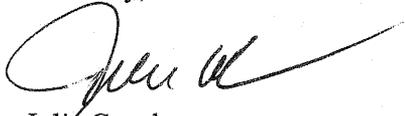
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last eighteen consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Julie Couch  
City Manager



Mary Smith, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2007

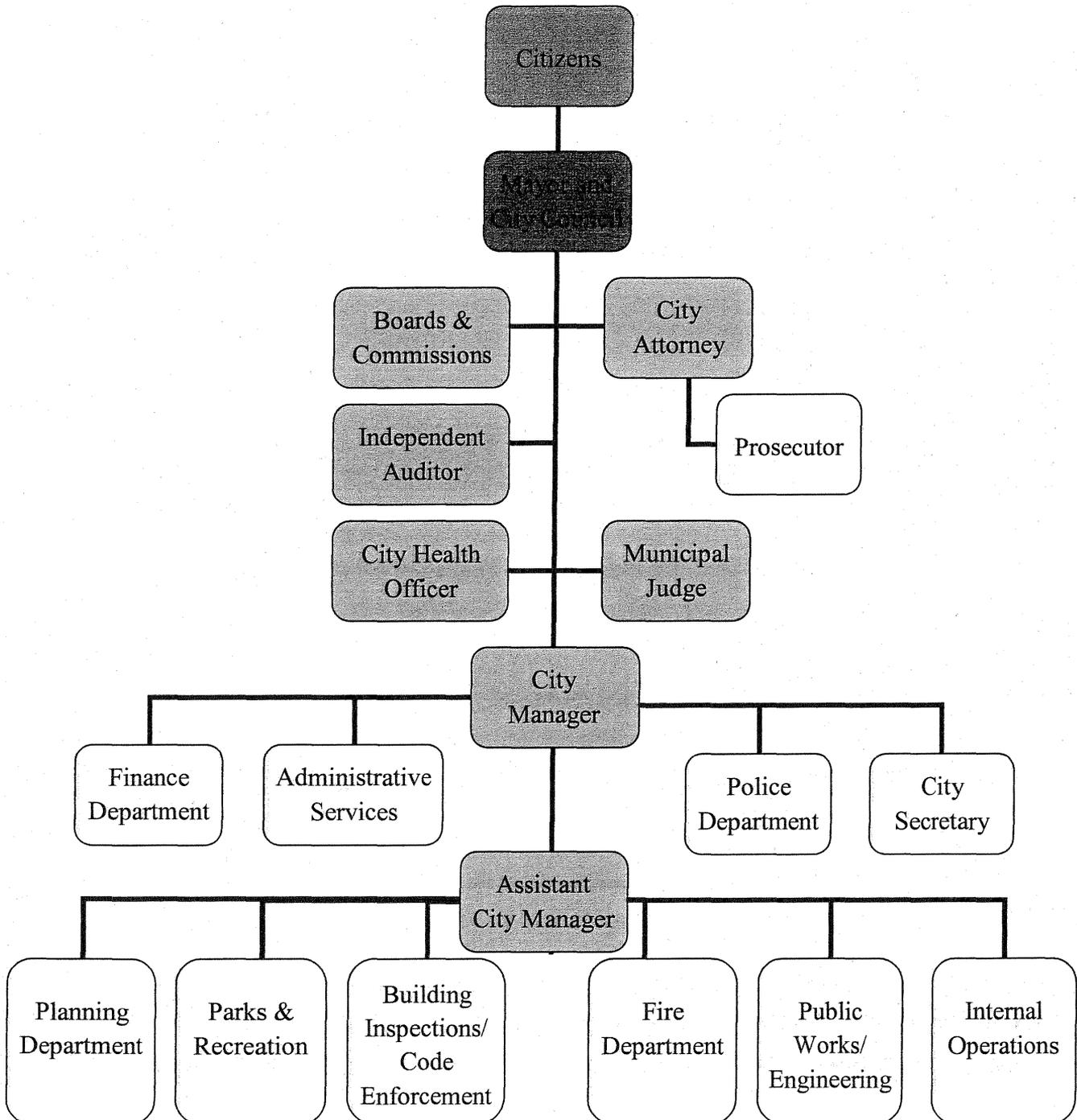
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# City of Rockwall Organization Chart



# CITY OF ROCKWALL, TEXAS

## PRINCIPAL OFFICIALS

September 30, 2008

### **City Council**

Bill Cecil, Mayor  
Cliff Sevier, Mayor Pro-Tempore  
Glen Farris, Councilmember  
Margo Nielsen, Councilmember  
Mark Russo, Councilmember  
Matt Scott, Councilmember  
David Sweet, Councilmember

### **City Staff**

Julie Couch, City Manager  
Rick Crowley, Assistant City Manager  
Mary Smith, Director of Finance  
Cheryl Dunlop, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Community Development  
Chuck Todd, City Engineer/Director of Public Works  
Jeffrey Widmer, Director of Building Inspections & Code Enforcement  
Brad Griggs, Director of Parks, Recreation and Rights-of-Way

*FINANCIAL SECTION*



## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 14–25 and the budgetary comparison information on page 67 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Fox, Byrd + Company, P.C.*

Dallas, Texas  
March 9, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total net assets were \$162,711,817 at September 30, 2008.
- During the year, the City's expenses were \$5,279,726 less than the \$41,575,154 generated in taxes and other revenues for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2008 by \$91,412,270 (net assets). Of this amount \$13,643,810 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of this fiscal year, unreserved fund balance for the general fund was \$8,264,368 or approximately 37.3 percent of the total general fund expenditures and transfers out.
- The City's total outstanding bonds and certificates of obligation (excluding enterprise and component unit debt) increased by \$17,934,538 during fiscal year 2008. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

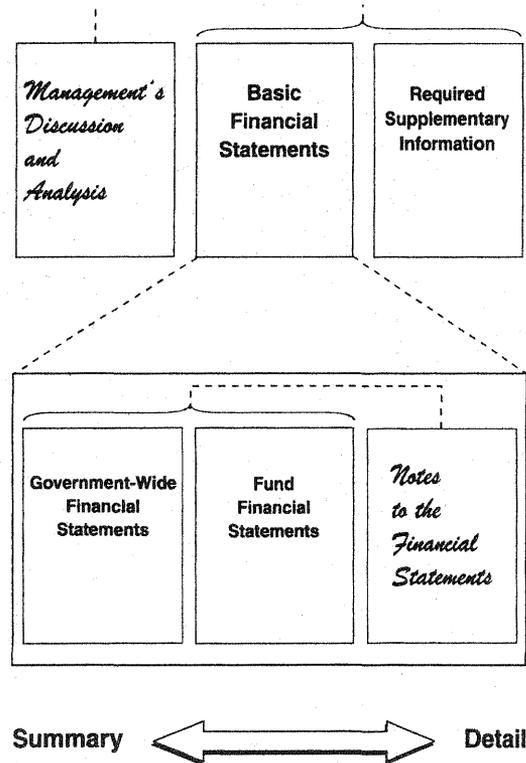
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of revenues, expenses &amp; changes in fund net assets</li> <li>◆ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of fiduciary net assets</li> <li>◆ Statement of changes in assets &amp; liabilities</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

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

The *statement of net assets* presents information on all of the city of Rockwall's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City's basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services finance most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City's 4A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit's Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements can be found on pages 26 - 28 of this report.

## **Reporting the City's Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 20 individual governmental funds. 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, debt service fund, G.O. bonds capital projects fund and the 205 Bypass fund, all of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in assets and liabilities. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2008, the City's net assets (assets exceeding liabilities) totaled \$162,711,817. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

The largest portion of the City's net assets (68.6% percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 36,360,385	\$ 41,092,200	\$ 24,777,143	\$ 21,972,598	\$ 61,137,528	\$ 63,064,798
Capital Assets	<u>159,028,553</u>	<u>126,605,277</u>	<u>75,677,237</u>	<u>66,519,736</u>	<u>234,705,790</u>	<u>193,125,013</u>
Total Assets	<u>195,388,938</u>	<u>167,697,477</u>	<u>100,454,380</u>	<u>88,492,334</u>	<u>295,843,318</u>	<u>256,189,811</u>
Long-term liabilities	96,442,149	77,966,001	27,620,000	18,678,087	124,062,149	96,644,088
Other liabilities	<u>7,534,519</u>	<u>3,598,932</u>	<u>1,534,833</u>	<u>1,836,723</u>	<u>9,069,352</u>	<u>5,435,655</u>
Total Liabilities	<u>103,976,668</u>	<u>81,564,933</u>	<u>29,154,833</u>	<u>20,514,810</u>	<u>133,131,501</u>	<u>102,079,743</u>
Net Assets						
Invested in capital assets, net of related debt	63,546,273	49,487,300	48,127,382	47,893,027	111,673,655	97,380,327
Restricted for debt service	1,009,161	1,213,241	2,242,596	1,894,720	3,251,757	3,107,961
Restricted for capital projects	13,213,026	22,045,706	15,645,640	12,726,158	28,858,666	34,771,864
Unrestricted	<u>13,643,810</u>	<u>13,386,297</u>	<u>5,283,929</u>	<u>5,463,619</u>	<u>18,927,739</u>	<u>18,849,916</u>
Total net assets	<u>\$ 91,412,270</u>	<u>\$ 86,132,544</u>	<u>\$ 71,299,547</u>	<u>\$ 67,977,524</u>	<u>\$ 162,711,817</u>	<u>\$ 154,110,068</u>

An additional portion of the City of Rockwall's net assets, \$32,110,423 or 19.7 percent represents resources that are subject to external restrictions on how they may be used. The net assets which are *Restricted for capital projects* are due to debt being issued as projects are designed and construction is beginning. The remaining unrestricted net assets, \$18,927,739, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net assets for the year ended September 30, 2008.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Program revenues:						
Charges for services	\$ 3,958,270	\$ 3,798,806	\$ 10,267,047	\$ 8,771,324	\$ 14,225,317	\$ 12,570,130
Operating grants & contributions	151,741	1,059,602	-	-	151,741	1,059,602
Capital grants & contributions	6,620,540	3,193,554	5,616,869	2,808,528	12,237,409	6,002,082
General Revenues:						
Property taxes	14,780,112	11,827,931	-	-	14,780,112	11,827,931
Sales taxes	10,123,636	8,901,929	-	-	10,123,636	8,901,929
Other	<u>4,625,450</u>	<u>4,477,541</u>	<u>960,254</u>	<u>1,600,342</u>	<u>5,585,704</u>	<u>6,077,883</u>
Total revenues	40,259,749	33,259,363	16,844,170	13,180,194	57,103,919	46,439,557
Program expenses:						
Mayor/Council	117,366	111,555	-	-	117,366	111,555
Administration	7,384,773	5,523,924	-	-	7,384,773	5,523,924
Finance	1,338,894	1,138,210	-	-	1,338,894	1,138,210
Municipal Court	312,601	298,383	-	-	312,601	298,383
Police	7,130,698	7,001,771	-	-	7,130,698	7,001,771
Fire	2,242,829	2,207,468	-	-	2,242,829	2,207,468
Public works	7,094,068	6,928,067	-	-	7,094,068	6,928,067
Community development	2,229,753	2,018,363	-	-	2,229,753	2,018,363
Parks and recreation	4,025,927	3,088,750	-	-	4,025,927	3,088,750
Interest on long-term debt	4,418,519	3,612,523	-	-	4,418,519	3,612,523
Water and sewer	-	-	<u>12,206,742</u>	<u>10,917,707</u>	<u>12,206,742</u>	<u>10,917,707</u>
Total expenses	36,295,428	31,929,014	12,206,742	10,917,707	48,502,170	42,846,721
Increase (decrease) in net assets						
before transfers	3,964,321	1,330,349	4,637,428	2,262,487	8,601,749	3,592,836
Transfers	<u>1,315,405</u>	<u>1,350,335</u>	<u>(1,315,405)</u>	<u>(1,350,335)</u>	-	-
Increase (decrease) in net assets	5,279,726	2,680,684	3,322,023	912,152	8,601,749	3,592,836
Net assets, October 1	<u>86,132,544</u>	<u>83,451,860</u>	<u>67,977,524</u>	<u>67,065,372</u>	<u>154,110,068</u>	<u>150,517,232</u>
Net assets, September 30	<u>\$ 91,412,270</u>	<u>\$ 86,132,544</u>	<u>\$ 71,299,547</u>	<u>\$ 67,977,524</u>	<u>\$ 162,711,817</u>	<u>\$ 154,110,068</u>

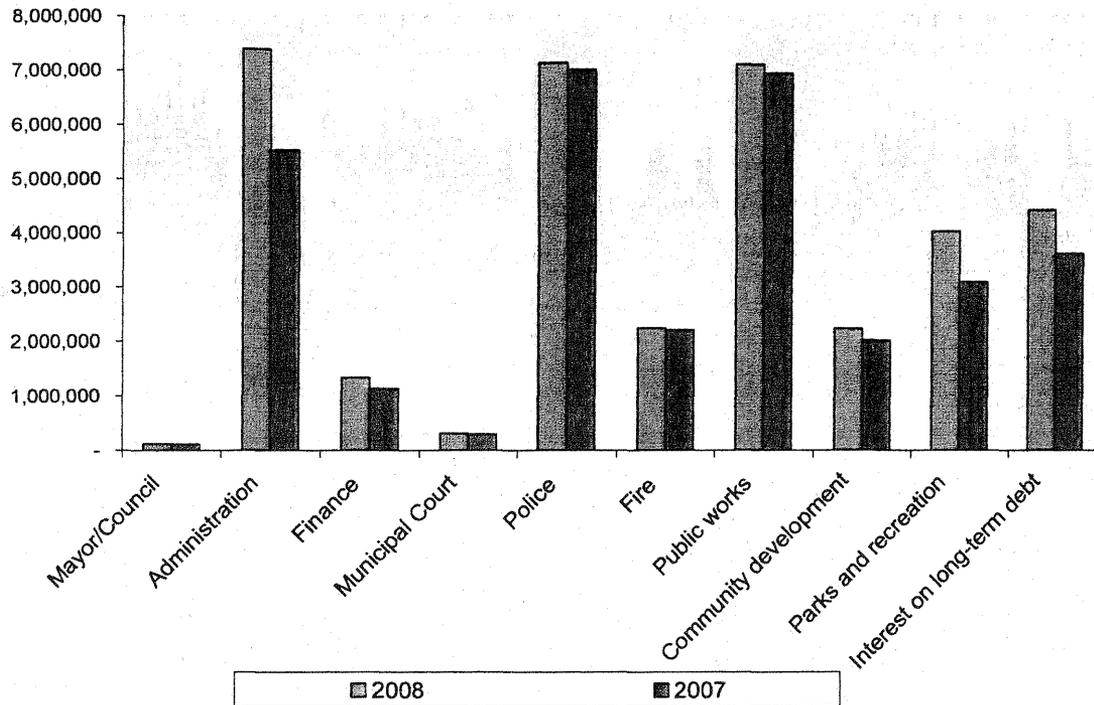
## Governmental Activities

The City's total revenues of governmental activities were \$40,259,749. A significant portion 36.7%, of the City's revenues came from property taxes. Another 25.2% of revenue came from sales taxes. Ad valorem property tax revenues continue to increase each year due to the addition of new properties and increased valuation throughout the City. Assessed values of the properties in the City increased by 226,571,281 or 8.8%. The City adopted a property tax rate of 48.65 cents per \$100 of assessed valuation for fiscal year 2008. This represented an increase of 6.15 cents. This marked only the third time in thirteen years that the tax rate was increased. The increase was attributable in large part to debt service requirements for voter approved projects. Sales tax revenue increased significantly over the prior year. The increase at 13.7% was reflective of the addition of several new retail opportunities.

The overall economy slowed significantly during 2008. The national decline in new housing starts was felt on the local level as well with residential building permits revenue down (included in other revenues) when compared to prior year's levels. The City experienced moderate levels of commercial building during the fiscal year which kept revenues in line with prior years. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas.

The Bella Harbor project, a lakefront multi-use planned development, completed construction of a new Hilton Hotel and Conference Center and Phase I of their retail district. It is expected to have a positive effect on sales taxes and property taxes in the area as well as tourism. A tax increment financing zone was established to provide for public improvements in the area.

## Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$36,295,428. Of these costs \$7,130,698 (19.6%) was for the Police Department. Administrative departments including Administration, Human Resources, and Internal Operations had combined costs of \$7,384,773 (20.3%). Public Works costs were \$7,094,068 (19.5%) and reflected the cost of ongoing street construction and rehabilitation projects.

## Business-Type Activities

The City's business-type activities recorded an increase of \$3,322,023 in net assets, due in large part to developer contributions in the form of dedicated transmission lines. Water sales were recovering in 2008, following a period of drought and mandatory conservation measures. The City having previously implemented conservation water rates in 2001 began enforcing mandatory water restrictions in a regional effort to curtail usage during the drought period. This resulted in lower water sales for the fiscal year 2007 and an extended period in fiscal year 2008. Sewer charges were not affected significantly because the City uses winter averaging to calculate sewer billing. Water and sewer charges were \$10,267,047. Ending working capital, excluding restricted assets, for the water and sewer fund was \$4,374,587. This increase in working capital is reflective of the increase in water sales over the prior year.

Water and sewer impact fees revenue totaled \$411,275 for the fiscal year. These impact fees are paid by developers and are designed to reduce the system's initial costs in building assets which are needed to accommodate population growth.

The City's water system has received the "Superior" rating by the Texas Commission on Environmental Quality.

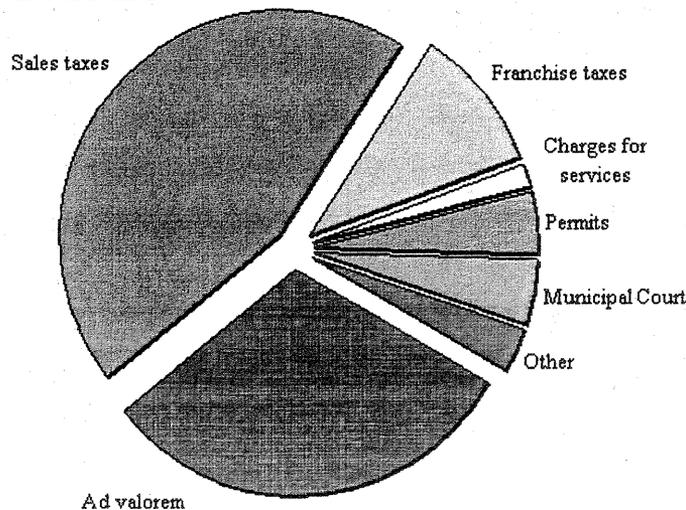
## Component Units

The Rockwall Economic Development Corporation (REDC) reported revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$3,637,755. Assets managed by the corporation include an inventory of over 310 acres of land, zoned for light industrial uses and available for sale. This includes the addition of approximately 90 acres during fiscal year 2008. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

## ANALYSIS OF INDIVIDUAL FUNDS

The City's *General Fund* reported an ending unreserved fund balance of \$8,264,368. The main source of general fund revenue is sales tax, it accounted for \$9,640,955 (44.9%) of total general fund revenue. Ad valorem property taxes account for \$6,604,295 (30.8%) of general fund revenues. The City maintains the unreserved fund balance at acceptable levels as defined within the City's financial policies. This "reserve" balance, representing more than four months of recurring operating expenditures allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows.

### Revenues by Source – General Fund



The City's *Debt Service Fund* reported a planned decrease in fund balance of \$248,117. Property tax collections for debt service requirements were \$8,103,847. This represents an increase of 32.8% in order to pay debt service payments on bonds issued to construct several voter approved road and parks projects underway in 2008.

The City began several road projects in fiscal year 2007 which were funded through debt issuance. The City reports these projects in its *GO Bonds Capital Projects Fund*. The City issues General Obligation bonds for voter approved projects. In addition to roadway rehabilitation and extension projects, completion of neighborhood parks projects and construction of two fire stations was funded. Capital Outlay totaling \$7,785,261 is reported for 2008 on these multi-year projects. Most projects are expected to be completed in 2009.

The City also issued General Obligation bonds in 2006 and 2007 to begin the phased design and construction of the new *205 Bypass Project*, now formally named John King Boulevard. Voters approved construction of the roadway in a 2005 Bond Election Proposition. The project included the multi-phase design, right of way acquisition and construction of a new 7 mile roadway on the eastern edge of the City designed to alleviate traffic burdens on State Highway 205 through the center of the City. The project was completed by December 31, 2008.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2008, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the budgeted expenditures of \$19,903,300 increased to \$20,153,340 while revenues increased from \$20,468,100 to \$20,941,150. The City of Rockwall had originally estimated the ending general fund balance to be \$8,346,396 however due to the budget adjustments mentioned above, the fund balance was re-estimated to be \$7,705,856.

General fund revenues were \$21,425,343, an increase of \$484,193 over the final budget. Actual general fund total expenditures were in line with the revised budget. The actual fund balance of \$8,266,814 was higher due to management's conservative projections of both revenues and expenditures.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### Capital Assets

At the end of the fiscal year 2008 the City had \$234,705,790 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3  
Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 5,692,561	\$ 4,713,559	\$ 799,533	\$ 799,533	\$ 6,492,094	\$ 5,513,092
Buildings	8,055,502	8,400,432	100,537	105,971	8,156,039	8,506,403
Improvements other than buildings	21,826,441	19,718,273	56,659,071	50,688,864	78,485,512	70,407,137
Machinery & Equipment	1,970,893	2,313,256	610,804	479,970	2,581,697	2,793,226
Vehicles	2,365,002	2,585,058	-	-	2,365,002	2,585,058
Furniture & Fixtures	698,274	779,273	2,941	4,031	701,215	783,304
Infrastructure	73,584,182	63,913,203	-	-	73,584,182	63,913,203
Construction in Progress	44,835,698	24,182,223	9,153,065	5,923,977	53,988,763	30,106,200
Wastewater treatment facilities	-	-	8,351,286	8,517,390	8,351,286	8,517,390
	<u>\$ 159,028,553</u>	<u>\$ 126,605,277</u>	<u>\$ 75,677,237</u>	<u>\$ 66,519,736</u>	<u>\$ 234,705,790</u>	<u>\$ 193,125,013</u>

The City's capital improvement program includes a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects were under construction in 2008. A number of drainage projects are anticipated during the five-year planned capital improvement period. The City completed construction on the new Animal Adoption Center in Spring 2008.

The City held a bond election in November 2005 which funded road, park and fire projects in excess of \$64,000,000. In addition to the 205 Bypass project, the City was authorized to move forward with several neighborhood parks projects and the acquisition of land for two large regional parks. Progress has been made and includes the purchase of land for a large park in the northern area of the City, and completed construction on all of the neighborhood parks. The addition of two new fire stations was approved by the voters. Construction is underway and should be completed in Summer 2009.

Construction in progress at September 30, 2008 for governmental activities included the ongoing construction costs associated with the 205 Bypass project, the Fannin Street reconstruction project and various other improvements.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of waterline improvements and the extension of sanitary sewers into new areas of the city. A new two-million gallon water tower nearing completion in the northern area of the City was included in construction in progress at year end.

Additional information pertaining to the City of Rockwall's capital assets can be found in note 3-C on pages 49 - 52.

## Debt

At year end, the City had \$121,405,090 in bonds and capitalized leases shown in Table 4.

**Table 4**  
**City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 74,925,362	\$ 55,720,824	\$ 154,638	\$ 184,176	\$ 75,080,000	\$ 55,905,000
Certificates of obligation	18,810,000	20,045,000	9,935,000	-	28,745,000	20,045,000
Contractual obligations	245,000	280,000	-	-	245,000	280,000
Revenue bonds	-	-	12,530,000	13,360,000	12,530,000	13,360,000
Capital Lease obligations	-	-	4,805,090	5,040,094	4,805,090	5,040,094
	<u>\$ 93,980,362</u>	<u>\$ 76,045,824</u>	<u>\$ 27,424,728</u>	<u>\$ 18,584,270</u>	<u>\$ 121,405,090</u>	<u>\$ 94,630,094</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 3.32% or \$2,934 per capita.

The City's bond ratings at September 30, 2008 were as follows:

	General Obligation	Revenue	Sales Tax(REDC)
Standard & Poor's Rating Group	AA-	A-	A-
Moody's Investor Service Inc.	A1	A2	A3

Additional information on the City of Rockwall's long-term debt can be found in note 3-E, on pages 54-61 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rate, and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the growth in our community and the economic climate. Rockwall has seen the construction of a number of new commercial/retail business developments which are expected to positively impact sales tax revenues. Slowing development caused the City to be very conservative in projecting revenues from sales taxes and building permits. While commercial building starts were strong in 2008, they are projected to be significantly more moderate in 2009. Interviews with local builders led the City to project continued slow home starts for the coming year.

The City of Rockwall's citizens enjoy above-average income levels per household. This in combination with the City's proximity to major highways, and the Dallas-Ft. Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and a "hometown" atmosphere in Rockwall. The Rockwall Economic Development Corporation works diligently to attract businesses with relocation incentives as well as providing business retention incentives such as workforce training opportunities.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2009. The budgeted revenues for fiscal year 2009 total \$21,905,000 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. Due to the debt service requirements of voter approved debt, issued in years 2006 - 2008 and to be issued shortly after the new fiscal year begins, the property tax rate was increased to 50.31 cents per hundred dollars of assessed value. Due to the slowing economy but in recognition of the new Costco Wholesale Store opening in spring 2009, city officials have projected a 5% increase in that revenue over the prior fiscal year.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. In addition, the policies set minimum, recommended and maximum fund balance levels for the City's fund types. The general fund minimum fund balance is set at 3 months recurring operating expenditures. The recommended fund balance is 5 months of recurring operating expenditures and the maximum fund balance is 7 months of recurring operating expenditures. The budget as adopted for fiscal year 2009 projects a fund balance of approximately 4.25 months of recurring operating expenditures.

A number of initiatives including a review of our code of ordinances and a land development study for Planned Development 32 are authorized for fiscal year 2009. The City budget includes funds for several small business owners to attend an exciting program on building destination businesses and the establishment of the Main Street program. The City is studying annexation of an area which is currently underserved in a number of ways. Planning efforts will focus on appropriate zoning for the area, bringing the water and wastewater system in the area up to city standards and assisting with property rehabilitations. Following the Customer Centered Culture methodology, the City expects to continue to integrate the program across all city departments and new projects. In addition, the City will again offer Citizen Fire and Police Academies to provide citizens the opportunity to learn more about these city departments and become active with the City.

The water and sewer rates adopted in fiscal year 2006 are being reviewed by our rate consultant with his report to be issued in fiscal year 2009. A number of capital projects to expand the system are being planned for fiscal year 2009.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

***BASIC FINANCIAL STATEMENTS***

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,479,343	\$ 101,648	\$ 2,580,991	\$ 18,956	\$ 17,592
Investments	28,363,914	4,238,889	32,602,803	2,938,557	39,938
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	377,460	-	377,460	-	-
Franchise taxes	1,206,284	-	1,206,284	-	-
Interest	236,381	30,715	267,096	1,365	-
Accounts	452,633	1,439,614	1,892,247	-	2,133
Assessments	149,063	-	149,063	-	-
Intergovernmental	1,670,324	-	1,670,324	556,709	-
Due from agency fund	22,000	-	22,000	-	-
Inventory	2,446	281,723	284,169	12,416,708	-
Restricted assets:					
Cash and cash equivalents	-	1,361,597	1,361,597	-	-
Investments	-	16,621,959	16,621,959	769,265	-
Accrued interest	-	141,116	141,116	-	-
Deferred charges	1,400,537	559,882	1,960,419	199,142	-
Capital assets not being depreciated	50,528,259	9,952,598	60,480,857	-	-
Capital assets being depreciated, net	108,500,294	65,724,639	174,224,933	20,070	-
Total assets	<u>195,388,938</u>	<u>100,454,380</u>	<u>295,843,318</u>	<u>16,920,772</u>	<u>59,663</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	6,664,613	1,000,607	7,665,220	46,983	9,332
Accrued interest payable	715,635	236,436	952,071	82,150	-
Unearned revenue	40,842	-	40,842	-	-
Due to other governments	113,429	-	113,429	-	-
Customer deposits	-	297,790	297,790	-	-
Noncurrent liabilities:					
Due within one year	4,445,287	1,480,139	5,925,426	879,798	-
Due in more than one year	91,996,862	26,139,861	118,136,723	14,857,129	-
Total liabilities	<u>103,976,668</u>	<u>29,154,833</u>	<u>133,131,501</u>	<u>15,866,060</u>	<u>9,332</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	63,546,273	48,127,382	111,673,655	20,070	-
Restricted for:					
Debt service	1,009,161	2,242,596	3,251,757	607,642	-
Capital projects	13,213,026	15,645,640	28,858,666	79,473	-
Unrestricted	13,643,810	5,283,929	18,927,739	347,527	50,331
Total net assets	<u>\$ 91,412,270</u>	<u>\$ 71,299,547</u>	<u>\$ 162,711,817</u>	<u>\$ 1,054,712</u>	<u>\$ 50,331</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
Mayor/council	\$ 117,366	\$ -	\$ -	\$ -
Administration	7,384,773	438,747	40,775	-
Finance	1,338,894	875	100	-
Municipal court	312,601	974,973	-	-
Police	7,130,698	658,015	19,312	-
Fire	2,242,829	133,435	27,073	-
Public works	7,094,068	307,226	-	6,620,540
Community development	2,229,753	1,072,444	-	-
Parks and recreation	4,025,927	372,555	64,481	-
Interest on long-term debt	4,418,519	-	-	-
Total governmental activities	<u>36,295,428</u>	<u>3,958,270</u>	<u>151,741</u>	<u>6,620,540</u>
Business-type activities:				
Water and sewer	<u>12,206,742</u>	<u>10,267,047</u>	-	<u>5,616,869</u>
Total business-type activities	<u>12,206,742</u>	<u>10,267,047</u>	-	<u>5,616,869</u>
Total primary government	<u>\$ 48,502,170</u>	<u>\$ 14,225,317</u>	<u>\$ 151,741</u>	<u>\$ 12,237,409</u>
<b>COMPONENT UNITS:</b>				
Rockwall Economic Development Corporation				
	\$ 2,631,144	\$ -	\$ -	\$ -
Rockwall Technology Park				
	<u>116,207</u>	<u>117,786</u>	-	-
Total component units	<u>\$ 2,747,351</u>	<u>\$ 117,786</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Ad valorem taxes, penalty and interest

Sales taxes

Franchise taxes

Unrestricted investment earnings

Miscellaneous

Transfers

    Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
\$ (117,366)		\$ (117,366)		
(6,905,251)		(6,905,251)		
(1,337,919)		(1,337,919)		
662,372		662,372		
(6,453,371)		(6,453,371)		
(2,082,321)		(2,082,321)		
(166,302)		(166,302)		
(1,157,309)		(1,157,309)		
(3,588,891)		(3,588,891)		
(4,418,519)		(4,418,519)		
<u>(25,564,877)</u>		<u>(25,564,877)</u>		
	\$ 3,677,174	3,677,174		
	<u>3,677,174</u>	<u>3,677,174</u>		
<u>(25,564,877)</u>	<u>3,677,174</u>	<u>(21,887,703)</u>		
			\$ (2,631,144)	\$ -
			<u>-</u>	<u>1,579</u>
			<u>(2,631,144)</u>	<u>1,579</u>
14,780,112	-	14,780,112	-	-
10,123,636	-	10,123,636	3,250,735	-
2,421,094	-	2,421,094	-	-
1,742,348	817,599	2,559,947	148,519	1,453
462,008	142,655	604,663	238,501	-
1,315,405	(1,315,405)	-	-	-
<u>30,844,603</u>	<u>(355,151)</u>	<u>30,489,452</u>	<u>3,637,755</u>	<u>1,453</u>
5,279,726	3,322,023	8,601,749	1,006,611	3,032
86,132,544	67,977,524	154,110,068	48,101	47,299
<u>\$ 91,412,270</u>	<u>\$ 71,299,547</u>	<u>\$ 162,711,817</u>	<u>\$ 1,054,712</u>	<u>\$ 50,331</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

	General	Debt Service	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 518,023	\$ 33,716	\$ 945,758	\$ 729,136	\$ 223,156	\$ 2,449,789
Investments	7,140,034	599,269	4,405,425	11,714,797	3,293,339	27,152,864
Receivables (net of allowances for uncollectibles):						
Ad valorem taxes	191,666	185,794	-	-	-	377,460
Interest	20,320	109	5,837	203,515	6,247	236,028
Accounts	61,339	145,239	118,412	-	67,188	392,178
Assessments	-	-	-	-	149,063	149,063
Intergovernmental	1,625,290	45,034	-	-	-	1,670,324
Due from other funds	189,000	-	-	-	-	189,000
Inventory	2,446	-	-	-	-	2,446
<b>Total assets</b>	<b>\$ 9,748,118</b>	<b>\$ 1,009,161</b>	<b>\$ 5,475,432</b>	<b>\$ 12,647,448</b>	<b>\$ 3,738,993</b>	<b>\$ 32,619,152</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,187,685	\$ -	\$ 1,036,993	\$ 4,039,369	\$ 70,305	\$ 6,334,352
Deferred revenue	180,190	173,958	118,412	-	189,905	662,465
Due to other governments	113,429	-	-	-	-	113,429
Due to other funds	-	-	-	-	167,000	167,000
<b>Total liabilities</b>	<b>1,481,304</b>	<b>173,958</b>	<b>1,155,405</b>	<b>4,039,369</b>	<b>427,210</b>	<b>7,277,246</b>
<b>Fund balances:</b>						
Reserved for:						
Inventory	2,446	-	-	-	-	2,446
Debt service	-	835,203	-	-	-	835,203
Unreserved, reported in:						
General fund	8,264,368	-	-	-	-	8,264,368
Special revenue funds	-	-	-	-	3,145,275	3,145,275
Capital projects funds	-	-	4,320,027	8,608,079	166,508	13,094,614
<b>Total fund balances</b>	<b>8,266,814</b>	<b>835,203</b>	<b>4,320,027</b>	<b>8,608,079</b>	<b>3,311,783</b>	<b>25,341,906</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,748,118</b>	<b>\$ 1,009,161</b>	<b>\$ 5,475,432</b>	<b>\$ 12,647,448</b>	<b>\$ 3,738,993</b>	<b>\$ 32,619,152</b>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2008

Total fund balances - governmental funds	\$ 25,341,906
Amounts reported for governmental activities in the statement of net assets are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	948,952
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	354,148
Assessments receivable	149,063
Contributions receivable	118,412
The following assets are not available to pay for current period expenditures and are not accrued in the funds:	
Franchise taxes receivable	1,206,284
Court fines receivable	22,199
The following assets are not current financial resources and are not reported in the funds:	
Capital assets used in governmental activities (net of accumulated depreciation of \$49,877,208)	159,028,553
Costs of bonds issued to finance governmental activities (net of accumulated amortization of \$266,678)	1,400,537
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(959,869)
Bonds payable	(95,482,280)
Accrued interest payable	<u>(715,635)</u>
Net assets of governmental activities	<u>\$ 91,412,270</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General	Debt Service	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Ad valorem taxes, penalty and interest	\$ 6,604,295	\$ 8,103,847	\$ -	\$ -	\$ -	\$ 14,708,142
Sales taxes	9,640,955	250,151	-	-	232,531	10,123,637
Franchise taxes	2,179,847	-	-	-	-	2,179,847
Charges for services	362,107	-	-	-	-	362,107
Permits	976,701	-	-	-	145,804	1,122,505
Municipal court	988,190	-	-	-	189,220	1,177,410
Intergovernmental	283,724	-	-	-	135,976	419,700
Interest income	168,489	84,075	327,151	1,015,884	107,271	1,702,870
Miscellaneous	221,035	-	10,005	-	606,667	837,707
Contributions and donations	-	-	16,141	667,660	91,894	775,695
<b>Total revenues</b>	<u>21,425,343</u>	<u>8,438,073</u>	<u>353,297</u>	<u>1,683,544</u>	<u>1,509,363</u>	<u>33,409,620</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Mayor/council	117,366	-	-	-	-	117,366
Administration	3,056,885	-	-	-	-	3,056,885
Finance	953,282	-	-	-	246,135	1,199,417
Municipal court	311,706	-	-	-	-	311,706
Police	6,611,692	90,182	-	-	221,805	6,923,679
Fire	1,447,231	-	-	-	4,739	1,451,970
Public works	2,638,085	-	-	-	186,182	2,824,267
Community development	2,219,167	-	-	-	-	2,219,167
Parks and recreation	2,674,833	-	-	-	232,396	2,907,229
<b>Total current</b>	<u>20,030,247</u>	<u>90,182</u>	<u>-</u>	<u>-</u>	<u>891,257</u>	<u>21,011,686</u>
<b>Capital outlay:</b>						
Administration	852	-	1,275,157	-	1,097,360	2,373,369
Finance	-	-	-	-	137,035	137,035
Police	4,845	-	-	-	70,054	74,899
Fire	1,795	-	318,509	-	407,491	727,795
Public works	8,429	-	4,539,237	24,383,957	120,016	29,051,639
Parks and recreation	5,926	-	1,652,358	-	83,720	1,742,004
<b>Total capital outlay</b>	<u>21,847</u>	<u>-</u>	<u>7,785,261</u>	<u>24,383,957</u>	<u>1,915,676</u>	<u>34,106,741</u>
<b>Debt service:</b>						
Principal	-	4,335,462	-	-	-	4,335,462
Interest	-	4,254,162	-	-	-	4,254,162
Bond issuance costs	-	-	143,266	317,664	7,907	468,837
Fiscal charges	-	6,384	-	-	-	6,384
<b>Total debt service</b>	<u>-</u>	<u>8,596,008</u>	<u>143,266</u>	<u>317,664</u>	<u>7,907</u>	<u>9,064,845</u>
<b>Total expenditures</b>	<u>20,052,094</u>	<u>8,686,190</u>	<u>7,928,527</u>	<u>24,701,621</u>	<u>2,814,840</u>	<u>64,183,272</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,373,249</u>	<u>(248,117)</u>	<u>(7,575,230)</u>	<u>(23,018,077)</u>	<u>(1,305,477)</u>	<u>(30,773,652)</u>
<b>Other financing sources (uses):</b>						
Transfers in	633,100	-	81,300	-	1,261,036	1,975,436
Transfers out	(2,076,231)	-	(437,500)	-	(201,300)	(2,715,031)
Bonds issued	-	-	6,765,000	15,000,000	505,000	22,270,000
Premium on bonds issued	-	-	151,037	334,893	4,171	490,101
<b>Total other financing sources (uses)</b>	<u>(1,443,131)</u>	<u>-</u>	<u>6,559,837</u>	<u>15,334,893</u>	<u>1,568,907</u>	<u>22,020,506</u>
<b>Net change in fund balances</b>	<u>(69,882)</u>	<u>(248,117)</u>	<u>(1,015,393)</u>	<u>(7,683,184)</u>	<u>263,430</u>	<u>(8,753,146)</u>
Fund balances, October 1	<u>8,336,696</u>	<u>1,083,320</u>	<u>5,335,420</u>	<u>16,291,263</u>	<u>3,048,353</u>	<u>34,095,052</u>
Fund balances, September 30	<u>\$ 8,266,814</u>	<u>\$ 835,203</u>	<u>\$ 4,320,027</u>	<u>\$ 8,608,079</u>	<u>\$ 3,311,783</u>	<u>\$ 25,341,906</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - governmental funds	\$ (8,753,146)
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets.	(393,620)
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	71,970
Assessments receivable	(19,139)
Contributions receivable	(49,588)
Franchise taxes receivable	241,247
Court fines receivable	(15,654)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$33,408,446) exceeded depreciation (\$6,314,742) and retirements (\$656,754) in the current period.	26,436,950
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	5,986,326
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount by which debt issuance costs (\$468,837) exceeded amortization (\$76,741) in the current period.	392,096
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	(141,568)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$22,760,101) exceeded repayments (\$4,335,462) and bond premium amortization (\$60,336) in the current period.	(18,364,303)
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	<u>(111,845)</u>
Change in net assets of governmental activities	<u>\$ 5,279,726</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2008

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and Sewer</u>	<u>Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 101,648	\$ 29,554
Investments	4,238,889	1,211,050
Receivables (net of allowances for uncollectibles):		
Interest	30,715	353
Accounts	1,439,614	38,256
Inventory	281,723	-
Restricted assets:		
Cash and cash equivalents	1,361,597	-
Investments	16,621,959	-
Accrued interest	141,116	-
Total current assets	<u>24,217,261</u>	<u>1,279,213</u>
Noncurrent assets:		
Deferred charges	559,882	-
Capital assets not being depreciated	9,952,598	-
Capital assets being depreciated, net	65,724,639	-
Total noncurrent assets	<u>76,237,119</u>	<u>-</u>
Total Assets	<u>100,454,380</u>	<u>1,279,213</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	1,000,607	330,261
Customer deposits	297,790	-
Liability for compensated absences	70,145	-
General obligation bonds payable - current	349,460	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	860,000	-
Obligations under capital leases - current	248,337	-
Accrued interest payable	236,436	-
Total current liabilities	<u>3,062,775</u>	<u>330,261</u>
Noncurrent liabilities:		
General obligation bonds payable	9,821,037	-
Revenue bonds payable	11,656,330	-
Obligations under capital leases	4,614,691	-
Total noncurrent liabilities	<u>26,092,058</u>	<u>-</u>
Total Liabilities	<u>29,154,833</u>	<u>330,261</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	48,127,382	-
Restricted for debt service	2,242,596	-
Restricted for construction	15,645,640	-
Unrestricted	5,283,929	948,952
Total Net Assets	<u>\$ 71,299,547</u>	<u>\$ 948,952</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 10,267,047	\$ 397,876
Total operating revenues	<u>10,267,047</u>	<u>397,876</u>
<b>OPERATING EXPENSES:</b>		
Personnel services	1,691,363	-
Contractual services	6,536,258	3,083,587
Materials and supplies	468,001	-
Operations	168,596	-
Utilities	444,385	-
Depreciation and amortization	1,664,217	-
Total operating expenses	<u>10,972,820</u>	<u>3,083,587</u>
Operating loss	<u>(705,773)</u>	<u>(2,685,711)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Capital recovery fees	411,275	-
Interest income	817,599	39,477
Miscellaneous income	142,655	197,614
Paying agent fees	(16,422)	-
Interest expense	(1,217,500)	-
Total non-operating revenues (expenses)	<u>137,607</u>	<u>237,091</u>
Loss before transfers and capital contributions	<u>(568,166)</u>	<u>(2,448,620)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
Capital contributions	5,205,594	-
Transfers in	-	2,055,000
Transfers out	(1,315,405)	-
Total transfers and capital contributions	<u>3,890,189</u>	<u>2,055,000</u>
Increase (decrease) in net assets	3,322,023	(393,620)
Net assets, October 1	<u>67,977,524</u>	<u>1,342,572</u>
Net assets, September 30	<u>\$ 71,299,547</u>	<u>\$ 948,952</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and Sewer</u>	<u>Service Funds</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 10,779,441	\$ 557,985
Cash paid to employees for services	(1,646,089)	-
Cash paid to suppliers for goods and services	(8,021,752)	(3,008,700)
Net cash provided (used) by operating activities	<u>1,111,600</u>	<u>(2,450,715)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash paid to other funds	(1,315,405)	-
Cash received from other funds	-	2,055,000
Net cash provided (used) by non-capital financing activities	<u>(1,315,405)</u>	<u>2,055,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or construction of capital assets	(5,583,693)	-
Capital recovery fees received	411,275	-
Proceeds from capital debt	10,243,236	-
Principal paid on capital debt	(1,469,542)	-
Interest and fees paid on capital debt	(1,171,932)	-
Net cash provided by capital and related financing activities	<u>2,429,344</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(43,908,218)	(1,945,000)
Proceeds from sales and maturities of investments	39,892,557	2,222,000
Interest and dividends received	634,998	31,798
Net cash provided (used) by investing activities	<u>(3,380,663)</u>	<u>308,798</u>
Net decrease in cash and cash equivalents	(1,155,124)	(86,917)
Cash and cash equivalents at beginning of year	2,618,369	116,471
Cash and cash equivalents at end of year	<u>\$ 1,463,245</u>	<u>\$ 29,554</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (705,773)	\$ (2,685,711)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	1,664,217	-
Miscellaneous income	142,655	197,614
Decrease (increase) in assets:		
Receivables	416,528	(37,505)
Inventories	(60,914)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(317,091)	74,887
Customer deposits	(46,789)	-
Compensated absences	18,767	-
Net cash provided (used) by operating activities	<u>\$ 1,111,600</u>	<u>\$ (2,450,715)</u>
<b>Non-cash investing and financing activities:</b>		
Capital contributions	<u>\$ 5,205,594</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2008

	Agency Fund
	Special Escrow
	Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 199
Investments	1,717,589
Accrued interest receivable	25,183
Total assets	\$ 1,742,971
 <b>LIABILITIES</b>	
Due to developers	\$ 1,720,971
Due to other funds	22,000
Total liabilities	\$ 1,742,971

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a five-member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2008, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. RTPA does not have the authority to determine its budget, set rates or charges, or issue bonded debt without the approval of the City. Accordingly, RTPA is fiscally dependent on the City, and the City is financially accountable for RTPA.

The funds of both REDC and RTPA are composed of governmental fund types. Stand alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2008, are not prepared.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The *205 Bypass Project Fund* accounts for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Assets, liabilities, and net assets or equity*

Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items "a" through "d" above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1st by the City based on the January 1st property values as assessed by the Rockwall Central Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 1.25 days per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Long-term obligations

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

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

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During the year ended September 30, 2008, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

A. Budgetary information – continued

6. The City did not adopt budgets for the Emergency Siren Fund, the Downtown Improvement Fund, and the Art in Public Places Fund, all of which are special revenue funds.
7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$6,630 in the Police Investigation Fund because of costs incurred in establishing the department's tactical unit.

Expenditures exceeded appropriations by \$16,594 in the Recycling Fund due to heavier than expected volumes of materials collected at the City's Environmental Action Day event.

Expenditures exceeded appropriations by \$1,241,693 in the Rockwall Economic Development Corporation as a result of the acquisition of land and the sale of an industrial building which was held in inventory and secured a loan which was repaid with the sale.

C. Deficit fund equity

The Equipment Acquisition Fund had a deficit fund balance in the amount of \$144,585 at September 30, 2008, as a result of equipment purchases made in advance of a related debt issue. The City adopted a reimbursing resolution which allows these funds to be repaid with the proceeds of a future debt issue.

The Employee Benefits Fund had a deficit net asset balance in the amount of \$275,810 at September 30, 2008, because of unanticipated health care claims late in the fiscal year in excess of budgeted amounts. This deficit will be covered by future transfers from the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2008, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$1,280,419, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2008, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments

At September 30, 2008, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-18
<b>Primary Government</b>					
U.S. government agencies:					
Federal Home Loan Bank	\$ 24,208,981	\$ 10,012,500	\$ 2,988,486	\$ 3,700,000	\$ 7,507,995
Federal Farm Credit Bank	2,518,750	-	2,518,750	-	-
	<u>26,727,731</u>	<u>10,012,500</u>	<u>5,507,236</u>	<u>3,700,000</u>	<u>7,507,995</u>
Money market funds	<u>24,214,620</u>	<u>24,214,620</u>	-	-	-
Total primary government	<u>50,942,351</u>	<u>34,227,120</u>	<u>5,507,236</u>	<u>3,700,000</u>	<u>7,507,995</u>
<b>Discretely Presented Component Units</b>					
Rockwall Economic Development Corporation:					
Certificates of deposit	300,000	-	100,000	-	200,000
Money market funds	3,407,822	3,407,822	-	-	-
Rockwall Technology Park:					
Money market funds	<u>39,938</u>	<u>39,938</u>	-	-	-
Total discretely presented component units	<u>3,747,760</u>	<u>3,447,760</u>	<u>100,000</u>	<u>-</u>	<u>200,000</u>
Total reporting entity	<u>\$ 54,690,111</u>	<u>\$ 37,674,880</u>	<u>\$ 5,607,236</u>	<u>\$ 3,700,000</u>	<u>\$ 7,707,995</u>

Investments are reported in the statement of net assets as follows:

Governmental activities	\$ 27,152,864
Business-type activities	22,071,898
Discretely presented component units:	
Rockwall Economic Development Corporation	3,707,822
Rockwall Technology Park	39,938
Fiduciary funds	1,717,589
	<u>\$ 54,690,111</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments – continued

The City's investments in U.S. Treasury bills and notes are backed by the full faith and credit of the U.S. government. The City's investments in U.S. government agencies are rated AAA by Standard & Poor's or Aaa by Moody's Investors Service. The City's investments in certificates of deposit and money market funds are not rated. See Note 1 (pages 40-42) for a summary of the City's investment policy relating to credit risk.

Custodial credit risk for investments is the risk that the City will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2008, the City's investments were entirely insured or registered in the City's name; as a result, the City's investments were not exposed to custodial credit risk.

B. Receivables

In the Water and Sewer Fund, accounts receivable and revenues are reported net of uncollectible amounts. For the year ended September 30, 2008, the uncollectible amounts related to accounts receivable totaled \$427,799, and the uncollectible amounts related to revenues of the current period totaled \$75,651.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General Fund	\$ 180,190	\$ -
Debt Service Fund	173,958	-
Assessments receivable not yet due:		
Street Improvements	149,063	-
Contributions not yet received:		
G.O. Bonds Capital Projects	118,412	-
Seizures not awarded:		
Special Crimes Unit	<u>-</u>	<u>40,842</u>
Total deferred revenue for governmental funds	<u>\$ 621,623</u>	<u>\$ 40,842</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 4,713,559	\$ 235,526	\$ -	\$ 743,476	\$ 5,692,561
Construction in progress	24,182,223	32,456,726	(644,392)	(11,158,859)	44,835,698
Total capital assets not being depreciated	<u>28,895,782</u>	<u>32,692,252</u>	<u>(644,392)</u>	<u>(10,415,383)</u>	<u>50,528,259</u>
Capital assets being depreciated:					
Buildings	10,551,596	3,356	-	-	10,554,952
Improvements other than buildings	20,746,458	81,769	-	3,246,247	24,074,474
Machinery and equipment	4,027,716	115,640	(37,774)	-	4,105,582
Vehicles	5,089,412	371,685	(279,383)	-	5,181,714
Furniture and fixtures	2,114,894	143,744	(130,060)	-	2,128,578
Infrastructure	99,176,740	5,986,326	-	7,169,136	112,332,202
Total capital assets being depreciated	<u>141,706,816</u>	<u>6,702,520</u>	<u>(447,217)</u>	<u>10,415,383</u>	<u>158,377,502</u>
Less accumulated depreciation for:					
Buildings	(2,151,164)	(348,286)	-	-	(2,499,450)
Improvements other than buildings	(1,028,185)	(1,219,848)	-	-	(2,248,033)
Machinery and equipment	(1,714,460)	(458,003)	37,774	-	(2,134,689)
Vehicles	(2,504,354)	(579,379)	267,021	-	(2,816,712)
Furniture and fixtures	(1,335,621)	(224,743)	130,060	-	(1,430,304)
Infrastructure	(35,263,537)	(3,484,483)	-	-	(38,748,020)
Total accumulated depreciation	<u>(43,997,321)</u>	<u>(6,314,742)</u>	<u>434,855</u>	<u>-</u>	<u>(49,877,208)</u>
Total capital assets being depreciated, net	<u>97,709,495</u>	<u>387,778</u>	<u>(12,362)</u>	<u>10,415,383</u>	<u>108,500,294</u>
Governmental activities capital assets, net	<u>\$ 126,605,277</u>	<u>\$ 33,080,030</u>	<u>\$ (656,754)</u>	<u>\$ -</u>	<u>\$ 159,028,553</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ -	\$ -	\$ 799,533
Construction in progress	5,923,977	5,067,194	-	(1,838,106)	9,153,065
Total capital assets not being depreciated	<u>6,723,510</u>	<u>5,067,194</u>	<u>-</u>	<u>(1,838,106)</u>	<u>9,952,598</u>
Capital assets being depreciated:					
Buildings	198,109	-	-	-	198,109
Improvements other than buildings	61,696,281	4,838,559	-	2,438,343	68,973,183
Sewage treatment plants and pump station	12,434,148	81,924	-	-	12,516,072
Machinery and equipment	3,702,191	201,373	(55,383)	-	3,848,181
Furniture and fixtures	69,031	-	-	-	69,031
Total capital assets being depreciated	<u>78,099,760</u>	<u>5,121,856</u>	<u>(55,383)</u>	<u>2,438,343</u>	<u>85,604,576</u>
Less accumulated depreciation for:					
Buildings	(92,138)	(5,434)	-	-	(97,572)
Improvements other than buildings	(11,007,417)	(1,306,695)	-	-	(12,314,112)
Sewage treatment plants and pump station	(3,916,758)	(248,028)	-	-	(4,164,786)
Machinery and equipment	(3,222,221)	(70,539)	55,383	-	(3,237,377)
Furniture and fixtures	(65,000)	(1,090)	-	-	(66,090)
Total accumulated depreciation	<u>(18,303,534)</u>	<u>(1,631,786)</u>	<u>55,383</u>	<u>-</u>	<u>(19,879,937)</u>
Total capital assets being depreciated, net	<u>59,796,226</u>	<u>3,490,070</u>	<u>-</u>	<u>2,438,343</u>	<u>65,724,639</u>
Business-type activities capital assets, net	<u>\$ 66,519,736</u>	<u>\$ 8,557,264</u>	<u>\$ -</u>	<u>\$ 600,237</u>	<u>\$ 75,677,237</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	\$ 755,795
Police	407,097
Fire	415,638
Public works	3,580,465
Parks and recreation	<u>1,155,747</u>
Total depreciation expense - governmental activities	<u>\$ 6,314,742</u>
Business-type activities:	
Water and sewer	<u>\$ 1,631,786</u>

Construction commitments

The City has active construction projects as of September 30, 2008. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Source of Funding</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities:			
205 Bypass	Bond proceeds	\$ 15,902,943	\$ 14,921,960
Fire Stations (3 and 4)	Bond proceeds	133,100	4,626,333
Fannin Street improvements	Bond proceeds	2,450,496	509,770
Other improvements	Various	<u>3,771,326</u>	<u>313,873</u>
Total governmental activities		<u>22,257,865</u>	<u>20,371,936</u>
Business-type activities:			
Northern area water system	Bond proceeds	1,017,853	760,890
Other improvements	Various	<u>5,639,272</u>	<u>443,073</u>
Total business-type activities		<u>6,657,125</u>	<u>1,203,963</u>
Total reporting entity		<u>\$ 28,914,990</u>	<u>\$ 21,575,899</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital assets being depreciated:					
Furniture and fixtures	\$ 69,504	\$ 14,442	\$ -	\$ -	\$ 83,946
Less accumulated depreciation for:					
Furniture and fixtures	<u>(60,020)</u>	<u>(3,856)</u>	<u>-</u>	<u>-</u>	<u>(63,876)</u>
REDC capital assets, net	<u>\$ 9,484</u>	<u>\$ 10,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,070</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2008, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 189,000	\$ -
Nonmajor governmental funds	-	167,000
Special Escrow Agency	<u>-</u>	<u>22,000</u>
Total interfund balances	<u>\$ 189,000</u>	<u>\$ 189,000</u>

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Interfund receivables, payables, and transfers – continued

The composition of interfund transfers for the year ended September 30, 2008, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 633,100	\$ 2,076,231
G.O. Bonds Capital Projects	81,300	437,500
Nonmajor governmental funds	1,261,036	201,300
Water and Sewer Fund	-	1,315,405
Internal service funds	<u>2,055,000</u>	<u>-</u>
Total interfund transfers	<u>\$ 4,030,436</u>	<u>\$ 4,030,436</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2008, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/08
<b>Governmental Activities:</b>					
General obligation bonds:					
Improvements	\$ 7,185,000	1999	2019	4.25%-5.25%	\$ 4,945,000
Improvements	2,150,000	2000	2020	5.00%-6.00%	195,000
Refunding	4,024,394	2003	2015	2.00%-4.00%	2,070,362
Refunding and improvement	13,345,000	2005	2025	3.00%-4.50%	12,455,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	34,055,000
Improvements	21,765,000	2007	2037	4.125%-5.125%	21,205,000
Total general obligation bonds					<u>74,925,362</u>
Contractual obligations:					
Equipment purchase	1,165,000	1999	2014	4.00%-4.80%	<u>245,000</u>
Certificates of obligation:					
Improvements	6,500,000	2000	2020	4.75%-5.75%	580,000
Improvements	4,295,000	2002	2012	2.80%-3.80%	845,000
Improvements	13,950,000	2005	2025	3.00%-5.00%	12,415,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	4,585,000
Improvements	505,000	2007	2011	4.25%	<u>385,000</u>
Total certificates of obligation					<u>18,810,000</u>
Total governmental activities general obligation debt					<u>93,980,362</u>
<b>Business-type Activities:</b>					
General obligation bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	154,638
Certificates of obligation:					
Improvements	10,310,000	2007	2027	4.25%-4.50%	<u>9,935,000</u>
Total business-type activities general obligation debt					<u>10,089,638</u>
Total general obligation debt					<u>\$ 104,070,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2009	\$ 4,235,540	\$ 4,293,817	\$ 349,460	\$ 434,065	\$ 9,312,882
2010	3,659,845	4,098,745	370,155	419,455	8,548,200
2011	3,939,150	3,928,633	385,850	403,926	8,657,559
2012	4,063,455	3,753,647	401,545	387,683	8,606,330
2013	4,142,065	3,561,397	422,935	370,725	8,497,122
2014-2018	22,130,307	14,904,847	2,359,693	1,569,890	40,964,737
2019-2023	21,510,000	9,836,369	2,920,000	1,026,713	35,293,082
2024-2028	15,675,000	5,143,324	2,880,000	329,345	24,027,669
2029-2033	7,925,000	2,707,504	-	-	10,632,504
2034-2037	6,700,000	723,375	-	-	7,423,375
Total	\$ <u>93,980,362</u>	\$ <u>52,951,658</u>	\$ <u>10,089,638</u>	\$ <u>4,941,802</u>	\$ <u>161,963,460</u>

Revenue bonds

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding as of September 30, 2008, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/08
Improvements	\$ 3,535,000	1999	2019	4.15%-5.00%	\$ 1,680,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	5,310,000
Refunding and improvement	6,415,000	2005	2025	3.00%-4.50%	5,540,000
					<u>12,530,000</u>
Plus unamortized premium					10,968
Less unamortized discount					<u>(24,638)</u>
Total revenue bonds					\$ <u>12,516,330</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Water and Sewer Fund		
	Principal	Interest	Total
2009	\$ 860,000	\$ 542,595	\$ 1,402,595
2010	895,000	507,657	1,402,657
2011	740,000	471,228	1,211,228
2012	770,000	440,818	1,210,818
2013	795,000	407,986	1,202,986
2014-2018	4,025,000	1,534,140	5,559,140
2019-2023	3,685,000	625,978	4,310,978
2024-2025	760,000	51,287	811,287
	12,530,000	\$ 4,581,689	\$ 17,111,689
Plus unamortized premium	10,968		
Less unamortized discount	(24,638)		
Total revenue bonds	\$ 12,516,330		

Refunded bonds

In previous years, the City purchased U.S. government securities that were placed in irrevocable trusts with escrow agents to provide for all future debt service payments on certain bonds. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the City's statement of net assets. The outstanding balances of refunded bonds at September 30, 2008, are as follows:

Bond Type	Year of Issue	Year Refunded	Balance 9/30/08
General obligation	1995	2003	\$ 2,200,000
General obligation	2000	2005	1,395,000
Certificates of obligation	2000	2005	4,235,000
Total refunded bonds			\$ 7,830,000

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Capitalized lease obligations

The City has entered into contracts with NTMWD, a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of certain water and sewer facilities. The contractual obligations have been treated as capitalized lease obligations. Capitalized lease obligations outstanding as of September 30, 2008, are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/08</u>
South Plant Improvements	\$ 1,800,000	1996	2016	Various	\$ 965,000
Ground Storage Facility	2,013,434	2005	2025	Various	1,810,090
Pump Station	2,145,000	2006	2026	Various	<u>2,030,000</u>
					4,805,090
Plus unamortized premium					<u>57,938</u>
Total capitalized lease obligations					<u>\$ 4,863,028</u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2008, are as follows:

<u>Year Ending September 30</u>	<u>Total</u>
2009	\$ 467,487
2010	463,867
2011	464,841
2012	465,175
2013	469,751
2014-2018	2,030,956
2019-2023	1,607,173
2024-2026	<u>825,970</u>
Total minimum lease payments	6,795,220
Less amount representing interest	<u>(1,990,130)</u>
Present value of minimum lease payments	4,805,090
Plus unamortized premium	<u>57,938</u>
Total capitalized lease obligations	<u>\$ 4,863,028</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 55,720,824	\$ 21,765,000	\$ (2,560,462)	\$ 74,925,362	\$ 2,390,540
Contractual obligations	280,000	-	(35,000)	245,000	35,000
Certificates of obligation	20,045,000	505,000	(1,740,000)	18,810,000	1,810,000
Plus unamortized premium	<u>1,072,153</u>	<u>490,101</u>	<u>(60,336)</u>	<u>1,501,918</u>	<u>-</u>
Total bonds payable	77,117,977	22,760,101	(4,395,798)	95,482,280	4,235,540
Compensated absences	<u>848,024</u>	<u>1,160,419</u>	<u>(1,048,574)</u>	<u>959,869</u>	<u>209,747</u>
Total	<u>\$ 77,966,001</u>	<u>\$ 23,920,520</u>	<u>\$ (5,444,372)</u>	<u>\$ 96,442,149</u>	<u>\$ 4,445,287</u>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 184,176	\$ -	\$ (29,538)	\$ 154,638	\$ 19,460
Certificates of obligation	-	10,310,000	(375,000)	9,935,000	330,000
Revenue bonds	13,360,000	-	(830,000)	12,530,000	860,000
Plus unamortized premium	11,613	85,152	(4,938)	91,827	-
Less unamortized discount	<u>(30,448)</u>	<u>-</u>	<u>5,810</u>	<u>(24,638)</u>	<u>-</u>
Total bonds payable	<u>13,525,341</u>	<u>10,395,152</u>	<u>(1,233,666)</u>	<u>22,686,827</u>	<u>1,209,460</u>
Capitalized lease obligations	5,040,094	-	(235,004)	4,805,090	248,337
Plus unamortized premium	<u>61,274</u>	<u>-</u>	<u>(3,336)</u>	<u>57,938</u>	<u>-</u>
Total capitalized lease obligations	<u>5,101,368</u>	<u>-</u>	<u>(238,340)</u>	<u>4,863,028</u>	<u>248,337</u>
Compensated absences	<u>51,378</u>	<u>150,189</u>	<u>(131,422)</u>	<u>70,145</u>	<u>22,342</u>
Total	<u>\$ 18,678,087</u>	<u>\$ 10,545,341</u>	<u>\$ (1,603,428)</u>	<u>\$ 27,620,000</u>	<u>\$ 1,480,139</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Conduit debt obligations

Certain revenue bonds have been issued in the past to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2008, there was one series of revenue bonds outstanding. The aggregate principal amount payable on the outstanding bonds was \$1,700,000.

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2008:

<u>Year Authorized</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Balance Unissued 9/30/08</u>
General obligation bonds:			
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2002	19,845,000	(17,900,000)	1,945,000
2005	<u>63,705,000</u>	<u>(44,700,000)</u>	<u>19,005,000</u>
Total general obligation bonds	<u>\$ 89,150,000</u>	<u>\$ (66,800,000)</u>	<u>\$ 22,350,000</u>
Revenue bonds:			
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Total revenue bonds	<u>\$ 3,540,000</u>	<u>\$ (1,060,000)</u>	<u>\$ 2,480,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2008:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/08</u>
Sales tax revenue bonds:					
Land improvements	\$ 5,000,000	1999	2019	4.20%-6.20%	\$ 3,435,000
Land acquisition	4,545,000	2008	2028	7.00%	4,545,000
Certificates of obligation:					
Infrastructure improvements	3,225,000	2005	2025	3.00%-5.00%	2,400,000
Infrastructure improvements	5,540,000	2006	2026	4.25%-5.00%	<u>5,185,000</u>
Total REDC debt					\$ <u><u>15,565,000</u></u>

Annual debt service requirements to maturity for REDC debt are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 875,000	\$ 765,099	\$ 1,640,099
2010	890,000	767,629	1,657,629
2011	930,000	728,611	1,658,611
2012	970,000	686,607	1,656,607
2013	1,020,000	639,978	1,659,978
2014-2018	4,675,000	2,447,441	7,122,441
2019-2023	3,285,000	1,388,238	4,673,238
2024-2028	<u>2,920,000</u>	<u>489,250</u>	<u>3,409,250</u>
Total	\$ <u><u>15,565,000</u></u>	\$ <u><u>7,912,853</u></u>	\$ <u><u>23,477,853</u></u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Sales tax revenue bonds	\$ 3,665,000	\$ 4,545,000	\$ (230,000)	\$ 7,980,000	\$ 385,000
Certificates of obligation	8,050,000	-	(465,000)	7,585,000	490,000
Plus unamortized premium	<u>163,550</u>	<u>-</u>	<u>(9,072)</u>	<u>154,478</u>	<u>-</u>
Total bonds payable	11,878,550	4,545,000	(704,072)	15,719,478	875,000
Interim construction loan	6,684,229	-	(6,684,229)	-	-
Compensated absences	<u>13,333</u>	<u>14,126</u>	<u>(10,010)</u>	<u>17,449</u>	<u>4,798</u>
Total	<u>\$ 18,576,112</u>	<u>\$ 4,559,126</u>	<u>\$ (7,398,311)</u>	<u>\$ 15,736,927</u>	<u>\$ 879,798</u>

4. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$65,000 per covered individual, or approximately \$2,162,253 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2008.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a maximum City liability of \$600,000 per year.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

A. Risk management – continued

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements.

Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Workers' Compensation	
	2008	2007	2008	2007
Claims payable, beginning of the year	\$ 147,395	\$ 234,990	\$ 2,517	\$ 2,933
Claims incurred	2,542,806	1,698,992	104,293	34,746
Claims paid	(2,514,029)	(1,786,587)	(96,113)	(35,162)
Claims payable, end of the year	\$ <u>176,172</u>	\$ <u>147,395</u>	\$ <u>10,697</u>	\$ <u>2,517</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

B. North Texas Municipal Water District – continued

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to: (1) expand the sewage treatment facilities and continue to provide sewage treatment services to the City; (2) construct a 3.0 million gallon ground storage reservoir in which the Cities of Rockwall and Heath own 66.67% and 33.33% undivided interests, respectively; and (3) construct an 8.6 million gallon-per-day pump station for the exclusive benefit of the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related assets have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2008, is \$4,805,090. See Note 3E for the annual requirements to amortize the bonds as of September 30, 2008.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 3E above, the general revenues of the City are contingently liable in the amount of \$10,089,638 for general obligation bonds and certificates of obligation which are currently outstanding and recorded as obligations of the Water and Sewer Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

C. Contingent liabilities and commitments – continued

The City contracts for solid waste disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2008, these commitments totaled \$1,970,569.

D. Employee retirement systems and pension plans

Texas Municipal Retirement System

Plan Description – The City provides pension benefits for all of its full-time employees (except volunteer firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Benefits – Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit rate: 7.00%

Matching Ratio (City to Employee): 2 to 1

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

Contributions – Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's amortization period. The Projected Unit Credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2007 valuation is effective for rates beginning January 2009.

A schedule of funding progress as of the three most recent actuarial valuation dates is as follows:

	Actuarial Valuation Date		
	12/31/2007	12/31/2006	12/31/2005
Actuarial value of assets (a)	\$ 20,486,755	\$ 17,878,974	\$ 15,968,994
Actuarial accrued liability (AAL) - unit credit (b)	32,796,027	23,911,430	21,310,890
Unfunded (over-funded) AAL (UAAL) (b-a)	12,309,272	6,032,456	5,341,896
Funded ratio (a/b)	62.5%	74.8%	74.9%
Annual covered payroll (c)	12,404,225	10,942,328	10,325,619
UAAL as a percentage of covered payroll ((b-a)/c)	99.2%	55.1%	51.7%

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

A summary of the City's net pension obligation (NPO) and annual required contributions for the last three fiscal years is as follows:

	Fiscal Year Ended September 30		
	2008	2007	2006
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	1,561,437	1,491,116	1,367,738
Contributions made (100%)	<u>(1,561,437)</u>	<u>(1,491,116)</u>	<u>(1,367,738)</u>
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of the actuarial assumptions used is as follows:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years - Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7.0%
Projected Salary Increases	Varies by age and service
Inflation	3.0%
Cost-of-Living Adjustments	2.1%

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$52,800 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 42 active participants currently covered by the Fund and payments are being made to 20 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

E. Subsequent event

In October 2008, the City issued debt totaling \$32,935,000. This debt issuance was comprised of: (1) general obligation bonds (\$9,515,000) for the continued construction of the 205 Bypass and other roadway rehabilitation projects; (2) revenue certificates of obligation (\$23,025,000) for the construction of the Squabble Creek lift station and force main and various water transmission line and wastewater force main projects; and (3) tax-supported certificates of obligation (\$395,000) for equipment acquisition.

***REQUIRED SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 6,558,450	\$ 6,615,600	\$ 6,604,295	\$ (11,305)
Sales taxes	9,173,000	9,373,000	9,640,955	267,955
Franchise taxes	1,990,000	2,149,900	2,179,847	29,947
Charges for services	331,500	312,500	362,107	49,607
Permits	949,400	954,400	976,701	22,301
Municipal court	876,000	881,000	988,190	107,190
Intergovernmental	236,750	261,750	283,724	21,974
Interest income	275,000	250,000	168,489	(81,511)
Miscellaneous	78,000	143,000	221,035	78,035
Total revenues	<u>20,468,100</u>	<u>20,941,150</u>	<u>21,425,343</u>	<u>484,193</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor/council	116,300	116,300	117,366	(1,066)
Administration	3,023,400	3,091,900	3,056,885	35,015
Finance	953,350	958,300	953,282	5,018
Municipal court	313,350	310,750	311,706	(956)
Police	6,570,950	6,631,350	6,611,692	19,658
Fire	1,465,100	1,512,890	1,447,231	65,659
Public works	2,624,950	2,606,950	2,638,085	(31,135)
Community development	2,259,400	2,275,300	2,219,167	56,133
Parks and recreation	2,524,000	2,599,600	2,674,833	(75,233)
Total current	<u>19,850,800</u>	<u>20,103,340</u>	<u>20,030,247</u>	<u>73,093</u>
<b>Capital outlay:</b>				
Administration	27,600	27,600	852	26,748
Police	7,500	5,000	4,845	155
Fire	2,400	2,400	1,795	605
Public works	9,000	9,000	8,429	571
Parks and recreation	6,000	6,000	5,926	74
Total capital outlay	<u>52,500</u>	<u>50,000</u>	<u>21,847</u>	<u>28,153</u>
Total expenditures	<u>19,903,300</u>	<u>20,153,340</u>	<u>20,052,094</u>	<u>101,246</u>
Excess of revenues over expenditures	<u>564,800</u>	<u>787,810</u>	<u>1,373,249</u>	<u>585,439</u>
<b>Other financing sources (uses):</b>				
Transfers in	657,600	657,600	633,100	(24,500)
Transfers out	(1,212,700)	(2,076,250)	(2,076,231)	19
Total other financing sources (uses)	<u>(555,100)</u>	<u>(1,418,650)</u>	<u>(1,443,131)</u>	<u>(24,481)</u>
Net change in fund balances	9,700	(630,840)	(69,882)	560,958
Fund balances, October 1	<u>8,336,696</u>	<u>8,336,696</u>	<u>8,336,696</u>	<u>-</u>
Fund balances, September 30	<u>\$ 8,346,396</u>	<u>\$ 7,705,856</u>	<u>\$ 8,266,814</u>	<u>\$ 560,958</u>

***COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES  
AS SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2008

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-3)</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 82,790	\$ 140,366	\$ 223,156
Investments	3,092,036	201,303	3,293,339
Receivables (net of allowances for uncollectibles):			
Interest	4,900	1,347	6,247
Accounts	67,188	-	67,188
Assessments	<u>149,063</u>	<u>-</u>	<u>149,063</u>
 Total assets	 <u>\$ 3,395,977</u>	 <u>\$ 343,016</u>	 <u>\$ 3,738,993</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 60,797	\$ 9,508	\$ 70,305
Deferred revenue	189,905	-	189,905
Due to other funds	-	167,000	167,000
Total liabilities	<u>250,702</u>	<u>176,508</u>	<u>427,210</u>
 Fund balances:			
Unreserved, undesignated	<u>3,145,275</u>	<u>166,508</u>	<u>3,311,783</u>
Total fund balances	<u>3,145,275</u>	<u>166,508</u>	<u>3,311,783</u>
 Total liabilities and fund balances	 <u>\$ 3,395,977</u>	 <u>\$ 343,016</u>	 <u>\$ 3,738,993</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-5)</u>
Revenues:			
Sales taxes	\$ 232,531	\$ -	\$ 232,531
Permits	145,804	-	145,804
Municipal court	189,220	-	189,220
Intergovernmental	135,976	-	135,976
Interest income	81,068	26,203	107,271
Miscellaneous	581,467	25,200	606,667
Contributions and donations	91,894	-	91,894
Total revenues	<u>1,457,960</u>	<u>51,403</u>	<u>1,509,363</u>
Expenditures:			
Current:			
Finance	246,135	-	246,135
Police	221,805	-	221,805
Fire	4,739	-	4,739
Public works	186,182	-	186,182
Parks and recreation	232,396	-	232,396
Total current	<u>891,257</u>	<u>-</u>	<u>891,257</u>
Capital outlay:			
Administration	-	1,097,360	1,097,360
Finance	-	137,035	137,035
Police	70,054	-	70,054
Fire	66,009	341,482	407,491
Public works	9,775	110,241	120,016
Parks and recreation	83,720	-	83,720
Total capital outlay	<u>229,558</u>	<u>1,686,118</u>	<u>1,915,676</u>
Debt service:			
Bond issuance costs	-	7,907	7,907
Total debt service	<u>-</u>	<u>7,907</u>	<u>7,907</u>
Total expenditures	<u>1,120,815</u>	<u>1,694,025</u>	<u>2,814,840</u>
Excess of revenues over (under) expenditures	<u>337,145</u>	<u>(1,642,622)</u>	<u>(1,305,477)</u>
Other financing sources (uses):			
Transfers in	187,100	1,073,936	1,261,036
Transfers out	(176,300)	(25,000)	(201,300)
Bonds issued	-	505,000	505,000
Premium on bonds issued	-	4,171	4,171
Total other financing sources (uses)	<u>10,800</u>	<u>1,558,107</u>	<u>1,568,907</u>
Net change in fund balances	347,945	(84,515)	263,430
Fund balances, October 1	<u>2,797,330</u>	<u>251,023</u>	<u>3,048,353</u>
Fund balances, September 30	<u>\$ 3,145,275</u>	<u>\$ 166,508</u>	<u>\$ 3,311,783</u>

## *SPECIAL REVENUE FUNDS*

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation – established to account for donations, court security fees, and forfeitures.

Recreational Development – established to account for the annual lease income from marinas and golf course.

Radio System – established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Motel Tax – established to account for the annual income from hotel motel taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement – established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places – established to account for donations received for developing art displays in public areas such as parks.

Special Crimes Unit – established to account for revenues and expenditures related to a county-wide crime task force.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2008

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Radio System</u>	<u>Street Improvements</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,571	\$ 13,627	\$ 3,571	\$ 1,051	\$ 10,214
Investments	137,262	273,388	217,827	25,000	1,744,500
Receivables (net of allowances for uncollectibles):					
Interest	-	-	-	-	4,900
Accounts	-	-	-	-	-
Assessments	-	-	-	-	149,063
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>138,833</u>	\$ <u>287,015</u>	\$ <u>221,398</u>	\$ <u>26,051</u>	\$ <u>1,908,677</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 20,248	\$ 1,305	\$ -
Deferred revenue	-	-	-	-	149,063
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	20,248	1,305	149,063
 Fund balances:					
Unreserved, undesignated	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	138,833	287,015	201,150	24,746	1,759,614
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	138,833	287,015	201,150	24,746	1,759,614
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ <u>138,833</u>	\$ <u>287,015</u>	\$ <u>221,398</u>	\$ <u>26,051</u>	\$ <u>1,908,677</u>

	Hotel Motel Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$	171	\$ 5,135	\$ 6,523	\$ 7,648	\$ 7,328	\$ 10,954	\$ 874	\$ 14,123	\$ 82,790
	1,902	227,919	36,815	52,875	14,924	13,103	-	346,521	3,092,036
	-	-	-	-	-	-	-	-	4,900
	65,164	-	-	2,024	-	-	-	-	67,188
	-	-	-	-	-	-	-	-	149,063
\$	<u>67,237</u>	<u>233,054</u>	<u>43,338</u>	<u>62,547</u>	<u>22,252</u>	<u>24,057</u>	<u>874</u>	<u>360,644</u>	<u>3,395,977</u>
\$	-	\$ 27,749	\$ -	\$ -	\$ -	\$ 3,575	\$ -	\$ 7,920	\$ 60,797
	-	-	-	-	-	-	-	40,842	189,905
	-	27,749	-	-	-	3,575	-	48,762	250,702
	<u>67,237</u>	<u>205,305</u>	<u>43,338</u>	<u>62,547</u>	<u>22,252</u>	<u>20,482</u>	<u>874</u>	<u>311,882</u>	<u>3,145,275</u>
	<u>67,237</u>	<u>205,305</u>	<u>43,338</u>	<u>62,547</u>	<u>22,252</u>	<u>20,482</u>	<u>874</u>	<u>311,882</u>	<u>3,145,275</u>
\$	<u>67,237</u>	<u>233,054</u>	<u>43,338</u>	<u>62,547</u>	<u>22,252</u>	<u>24,057</u>	<u>874</u>	<u>360,644</u>	<u>3,395,977</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Radio System</u>	<u>Street Improvements</u>
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Permits	475	-	145,329	-	-
Municipal court	-	189,220	-	-	-
Intergovernmental	-	8,151	-	-	-
Interest income	3,469	5,324	7,233	-	48,657
Miscellaneous	400	-	150,474	23,846	91,947
Contributions and donations	100	16,312	64,263	-	-
Total revenues	<u>4,444</u>	<u>219,007</u>	<u>367,299</u>	<u>23,846</u>	<u>140,604</u>
Expenditures:					
Current:					
Finance	-	-	-	-	-
Police	-	15,195	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	94,565	-
Parks and recreation	-	-	197,752	-	-
Total current	<u>-</u>	<u>15,195</u>	<u>197,752</u>	<u>94,565</u>	<u>-</u>
Capital outlay:					
Police	-	32,085	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	9,775
Parks and recreation	-	-	83,720	-	-
Total capital outlay	<u>-</u>	<u>32,085</u>	<u>83,720</u>	<u>-</u>	<u>9,775</u>
Total expenditures	<u>-</u>	<u>47,280</u>	<u>281,472</u>	<u>94,565</u>	<u>9,775</u>
Excess of revenues over (under) expenditures	<u>4,444</u>	<u>171,727</u>	<u>85,827</u>	<u>(70,719)</u>	<u>130,829</u>
Other financing sources (uses):					
Transfers in	-	-	-	92,100	-
Transfers out	-	(45,000)	(131,300)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(45,000)</u>	<u>(131,300)</u>	<u>92,100</u>	<u>-</u>
Net change in fund balances	4,444	126,727	(45,473)	21,381	130,829
Fund balances, October 1	<u>134,389</u>	<u>160,288</u>	<u>246,623</u>	<u>3,365</u>	<u>1,628,785</u>
Fund balances, September 30	<u>\$ 138,833</u>	<u>\$ 287,015</u>	<u>\$ 201,150</u>	<u>\$ 24,746</u>	<u>\$ 1,759,614</u>

Hotel Motel Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 232,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,531
-	-	-	-	-	-	-	-	145,804
-	-	-	-	-	-	-	-	189,220
-	97,050	30,775	-	-	-	-	-	135,976
713	4,862	1,696	1,578	445	570	-	6,521	81,068
-	5,501	11,154	26,068	3,308	-	-	268,769	581,467
-	1,000	-	-	-	10,000	219	-	91,894
<u>233,244</u>	<u>108,413</u>	<u>43,625</u>	<u>27,646</u>	<u>3,753</u>	<u>10,570</u>	<u>219</u>	<u>275,290</u>	<u>1,457,960</u>
246,135	-	-	-	-	-	-	-	246,135
-	-	-	-	-	-	-	206,610	221,805
-	4,739	-	-	-	-	-	-	4,739
-	-	70,623	20,994	-	-	-	-	186,182
-	-	-	-	-	34,644	-	-	232,396
<u>246,135</u>	<u>4,739</u>	<u>70,623</u>	<u>20,994</u>	<u>-</u>	<u>34,644</u>	<u>-</u>	<u>206,610</u>	<u>891,257</u>
-	-	-	-	-	-	-	37,969	70,054
-	66,009	-	-	-	-	-	-	66,009
-	-	-	-	-	-	-	-	9,775
-	-	-	-	-	-	-	-	83,720
<u>-</u>	<u>66,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,969</u>	<u>229,558</u>
246,135	70,748	70,623	20,994	-	34,644	-	244,579	1,120,815
<u>(12,891)</u>	<u>37,665</u>	<u>(26,998)</u>	<u>6,652</u>	<u>3,753</u>	<u>(24,074)</u>	<u>219</u>	<u>30,711</u>	<u>337,145</u>
-	-	-	-	-	25,000	-	70,000	187,100
-	-	-	-	-	-	-	-	(176,300)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>70,000</u>	<u>10,800</u>
(12,891)	37,665	(26,998)	6,652	3,753	926	219	100,711	347,945
<u>80,128</u>	<u>167,640</u>	<u>70,336</u>	<u>55,895</u>	<u>18,499</u>	<u>19,556</u>	<u>655</u>	<u>211,171</u>	<u>2,797,330</u>
<u>\$ 67,237</u>	<u>\$ 205,305</u>	<u>\$ 43,338</u>	<u>\$ 62,547</u>	<u>\$ 22,252</u>	<u>\$ 20,482</u>	<u>\$ 874</u>	<u>\$ 311,882</u>	<u>\$ 3,145,275</u>

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 500	\$ 500	\$ 475	\$ (25)
Interest income	4,500	3,500	3,469	(31)
Miscellaneous	-	400	400	-
Contributions and donations	-	100	100	-
Total revenues	<u>5,000</u>	<u>4,500</u>	<u>4,444</u>	<u>(56)</u>
Expenditures:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,000	4,500	4,444	(56)
Fund balances, October 1	<u>134,389</u>	<u>134,389</u>	<u>134,389</u>	<u>-</u>
Fund balances, September 30	<u>\$ 139,389</u>	<u>\$ 138,889</u>	<u>\$ 138,833</u>	<u>\$ (56)</u>

CITY OF ROCKWALL, TEXAS  
POLICE INVESTIGATION FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal court	\$ 50,500	\$ 183,700	\$ 189,220	\$ 5,520
Intergovernmental	-	6,950	8,151	1,201
Interest income	7,000	5,000	5,324	324
Contributions and donations	7,000	16,250	16,312	62
Total revenues	<u>64,500</u>	<u>211,900</u>	<u>219,007</u>	<u>7,107</u>
Expenditures:				
Current:				
Police	-	14,650	15,195	(545)
Total current	<u>-</u>	<u>14,650</u>	<u>15,195</u>	<u>(545)</u>
Capital outlay:				
Police	-	26,000	32,085	(6,085)
Total capital outlay	<u>-</u>	<u>26,000</u>	<u>32,085</u>	<u>(6,085)</u>
Total expenditures	<u>-</u>	<u>40,650</u>	<u>47,280</u>	<u>(6,630)</u>
Excess of revenues over (under) expenditures	<u>64,500</u>	<u>171,250</u>	<u>171,727</u>	<u>477</u>
Other financing sources (uses):				
Transfers out	(45,000)	(45,000)	(45,000)	-
Total other financing sources (uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net change in fund balances	19,500	126,250	126,727	477
Fund balances, October 1	<u>160,288</u>	<u>160,288</u>	<u>160,288</u>	<u>-</u>
Fund balances, September 30	<u>\$ 179,788</u>	<u>\$ 286,538</u>	<u>\$ 287,015</u>	<u>\$ 477</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 146,000	\$ 161,500	\$ 145,329	\$ (16,171)
Interest income	14,500	8,000	7,233	(767)
Miscellaneous	120,000	130,050	150,474	20,424
Contributions and donations	47,500	67,500	64,263	(3,237)
Total revenues	<u>328,000</u>	<u>367,050</u>	<u>367,299</u>	<u>249</u>
Expenditures:				
Current:				
Parks and recreation	127,000	182,000	197,752	(15,752)
Total current	<u>127,000</u>	<u>182,000</u>	<u>197,752</u>	<u>(15,752)</u>
Capital outlay:				
Parks and recreation	85,000	131,100	83,720	47,380
Total capital outlay	<u>85,000</u>	<u>131,100</u>	<u>83,720</u>	<u>47,380</u>
Total expenditures	<u>212,000</u>	<u>313,100</u>	<u>281,472</u>	<u>31,628</u>
Excess of revenues over (under) expenditures	<u>116,000</u>	<u>53,950</u>	<u>85,827</u>	<u>31,877</u>
Other financing sources (uses):				
Transfers out	(50,000)	(50,000)	(131,300)	(81,300)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(131,300)</u>	<u>(81,300)</u>
Net change in fund balances	66,000	3,950	(45,473)	(49,423)
Fund balances, October 1	<u>246,623</u>	<u>246,623</u>	<u>246,623</u>	<u>-</u>
Fund balances, September 30	<u>\$ 312,623</u>	<u>\$ 250,573</u>	<u>\$ 201,150</u>	<u>\$ (49,423)</u>

CITY OF ROCKWALL, TEXAS  
RADIO SYSTEM FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 27,600	\$ 27,600	\$ 23,846	\$ (3,754)
Total revenues	<u>27,600</u>	<u>27,600</u>	<u>23,846</u>	<u>(3,754)</u>
Expenditures:				
Current:				
Public works	161,100	161,100	94,565	66,535
Total expenditures	<u>161,100</u>	<u>161,100</u>	<u>94,565</u>	<u>66,535</u>
Excess of revenues over (under) expenditures	<u>(133,500)</u>	<u>(133,500)</u>	<u>(70,719)</u>	<u>62,781</u>
Other financing sources:				
Transfers in	92,100	92,100	92,100	-
Total other financing sources	<u>92,100</u>	<u>92,100</u>	<u>92,100</u>	<u>-</u>
Net change in fund balances	(41,400)	(41,400)	21,381	62,781
Fund balances, October 1	<u>3,365</u>	<u>3,365</u>	<u>3,365</u>	<u>-</u>
Fund balances, September 30	<u>\$ (38,035)</u>	<u>\$ (38,035)</u>	<u>\$ 24,746</u>	<u>\$ 62,781</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 38,000	\$ 50,000	\$ 48,657	\$ (1,343)
Miscellaneous	4,000	72,700	91,947	19,247
Total revenues	<u>42,000</u>	<u>122,700</u>	<u>140,604</u>	<u>17,904</u>
Expenditures:				
Capital outlay:				
Public works	-	9,800	9,775	25
Total expenditures	<u>-</u>	<u>9,800</u>	<u>9,775</u>	<u>25</u>
Net change in fund balances	42,000	112,900	130,829	17,929
Fund balances, October 1	<u>1,628,785</u>	<u>1,628,785</u>	<u>1,628,785</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,670,785</u>	<u>\$ 1,741,685</u>	<u>\$ 1,759,614</u>	<u>\$ 17,929</u>

CITY OF ROCKWALL, TEXAS  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 216,000	\$ 216,000	\$ 232,531	\$ 16,531
Interest income	2,000	1,000	713	(287)
Total revenues	<u>218,000</u>	<u>217,000</u>	<u>233,244</u>	<u>16,244</u>
Expenditures:				
Current:				
Finance	<u>217,940</u>	<u>250,440</u>	<u>246,135</u>	<u>4,305</u>
Total expenditures	<u>217,940</u>	<u>250,440</u>	<u>246,135</u>	<u>4,305</u>
Net change in fund balances	60	(33,440)	(12,891)	20,549
Fund balances, October 1	<u>80,128</u>	<u>80,128</u>	<u>80,128</u>	<u>-</u>
Fund balances, September 30	<u>\$ 80,188</u>	<u>\$ 46,688</u>	<u>\$ 67,237</u>	<u>\$ 20,549</u>

CITY OF ROCKWALL, TEXAS  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 95,000	\$ 97,050	\$ 97,050	\$ -
Interest income	3,000	5,000	4,862	(138)
Miscellaneous	-	5,500	5,501	1
Contributions and donations	-	1,000	1,000	-
Total revenues	<u>98,000</u>	<u>108,550</u>	<u>108,413</u>	<u>(137)</u>
Expenditures:				
Current:				
Fire	11,000	11,000	4,739	6,261
Total current	<u>11,000</u>	<u>11,000</u>	<u>4,739</u>	<u>6,261</u>
Capital outlay:				
Fire	88,325	88,325	66,009	22,316
Total capital outlay	<u>88,325</u>	<u>88,325</u>	<u>66,009</u>	<u>22,316</u>
Total expenditures	<u>99,325</u>	<u>99,325</u>	<u>70,748</u>	<u>28,577</u>
Net change in fund balances	(1,325)	9,225	37,665	28,440
Fund balances, October 1	<u>167,640</u>	<u>167,640</u>	<u>167,640</u>	<u>-</u>
Fund balances, September 30	<u>\$ 166,315</u>	<u>\$ 176,865</u>	<u>\$ 205,305</u>	<u>\$ 28,440</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 37,650	\$ 37,650	\$ 30,775	\$ (6,875)
Interest income	2,000	2,000	1,696	(304)
Miscellaneous	9,500	11,200	11,154	(46)
Total revenues	<u>49,150</u>	<u>50,850</u>	<u>43,625</u>	<u>(7,225)</u>
Expenditures:				
Current:				
Public works	87,950	87,950	70,623	17,327
Total expenditures	<u>87,950</u>	<u>87,950</u>	<u>70,623</u>	<u>17,327</u>
Net change in fund balances	(38,800)	(37,100)	(26,998)	10,102
Fund balances, October 1	<u>70,336</u>	<u>70,336</u>	<u>70,336</u>	<u>-</u>
Fund balances, September 30	<u>\$ 31,536</u>	<u>\$ 33,236</u>	<u>\$ 43,338</u>	<u>\$ 10,102</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,200	\$ 1,650	\$ 1,578	\$ (72)
Miscellaneous	24,000	25,000	26,068	1,068
Total revenues	<u>25,200</u>	<u>26,650</u>	<u>27,646</u>	<u>996</u>
Expenditures:				
Current:				
Public works	-	4,400	20,994	(16,594)
Total expenditures	<u>-</u>	<u>4,400</u>	<u>20,994</u>	<u>(16,594)</u>
Net change in fund balances	25,200	22,250	6,652	(15,598)
Fund balances, October 1	<u>55,895</u>	<u>55,895</u>	<u>55,895</u>	<u>-</u>
Fund balances, September 30	<u>\$ 81,095</u>	<u>\$ 78,145</u>	<u>\$ 62,547</u>	<u>\$ (15,598)</u>

CITY OF ROCKWALL, TEXAS  
SPECIAL CRIMES UNIT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,000	\$ 1,000	\$ 6,521	\$ 5,521
Miscellaneous	200,500	257,200	268,769	11,569
Total revenues	<u>201,500</u>	<u>258,200</u>	<u>275,290</u>	<u>17,090</u>
Expenditures:				
Current:				
Police	259,000	219,650	206,610	13,040
Total current	<u>259,000</u>	<u>219,650</u>	<u>206,610</u>	<u>13,040</u>
Capital outlay:				
Police	-	38,000	37,969	31
Total capital outlay	<u>-</u>	<u>38,000</u>	<u>37,969</u>	<u>31</u>
Total expenditures	<u>259,000</u>	<u>257,650</u>	<u>244,579</u>	<u>13,071</u>
Excess of revenues over (under) expenditures	<u>(57,500)</u>	<u>550</u>	<u>30,711</u>	<u>30,161</u>
Other financing sources:				
Transfers in	70,000	70,000	70,000	-
Total other financing sources	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Net change in fund balances	12,500	70,550	100,711	30,161
Fund balances, October 1	<u>211,171</u>	<u>211,171</u>	<u>211,171</u>	<u>-</u>
Fund balances, September 30	<u>\$ 223,671</u>	<u>\$ 281,721</u>	<u>\$ 311,882</u>	<u>\$ 30,161</u>

*DEBT SERVICE FUND*

**The debt service fund is used to account for the accumulation of resources and payment of bond principal and interest from governmental resources.**

CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 8,037,700	\$ 8,099,700	\$ 8,103,847	\$ 4,147
Sales taxes	475,200	225,000	250,151	25,151
Interest income	90,000	90,000	84,075	(5,925)
Total revenues	<u>8,602,900</u>	<u>8,414,700</u>	<u>8,438,073</u>	<u>23,373</u>
Expenditures:				
Current:				
Police	-	-	90,182	(90,182)
Total current	<u>-</u>	<u>-</u>	<u>90,182</u>	<u>(90,182)</u>
Debt service:				
Principal	4,468,200	4,468,200	4,335,462	132,738
Interest	4,600,800	4,600,800	4,254,162	346,638
Fiscal charges	11,400	10,200	6,384	3,816
Total debt service	<u>9,080,400</u>	<u>9,079,200</u>	<u>8,596,008</u>	<u>483,192</u>
Total expenditures	<u>9,080,400</u>	<u>9,079,200</u>	<u>8,686,190</u>	<u>393,010</u>
Net change in fund balances	(477,500)	(664,500)	(248,117)	416,383
Fund balances, October 1	<u>1,083,320</u>	<u>1,083,320</u>	<u>1,083,320</u>	<u>-</u>
Fund balances, September 30	<u>\$ 605,820</u>	<u>\$ 418,820</u>	<u>\$ 835,203</u>	<u>\$ 416,383</u>

## *CAPITAL PROJECTS FUNDS*

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

G.O. Bonds Capital Projects – established to account for street and drainage projects using proceeds from the issuance of bonds.

205 Bypass Project – established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2008

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 140,128	\$ 238	\$ 140,366
Investments	175,361	25,942	201,303
Receivables (net of allowances for uncollectibles):			
Interest	<u>1,078</u>	<u>269</u>	<u>1,347</u>
Total assets	<u>\$ 316,567</u>	<u>\$ 26,449</u>	<u>\$ 343,016</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 5,474	\$ 4,034	\$ 9,508
Due to other funds	<u>-</u>	<u>167,000</u>	<u>167,000</u>
Total liabilities	<u>5,474</u>	<u>171,034</u>	<u>176,508</u>
Fund balances:			
Unreserved, undesignated	<u>311,093</u>	<u>(144,585)</u>	<u>166,508</u>
Total fund balances	<u>311,093</u>	<u>(144,585)</u>	<u>166,508</u>
Total liabilities and fund balances	<u>\$ 316,567</u>	<u>\$ 26,449</u>	<u>\$ 343,016</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-2)</u>
Revenues:			
Interest income	\$ 19,263	\$ 6,940	\$ 26,203
Miscellaneous	-	25,200	25,200
Total revenues	<u>19,263</u>	<u>32,140</u>	<u>51,403</u>
Expenditures:			
Capital outlay:			
Administration	1,094,998	2,362	1,097,360
Finance	-	137,035	137,035
Fire	-	341,482	341,482
Public works	70,124	40,117	110,241
Total capital outlay	<u>1,165,122</u>	<u>520,996</u>	<u>1,686,118</u>
Debt service:			
Bond issuance costs	-	7,907	7,907
Total debt service	<u>-</u>	<u>7,907</u>	<u>7,907</u>
Total expenditures	<u>1,165,122</u>	<u>528,903</u>	<u>1,694,025</u>
Excess of revenues over (under) expenditures	<u>(1,145,859)</u>	<u>(496,763)</u>	<u>(1,642,622)</u>
Other financing sources (uses):			
Transfers in	945,236	128,700	1,073,936
Transfers out	(25,000)	-	(25,000)
Bonds issued	-	505,000	505,000
Premium on bonds issued	-	4,171	4,171
Total other financing sources (uses)	<u>920,236</u>	<u>637,871</u>	<u>1,558,107</u>
Net change in fund balances	(225,623)	141,108	(84,515)
Fund balances, October 1	<u>536,716</u>	<u>(285,693)</u>	<u>251,023</u>
Fund balances, September 30	<u>\$ 311,093</u>	<u>\$ (144,585)</u>	<u>\$ 166,508</u>

### *INTERNAL SERVICE FUNDS*

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2008

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 697	\$ 28,857	\$ 29,554
Investments	4,574	1,206,476	1,211,050
Receivables (net of allowances for uncollectibles):			
Interest	72	281	353
Accounts	38,256	-	38,256
Total current assets	<u>43,599</u>	<u>1,235,614</u>	<u>1,279,213</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	<u>319,409</u>	<u>10,852</u>	<u>330,261</u>
Total current liabilities	<u>319,409</u>	<u>10,852</u>	<u>330,261</u>
<b>NET ASSETS</b>			
Unrestricted	<u>(275,810)</u>	<u>1,224,762</u>	<u>948,952</u>
Total Net Assets	<u>\$ (275,810)</u>	<u>\$ 1,224,762</u>	<u>\$ 948,952</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 397,876	\$ -	\$ 397,876
Total operating revenues	<u>397,876</u>	<u>-</u>	<u>397,876</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	2,882,566	201,021	3,083,587
Total operating expenses	<u>2,882,566</u>	<u>201,021</u>	<u>3,083,587</u>
Operating loss	<u>(2,484,690)</u>	<u>(201,021)</u>	<u>(2,685,711)</u>
<b>NON-OPERATING REVENUES:</b>			
Interest income	10,718	28,759	39,477
Miscellaneous income	192,047	5,567	197,614
Total non-operating revenues	<u>202,765</u>	<u>34,326</u>	<u>237,091</u>
Loss before transfers and capital contributions	<u>(2,281,925)</u>	<u>(166,695)</u>	<u>(2,448,620)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Transfers in	2,025,000	30,000	2,055,000
Total transfers and capital contributions	<u>2,025,000</u>	<u>30,000</u>	<u>2,055,000</u>
Decrease in net assets	(256,925)	(136,695)	(393,620)
Net assets, October 1	<u>(18,885)</u>	<u>1,361,457</u>	<u>1,342,572</u>
Net assets, September 30	<u>\$ (275,810)</u>	<u>\$ 1,224,762</u>	<u>\$ 948,952</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-9)</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 552,418	\$ 5,567	\$ 557,985
Cash paid to suppliers for goods and services	<u>(2,814,124)</u>	<u>(194,576)</u>	<u>(3,008,700)</u>
Net cash used by operating activities	<u>(2,261,706)</u>	<u>(189,009)</u>	<u>(2,450,715)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash received from other funds	<u>2,025,000</u>	<u>30,000</u>	<u>2,055,000</u>
Net cash provided by non-capital financing activities	<u>2,025,000</u>	<u>30,000</u>	<u>2,055,000</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	(800,000)	(1,145,000)	(1,945,000)
Proceeds from sales and maturities of investments	1,022,000	1,200,000	2,222,000
Interest and dividends received	<u>599</u>	<u>31,199</u>	<u>31,798</u>
Net cash provided by investing activities	<u>222,599</u>	<u>86,199</u>	<u>308,798</u>
Net decrease in cash and cash equivalents	(14,107)	(72,810)	(86,917)
Cash and cash equivalents at beginning of year	<u>14,804</u>	<u>101,667</u>	<u>116,471</u>
Cash and cash equivalents at end of year	<u>\$ 697</u>	<u>\$ 28,857</u>	<u>\$ 29,554</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (2,484,690)	\$ (201,021)	\$ (2,685,711)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	192,047	5,567	197,614
Decrease (increase) in assets:			
Receivables	(37,505)	-	(37,505)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>68,442</u>	<u>6,445</u>	<u>74,887</u>
Net cash used by operating activities	<u>\$ (2,261,706)</u>	<u>\$ (189,009)</u>	<u>\$ (2,450,715)</u>

### *AGENCY FUND*

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

CITY OF ROCKWALL, TEXAS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 SPECIAL ESCROW AGENCY FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2008</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 611	\$ 397,412	\$ 397,824	\$ 199
Investments	1,516,066	1,708,121	1,506,598	1,717,589
Accrued interest receivable	27,496	23,062	25,375	25,183
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,544,173</u>	<u>\$ 2,128,595</u>	<u>\$ 1,929,797</u>	<u>\$ 1,742,971</u>
 <b>LIABILITIES</b>				
Due to developers	\$ 1,544,173	\$ 366,445	\$ 189,647	\$ 1,720,971
Due to other funds	<u>-</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 1,544,173</u>	<u>\$ 388,445</u>	<u>\$ 189,647</u>	<u>\$ 1,742,971</u>

***DISCRETELY PRESENTED COMPONENT UNITS***

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.**

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNITS  
SEPTEMBER 30, 2008

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,956	\$ 17,592
Investments	3,707,822	39,938
Receivables (net of allowances for uncollectibles):		
Interest	1,365	-
Accounts	-	2,133
Intergovernmental	556,709	-
Inventory	<u>12,416,708</u>	<u>-</u>
 Total assets	 <u>\$ 16,701,560</u>	 <u>\$ 59,663</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ <u>46,983</u>	\$ <u>9,332</u>
Total liabilities	<u>46,983</u>	<u>9,332</u>
 Fund balances:		
Reserved for inventory	12,416,708	-
Unreserved, undesignated	<u>4,237,869</u>	<u>50,331</u>
Total fund balances	<u>16,654,577</u>	<u>50,331</u>
 Total liabilities and fund balances	 <u>\$ 16,701,560</u>	 <u>\$ 59,663</u>

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2008

	Rockwall Economic Development Corporation	Rockwall Technology Park
	<u>                    </u>	<u>                    </u>
Total fund balances - discretely presented component units	\$ 16,654,577	\$ 50,331
Amounts reported for discretely presented component units in the statement of net assets are different because:		
The following assets are not current financial resources and are not reported in the component units balance sheet:		
Capital assets used by component units (net of accumulated depreciation of \$63,876)	20,070	-
Costs of bonds issued to finance component units (net of accumulated amortization of \$49,728)	199,142	-
The following liabilities are not due in the current period and are not reported in the component units balance sheet:		
Compensated absences	(17,449)	-
Bonds payable	(15,719,478)	-
Accrued interest payable	<u>(82,150)</u>	<u>-</u>
Net assets of discretely presented component units	<u>\$ 1,054,712</u>	<u>\$ 50,331</u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Rockwall Economic Development Corporation	Rockwall Technology Park
Revenues:		
Sales taxes	\$ 3,250,735	\$ -
Charges for services	-	117,786
Interest income	148,519	1,453
Miscellaneous	238,501	-
Total revenues	<u>3,637,755</u>	<u>119,239</u>
Expenditures:		
Current:		
Administration	1,911,493	116,207
Total current	<u>1,911,493</u>	<u>116,207</u>
Capital outlay:		
Administration	15,664	-
Total capital outlay	<u>15,664</u>	<u>-</u>
Debt service:		
Principal	7,379,229	-
Interest	743,794	-
Bond issuance costs	66,741	-
Fiscal charges	3,622	-
Total debt service	<u>8,193,386</u>	<u>-</u>
Total expenditures	<u>10,120,543</u>	<u>116,207</u>
Excess of revenues over (under) expenditures	<u>(6,482,788)</u>	<u>3,032</u>
Other financing sources:		
Bonds issued	4,545,000	-
Total other financing sources	<u>4,545,000</u>	<u>-</u>
Net change in fund balances	(1,937,788)	3,032
Fund balances, October 1	<u>18,592,365</u>	<u>47,299</u>
Fund balances, September 30	<u>\$ 16,654,577</u>	<u>\$ 50,331</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Net change in fund balances - discretely presented component units	\$ (1,937,788)	\$ 3,032
Amounts reported for discretely presented component units in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,856) exceeded capital outlays (\$14,442) in the current period.	10,586	-
Governmental funds report debt issuance costs as expenditures.		
However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount by which debt issuance costs (\$66,741) exceeded amortization (\$11,019) in the current period.	55,722	-
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.		
	38,906	-
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$7,379,229) and bond premium amortization (\$9,072) exceeded bond proceeds (\$4,545,000) in the current period.		
	2,843,301	-
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.		
	<u>(4,116)</u>	<u>-</u>
Change in net assets of discretely presented component units	<u>\$ 1,006,611</u>	<u>\$ 3,032</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 3,022,700	\$ 3,117,600	\$ 3,250,735	\$ 133,135
Interest income	120,000	104,000	148,519	44,519
Miscellaneous	1,807,400	764,300	238,501	(525,799)
Total revenues	<u>4,950,100</u>	<u>3,985,900</u>	<u>3,637,755</u>	<u>(348,145)</u>
Expenditures:				
Current:				
Administration	2,887,700	2,864,100	1,911,493	952,607
Total current	<u>2,887,700</u>	<u>2,864,100</u>	<u>1,911,493</u>	<u>952,607</u>
Capital outlay:				
Administration	8,884,500	4,589,000	15,664	4,573,336
Total capital outlay	<u>8,884,500</u>	<u>4,589,000</u>	<u>15,664</u>	<u>4,573,336</u>
Debt service:				
Principal	695,000	695,000	7,379,229	(6,684,229)
Interest	931,850	727,250	743,794	(16,544)
Bond issuance costs	-	-	66,741	(66,741)
Fiscal charges	4,500	3,500	3,622	(122)
Total debt service	<u>1,631,350</u>	<u>1,425,750</u>	<u>8,193,386</u>	<u>(6,767,636)</u>
Total expenditures	<u>13,403,550</u>	<u>8,878,850</u>	<u>10,120,543</u>	<u>(1,241,693)</u>
Excess of revenues over (under) expenditures	<u>(8,453,450)</u>	<u>(4,892,950)</u>	<u>(6,482,788)</u>	<u>(1,589,838)</u>
Other financing sources (uses):				
Transfers out	-	(1,434,400)	-	1,434,400
Bonds issued	7,450,000	10,500,000	4,545,000	(5,955,000)
Total other financing sources (uses)	<u>7,450,000</u>	<u>9,065,600</u>	<u>4,545,000</u>	<u>(4,520,600)</u>
Net change in fund balances	(1,003,450)	4,172,650	(1,937,788)	(6,110,438)
Fund balances, October 1	<u>18,592,365</u>	<u>18,592,365</u>	<u>18,592,365</u>	<u>-</u>
Fund balances, September 30	<u>\$ 17,588,915</u>	<u>\$ 22,765,015</u>	<u>\$ 16,654,577</u>	<u>\$ (6,110,438)</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 161,650	\$ 138,600	\$ 117,786	\$ (20,814)
Interest income	1,750	1,500	1,453	(47)
Total revenues	<u>163,400</u>	<u>140,100</u>	<u>119,239</u>	<u>(20,861)</u>
Expenditures:				
Current:				
Administration	163,400	138,600	116,207	22,393
Total expenditures	<u>163,400</u>	<u>138,600</u>	<u>116,207</u>	<u>22,393</u>
Net change in fund balances	-	1,500	3,032	1,532
Fund balances, October 1	<u>47,299</u>	<u>47,299</u>	<u>47,299</u>	-
Fund balances, September 30	<u>\$ 47,299</u>	<u>\$ 48,799</u>	<u>\$ 50,331</u>	<u>\$ 1,532</u>

***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS***

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Governmental funds capital assets:		
Land	\$ 5,692,561	\$ 4,713,559
Buildings	10,554,952	10,551,596
Improvements other than buildings	24,074,474	20,746,458
Machinery and equipment	4,105,582	4,027,716
Vehicles	5,181,714	5,089,412
Furniture and fixtures	2,128,578	2,114,894
Infrastructure	112,332,202	99,176,740
Construction in progress	<u>44,835,698</u>	<u>24,182,223</u>
Total governmental funds capital assets	<u>\$ 208,905,761</u>	<u>\$ 170,602,598</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 96,921,882	\$ 65,211,300
General government	40,155,136	39,488,381
Grants and entitlements	2,141,475	2,135,112
Developer contributions	<u>69,687,268</u>	<u>63,767,805</u>
Total investments in governmental funds capital assets	<u>\$ 208,905,761</u>	<u>\$ 170,602,598</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2008

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>
General government	\$ 2,900,172	\$ 3,794,472	\$ 2,893,982
Public works	273,803	324,434	-
Public safety	825,188	2,118,795	12,802
Recreation/development	1,693,398	2,272,730	21,167,690
Fire equipment	<u>-</u>	<u>2,044,521</u>	<u>-</u>
Total governmental funds capital asset	<u>\$ 5,692,561</u>	<u>\$ 10,554,952</u>	<u>\$ 24,074,474</u>

<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 917,055	\$ 331,618	\$ 1,597,182	\$ -	\$ 44,835,698	\$ 57,270,179
645,541	587,466	15,370	112,332,202	-	114,178,816
540,334	1,346,902	411,860	-	-	5,255,881
905,926	331,012	29,073	-	-	26,399,829
<u>1,096,726</u>	<u>2,584,716</u>	<u>75,093</u>	<u>-</u>	<u>-</u>	<u>5,801,056</u>
<u>\$ 4,105,582</u>	<u>\$ 5,181,714</u>	<u>\$ 2,128,578</u>	<u>\$ 112,332,202</u>	<u>\$ 44,835,698</u>	<u>\$ 208,905,761</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>Function and Activity</u>	<u>Balance 10/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/08</u>
General government	\$ 35,743,642	\$ 32,835,996	\$ (778,452)	\$ (10,531,007)	\$ 57,270,179
Public works	100,859,900	6,027,070	122,710	7,169,136	114,178,816
Public safety	4,582,091	346,748	(416,434)	743,476	5,255,881
Recreation/development	23,658,508	142,359	(19,433)	2,618,395	26,399,829
Fire equipment	<u>5,758,457</u>	<u>42,599</u>	<u>-</u>	<u>-</u>	<u>5,801,056</u>
Total governmental funds capital assets	<u>\$ 170,602,598</u>	<u>\$ 39,394,772</u>	<u>\$ (1,091,609)</u>	<u>\$ -</u>	<u>\$ 208,905,761</u>

*STATISTICAL SECTION*

## STATISTICAL SECTION

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	102-111
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	112-117
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	118-122
<u>Demographic and Economic Information</u> - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	123-124
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	125-128

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ROCKWALL, TEXAS  
NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 1

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Governmental activities										
Invested in capital assets, net of related debt	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444	\$ -	\$ -	\$ -	\$ -
Restricted	14,222,187	23,258,947	37,748,076	17,051,680	5,897,961	8,354,614	-	-	-	-
Unrestricted	13,643,810	13,386,297	11,683,150	11,850,426	10,242,495	9,975,317	-	-	-	-
Total governmental activities net assets	\$ 91,412,270	\$ 86,132,544	\$ 83,451,860	\$ 70,248,286	\$ 63,835,499	\$ 61,450,375	\$ -	\$ -	\$ -	\$ -
Business-type activities										
Invested in capital assets, net of related debt	\$ 48,127,382	\$ 47,893,027	\$ 41,923,596	\$ 37,368,956	\$ 38,406,139	\$ 32,724,578	\$ -	\$ -	\$ -	\$ -
Restricted	17,888,236	14,620,878	18,060,049	18,350,884	11,698,161	15,635,741	-	-	-	-
Unrestricted	5,283,929	5,463,619	7,081,727	7,475,827	9,457,896	3,746,526	-	-	-	-
Total business-type activities net assets	\$ 71,299,547	\$ 67,977,524	\$ 67,065,372	\$ 63,195,667	\$ 59,562,196	\$ 52,106,845	\$ -	\$ -	\$ -	\$ -
Primary government										
Invested in capital assets, net of related debt	\$ 111,673,655	\$ 97,380,327	\$ 75,944,230	\$ 78,715,136	\$ 86,101,182	\$ 75,845,022	\$ -	\$ -	\$ -	\$ -
Restricted	32,110,423	37,879,825	55,808,125	35,402,564	17,596,122	23,990,355	-	-	-	-
Unrestricted	18,927,739	18,849,916	18,764,877	19,326,253	19,700,391	13,721,843	-	-	-	-
Total primary government net assets	\$ 162,711,817	\$ 154,110,068	\$ 150,517,232	\$ 133,443,953	\$ 123,397,695	\$ 113,557,220	\$ -	\$ -	\$ -	\$ -

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 CHANGES IN NET ASSETS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 2

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Expenses</b>										
<b>Governmental activities:</b>										
Mayor/Council	\$ 117,366	\$ 111,555	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378	\$ -	\$ -	\$ -	\$ -
Administration	7,384,773	5,523,924	6,040,692	4,908,083	5,757,527	3,583,719	-	-	-	-
Finance	1,338,894	1,138,210	1,027,654	954,840	877,537	760,436	-	-	-	-
Municipal Court	312,601	298,383	304,492	295,379	254,210	236,201	-	-	-	-
Police	7,130,698	7,001,771	6,095,435	6,372,344	6,862,707	5,446,279	-	-	-	-
Fire	2,242,829	2,207,468	1,889,269	1,144,577	1,530,503	966,400	-	-	-	-
Public Works	7,094,068	6,928,067	5,530,219	4,753,190	6,155,726	3,961,797	-	-	-	-
Community Development	2,229,753	2,018,363	1,781,548	1,680,857	1,493,249	442,470	-	-	-	-
Parks and Recreation	4,025,927	3,088,750	2,583,547	2,329,095	2,323,558	1,487,036	-	-	-	-
Interest on long-term debt	4,418,519	3,612,523	2,179,950	1,136,584	1,277,825	1,244,127	-	-	-	-
<b>Total governmental activities expenses</b>	<b>36,295,428</b>	<b>31,929,014</b>	<b>27,541,172</b>	<b>23,653,063</b>	<b>26,607,258</b>	<b>18,186,843</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>										
Water and Sewer	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878	-	-	-	-
<b>Total business-type activities expenses</b>	<b>12,206,742</b>	<b>10,917,707</b>	<b>10,253,226</b>	<b>8,777,277</b>	<b>7,061,272</b>	<b>6,436,878</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government expenses</b>	<b>\$ 48,502,170</b>	<b>\$ 42,846,721</b>	<b>\$ 37,794,398</b>	<b>\$ 32,430,340</b>	<b>\$ 33,668,530</b>	<b>\$ 24,623,721</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:							\$ -	\$ -	\$ -	\$ -
Community Development	1,072,444	1,118,001	1,318,516	1,687,141	1,680,531	1,487,000	-	-	-	-
Municipal Court	974,973	989,677	883,228	917,610	928,470	730,753	-	-	-	-
Police	658,015	415,637	649,261	720,395	402,980	221,076	-	-	-	-
Other	1,252,838	1,275,491	1,771,297	1,012,518	894,130	492,282	-	-	-	-
Operating grants & contributions	151,741	1,059,602	783,317	894,114	1,424,824	772,911	-	-	-	-
Capital grants & contributions	6,620,540	3,193,554	11,804,857	5,893,301	6,624,160	181,426	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>10,730,551</b>	<b>8,051,962</b>	<b>17,210,476</b>	<b>11,125,079</b>	<b>11,955,095</b>	<b>3,885,448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN NET ASSETS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 2

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Business-type activities:</b>										
Charges for services:										
Water Sales	6,060,043	4,815,631	6,547,846	5,379,382	4,474,069	4,530,970	-	-	-	-
Sewer Charges	2,409,614	2,338,820	2,355,821	2,046,425	1,922,989	1,809,478	-	-	-	-
Other	1,797,390	1,616,873	2,164,135	2,072,748	1,890,686	1,797,588	-	-	-	-
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	5,616,869	2,808,528	4,319,065	3,411,639	6,576,943	2,906,811	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>15,883,916</b>	<b>11,579,852</b>	<b>15,386,867</b>	<b>12,910,194</b>	<b>14,864,687</b>	<b>11,044,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government program revenues</b>	<b>\$ 26,614,467</b>	<b>\$ 19,631,814</b>	<b>\$ 32,597,343</b>	<b>\$ 24,035,273</b>	<b>\$ 26,819,782</b>	<b>\$ 14,930,295</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(25,564,877)	(23,877,052)	(10,330,696)	(12,527,984)	(14,652,163)	(14,301,395)	-	-	-	-
Business-type activities	3,677,174	662,145	5,133,641	4,132,917	7,803,415	4,607,969	-	-	-	-
<b>Total primary government net expense</b>	<b>(21,887,703)</b>	<b>(23,214,907)</b>	<b>(5,197,055)</b>	<b>(8,395,067)</b>	<b>(6,848,748)</b>	<b>(9,693,426)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	\$ 14,780,112	\$ 11,827,931	\$ 9,063,530	\$ 8,111,715	\$ 7,265,947	\$ 6,717,883	\$ -	\$ -	\$ -	\$ -
Sales taxes	10,123,636	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	-	-	-	-
Other	4,625,450	4,477,541	3,566,689	2,442,815	2,167,786	1,843,906	-	-	-	-
Transfers	1,315,405	1,350,335	2,375,000	1,006,400	867,500	1,337,963	-	-	-	-
<b>Total governmental activities</b>	<b>30,844,603</b>	<b>26,557,736</b>	<b>23,534,270</b>	<b>18,940,771</b>	<b>17,037,287</b>	<b>16,176,968</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business-type activities:										
Other	960,254	1,600,342	1,111,064	506,954	519,436	345,017	-	-	-	-
Transfers	(1,315,405)	(1,350,335)	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)	-	-	-	-
<b>Total business-type activities</b>	<b>(355,151)</b>	<b>250,007</b>	<b>(1,263,936)</b>	<b>(499,446)</b>	<b>(348,064)</b>	<b>(992,946)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 30,489,452</b>	<b>\$ 26,807,743</b>	<b>\$ 22,270,334</b>	<b>\$ 18,441,325</b>	<b>\$ 16,689,223</b>	<b>\$ 15,184,022</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets</b>										
Governmental activities	\$ 5,279,726	\$ 2,680,684	\$ 13,203,574	\$ 6,412,787	\$ 2,385,124	\$ 1,875,573	\$ -	\$ -	\$ -	\$ -
Business-type activities	3,322,023	912,152	3,869,705	3,633,471	7,455,351	3,615,023	-	-	-	-
<b>Total primary government</b>	<b>\$ 8,601,749</b>	<b>\$ 3,592,836</b>	<b>\$ 17,073,279</b>	<b>\$ 10,046,258</b>	<b>\$ 9,840,475</b>	<b>\$ 5,490,596</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1999	-	-	-	-
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	6,717,883	6,277,216	1,567,874	14,562,973
2004	7,265,947	6,736,054	1,776,406	15,778,407
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE 4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
1999	3,252,453	1,260,397	4,512,850
2000	3,612,008	1,379,684	4,991,692
2001	3,835,507	1,601,062	5,436,569
2002	3,913,496	1,770,522	5,684,018
2003	4,530,970	1,809,478	6,340,448
2004	4,474,069	1,922,989	6,397,058
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657

CITY OF ROCKWALL, TEXAS  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 5

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	\$ 2,446	\$ 1,407	\$ 26,130	\$ 26,980	\$ 16,104	\$ 7,500	\$ 6,862	\$ 16,414	\$ 11,663	\$ 12,614
Unreserved	8,264,368	8,335,289	7,692,662	7,301,334	6,860,155	7,235,979	7,579,095	6,436,530	6,770,275	4,826,291
Total general fund	<u>\$ 8,266,814</u>	<u>\$ 8,336,696</u>	<u>\$ 7,718,792</u>	<u>\$ 7,328,314</u>	<u>\$ 6,876,259</u>	<u>\$ 7,243,479</u>	<u>\$ 7,585,957</u>	<u>\$ 6,452,944</u>	<u>\$ 6,781,938</u>	<u>\$ 4,838,905</u>
All other governmental funds										
Reserved for:										
Debt Service	\$ 835,203	\$ 1,083,320	\$ 1,461,294	\$ 1,155,897	\$ 694,758	\$ 683,650	\$ 551,753	\$ 509,255	\$ 386,149	\$ 284,139
Unreserved, reported in:										
Special revenue funds	3,145,275	2,797,330	2,422,376	2,046,410	1,358,357	926,507	671,382	1,171,009	5,120,309	6,534,173
Capital projects funds	13,094,614	21,877,706	36,529,256	16,113,095	5,271,300	7,540,907	9,031,865	13,065,344	16,135,737	8,235,081
Total all other governmental funds	<u>\$ 17,075,092</u>	<u>\$ 25,758,356</u>	<u>\$ 40,412,926</u>	<u>\$ 19,315,402</u>	<u>\$ 7,324,415</u>	<u>\$ 9,151,064</u>	<u>\$ 10,255,000</u>	<u>\$ 14,745,608</u>	<u>\$ 21,642,195</u>	<u>\$ 15,053,393</u>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 6

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166	\$ 5,722,744	\$ 5,032,885	\$ 4,072,641	\$ 3,450,302
Sales taxes	10,123,637	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	6,228,716	6,109,463	7,726,450	6,031,372
Franchise taxes	2,179,847	2,046,674	1,981,016	1,715,242	1,702,156	1,548,499	1,506,971	1,278,671	1,034,660	1,002,559
Charges for services	362,107	417,049	426,996	268,125	266,450	263,349	159,451	135,417	108,441	89,450
Permits	1,122,505	1,132,985	1,325,832	1,718,218	1,709,832	1,521,019	1,467,736	618,405	570,932	515,688
Municipal court	1,177,410	1,019,260	987,066	906,634	937,164	734,500	584,171	509,645	472,921	504,015
Intergovernmental	419,700	1,097,790	1,011,739	3,182,350	1,772,811	1,100,961	1,452,565	1,155,484	1,891,965	872,468
Interest income	1,702,870	2,012,244	1,149,204	304,644	143,269	312,700	598,483	1,002,624	1,569,214	756,313
Miscellaneous	837,707	716,896	1,060,866	1,080,366	755,733	422,427	375,753	297,490	584,386	1,874,540
Contributions and donations	775,695	2,241,586	6,251,435	163,635	252,037	56,463	35,112	60,539	244,594	465,487
<b>Total Revenues</b>	<b>33,409,620</b>	<b>31,407,407</b>	<b>31,703,153</b>	<b>24,859,180</b>	<b>21,545,914</b>	<b>18,915,300</b>	<b>18,131,702</b>	<b>16,200,623</b>	<b>18,276,204</b>	<b>15,562,194</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	117,366	111,555	108,366	78,114	74,416	58,377	68,480	38,068	31,148	30,590
Administration	3,056,885	2,750,197	2,910,478	2,708,948	2,324,516	3,024,304	2,421,992	1,880,816	1,348,888	1,457,683
Finance	1,199,417	1,138,238	1,025,230	952,808	837,800	756,688	707,823	615,694	515,463	347,570
Municipal court	311,706	300,186	303,131	291,348	249,839	234,832	189,088	187,687	163,977	142,452
Police	6,923,679	6,426,957	6,235,463	6,070,311	6,083,676	5,171,682	5,024,188	4,261,907	3,770,329	3,227,329
Fire	1,451,970	1,340,624	1,242,836	1,075,427	950,622	757,447	373,099	336,556	267,251	254,931
Public works	2,824,267	2,427,535	2,411,324	2,050,077	2,005,360	1,781,760	1,648,599	1,393,969	1,278,762	1,337,413
Community development	2,219,167	2,002,767	1,783,961	1,682,480	1,477,483	440,481	302,156	391,843	954,429	776,061
Parks and recreation	2,907,229	2,473,238	2,318,135	1,826,608	1,758,180	1,369,986	1,322,614	1,030,236	862,235	659,184
<b>Total current</b>	<b>21,011,686</b>	<b>18,971,297</b>	<b>18,338,924</b>	<b>16,736,121</b>	<b>15,761,892</b>	<b>13,595,557</b>	<b>12,058,039</b>	<b>10,136,776</b>	<b>9,192,482</b>	<b>8,233,213</b>
<b>Capital outlay:</b>										
Administration	2,373,369	4,028,933	1,580,706	602,847	623,526	1,843,858	8,767,869	3,101,580	4,596,796	7,195,832
Finance	137,035	-	-	-	36,746	141,102	104,138	66,898	88,238	230,327
Municipal Court	-	-	-	-	3,958	13,152	-	-	11,705	3,256
Police	74,899	225,992	285,150	1,850,771	978,179	372,661	370,552	298,869	880,517	76,666
Fire	727,795	1,578,623	835,685	711,166	525,888	172,970	542,049	1,322,965	750,226	1,025,551
Public works	29,051,639	10,609,516	25,733,888	9,756,038	1,667,682	1,198,999	892,865	1,306,605	108,831	272,955
Community development	-	2,105	-	519	668	1,123	-	97,479	60,738	36,216
Parks and recreation	1,742,004	2,397,348	1,477,499	757,360	600,049	443,049	199,661	646,525	239,448	42,216
<b>Total capital outlay</b>	<b>34,106,741</b>	<b>18,842,517</b>	<b>29,912,928</b>	<b>13,678,701</b>	<b>4,436,696</b>	<b>4,186,914</b>	<b>10,877,134</b>	<b>6,840,921</b>	<b>6,736,499</b>	<b>8,883,019</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 6

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Debt service:										
Principal	4,335,462	3,726,505	2,620,235	1,801,369	2,831,984	1,623,841	1,590,000	1,196,321	780,188	799,572
Interest	4,254,162	3,607,455	1,748,001	977,878	1,032,504	1,229,093	1,198,065	1,305,721	1,438,232	407,390
Bond issuance costs	468,837	9,500	500,889	429,728	99,311	-	50,879	-	-	-
Fiscal charges	6,384	6,484	6,020	5,063	7,403	9,272	14,580	10,380	6,968	8,026
Total debt services	9,064,845	7,349,944	4,875,145	3,214,038	3,971,202	2,862,206	2,853,524	2,512,422	2,225,388	1,214,988
Total expenditures	64,183,272	45,163,758	53,126,997	33,628,860	24,169,790	20,644,677	25,788,697	19,490,119	18,154,369	18,331,220
Excess (deficiency) of revenues over (under) expenditures	(30,773,652)	(13,756,351)	(21,423,844)	(8,769,680)	(2,623,876)	(1,729,377)	(7,656,995)	(3,289,496)	121,835	(2,769,026)
<b>Other financing sources (uses):</b>										
Transfers in	1,975,436	2,585,804	4,305,332	2,959,535	2,429,909	4,445,973	4,976,111	2,942,643	2,815,824	1,180,243
Sale of capital assets	-	-	-	-	-	-	-	-	-	42,031
Transfers out	(2,715,031)	(2,866,119)	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)	(4,971,711)	(2,996,182)	(3,055,824)	(1,424,986)
Bonds issued	22,270,000	-	41,045,000	21,200,000	-	-	4,295,000	-	8,650,000	13,421,011
Refunding bonds issued	-	-	-	6,095,000	4,067,415	-	-	-	-	-
Accrued interest on bonds issued	-	-	176,020	129,913	-	-	-	-	-	-
Premium on bonds issued	490,101	-	864,326	271,518	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(6,027,109)	(3,120,178)	-	-	-	-	-
Total other financing sources (uses)	22,020,506	(280,315)	42,911,846	21,212,722	564,737	282,963	4,299,400	(53,539)	8,410,000	13,218,299
Net change in fund balances	(8,753,146)	(14,036,666)	21,488,002	12,443,042	(2,059,139)	(1,446,414)	(3,357,595)	(3,343,035)	8,531,835	10,449,273
Debt service as a percentage of noncapital expenditures	30.1%	27.9%	21.0%	16.1%	20.1%	17.4%	19.1%	19.9%	19.5%	12.9%

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1999	3,450,302	6,031,372	1,002,559	10,484,233
2000	4,072,641	7,726,450	1,034,660	12,833,751
2001	5,032,885	6,109,463	1,278,671	12,421,019
2002	5,722,744	6,228,716	1,506,971	13,458,431
2003	6,678,166	6,277,216	1,548,499	14,503,881
2004	7,270,408	6,736,054	1,702,156	15,708,618
2005	8,140,125	7,379,841	1,715,242	17,235,208
2006	8,979,948	8,529,051	1,981,016	19,490,015
2007	11,820,994	8,901,929	2,046,674	22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 8

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
1999	4,548,948	133.67%	0.48
2000	5,834,244	143.91%	0.52
2001	6,109,463	124.62%	0.45
2002	6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.73%	0.35
2008	10,123,637	70.44%	0.36

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 9

Fiscal Year	Tax Year	Estimated Market Value				Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal				
1999	1998	601,976,181	252,746,017	144,053,947	53,803,586	944,972,559	0.3600	
2000	1999	713,080,370	313,108,302	161,240,698	65,713,842	1,121,715,528	0.3600	
2001	2000	879,924,785	370,271,592	201,150,402	86,564,864	1,364,781,915	0.3600	
2002	2001	1,005,596,905	434,430,607	231,005,372	92,155,332	1,578,877,552	0.3600	
2003	2002	1,180,867,660	484,847,529	271,117,946	99,943,555	1,836,889,580	0.3600	
2004	2003	1,371,585,380	487,360,218	258,028,313	130,750,657	1,986,223,254	0.3600	
2005	2004	1,573,206,290	525,794,698	284,849,415	154,608,703	2,229,241,700	0.3600	
2006	2005	1,736,808,885	567,435,458	286,808,498	163,343,787	2,427,709,054	0.3689	
2007	2006	1,943,727,690	921,234,223	261,957,560	551,589,203	2,575,330,270	0.4250	
2008	2007	2,405,432,149	709,899,929	289,545,141	602,975,668	2,801,901,551	0.4865	

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
1999	24,255,378	733,000	29,972,670	6,844,740	57,091
2000	27,511,159	759,504	34,508,640	7,041,464	26,250
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	-
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093
2007	96,624,100	1,537,004	61,259,470	16,146,371	328,999
2008	104,805,677	1,658,500	66,881,780	13,651,705	248,013

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 11

<u>Fiscal Year</u>	<u>City of Rockwall</u>			<u>Overlapping Rates</u>	
	<u>M&amp;O</u>	<u>Debt</u>	<u>Total</u>	<u>School</u>	<u>County</u>
1999	0.2179	0.1421	0.3600	1.4900	0.3202
2000	0.1898	0.1702	0.3600	1.5780	0.3536
2001	0.1748	0.1852	0.3600	1.8400	0.3534
2002	0.1826	0.1774	0.3600	1.8372	0.3534
2003	0.1982	0.1618	0.3600	1.8800	0.3534
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.425	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE 12

Taxpayer	2008			1999		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Continental Pet Technology	41,777,077	1	1.49%	16,449,332	1	1.74%
Mariah Bay Development, Inc	28,471,080	2	1.02%	-	-	-
SPM/WRI Rockwall, L.P.	25,330,780	3	0.90%	-	-	-
Wal-mart	22,832,410	4	0.81%	16,213,341	2	1.72%
TXU Electric Delivery Service (formerly T	21,812,500	5	0.78%	9,245,930	6	0.98%
Rockwall Crossing LTD	21,340,740	6	0.76%	-	-	-
Texas Star Express	18,290,840	7	0.65%	-	-	-
Rockwall Commons SPE II LLC	17,731,400	8	0.63%	-	-	-
EZ Flo Eastman	16,559,610	9	0.59%	-	-	-
Mission NE Dallas 1 LLC Etal	16,311,540	10	0.58%	-	-	-
Lowes Home Centers, Inc.	-	-	-	13,882,843	3	1.47%
The Home Depot	-	-	-	13,322,399	4	1.41%
Rockwall/ S-30 Ltd.	-	-	-	13,051,810	5	1.38%
Steger Towne Crossing, LP	-	-	-	9,186,300	7	0.97%
Bent Tree Realty Co.	-	-	-	8,660,090	8	0.92%
Dayton Hudson	-	-	-	8,560,107	9	0.91%
Precision Cable Mfg. Co.	-	-	-	8,390,230	10	0.89%
Subtotal	<u>230,457,977</u>		<u>8.23%</u>	<u>116,962,382</u>		<u>12.38%</u>
Total Taxable Value	<u>2,801,901,551</u>		<u>100.00%</u>	<u>944,972,559</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District

Note: For tax years 2007 and 1998

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 13

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Total Current Year Collections</b>	<b>Percent of Levy Collected During Fiscal Period</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Tax Levy</b>
1999	1998	3,403,144	3,314,812	3,314,812	97.40%	90,041	3,404,853	100.05%
2000	1999	4,054,089	3,937,051	3,937,051	97.11%	90,041	4,027,092	99.33%
2001	2000	4,915,155	4,864,930	4,864,930	98.98%	110,627	4,975,557	101.23%
2002	2001	5,696,005	5,605,385	5,605,385	98.41%	55,841	5,661,226	99.39%
2003	2002	6,619,325	6,487,602	6,487,602	98.01%	77,090	6,564,692	99.17%
2004	2003	7,194,520	7,145,433	7,145,433	99.32%	176,253	7,321,686	101.77%
2005	2004	8,063,888	8,021,945	8,021,945	99.48%	141,227	8,163,172	101.23%
2006	2005	8,984,907	8,921,613	8,921,613	99.30%	114,598	9,036,211	100.57%
2007	2006	11,602,218	11,433,285	11,433,285	98.54%	112,247	11,545,532	99.51%
2008	2007	14,371,045	14,173,725	14,173,725	98.63%	139,450	14,313,175	99.60%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE 14

Customer	2008			1999		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	62,060,900	1	2.11%	-	-	-
Rockwall I.S.D.	41,117,900	2	1.40%	31,997,400	1	2.91%
Mission Rockwall	15,557,700	3	0.53%	13,330,522	5	1.21%
Whittle Development	15,496,000	4	0.53%	-	-	-
D.W.C./Highlife Properties	15,288,400	5	0.52%	13,669,500	4	1.24%
Walden Residential Properties	12,910,900	6	0.44%	16,642,300	3	1.52%
Lake Pointe Church	11,208,600	7	0.38%	-	-	-
Rockwall Crossing, Ltd.	11,179,900	8	0.38%	-	-	-
Continental Can	8,960,400	9	0.30%	9,465,300	7	0.86%
The Woodmont Company	7,930,000	10	0.27%	-	-	-
Lone Star Circuits	-	-	-	19,366,900	2	1.76%
Sabre Realty	-	-	-	11,611,500	6	1.06%
Rockwall Nursing Home	-	-	-	8,836,700	8	0.80%
Bent Creek Condos, HOA	-	-	-	8,667,700	9	0.79%
J&L Plating	-	-	-	8,628,400	10	0.79%
Subtotal	<u>201,710,700</u>		<u>6.86%</u>	<u>142,216,222</u>		<u>12.95%</u>
Total Water Usage	<u>2,939,263,892</u>		<u>100.00%</u>	<u>1,098,358,000</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 15

Fiscal Year	Governmental Activities			Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Sewer Revenue Bonds	Capitalized Lease Obligations			
1999	13,094,712	-	1,990,449	715,288	-	189,551	5,114,141	3,485,000	24,589,141	4.67%	1,527
2000	14,809,306	6,500,000	1,725,245	610,694	-	119,755	4,815,936	3,185,000	31,765,936	5.69%	1,863
2001	14,088,900	6,375,000	1,374,329	506,100	-	60,644	4,563,753	2,840,000	29,808,726	5.53%	1,574
2002	13,295,364	10,485,000	945,000	384,636	-	-	10,991,569	2,505,000	38,606,569	6.54%	1,841
2003	12,521,523	9,890,000	690,000	288,477	-	-	10,555,000	2,150,000	36,095,000	5.60%	1,580
2004	11,918,933	9,075,000	420,000	271,067	-	-	10,035,000	1,780,000	33,500,000	4.07%	1,329
2005	22,992,564	17,940,000	345,000	247,436	-	-	14,910,000	1,385,000	57,820,000	6.22%	2,080
2006	57,632,329	21,825,000	315,000	212,671	-	-	14,145,000	1,145,000	95,275,000	9.57%	3,155
2007	55,720,824	20,045,000	280,000	184,176	-	-	13,360,000	5,040,094	94,630,094	8.87%	3,013
2008	74,925,362	18,810,000	245,000	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	11.18%	3,824

Note: See Table 19 for personal income and population data

CITY OF ROCKWALL, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 16

Fiscal Year	Governmental Activities			Gross Bonded Debt	Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations					
1999	13,094,712	-	1,990,449	15,085,161	284,139	14,801,022	1.56%	919
2000	14,809,306	6,500,000	1,725,245	23,034,551	386,149	22,648,402	2.01%	1,328
2001	14,088,900	6,375,000	1,374,329	21,838,229	509,255	21,328,974	1.58%	1,126
2002	13,295,364	10,485,000	945,000	24,725,364	551,753	24,173,611	1.52%	1,153
2003	12,521,523	9,890,000	690,000	23,101,523	683,650	22,417,873	1.21%	981
2004	11,918,933	9,075,000	420,000	21,413,933	694,758	20,719,175	1.04%	822
2005	22,992,564	17,940,000	345,000	41,277,564	1,014,713	40,262,851	1.80%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,461,294	78,311,035	3.22%	2,593
2007	55,720,824	20,045,000	280,000	76,045,824	1,083,320	74,962,504	2.91%	2,387
2008	74,925,362	18,810,000	245,000	93,980,362	835,203	93,145,159	3.32%	2,934

Note: See Table 19 for population data and Table 8 for property value data

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2008  
 (unaudited)

TABLE 17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 104,070,000	100.00%	\$ 104,070,000
Indirect:			
Rockwall Independent School District	358,838,101	57.39%	205,937,186
Rockwall County	20,045,000	48.48%	9,717,816
Total Indirect	378,883,101		215,655,002
Total Direct and Overlapping Bonded Debt	\$ 482,953,101		\$ 319,725,002
Average debt per capita			\$ 10,071

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.4865	0.425	0.3689	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600
Legal Debt Margin	2.0135	2.0750	2.1311	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			
				Principal	Interest	Total	Coverage
1999	7,114,040	2,787,236	4,326,804	280,000	205,017	485,017	8.92
2000	9,225,111	3,068,964	6,156,147	255,000	242,228	497,228	12.38
2001	10,253,437	3,773,301	6,480,136	260,000	227,663	487,663	13.29
2002	7,785,753	4,159,459	3,626,294	280,000	213,638	493,638	7.35
2003	9,259,528	4,647,959	4,611,569	510,000	486,884	996,884	4.63
2004	10,081,442	5,194,575	4,886,867	520,000	476,108	996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE 20

**DEMOGRAPHICS**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income (1)</b>	<b>RISD School Enrollment (2)</b>	<b>Unemployment Rate (%) (3)</b>
1999	16,100	526,969	32,731	7,335	2.7
2000	17,050	558,064	32,731	8,435	3.0
2001	18,934	539,278	28,482	8,898	5.5
2002	20,967	590,473	28,162	9,617	7.1
2003	22,850	644,256	28,195	10,077	6.7
2004	25,200	822,453	32,637	10,527	5.1
2005	27,800	929,882	33,449	11,560	3.5
2006	30,200	995,574	32,966	12,627	3.4
2007	31,407	1,066,362	33,953	13,086	3.9
2008	31,748	1,085,718	34,198	13,407	4.9

Source: (1) Rockwall Economic Development Corporation  
 (2) Rockwall Independent School District - private schools not included  
 (3) Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE 21

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,667	1	9.39%	750	1	7.84%
Texas Star Express	484	2	2.73%	175	5	1.83%
Wal-Mart Superstore	450	3	2.54%	450	2	4.71%
Rockwall County	253	4	1.43%	-	-	-
City of Rockwall	243	5	1.37%	-	-	-
Special Products	205	6	1.16%	-	-	-
Target	200	7	1.13%	170	6	1.78%
Rockwall Nursing Home	160	8	0.90%	-	-	-
Kohl's Department Store	140	9	0.79%	-	-	-
Home Depot	130	10	0.73%	-	-	-
Precision Cable	-	-	-	200	3	2.09%
James Helwig & Son	-	-	-	180	4	1.88%
Kroger Food	-	-	-	159	7	1.66%
Albertsons	-	-	-	120	8	1.25%
Lowe's	-	-	-	110	9	1.15%
Continental Pet	-	-	-	100	10	1.05%
Subtotal	<u>3,932</u>		<u>22.16%</u>	<u>2,414</u>		<u>25.24%</u>
Total	<u><u>17,746</u></u>		<u><u>100.00%</u></u>	<u><u>9,564</u></u>		<u><u>100.00%</u></u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 22

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Administration	22	22	21	21	21	23	19	13	12	11
Finance	8	8	8	7.5	6.5	4.5	4.5	5	5	5
Municipal Court	4	4	4	4	3	3	3	3	3	3
Fire	10	10	9	9	8	5	4	3	2	2
Police	88	85	80	72	70	68	63	57	53	47
Community Development	29.5	29.5	28.5	25.5	22	21	19	14	15	13
Parks & Recreation	24.5	24.5	25	24	21	21	22	18	16	16
Public Works	23	23	23	21	21	21	20	19	19.5	19.5
Water/Sewer	34	31	29	26	25	23	22	21	20	19
<b>Total</b>	<b>243.00</b>	<b>237.00</b>	<b>227.50</b>	<b>210.00</b>	<b>197.50</b>	<b>189.50</b>	<b>176.50</b>	<b>153.00</b>	<b>145.50</b>	<b>135.50</b>

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 23

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Finance										
Invoices processed	16,696	16,015	15,883	14,919	14,246	14,430	n/a	n/a	n/a	n/a
Payroll checks issued	7,765	7,840	7,042	6,579	6,543	5,882	4,983	4,277	4,196	n/a
Purchase orders issued	2,363	2,553	2,468	2,561	2,420	2,338	n/a	n/a	n/a	n/a
Municipal Court										
Violations Processed	12,984	17,455	16,635	15,225	13,913	15,000	9,364	8,010	7,173	6,930
Fire										
Employees (paid)	9	9	9	9	8	4	3	2	1	1
Volunteers	42	37	40	39	36	38	38	36	37	38
Fire Calls (City and County)	860	777	718	772	623	560	474	460	425	382
Police										
Employees (uniformed)	69	66	61	55	51	49	42	37	36	33
Employees (civilian)	19	18	18	17	17	15	12	12	12	15
Calls for Service	29,097	27,158	21,121	17,915	16,066	14,699	14,717	13,924	14,633	n/a
Community Development										
# permits - New commercial construction	26	33	18	51	18	27	22	13	26	36
Value - New commercial construction	40,553,363	104,798,013	39,358,497	49,918,558	29,067,960	40,304,701	41,967,125	16,001,068	12,444,115	18,810,452
# permits - New residential construction	173	192	470	739	885	775	945	767	655	488
Value - New residential construction	31,962,169	40,174,623	82,305,725	123,215,423	135,501,919	117,512,216	144,002,845	119,521,248	94,343,746	72,960,161
Parks & Recreation										
The Center facility usage	76,530	69,988	75,757	71,118	58,060	38,821	2,713	n/a	n/a	n/a
Special event attendance	75,232	54,156	25,231	26,547	35,736	14,300	9,113	5,440	n/a	n/a
# recreation participants (youth & adult)	2,757	2,727	2,381	2,034	1,793	1,411	882	1,028	n/a	n/a

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 23

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Public Works										
Streets - sq yd concrete street repair	3,415.26	739.69	1,967.75	2,961.55	2,395.76	n/a	n/a	n/a	n/a	n/a
\$ spent on concrete/asphalt street repair	411,814	341,685	478,169	352,048	431,475	339,507	284,129	242,810	294,895	n/a
Miles of public street maintained by City	183.86	144.83	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69
Water/Sewer										
Water customers	12,285	12,345	11,985	11,491	10,497	9,440	8,827	7,875	7,035	6,615
Sewer customers	11,106	10,987	10,445	10,020	9,282	8,510	7,781	7,026	6,310	5,749
Average daily water consumption (gal)	8,052,778	6,701,619	5,991,288	5,023,404	4,327,595	4,209,473	3,019,976	3,937,395	3,874,655	3,009,200
Maximum storage capacity (gal)	9,500,000	7,500,000	7,500,000	7,500,000	7,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 24

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Fire										
Number of stations	2	2	2	2	2	2	2	1	1	1
Number of fire engines/trucks	11	11	9	8	8	8	8	8	8	7
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	42	42	37	30	26	22	n/a	n/a	n/a
Parks & Recreation										
Parks acres (developed)	538.00	341.50	324.60	307.30	287.70	283.20	n/a	n/a	n/a	n/a
Playgrounds	23	23	18	12	12	12	11	10	10	10
Picnic areas	31	29	27	26	26	25	12	5	5	5
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	24,508,043	4,885,417	1,689,445	2,477,496	165,359	116,368	1,670,734	377,153	n/a	n/a
\$ spent on street rehabilitation	4,219,701	2,492,251	6,575,541	2,352,112	583,947	397,026	967,878	1,503,738	n/a	n/a
Miles of public street	183.86	144.83	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69
Water/Sewer										
Water mains (miles)	250.40	160.06	155.37	146.32	139.93	128.49	120.93	105.35	96.43	86.62
Sanitary sewers (miles)	209.95	117.51	113.58	107.83	103.62	96.64	91.87	79.21	69.59	59.62

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, Director of Finance

**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2007**

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*INTRODUCTORY SECTION*



City of Rockwall  
*The New Horizon*

March 10, 2008

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2007, is hereby submitted. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Rockwall. Consequently, management assumes full responsibility for both the accuracy of the data, and the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities has been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company, CPA a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, County Seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 23.83 square miles and an estimated population of 31,407.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments have been adopted as recently as 2005. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

### **Local Economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. Rockwall enjoys a favorable economic environment and local indicators point to continued stability. In 2007 new commercial development starts were strong. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Property values continue to rise. The most recent five-year average is 8.97% per annum. The City's largest taxpayers include a number of commercial developments. Table 12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to assist companies looking to locate their business in the City. The year's highlights included:

- Completion by Whittle Development of Phase I of their Bella Harbor, lakefront development. Construction was completed on approximately 90,000 square feet of retail and restaurant space which began providing premier entertainment opportunities for the area. Progress continues on the full service Hilton Hotel and Convention Center at the development. The grand opening for these facilities is expected in Spring 2008.
- Office Depot and 24 Hour Fitness Center are the new tenants of the former Kroger Building, after the company moved to its new retail center.
- Belk's Department Store is completing construction in The Plaza development with their grand opening in October 2007.
- Best Buy and Dick's Sporting Goods are also under construction as tenants of The Plaza development and will open in time for holiday shopping. Staples, Ulta and JC Penney will follow shortly after the holidays.
- The Crossing phases I and II which broke ground in 2006 has added over 500,000 square feet of new retail space to enhance Rockwall's role as a regional shopping destination.
- Presbyterian Hospital of Rockwall will complete construction of their acute care facility in December 2007 and approximately 40,000 square feet of medical office space in the immediate area soon after.
- Downtown Rockwall are welcoming Tulum Bistro and the Rockwall Cake Factory to the business district and Smitty's Roadhouse near the Square. Candlelights and Lamposts Lady's Boutique and Men's Shop opened summer 2007.
- SPR Packaging, LLC is completing development of a major rail-served industrial location on the new Justin Road and Industrial Boulevard extensions. SPR is expected to build, phased-development in excess of 150,000 square feet, adding significant value to the property tax base. The Justin Road project was financed by the REDC and will enhance the area's potential for industrial development.

## Long-term Financial Planning

The City Council and staff have recognized the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

A number of long-range studies have been completed or updated recently. Our Parks consultant continues to develop plans for several future parks projects, while the City is moving forward with the acquisition of land for another regional park project. This land will allow the City to develop a 50-acre park in the southern area of the City. The City Council received the consultant's report on long range planning of space needs for the next 20 years.

The Planning and Zoning department hired a staff person to continue implementation of GIS technology in order to further expand the City's capabilities and coordination across departments. The City Council has identified the downtown area as a critical component of our long range plan. The City working with business and community leaders will continue the central business district planning effort. City staff completed an update of the Central Business District zoning in 2007. Staff is working with a Historic Preservationist to document the historic business buildings in the downtown area.

The City has studies underway to evaluate a roadway impact fee as well as updates to the water and sewer impact fees. A water and sewer rate study will be completed in 2008

The Rockwall Economic Development Corporation will further their planning efforts by finalizing their Destination 2020 plan in 2008. This comprehensive document will include demographics, target industries, marketing strategies, competition, site selection criteria, and alliances among its parameters.

Organizationally, the City began the process of refining its strategic plan using the Balanced Scorecard Methodology. When the strategy map was completed in 2003, the City's strategic initiatives for the implementation of the City's goals were formalized within the organization. Departmental business plans were developed and are updated as progress is made and priorities change. These business plans develop performance measures for the strategic initiatives for which each department is responsible. During 2006, the City began a process to implement the Customer Centered Culture methodology (C3) into the organization.

C3 encourages cross department teams to follow a proven course of data compilation and actions that allow the teams to develop product improvements. C3 recognizes that the services we provide are ultimately comprised of a number of products and those products need to be designed to meet our customer's needs, not what we perceive are their needs. Training was conducted with more than 40 employees to develop meeting facilitation skills in order to further this effort. Four project teams met regularly during 2007 to develop product improvements. Their efforts were used to build the framework by which the City moves forward integrating C3 organizationally.

In addition, the City refined its "Rockwall University" program to cover a broader range of training programs. Courses initially allowed employees to understand the workings of departments other than their own. The course offerings will also be used to complement the city's succession planning program. Mid level managers and first line supervisors are participating in workshops to develop their management skills and prepare our next generation of organization leaders. This group will continue to collaborate on projects to build cross department alliances and understanding of the resources available to our managers.

## Future Development

### Transportation

The City began the multi-phased design of the 205 Bypass roadway project approved by voters in late 2005. Right of Way acquisition is being completed and the phased road construction is underway. This roadway, on the eastern edge of the City is expected to provide traffic relief through the City's center and should be complete in December 2008. The Texas Department of Transportation began construction on the widening of SH205 (Goliad Street) through the City in 2007, a project which will take up to 4 years to complete. City projects under construction in 2008 will include the reconstruction of Fannin and Sam Houston streets as well as several drainage projects.

The City is a member of a County-wide Consortium which allows the County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, most of which involves partial or complete state participation.

### Medical Services

Recent developments in the Horizon Road area have focused on medical services. Several new medical buildings with Doctor's suites joined state of the art out-patient diagnostic imaging facilities in the past two years. With the opening of Presbyterian Hospital of Rockwall in 2008, acute care will now be available in the City. Ancillary medical office buildings and long term care facilities are planned for near term development. The medical corridor is expected to quickly develop into a regional medical destination.

### Retail / Entertainment

"The Harbor" public improvements, situated on the shores of Lake Ray Hubbard at I-30, were completed early in fiscal year 2007. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space. The largely undeveloped hillside will soon include a full-service Hilton Hotel and Conference Center. In addition, Phase II of Bella Harbor will shortly add more retail, restaurant and office space. The City and Chamber of Commerce are working to attract events to the Conference Center which will formally open in Spring 2008. The development has become a regional entertainment destination.

In conjunction with the private development, the City established a tax increment financing (TIF) zone in an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects.

Tenant finish out continues in the private development with Agave, El Patillo and Valore's restaurants opening late in 2007. They will be joined in 2008 by the Blue Canyon and Celebrity Bakery. Retail establishments entering the development will include Bath Junkie and Rocky Mountain Chocolate Factory.

## Recreation

The City completed construction on neighborhood parks in the Shores and Fox Chase subdivisions. Neighborhood parks in the Emerald Bay and Hickory Ridge subdivisions will be completed in 2008. Planning for the third major park commenced with a C3 project by the City to determine customer's desires for the park and its amenities. Planning will continue on the remaining regional parks projects. Trail development has long been a priority for the City and construction of trail connections will continue in 2008 with voter approved bond proceeds.

The City's popular Concert on the Lake series continues to draw thousands of residents and visitors each week. Founder's Day on the Downtown Square draws visitors to shop merchant's wares, see artist's exhibits, learn about city departments and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend.

## Facilities

Site selection is complete and the design of Fire Stations 3 and 4, approved by voters in 2005, will be completed early in 2008 with construction expected to start late in the year.

The Rockwall Animal Adoption Center will open in 2008, the culmination of many years of planning and funding efforts. The new facility will allow staff to care for animals until they are reunited with their family and provide opportunities for the public to find their new pet.

The Rockwall Police Department will begin training in their new Firearms Training Facility in 2008. A joint effort between the county and four area cities allows each entity to provide a training facility which should meet their department's needs for many years at a reasonable cost to the taxpayers. The joint project was the first capital improvement project financed by the Emergency Services Corporation, a local government corporation established by Rockwall County and its seven cities to promote regional cooperation on emergency services projects.

## Utilities

The water and sewer rates were last increased in 2006 by 4% to our retail and wholesale customers. A water and sewer rate study will be completed in 2008 and staff expects to be recommending additional rate increases. The City purchases treated water as a founding member city of the North Texas Municipal Water District. The City has begun construction on a new two-million gallon water tower in the northern area of the City as well as projects to increase capacity in the regional sewer interceptor system and is preparing to move forward with construction on the Squabble Creek sewer system. A number of main extension projects are being undertaken to provide water and sewer service to annexed areas of the City.

The City's water system was recognized with the Texas Commission on Environmental Quality's "Superior" rating in 2007.

Cash Management: The City invests cash temporarily idle during the year in money market funds and short-term notes of the U.S. Government and its agencies. Other cash classified as being not immediately needed is invested in longer-term obligations of the U.S. Government and its agencies. All of these investments are classified as "hold-to-maturity" investments. The City believes that it will not be required to sell these investments prior to maturity, barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the

City. The City has no reverse repos nor has any other form of borrowing been used to finance the City's portfolio.

The City's investment policy is to safeguard the City's assets and maintain liquidity while enhancing the yield of its portfolio and ensuring public trust. Securities owned by the City were held in a financial institution trust department acting as an agent of the City, in the City's name.

Risk Management: In fiscal year 1990, the City established a Self-Insurance and Risk Management Program. Under the terms of this program, the City is permitted by law and its home rule charter to insure itself against the various risks of liability and loss to which it is exposed. This may be done either through an insurance provider or through a defined self-insurance program. Other risks to which the City is exposed are covered by commercial insurance.

Retirement System: The City of Rockwall provides pension benefits to all full-time employees through a nontraditional, joint contributory defined benefit plan administered by the Texas Municipal Retirement System, an agent multiple-employer public retirement system. Pension expense for the calendar year ended December 31, 2007 (including prior service costs amortized over 25 years) was \$1,491,116. The City of Rockwall does not provide post employment health and dental benefits for retirees.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-07(net of Debt Service)	\$74,962,504
Estimated Population	31,407
G.O. Debt Per Capita	\$2,387
Net G.O. Debt per Assessed Value	2.91%

The City's bond ratings at September 30, 2007 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	A+	A-	A-
Moody's Investor Service Inc.	A1	A2	A3

**AWARDS AND ACKNOWLEDGEMENTS**

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last seventeen consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Julie Couch  
City Manager



Mary Smith, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



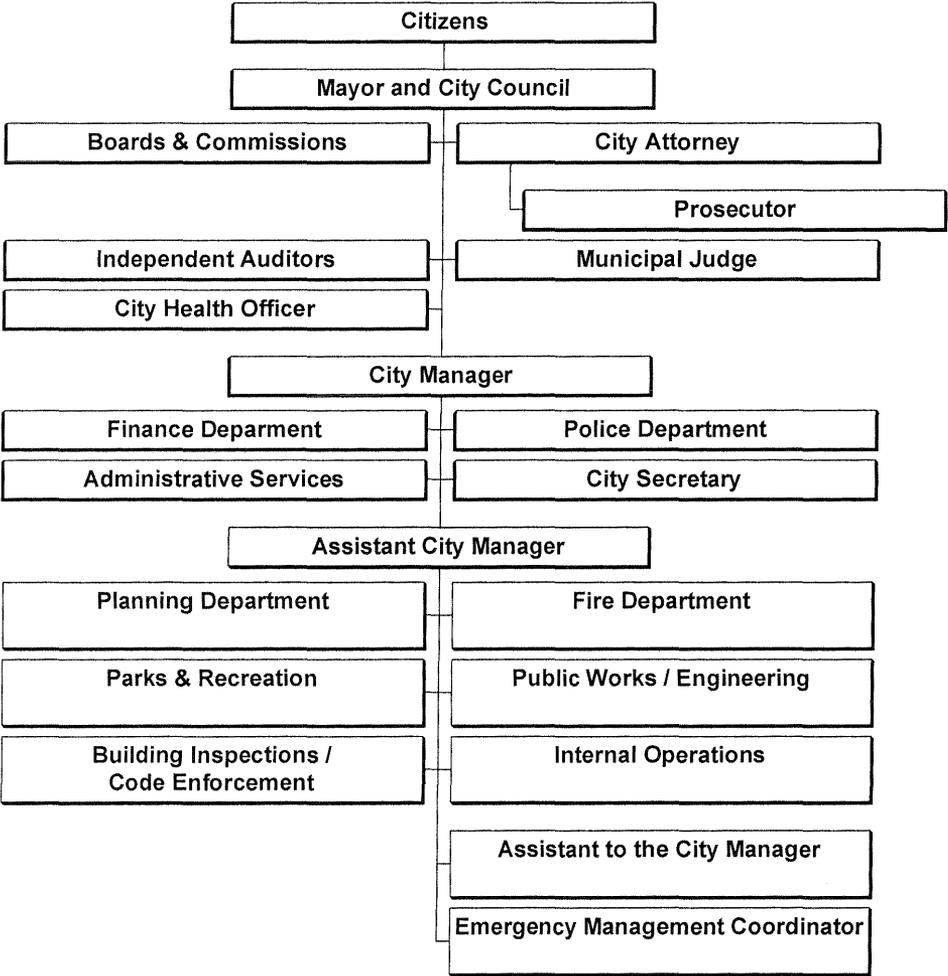
*Clare S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2007

**City Council**

Bill Cecil, Mayor  
Stephen Straughan, Mayor Pro-Tempore  
Glen Farris, Councilmember  
Margo Nielsen, Councilmember  
Matt Scott, Councilmember  
Cliff Sevier, Councilmember  
David Sweet, Councilmember

**City Staff**

Julie Couch, City Manager  
Rick Crowley, Assistant City Manager  
Mary Smith, Director of Finance  
Cheryl Dunlop, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Community Development  
Chuck Todd, City Engineer/Director of Public Works  
Jeffrey Widmer, Director of Building Inspections & Code Enforcement  
Brad Griggs, Director of Parks, Recreation and Rights-of-Way

*FINANCIAL SECTION*

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 14–25 and the budgetary comparison information on page 67 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Jax, Byrd & Company, P.C.*

Dallas, Texas

March 10, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2007. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total net assets were \$154,110,068 at September 30, 2007.
- During the year, the City's expenses were \$2,680,684 less than the \$34,609,698 generated in taxes and other revenues for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2007 by \$86,132,544 (net assets). Of this amount \$13,386,297 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of this fiscal year, unreserved fund balance for the general fund was \$8,335,289 or approximately 42.5 percent of the total general fund expenditures and transfers out.
- The City's total outstanding bonds and certificates of obligation (excluding enterprise and component unit debt) decreased by \$3,726,505 during fiscal year 2007. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

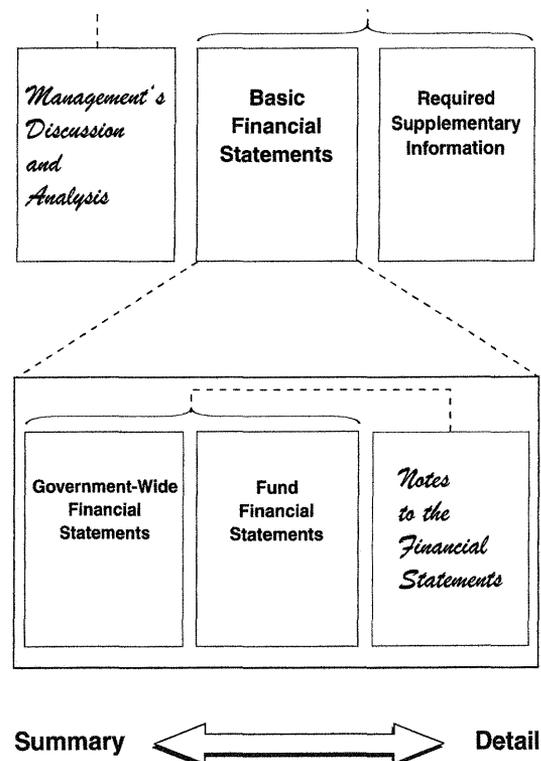
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund net assets</li> <li>◆ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of fiduciary net assets</li> <li>◆ Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

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

The *statement of net assets* presents information on all of the city of Rockwall's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City's basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services finance most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City's 4A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit's Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements can be found on pages 26 - 28 of this report.

## **Reporting the City's Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 25 individual governmental funds. 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, debt service fund, capital projects fund, G.O. bonds capital projects fund and 205 Bypass fund, all of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City’s enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City’s self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City’s retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City’s intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

*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**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2007, the City's net assets (assets exceeding liabilities) totaled \$154,110,068. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

The largest portion of the City's net assets (63% percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 41,092,200	\$ 56,288,609	\$ 21,972,598	\$ 26,774,588	\$ 63,064,798	\$ 83,063,197
Capital Assets	<u>126,605,277</u>	<u>113,792,963</u>	<u>66,519,736</u>	<u>57,396,358</u>	<u>193,125,013</u>	<u>171,189,321</u>
Total Assets	<u>167,697,477</u>	<u>170,081,572</u>	<u>88,492,334</u>	<u>84,170,946</u>	<u>256,189,811</u>	<u>254,252,518</u>
Long-term liabilities	77,966,001	81,685,267	18,678,087	15,520,879	96,644,088	97,206,146
Other liabilities	<u>3,598,932</u>	<u>4,944,445</u>	<u>1,836,723</u>	<u>1,584,695</u>	<u>5,435,655</u>	<u>6,529,140</u>
Total Liabilities	<u>81,564,933</u>	<u>86,629,712</u>	<u>20,514,810</u>	<u>17,105,574</u>	<u>102,079,743</u>	<u>103,735,286</u>
Net Assets:						
Invested in capital assets,						
net of related debt	49,487,300	34,020,634	47,893,027	41,923,596	97,380,327	75,944,230
Restricted for debt service	1,213,241	1,218,820	1,894,720	1,445,984	3,107,961	2,664,804
Restricted for capital projects	22,045,706	36,529,256	12,726,158	16,614,065	34,771,864	53,143,321
Unrestricted	<u>13,386,297</u>	<u>11,683,150</u>	<u>5,463,619</u>	<u>7,081,727</u>	<u>18,849,916</u>	<u>18,764,877</u>
Total net assets	<u>\$ 86,132,544</u>	<u>\$ 83,451,860</u>	<u>\$ 67,977,524</u>	<u>\$ 67,065,372</u>	<u>\$ 154,110,068</u>	<u>\$ 150,517,232</u>

An additional portion of the City of Rockwall's net assets, \$37,879,825 or 24.5 percent represents resources that are subject to external restrictions on how they may be used. The net assets which are *Restricted for capital projects* are due to debt being issued as projects are designed and construction is beginning. The remaining unrestricted net assets, \$18,849,916, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net assets for the year ended September 30, 2007.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Program revenues:						
Charges for services	\$ 3,798,806	\$ 4,622,302	\$ 8,771,324	\$ 11,067,802	\$ 12,570,130	\$ 15,690,104
Operating grants & contributions	1,059,602	783,317	-	-	1,059,602	783,317
Capital grants & contributions	3,193,554	11,804,857	2,808,528	4,319,065	6,002,082	16,123,922
General Revenues:						
Property taxes	11,827,931	9,063,530	-	-	11,827,931	9,063,530
Sales taxes	8,901,929	8,529,051	-	-	8,901,929	8,529,051
Other	<u>4,477,541</u>	<u>3,566,689</u>	<u>1,600,342</u>	<u>1,111,064</u>	<u>6,077,883</u>	<u>4,677,753</u>
Total revenues	33,259,363	38,369,746	13,180,194	16,497,931	46,439,557	54,867,677
Program expenses:						
Mayor/Council	111,555	108,366	-	-	111,555	108,366
Administration	5,523,924	6,040,692	-	-	5,523,924	6,040,692
Finance	1,138,210	1,027,654	-	-	1,138,210	1,027,654
Municipal Court	298,383	304,492	-	-	298,383	304,492
Police	7,001,771	6,095,435	-	-	7,001,771	6,095,435
Fire	2,207,468	1,889,269	-	-	2,207,468	1,889,269
Public works	6,928,067	5,530,219	-	-	6,928,067	5,530,219
Community development	2,018,363	1,781,548	-	-	2,018,363	1,781,548
Parks and recreation	3,088,750	2,583,547	-	-	3,088,750	2,583,547
Interest on long-term debt	3,612,523	2,179,950	-	-	3,612,523	2,179,950
Water and sewer	-	-	<u>10,917,707</u>	<u>10,253,226</u>	<u>10,917,707</u>	<u>10,253,226</u>
Total expenses	31,929,014	27,541,172	10,917,707	10,253,226	42,846,721	37,794,398
Increase (decrease) in net assets						
before transfers	1,330,349	10,828,574	2,262,487	6,244,705	3,592,836	17,073,279
Transfers	<u>1,350,335</u>	<u>2,375,000</u>	<u>(1,350,335)</u>	<u>(2,375,000)</u>	-	-
Increase (decrease) in net assets	2,680,684	13,203,574	912,152	3,869,705	3,592,836	17,073,279
Net assets, October 1	<u>83,451,860</u>	<u>70,248,286</u>	<u>67,065,372</u>	<u>63,195,667</u>	<u>150,517,232</u>	<u>133,443,953</u>
Net assets, September 30	<u>\$ 86,132,544</u>	<u>\$ 83,451,860</u>	<u>\$ 67,977,524</u>	<u>\$ 67,065,372</u>	<u>\$ 154,110,068</u>	<u>\$ 150,517,232</u>

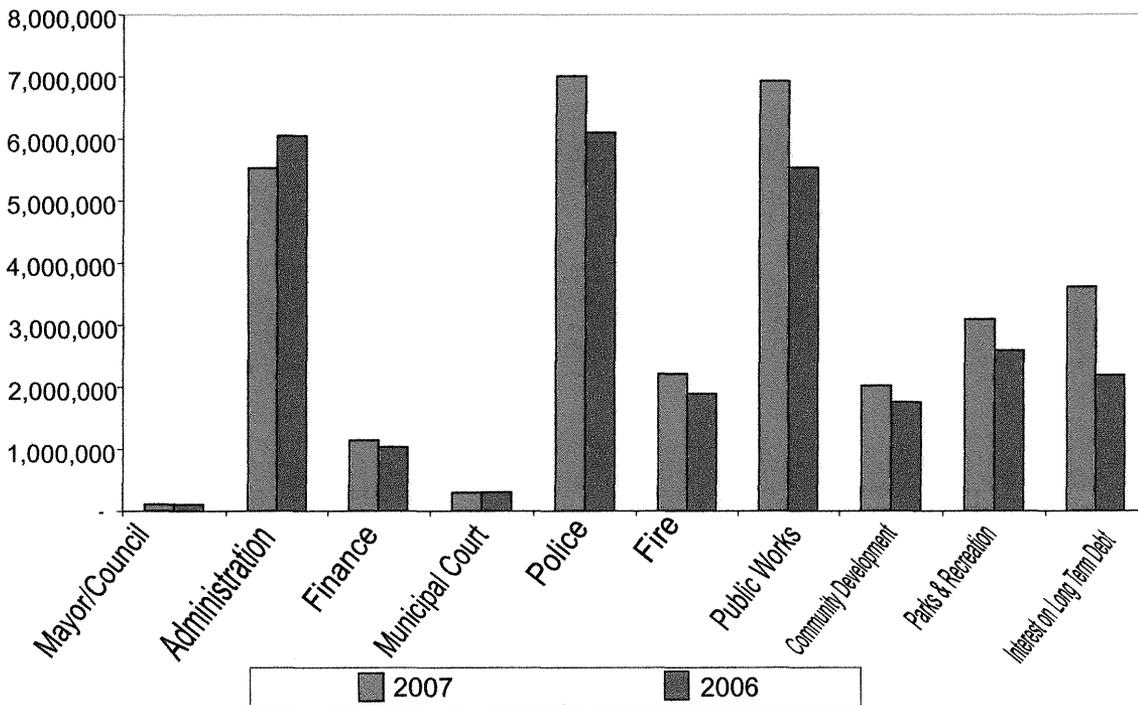
## Governmental Activities

The City's total revenues of governmental activities were \$33,259,363. A significant portion 35.6%, of the City's revenues came from property taxes. Another 26.8% of revenue came from sales taxes. Ad valorem property tax revenues continue to increase each year due to the addition of new properties and increased valuation throughout the City. Assessed values of the properties in the City increased by 147,621,216 or 3.1%. The City adopted a property tax rate of 42.50 cents per \$100 of assessed valuation for fiscal year 2007. This represented an increase of 5.61 cents. This marked only the second time in twelve years that the tax rate was increased. The increase was attributable in large part to debt service requirements for voter approved projects. Sales tax revenue increased only slightly over the prior year. The increase, a modest 4.4% was reflective of a general slowing of the economy.

The overall economy slowed significantly during 2007. The national decline in new housing starts was felt on the local level as well with residential building permits revenue down (included in other revenues) when compared to prior year's levels. The City experienced higher levels of commercial building during the fiscal year which moderated the revenues. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas.

The Bella Harbor project, a lakefront multi-use planned development, is finishing construction with several more establishments expected to open late in 2007. It is expected to have a positive effect on sales taxes and property taxes in the area as well as tourism. A tax increment financing zone was established to provide for public improvements in the area.

## Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$31,929,014. Of these costs \$7,001,771 (21.9%) was for the Police Department. Administrative departments including Administration, Human Resources, and Internal Operations had combined costs of \$5,523,924 (17.3%). Public Works costs were \$6,928,067 (21.7%) and reflected ongoing projects.

## Business-Type Activities

The City's business-type activities recorded an increase of \$912,152 in net assets. Water sales were very strong in 2006 due primarily to near record drought conditions. The City having previously implemented conservation water rates in 2001 began enforcing mandatory water restrictions in a regional effort to curtail usage during the drought period. Conservation efforts early in the fiscal year followed by near record rainfalls in the summer 2007 caused water sales to be lower than the prior year by 35.9%. Sewer charges were not affected significantly because the City uses winter averaging to calculate sewer billing. Water and sewer charges were \$8,771,324. Ending working capital, excluding restricted assets, for the water and sewer fund was \$3,751,770. This decline in working capital is reflective of both the decrease in water sales and planned expenditures for capital projects in advance of debt issuance.

Water and sewer impact fees totaled \$598,866 for the fiscal year. These impact fees are paid by developers and are designed to reduce the system's initial costs in building assets.

The City's water system received the "Superior" rating by the Texas Commission on Environmental Quality during 2007.

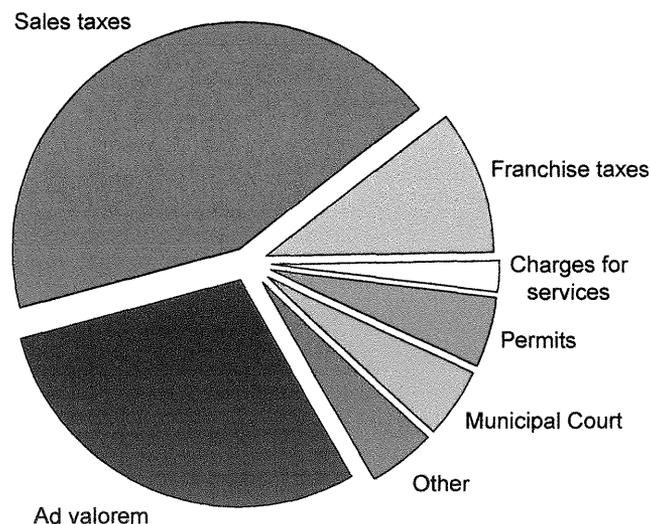
## Component Units

The Rockwall Economic Development Corporation (REDC) reported revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$3,408,218. Assets managed by the corporation include an inventory of over 230 acres of land, zoned for light industrial uses and available for sale and an industrial building currently leased and also available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

## ANALYSIS OF INDIVIDUAL FUNDS

The City's *General Fund* reported an ending unreserved fund balance of \$8,335,289; an increase of \$642,627 from the prior year. The main source of general fund revenue is sales tax, it accounted for \$8,534,183 (43.5%) of total general fund revenue. Ad valorem property taxes account for \$5,720,256 (29.2%) of general fund revenues. The increase in fund balance allows the City to maintain a "recommended" fund balance as defined within the City's financial policies. This "reserve" balance, representing five months of recurring operating expenditures allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows.

## Revenues by Source – General Fund



The City's *Debt Service Fund* reported a planned decrease in fund balance of \$377,974. Property tax collections for debt service requirements were \$6,100,738. This represents an increase of 64.8% in order to pay debt service payments on bonds issued to construct numerous road and parks projects underway in 2007.

The City *Capital Projects Fund* was used to account for the construction of the extension of Justin Road to serve new industrial projects and for infrastructure for the Presbyterian Hospital of Rockwall project. The Rockwall Economic Development Corporation issued debt in 2006 to fund the projects. Both projects are nearing completion at the end of fiscal year 2007.

The City began several road projects in fiscal year 2006 which were funded through debt issuance. The City reports these projects in its *GO Bonds Capital Projects Fund*. The City issued General Obligation bonds for voter approved projects. In addition to roadway rehabilitation and extension projects, the acquisition of park land, completion of neighborhood parks projects and construction of two fire stations was funded. Capital Outlay totaling \$7,635,093 is reported for 2007 on these multi-year projects. Most projects are expected to be completed in 2008.

The City also issued General Obligation bonds in 2006 to begin phased design and construction of the new *205 Bypass Project*. Voters approved construction of the roadway in a 2005 Bond Election Proposition. The project will include the multi-phase design, right of way acquisition and construction of a new 7 mile roadway on the eastern edge of the City which is designed to alleviate traffic burdens on State Highway 205 through the center of the City. Additional debt is anticipated in fiscal year 2008 with construction completion targeted in fiscal year 2009.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2007, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the budgeted expenditures of \$19,177,500 decreased to \$18,567,350 while revenues decreased from \$19,859,200 to \$19,302,800. The City of Rockwall had originally estimated the ending general fund balance to be \$7,585,242 however due to the budget adjustments mentioned above, the fund balance was re-estimated to be \$7,736,042.

Management took steps to slow the City's spending in light of a decline in the actual revenues compared to projected revenues. Actual general fund revenues were \$19,617,205, an increase of \$314,405 over the final budget. Actual general fund total expenditures were \$373,349 less than the revised budget. Total revenues exceeded total expenditures by \$1,423,204. The actual fund balance of \$8,336,696 was higher due to management's conservative projections of both revenues and expenditures and cost saving measures adopted during the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### Capital Assets

At the end of the fiscal year 2007 the City had \$193,125,013 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3  
Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 4,713,559	\$ 3,274,598	\$ 799,533	\$ 799,533	\$ 5,513,092	\$ 4,074,131
Buildings	8,400,432	8,528,602	105,971	-	8,506,403	8,528,602
Improvements other than buildings	19,718,273	1,708,537	50,688,864	43,777,397	70,407,137	45,485,934
Machinery & Equipment	2,313,256	1,552,658	479,970	187,001	2,793,226	1,739,659
Vehicles	2,585,058	1,982,085	-	-	2,585,058	1,982,085
Furniture & Fixtures	779,273	898,660	4,031	5,142	783,304	903,802
Infrastructure	63,913,203	54,643,599	-	-	63,913,203	54,643,599
Construction in Progress	24,182,223	41,204,224	5,923,977	5,533,952	30,106,200	46,738,176
Wastewater treatment facilities	-	-	8,517,390	7,093,333	8,517,390	7,093,333
	<u>\$ 126,605,277</u>	<u>\$ 113,792,963</u>	<u>\$ 66,519,736</u>	<u>\$ 57,396,358</u>	<u>\$193,125,013</u>	<u>\$ 171,189,321</u>

The City's capital improvement program includes a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects were under construction in 2007. A number of drainage projects will also be undertaken during the five-year planned capital improvement period. The City is also under construction on the new Animal Adoption Center which should be completed in Spring 2008.

The City held a bond election in November 2005 which funded road, park and fire projects in excess of \$64,000,000. In addition to the 205 Bypass project, the City was authorized to move forward with several neighborhood parks projects and the acquisition of land for two large regional parks. Progress has been made and includes the purchase of land for a large park in the northern area of the City, and completed construction on 3 of the neighborhood parks. The addition of two new fire stations was approved by the voters. Design is underway with construction to begin in fiscal year 2008.

Construction in progress at September 30, 2007 for governmental activities included the rehabilitation of Townsend Road and Fannin Street, initial costs of the 205 Bypass project, and various other improvements.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of waterline improvements and the extension of sanitary sewers into new areas of the city. A new two-million gallon water tower to be constructed in the northern area of the City was under construction at year end. Several projects approved in the City's capital improvement plan including participation in the joint construction of a shared ground storage facility and pump station as well as other line projects to improve system capacity and extend services were completed in 2007.

Additional information pertaining to the City of Rockwall's capital assets can be found in note 3-C on pages 49 - 52.

Debt

At year end, the City had \$94,630,094 in bonds and capitalized leases shown in Table 4.

**Table 4  
City of Rockwall Outstanding Debt**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
General obligation bonds	\$ 55,720,824	\$ 57,632,329	\$ 184,176	\$ 212,671	\$ 55,905,000	\$ 57,845,000
Certificates of obligation	20,045,000	21,825,000	-	-	20,045,000	21,825,000
Contractual obligations	280,000	315,000	-	-	280,000	315,000
Revenue bonds	-	-	13,360,000	14,145,000	13,360,000	14,145,000
Capital Lease obligations	-	-	5,040,094	1,145,000	5,040,094	1,145,000
	<u>\$ 76,045,824</u>	<u>\$ 79,772,329</u>	<u>\$ 18,584,270</u>	<u>\$ 15,502,671</u>	<u>\$ 94,630,094</u>	<u>\$ 95,275,000</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 2.91% or \$2,387 per capita.

The City’s bond ratings at September 30, 2007 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	A+	A-	A-
Moody’s Investor Service Inc.	A1	A2	A3

Additional information on the City of Rockwall’s long-term debt can be found in note 3-E, on pages 54-61 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City’s elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rate and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the growth in our community and its population. Rockwall has seen the construction of a number of new commercial/retail business developments which should positively impact sales tax revenues. Commercial building permits showed strong improvement over the prior year including several new retail developments underway as well as the development of the Presbyterian Hospital of Rockwall and accompanying medical office district. Interviews with local builders led the City to project continued slow home starts for the coming year, a trend reported nationally as well. An emphasis continues by the City on the custom home market. The City of Rockwall’s citizens enjoy above-average income levels per household. This in combination with the City’s proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and a “hometown” atmosphere in Rockwall.

The Rockwall Economic Development Corporation works diligently to attract businesses with relocation incentives as well as providing business retention incentives such as workforce training opportunities.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2008. The budgeted revenues for fiscal year 2008 total \$20,468,100 for the general fund. Ad valorem tax revenue is determined by two major factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. Due to the debt service requirements of voter approved debt, issued in 2006 and to be issued shortly after the new fiscal year begins, the property tax rate was increased to 48.65 cents per hundred dollars of assessed value. Due to the slowing economy but in recognition of new retailers opening shortly, city officials have projected a 7.15% increase in that revenue over the prior fiscal year.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. In addition, the policies set minimum, recommended and maximum fund balance levels for the City's fund types. The general fund minimum fund balance is set at 3 months recurring operating expenditures. The recommended fund balance is 5 months of recurring operating expenditures and the maximum fund balance is 7 months of recurring operating expenditures. The budget as adopted for fiscal year 2008 projects a fund balance of approximately 4.75 months of recurring operating expenditures.

A number of planning initiatives including an evaluation of existing street condition and maintenance needs are authorized for fiscal year 2008. The City budget includes funds for several small business owners to attend an exciting program on building destination businesses and to continue sending mid level managers to the LEAD program at the University of Virginia. The City is studying annexation of an area which is currently underserved in a number of ways. Planning efforts will focus on appropriate zoning for the area, bringing the water and wastewater system in the area up to city standards and assisting with property rehabilitations. Following the Customer Centered Culture methodology, the City expects to continue to integrate the program across all city departments. These cross department teams are expected to complete their work in 2007. In addition, the City will again offer Citizen Fire and Police Academies to provide citizens the opportunity to learn more about these city departments and become active with the City.

The water and sewer rates adopted in fiscal year 2006 will be reviewed by our rate consultant with his report to be issued in fiscal year 2008. City Council adopted a 4% rate increase in early 2006. A number of capital projects to expand the system are being planned for fiscal year 2008.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

***BASIC FINANCIAL STATEMENTS***

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,769,108	\$ 240,825	\$ 2,009,933	\$ 8,040	\$ 6,134
Investments	34,810,390	4,347,573	39,157,963	2,182,191	38,583
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	327,471	-	327,471	-	-
Franchise taxes	965,037	-	965,037	-	-
Interest	204,504	69,064	273,568	931	-
Accounts	277,032	1,533,355	1,810,387	-	16,583
Notes	-	-	-	604,804	-
Assessments	193,202	-	193,202	-	-
Intergovernmental	1,535,284	322,787	1,858,071	492,744	-
Due from component unit	324	-	324	-	-
Due from primary government	-	-	-	4,905	-
Inventory	1,407	220,809	222,216	14,721,495	-
Restricted assets:					
Cash and cash equivalents	-	2,377,544	2,377,544	-	-
Investments	-	12,179,084	12,179,084	639,029	-
Accrued interest	-	238,696	238,696	-	-
Deferred charges	1,008,441	442,861	1,451,302	143,420	-
Capital assets not being depreciated	28,895,782	6,723,510	35,619,292	-	-
Capital assets being depreciated, net	97,709,495	59,796,226	157,505,721	9,484	-
Total assets	<u>167,697,477</u>	<u>88,492,334</u>	<u>256,189,811</u>	<u>18,807,043</u>	<u>61,300</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	2,795,469	1,317,698	4,113,167	61,450	14,001
Accrued interest payable	574,067	174,446	748,513	121,056	-
Unearned revenue	47,858	-	47,858	-	-
Due to other governments	176,633	-	176,633	-	-
Due to component unit	4,905	-	4,905	-	-
Due to primary government	-	-	-	324	-
Customer deposits	-	344,579	344,579	-	-
Noncurrent liabilities:					
Due within one year	3,802,972	1,127,871	4,930,843	700,109	-
Due in more than one year	74,163,029	17,550,216	91,713,245	17,876,003	-
Total liabilities	<u>81,564,933</u>	<u>20,514,810</u>	<u>102,079,743</u>	<u>18,758,942</u>	<u>14,001</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	49,487,300	47,893,027	97,380,327	9,484	-
Restricted for:					
Debt service	1,213,241	1,894,720	3,107,961	441,196	-
Capital projects	22,045,706	12,726,158	34,771,864	76,777	-
Unrestricted	13,386,297	5,463,619	18,849,916	(479,356)	47,299
Total net assets	<u>\$ 86,132,544</u>	<u>\$ 67,977,524</u>	<u>\$ 154,110,068</u>	<u>\$ 48,101</u>	<u>\$ 47,299</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
Mayor/council	\$ 111,555	\$ -	\$ -	\$ -
Administration	5,523,924	380,226	40,031	-
Finance	1,138,210	5,750	2,000	-
Municipal court	298,383	989,677	-	-
Police	7,001,771	415,637	119,319	-
Fire	2,207,468	124,105	150,398	88,321
Public works	6,928,067	464,587	634,438	2,694,346
Community development	2,018,363	1,118,001	-	-
Parks and recreation	3,088,750	300,823	113,416	410,887
Interest on long-term debt	3,612,523	-	-	-
Total governmental activities	31,929,014	3,798,806	1,059,602	3,193,554
Business-type activities:				
Water and sewer	10,917,707	8,771,324	-	2,808,528
Total business-type activities	10,917,707	8,771,324	-	2,808,528
Total primary government	\$ 42,846,721	\$ 12,570,130	\$ 1,059,602	\$ 6,002,082
<b>COMPONENT UNITS:</b>				
Rockwall Economic Development Corporation				
Corporation	\$ 3,099,902	\$ -	\$ -	\$ -
Rockwall Technology Park				
	120,371	115,253	-	-
Total component units	\$ 3,220,273	\$ 115,253	\$ -	\$ -

General revenues:

Ad valorem taxes, penalty and interest

Sales taxes

Franchise taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
\$ (111,555)		\$ (111,555)		
(5,103,667)		(5,103,667)		
(1,130,460)		(1,130,460)		
691,294		691,294		
(6,466,815)		(6,466,815)		
(1,844,644)		(1,844,644)		
(3,134,696)		(3,134,696)		
(900,362)		(900,362)		
(2,263,624)		(2,263,624)		
(3,612,523)		(3,612,523)		
<u>(23,877,052)</u>		<u>(23,877,052)</u>		
	\$ 662,145	662,145		
	<u>662,145</u>	<u>662,145</u>		
<u>(23,877,052)</u>	<u>662,145</u>	<u>(23,214,907)</u>		
			\$ (3,099,902)	\$ -
			<u>-</u>	<u>(5,118)</u>
			<u>(3,099,902)</u>	<u>(5,118)</u>
11,827,931	-	11,827,931	-	-
8,901,929	-	8,901,929	2,866,097	-
2,014,845	-	2,014,845	-	-
2,109,690	1,362,153	3,471,843	206,130	2,002
353,006	238,189	591,195	335,991	-
<u>1,350,335</u>	<u>(1,350,335)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>26,557,736</u>	<u>250,007</u>	<u>26,807,743</u>	<u>3,408,218</u>	<u>2,002</u>
2,680,684	912,152	3,592,836	308,316	(3,116)
<u>83,451,860</u>	<u>67,065,372</u>	<u>150,517,232</u>	<u>(260,215)</u>	<u>50,415</u>
<u>\$ 86,132,544</u>	<u>\$ 67,977,524</u>	<u>\$ 154,110,068</u>	<u>\$ 48,101</u>	<u>\$ 47,299</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

	General	Debt Service	Capital Projects	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 93,266	\$ 15,519	\$ 2,702	\$ 6,225	\$ 1,271,314	\$ 263,611	\$ 1,652,637
Investments	7,847,421	1,012,916	806,111	4,927,059	16,187,291	2,551,179	33,331,977
Receivables (net of allowances for uncollectibles):							
Ad valorem taxes	174,709	152,762	-	-	-	-	327,471
Interest	121,511	4,606	1,064	13,936	50,956	10,120	202,193
Accounts	14,072	-	-	168,000	-	56,356	238,428
Assessments	-	-	-	-	-	193,202	193,202
Intergovernmental	1,452,063	27,438	33,942	-	-	21,841	1,535,284
Due from component unit	324	-	-	-	-	-	324
Due from other funds	307,500	-	-	1,270,000	-	-	1,577,500
Inventory	1,407	-	-	-	-	-	1,407
<b>Total assets</b>	<b>\$ 10,012,273</b>	<b>\$ 1,213,241</b>	<b>\$ 843,819</b>	<b>\$ 6,385,220</b>	<b>\$ 17,509,561</b>	<b>\$ 3,096,309</b>	<b>\$ 39,060,423</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 1,071,782	\$ -	\$ 307,103	\$ 881,800	\$ 218,298	\$ 61,112	\$ 2,540,095
Deferred revenue	152,257	129,921	-	168,000	-	216,060	666,238
Due to other governments	176,633	-	-	-	-	-	176,633
Due to component unit	4,905	-	-	-	-	-	4,905
Due to other funds	270,000	-	-	-	1,000,000	307,500	1,577,500
<b>Total liabilities</b>	<b>1,675,577</b>	<b>129,921</b>	<b>307,103</b>	<b>1,049,800</b>	<b>1,218,298</b>	<b>584,672</b>	<b>4,965,371</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
Inventory	1,407	-	-	-	-	-	1,407
Debt service	-	1,083,320	-	-	-	-	1,083,320
<b>Unreserved, reported in:</b>							
General fund	8,335,289	-	-	-	-	-	8,335,289
Special revenue funds	-	-	-	-	-	2,797,330	2,797,330
Capital projects funds	-	-	536,716	5,335,420	16,291,263	(285,693)	21,877,706
<b>Total fund balances</b>	<b>8,336,696</b>	<b>1,083,320</b>	<b>536,716</b>	<b>5,335,420</b>	<b>16,291,263</b>	<b>2,511,637</b>	<b>34,095,052</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,012,273</b>	<b>\$ 1,213,241</b>	<b>\$ 843,819</b>	<b>\$ 6,385,220</b>	<b>\$ 17,509,561</b>	<b>\$ 3,096,309</b>	<b>\$ 39,060,423</b>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

Total fund balances - governmental funds	\$ 34,095,052
Amounts reported for governmental activities in the statement of net assets are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	1,342,572
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	282,178
Assessments receivable	168,202
Contributions receivable	168,000
The following assets are not available to pay for current period expenditures and are not accrued in the funds:	
Franchise taxes receivable	965,037
Court fines receivable	37,853
The following assets are not current financial resources and are not reported in the funds:	
Capital assets used in governmental activities (net of accumulated depreciation of \$43,997,321)	126,605,277
Costs of bonds issued to finance governmental activities (net of accumulated amortization of \$189,938)	1,008,441
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(848,024)
Bonds payable	(77,117,977)
Accrued interest payable	(574,067)
Net assets of governmental activities	\$ 86,132,544

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General	Debt Service	Capital Projects	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Ad valorem taxes, penalty and interest	\$ 5,720,256	\$ 6,100,738	\$ -	\$ -	\$ -	\$ -	\$ 11,820,994
Sales taxes	8,534,183	164,344	-	-	-	203,402	8,901,929
Franchise taxes	2,046,674	-	-	-	-	-	2,046,674
Charges for services	417,049	-	-	-	-	-	417,049
Permits	1,009,884	-	-	-	-	123,101	1,132,985
Municipal court	957,064	-	-	-	-	62,196	1,019,260
Intergovernmental	243,163	-	410,887	-	-	443,740	1,097,790
Interest income	460,776	152,883	134,883	391,135	753,514	119,053	2,012,244
Miscellaneous	228,156	-	-	-	-	488,740	716,896
Contributions and donations	-	634,438	-	863,706	-	743,442	2,241,586
Total revenues	<u>19,617,205</u>	<u>7,052,403</u>	<u>545,770</u>	<u>1,254,841</u>	<u>753,514</u>	<u>2,183,674</u>	<u>31,407,407</u>
<b>Expenditures:</b>							
<b>Current:</b>							
Mayor/council	111,555	-	-	-	-	-	111,555
Administration	2,750,197	-	-	-	-	-	2,750,197
Finance	895,028	-	-	-	-	243,210	1,138,238
Municipal court	300,186	-	-	-	-	-	300,186
Police	6,095,218	89,933	-	-	-	241,806	6,426,957
Fire	1,329,846	-	-	-	-	10,778	1,340,624
Public works	2,343,288	-	-	-	-	84,247	2,427,535
Community development	2,002,767	-	-	-	-	-	2,002,767
Parks and recreation	2,357,216	-	-	-	-	116,022	2,473,238
Total current	<u>18,185,301</u>	<u>89,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>696,063</u>	<u>18,971,297</u>
<b>Capital outlay:</b>							
Administration	-	-	3,173,717	764,729	-	90,487	4,028,933
Police	-	-	-	-	-	225,992	225,992
Fire	4,699	-	-	24,563	-	1,549,361	1,578,623
Public works	1,896	-	2,728,098	5,164,933	2,301,078	413,511	10,609,516
Community development	2,105	-	-	-	-	-	2,105
Parks and recreation	-	-	471,882	1,680,868	-	244,598	2,397,348
Total capital outlay	<u>8,700</u>	<u>-</u>	<u>6,373,697</u>	<u>7,635,093</u>	<u>2,301,078</u>	<u>2,523,949</u>	<u>18,842,517</u>
<b>Debt service:</b>							
Principal	-	3,726,505	-	-	-	-	3,726,505
Interest	-	3,607,455	-	-	-	-	3,607,455
Bond issuance costs	-	-	-	-	9,500	-	9,500
Fiscal charges	-	6,484	-	-	-	-	6,484
Total debt service	<u>-</u>	<u>7,340,444</u>	<u>-</u>	<u>-</u>	<u>9,500</u>	<u>-</u>	<u>7,349,944</u>
Total expenditures	<u>18,194,001</u>	<u>7,430,377</u>	<u>6,373,697</u>	<u>7,635,093</u>	<u>2,310,578</u>	<u>3,220,012</u>	<u>45,163,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,423,204</u>	<u>(377,974)</u>	<u>(5,827,927)</u>	<u>(6,380,252)</u>	<u>(1,557,064)</u>	<u>(1,036,338)</u>	<u>(13,756,351)</u>
<b>Other financing sources (uses):</b>							
Transfers in	617,000	-	577,665	424,536	-	966,603	2,585,804
Transfers out	<u>(1,422,300)</u>	<u>-</u>	<u>(13,398)</u>	<u>(785,109)</u>	<u>-</u>	<u>(645,312)</u>	<u>(2,866,119)</u>
Total other financing sources (uses)	<u>(805,300)</u>	<u>-</u>	<u>564,267</u>	<u>(360,573)</u>	<u>-</u>	<u>321,291</u>	<u>(280,315)</u>
Net change in fund balances	617,904	(377,974)	(5,263,660)	(6,740,825)	(1,557,064)	(715,047)	(14,036,666)
Fund balances, October 1	7,718,792	\$ 1,461,294	\$ 5,800,376	\$ 12,076,245	\$ 17,848,327	\$ 3,226,684	48,131,718
Fund balances, September 30	<u>\$ 8,336,696</u>	<u>\$ 1,083,320</u>	<u>\$ 536,716</u>	<u>\$ 5,335,420</u>	<u>\$ 16,291,263</u>	<u>\$ 2,511,637</u>	<u>\$ 34,095,052</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net change in fund balances - governmental funds	\$ (14,036,666)
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets.	(40,458)
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	6,937
Assessments receivable	98,018
Contributions receivable	168,000
Franchise taxes receivable	(31,829)
Court fines receivable	17,146
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$18,631,097) exceeded depreciation (\$5,197,449) and retirements (\$1,710,215) in the current period.	11,723,433
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	1,088,881
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization in the current period.	(59,220)
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	27,176
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments (\$3,726,505) and bond premium amortization (\$42,960) in the current period.	3,769,465
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	(50,199)
Change in net assets of governmental activities	\$ 2,680,684

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and Sewer</u>	<u>Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 240,825	\$ 116,471
Investments	4,347,573	1,478,413
Receivables (net of allowances for uncollectibles):		
Interest	69,064	2,311
Accounts	1,533,355	751
Intergovernmental	322,787	-
Inventory	220,809	-
Restricted assets:		
Cash and cash equivalents	2,377,544	-
Investments	12,179,084	-
Accrued interest	238,696	-
Total current assets	<u>21,529,737</u>	<u>1,597,946</u>
Noncurrent assets:		
Deferred charges	442,861	-
Capital assets not being depreciated	6,723,510	-
Capital assets being depreciated, net	59,796,226	-
Total noncurrent assets	<u>66,962,597</u>	<u>-</u>
Total Assets	<u>88,492,334</u>	<u>1,597,946</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	1,317,698	255,374
Customer deposits	344,579	-
Liability for compensated absences	51,378	-
General obligation bonds payable - current	29,538	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	830,000	-
Obligations under capital leases - current	235,004	-
Accrued interest payable	174,446	-
Total current liabilities	<u>2,982,643</u>	<u>255,374</u>
Noncurrent liabilities:		
General obligation bonds payable	154,638	-
Revenue bonds payable	12,511,165	-
Obligations under capital leases	4,866,364	-
Total noncurrent liabilities	<u>17,532,167</u>	<u>-</u>
Total Liabilities	<u>20,514,810</u>	<u>255,374</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	47,893,027	-
Restricted for debt service	1,894,720	-
Restricted for construction	12,726,158	-
Unrestricted	5,463,619	1,342,572
Total Net Assets	<u>\$ 67,977,524</u>	<u>\$ 1,342,572</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 8,771,324	\$ 341,956
Total operating revenues	<u>8,771,324</u>	<u>341,956</u>
<b>OPERATING EXPENSES:</b>		
Personnel services	1,560,987	-
Contractual services	5,897,176	2,175,911
Materials and supplies	395,979	-
Operations	176,573	-
Utilities	375,059	-
Depreciation and amortization	1,578,795	-
Total operating expenses	<u>9,984,569</u>	<u>2,175,911</u>
Operating loss	<u>(1,213,245)</u>	<u>(1,833,955)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Capital recovery fees	598,866	-
Interest income	1,362,153	97,445
Miscellaneous income	238,189	65,402
Paying agent fees	(6,282)	-
Interest expense	(926,856)	-
Total non-operating revenues (expenses)	<u>1,266,070</u>	<u>162,847</u>
Income (loss) before transfers and capital contributions	<u>52,825</u>	<u>(1,671,108)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
Capital contributions	2,209,662	-
Transfers in	-	1,630,650
Transfers out	(1,350,335)	-
Total transfers and capital contributions	<u>859,327</u>	<u>1,630,650</u>
Increase (decrease) in net assets	912,152	(40,458)
Net assets, October 1	<u>67,065,372</u>	<u>1,383,030</u>
Net assets, September 30	<u>\$ 67,977,524</u>	<u>\$ 1,342,572</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 8,551,791	\$ 406,607
Cash paid to employees for services	(1,566,094)	-
Cash paid to suppliers for goods and services	(6,458,291)	(2,273,030)
Net cash provided (used) by operating activities	<u>527,406</u>	<u>(1,866,423)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash paid to other funds	(1,350,335)	-
Cash received from other funds	-	1,630,650
Net cash provided (used) by non-capital financing activities	<u>(1,350,335)</u>	<u>1,630,650</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or construction of capital assets	(8,458,020)	-
Capital recovery fees received	598,866	-
Proceeds from capital debt	4,030,598	-
Principal paid on capital debt	(1,076,835)	-
Interest and fees paid on capital debt	(880,421)	-
Net cash used by capital and related financing activities	<u>(5,785,812)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(30,272,868)	(3,415,000)
Proceeds from sales and maturities of investments	38,415,906	3,577,771
Interest and dividends received	669,067	64,696
Net cash provided by investing activities	<u>8,812,105</u>	<u>227,467</u>
Net increase (decrease) in cash and cash equivalents	2,203,364	(8,306)
Cash and cash equivalents at beginning of year	415,005	124,777
Cash and cash equivalents at end of year	<u>\$ 2,618,369</u>	<u>\$ 116,471</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (1,213,245)	\$ (1,833,955)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	1,578,795	-
Miscellaneous income	238,189	65,402
Decrease (increase) in assets:		
Receivables	(339,557)	(751)
Inventories	60,652	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	317,476	(97,119)
Customer deposits	(118,165)	-
Compensated absences	3,261	-
Net cash provided (used) by operating activities	<u>\$ 527,406</u>	<u>\$ (1,866,423)</u>
<b>Non-cash investing and financing activities:</b>		
Capital contributions	<u>\$ 2,209,662</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2007

	Agency Fund
	Special Escrow
	Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 611
Investments	1,516,066
Accrued interest receivable	27,496
Total assets	\$ 1,544,173
<b>LIABILITIES</b>	
Due to developers	\$ 1,544,173
Total liabilities	\$ 1,544,173

The accompanying notes are an integral part of this statement.

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CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a five-member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2007, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. RTPA does not have the authority to determine its budget, set rates or charges, or issue bonded debt without the approval of the City. Accordingly, RTPA is fiscally dependent on the City, and the City is financially accountable for RTPA.

The funds of both REDC and RTPA are composed of governmental fund types. Stand alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2007, are not prepared.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *Capital Projects Fund* accounts for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The *205 Bypass Project Fund* accounts for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Assets, liabilities, and net assets or equity*

Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items "a" through "d" above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1st by the City based on the January 1st property values as assessed by the Rockwall Central Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 1.25 days per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Long-term obligations

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

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

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During the year ended September 30, 2007, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

A. Budgetary information – continued

6. The City did not adopt budgets for the Emergency Siren Fund, the Kidzone Fund, the Downtown Improvement Fund, and the Art in Public Places Fund, all of which are special revenue funds.
7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$3,787 in the Police Investigation Fund because of a security upgrade project which exceeded budget projections by this amount.

Expenditures exceeded appropriations by \$1,093 in the Special Crimes Unit Fund due to costs incurred to move their offices to a new location late in the fiscal year.

Expenditures exceeded appropriations by \$163,681 in the Rockwall Economic Development Corporation as a result of certain incentive commitments which matured sooner than originally anticipated in the budget process.

C. Deficit fund equity

The Equipment Acquisition Fund had a deficit fund balance in the amount of \$285,693 at September 30, 2007, as a result of equipment purchases made in advance of a related debt issue. The City adopted a reimbursing resolution which allows these funds to be repaid with the proceeds of a future debt issue.

The Employee Benefits Fund had a deficit fund balance in the amount of \$18,885 at September 30, 2007, because of unanticipated health care claims late in the fiscal year in excess of budgeted amounts. This deficit will be covered by future transfers from the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2007, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$1,354,328, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2007, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments

At September 30, 2007, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-30
<b>Primary Government</b>					
U.S. Treasury bills and notes	\$ 9,021,798	\$ 2,498,587	\$ -	\$ 6,523,211	\$ -
U.S. government agencies:					
Federal Home Loan Mortgage Corporation	4,897,163	-	4,897,163	-	-
Federal National Mortgage Association	11,617,691	-	7,400,438	-	4,217,253
Federal Home Loan Bank	1,504,215	-	-	-	1,504,215
Federal Farm Credit Bank	1,501,410	-	1,501,410	-	-
	<u>19,520,479</u>	<u>-</u>	<u>13,799,011</u>	<u>-</u>	<u>5,721,468</u>
Money market funds	<u>24,310,836</u>	<u>24,310,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>52,853,113</u>	<u>26,809,423</u>	<u>13,799,011</u>	<u>6,523,211</u>	<u>5,721,468</u>
<b>Discretely Presented Component Units</b>					
Rockwall Economic Development Corporation:					
Certificates of deposit	300,000	-	300,000	-	-
Money market funds	2,521,220	2,521,220	-	-	-
Rockwall Technology Park:					
Money market funds	<u>38,583</u>	<u>38,583</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total discretely presented component units	<u>2,859,803</u>	<u>2,559,803</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Total reporting entity	\$ <u>55,712,916</u>	\$ <u>29,369,226</u>	\$ <u>14,099,011</u>	\$ <u>6,523,211</u>	\$ <u>5,721,468</u>

Investments are reported in the statement of net assets as follows:

Governmental activities	\$ 34,810,390
Business-type activities	16,526,657
Discretely presented component units:	
Rockwall Economic Development Corporation	2,821,220
Rockwall Technology Park	38,583
Fiduciary funds	1,516,066
	<u>\$ 55,712,916</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments – continued

The City's investments in U.S. Treasury bills and notes are backed by the full faith and credit of the U.S. government. The City's investments in U.S. government agencies are rated AAA by Standard & Poor's or Aaa by Moody's Investors Service. The City's investments in certificates of deposit and money market funds are not rated.

Custodial credit risk for investments is the risk that the City will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2007, the City's investments were entirely insured or registered in the City's name; as a result, the City's investments were not exposed to custodial credit risk.

B. Receivables

In the Water and Sewer Fund, accounts receivable and revenues are reported net of uncollectible amounts. For the year ended September 30, 2007, the uncollectible amounts related to accounts receivable totaled \$352,148, and the uncollectible amounts related to revenues of the current period totaled \$88,884.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General Fund	\$ 152,257	\$ -
Debt Service Fund	129,921	-
Assessments receivable not yet due:		
Street Improvements	168,202	-
Contributions not yet received:		
G.O. Bonds Capital Projects	168,000	-
Seizures not awarded:		
Special Crimes Unit	-	<u>47,858</u>
Total deferred revenue for governmental funds	<u>\$ 618,380</u>	<u>\$ 47,858</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 3,274,598	\$ -	\$ -	\$ 1,438,961	\$ 4,713,559
Construction in progress	<u>41,204,224</u>	<u>16,137,070</u>	<u>(1,670,808)</u>	<u>(31,488,263)</u>	<u>24,182,223</u>
Total capital assets not being depreciated	<u>44,478,822</u>	<u>16,137,070</u>	<u>(1,670,808)</u>	<u>(30,049,302)</u>	<u>28,895,782</u>
Capital assets being depreciated:					
Buildings	10,335,142	116,454	-	100,000	10,551,596
Improvements other than buildings	2,116,511	618,599	-	18,011,348	20,746,458
Machinery and equipment	2,937,154	398,242	(28,303)	720,623	4,027,716
Vehicles	4,552,000	1,194,711	(657,299)	-	5,089,412
Furniture and fixtures	1,975,590	166,021	(26,717)	-	2,114,894
Infrastructure	<u>86,870,528</u>	<u>1,088,881</u>	<u>-</u>	<u>11,217,331</u>	<u>99,176,740</u>
Total capital assets being depreciated	<u>108,786,925</u>	<u>3,582,908</u>	<u>(712,319)</u>	<u>30,049,302</u>	<u>141,706,816</u>
Less accumulated depreciation for:					
Buildings	(1,806,540)	(344,624)	-	-	(2,151,164)
Improvements other than buildings	(407,974)	(620,211)	-	-	(1,028,185)
Machinery and equipment	(1,384,496)	(358,267)	28,303	-	(1,714,460)
Vehicles	(2,569,915)	(554,494)	620,055	-	(2,504,354)
Furniture and fixtures	(1,076,930)	(283,245)	24,554	-	(1,335,621)
Infrastructure	<u>(32,226,929)</u>	<u>(3,036,608)</u>	<u>-</u>	<u>-</u>	<u>(35,263,537)</u>
Total accumulated depreciation	<u>(39,472,784)</u>	<u>(5,197,449)</u>	<u>672,912</u>	<u>-</u>	<u>(43,997,321)</u>
Total capital assets being depreciated, net	<u>69,314,141</u>	<u>(1,614,541)</u>	<u>(39,407)</u>	<u>30,049,302</u>	<u>97,709,495</u>
Governmental activities capital assets, net	<u>\$ 113,792,963</u>	<u>\$ 14,522,529</u>	<u>\$ (1,710,215)</u>	<u>\$ -</u>	<u>\$ 126,605,277</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ -	\$ -	\$ 799,533
Construction in progress	<u>5,533,952</u>	<u>4,811,413</u>	<u>-</u>	<u>(4,421,388)</u>	<u>5,923,977</u>
Total capital assets not being depreciated	<u>6,333,485</u>	<u>4,811,413</u>	<u>-</u>	<u>(4,421,388)</u>	<u>6,723,510</u>
Capital assets being depreciated:					
Buildings	89,421	108,688	-	-	198,109
Improvements other than buildings	53,566,492	3,708,401	-	4,421,388	61,696,281
Sewage treatment plants and pump station	10,777,614	1,656,534	-	-	12,434,148
Machinery and equipment	3,384,222	388,708	(70,739)	-	3,702,191
Furniture and fixtures	<u>69,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,031</u>
Total capital assets being depreciated	<u>67,886,780</u>	<u>5,862,331</u>	<u>(70,739)</u>	<u>4,421,388</u>	<u>78,099,760</u>
Less accumulated depreciation for:					
Buildings	(89,421)	(2,717)	-	-	(92,138)
Improvements other than buildings	(9,789,095)	(1,218,322)	-	-	(11,007,417)
Sewage treatment plants and pump station	(3,684,281)	(232,477)	-	-	(3,916,758)
Machinery and equipment	(3,197,221)	(89,677)	64,677	-	(3,222,221)
Furniture and fixtures	<u>(63,889)</u>	<u>(1,111)</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>
Total accumulated depreciation	<u>(16,823,907)</u>	<u>(1,544,304)</u>	<u>64,677</u>	<u>-</u>	<u>(18,303,534)</u>
Total capital assets being depreciated, net	<u>51,062,873</u>	<u>4,318,027</u>	<u>(6,062)</u>	<u>4,421,388</u>	<u>59,796,226</u>
Business-type activities capital assets, net	<u>\$ 57,396,358</u>	<u>\$ 9,129,440</u>	<u>\$ (6,062)</u>	<u>\$ -</u>	<u>\$ 66,519,736</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
Administration		\$ 629,962
Police		390,674
Fire		378,144
Public works		3,140,606
Parks and recreation		<u>658,063</u>
Total depreciation expense - governmental activities		<u>\$ 5,197,449</u>
Business-type activities:		
Water and sewer		<u>\$ 1,544,304</u>

Construction commitments

The City has active construction projects as of September 30, 2007. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Source of Funding</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities:			
205 Bypass	Bond proceeds	\$ -	\$ 5,967,956
Animal Shelter	Bond proceeds	521,092	1,067,898
Townsend Drive reconstruction	Bond proceeds	594,331	597,646
Fannin Street improvements	Bond proceeds	697,328	2,321,222
Other improvements	Various	<u>5,973,051</u>	<u>1,027,380</u>
Total governmental activities		<u>7,785,802</u>	<u>10,982,102</u>
Business-type activities:			
N Country Lane water tower	Bond proceeds	997,357	2,892,143
Other improvements	Various	<u>3,175,058</u>	<u>696,089</u>
Total business-type activities		<u>4,172,415</u>	<u>3,588,232</u>
Total reporting entity		<u>\$ 11,958,217</u>	<u>\$ 14,570,334</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2007, was as follows:

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
Capital assets being depreciated:					
Furniture and fixtures	\$ 66,866	\$ 2,638	\$ -	\$ -	\$ 69,504
Less accumulated depreciation for:					
Furniture and fixtures	(55,270)	(4,750)	-	-	(60,020)
REDC capital assets, net	\$ 11,596	\$ (2,112)	\$ -	\$ -	\$ 9,484

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2007, is as follows:

Fund	Receivable	Payable
General Fund	\$ 307,500	\$ 270,000
G.O. Bonds Capital Projects	1,270,000	-
205 Bypass Project	-	1,000,000
Nonmajor governmental funds	-	307,500
Total interfund balances	\$ 1,577,500	\$ 1,577,500

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Interfund receivables, payables, and transfers – continued

The composition of interfund transfers for the year ended September 30, 2007, is as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 617,000	\$ 1,422,300
Capital Projects	577,665	13,398
G.O. Bonds Capital Projects	424,536	785,109
Nonmajor governmental funds	966,603	645,312
Water and Sewer Fund	-	1,350,335
Internal service funds	1,630,650	-
Total interfund transfers	\$ 4,216,454	\$ 4,216,454

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2007, is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance 9/30/07</u>
Governmental Activities:					
General obligation bonds:					
Improvements	\$ 7,185,000	1999	2019	4.25%-5.25%	\$ 5,275,000
Improvements	2,150,000	2000	2020	5.00%-6.00%	285,000
Refunding	4,024,394	2003	2015	2.00%-4.00%	2,465,824
Refunding and improvement	13,345,000	2005	2025	3.00%-4.50%	12,760,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	<u>34,935,000</u>
Total general obligation bonds					<u>55,720,824</u>
Contractual obligations:					
Equipment purchase	1,165,000	1999	2014	4.00%-4.80%	<u>280,000</u>
Certificates of obligation:					
Improvements	6,500,000	2000	2020	4.75%-5.75%	845,000
Improvements	4,295,000	2002	2012	2.80%-3.80%	1,315,000
Improvements	13,950,000	2005	2025	3.00%-5.00%	12,950,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	<u>4,935,000</u>
Total certificates of obligation					<u>20,045,000</u>
Total governmental activities general obligation debt					76,045,824
Business-type Activities:					
General obligation bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	<u>184,176</u>
Total general obligation debt					<u>\$ 76,230,000</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2008	\$ 3,655,462	\$ 3,444,402	\$ 29,538	\$ 6,494	\$ 7,135,896
2009	3,660,540	3,278,966	19,460	5,682	6,964,648
2010	3,054,845	3,111,746	20,155	5,098	6,191,844
2011	3,309,150	2,970,907	20,850	4,443	6,305,350
2012	3,538,455	2,826,410	21,545	3,713	6,390,123
2013-2017	18,647,372	11,664,434	72,628	5,908	30,390,342
2018-2022	17,980,000	7,434,531	-	-	25,414,531
2023-2027	13,670,000	3,539,494	-	-	17,209,494
2028-2032	4,270,000	1,606,700	-	-	5,876,700
2033-2036	4,260,000	504,819	-	-	4,764,819
Total	\$ <u>76,045,824</u>	\$ <u>40,382,409</u>	\$ <u>184,176</u>	\$ <u>31,338</u>	\$ <u>116,643,747</u>

Revenue bonds

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding as of September 30, 2007, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/07
Improvements	\$3,535,000	1999	2019	4.15%-5.00%	\$ 1,945,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	5,570,000
Refunding and improvement	6,415,000	2005	2025	3.00%-4.50%	<u>5,845,000</u>
					13,360,000
Plus unamortized premium					11,613
Less unamortized discount					<u>(30,448)</u>
Total revenue bonds					\$ <u><u>13,341,165</u></u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Water and Sewer Fund		
	Principal	Interest	Total
2008	\$ 830,000	\$ 575,410	\$ 1,405,410
2009	860,000	542,595	1,402,595
2010	895,000	507,657	1,402,657
2011	740,000	471,228	1,211,228
2012	770,000	440,818	1,210,818
2013-2017	3,970,000	1,703,468	5,673,468
2018-2022	4,180,000	815,368	4,995,368
2023-2025	1,115,000	100,555	1,215,555
	13,360,000	\$ 5,157,099	\$ 18,517,099
Plus unamortized premium	11,613		
Less unamortized discount	(30,448)		
Total revenue bonds	\$ 13,341,165		

Refunded bonds

In previous years, the City purchased U.S. government securities that were placed in irrevocable trusts with escrow agents to provide for all future debt service payments on certain bonds. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the City's statement of net assets. The outstanding balances of refunded bonds at September 30, 2007, are as follows:

Bond Type	Year of Issue	Year Refunded	Balance 9/30/07
General obligation	1995	2003	\$ 2,440,000
General obligation	2000	2005	1,395,000
Certificates of obligation	2000	2005	4,235,000
Total refunded bonds			\$ 8,070,000

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Capitalized lease obligations

The City has entered into contracts with NTMWD, a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of certain water and sewer facilities. The contractual obligations have been treated as capitalized lease obligations. Capitalized lease obligations outstanding as of September 30, 2007, are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/07</u>
South Plant Improvements	\$ 1,800,000	1996	2016	Various	\$ 1,060,000
Ground Storage Facility	2,013,434	2005	2025	Various	1,880,094
Pump Station	2,145,000	2006	2026	Various	<u>2,100,000</u>
					5,040,094
Plus unamortized premium					<u>61,274</u>
Total capitalized lease obligations					<u>\$ 5,101,368</u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2007, are as follows:

<u>Year Ending September 30</u>	<u>Total</u>
2008	\$ 465,466
2009	467,487
2010	463,867
2011	464,841
2012	465,175
2013-2017	2,186,498
2018-2022	1,598,727
2023-2026	<u>1,148,625</u>
Total minimum lease payments	7,260,686
Less amount representing interest	<u>(2,220,592)</u>
Present value of minimum lease payments	5,040,094
Plus unamortized premium	<u>61,274</u>
Total capitalized lease obligations	<u>\$ 5,101,368</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 57,632,329	\$ -	\$ (1,911,505)	\$ 55,720,824	\$ 2,000,462
Contractual obligations	315,000	-	(35,000)	280,000	35,000
Certificates of obligation	21,825,000	-	(1,780,000)	20,045,000	1,620,000
Plus unamortized premium	<u>1,115,113</u>	<u>-</u>	<u>(42,960)</u>	<u>1,072,153</u>	<u>-</u>
Total bonds payable	80,887,442	-	(3,769,465)	77,117,977	3,655,462
Compensated absences	<u>797,825</u>	<u>948,526</u>	<u>(898,327)</u>	<u>848,024</u>	<u>147,510</u>
Total	<u>\$ 81,685,267</u>	<u>\$ 948,526</u>	<u>\$ (4,667,792)</u>	<u>\$ 77,966,001</u>	<u>\$ 3,802,972</u>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 212,671	\$ -	\$ (28,495)	\$ 184,176	\$ 29,538
Revenue bonds	14,145,000	-	(785,000)	13,360,000	830,000
Plus unamortized premium	12,258	-	(645)	11,613	-
Less unamortized discount	<u>(42,167)</u>	<u>-</u>	<u>11,719</u>	<u>(30,448)</u>	<u>-</u>
Total bonds payable	<u>14,327,762</u>	<u>-</u>	<u>(802,421)</u>	<u>13,525,341</u>	<u>859,538</u>
Capitalized lease obligations	1,145,000	4,158,434	(263,340)	5,040,094	235,004
Plus unamortized premium	<u>-</u>	<u>64,610</u>	<u>(3,336)</u>	<u>61,274</u>	<u>-</u>
Total capitalized lease obligations	<u>1,145,000</u>	<u>4,223,044</u>	<u>(266,676)</u>	<u>5,101,368</u>	<u>235,004</u>
Compensated absences	<u>48,117</u>	<u>147,628</u>	<u>(144,367)</u>	<u>51,378</u>	<u>33,329</u>
Total	<u>\$ 15,520,879</u>	<u>\$ 4,370,672</u>	<u>\$ (1,213,464)</u>	<u>\$ 18,678,087</u>	<u>\$ 1,127,871</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Conduit debt obligations

Certain revenue bonds have been issued in the past to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2007, there was one series of revenue bonds outstanding. The aggregate principal amount payable on the outstanding bonds was approximately \$1,700,000.

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2007:

Year Authorized	Amount Authorized	* Amount Issued	Balance Unissued 9/30/07
General obligation bonds:			
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2002	19,845,000	(14,675,000)	5,170,000
2005	<u>63,705,000</u>	<u>(26,135,000)</u>	<u>37,570,000</u>
Total general obligation bonds	<u>\$ 89,150,000</u>	<u>\$ (45,010,000)</u>	<u>\$ 44,140,000</u>
Revenue bonds:			
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Total revenue bonds	<u>\$ 3,540,000</u>	<u>\$ (1,060,000)</u>	<u>\$ 2,480,000</u>

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2007:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/07</u>
Sales tax revenue bonds:					
Land improvements	\$ 5,000,000	1999	2019	4.20%-6.20%	\$ 3,665,000
Certificates of obligation:					
Infrastructure improvements	3,225,000	2005	2025	3.00%-5.00%	2,685,000
Infrastructure improvements	5,540,000	2006	2026	4.25%-5.00%	5,365,000
Interim construction loan	6,684,229	2005	2009	Variable	<u>6,684,229</u>
Total REDC debt					<u>\$ 18,399,229</u>

Annual debt service requirements to maturity for REDC debt are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 695,000	\$ 926,868	\$ 1,621,868
2009	7,414,229	726,852	8,141,081
2010	770,000	459,629	1,229,629
2011	800,000	429,011	1,229,011
2012	835,000	396,107	1,231,107
2013-2017	3,995,000	1,393,063	5,388,063
2018-2022	2,345,000	614,619	2,959,619
2023-2026	<u>1,545,000</u>	<u>177,525</u>	<u>1,722,525</u>
Total	<u>\$ 18,399,229</u>	<u>\$ 5,123,674</u>	<u>\$ 23,522,903</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Sales tax revenue bonds	\$ 3,885,000	\$ -	\$ (220,000)	\$ 3,665,000	\$ 230,000
Certificates of obligation	8,500,000	-	(450,000)	8,050,000	465,000
Plus unamortized premium	<u>172,622</u>	<u>-</u>	<u>(9,072)</u>	<u>163,550</u>	<u>-</u>
Total bonds payable	12,557,622	-	(679,072)	11,878,550	695,000
Interim construction loan	6,684,229	-	-	6,684,229	-
Compensated absences	<u>7,941</u>	<u>14,836</u>	<u>(9,444)</u>	<u>13,333</u>	<u>5,109</u>
Total	<u>\$ 19,249,792</u>	<u>\$ 14,836</u>	<u>\$ (688,516)</u>	<u>\$ 18,576,112</u>	<u>\$ 700,109</u>

4. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$65,000 per covered individual, or approximately \$1,337,497 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2007.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a maximum City liability of \$600,000 per year.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

A. Risk management – continued

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements.

Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Workers' Compensation	
	2007	2006	2007	2006
Claims payable, beginning of the year	\$ 234,990	\$ 48,260	\$ 2,933	\$ 2,360
Claims incurred	1,698,992	1,838,867	34,746	56,009
Claims paid	<u>(1,786,587)</u>	<u>(1,652,137)</u>	<u>(35,162)</u>	<u>(55,436)</u>
Claims payable, end of the year	<u>\$ 147,395</u>	<u>\$ 234,990</u>	<u>\$ 2,517</u>	<u>\$ 2,933</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

B. North Texas Municipal Water District – continued

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to: (1) expand the sewage treatment facilities and continue to provide sewage treatment services to the City; (2) construct a 3.0 million gallon ground storage reservoir in which the Cities of Rockwall and Heath own 66.67% and 33.33% undivided interests, respectively; and (3) construct an 8.6 million gallon-per-day pump station for the exclusive benefit of the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related assets have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2007, is \$5,040,094. See Note 3E for the annual requirements to amortize the bonds as of September 30, 2007.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 3E above, the general revenues of the City are contingently liable in the amount of \$184,176 for general obligation bonds which are currently outstanding and recorded as obligations of the Water and Sewer Fund.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

C. Contingent liabilities and commitments – continued

The City contracts for solid waste disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2007, these commitments totaled \$1,541,181.

D. Employee retirement systems and pension plans

Texas Municipal Retirement System

Plan Description – The City provides pension benefits for all of its full-time employees (except volunteer firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Benefits – Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit rate: 7.00%

Matching Ratio (City to Employee): 2 to 1

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years.

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

Contributions – Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2006 valuation is effective for rates beginning January 2008.

A schedule of funding progress as of the three most recent actuarial valuation dates is as follows:

	Actuarial Valuation Date		
	12/31/2006	12/31/2005	12/31/2004
Actuarial value of assets (a)	\$ 17,878,974	\$ 15,968,994	\$ 14,505,752
Actuarial accrued liability (AAL) - unit credit (b)	23,911,430	21,310,890	19,508,568
Unfunded (over-funded) AAL (UAAL) (b-a)	6,032,456	5,341,896	5,002,816
Funded ratio (a/b)	74.8%	74.9%	74.4%
Annual covered payroll (c)	10,942,328	10,325,619	9,354,662
UAAL as a percentage of covered payroll ((b-a)/c)	55.1%	51.7%	53.5%

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

A summary of the City's net pension obligation (NPO) and annual required contributions for the last three fiscal years is as follows:

	Fiscal Year Ended September 30		
	2007	2006	2005
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	1,491,116	1,367,738	1,270,547
Contributions made (100%)	(1,491,116)	(1,367,738)	(1,270,547)
NPO at the end of the period	\$ -	\$ -	\$ -

A summary of the actuarial assumptions used is as follows:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7.0%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$54,194 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 38 active participants currently covered by the Fund and payments are being made to 19 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

E. Subsequent event

In October 2007, the City issued debt totaling \$32,580,000. This debt issuance was comprised of: (1) general obligation bonds (\$21,765,000) for the continued construction of the 205 Bypass and other roadway rehabilitation projects; (2) revenue certificates of obligation (\$10,310,000) for the construction of the North Water Tower and various water transmission line and wastewater force main projects; and (3) tax-supported contractual obligations (\$505,000) for equipment acquisition.

***REQUIRED SUPPLEMENTARY INFORMATION***

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CITY OF ROCKWALL, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Ad valorem taxes, penalty and interest	\$ 5,980,000	\$ 5,735,000	\$ 5,720,256	\$ (14,744)
Sales taxes	9,141,000	8,551,000	8,534,183	(16,817)
Franchise taxes	1,880,000	2,055,400	2,046,674	(8,726)
Charges for services	303,500	402,000	417,049	15,049
Permits	1,228,000	988,000	1,009,884	21,884
Municipal court	851,000	851,000	957,064	106,064
Intergovernmental	222,200	247,200	243,163	(4,037)
Interest income	200,000	300,000	460,776	160,776
Miscellaneous	53,500	173,200	228,156	54,956
Total revenues	<u>19,859,200</u>	<u>19,302,800</u>	<u>19,617,205</u>	<u>314,405</u>
Expenditures:				
Current:				
Mayor/council	113,300	113,300	111,555	1,745
Administration	2,922,200	2,848,700	2,750,197	98,503
Finance	894,550	898,500	895,028	3,472
Municipal court	319,550	307,550	300,186	7,364
Police	6,181,150	6,150,200	6,095,218	54,982
Fire	1,452,300	1,372,500	1,329,846	42,654
Public works	2,613,750	2,400,350	2,343,288	57,062
Community development	2,115,450	2,040,200	2,002,767	37,433
Parks and recreation	2,540,950	2,423,500	2,357,216	66,284
Total current	<u>19,153,200</u>	<u>18,554,800</u>	<u>18,185,301</u>	<u>369,499</u>
Capital outlay:				
Police	12,900	-	-	-
Fire	7,200	7,200	4,699	2,501
Public works	3,200	3,200	1,896	1,304
Community development	1,000	2,150	2,105	45
Total capital outlay	<u>24,300</u>	<u>12,550</u>	<u>8,700</u>	<u>3,850</u>
Total expenditures	<u>19,177,500</u>	<u>18,567,350</u>	<u>18,194,001</u>	<u>373,349</u>
Excess of revenues over expenditures	<u>681,700</u>	<u>735,450</u>	<u>1,423,204</u>	<u>687,754</u>
Other financing sources (uses):				
Transfers in	617,000	617,000	617,000	-
Transfers out	<u>(1,432,250)</u>	<u>(1,335,200)</u>	<u>(1,422,300)</u>	<u>(87,100)</u>
Total other financing sources (uses)	<u>(815,250)</u>	<u>(718,200)</u>	<u>(805,300)</u>	<u>(87,100)</u>
Net change in fund balances	(133,550)	17,250	617,904	600,654
Fund balances, October 1	<u>7,718,792</u>	<u>7,718,792</u>	<u>7,718,792</u>	<u>-</u>
Fund balances, September 30	<u>\$ 7,585,242</u>	<u>\$ 7,736,042</u>	<u>\$ 8,336,696</u>	<u>\$ 600,654</u>

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***COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES  
AS SUPPLEMENTARY INFORMATION***

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CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-3)</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 261,594	\$ 2,017	\$ 263,611
Investments	2,535,012	16,167	2,551,179
Receivables (net of allowances for uncollectibles):			
Interest	9,854	266	10,120
Accounts	56,356	-	56,356
Assessments	193,202	-	193,202
Intergovernmental	<u>15,234</u>	<u>6,607</u>	<u>21,841</u>
 Total assets	 <u>\$ 3,071,252</u>	 <u>\$ 25,057</u>	 <u>\$ 3,096,309</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 50,362	\$ 10,750	\$ 61,112
Deferred revenue	216,060	-	216,060
Due to other funds	7,500	300,000	307,500
Total liabilities	<u>273,922</u>	<u>310,750</u>	<u>584,672</u>
 Fund balances:			
Unreserved, undesignated	<u>2,797,330</u>	<u>(285,693)</u>	<u>2,511,637</u>
Total fund balances	<u>2,797,330</u>	<u>(285,693)</u>	<u>2,511,637</u>
 Total liabilities and fund balances	 <u>\$ 3,071,252</u>	 <u>\$ 25,057</u>	 <u>\$ 3,096,309</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-5)</u>
Revenues:			
Sales taxes	\$ 203,402	\$ -	\$ 203,402
Permits	123,101	-	123,101
Municipal court	62,196	-	62,196
Intergovernmental	348,812	94,928	443,740
Interest income	107,607	11,446	119,053
Miscellaneous	427,882	60,858	488,740
Contributions and donations	169,683	573,759	743,442
Total revenues	<u>1,442,683</u>	<u>740,991</u>	<u>2,183,674</u>
Expenditures:			
Current:			
Finance	243,210	-	243,210
Police	241,806	-	241,806
Fire	10,778	-	10,778
Public works	84,247	-	84,247
Parks and recreation	116,022	-	116,022
Total current	<u>696,063</u>	<u>-</u>	<u>696,063</u>
Capital outlay:			
Administration	-	90,487	90,487
Police	76,424	149,568	225,992
Fire	152,928	1,396,433	1,549,361
Public works	4,599	408,912	413,511
Parks and recreation	244,598	-	244,598
Total capital outlay	<u>478,549</u>	<u>2,045,400</u>	<u>2,523,949</u>
Total expenditures	<u>1,174,612</u>	<u>2,045,400</u>	<u>3,220,012</u>
Excess of revenues over (under) expenditures	<u>268,071</u>	<u>(1,304,409)</u>	<u>(1,036,338)</u>
Other financing sources (uses):			
Transfers in	327,659	638,944	966,603
Transfers out	(220,776)	(424,536)	(645,312)
Total other financing sources (uses)	<u>106,883</u>	<u>214,408</u>	<u>321,291</u>
Net change in fund balances	374,954	(1,090,001)	(715,047)
Fund balances, October 1	<u>2,422,376</u>	<u>804,308</u>	<u>3,226,684</u>
Fund balances, September 30	<u>\$ 2,797,330</u>	<u>\$ (285,693)</u>	<u>\$ 2,511,637</u>

## *SPECIAL REVENUE FUNDS*

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation – established to account for donations, court security fees, and forfeitures.

Recreational Development – established to account for the annual lease income from marinas and golf course.

Radio System – established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Motel Tax – established to account for the annual income from hotel motel taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Kidzone – established to account for revenues and expenditures related to a joint project with the Rockwall Breakfast Rotary and Kiwanis clubs to construct a playground.

Downtown Improvement – established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places – established to account for donations received for developing art displays in public areas such as parks.

Special Crimes Unit – established to account for revenues and expenditures related to a county-wide crime task force.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2007

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Radio System</u>	<u>Street Improvements</u>	<u>Hotel Motel Tax</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 21,596	\$ 7,443	\$ 125,079	\$ 469	\$ 3,043	\$ 2,628
Investments	112,793	173,064	125,594	-	1,590,888	23,188
Receivables (net of allowances for uncollectibles):						
Interest	-	-	-	-	9,854	-
Accounts	-	-	-	-	-	54,312
Assessments	-	-	-	-	193,202	-
Intergovernmental	-	1,963	-	13,271	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ <u>134,389</u>	\$ <u>182,470</u>	\$ <u>250,673</u>	\$ <u>13,740</u>	\$ <u>1,796,987</u>	\$ <u>80,128</u>
 <b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 22,182	\$ 4,050	\$ 2,875	\$ -	\$ -
Deferred revenue	-	-	-	-	168,202	-
Due to other funds	-	-	-	7,500	-	-
Total liabilities	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances:						
Unreserved, undesignated	<u>134,389</u>	<u>160,288</u>	<u>246,623</u>	<u>3,365</u>	<u>1,628,785</u>	<u>80,128</u>
Total fund balances	<u>134,389</u>	<u>160,288</u>	<u>246,623</u>	<u>3,365</u>	<u>1,628,785</u>	<u>80,128</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	\$ <u>134,389</u>	\$ <u>182,470</u>	\$ <u>250,673</u>	\$ <u>13,740</u>	\$ <u>1,796,987</u>	\$ <u>80,128</u>

Fire Equipment	Aviation	Recycling	Emergency Siren	Kidzone	Downtown Improvement	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 9,583	\$ 15,217	\$ 2,554	\$ 4,020	\$ -	\$ 1,024	\$ 655	\$ 68,283	\$ 261,594
158,057	55,119	51,297	14,479	-	18,532	-	212,001	2,535,012
-	-	-	-	-	-	-	-	9,854
-	-	2,044	-	-	-	-	-	56,356
-	-	-	-	-	-	-	-	193,202
-	-	-	-	-	-	-	-	15,234
<u>\$ 167,640</u>	<u>\$ 70,336</u>	<u>\$ 55,895</u>	<u>\$ 18,499</u>	<u>\$ -</u>	<u>\$ 19,556</u>	<u>\$ 655</u>	<u>\$ 280,284</u>	<u>\$ 3,071,252</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,255	\$ 50,362
-	-	-	-	-	-	-	47,858	216,060
-	-	-	-	-	-	-	-	7,500
-	-	-	-	-	-	-	69,113	273,922
<u>167,640</u>	<u>70,336</u>	<u>55,895</u>	<u>18,499</u>	<u>-</u>	<u>19,556</u>	<u>655</u>	<u>211,171</u>	<u>2,797,330</u>
<u>167,640</u>	<u>70,336</u>	<u>55,895</u>	<u>18,499</u>	<u>-</u>	<u>19,556</u>	<u>655</u>	<u>211,171</u>	<u>2,797,330</u>
<u>\$ 167,640</u>	<u>\$ 70,336</u>	<u>\$ 55,895</u>	<u>\$ 18,499</u>	<u>\$ -</u>	<u>\$ 19,556</u>	<u>\$ 655</u>	<u>\$ 280,284</u>	<u>\$ 3,071,252</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Radio System</u>	<u>Street Improvements</u>	<u>Hotel Motel Tax</u>
Revenues:						
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,402
Permits	275	-	122,826	-	-	-
Municipal court	-	62,196	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest income	3,562	5,267	10,766	-	79,198	1,907
Miscellaneous	5,475	-	127,966	13,271	75,654	656
Contributions and donations	2,000	39,319	112,761	-	-	-
Total revenues	<u>11,312</u>	<u>106,782</u>	<u>374,319</u>	<u>13,271</u>	<u>154,852</u>	<u>205,965</u>
Expenditures:						
Current:						
Finance	-	-	-	-	-	243,210
Police	-	13,244	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	-	-	8,307	-	-
Parks and recreation	1,200	-	88,354	-	-	-
Total current	<u>1,200</u>	<u>13,244</u>	<u>88,354</u>	<u>8,307</u>	<u>-</u>	<u>243,210</u>
Capital outlay:						
Police	-	69,193	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	-	-	4,599	-	-
Parks and recreation	-	-	244,598	-	-	-
Total capital outlay	<u>-</u>	<u>69,193</u>	<u>244,598</u>	<u>4,599</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,200</u>	<u>82,437</u>	<u>332,952</u>	<u>12,906</u>	<u>-</u>	<u>243,210</u>
Excess of revenues over (under) expenditures	<u>10,112</u>	<u>24,345</u>	<u>41,367</u>	<u>365</u>	<u>154,852</u>	<u>(37,245)</u>
Other financing sources (uses):						
Transfers in	-	27,000	3,611	3,000	-	-
Transfers out	-	(52,000)	(165,165)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(25,000)</u>	<u>(161,554)</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	10,112	(655)	(120,187)	3,365	154,852	(37,245)
Fund balances, October 1	<u>124,277</u>	<u>160,943</u>	<u>366,810</u>	<u>-</u>	<u>1,473,933</u>	<u>117,373</u>
Fund balances, September 30	<u>\$ 134,389</u>	<u>\$ 160,288</u>	<u>\$ 246,623</u>	<u>\$ 3,365</u>	<u>\$ 1,628,785</u>	<u>\$ 80,128</u>

Fire Equipment	Aviation	Recycling	Emergency Siren	Kidzone	Downtown Improvement	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,402
-	-	-	-	-	-	-	-	123,101
-	-	-	-	-	-	-	-	62,196
238,782	30,030	-	-	-	-	-	80,000	348,812
2,371	1,671	974	424	-	1,024	-	443	107,607
1,000	10,262	23,644	3,819	-	-	-	166,135	427,882
4,948	-	-	-	-	10,000	655	-	169,683
<u>247,101</u>	<u>41,963</u>	<u>24,618</u>	<u>4,243</u>	<u>-</u>	<u>11,024</u>	<u>655</u>	<u>246,578</u>	<u>1,442,683</u>
-	-	-	-	-	-	-	-	243,210
-	-	-	-	-	-	-	228,562	241,806
10,778	-	-	-	-	-	-	-	10,778
-	71,821	4,119	-	-	-	-	-	84,247
-	-	-	-	-	26,468	-	-	116,022
<u>10,778</u>	<u>71,821</u>	<u>4,119</u>	<u>-</u>	<u>-</u>	<u>26,468</u>	<u>-</u>	<u>228,562</u>	<u>696,063</u>
-	-	-	-	-	-	-	7,231	76,424
152,928	-	-	-	-	-	-	-	152,928
-	-	-	-	-	-	-	-	4,599
-	-	-	-	-	-	-	-	244,598
<u>152,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,231</u>	<u>478,549</u>
<u>163,706</u>	<u>71,821</u>	<u>4,119</u>	<u>-</u>	<u>-</u>	<u>26,468</u>	<u>-</u>	<u>235,793</u>	<u>1,174,612</u>
<u>83,395</u>	<u>(29,858)</u>	<u>20,499</u>	<u>4,243</u>	<u>-</u>	<u>(15,444)</u>	<u>655</u>	<u>10,785</u>	<u>268,071</u>
5,250	42,398	-	-	-	-	-	246,400	327,659
-	-	-	-	(3,611)	-	-	-	(220,776)
<u>5,250</u>	<u>42,398</u>	<u>-</u>	<u>-</u>	<u>(3,611)</u>	<u>-</u>	<u>-</u>	<u>246,400</u>	<u>106,883</u>
88,645	12,540	20,499	4,243	(3,611)	(15,444)	655	257,185	374,954
<u>78,995</u>	<u>57,796</u>	<u>35,396</u>	<u>14,256</u>	<u>3,611</u>	<u>35,000</u>	<u>-</u>	<u>(46,014)</u>	<u>2,422,376</u>
<u>\$ 167,640</u>	<u>\$ 70,336</u>	<u>\$ 55,895</u>	<u>\$ 18,499</u>	<u>\$ -</u>	<u>\$ 19,556</u>	<u>\$ 655</u>	<u>\$ 211,171</u>	<u>\$ 2,797,330</u>

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 800	\$ 200	\$ 275	\$ 75
Interest income	1,000	5,050	3,562	(1,488)
Miscellaneous	3,000	5,450	5,475	25
Contributions and donations	-	2,000	2,000	-
Total revenues	<u>4,800</u>	<u>12,700</u>	<u>11,312</u>	<u>(1,388)</u>
Expenditures:				
Current:				
Parks and recreation	-	1,200	1,200	-
Total expenditures	<u>-</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Net change in fund balances	4,800	11,500	10,112	(1,388)
Fund balances, October 1	<u>124,277</u>	<u>124,277</u>	<u>124,277</u>	<u>-</u>
Fund balances, September 30	<u>\$ 129,077</u>	<u>\$ 135,777</u>	<u>\$ 134,389</u>	<u>\$ (1,388)</u>

CITY OF ROCKWALL, TEXAS  
POLICE INVESTIGATION FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal court	\$ 58,000	\$ 57,000	\$ 62,196	\$ 5,196
Interest income	2,000	7,000	5,267	(1,733)
Contributions and donations	2,000	35,550	39,319	3,769
Total revenues	<u>62,000</u>	<u>99,550</u>	<u>106,782</u>	<u>7,232</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Police	-	12,250	13,244	(994)
Total current	<u>-</u>	<u>12,250</u>	<u>13,244</u>	<u>(994)</u>
<b>Capital outlay:</b>				
Police	63,400	66,400	69,193	(2,793)
Total capital outlay	<u>63,400</u>	<u>66,400</u>	<u>69,193</u>	<u>(2,793)</u>
Total expenditures	<u>63,400</u>	<u>78,650</u>	<u>82,437</u>	<u>(3,787)</u>
Excess of revenues over (under) expenditures	<u>(1,400)</u>	<u>20,900</u>	<u>24,345</u>	<u>3,445</u>
<b>Other financing sources (uses):</b>				
Transfers in	27,000	27,000	27,000	-
Transfers out	(52,000)	(52,000)	(52,000)	-
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	(26,400)	(4,100)	(655)	3,445
Fund balances, October 1	<u>160,943</u>	<u>160,943</u>	<u>160,943</u>	<u>-</u>
Fund balances, September 30	<u>\$ 134,543</u>	<u>\$ 156,843</u>	<u>\$ 160,288</u>	<u>\$ 3,445</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 115,750	\$ 146,000	\$ 122,826	\$ (23,174)
Interest income	5,000	15,000	10,766	(4,234)
Miscellaneous	110,000	115,000	127,966	12,966
Contributions and donations	156,000	113,200	112,761	(439)
Total revenues	<u>386,750</u>	<u>389,200</u>	<u>374,319</u>	<u>(14,881)</u>
Expenditures:				
Current:				
Parks and recreation	184,900	188,900	88,354	100,546
Total current	<u>184,900</u>	<u>188,900</u>	<u>88,354</u>	<u>100,546</u>
Capital outlay:				
Parks and recreation	269,000	223,000	244,598	(21,598)
Total capital outlay	<u>269,000</u>	<u>223,000</u>	<u>244,598</u>	<u>(21,598)</u>
Total expenditures	<u>453,900</u>	<u>411,900</u>	<u>332,952</u>	<u>78,948</u>
Excess of revenues over (under) expenditures	<u>(67,150)</u>	<u>(22,700)</u>	<u>41,367</u>	<u>64,067</u>
Other financing sources (uses):				
Transfers in	-	-	3,611	3,611
Transfers out	(50,000)	(50,000)	(165,165)	(115,165)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(161,554)</u>	<u>(111,554)</u>
Net change in fund balances	(117,150)	(72,700)	(120,187)	(47,487)
Fund balances, October 1	<u>366,810</u>	<u>366,810</u>	<u>366,810</u>	<u>-</u>
Fund balances, September 30	<u>\$ 249,660</u>	<u>\$ 294,110</u>	<u>\$ 246,623</u>	<u>\$ (47,487)</u>

CITY OF ROCKWALL, TEXAS  
RADIO SYSTEM FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 31,600	\$ 11,500	\$ 13,271	\$ 1,771
Total revenues	<u>31,600</u>	<u>11,500</u>	<u>13,271</u>	<u>1,771</u>
Expenditures:				
Current:				
Public works	73,800	56,000	8,307	47,693
Total current	<u>73,800</u>	<u>56,000</u>	<u>8,307</u>	<u>47,693</u>
Capital outlay:				
Public works	84,200	10,200	4,599	5,601
Total capital outlay	<u>84,200</u>	<u>10,200</u>	<u>4,599</u>	<u>5,601</u>
Total expenditures	<u>158,000</u>	<u>66,200</u>	<u>12,906</u>	<u>53,294</u>
Excess of revenues over (under) expenditures	<u>(126,400)</u>	<u>(54,700)</u>	<u>365</u>	<u>55,065</u>
Other financing sources:				
Transfers in	126,400	54,700	3,000	(51,700)
Total other financing sources	<u>126,400</u>	<u>54,700</u>	<u>3,000</u>	<u>(51,700)</u>
Net change in fund balances	-	-	3,365	3,365
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,365</u>	<u>\$ 3,365</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 7,600	\$ 40,300	\$ 79,198	\$ 38,898
Miscellaneous	7,700	49,800	75,654	25,854
Total revenues	<u>15,300</u>	<u>90,100</u>	<u>154,852</u>	<u>64,752</u>
Expenditures:				
Capital outlay:				
Public works	<u>276,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>276,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(260,700)	90,100	154,852	64,752
Fund balances, October 1	<u>1,473,933</u>	<u>1,473,933</u>	<u>1,473,933</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,213,233</u>	<u>\$ 1,564,033</u>	<u>\$ 1,628,785</u>	<u>\$ 64,752</u>

CITY OF ROCKWALL, TEXAS  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 180,000	\$ 180,000	\$ 203,402	\$ 23,402
Interest income	1,000	2,700	1,907	(793)
Miscellaneous	-	650	656	6
Total revenues	<u>181,000</u>	<u>183,350</u>	<u>205,965</u>	<u>22,615</u>
Expenditures:				
Current:				
Finance	237,750	243,250	243,210	40
Total expenditures	<u>237,750</u>	<u>243,250</u>	<u>243,210</u>	<u>40</u>
Net change in fund balances	(56,750)	(59,900)	(37,245)	22,655
Fund balances, October 1	<u>117,373</u>	<u>117,373</u>	<u>117,373</u>	<u>-</u>
Fund balances, September 30	<u>\$ 60,623</u>	<u>\$ 57,473</u>	<u>\$ 80,128</u>	<u>\$ 22,655</u>

CITY OF ROCKWALL, TEXAS  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 78,000	\$ 207,300	\$ 238,782	\$ 31,482
Interest income	1,000	3,350	2,371	(979)
Miscellaneous	-	1,000	1,000	-
Contributions and donations	-	5,000	4,948	(52)
Total revenues	<u>79,000</u>	<u>216,650</u>	<u>247,101</u>	<u>30,451</u>
Expenditures:				
Current:				
Fire	11,000	151,000	10,778	140,222
Total current	<u>11,000</u>	<u>151,000</u>	<u>10,778</u>	<u>140,222</u>
Capital outlay:				
Fire	33,150	33,150	152,928	(119,778)
Total capital outlay	<u>33,150</u>	<u>33,150</u>	<u>152,928</u>	<u>(119,778)</u>
Total expenditures	<u>44,150</u>	<u>184,150</u>	<u>163,706</u>	<u>20,444</u>
Excess of revenues over expenditures	<u>34,850</u>	<u>32,500</u>	<u>83,395</u>	<u>50,895</u>
Other financing sources:				
Transfers in	-	5,250	5,250	-
Total other financing sources	<u>-</u>	<u>5,250</u>	<u>5,250</u>	<u>-</u>
Net change in fund balances	34,850	37,750	88,645	50,895
Fund balances, October 1	<u>78,995</u>	<u>78,995</u>	<u>78,995</u>	<u>-</u>
Fund balances, September 30	<u>\$ 113,845</u>	<u>\$ 116,745</u>	<u>\$ 167,640</u>	<u>\$ 50,895</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 30,050	\$ 30,030	\$ (20)
Interest income	400	2,300	1,671	(629)
Miscellaneous	8,500	9,100	10,262	1,162
Total revenues	<u>8,900</u>	<u>41,450</u>	<u>41,963</u>	<u>513</u>
Expenditures:				
Current:				
Public works	47,350	75,250	71,821	3,429
Total expenditures	<u>47,350</u>	<u>75,250</u>	<u>71,821</u>	<u>3,429</u>
Excess of revenues over (under) expenditures	<u>(38,450)</u>	<u>(33,800)</u>	<u>(29,858)</u>	<u>3,942</u>
Other financing sources:				
Transfers in	30,000	29,000	42,398	13,398
Total other financing sources	<u>30,000</u>	<u>29,000</u>	<u>42,398</u>	<u>13,398</u>
Net change in fund balances	(8,450)	(4,800)	12,540	17,340
Fund balances, October 1	<u>57,796</u>	<u>57,796</u>	<u>57,796</u>	<u>-</u>
Fund balances, September 30	<u>\$ 49,346</u>	<u>\$ 52,996</u>	<u>\$ 70,336</u>	<u>\$ 17,340</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 100	\$ 1,350	\$ 974	\$ (376)
Miscellaneous	24,000	24,000	23,644	(356)
Total revenues	<u>24,100</u>	<u>25,350</u>	<u>24,618</u>	<u>(732)</u>
Expenditures:				
Current:				
Public works	6,000	6,000	4,119	1,881
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>4,119</u>	<u>1,881</u>
Net change in fund balances	18,100	19,350	20,499	1,149
Fund balances, October 1	<u>35,396</u>	<u>35,396</u>	<u>35,396</u>	<u>-</u>
Fund balances, September 30	<u>\$ 53,496</u>	<u>\$ 54,746</u>	<u>\$ 55,895</u>	<u>\$ 1,149</u>

CITY OF ROCKWALL, TEXAS  
SPECIAL CRIMES UNIT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 80,000	\$ 80,000	\$ -
Interest income	-	500	443	(57)
Miscellaneous	-	37,300	166,135	128,835
Total revenues	<u>-</u>	<u>117,800</u>	<u>246,578</u>	<u>128,778</u>
Expenditures:				
Current:				
Police	246,400	227,400	228,562	(1,162)
Total current	<u>246,400</u>	<u>227,400</u>	<u>228,562</u>	<u>(1,162)</u>
Capital outlay:				
Police	-	7,300	7,231	69
Total capital outlay	<u>-</u>	<u>7,300</u>	<u>7,231</u>	<u>69</u>
Total expenditures	<u>246,400</u>	<u>234,700</u>	<u>235,793</u>	<u>(1,093)</u>
Excess of revenues over (under) expenditures	<u>(246,400)</u>	<u>(116,900)</u>	<u>10,785</u>	<u>127,685</u>
Other financing sources:				
Transfers in	246,400	246,400	246,400	-
Total other financing sources	<u>246,400</u>	<u>246,400</u>	<u>246,400</u>	<u>-</u>
Net change in fund balances	-	129,500	257,185	127,685
Fund balances, October 1	<u>(46,014)</u>	<u>(46,014)</u>	<u>(46,014)</u>	<u>-</u>
Fund balances, September 30	<u>\$ (46,014)</u>	<u>\$ 83,486</u>	<u>\$ 211,171</u>	<u>\$ 127,685</u>

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***DEBT SERVICE FUND***

**The debt service fund is used to account for the accumulation of resources and payment of bond principal and interest from governmental resources.**

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CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 6,256,900	\$ 6,051,900	\$ 6,100,738	\$ 48,838
Sales taxes	238,000	172,000	164,344	(7,656)
Interest income	50,000	104,000	152,883	48,883
Contributions and donations	544,650	599,650	634,438	34,788
Total revenues	<u>7,089,550</u>	<u>6,927,550</u>	<u>7,052,403</u>	<u>124,853</u>
Expenditures:				
Current:				
Police	-	-	89,933	(89,933)
Total current	<u>-</u>	<u>-</u>	<u>89,933</u>	<u>(89,933)</u>
Debt service:				
Principal	3,817,350	3,817,350	3,726,505	90,845
Interest	3,684,900	3,673,900	3,607,455	66,445
Fiscal charges	13,200	13,200	6,484	6,716
Total debt service	<u>7,515,450</u>	<u>7,504,450</u>	<u>7,340,444</u>	<u>164,006</u>
Total expenditures	<u>7,515,450</u>	<u>7,504,450</u>	<u>7,430,377</u>	<u>74,073</u>
Net change in fund balances	(425,900)	(576,900)	(377,974)	198,926
Fund balances, October 1	<u>1,461,294</u>	<u>1,461,294</u>	<u>1,461,294</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,035,394</u>	<u>\$ 884,394</u>	<u>\$ 1,083,320</u>	<u>\$ 198,926</u>

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## *CAPITAL PROJECTS FUNDS*

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

Harbor/TIF Projects – established to account for revenues and expenditures related to the Tax Increment Financing District and the associated public improvements within the Harbor development.

G.O. Bonds Capital Projects – established to account for street and drainage projects using proceeds from the issuance of bonds.

205 Bypass Project – established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

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CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2007

	<u>Equipment Acquisition</u>	<u>Harbor/TIF Projects</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,017	\$ -	\$ 2,017
Investments	16,167	-	16,167
Receivables (net of allowances for uncollectibles):			
Interest	266	-	266
Intergovernmental	<u>6,607</u>	<u>-</u>	<u>6,607</u>
 Total assets	 <u>\$ 25,057</u>	 <u>\$ -</u>	 <u>\$ 25,057</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 10,750	\$ -	\$ 10,750
Due to other funds	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total liabilities	<u>310,750</u>	<u>-</u>	<u>310,750</u>
 <b>Fund balances:</b>			
Unreserved, undesignated	<u>(285,693)</u>	<u>-</u>	<u>(285,693)</u>
Total fund balances	<u>(285,693)</u>	<u>-</u>	<u>(285,693)</u>
 Total liabilities and fund balances	 <u>\$ 25,057</u>	 <u>\$ -</u>	 <u>\$ 25,057</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Equipment Acquisition	Harbor/TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Intergovernmental	\$ 94,928	\$ -	\$ 94,928
Interest income	7,646	3,800	11,446
Miscellaneous	60,858	-	60,858
Contributions and donations	-	573,759	573,759
Total revenues	<u>163,432</u>	<u>577,559</u>	<u>740,991</u>
Expenditures:			
Capital outlay:			
Administration	90,487	-	90,487
Police	149,568	-	149,568
Fire	1,396,433	-	1,396,433
Public works	159,186	249,726	408,912
Total expenditures	<u>1,795,674</u>	<u>249,726</u>	<u>2,045,400</u>
Excess of revenues over (under) expenditures	<u>(1,632,242)</u>	<u>327,833</u>	<u>(1,304,409)</u>
Other financing sources (uses):			
Transfers in	460,659	178,285	638,944
Transfers out	-	(424,536)	(424,536)
Total other financing sources (uses)	<u>460,659</u>	<u>(246,251)</u>	<u>214,408</u>
Net change in fund balances	(1,171,583)	81,582	(1,090,001)
Fund balances, October 1	<u>885,890</u>	<u>(81,582)</u>	<u>804,308</u>
Fund balances, September 30	<u>\$ (285,693)</u>	<u>\$ -</u>	<u>\$ (285,693)</u>

### *INTERNAL SERVICE FUNDS*

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

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CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2007

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 14,804	\$ 101,667	\$ 116,471
Investments	215,139	1,263,274	1,478,413
Receivables (net of allowances for uncollectibles):			
Interest	1,388	923	2,311
Accounts	751	-	751
Total current assets	<u>232,082</u>	<u>1,365,864</u>	<u>1,597,946</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	<u>250,967</u>	<u>4,407</u>	<u>255,374</u>
Total current liabilities	<u>250,967</u>	<u>4,407</u>	<u>255,374</u>
<b>NET ASSETS</b>			
Unrestricted	<u>(18,885)</u>	<u>1,361,457</u>	<u>1,342,572</u>
Total Net Assets	<u>\$ (18,885)</u>	<u>\$ 1,361,457</u>	<u>\$ 1,342,572</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 341,956	\$ -	\$ 341,956
Total operating revenues	<u>341,956</u>	<u>-</u>	<u>341,956</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	2,031,039	144,872	2,175,911
Total operating expenses	<u>2,031,039</u>	<u>144,872</u>	<u>2,175,911</u>
Operating loss	<u>(1,689,083)</u>	<u>(144,872)</u>	<u>(1,833,955)</u>
<b>NON-OPERATING REVENUES:</b>			
Interest income	24,433	73,012	97,445
Miscellaneous income	56,402	9,000	65,402
Total non-operating revenues	<u>80,835</u>	<u>82,012</u>	<u>162,847</u>
Loss before transfers and capital contributions	<u>(1,608,248)</u>	<u>(62,860)</u>	<u>(1,671,108)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Transfers in	1,600,650	30,000	1,630,650
Total transfers and capital contributions	<u>1,600,650</u>	<u>30,000</u>	<u>1,630,650</u>
Decrease in net assets	(7,598)	(32,860)	(40,458)
Net assets, October 1	<u>(11,287)</u>	<u>1,394,317</u>	<u>1,383,030</u>
Net assets, September 30	<u>\$ (18,885)</u>	<u>\$ 1,361,457</u>	<u>\$ 1,342,572</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	Total Internal Service Funds (See Exhibit A-9)
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 397,607	\$ 9,000	\$ 406,607
Cash paid to suppliers for goods and services	<u>(2,125,707)</u>	<u>(147,323)</u>	<u>(2,273,030)</u>
Net cash used by operating activities	<u>(1,728,100)</u>	<u>(138,323)</u>	<u>(1,866,423)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash received from other funds	<u>1,600,650</u>	<u>30,000</u>	<u>1,630,650</u>
Net cash provided by non-capital financing activities	<u>1,600,650</u>	<u>30,000</u>	<u>1,630,650</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	(1,000,000)	(2,415,000)	(3,415,000)
Proceeds from sales and maturities of investments	1,027,771	2,550,000	3,577,771
Interest and dividends received	<u>107</u>	<u>64,589</u>	<u>64,696</u>
Net cash provided by investing activities	<u>27,878</u>	<u>199,589</u>	<u>227,467</u>
Net increase (decrease) in cash and cash equivalents	(99,572)	91,266	(8,306)
Cash and cash equivalents at beginning of year	<u>114,376</u>	<u>10,401</u>	<u>124,777</u>
Cash and cash equivalents at end of year	<u>\$ 14,804</u>	<u>\$ 101,667</u>	<u>\$ 116,471</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (1,689,083)	\$ (144,872)	\$ (1,833,955)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	56,402	9,000	65,402
Decrease (increase) in assets:			
Receivables	(751)	-	(751)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>(94,668)</u>	<u>(2,451)</u>	<u>(97,119)</u>
Net cash used by operating activities	<u>\$ (1,728,100)</u>	<u>\$ (138,323)</u>	<u>\$ (1,866,423)</u>

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### *AGENCY FUND*

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

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CITY OF ROCKWALL, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,074	\$ 382,353	\$ 386,816	\$ 611
Investments	1,856,729	253,533	594,196	1,516,066
Accrued interest receivable	6,253	27,058	5,815	27,496
 Total assets	 <u>\$ 1,868,056</u>	 <u>\$ 662,944</u>	 <u>\$ 986,827</u>	 <u>\$ 1,544,173</u>
 <b>LIABILITIES</b>				
Due to developers	\$ 1,868,056	\$ 450,500	\$ 774,383	\$ 1,544,173
 Total liabilities	 <u>\$ 1,868,056</u>	 <u>\$ 450,500</u>	 <u>\$ 774,383</u>	 <u>\$ 1,544,173</u>

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*DISCRETELY PRESENTED COMPONENT UNITS*

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.**

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CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNITS  
SEPTEMBER 30, 2007

	Rockwall Economic Development Corporation	Rockwall Technology Park
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,040	\$ 6,134
Investments	2,821,220	38,583
Receivables (net of allowances for uncollectibles):		
Interest	931	-
Accounts	-	16,583
Notes	604,804	-
Intergovernmental	492,744	-
Due from primary government	4,905	-
Inventory	<u>14,721,495</u>	<u>-</u>
 Total assets	 <u>\$ 18,654,139</u>	 <u>\$ 61,300</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 61,450	\$ 14,001
Due to primary government	<u>324</u>	<u>-</u>
Total liabilities	<u>61,774</u>	<u>14,001</u>
 Fund balances:		
Reserved for inventory	14,721,495	-
Unreserved, undesignated	<u>3,870,870</u>	<u>47,299</u>
Total fund balances	<u>18,592,365</u>	<u>47,299</u>
 Total liabilities and fund balances	 <u>\$ 18,654,139</u>	 <u>\$ 61,300</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Total fund balances - discretely presented component units	\$ 18,592,365	\$ 47,299
Amounts reported for discretely presented component units in the statement of net assets are different because:		
The following assets are not current financial resources and are not reported in the component units balance sheet:		
Capital assets used by component units (net of accumulated depreciation of \$60,020)	9,484	-
Costs of bonds issued to finance component units (net of accumulated amortization of \$38,709)	143,420	-
The following liabilities are not due in the current period and are not reported in the component units balance sheet:		
Compensated absences	(13,333)	-
Bonds payable	(11,878,550)	-
Interim construction loan	(6,684,229)	-
Accrued interest payable	<u>(121,056)</u>	<u>-</u>
Net assets of discretely presented component units	<u>\$ 48,101</u>	<u>\$ 47,299</u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Rockwall Economic Development Corporation	Rockwall Technology Park
Revenues:		
Sales taxes	\$ 2,866,097	\$ -
Charges for services	-	115,253
Interest income	206,130	2,002
Miscellaneous	335,991	-
Total revenues	<u>3,408,218</u>	<u>117,255</u>
Expenditures:		
Current:		
Administration	<u>2,123,661</u>	<u>120,371</u>
Total current	<u>2,123,661</u>	<u>120,371</u>
Capital outlay:		
Administration	<u>3,121</u>	<u>-</u>
Total capital outlay	<u>3,121</u>	<u>-</u>
Debt service:		
Principal	670,000	-
Interest	966,928	-
Fiscal charges	3,321	-
Total debt service	<u>1,640,249</u>	<u>-</u>
Total expenditures	<u>3,767,031</u>	<u>120,371</u>
Net change in fund balances	(358,813)	(3,116)
Fund balances, October 1	<u>18,951,178</u>	<u>50,415</u>
Fund balances, September 30	<u>\$ 18,592,365</u>	<u>\$ 47,299</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Net change in fund balances - discretely presented component units	\$ (358,813)	\$ (3,116)
Amounts reported for discretely presented component units in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$4,750) exceeded capital outlays (\$2,638) in the current period.	(2,112)	-
Governmental funds report debt issuance costs as expenditures.		
However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization expense in the current period.	(10,188)	-
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.		
	5,749	-
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments (\$670,000) and bond premium amortization (\$9,072) in the current period		
	679,072	-
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.		
	<u>(5,392)</u>	<u>-</u>
Change in net assets of discretely presented component units	<u>\$ 308,316</u>	<u>\$ (3,116)</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 3,019,000	\$ 2,829,300	\$ 2,866,097	\$ 36,797
Interest income	120,000	211,000	206,130	(4,870)
Miscellaneous	321,650	435,000	335,991	(99,009)
Total revenues	<u>3,460,650</u>	<u>3,475,300</u>	<u>3,408,218</u>	<u>(67,082)</u>
Expenditures:				
Current:				
Administration	3,534,150	1,955,550	2,123,661	(168,111)
Total current	<u>3,534,150</u>	<u>1,955,550</u>	<u>2,123,661</u>	<u>(168,111)</u>
Capital outlay:				
Administration	27,000	7,000	3,121	3,879
Total capital outlay	<u>27,000</u>	<u>7,000</u>	<u>3,121</u>	<u>3,879</u>
Debt service:				
Principal	670,000	670,000	670,000	-
Interest	900,300	966,300	966,928	(628)
Fiscal charges	4,500	4,500	3,321	1,179
Total debt service	<u>1,574,800</u>	<u>1,640,800</u>	<u>1,640,249</u>	<u>551</u>
Total expenditures	<u>5,135,950</u>	<u>3,603,350</u>	<u>3,767,031</u>	<u>(163,681)</u>
Net change in fund balances	(1,675,300)	(128,050)	(358,813)	(230,763)
Fund balances, October 1	<u>18,951,178</u>	<u>18,951,178</u>	<u>18,951,178</u>	<u>-</u>
Fund balances, September 30	<u>\$ 17,275,878</u>	<u>\$ 18,823,128</u>	<u>\$ 18,592,365</u>	<u>\$ (230,763)</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL TECHNOLOGY PARK ASSOCIATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 131,650	\$ 115,600	\$ 115,253	\$ (347)
Interest income	1,750	1,950	2,002	52
Total revenues	<u>133,400</u>	<u>117,550</u>	<u>117,255</u>	<u>(295)</u>
Expenditures:				
Current:				
Administration	133,400	128,550	120,371	8,179
Total expenditures	<u>133,400</u>	<u>128,550</u>	<u>120,371</u>	<u>8,179</u>
Net change in fund balances	-	(11,000)	(3,116)	7,884
Fund balances, October 1	<u>50,415</u>	<u>50,415</u>	<u>50,415</u>	-
Fund balances, September 30	<u>\$ 50,415</u>	<u>\$ 39,415</u>	<u>\$ 47,299</u>	<u>\$ 7,884</u>

***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS***

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CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land	\$ 4,713,559	\$ 3,274,598
Buildings	10,551,596	10,335,142
Improvements other than buildings	20,746,458	2,116,511
Machinery and equipment	4,027,716	2,937,154
Vehicles	5,089,412	4,552,000
Furniture and fixtures	2,114,894	1,975,590
Infrastructure	99,176,740	86,870,528
Construction in progress	<u>24,182,223</u>	<u>41,204,224</u>
 Total governmental funds capital assets	 <u>\$ 170,602,598</u>	 <u>\$ 153,265,747</u>
 Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 65,211,300	\$ 55,216,520
General government	39,488,381	33,936,838
Grants and entitlements	2,135,112	1,590,211
Developer contributions	<u>63,767,805</u>	<u>62,522,178</u>
 Total investments in governmental funds capital assets	 <u>\$ 170,602,598</u>	 <u>\$ 153,265,747</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2007

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>
General government	\$ 2,664,646	\$ 3,794,472	\$ 2,266,130
Public works	273,803	171,724	-
Public safety	81,712	2,268,150	12,802
Recreation/development	1,693,398	2,272,730	18,467,526
Fire equipment	-	2,044,520	-
Total governmental funds capital asset	<u>\$ 4,713,559</u>	<u>\$ 10,551,596</u>	<u>\$ 20,746,458</u>

<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 921,055	\$ 331,617	\$ 1,583,499	\$ -	\$ 24,182,223	\$ 35,743,642
634,797	587,466	15,370	99,176,740	-	100,859,900
517,388	1,290,179	411,860	-	-	4,582,091
900,347	295,434	29,073	-	-	23,658,508
<u>1,054,129</u>	<u>2,584,716</u>	<u>75,092</u>	<u>-</u>	<u>-</u>	<u>5,758,457</u>
<u>\$ 4,027,716</u>	<u>\$ 5,089,412</u>	<u>\$ 2,114,894</u>	<u>\$ 99,176,740</u>	<u>\$ 24,182,223</u>	<u>\$ 170,602,598</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Function and Activity</u>	<u>Balance 10/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/07</u>
General government	\$ 13,163,730	\$ 4,098,034	\$ (71,763)	\$ 18,553,641	\$ 35,743,642
Public works	121,917,926	11,596,299	(1,335,970)	(31,318,355)	100,859,900
Public safety	6,457,764	491,719	(883,223)	(1,484,169)	4,582,091
Recreation/development	6,834,309	2,442,040	-	14,382,159	23,658,508
Fire equipment	<u>4,892,018</u>	<u>1,091,886</u>	<u>(92,171)</u>	<u>(133,276)</u>	<u>5,758,457</u>
Total governmental funds capital assets	<u>\$ 153,265,747</u>	<u>\$ 19,719,978</u>	<u>\$ (2,383,127)</u>	<u>\$ -</u>	<u>\$ 170,602,598</u>

***STATISTICAL SECTION***



## STATISTICAL SECTION

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	102-111
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	112-117
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	118-122
<u>Demographic and Economic Information</u> - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	123-124
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	125-128

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF ROCKWALL, TEXAS  
NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 1

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Governmental activities										
Invested in capital assets, net of related debt	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	23,258,947	37,748,076	17,051,680	5,897,961	8,354,614	-	-	-	-	-
Unrestricted	13,386,297	11,683,150	11,850,426	10,242,495	9,975,317	-	-	-	-	-
Total governmental activities net assets	<u>\$ 86,132,544</u>	<u>\$ 83,451,860</u>	<u>\$ 70,248,286</u>	<u>\$ 63,835,499</u>	<u>\$ 61,450,375</u>	<u>\$ -</u>				
Business-type activities										
Invested in capital assets, net of related debt	\$ 47,893,027	\$ 41,923,596	\$ 37,368,956	\$ 38,406,139	\$ 32,724,578	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	14,620,878	18,060,049	18,350,884	11,698,161	15,635,741	-	-	-	-	-
Unrestricted	5,463,619	7,081,727	7,475,827	9,457,896	3,746,526	-	-	-	-	-
Total business-type activities net assets	<u>\$ 67,977,524</u>	<u>\$ 67,065,372</u>	<u>\$ 63,195,667</u>	<u>\$ 59,562,196</u>	<u>\$ 52,106,845</u>	<u>\$ -</u>				
Primary government										
Invested in capital assets, net of related debt	\$ 97,380,327	\$ 75,944,230	\$ 78,715,136	\$ 86,101,182	\$ 75,845,022	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	37,879,825	55,808,125	35,402,564	17,596,122	23,990,355	-	-	-	-	-
Unrestricted	18,849,916	18,764,877	19,326,253	19,700,391	13,721,843	-	-	-	-	-
Total primary government net assets	<u>\$ 154,110,068</u>	<u>\$ 150,517,232</u>	<u>\$ 133,443,953</u>	<u>\$ 123,397,695</u>	<u>\$ 113,557,220</u>	<u>\$ -</u>				

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS

TABLE 2

	(unaudited)		Fiscal Year							
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Expenses</b>										
Governmental activities:										
Mayor/Council	\$ 111,555	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378	\$ -	\$ -	\$ -	\$ -	\$ -
Administration	5,523,924	6,040,692	4,908,083	5,757,527	3,583,719	-	-	-	-	-
Finance	1,138,210	1,027,654	954,840	877,537	760,436	-	-	-	-	-
Municipal Court	298,383	304,492	295,379	254,210	236,201	-	-	-	-	-
Police	7,001,771	6,095,435	6,372,344	6,862,707	5,446,279	-	-	-	-	-
Fire	2,207,468	1,889,269	1,144,577	1,530,503	966,400	-	-	-	-	-
Public Works	6,928,067	5,530,219	4,753,190	6,155,726	3,961,797	-	-	-	-	-
Community Development	2,018,363	1,781,548	1,680,857	1,493,249	442,470	-	-	-	-	-
Parks and Recreation	3,088,750	2,583,547	2,329,095	2,323,558	1,487,036	-	-	-	-	-
Interest on long-term debt	3,612,523	2,179,950	1,136,584	1,277,825	1,244,127	-	-	-	-	-
<b>Total governmental activities expenses</b>	<b>31,929,014</b>	<b>27,541,172</b>	<b>23,653,063</b>	<b>26,607,258</b>	<b>18,186,843</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business-type activities:										
Water and Sewer	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>10,917,707</b>	<b>10,253,226</b>	<b>8,777,277</b>	<b>7,061,272</b>	<b>6,436,878</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government expenses</b>	<b>\$ 37,794,398</b>	<b>\$ 32,430,340</b>	<b>\$ 33,668,530</b>	<b>\$ 24,623,721</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:	\$ 3,798,806	\$ 4,622,302	\$ 4,337,664	\$ 3,906,111	\$ 2,931,111	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants & contributions	1,059,602	783,317	894,114	1,424,824	772,911	-	-	-	-	-
Capital grants & contributions	3,193,554	11,804,857	5,893,301	6,624,160	181,426	-	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>8,051,962</b>	<b>17,210,476</b>	<b>11,125,079</b>	<b>11,955,095</b>	<b>3,885,448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business-type activities:										
Charges for services:										
Water Sales	4,815,631	6,547,846	5,379,382	4,474,069	4,530,970	-	-	-	-	-
Sewer Charges	1,809,478	1,922,989	2,046,425	1,922,989	1,809,478	-	-	-	-	-
Other	2,146,215	2,596,967	2,072,748	1,890,686	1,797,588	-	-	-	-	-
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	2,808,528	4,319,065	3,411,639	6,576,943	2,906,811	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>11,579,852</b>	<b>15,386,867</b>	<b>12,910,194</b>	<b>14,864,687</b>	<b>11,044,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government program revenues</b>	<b>\$ 19,631,814</b>	<b>\$ 32,597,343</b>	<b>\$ 24,035,273</b>	<b>\$ 26,819,782</b>	<b>\$ 14,930,295</b>	<b>\$ -</b>				

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS

TABLE 2

	(unaudited)			Fiscal Year						
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Net (Expense)/Revenue										
Governmental activities	(23,877,052)	(10,330,696)	(12,527,984)	(14,652,163)	(14,301,395)	-	-	-	-	-
Business-type activities	662,145	5,133,641	4,132,917	7,803,415	4,607,969	-	-	-	-	-
Total primary government net expense	<u>(23,214,907)</u>	<u>(5,197,055)</u>	<u>(8,395,067)</u>	<u>(6,848,748)</u>	<u>(9,693,426)</u>	-	-	-	-	-
<b>General Revenues and Transfers</b>										
Governmental activities:										
Property taxes	\$ 11,827,931	\$ 9,063,530	\$ 8,111,715	\$ 7,265,947	\$ 6,717,883	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	-	-	-	-	-
Other	4,477,541	3,566,689	2,442,815	2,167,786	1,843,906	-	-	-	-	-
Transfers	1,350,335	2,375,000	1,006,400	867,500	1,337,963	-	-	-	-	-
Total governmental activities	<u>26,557,736</u>	<u>23,534,270</u>	<u>18,940,771</u>	<u>17,037,287</u>	<u>16,176,968</u>	-	-	-	-	-
Business-type activities:										
Other	1,600,342	1,111,064	506,954	519,436	345,017	-	-	-	-	-
Transfers	(1,350,335)	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)	-	-	-	-	-
Total business-type activities	<u>250,007</u>	<u>(1,263,936)</u>	<u>(499,446)</u>	<u>(348,064)</u>	<u>(992,946)</u>	-	-	-	-	-
Total primary government	<u>\$ 26,807,743</u>	<u>\$ 22,270,334</u>	<u>\$ 18,441,325</u>	<u>\$ 16,689,223</u>	<u>\$ 15,184,022</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Net Assets</b>										
Governmental activities	\$ 2,680,684	\$ 13,203,574	\$ 6,412,787	\$ 2,385,124	\$ 1,875,573	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	912,152	3,869,705	3,633,471	7,455,351	3,615,023	-	-	-	-	-
Total primary government	<u>\$ 3,592,836</u>	<u>\$ 17,073,279</u>	<u>\$ 10,046,258</u>	<u>\$ 9,840,475</u>	<u>\$ 5,490,596</u>	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1998	-	-	-	-
1999	-	-	-	-
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	6,717,883	6,277,216	1,567,874	14,562,973
2004	7,265,947	6,736,054	1,776,406	15,778,407
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE  
 (accrual basis of accounting)  
 (unaudited)

TABLE 4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
1998	3,081,641	1,177,647	4,259,288
1999	3,252,453	1,260,397	4,512,850
2000	3,612,008	1,379,684	4,991,692
2001	3,835,507	1,601,062	5,436,569
2002	3,913,496	1,770,522	5,684,018
2003	4,530,970	1,809,478	6,340,448
2004	4,474,069	1,922,989	6,397,058
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	1,922,989	8,470,835
2007	4,815,631	1,809,478	6,625,109

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CITY OF ROCKWALL, TEXAS  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 5

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 1,407	\$ 26,130	\$ 26,980	\$ 16,104	\$ 7,500	\$ 6,862	\$ 16,414	\$ 11,663	\$ 12,614	\$ 687,280
Unreserved	8,335,289	7,692,662	7,301,334	6,860,155	7,235,979	7,579,095	6,436,530	6,770,275	4,826,291	3,031,786
Total general fund	<u>\$ 8,336,696</u>	<u>\$ 7,718,792</u>	<u>\$ 7,328,314</u>	<u>\$ 6,876,259</u>	<u>\$ 7,243,479</u>	<u>\$ 7,585,957</u>	<u>\$ 6,452,944</u>	<u>\$ 6,781,938</u>	<u>\$ 4,838,905</u>	<u>\$ 3,719,066</u>
All other governmental funds										
Reserved for:										
Debt Service	\$ 1,083,320	\$ 1,461,294	\$ 1,155,897	\$ 694,758	\$ 683,650	\$ 551,753	\$ 509,255	\$ 386,149	\$ 284,139	\$ 228,315
Unreserved, reported in:										
Special revenue funds	2,797,330	2,422,376	2,046,410	1,358,357	926,507	671,382	1,171,009	5,120,309	6,534,173	822,669
Capital projects funds	21,877,706	36,529,256	16,113,095	5,271,300	7,540,907	9,031,865	13,065,344	16,135,737	8,235,081	3,749,670
Total all other governmental funds	<u>\$25,758,356</u>	<u>\$40,412,926</u>	<u>\$19,315,402</u>	<u>\$ 7,324,415</u>	<u>\$ 9,151,064</u>	<u>\$10,255,000</u>	<u>\$14,745,608</u>	<u>\$21,642,195</u>	<u>\$15,053,393</u>	<u>\$ 4,800,654</u>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 6

	Fiscal Year										
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Revenues</b>											
Ad valorem taxes, penalty and interest	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166	\$ 5,722,744	\$ 5,032,885	\$ 4,072,641	\$ 3,450,302	\$ 3,146,060	\$ 2,777,296
Sales taxes	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	6,228,716	6,109,463	7,726,450	6,031,372	3,577,892	2,683,477
Franchise taxes	2,046,674	1,981,016	1,715,242	1,702,156	1,548,499	1,506,971	1,278,671	1,034,660	1,002,559	878,843	834,365
Charges for services	417,049	426,996	268,125	266,450	263,349	159,451	135,417	108,441	89,450	64,636	67,254
Permits	1,132,985	1,325,832	1,718,218	1,709,832	1,521,019	1,467,736	618,405	570,932	515,688	439,881	295,393
Municipal court	1,019,260	987,066	906,634	937,164	734,500	584,171	509,645	472,921	504,015	571,367	428,541
Intergovernmental	1,097,790	1,011,739	3,182,350	1,772,811	1,100,961	1,452,565	1,155,484	1,891,965	872,468	658,736	695,528
Interest income	2,012,244	1,149,204	304,644	143,269	312,700	598,483	1,002,624	1,569,214	756,313	610,716	242,982
Miscellaneous	716,896	1,060,866	1,080,366	755,733	422,427	375,753	297,490	584,386	1,874,540	523,572	414,010
Donations	2,241,586	6,251,435	163,635	252,037	56,463	35,112	60,539	244,594	465,487	443,541	29,566
<b>Total Revenues</b>	<b>31,407,407</b>	<b>31,703,153</b>	<b>24,859,180</b>	<b>21,545,914</b>	<b>18,915,300</b>	<b>18,131,702</b>	<b>16,200,623</b>	<b>18,276,204</b>	<b>15,562,194</b>	<b>10,915,244</b>	<b>8,468,412</b>
<b>Expenditures</b>											
<b>Current:</b>											
Mayor/council	111,555	108,366	78,114	74,416	58,377	68,480	38,068	31,148	30,590	35,473	38,123
Administration	2,750,197	2,910,478	2,708,948	2,324,516	3,024,304	2,421,992	1,880,816	1,348,888	1,457,683	1,370,623	1,280,420
Finance	1,138,238	1,025,230	952,808	837,800	756,688	707,823	615,694	515,463	347,570	344,736	326,115
Municipal court	300,186	303,131	291,348	249,839	234,832	189,088	187,687	163,977	142,452	134,084	102,467
Police	6,426,957	6,235,463	6,070,311	6,083,676	5,171,682	5,024,188	4,261,907	3,770,329	3,227,329	1,877,408	1,970,191
Fire	1,340,624	1,242,836	1,075,427	950,622	757,447	373,099	336,556	267,251	254,931	429,585	129,951
Public works	2,427,535	2,411,324	2,050,077	2,005,360	1,781,760	1,648,599	1,393,969	1,278,762	1,337,413	1,667,103	1,498,742
Community development	2,002,767	1,783,961	1,682,480	1,477,483	440,481	302,156	391,843	954,429	776,061	-	-
Parks and recreation	2,473,238	2,318,135	1,826,608	1,758,180	1,369,986	1,322,614	1,030,236	862,235	659,184	673,077	649,635
<b>Total current</b>	<b>18,971,297</b>	<b>18,338,924</b>	<b>16,736,121</b>	<b>15,761,892</b>	<b>13,595,557</b>	<b>12,058,039</b>	<b>10,136,776</b>	<b>9,192,482</b>	<b>8,233,213</b>	<b>6,532,089</b>	<b>5,995,644</b>
<b>Capital outlay:</b>											
Administration	4,028,933	1,580,706	602,847	623,526	1,843,858	8,767,869	3,101,580	4,596,796	7,195,832	1,212,029	590,032
Finance	-	-	-	36,746	141,102	104,138	66,898	88,238	230,327	40,948	8,823
Municipal Court	-	-	-	3,958	13,152	-	-	11,705	3,256	4,188	1,749
Police	225,992	285,150	1,850,771	978,179	372,661	370,552	298,869	880,517	76,666	40,079	229,058
Fire	1,578,623	835,685	711,166	525,888	172,970	542,049	1,322,965	750,226	1,025,551	17,999	1,765
Public works	10,609,516	25,733,888	9,756,038	1,667,682	1,198,999	892,865	1,306,605	108,831	272,955	111,801	864,290
Community development	2,105	-	519	668	1,123	-	97,479	60,738	36,216	-	-
Parks and recreation	2,397,348	1,477,499	757,360	600,049	443,049	199,661	646,525	239,448	42,216	175,795	77,785
<b>Total capital outlay</b>	<b>18,842,517</b>	<b>29,912,928</b>	<b>13,678,701</b>	<b>4,436,696</b>	<b>4,186,914</b>	<b>10,877,134</b>	<b>6,840,921</b>	<b>6,736,499</b>	<b>8,883,019</b>	<b>1,602,839</b>	<b>1,773,502</b>
(continued)											
<b>Debt service:</b>											
Principal	3,726,505	2,620,235	1,801,369	2,831,984	1,623,841	1,590,000	1,196,321	780,188	799,572	682,915	585,875

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 6

	Fiscal Year										
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Interest	3,607,455	1,748,001	977,878	1,032,504	1,229,093	1,198,065	1,305,721	1,438,232	407,390	500,273	486,463
Bond issuance costs	9,500	500,889	429,728	99,311	-	50,879	-	-	-	-	-
Fiscal charges	6,484	6,020	5,063	7,403	9,272	14,580	10,380	6,968	8,026	8,460	4,839
Total debt services	7,349,944	4,875,145	3,214,038	3,971,202	2,862,206	2,853,524	2,512,422	2,225,388	1,214,988	1,191,648	1,077,177
Total expenditures	45,163,758	53,126,997	33,628,860	24,169,790	20,644,677	25,788,697	19,490,119	18,154,369	18,331,220	9,326,576	8,846,323
Excess (deficiency) of revenues over (under) expenditures	(13,756,351)	(21,423,844)	(8,769,680)	(2,623,876)	(1,729,377)	(7,656,995)	(3,289,496)	121,835	(2,769,026)	1,588,668	(377,911)
<b>Other financing sources (uses):</b>											
Transfers in	2,585,804	4,305,332	2,959,535	2,429,909	4,445,973	4,976,111	2,942,643	2,815,824	1,180,243	330,000	260,914
Sale of fixed assets	-	-	-	-	-	-	-	-	42,031	-	-
Transfers out	(2,866,119)	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)	(4,971,711)	(2,996,182)	(3,055,824)	(1,424,986)	(540,000)	(525,914)
Bonds issued	-	41,045,000	21,200,000	-	-	4,295,000	-	8,650,000	13,421,011	203,550	571,600
Refunding bonds issued	-	-	6,095,000	4,067,415	-	-	-	-	-	-	-
Accrued interest on bonds issued	-	176,020	129,913	-	-	-	-	-	-	-	-
Premium on bonds issued	-	864,326	271,518	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	(6,027,109)	(3,120,178)	-	-	-	-	-	-	-
Total other financing sources (uses)	(280,315)	42,911,846	21,212,722	564,737	282,963	4,299,400	(53,539)	8,410,000	13,218,299	(6,450)	306,600
Net change in fund balances	(14,036,666)	21,488,002	12,443,042	(2,059,139)	(1,446,414)	(3,357,595)	(3,343,035)	8,531,835	10,449,273	1,582,218	(71,311)
Debt service as a percentage of noncapital expenditures	27.9%	21.0%	16.1%	20.1%	17.4%	19.1%	19.9%	19.5%	12.9%	15.4%	15.2%

CITY OF ROCKWALL, TEXAS  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>	
1998	3,146,060	3,577,892	878,843	7,602,795	1.137261
1999	3,450,302	6,031,372	1,002,559	10,484,233	1.748071
2000	4,072,641	7,726,450	1,034,660	12,833,751	1.89716
2001	5,032,885	6,109,463	1,278,671	12,421,019	1.213909
2002	5,722,744	6,228,716	1,506,971	13,458,431	1.088414
2003	6,678,166	6,277,216	1,548,499	14,503,881	0.939961
2004	7,270,408	6,736,054	1,702,156	15,708,618	0.926503
2005	8,140,125	7,379,841	1,715,242	17,235,208	0.9066
2006	8,979,948	8,529,051	1,981,016	19,490,015	0.949788
2007	11,820,994	8,901,929	2,046,674	22,769,597	0.753061

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 8

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
1998	3,577,892	156.20%	0.51
1999	4,548,948	133.67%	0.48
2000	5,834,244	143.91%	0.52
2001	6,109,463	124.62%	0.45
2002	6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.73%	0.35

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 9

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
1998	1997	539,565,365	220,097,027	120,504,113	45,322,187	834,844,318	0.3600
1999	1998	601,976,181	252,746,017	144,053,947	53,803,586	944,972,559	0.3600
2000	1999	713,080,370	313,108,302	161,240,698	65,713,842	1,121,715,528	0.3600
2001	2000	879,924,785	370,271,592	201,150,402	86,564,864	1,364,781,915	0.3600
2002	2001	1,005,596,905	434,430,607	231,005,372	92,155,332	1,578,877,552	0.3600
2003	2002	1,180,867,660	484,847,529	271,117,946	99,943,555	1,836,889,580	0.3600
2004	2003	1,371,585,380	487,360,218	258,028,313	130,750,657	1,986,223,254	0.3600
2005	2004	1,573,206,290	525,794,698	284,849,415	154,608,703	2,229,241,700	0.3600
2006	2005	1,736,808,885	567,435,458	286,808,498	163,343,787	2,427,709,054	0.3689
2007	2006	1,943,727,690	921,234,223	261,957,560	551,589,203	2,575,330,270	0.4250

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
1998	21,247,629	569,970	20,550,470	1,634,676	3,676
1999	24,255,378	733,000	29,972,670	6,844,740	57,091
2000	27,511,159	759,504	34,508,640	7,041,464	26,250
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	-
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093
2007	96,624,100	1,537,004	61,259,470	16,146,371	328,999

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 11

<u>Fiscal Year</u>	<u>City of Rockwall</u>			<u>Overlapping Rates</u>	
	<u>M&amp;O</u>	<u>Debt</u>	<u>Total</u>	<u>School</u>	<u>County</u>
1998	0.1999	0.1601	0.3600	1.4900	0.3202
1999	0.2179	0.1421	0.3600	1.4900	0.3202
2000	0.1898	0.1702	0.3600	1.5780	0.3536
2001	0.1748	0.1852	0.3600	1.8400	0.3534
2002	0.1826	0.1774	0.3600	1.8372	0.3534
2003	0.1982	0.1618	0.3600	1.8800	0.3534
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.425	1.7100	0.3507

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE 12

Taxpayer	2007			1998		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Continental Pet Technology	30,974,977	1	1.20%	19,908,903	2	2.38%
Wal-mart	22,518,286	2	0.87%	20,118,553	1	2.41%
TXU Electric Delivery Service (formerly T	21,792,930	3	0.85%	7,619,300	3	0.91%
Rockwall Crossing LTD	18,748,420	4	0.73%			
SPM/WRI Rockwall, L.P.	18,700,000	5	0.73%	-	-	-
Mariah Bay Development, Inc	17,534,790	6	0.68%			
Mission NE Dallas 1 LLC Etal	15,686,510	7	0.61%	-	-	-
Texas Star Express	13,012,768	8	0.51%	-	-	-
Lowes Home Centers, Inc.	12,940,087	9	0.50%	-	-	-
Steger Towne Crossing, LP	11,717,715	10	0.45%	4,559,090	6	0.55%
Bent Tree Realty Co.	-	-	-	6,968,440	4	0.83%
Southwestern Bell Telephone	-	-	-	6,063,800	5	0.73%
WDC/Hi-Life Properties	-	-	-	4,283,810	7	0.51%
Columbia Extrusion Corp.	-	-	-	3,957,879	8	0.47%
Rockwall Steel Co.	-	-	-	3,637,820	9	0.44%
Lago Vista Partners, LTD	-	-	-	3,573,440	10	0.43%
Subtotal	<u>183,626,483</u>		<u>7.13%</u>	<u>80,691,035</u>		<u>9.67%</u>
Total Taxable Value	<u><u>2,575,330,270</u></u>		<u><u>100.00%</u></u>	<u><u>834,844,318</u></u>		<u><u>100.00%</u></u>

Source: Rockwall Central Appraisal District  
 Note: For tax years 2006 and 1997

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 13

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Total Current Year Collections</b>	<b>Percent of Levy Collected During Fiscal Period</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Tax Levy</b>
1998	1997	3,038,767	2,986,332	2,986,332	98.27%	89,084	3,075,416	101.21%
1999	1998	3,403,144	3,314,812	3,314,812	97.40%	90,041	3,404,853	100.05%
2000	1999	4,054,089	3,937,051	3,937,051	97.11%	90,041	4,027,092	99.33%
2001	2000	4,915,155	4,864,930	4,864,930	98.98%	110,627	4,975,557	101.23%
2002	2001	5,696,005	5,605,385	5,605,385	98.41%	55,841	5,661,226	99.39%
2003	2002	6,619,325	6,487,602	6,487,602	98.01%	77,090	6,564,692	99.17%
2004	2003	7,194,520	7,145,433	7,145,433	99.32%	176,253	7,321,686	101.77%
2005	2004	8,063,888	8,021,945	8,021,945	99.48%	141,227	8,163,172	101.23%
2006	2005	8,984,907	8,921,613	8,921,613	99.30%	114,598	9,036,211	100.57%
2007	2006	11,602,218	11,433,285	11,433,285	98.54%	112,247	11,545,532	99.51%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE 14

Customer	2007			1998		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	33,724,300	1	1.38%	-	-	-
Rockwall I.S.D.	24,138,500	2	0.99%	37,009,900	1	2.15%
D.W.C./Highlife Properties	15,240,900	3	0.62%	-	-	-
Whittle Development	9,459,700	4	0.39%	-	-	-
Bent Creek Condos, HOA	8,317,400	5	0.34%	9,284,700	5	0.54%
Walden Residential Properties	8,162,600	6	0.33%	16,847,900	2	0.98%
Mission Rockwall	7,796,700	7	0.32%	-	-	-
Lake Pointe Church	6,997,200	8	0.29%	-	-	-
Whitmore Manufacturing	6,774,700	9	0.28%	-	-	-
Sabre Realty	6,414,400	10	0.26%	13,922,700	3	0.81%
Lone Star Circuits	-	-	-	12,647,300	4	0.73%
Continental Can	-	-	-	8,951,900	6	0.52%
Rockwall Nursing Home	-	-	-	8,941,900	7	0.52%
J&L Plating	-	-	-	6,174,200	8	0.36%
Wal-mart	-	-	-	6,033,300	9	0.35%
Rockwall Travel Center	-	-	-	2,772,600	10	0.16%
Subtotal	<u>93,302,100</u>		<u>3.81%</u>	<u>122,586,400</u>		<u>7.12%</u>
Total Water Usage	<u>2,446,090,960</u>		<u>100.00%</u>	<u>1,721,409,000</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 15

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds			
1998	6,361,805	-	1,114,368	852,595	-	255,631	3,326,494	11,910,893	2.58%	778
1999	13,094,712	-	1,990,449	715,288	-	189,551	5,114,141	21,104,141	4.00%	1,311
2000	14,809,306	6,500,000	1,725,245	610,694	-	119,755	4,815,936	28,580,936	5.12%	1,676
2001	14,088,900	6,375,000	1,374,329	506,100	-	60,644	4,563,753	26,968,726	5.00%	1,424
2002	13,295,364	10,485,000	945,000	384,636	-	-	10,991,569	36,101,569	6.11%	1,722
2003	12,521,523	9,890,000	690,000	288,477	-	-	10,555,000	33,945,000	5.27%	1,486
2004	11,918,933	9,075,000	420,000	271,067	-	-	10,035,000	31,720,000	3.86%	1,259
2005	22,992,564	17,940,000	345,000	247,436	-	-	14,910,000	56,435,000	6.07%	2,030
2006	57,632,329	21,825,000	315,000	212,671	-	-	14,145,000	94,130,000	9.45%	3,117
2007	55,720,824	20,045,000	280,000	184,176	-	-	13,360,000	89,590,000	8.40%	2,853

Note: See Table 19 for personal income and population data

CITY OF ROCKWALL, TEXAS  
 RATIO OF GENERAL BONDED DEBT OUTSTANDING  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 16

Fiscal Year	Governmental Activities				Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Gross Bonded Debt				
1998	6,361,805	-	1,114,368	7,476,173	228,315	7,247,858	0.87%	474
1999	13,094,712	-	1,990,449	15,085,161	284,139	14,801,022	1.56%	919
2000	14,809,306	6,500,000	1,725,245	23,034,551	386,149	22,648,402	2.01%	1,328
2001	14,088,900	6,375,000	1,374,329	21,838,229	509,255	21,328,974	1.58%	1,126
2002	13,295,364	10,485,000	945,000	24,725,364	551,753	24,173,611	1.52%	1,153
2003	12,521,523	9,890,000	690,000	23,101,523	683,650	22,417,873	1.21%	981
2004	11,918,933	9,075,000	420,000	21,413,933	694,758	20,719,175	1.04%	822
2005	22,992,564	17,940,000	345,000	41,277,564	1,014,713	40,262,851	1.80%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,461,294	78,311,035	3.22%	2,593
2007	55,720,824	20,045,000	280,000	76,045,824	1,083,320	74,962,504	2.91%	2,387

Note: See Table 19 for population data and Table 8 for property value data

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2007  
 (unaudited)

TABLE 17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 76,230,000	100.00%	\$ 76,230,000
Indirect:			
Rockwall Independent School District	277,820,409	57.99%	161,108,055
Rockwall County	9,110,000	49.53%	4,512,183
Total Indirect	286,930,409		165,620,238
Total Direct and Overlapping Bonded Debt	\$ 363,160,409		\$ 241,850,238
Average debt per capita			\$ 7,701

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.425	0.3689	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600
Legal Debt Margin	2.0750	2.1311	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
1998	6,694,849	1,131,069	5,563,780	255,000	222,888	477,888	11.64
1999	7,114,040	2,787,236	4,326,804	280,000	205,017	485,017	8.92
2000	9,225,111	3,068,964	6,156,147	255,000	242,228	497,228	12.38
2001	10,253,437	3,773,301	6,480,136	260,000	227,663	487,663	13.29
2002	7,785,753	4,159,459	3,626,294	280,000	213,638	493,638	7.35
2003	9,259,528	4,647,959	4,611,569	510,000	486,884	996,884	4.63
2004	10,081,442	5,194,575	4,886,867	520,000	476,108	996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE 20

<b>DEMOGRAPHICS</b>					
<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income (1)</b>	<b>RISD School Enrollment (2)</b>	<b>Unemployment Rate (%) (3)</b>
1998	15,300	462,075	30,201	6,898	2.3
1999	16,100	526,969	32,731	7,335	2.7
2000	17,050	558,064	32,731	8,435	3.0
2001	18,934	539,278	28,482	8,898	5.5
2002	20,967	590,473	28,162	9,617	7.1
2003	22,850	644,256	28,195	10,077	6.7
2004	25,200	822,453	32,637	10,527	5.1
2005	27,800	929,882	33,449	11,560	3.5
2006	30,200	995,574	32,966	12,627	3.4
2007	31,407	1,066,362	33,953	13,086	3.9

Source: (1) Rockwall Economic Development Corporation  
 (2) Rockwall Independent School District - private schools not included  
 (3) Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE 21

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,601	1	9.97%	835	1	9.64%
Texas Star Express	484	2	3.01%	175	6	2.02%
Wal-Mart Superstore	450	3	2.80%	450	3	5.19%
Rockwall County	253	4	1.58%	-	-	-
City of Rockwall	238	5	1.48%	-	-	-
Special Products	205	6	1.28%	-	-	-
Target	200	7	1.25%	170	7	1.96%
Rockwall Nursing Home	160	8	1.00%	-	-	-
Kohl's Department Store	140	9	0.87%	-	-	-
Home Depot	130	10	0.81%	-	-	-
Lake Pointe Medical Center*	-	-	-	600	2	6.93%
Precision Cable	-	-	-	200	4	2.31%
James Helwig & Son	-	-	-	180	5	2.08%
Kroger Food	-	-	-	159	8	1.84%
Albertsons	-	-	-	120	9	1.39%
Continental Pet				100	10	
Subtotal	3,861		24.04%	2,769		31.96%
Total	16,058		100.00%	8,664		100.00%

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments  
 Texas Workforce Commission

\*Lake Pointe Medical Center was originally presented in 1998, however the facility is in Rockwall County, outside of Rockwall city limits and has been removed for future years.

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 22

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Administration	22	21	21	21	23	19	13	12	11	6.25
Finance	8	8	7.5	6.5	4.5	4.5	5	5	5	5
Municipal Court	4	4	4	3	3	3	3	3	3	3
Fire	10	9	9	8	5	4	3	2	2	1
Police	85	80	72	70	68	63	57	53	47	50
Community Development	29.5	28.5	25.5	22	21	19	14	15	13	13
Parks & Recreation	25.5	25	24	21	21	22	18	16	16	14.5
Public Works	23	23	21	21	21	20	19	19.5	19.5	20
Water/Sewer	31	29	26	25	23	22	21	20	19	18
<b>Total</b>	<b>238.00</b>	<b>227.50</b>	<b>210.00</b>	<b>197.50</b>	<b>189.50</b>	<b>176.50</b>	<b>153.00</b>	<b>145.50</b>	<b>135.50</b>	<b>130.75</b>

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 23

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Finance										
Invoices processed	16,015	15,883	14,919	14,246	14,430	n/a	n/a	n/a	n/a	n/a
Payroll checks issued	7,840	7,042	6,579	6,543	5,882	4,983	4,277	4,196	n/a	n/a
Purchase orders issued	2,553	2,468	2,561	2,420	2,338	n/a	n/a	n/a	n/a	n/a
Municipal Court										
Violations Processed	17,455	16,635	15,225	13,913	15,000	9,364	8,010	7,173	6,930	10,307
Fire										
Employees (paid)	9	9	9	8	4	3	2	1	1	0
Volunteers	37	40	39	36	38	38	36	37	38	37
Fire Calls (City and County)	777	718	772	623	560	474	460	425	382	318
Police										
Employees (uniformed)	66	61	55	51	49	42	37	36	33	35
Employees (civilian)	18	18	17	17	15	12	12	12	15	17
Calls for Service	27,158	21,121	17,915	16,066	14,699	14,717	13,924	14,633	n/a	n/a
Community Development										
# permits - New commercial construction	33	18	51	18	27	22	13	26	36	44
Value - New commercial construction	104,798,013	39,358,497	49,918,558	29,067,960	40,304,701	41,967,125	16,001,068	12,444,115	18,810,452	21,562,833
# permits - New residential construction	192	470	739	885	775	945	767	655	488	504
Value - New residential construction	40,174,623	82,305,725	123,215,423	135,501,919	117,512,216	144,002,845	119,521,248	94,343,746	72,960,161	73,552,939

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 23

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Parks &amp; Recreation</b>										
The Center facility rentals	69,988	75,757	71,118	58,060	38,821	2,713	n/a	n/a	n/a	n/a
Special event attendance	54,156	25,231	26,547	35,736	14,300	9,113	5,440	n/a	n/a	n/a
# recreation participants (youth & adult)	2,727	2,381	2,034	1,793	1,411	882	1,028	n/a	n/a	n/a
<b>Public Works</b>										
Streets - sq yd concrete street repair	739.69	1,967.75	2,961.55	2,395.76	n/a	n/a	n/a	n/a	n/a	n/a
\$ spent on concrete/asphalt street repair	341,685	478,169	352,048	431,475	339,507	284,129	242,810	294,895	n/a	n/a
Miles of public street maintained by City	144.83	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69	87.10
<b>Water/Sewer</b>										
Water customers	12,345	11,985	11,491	10,497	9,440	8,827	7,875	7,035	6,615	6,124
Sewer customers	10,987	10,445	10,020	9,282	8,510	7,781	7,026	6,310	5,749	5,340
Average daily water consumption (gal)	6,701,619	5,991,288	5,023,404	4,327,595	4,209,473	3,019,976	3,937,395	3,874,655	3,009,200	4,716,189
Maximum storage capacity (gal)	7,500,000	7,500,000	7,500,000	7,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 24

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Fire										
Number of stations	2	2	2	2	2	2	1	1	1	1
Number of fire engines/trucks	11	9	8	8	8	8	8	8	7	7
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	43	42	37	30	26	22	n/a	n/a	n/a	n/a
Parks & Recreation										
Parks acres (developed)	341.50	324.60	307.30	287.70	283.20	n/a	n/a	n/a	n/a	n/a
Playgrounds	23	18	12	12	12	11	10	10	10	10
Picnic areas	29	27	26	26	25	12	5	5	5	5
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	4,885,417	1,689,445	2,477,496	165,359	116,368	1,670,734	377,153	n/a	n/a	n/a
\$ spent on street rehabilitation	2,492,251	6,575,541	2,352,112	583,947	397,026	967,878	1,503,738	n/a	n/a	n/a
Miles of public street	144.83	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69	87.10
Water/Sewer										
Water mains (miles)	160.06	155.37	146.32	139.93	128.49	120.93	105.35	96.43	86.62	n/a
Sanitary sewers (miles)	117.51	113.58	107.83	103.62	96.64	91.87	79.21	69.59	59.62	n/a

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

**CITY OF ROCKWALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, Director of Finance

**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2006**

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**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2006**

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**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2006**

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***INTRODUCTORY SECTION***



City of Rockwall  
*The New Horizon*

March 12, 2007

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2006, is hereby submitted. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Rockwall. Consequently, management assumes full responsibility for both the accuracy of the data, and the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosure necessary to enable the reader to gain an understanding of the City's financial activities has been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company, CPA a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, County Seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth Airport, one of the largest in the world, continues to expand to meet the air transportation needs of the region. Love Field in Dallas now provides expanded air services and Alliance Airport near Fort Worth provides general aviation facilities for the area. Due to favorable economic conditions, excellent business climate, and desirable living conditions, corporate relocations to the area continue.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments have been adopted as recently as 2005. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City currently has a land area of approximately 23.77 square miles and an estimated population of 30,200.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in the note disclosures.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City of Rockwall operates.

#### **Local economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. Rockwall enjoyed a relatively stable economic environment during the recent downturn in the national and regional economies. In 2006 new commercial openings were strong. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Property values have continued to rise at an average 12.4% per annum. The City's largest taxpayers include a number of commercial developments. The Rockwall Technology Park has welcomed several new companies to the City. The year's highlights included:

- Completion by Whittle Development of the new Cinemark 12 Theatre which anchors their Bella Harbor, lakefront development. Construction was completed on approximately 90,000 square feet of retail and restaurant space which will provide premier retail opportunities for the area.
- Kroger Company opened its new Signature store and accompanying retail center. Tenants have begun renovations of the former Kroger building for an Office Depot and 24 Hour Fitness Center.
- Circuit City, Bed Bath & Beyond and TJ Maxx are among the tenants of the new Rockwall Crossing retail development opened in fiscal year 2006.
- EmPhysis Medical Management, a medical billing and physician administrative services company completed construction of a 25,500 square foot headquarters facility, in Phase I of the Rockwall Technology Park.
- Whitmore Manufacturing, one of the City's largest industrial businesses completed an expansion of their light industrial facility, increasing their presence in the community.
- Special Products and Manufacturing, Inc. consolidated their operations into a new 130,000 square foot headquarters in the Rockwall Technology Park, allowing for expanded operations.
- Presbyterian Hospital of Rockwall broke ground in summer 2006 on an acute care facility and approximately 40,000 square feet of medical office space in the immediate area.
- la Madeleine opened its new Rockwall location in 2006.

### Long-term financial planning

The City Council and staff have recognized the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

A number of long-range studies have been completed or updated recently. A Capital Improvement Task Force prepared an update to the City's Capital Improvement Plan which resulted in a number of projects being proposed and which met with positive voter response in late 2005. These capital projects are designed to ease traffic burdens, increase public safety and enhance quality of life for our citizens. Our consultant continues to develop plans for two major parks projects, while the City moved forward with the acquisition of land for a third major park project. This land will allow the City to develop a 50-acre park in the northern area of the City. The City Council authorized a consultant's efforts to evaluate existing city facilities and conduct long range planning of space needs for the next 20 years. This report will be presented to the Council in 2007.

The City finalized revisions to the subdivision ordinance based on the City's Comprehensive Plan. Staff has completed initial work implementing a GIS mapping project and will hire dedicated GIS staff in 2007 to further expand the City's capabilities and coordination across departments. The City Council has identified the downtown area as a critical component of our long range plan with the completion of the downtown plan. The City working with business and community leaders will continue the central business district planning effort. City staff expects to complete an update of the Central Business District zoning in 2007.

The Rockwall Economic Development Corporation will further their planning efforts by formalizing their Vision 2020 plan. This comprehensive document will include demographics, target industries, marketing strategies, competition, site selection criteria, and alliances among its parameters.

Organizationally, the City began the process of refining its strategic plan using the Balanced Scorecard Methodology. When the strategy map was completed in 2003, the City's strategic initiatives for the implementation of the City's goals were formalized within the organization. Departmental business plans were developed and are updated as progress is made and priorities change. These business plans develop performance measures for the strategic initiatives for which each department is responsible. During 2006, the City completed interviews at both the governance and leadership levels of the organization and completed an update of priorities and measures for the corporate strategy map. In addition, the City began a process to implement the Customer Centered Culture methodology (C3) into the organization. C3 encourages cross department teams to follow a proven course of data compilation and actions that allow the teams to develop product improvements. C3 recognizes that the services we provide are ultimately comprised of a number of products and those products need to be designed to meet our customer's needs, not what we perceive are their needs. A trainer was brought in to work with a group of more than 40 employees to develop meeting facilitation skills in order to further this effort.

In addition, the City began an ILead series of workshops for mid level managers and first line supervisors to develop their management skills and prepare our next generation of organization leaders. This group will continue to attend classes and collaborate on projects to build cross department alliances and understanding of the resources available to our managers.

## Future Development

“The Harbor” public improvements, situated on the shores of Lake Ray Hubbard at I-30, neared completion in fiscal year 2006. The public/private partnership provides opportunities for new retailers in the Bella Harbor development as well as public open space. The largely undeveloped hillside which became the home of the twelve-screen Cinemark Theatre will soon include a full-service Hilton Hotel and Conference Center and retail, restaurant and office space.

In conjunction with the private development, the City established a tax increment financing (TIF) zone in an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects. The public area includes both passive and active event areas, a Harbor/Urban Court, spray plaza and large open areas suitable for a variety of outdoor events. The public space was formally opened in a gala event in November 2006. The City and Chamber of Commerce are working to attract events to the area.

Tenant finish out continues in the private development with Gloria’s, and Ruby Tuesday’s restaurants opening late in 2006. They will be joined in 2007 by Dodie’s Lakefront and Finnegan’s Harborside restaurants. Retail establishments joining Savoy Gifts and En Fuego will include L’Egantz, Baby Grace Baby Planner and Harbor Girl opening in 2007.

The “Plaza at Rockwall” Phase II of the Crossing project will see construction begin in 2007. The retail development has announced Best Buy, J.C. Penney, Belk, Ulta, Dick’s Sporting Goods, and Staples will be among its tenants. The development will cover a large area of land immediately adjacent to the Rockwall Crossing. A number of restaurants will join these and other retail establishments.

Downtown Rockwall welcomes Zanata to the business district which will be joined shortly by Smitty’s Roadhouse, under construction near the Square. These restaurants will offer fine dining and evening activities for our residents and visitors.

SPR Packaging, LLC will develop a major rail-served industrial location on the new Justin Road extension. SPR is expected to build, phased-development in excess of 150,000 square feet, adding significant value to the property tax base. The Justin Road project was financed by the REDC to enhance the area’s potential for development.

The City has begun the multi-phased design of the 205 Bypass roadway project approved by voters in late 2005. This roadway, on the eastern edge of the City is expected to provide traffic relief through the City’s center. Construction will begin on the first phase in 2007. Texas Department of Transportation will begin construction on the widening of SH205 (Goliad Street) through the City in 2007, a project which will take up to 4 years to complete. City road projects under construction in 2007 will include reconstruction of Fannin and Townsend roadways and the extension of Industrial Drive.

In addition to planning future parks projects, the City will complete construction on neighborhood parks in the Shores and Fox Chase subdivisions as well as finish design and improvements to parks in the Emerald Bay and Hickory Ridge subdivisions. Planning for the third major park will commence with a C3 project by the City to determine customer’s desires for the park and its amenities. Site selection and design of Fire Stations 3 and 4, approved by voters in 2005, will be completed in 2007 and construction is expected to start late in the year.

The water and sewer rates were increased 4% to our retail and wholesale customers in 2006 and staff will be proposing an additional 6% rate increase for 2007. The City will begin construction on a new two-million gallon water tower in the northern area of the City as well as increasing capacity in the regional sewer interceptor system and will begin design for the Squabble Creek sewer system. A number of main extension projects will be undertaken to increase system capacity and provide water and sewer service to outlying areas of the City.

Cash Management: The City invests cash temporarily idle during the year in money market funds and short-term notes of the U.S. Government and its agencies. Other cash classified as being not immediately needed is invested in longer-term obligations of the U.S. Government and its agencies. All of these investments are classified as “hold-to-maturity” investments. The City believes that it will not be required to sell these investments prior to maturity, barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no reverse repos nor has any other form of borrowing been used to finance the City’s portfolio.

The City’s investment policy is to safeguard the City’s assets and maintain liquidity while enhancing the yield of its portfolio and ensuring public trust. Securities owned by the City were held in a financial institution trust department acting as an agent of the City, in the City’s name.

Risk Management: In fiscal year 1990, the City established a Self-Insurance and Risk Management Program. Under the terms of this program, the City is permitted by law and its home rule charter to insure itself against the various risks of liability and loss to which it is exposed. This may be done either through an insurance provider or through a defined self-insurance program. Other risks to which the City is exposed are covered by commercial insurance.

Retirement System: The City of Rockwall provides pension benefits to all full-time employees through a nontraditional, joint contributory defined benefit plan administered by the Texas Municipal Retirement System, an agent multiple-employer public retirement system. Pension expense for the calendar year ended December 31, 2005 (including prior service costs amortized over 25 years) was \$1,367,738. The City of Rockwall does not provide post employment health and dental benefits for retirees.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-06(net of Debt Service)	\$78,311,035
Estimated Population	30,200
G.O. Debt Per Capita	\$2,593
Net G.O. Debt per Assessed Value	3.22%

The City’s bond ratings at September 30, 2006 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	A+	A-	A-
Moody’s Investor Service Inc.	A1	A2	A3

## OTHER INFORMATION

### Independent Audit:

State statutes require an annual audit by independent certified public accountants. The firm of Fox, Byrd & Company, PC, was selected by the City Council. In addition to meeting the requirements set forth in state statutes. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements and combining and individual funds statements and schedules is included in the financial section of this report. The auditors' report on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

### Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This comprehensive annual financial report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last sixteen consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Julie Couch  
City Manager



Mary Smith, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2005

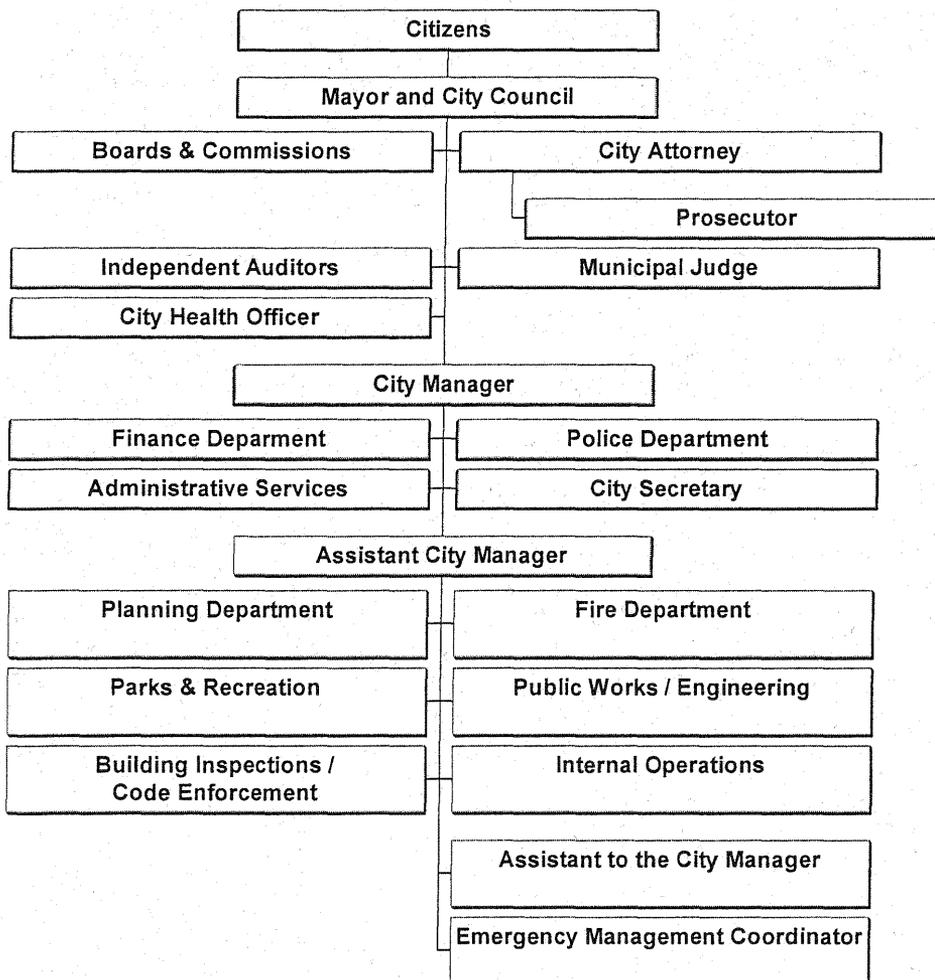
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2006

**City Council**

Bill Cecil, Mayor  
Matt Scott, Mayor Pro-Tempore  
Bob Cotti, Councilmember  
Tim McCallum, Councilmember  
Margo Nielsen, Councilmember  
Cliff Sevier, Councilmember  
Stephen Straughan, Councilmember

**City Staff**

Julie Couch, City Manager  
Rick Crowley, Assistant City Manager  
Mary Smith, Director of Finance  
Cheryl Austin, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Community Development  
Chuck Todd, City Engineer/Director of Public Works  
Jeffrey Widmer, Director of Building Inspections & Code Enforcement  
Brad Griggs, Director of Parks, Recreation and Rights-of-Way

***FINANCIAL SECTION***



**FOX, BYRD & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 12-21 and the budgetary comparison information on page 63 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Fox, Byrd + Company, P.C.*

Dallas, Texas  
December 12, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2006. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total net assets were \$150,517,232 at September 30, 2006.
- During the year, the City's expenses were \$13,203,574 less than the \$40,744,746 generated in taxes and other revenues for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2006 by \$83,451,860 (net assets). Of this amount \$11,683,150 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of this fiscal year, unreserved fund balance for the general fund was \$7,692,662 or approximately 40.7 percent of the total general fund expenditures and transfers out.
- The City's total outstanding bonds and certificates of obligation (excluding enterprise and component unit debt) increased by \$38,424,765 during fiscal year 2006. The City issued General Obligation bonds during the fiscal year ended September 30, 2006, in order to finance a number of voter approved capital projects. In addition the City issued Certificates of Obligation to finance acquisition of fire trucks and other capital equipment needs. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

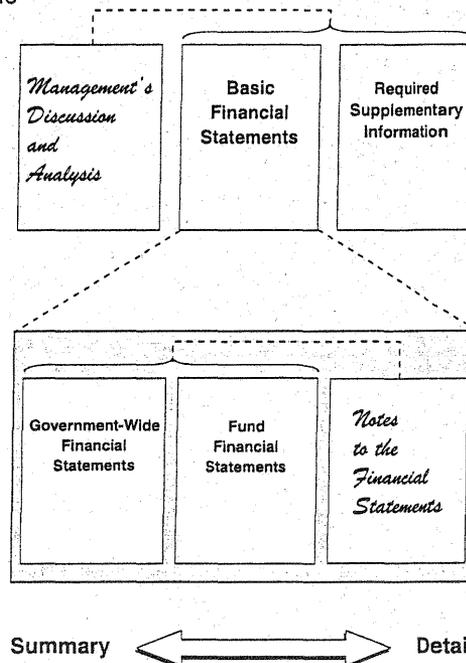
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall's finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the city of Rockwall's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City's basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services finance most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City's 4A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit's Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements can be found on pages 22-24 of this report.

## **Reporting the City's Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 23 individual governmental funds. 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, debt service fund, capital projects fund, Harbor TIF projects fund, G.O. bonds capital projects fund and 205 Bypass fund, all of which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

### Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2006, the City's net assets (assets exceeding liabilities) totaled \$150,517,232. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

By far the largest portion of the City's net assets reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

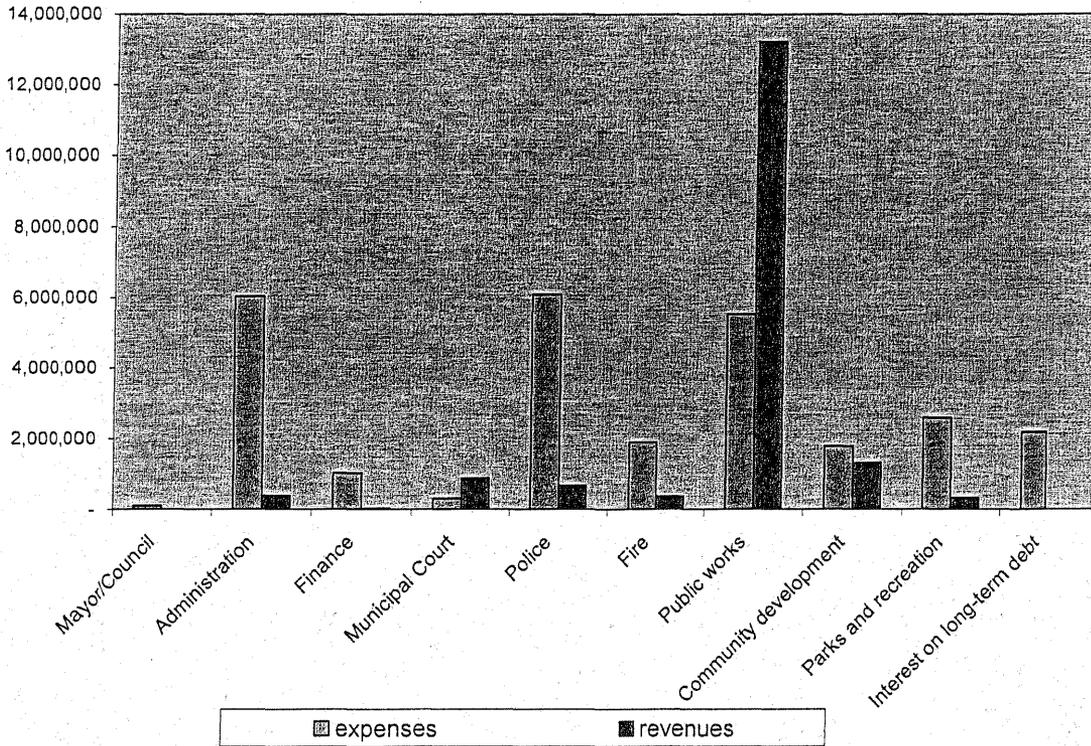
Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 56,288,609	\$ 33,937,666	\$ 26,774,588	\$ 27,101,355	\$ 83,063,197	\$ 61,039,021
Capital Assets	<u>113,792,963</u>	<u>82,623,744</u>	<u>57,396,358</u>	<u>53,874,312</u>	<u>171,189,321</u>	<u>136,498,056</u>
Total Assets	<u>170,081,572</u>	<u>116,561,410</u>	<u>84,170,946</u>	<u>80,975,667</u>	<u>254,252,518</u>	<u>197,537,077</u>
Long-term liabilities	81,685,267	42,094,907	15,520,879	16,545,326	97,206,146	58,640,233
Other liabilities	<u>4,944,445</u>	<u>4,218,217</u>	<u>1,584,695</u>	<u>1,234,674</u>	<u>6,529,140</u>	<u>5,452,891</u>
Total Liabilities	<u>86,629,712</u>	<u>46,313,124</u>	<u>17,105,574</u>	<u>17,780,000</u>	<u>103,735,286</u>	<u>64,093,124</u>
Net Assets						
Invested in capital assets,						
net of related debt	34,020,634	41,346,180	41,923,596	37,368,956	75,944,230	78,715,136
Restricted for debt service	1,218,820	938,585	1,445,984	1,640,880	2,664,804	2,579,465
Restricted for capital projects	36,529,256	16,113,095	16,614,065	16,710,004	53,143,321	32,823,099
Unrestricted	<u>11,683,150</u>	<u>11,850,426</u>	<u>7,081,727</u>	<u>7,475,827</u>	<u>18,764,877</u>	<u>19,326,253</u>
Total net assets	<u>\$ 83,451,860</u>	<u>\$ 70,248,286</u>	<u>\$ 67,065,372</u>	<u>\$ 63,195,667</u>	<u>\$ 150,517,232</u>	<u>\$ 133,443,953</u>

Governmental activities increased the City's net assets by \$13,203,574. The key elements of this increase are as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<b>Program revenues:</b>						
Charges for services	\$ 4,622,302	\$ 4,337,664	\$ 11,067,802	\$ 9,498,555	\$ 15,690,104	\$ 13,836,219
Operating grants & contributions	783,317	894,114	-	-	783,317	894,114
Capital grants & contributions	11,804,857	5,893,301	4,319,065	3,411,639	16,123,922	9,304,940
<b>General Revenues:</b>						
Property taxes	9,063,530	8,111,715	-	-	9,063,530	8,111,715
Sales taxes	8,529,051	7,379,841	-	-	8,529,051	7,379,841
Other	<u>3,566,689</u>	<u>2,442,815</u>	<u>1,111,064</u>	<u>506,954</u>	<u>4,677,753</u>	<u>2,949,769</u>
Total revenues	38,369,746	29,059,450	16,497,931	13,417,148	54,867,677	42,476,598
<b>Program expenses:</b>						
Mayor/Council	108,366	78,114	-	-	108,366	78,114
Administration	6,040,692	4,908,083	-	-	6,040,692	4,908,083
Finance	1,027,654	954,840	-	-	1,027,654	954,840
Municipal Court	304,492	295,379	-	-	304,492	295,379
Police	6,095,435	6,372,344	-	-	6,095,435	6,372,344
Fire	1,889,269	1,144,577	-	-	1,889,269	1,144,577
Public works	5,530,219	4,753,190	-	-	5,530,219	4,753,190
Community development	1,781,548	1,680,857	-	-	1,781,548	1,680,857
Parks and recreation	2,583,547	2,329,095	-	-	2,583,547	2,329,095
Interest on long-term debt	2,179,950	1,136,584	-	-	2,179,950	1,136,584
Water and sewer	-	-	<u>10,253,226</u>	<u>8,777,277</u>	<u>10,253,226</u>	<u>8,777,277</u>
Total expenses	27,541,172	23,653,063	10,253,226	8,777,277	37,794,398	32,430,340
<b>Increase in net assets</b>						
before transfers	10,828,574	5,406,387	6,244,705	4,639,871	17,073,279	10,046,258
Transfers	<u>2,375,000</u>	<u>1,006,400</u>	<u>(2,375,000)</u>	<u>(1,006,400)</u>	-	-
Increase in net assets	13,203,574	6,412,787	3,869,705	3,633,471	17,073,279	10,046,258
Net assets, October 1	<u>70,248,286</u>	<u>63,835,499</u>	<u>63,195,667</u>	<u>59,562,196</u>	<u>133,443,953</u>	<u>123,397,695</u>
Net assets, September 30	<u>\$ 83,451,860</u>	<u>\$ 70,248,286</u>	<u>\$ 67,065,372</u>	<u>\$ 63,195,667</u>	<u>\$ 150,517,232</u>	<u>\$ 133,443,953</u>

## ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION



### Governmental Activities

Total revenues of governmental activities were \$38,369,746. A significant portion 23.6%, of the City's revenues came from property taxes. Another 22.2% of revenue came from sales taxes. Ad valorem property tax revenues continue to increase each year primarily due to the addition of new properties and increased valuation throughout the City. Assessed values of the properties in the City increased by \$198,467,354 or 8.90%. The City adopted a property tax rate of 36.89 cents per \$100 of assessed valuation for fiscal year 2006. This represented an increase of .89 cents, the first in nine years. Sales tax revenue showed marked improvement as the City saw several new retail developments open this year; combined with the area population increase this resulted in sales tax revenue increasing by more than 15.6% for fiscal year 2006.

The total cost of all programs and services were \$27,541,172. Of these costs \$6,095,435 (22.1%) was for the Police Department. Administration related departments including Administration, Human Resources, and Internal Operations had combined costs of \$6,040,692 (21.9%).

The overall economy in the City continues to show improvement in 2006 and beyond. No major negative events are expected for the next fiscal year. During 2006, Rockwall County, of which the City of Rockwall is the County seat, was the fourth fastest growing county in America, and the fastest growing county in Texas. The Harbor Project, a lakefront multi-use planned development, is under construction with several establishments expected to open late in 2006. It is expected to have a positive effect on sales taxes and property taxes in the area. A tax increment financing zone established to provide for public improvements in the area began receiving revenues from the project in 2006.

### Business-Type Activities

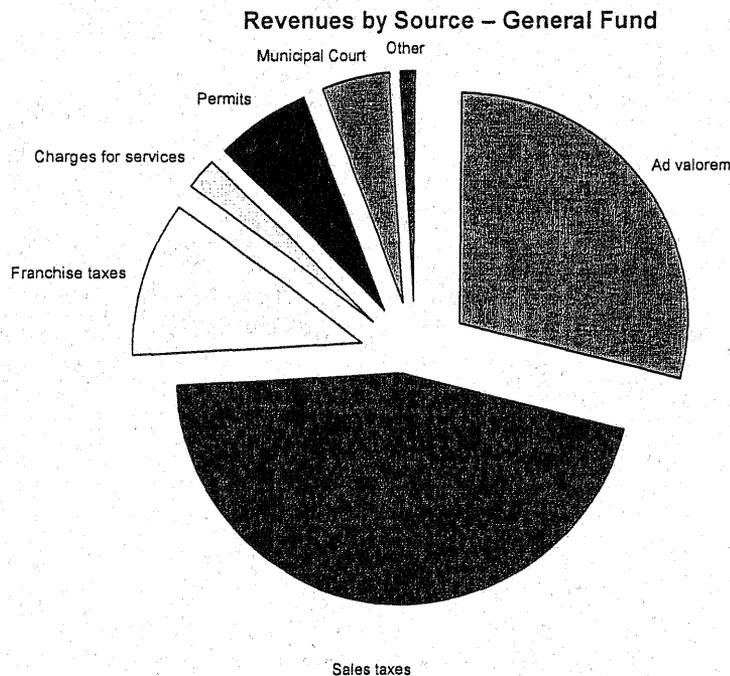
The City's business-type activities recorded an increase of \$3,869,705 in net assets. Total revenues were \$16,497,931. Water sales were very strong in 2006 due primarily to near record drought conditions. The City having previously implemented conservation water rates in 2001 began enforcing mandatory water restrictions in a regional effort to curtail usage during the drought period.

### Component Units

The Rockwall Economic Development Corporation (REDC) reported operating revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$3,181,972. Assets managed by the corporation include an inventory of over 230 acres of land, zoned for light industrial uses and available for sale and an industrial building currently leased and also available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

### ANALYSIS OF INDIVIDUAL FUNDS

The City's General Fund reported an ending unreserved fund balance of \$7,692,662; an increase of \$391,328 from the prior year. The main source of general fund revenue is sales tax, it accounted for \$8,286,316 (44.4%) of total general fund revenue. Ad valorem property taxes account for \$5,277,568 (28.3%) of general fund revenues. The increase in fund balance allows the City to maintain a "recommended" fund balance as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows.



The City's Debt Service Fund reported an increase in fund balance of \$305,397. Property tax collections for debt service requirements were \$3,702,380.

The City Capital Projects Fund benefited from a contribution of \$5,540,000 of bond proceeds by the Rockwall Economic Development Corporation which will be used to construct infrastructure for the Presbyterian Hospital of Rockwall project and the extension of Justin Road to serve new industrial prospects. Both projects are expected to be completed in fiscal year 2007.

The City is nearing completion of the Harbor Project public improvements. Capital outlays for the project totaled \$14,073,489. Other financing sources in the current fiscal year included \$3,235,000 of certificates of obligation issued by the City. All work on the project should be completed in fiscal year 2007. Additional funding sources are anticipated in fiscal 2007 to complete the remaining aspects of the project.

The City began several road projects in fiscal year 2006 which are being funded through debt issuance. The City issued \$17,075,000 of General Obligation bonds for voter approved projects. In addition to roadway rehabilitation and extension projects, the acquisition of park land, completion of neighborhood parks projects and construction of two fire stations is funded.

The City issued an additional \$18,700,000 of General Obligation bonds to begin phased design and construction of the new 205 Bypass Project. Voters approved construction of the roadway in a 2005 Bond Election Proposition. The project will include the multi-phase design, right of way acquisition and construction of a new 7 mile roadway on the eastern edge of the City which is designed to alleviate traffic burdens on State Highway 205 through the center of the City. Additional debt is anticipated in fiscal years 2007 and 2008 with construction completion targeted in fiscal year 2009.

Water and sewer charges were \$11,067,802. Ending working capital, excluding restricted assets, for the water and sewer fund was \$6,776,065.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2006, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases in revenues beyond projections. With the adjustments made to the budget, the budgeted expenditures of \$17,041,600 increased to \$17,578,265 while revenues increased from \$17,398,200 to \$18,111,700. The City of Rockwall had originally estimated the ending general fund balance to be \$7,068,264 however due to the budget adjustments mentioned above, the fund balance was re-estimated to be \$6,915,279.

Actual general fund revenues were \$18,672,839, an increase of \$561,139 over the final budget. Actual general fund total expenditures were \$335,548 less than the revised budget. Total revenues exceeded total expenditures by \$1,412,397. The actual fund balance of \$7,718,792 was higher due to management's conservative projections of both revenues and expenditures

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of the fiscal year 2006 the City had \$171,189,321 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines.

Table 3  
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,274,598	\$ 2,097,819	\$ 799,533	\$ 799,533	\$ 4,074,131	\$ 2,897,352
Buildings	8,528,602	8,558,082	-	-	8,528,602	8,558,082
Improvements other than buildings	1,708,537	1,578,257	43,777,397	40,868,001	45,485,934	42,446,258
Machinery & Equipment	1,552,658	1,321,332	187,001	262,370	1,739,659	1,583,702
Vehicles	1,982,085	1,738,781	-	-	1,982,085	1,738,781
Furniture & Fixtures	898,660	940,857	5,142	6,273	903,802	947,130
Infrastructure	54,643,599	49,810,089	-	-	54,643,599	49,810,089
Construction in Progress	41,204,224	16,578,527	5,533,952	4,817,769	46,738,176	21,396,296
Wastewater treatment facilities	-	-	7,093,333	7,120,366	7,093,333	7,120,366
	<u>\$ 113,792,963</u>	<u>\$ 82,623,744</u>	<u>\$ 57,396,358</u>	<u>\$ 53,874,312</u>	<u>\$ 171,189,321</u>	<u>\$ 136,498,056</u>

The City's capital improvement program includes a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects were under construction in 2006. A number of drainage projects will also be undertaken during the 5-year planned capital improvement period. The City completed installation of a trunked 700 MHz radio system to be utilized by city departments and an adjoining city with final testing to be completed late in 2006.

The City held a bond election in November 2005 which funded road, park and fire projects in excess of \$64,000,000. In addition to the 205 Bypass project, the City was authorized to move forward with several neighborhood parks projects and the acquisition of land for two large regional parks. Progress has been made and includes the purchase of land for a large park in the northern area of the City, and construction, nearing completion on 2 of the neighborhood parks. The addition of two new fire stations was approved by the voters. Design is underway with construction to begin in fiscal year 2007.

Construction in progress at September 30, 2006 for governmental activities included the radio system discussed above, The Harbor public improvements, the rehabilitation of Clark Street and Townsend Road, extension of North Lakeshore Drive and various other improvements.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of waterline improvements and the extension of sanitary sewers into new areas of the city. A new two-million gallon water tower to be constructed in the northern area of the City was being designed at year end. Several projects approved in the City's capital improvement plan included participation in the joint construction of a shared ground storage facility and pump station as well as other line projects to improve system capacity and extend services.

The Rockwall Economic Development Corporation has completed roadway, drainage and landscape improvements on land it carries as Phase II of the Technology Park as well as the construction of an industrial building in Phase I of the park. Work began on the extension of Justin Road and also roadway, water and drainage improvements for the Presbyterian Hospital of Rockwall project.

Additional information on the City of Rockwall's capital assets can be found in note III-C on pages 45-48.

#### Debt

At year end, the City had \$95,275,000 in bonds and capitalized leases shown in Table 4.

**Table 4**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 57,632,329	\$ 22,992,564	\$ 212,671	\$ 247,436	\$ 57,845,000	\$ 23,240,000
Certificates of obligation	21,825,000	17,940,000	-	-	21,825,000	17,940,000
Contractual obligations	315,000	345,000	-	-	315,000	345,000
Tax notes	-	70,000	-	-	-	70,000
Revenue bonds	-	-	14,145,000	14,910,000	14,145,000	14,910,000
Capital Lease obligations	-	-	1,145,000	1,385,000	1,145,000	1,385,000
	<u>\$ 79,772,329</u>	<u>\$ 41,347,564</u>	<u>\$ 15,502,671</u>	<u>\$ 16,542,436</u>	<u>\$ 95,275,000</u>	<u>\$ 57,890,000</u>

The City of Rockwall's general obligation bonds carry an "A+" rating from Standard & Poor's Corporation and an "A1" rating from Moody's Investor Services, both national rating agencies. The City's water and sewer bonds carry an "A-" rating from Standard & Poor's and an "A2" rating from Moody's. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 3.22% or \$2,593 per capita.

Additional information on the City of Rockwall's long-term debt can be found in note III-E on pages 50-57 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rate and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the growth in our community and its population. With a strengthened economy, Rockwall has seen a number of new commercial/retail business developments which should positively impact sales tax revenues. Commercial building permits showed strong improvement over the prior year including several new retail developments underway as well as the development of the Presbyterian Hospital of Rockwall and accompanying medical office district. Interviews with local builders led the City to project slowing home starts for the coming year, a trend reported nationally as well. An emphasis continues by the City on the custom home market. The City of Rockwall's citizens enjoy above-average income levels per household. This in combination with the City's proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and a "hometown" atmosphere in Rockwall. The Rockwall Economic Development Corporation works diligently to attract businesses with relocation incentives as well as providing business retention incentives such as workforce training opportunities.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2007. The budgeted revenues for fiscal year 2007 total \$19,266,450 for the general fund. Ad valorem tax revenue is determined by two major factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. Due to the debt service requirements of voter approved debt, issued in 2006, the property tax rate was increased to 42.50 cents per hundred dollars of assessed value. Due to a marked increase in actual sales tax collections in 2006, city officials have projected an 11% increase in that revenue over the prior fiscal year.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. In addition, the policies set minimum, recommended and maximum fund balance levels for the City's fund types. The general fund minimum fund balance is set at 3 months recurring operating expenditures. The recommended fund balance is 5 months of recurring operating expenditures and the maximum fund balance is 7 months of recurring operating expenditures. The budget as adopted for fiscal year 2007 projects a fund balance of approximately 4.3 months of recurring operating expenditures.

A number of planning initiatives including the completion of the Downtown Planning effort and an evaluation of existing street condition and maintenance needs are authorized for fiscal year 2007. In addition, the City will undertake a number of improvements to existing City parks in order to better serve our citizens. The City began a project to more closely focus our employee's efforts toward our customers and their needs. Following the Customer Centered Culture methodology, the City began a C3 project in 2006 to focus city-wide teams in an effort to improve processes and products in several departments. These cross department teams are expected to complete their work in 2007. In addition, the City will again offer Citizen Fire and Police Academies to provide citizens the opportunity to learn more about these city departments and become active with the City.

The water and sewer rates adopted in fiscal year 2002 were reviewed by our rate consultant with his report issued in fiscal year 2005. City Council adopted a 4% rate increase in early 2006 and will consider an additional 6% increase in 2007. A number of capital projects to expand the system are being planned for fiscal year 2007, as well as grant funded system security enhancements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

***BASIC FINANCIAL STATEMENTS***

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
<b>ASSETS</b>					
Cash and cash equivalents	\$ 173,024	\$ 46,109	\$ 219,133	\$ 63,943	\$ 14,433
Investments	51,529,458	6,404,587	57,934,045	2,531,993	36,662
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	285,486	-	285,486	-	-
Franchise taxes	996,866	-	996,866	-	-
Interest	255,283	66,901	322,184	931	-
Accounts	239,766	1,390,455	1,630,221	437	1,517
Notes	-	-	-	604,804	-
Assessments	70,184	-	70,184	-	-
Intergovernmental	1,639,847	126,130	1,765,977	503,978	-
Due from component unit	4,904	-	4,904	-	10,011
Due from primary government	-	-	-	4,534	-
Inventory	26,130	281,461	307,591	14,721,495	-
Restricted assets:					
Cash and cash equivalents	-	368,896	368,896	-	-
Investments	-	17,757,182	17,757,182	681,960	-
Accrued interest	-	55,699	55,699	-	-
Deferred charges	1,067,661	277,168	1,344,829	153,608	-
Capital assets not being depreciated	44,478,822	6,333,485	50,812,307	-	-
Capital assets being depreciated, net	69,314,141	51,062,873	120,377,014	11,596	-
Total assets	<u>170,081,572</u>	<u>84,170,946</u>	<u>254,252,518</u>	<u>19,279,279</u>	<u>62,623</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	3,981,667	1,000,222	4,981,889	147,982	12,208
Accrued interest payable	601,243	121,729	722,972	126,805	-
Unearned revenue	223,455	-	223,455	-	-
Due to other governments	133,546	-	133,546	-	-
Due to component unit	4,534	-	4,534	10,011	-
Due to primary government	-	-	-	4,904	-
Customer deposits	-	462,744	462,744	-	-
Noncurrent liabilities:					
Due within one year	3,756,157	904,420	4,660,577	671,160	-
Due in more than one year	77,929,110	14,616,459	92,545,569	18,578,632	-
Total liabilities	<u>86,629,712</u>	<u>17,105,574</u>	<u>103,735,286</u>	<u>19,539,494</u>	<u>12,208</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	34,020,634	41,923,596	75,944,230	11,596	-
Restricted for:					
Debt service	1,218,820	1,445,984	2,664,804	407,451	-
Capital projects	36,529,256	16,614,065	53,143,321	147,704	-
Unrestricted	11,683,150	7,081,727	18,764,877	(826,966)	50,415
Total net assets	<u>\$ 83,451,860</u>	<u>\$ 67,065,372</u>	<u>\$ 150,517,232</u>	<u>\$ (260,215)</u>	<u>\$ 50,415</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
Mayor/council	\$ 108,366	\$ -	\$ -	\$ -
Administration	6,040,692	354,606	31,730	-
Finance	1,027,654	31,000	-	-
Municipal court	304,492	883,228	-	-
Police	6,095,435	649,261	24,834	-
Fire	1,889,269	101,310	21,701	246,364
Public works	5,530,219	1,010,634	652,670	11,558,493
Community development	1,781,548	1,318,516	-	-
Parks and recreation	2,583,547	273,747	52,382	-
Interest on long-term debt	2,179,950	-	-	-
Total governmental activities	<u>27,541,172</u>	<u>4,622,302</u>	<u>783,317</u>	<u>11,804,857</u>
Business-type activities:				
Water and sewer	10,253,226	11,067,802	-	4,319,065
Total business-type activities	<u>10,253,226</u>	<u>11,067,802</u>	<u>-</u>	<u>4,319,065</u>
Total primary government	<u>\$ 37,794,398</u>	<u>\$ 15,690,104</u>	<u>\$ 783,317</u>	<u>\$ 16,123,922</u>
<b>COMPONENT UNITS:</b>				
Rockwall Economic Development Corporation				
	\$ 8,317,013	\$ -	\$ -	\$ -
Rockwall Technology Park				
	134,000	132,569	-	-
Total component units	<u>\$ 8,451,013</u>	<u>\$ 132,569</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Ad valorem taxes, penalty and interest

Sales taxes

Franchise taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
\$ (108,366)		\$ (108,366)		
(5,654,356)		(5,654,356)		
(996,654)		(996,654)		
578,736		578,736		
(5,421,340)		(5,421,340)		
(1,519,894)		(1,519,894)		
7,691,578		7,691,578		
(463,032)		(463,032)		
(2,257,418)		(2,257,418)		
(2,179,950)		(2,179,950)		
<u>(10,330,696)</u>		<u>(10,330,696)</u>		
	\$ 5,133,641	5,133,641		
	<u>5,133,641</u>	<u>5,133,641</u>		
<u>(10,330,696)</u>	<u>5,133,641</u>	<u>(5,197,055)</u>		
			\$ (8,317,013)	\$ -
			<u>-</u>	<u>(1,431)</u>
			<u>(8,317,013)</u>	<u>(1,431)</u>
9,063,530	-	9,063,530	-	-
8,529,051	-	8,529,051	2,750,577	-
2,111,798	-	2,111,798	-	-
1,224,538	974,899	2,199,437	156,952	1,812
230,353	136,165	366,518	274,443	-
2,375,000	(2,375,000)	-	-	-
<u>23,534,270</u>	<u>(1,263,936)</u>	<u>22,270,334</u>	<u>3,181,972</u>	<u>1,812</u>
13,203,574	3,869,705	17,073,279	(5,135,041)	381
70,248,286	63,195,667	133,443,953	4,874,826	50,034
<u>\$ 83,451,860</u>	<u>\$ 67,065,372</u>	<u>\$ 150,517,232</u>	<u>\$ (260,215)</u>	<u>\$ 50,415</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006

	General	Debt Service	Capital Projects	Harbor/TIF Projects	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 17,333	\$ 7,841	\$ 707	\$ 278	\$ 1,315	\$ 1,697	\$ 19,076	\$ 48,247
Investments	7,246,931	1,449,290	6,168,706	229,175	13,782,610	17,780,076	3,267,778	49,924,566
Receivables (net of allowances for uncollectibles):								
Ad valorem taxes	171,487	113,999	-	-	-	-	-	285,486
Interest	62,847	783	6,274	563	166,147	3,824	8,991	249,429
Accounts	162,486	-	-	-	-	-	56,573	219,059
Assessments	-	-	-	-	-	-	70,184	70,184
Intergovernmental	1,408,867	4,534	156,332	-	-	-	70,114	1,639,847
Due from component unit	-	-	-	-	-	4,904	-	4,904
Due from other funds	5,000	-	-	-	-	236,183	348,000	589,183
Inventory	26,130	-	-	-	-	-	-	26,130
<b>Total assets</b>	<b>\$ 9,101,081</b>	<b>\$ 1,576,447</b>	<b>\$ 6,332,019</b>	<b>\$ 230,016</b>	<b>\$ 13,950,072</b>	<b>\$ 18,026,684</b>	<b>\$ 3,840,716</b>	<b>\$ 53,057,035</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ 1,083,521	\$ 600	\$ 526,643	\$ 308,736	\$ 1,461,311	\$ 178,357	\$ 70,006	\$ 3,629,174
Deferred revenue	165,222	110,019	-	-	-	-	293,639	568,880
Due to other governments	133,546	-	-	-	-	-	-	133,546
Due to component unit	-	4,534	-	-	-	-	-	4,534
Due to other funds	-	-	5,000	2,862	412,516	-	168,805	589,183
<b>Total liabilities</b>	<b>1,382,289</b>	<b>115,153</b>	<b>531,643</b>	<b>311,598</b>	<b>1,873,827</b>	<b>178,357</b>	<b>532,450</b>	<b>4,925,317</b>
<b>Fund balances:</b>								
<b>Reserved for:</b>								
Inventory	26,130	-	-	-	-	-	-	26,130
Debt service	-	1,461,294	-	-	-	-	-	1,461,294
<b>Unreserved, reported in:</b>								
General fund	7,692,662	-	-	-	-	-	-	7,692,662
Special revenue funds	-	-	-	-	-	-	2,422,376	2,422,376
Capital projects funds	-	-	5,800,376	(81,582)	12,076,245	17,848,327	885,890	36,529,256
<b>Total fund balances</b>	<b>7,718,792</b>	<b>1,461,294</b>	<b>5,800,376</b>	<b>(81,582)</b>	<b>12,076,245</b>	<b>17,848,327</b>	<b>3,308,266</b>	<b>48,131,718</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,101,081</b>	<b>\$ 1,576,447</b>	<b>\$ 6,332,019</b>	<b>\$ 230,016</b>	<b>\$ 13,950,072</b>	<b>\$ 18,026,684</b>	<b>\$ 3,840,716</b>	<b>\$ 53,057,035</b>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2006

Total fund balances - governmental funds	\$ 48,131,718
Amounts reported for governmental activities in the statement of net assets are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	1,383,030
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	275,241
Assessments receivable	70,184
The following assets are not available to pay for current period expenditures and are not accrued in the funds:	
Franchise taxes receivable	996,866
Court fines receivable	20,707
The following assets are not current financial resources and are not reported in the funds:	
Capital assets used in governmental activities (net of accumulated depreciation of \$39,472,784)	113,792,963
Costs of bonds issued to finance governmental activities (net of accumulated amortization of \$130,718)	1,067,661
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(797,825)
Bonds payable	(80,887,442)
Accrued interest payable	(601,243)
Net assets of governmental activities	\$ 83,451,860

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General	Debt Service	Capital Projects	Harbor/TIF Projects	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>								
Ad valorem taxes, penalty and interest	\$ 5,277,568	\$ 3,702,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,979,948
Sales taxes	8,286,316	51,915	-	-	-	-	190,820	8,529,051
Franchise taxes	1,981,016	-	-	-	-	-	-	1,981,016
Charges for services	426,996	-	-	-	-	-	-	426,996
Permits	1,200,939	-	-	-	-	-	124,893	1,325,832
Municipal court	921,416	-	-	-	-	-	65,650	987,066
Intergovernmental	221,359	-	-	-	-	-	790,380	1,011,739
Interest income	270,491	96,668	53,535	284,518	395,161	-	48,831	1,149,204
Miscellaneous	86,738	-	14,392	-	-	-	959,736	1,060,866
Contributions and donations	-	652,670	5,511,549	-	-	-	87,216	6,251,435
<b>Total revenues</b>	<b>18,672,839</b>	<b>4,503,633</b>	<b>5,579,476</b>	<b>284,518</b>	<b>395,161</b>	<b>-</b>	<b>2,267,526</b>	<b>31,703,153</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Mayor/council	108,366	-	-	-	-	-	-	108,366
Administration	2,910,478	-	-	-	-	-	-	2,910,478
Finance	856,292	-	-	-	-	-	168,938	1,025,230
Municipal court	303,131	-	-	-	-	-	-	303,131
Police	5,558,412	-	-	-	-	-	677,051	6,235,463
Fire	1,233,823	-	-	-	-	-	9,013	1,242,836
Public works	2,336,855	-	-	-	-	-	74,469	2,411,324
Community development	1,783,961	-	-	-	-	-	-	1,783,961
Parks and recreation	2,151,399	-	-	-	-	-	166,736	2,318,135
<b>Total current</b>	<b>17,242,717</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,096,207</b>	<b>18,338,924</b>
<b>Capital outlay:</b>								
Administration	6,088	-	758,886	-	693,270	-	122,462	1,580,706
Police	7,624	-	-	-	-	-	277,526	285,150
Fire	4,013	-	-	-	108,713	-	722,959	835,685
Public works	-	-	367,256	14,073,489	9,689,176	1,060,783	543,184	25,733,888
Parks and recreation	-	-	-	-	1,333,904	-	143,595	1,477,499
<b>Total capital outlay</b>	<b>17,725</b>	<b>-</b>	<b>1,126,142</b>	<b>14,073,489</b>	<b>11,825,063</b>	<b>1,060,783</b>	<b>1,809,726</b>	<b>29,912,928</b>
<b>Debt service:</b>								
Principal	-	2,620,235	-	-	-	-	-	2,620,235
Interest	-	1,748,001	-	-	-	-	-	1,748,001
Bond issuance costs	-	-	-	43,729	205,094	224,559	27,507	500,889
Fiscal charges	-	6,020	-	-	-	-	-	6,020
<b>Total debt service</b>	<b>-</b>	<b>4,374,256</b>	<b>-</b>	<b>43,729</b>	<b>205,094</b>	<b>224,559</b>	<b>27,507</b>	<b>4,875,145</b>
<b>Total expenditures</b>	<b>17,260,442</b>	<b>4,374,256</b>	<b>1,126,142</b>	<b>14,117,218</b>	<b>12,030,157</b>	<b>1,285,342</b>	<b>2,933,440</b>	<b>53,126,997</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,412,397</b>	<b>129,377</b>	<b>4,453,334</b>	<b>(13,832,700)</b>	<b>(11,634,996)</b>	<b>(1,285,342)</b>	<b>(665,914)</b>	<b>(21,423,844)</b>
<b>Other financing sources (uses):</b>								
Transfers in	637,000	-	618,477	560,920	1,749,112	-	739,823	4,305,332
Transfers out	(1,658,919)	-	(870,813)	-	(546,061)	-	(403,039)	(3,478,832)
Bonds issued	-	-	-	3,235,000	17,075,000	18,700,000	2,035,000	41,045,000
Accrued interest on bonds issued	-	176,020	-	-	-	-	-	176,020
Premium on bonds issued	-	-	-	21,284	395,984	433,669	13,389	864,326
<b>Total other financing sources (uses)</b>	<b>(1,021,919)</b>	<b>176,020</b>	<b>(252,336)</b>	<b>3,817,204</b>	<b>18,674,035</b>	<b>19,133,669</b>	<b>2,385,173</b>	<b>42,911,846</b>
<b>Net change in fund balances</b>	<b>390,478</b>	<b>305,397</b>	<b>4,200,998</b>	<b>(10,015,496)</b>	<b>7,039,039</b>	<b>17,848,327</b>	<b>1,719,259</b>	<b>21,488,002</b>
<b>Fund balances, October 1</b>	<b>7,328,314</b>	<b>1,155,897</b>	<b>1,599,378</b>	<b>9,933,914</b>	<b>5,037,206</b>	<b>-</b>	<b>1,589,007</b>	<b>26,643,716</b>
<b>Fund balances, September 30</b>	<b>\$ 7,718,792</b>	<b>\$ 1,461,294</b>	<b>\$ 5,800,376</b>	<b>\$ (81,582)</b>	<b>\$ 12,076,245</b>	<b>\$ 17,848,327</b>	<b>\$ 3,308,266</b>	<b>\$ 48,131,718</b>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - governmental funds	\$ 21,488,002
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets.	(170,445)
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	83,582
Assessments receivable	(2,996)
Franchise taxes receivable	130,782
Court fines receivable	(53,937)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$29,651,508) exceeded depreciation (\$4,060,268) and retirements (\$468,966) in the current period.	25,122,274
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	6,046,945
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount by which debt issuance costs (\$500,889) exceeded amortization (\$44,318) in the current period.	456,571
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	(306,844)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$42,180,845) exceeded repayments (\$2,620,235) and bond premium amortization (\$20,732) in the current period.	(39,539,878)
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	(50,482)
Change in net assets of governmental activities	<u>\$ 13,203,574</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2006

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 46,109	\$ 124,777
Investments	6,404,587	1,604,892
Receivables (net of allowances for uncollectibles):		
Interest	66,901	5,854
Accounts	1,390,455	-
Intergovernmental	126,130	-
Inventory	281,461	-
Restricted assets:		
Cash and cash equivalents	368,896	-
Investments	17,757,182	-
Accrued interest	55,699	-
Total current assets	<u>26,497,420</u>	<u>1,735,523</u>
Noncurrent assets:		
Deferred charges	277,168	-
Capital assets not being depreciated	6,333,485	-
Capital assets being depreciated, net	51,062,873	-
Total noncurrent assets	<u>57,673,526</u>	<u>-</u>
<b>Total Assets</b>	<u>84,170,946</u>	<u>1,735,523</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	1,000,222	352,493
Customer deposits	462,744	-
Liability for compensated absences	48,117	-
General obligation bonds payable - current	28,495	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	785,000	-
Obligations under capital leases - current	85,000	-
Accrued interest payable	121,729	-
Total current liabilities	<u>2,531,307</u>	<u>352,493</u>
Noncurrent liabilities:		
General obligation bonds payable	184,176	-
Revenue bonds payable	13,330,091	-
Obligations under capital leases	1,060,000	-
Total noncurrent liabilities	<u>14,574,267</u>	<u>-</u>
<b>Total Liabilities</b>	<u>17,105,574</u>	<u>352,493</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	41,923,596	-
Restricted for debt service	1,445,984	-
Restricted for construction	16,614,065	-
Unrestricted	7,081,727	1,383,030
<b>Total Net Assets</b>	<u>\$ 67,065,372</u>	<u>\$ 1,383,030</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 11,067,802	\$ 320,960
Total operating revenues	<u>11,067,802</u>	<u>320,960</u>
<b>OPERATING EXPENSES:</b>		
Personnel services	1,531,423	-
Contractual services	5,649,149	2,181,162
Materials and supplies	453,275	-
Operations	124,723	-
Utilities	471,104	-
Depreciation and amortization	1,313,990	-
Total operating expenses	<u>9,543,664</u>	<u>2,181,162</u>
Operating income (loss)	<u>1,524,138</u>	<u>(1,860,202)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Capital recovery fees	742,296	-
Interest income	974,899	75,334
Miscellaneous income	136,165	65,923
Paying agent fees	(5,811)	-
Interest expense	(703,751)	-
Total non-operating revenues (expenses)	<u>1,143,798</u>	<u>141,257</u>
Income (loss) before transfers and capital contributions	<u>2,667,936</u>	<u>(1,718,945)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
Capital contributions	3,576,769	-
Transfers in	-	1,548,500
Transfers out	(2,375,000)	-
Total transfers and capital contributions	<u>1,201,769</u>	<u>1,548,500</u>
Increase (decrease) in net assets	3,869,705	(170,445)
Net assets, October 1	<u>63,195,667</u>	<u>1,553,475</u>
Net assets, September 30	<u>\$ 67,065,372</u>	<u>\$ 1,383,030</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal
	Water and Sewer	Service Funds
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 11,293,245	\$ 387,386
Cash paid to employees for services	(1,507,844)	-
Cash paid to suppliers for goods and services	(6,425,275)	(1,982,284)
Net cash provided (used) by operating activities	3,360,126	(1,594,898)
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash paid to other funds	(2,375,000)	-
Cash received from other funds	-	1,563,861
Net cash provided (used) by non-capital financing activities	(2,375,000)	1,563,861
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or construction of capital assets	(1,230,501)	-
Capital recovery fees received	742,296	-
Principal paid on capital debt	(1,039,765)	-
Interest and fees paid on capital debt	(718,368)	-
Net cash used by capital and related financing activities	(2,246,338)	-
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(43,071,041)	(2,405,000)
Proceeds from sales and maturities of investments	42,930,815	2,381,868
Interest and dividends received	728,498	43,368
Net cash provided by investing activities	588,272	20,236
Net decrease in cash and cash equivalents	(672,940)	(10,801)
Cash and cash equivalents at beginning of year	1,087,945	135,578
Cash and cash equivalents at end of year	\$ 415,005	\$ 124,777
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 1,524,138	\$ (1,860,202)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,313,990	-
Miscellaneous income	136,165	65,923
Decrease (increase) in assets:		
Receivables	61,805	503
Inventories	(42,946)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	331,354	198,878
Customer deposits	27,473	-
Compensated absences	8,147	-
Net cash provided (used) by operating activities	\$ 3,360,126	\$ (1,594,898)
<b>Non-cash investing and financing activities:</b>		
Capital contributions	\$ 3,576,769	\$ -

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2005

	<u>Agency Fund</u> <u>Special Escrow</u> <u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 71,555
Investments	1,492,750
Accrued interest receivable	2,490
Total assets	<u>\$ 1,566,795</u>
<b>LIABILITIES</b>	
Due to developers	<u>\$ 1,566,795</u>
Total liabilities	<u>\$ 1,566,795</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a five-member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2006, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. RTPA does not have the authority to determine its budget, set rates or charges, or issue bonded debt without the approval of the City. Accordingly, RTPA is fiscally dependent on the City, and the City is financially accountable for RTPA.

The funds of both REDC and RTPA are composed of governmental fund types. Stand alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2006, are not prepared.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *Capital Projects Fund* accounts for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

The *Harbor/TIF Projects Fund* accounts for revenues and expenditures related to the Tax Increment Financing District and the associated public improvements within the Harbor development.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The *205 Bypass Project Fund* accounts for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Assets, liabilities, and net assets or equity*Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items "a" through "d" above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1st by the City based on the January 1st property values as assessed by the Rockwall Central Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 1.25 days per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*Long-term obligations

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

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

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

## A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During the year ended September 30, 2006, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

A. Budgetary information – continued

6. The City did not adopt budgets for certain special revenue funds. The Drug Grant Fund is used to account for revenues and expenditures relating to federal criminal justice and drug abuse resistance education program grants with a fiscal year which does not coincide with that of the City. This makes any comparison of program expenditures to the grant allocations confusing and misleading. Budgets were also not adopted for the Emergency Siren Fund, the Kidzone Fund, and the Downtown Improvement Fund.
7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$14,812 in the Recreational Development Fund as a result of higher than anticipated participation in recreation programs, including summer youth programs. The higher expenditures were more than offset by revenues in excess of budgeted amounts.

Expenditures exceeded appropriations by \$9,935 in the Fire Equipment Fund as a result of capital expenditures for radio equipment and fire extinguishers which were funded through unbudgeted grant revenues.

C. Deficit fund equity

The Harbor/TIF Projects Fund had a deficit fund balance in the amount of \$81,582 at September 30, 2006, as a result of expenditures made in advance of anticipated project revenues.

The Drug Grant Fund had a deficit fund balance in the amount of \$46,014 at September 30, 2006, as a result of disbanding a multi-jurisdictional drug task force during the year and distributing resources to each participating entity. This deficit will be covered by future transfers from the General Fund.

The Employee Benefits Fund had a deficit fund balance in the amount of \$11,287 at September 30, 2006, as a result of unanticipated health care claims late in the fiscal year in excess of available funds. This deficit will be covered by future transfers from the General Fund.

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2006, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$367,529, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2006, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments

At September 30, 2006, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-24
<b>Primary Government</b>					
U.S. Treasury bills and notes	\$ 9,898,341	\$ 1,993,077	\$ 7,905,264	\$ -	\$ -
U.S. government agencies:					
Federal Home Loan Mortgage Corporation	14,374,834	-	8,546,671	4,833,613	994,550
Federal National Mortgage Association	25,244,800	-	13,293,927	7,957,048	3,993,825
Federal Farm Credit Bank	1,500,000	-	-	-	1,500,000
	<u>41,119,634</u>	<u>-</u>	<u>21,840,598</u>	<u>12,790,661</u>	<u>6,488,375</u>
Money market funds	<u>26,529,981</u>	<u>26,529,981</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>77,547,956</u>	<u>28,523,058</u>	<u>29,745,862</u>	<u>12,790,661</u>	<u>6,488,375</u>
<b>Discretely Presented Component Units</b>					
Rockwall Economic Development Corporation:					
Certificates of deposit	300,000	-	100,000	-	200,000
Money market funds	2,913,953	2,913,953	-	-	-
Rockwall Technology Park:					
Money market funds	<u>36,662</u>	<u>36,662</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total discretely presented component units	<u>3,250,615</u>	<u>2,950,615</u>	<u>100,000</u>	<u>-</u>	<u>200,000</u>
Total reporting entity	<u>\$ 80,798,571</u>	<u>\$ 31,473,673</u>	<u>\$ 29,845,862</u>	<u>\$ 12,790,661</u>	<u>\$ 6,688,375</u>
Investments are reported in the statement of net assets as follows:					
Governmental activities	\$ 51,529,458				
Business-type activities	24,161,769				
Discretely presented component units:					
Rockwall Economic Development Corporation	3,213,953				
Rockwall Technology Park	36,662				
Fiduciary funds	1,856,729				
	<u>\$ 80,798,571</u>				

## NOTES TO FINANCIAL STATEMENTS

## 3. DETAILED NOTES ON ALL FUNDS – continued

## A. Deposits and investments – continued

Investments – continued

The City's investments in U.S. Treasury bills and notes are backed by the full faith and credit of the U.S. government. The City's investments in U.S. government agencies are rated AAA by Standard & Poor's or Aaa by Moody's Investors Service. The City's investments in certificates of deposit and money market funds are not rated.

Custodial credit risk for investments is the risk that the City will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2006, the City's investments were entirely insured or registered in the City's name; as a result, the City's investments were not exposed to custodial credit risk.

## B. Receivables

In the Water and Sewer Fund, accounts receivable and revenues are reported net of uncollectible amounts. For the year ended September 30, 2006, the uncollectible amounts related to accounts receivable totaled \$263,264, and the uncollectible amounts related to revenues of the current period totaled \$49,593.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General Fund	\$ 165,222	\$ -
Debt Service Fund	110,019	-
Assessments receivable not yet due:		
Street Improvements	70,184	-
Seizures not awarded:		
Drug Grant	-	223,455
	<u>          </u>	<u>          </u>
Total deferred revenue for governmental funds	\$ <u>345,425</u>	\$ <u>223,455</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2006, was as follows:

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 2,097,819	\$ 1,176,779	\$ -	\$ -	\$ 3,274,598
Construction in progress	16,578,527	26,917,097	(422,140)	(1,869,260)	41,204,224
Total capital assets not being depreciated	<u>18,676,346</u>	<u>28,093,876</u>	<u>(422,140)</u>	<u>(1,869,260)</u>	<u>44,478,822</u>
Capital assets being depreciated:					
Buildings	10,029,010	9,037	-	297,095	10,335,142
Improvements other than buildings	1,887,671	73,475	-	155,365	2,116,511
Machinery and equipment	2,517,762	460,213	(40,821)	-	2,937,154
Vehicles	4,100,750	736,049	(284,799)	-	4,552,000
Furniture and fixtures	1,757,420	226,374	(8,204)	-	1,975,590
Infrastructure	79,354,299	6,099,429	-	1,416,800	86,870,528
Total capital assets being depreciated	<u>99,646,912</u>	<u>7,604,577</u>	<u>(333,824)</u>	<u>1,869,260</u>	<u>108,786,925</u>
Less accumulated depreciation for:					
Buildings	(1,470,928)	(335,612)	-	-	(1,806,540)
Improvements other than buildings	(309,414)	(98,560)	-	-	(407,974)
Machinery and equipment	(1,196,430)	(228,887)	40,821	-	(1,384,496)
Vehicles	(2,361,969)	(448,241)	240,295	-	(2,569,915)
Furniture and fixtures	(816,563)	(266,249)	5,882	-	(1,076,930)
Infrastructure	(29,544,210)	(2,682,719)	-	-	(32,226,929)
Total accumulated depreciation	<u>(35,699,514)</u>	<u>(4,060,268)</u>	<u>286,998</u>	<u>-</u>	<u>(39,472,784)</u>
Total capital assets being depreciated, net	<u>63,947,398</u>	<u>3,544,309</u>	<u>(46,826)</u>	<u>1,869,260</u>	<u>69,314,141</u>
Governmental activities capital assets, net	<u>\$ 82,623,744</u>	<u>\$ 31,638,185</u>	<u>\$ (468,966)</u>	<u>\$ -</u>	<u>\$ 113,792,963</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ -	\$ -	\$ 799,533
Construction in progress	4,817,769	899,560	-	(183,377)	5,533,952
Total capital assets not being depreciated	<u>5,617,302</u>	<u>899,560</u>	<u>-</u>	<u>(183,377)</u>	<u>6,333,485</u>
Capital assets being depreciated:					
Buildings	89,421	-	-	-	89,421
Improvements other than buildings	49,690,223	3,876,269	-	-	53,566,492
Sewage treatment plants and pump station	10,594,237	-	-	183,377	10,777,614
Machinery and equipment	3,352,781	31,441	-	-	3,384,222
Furniture and fixtures	69,031	-	-	-	69,031
Total capital assets being depreciated	<u>63,795,693</u>	<u>3,907,710</u>	<u>-</u>	<u>183,377</u>	<u>67,886,780</u>
Less accumulated depreciation for:					
Buildings	(89,421)	-	-	-	(89,421)
Improvements other than buildings	(8,822,222)	(966,873)	-	-	(9,789,095)
Sewage treatment plants and pump station	(3,473,871)	(210,410)	-	-	(3,684,281)
Machinery and equipment	(3,090,411)	(106,810)	-	-	(3,197,221)
Furniture and fixtures	(62,758)	(1,131)	-	-	(63,889)
Total accumulated depreciation	<u>(15,538,683)</u>	<u>(1,285,224)</u>	<u>-</u>	<u>-</u>	<u>(16,823,907)</u>
Total capital assets being depreciated, net	<u>48,257,010</u>	<u>2,622,486</u>	<u>-</u>	<u>183,377</u>	<u>51,062,873</u>
Business-type activities capital assets, net	<u>\$ 53,874,312</u>	<u>\$ 3,522,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,396,358</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	\$ 427,812
Police	332,800
Fire	298,191
Public works	2,772,676
Parks and recreation	<u>228,789</u>
Total depreciation expense - governmental activities	<u>\$ 4,060,268</u>
Business-type activities:	
Water and sewer	<u>\$ 1,285,224</u>

Construction commitments

The City has active construction projects as of September 30, 2006. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Source of Funding</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities:			
Industrial Boulevard	Bond proceeds	\$ 27,871	\$ 446,616
Justin Road extension	Bond proceeds	-	1,606,108
The Harbor	Bond proceeds	10,105,462	465,749
Shores Park	Bond proceeds	-	760,000
Ross Avenue improvements	Bond proceeds	563,683	499,680
Other improvements	Various	<u>8,785,301</u>	<u>980,874</u>
Total governmental activities		<u>19,482,317</u>	<u>4,759,027</u>
Business-type activities:			
Townsend/276 Waterline	Bond proceeds	-	424,882
FM 3097 Sanitary Sewer	Impact fees	294,671	1,684,723
Other improvements	Various	<u>1,809,673</u>	<u>997,379</u>
Total business-type activities		<u>2,104,344</u>	<u>3,106,984</u>
Total reporting entity		<u>\$ 21,586,661</u>	<u>\$ 7,866,011</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital assets being depreciated:					
Furniture and fixtures	\$ 65,482	\$ 1,384	\$ -	\$ -	\$ 66,866
Less accumulated depreciation for:					
Furniture and fixtures	<u>(50,440)</u>	<u>(4,830)</u>	<u>-</u>	<u>-</u>	<u>(55,270)</u>
REDC capital assets, net	<u>\$ 15,042</u>	<u>\$ (3,446)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,596</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2006, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 5,000	\$ -
Capital Projects	-	5,000
Harbor/TIF Projects	-	2,862
G.O. Bonds Capital Projects	-	412,516
SH 205 Bypass Project	236,183	-
Nonmajor governmental funds	<u>348,000</u>	<u>168,805</u>
Total interfund balances	<u>\$ 589,183</u>	<u>\$ 589,183</u>

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Interfund receivables, payables, and transfers – continued

The composition of interfund transfers for the year ended September 30, 2006, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 637,000	\$ 1,658,919
Capital Projects	618,477	870,813
Harbor/TIF Projects	560,920	-
G.O. Bonds Capital Projects	1,749,112	546,061
Nonmajor governmental funds	739,823	403,039
Water and Sewer Fund	-	2,375,000
Internal service funds	<u>1,548,500</u>	<u>-</u>
Total interfund transfers	<u>\$ 5,853,832</u>	<u>\$ 5,853,832</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2006, is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance 9/30/06</u>
Governmental Activities:					
General obligation bonds:					
Improvements	\$ 7,185,000	1999	2019	4.25%-5.25%	\$ 5,590,000
Improvements	2,150,000	2000	2020	5.00%-6.00%	365,000
Refunding	4,024,394	2003	2015	2.00%-4.00%	2,847,329
Refunding and improvement	13,345,000	2005	2025	3.00%-4.50%	13,055,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	<u>35,775,000</u>
Total general obligation bonds					<u>57,632,329</u>
Contractual obligations:					
Equipment purchase	1,165,000	1999	2014	4.00%-4.80%	<u>315,000</u>
Certificates of obligation:					
Improvements	6,500,000	2000	2020	4.75%-5.75%	1,095,000
Improvements	4,295,000	2002	2012	2.80%-3.80%	2,000,000
Improvements	13,950,000	2005	2025	3.00%-5.00%	13,460,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	<u>5,270,000</u>
Total certificates of obligation					<u>21,825,000</u>
Total governmental activities general obligation debt					79,772,329
Business-type Activities:					
General obligation bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	<u>212,671</u>
Total general obligation debt					<u>\$ 79,985,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2007	\$ 3,726,505	\$ 3,607,456	\$ 28,495	\$ 7,135	\$ 7,369,591
2008	3,655,462	3,444,402	29,538	6,494	7,135,896
2009	3,660,540	3,278,966	19,460	5,682	6,964,648
2010	3,054,845	3,111,746	20,155	5,098	6,191,844
2011	3,309,150	2,970,907	20,850	4,443	6,305,350
2012-2016	18,455,827	12,489,449	94,173	9,621	31,049,070
2017-2021	18,475,000	8,275,372	-	-	26,750,372
2022-2026	16,170,000	4,267,788	-	-	20,437,788
2027-2031	4,065,000	1,797,755	-	-	5,862,755
2032-2036	5,200,000	746,024	-	-	5,946,024
Total	\$ <u>79,772,329</u>	\$ <u>43,989,865</u>	\$ <u>212,671</u>	\$ <u>38,473</u>	\$ <u>124,013,338</u>

Revenue bonds

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding as of September 30, 2006, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/06
Improvements	\$ 3,535,000	1999	2019	4.15%-5.00%	\$ 2,195,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	5,815,000
Refunding and improvement	6,415,000	2005	2025	3.00%-4.50%	6,135,000
					14,145,000
Plus unamortized premium					12,258
Less unamortized discount					(42,167)
Total revenue bonds					\$ <u>14,115,091</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Water and Sewer Fund		
	Principal	Interest	Total
2007	\$ 785,000	\$ 606,179	\$ 1,391,179
2008	830,000	575,410	1,405,410
2009	860,000	542,595	1,402,595
2010	895,000	507,657	1,402,657
2011	740,000	471,228	1,211,228
2012-2016	3,925,000	1,870,078	5,795,078
2017-2021	4,145,000	1,000,868	5,145,868
2022-2025	1,965,000	189,263	2,154,263
	14,145,000	\$ 5,763,278	\$ 19,908,278
Plus unamortized premium	12,258		
Less unamortized discount	(42,167)		
Total revenue bonds	\$ 14,115,091		

Refunded bonds

In previous years, the City purchased U.S. government securities that were placed in irrevocable trusts with escrow agents to provide for all future debt service payments on certain bonds. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the City's statement of net assets. The outstanding balances of refunded bonds at September 30, 2006, are as follows:

Bond Type	Year of Issue	Year Refunded	Balance 9/30/06
General obligation	1995	2003	\$ 2,665,000
General obligation	2000	2005	1,395,000
Certificates of obligation	2000	2005	4,235,000
Total refunded bonds			\$ 8,295,000

CITY OF ROCKWALL, TEXAS  
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Capitalized lease obligations

The City has entered into contracts with NTMWD, a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of sewer treatment plants. The contractual obligations have been treated as capitalized lease obligations. Capitalized lease obligations outstanding as of September 30, 2006, are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/06</u>
South Plant Improvements	\$ 1,800,000	1996	2016	Various	\$ <u>1,145,000</u>
Total capitalized lease obligations					\$ <u><u>1,145,000</u></u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2006, are as follows:

<u>Year Ending September 30</u>	<u>Total</u>
2007	\$ 143,045
2008	148,795
2009	149,045
2010	149,045
2011	148,795
2012-2016	<u>753,745</u>
Total minimum lease payments	1,492,470
Less amount representing interest	<u>(347,470)</u>
Present value of minimum lease payments	\$ <u><u>1,145,000</u></u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 22,992,564	\$ 35,775,000	\$ (1,135,235)	\$ 57,632,329	\$ 1,911,505
Contractual obligations	345,000	-	(30,000)	315,000	35,000
Certificates of obligation	17,940,000	5,270,000	(1,385,000)	21,825,000	1,780,000
Plus unamortized premium	<u>-</u>	<u>1,135,845</u>	<u>(20,732)</u>	<u>1,115,113</u>	<u>-</u>
Total bonds payable	41,277,564	42,180,845	(2,570,967)	80,887,442	3,726,505
Notes payable	70,000	-	(70,000)	-	-
Compensated absences	<u>747,343</u>	<u>521,416</u>	<u>(470,934)</u>	<u>797,825</u>	<u>29,652</u>
Total	<u>\$ 42,094,907</u>	<u>\$ 42,702,261</u>	<u>\$ (3,111,901)</u>	<u>\$ 81,685,267</u>	<u>\$ 3,756,157</u>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 247,436	\$ -	\$ (34,765)	\$ 212,671	\$ 28,495
Revenue bonds	14,910,000	-	(765,000)	14,145,000	785,000
Plus unamortized premium	12,903	-	(645)	12,258	-
Less unamortized discount	<u>(49,983)</u>	<u>-</u>	<u>7,816</u>	<u>(42,167)</u>	<u>-</u>
Total bonds payable	15,120,356	-	(792,594)	14,327,762	813,495
Capitalized lease obligations	1,385,000	-	(240,000)	1,145,000	85,000
Compensated absences	<u>39,970</u>	<u>66,377</u>	<u>(58,230)</u>	<u>48,117</u>	<u>5,925</u>
Total	<u>\$ 16,545,326</u>	<u>\$ 66,377</u>	<u>\$ (1,090,824)</u>	<u>\$ 15,520,879</u>	<u>\$ 904,420</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Conduit debt obligations

Certain revenue bonds have been issued in the past to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2006, there was one series of revenue bonds outstanding. The aggregate principal amount payable on the outstanding bonds was \$1,700,000.

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2006:

Year Authorized	Amount Authorized	Amount Issued	Balance Unissued 9/30/06
General obligation bonds:			
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2002	19,845,000	(14,675,000)	5,170,000
2005	<u>63,705,000</u>	<u>(26,135,000)</u>	<u>37,570,000</u>
Total general obligation bonds	<u>\$ 89,150,000</u>	<u>\$ (45,010,000)</u>	<u>\$ 44,140,000</u>
Revenue bonds:			
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Total revenue bonds	<u>\$ 3,540,000</u>	<u>\$ (1,060,000)</u>	<u>\$ 2,480,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2006:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/06</u>
Sales tax revenue bonds:					
Land improvements	\$ 5,000,000	1999	2019	4.20%-6.20%	\$ 3,885,000
Certificates of obligation:					
Infrastructure improvements	3,225,000	2005	2025	3.00%-5.00%	2,960,000
Infrastructure improvements	5,540,000	2006	2026	4.25%-5.00%	5,540,000
Interim construction loan	3,098,220	2005	2009	Variable	<u>6,684,229</u>
Total REDC debt					<u>\$ 19,069,229</u>

Annual debt service requirements to maturity for REDC debt are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 670,000	\$ 961,357	\$ 1,631,357
2008	695,000	926,868	1,621,868
2009	7,414,229	726,852	8,141,081
2010	770,000	459,629	1,229,629
2011	800,000	429,011	1,229,011
2012-2016	4,200,000	1,584,731	5,784,731
2017-2021	2,630,000	734,889	3,364,889
2022-2026	<u>1,890,000</u>	<u>261,694</u>	<u>2,151,694</u>
Total	<u>\$ 19,069,229</u>	<u>\$ 6,085,031</u>	<u>\$ 25,154,260</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Sales tax revenue bonds	\$ 4,095,000	\$ -	\$ (210,000)	\$ 3,885,000	\$ 220,000
Certificates of obligation	3,225,000	5,540,000	(265,000)	8,500,000	450,000
Plus unamortized premium	-	181,382	(8,760)	172,622	-
<b>Total bonds payable</b>	<b>7,320,000</b>	<b>5,721,382</b>	<b>(483,760)</b>	<b>12,557,622</b>	<b>670,000</b>
Interim construction loan	3,098,220	3,586,009	-	6,684,229	-
Compensated absences	8,906	5,436	(6,401)	7,941	1,160
<b>Total</b>	<b>\$ 10,427,126</b>	<b>\$ 9,312,827</b>	<b>\$ (490,161)</b>	<b>\$ 19,249,792</b>	<b>\$ 671,160</b>

4. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$65,000 per covered individual, or approximately \$1,473,865 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2006.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a maximum City liability of \$600,000 per year.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

A. Risk management – continued

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements. Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Workers' Compensation	
	2006	2005	2006	2005
Claims payable, beginning of the year	\$ 48,260	\$ 164,921	\$ 2,360	\$ 13,925
Claims incurred	1,838,867	1,280,598	56,009	35,045
Claims paid	(1,652,137)	(1,397,259)	(55,436)	(46,610)
Claims payable, end of the year	\$ 234,990	\$ 48,260	\$ 2,933	\$ 2,360

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

## NOTES TO FINANCIAL STATEMENTS

## 4. OTHER INFORMATION – continued

## B. North Texas Municipal Water District – continued

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2006, is \$1,145,000. See Note 3E for the annual requirements to amortize the bonds as of September 30, 2006.

In August 2005 the District issued \$3,020,000 of Water Facilities Installment Sale Contract Revenue Bonds (the "Storage Facility Bonds") to finance the construction of a 3.0 million gallon per day ground storage reservoir for the joint benefit of the Cities of Rockwall and Heath, Texas. Prior to the completion of the facility, the District retains all ownership of the facility. Upon completion of the facility, which had not occurred as of September 30, 2006, the Cities of Rockwall and Heath will own 66.67% and 33.33% undivided interests, respectively, in the facility. The Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of (1) all principal, interest, and paying agent fees on the Storage Facility Bonds; (2) all payments or deposits required to be made into any special or reserve fund or other account established or maintained by the provisions of the resolution authorizing the Storage Facility Bonds; and (3) all other expenses and costs of the facility that are not payable from the proceeds of the Storage Facility Bonds. While the City anticipates its share of the aforementioned payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

In April 2006 the District issued \$2,145,000 of Water Facilities Contract Revenue Bonds (the "Pump Station Facility Bonds") to finance the construction of an 8.6 million gallon per day pump station for the exclusive benefit of the City. Prior to the completion of the facility, the District retains all ownership of the facility. Upon completion of the facility, which had not occurred as of September 30, 2006, ownership of the facility will transfer to the City. The City is contractually obligated to make timely payments to the District of (1) all principal, interest, and paying agent fees on the Pump Station Facility Bonds; (2) all payments or deposits required to be made into any special or reserve fund or other account established or maintained by the provisions of the resolution authorizing the Pump Station Facility Bonds; and (3) all other expenses and costs of the facility that are not payable from the proceeds of the Pump Station Facility Bonds.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 3E above, the general revenues of the City are contingently liable in the amount of \$212,671 for general obligation bonds which are currently outstanding and recorded as obligations of the Water and Sewer Fund.

The City contracts for solid waste disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2006, these commitments totaled \$926,875.

D. Employee retirement systems and pension plans

Texas Municipal Retirement System

Plan Description – The City provides pension benefits for all of its full-time employees (except volunteer firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 811 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2005 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Benefits – Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit rate: 7%

Matching Ratio (City to Employee): 2 to 1

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Contributions – Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2005 valuation is effective for rates beginning January 2007.

A schedule of funding progress as of the three most recent actuarial valuation dates is as follows:

	Actuarial Valuation Date		
	12/31/2005	12/31/2004	12/31/2003
Actuarial value of assets (a)	\$ 15,968,994	\$ 14,505,752	\$ 14,356,528
Actuarial accrued liability (AAL) - unit credit (b)	21,310,890	19,508,568	19,724,820
Unfunded (over-funded) AAL (UAAL) (b-a)	5,341,896	5,002,816	5,368,292
Funded ratio (a/b)	74.9%	74.4%	72.8%
Annual covered payroll (c)	10,325,619	9,354,662	8,808,639
UAAL as a percentage of covered payroll ((b-a)/c)	51.7%	53.5%	60.9%

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

A summary of the City's net pension obligation (NPO) and annual required contributions for the last three fiscal years is as follows:

	Fiscal Year Ended September 30		
	2006	2005	2004
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	1,367,738	1,270,547	1,155,023
Contributions made (100%)	<u>(1,367,738)</u>	<u>(1,270,547)</u>	<u>(1,155,023)</u>
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of the actuarial assumptions used is as follows:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7.0%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$57,800 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 40 active participants currently covered by the Fund and payments are being made to 20 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

E. Prior period adjustment

In the City's financial statements for the year ended September 30, 2005, certain capital expenditures related to the acquisition and improvement of real property in the REDC should have been reported instead as inventory at year-end. The correction of this error increased inventory and reserved fund balance by \$5,474,574.

***REQUIRED SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 5,226,400	\$ 5,271,400	\$ 5,277,568	\$ 6,168
Sales taxes	7,675,000	8,238,000	8,286,316	48,316
Franchise taxes	1,630,000	1,952,000	1,981,016	29,016
Charges for services	233,500	278,500	426,996	148,496
Permits	1,474,500	1,115,000	1,200,939	85,939
Municipal court	783,000	826,000	921,416	95,416
Intergovernmental	207,300	207,300	221,359	14,059
Interest income	125,000	165,000	270,491	105,491
Miscellaneous	43,500	58,500	86,738	28,238
Total revenues	<u>17,398,200</u>	<u>18,111,700</u>	<u>18,672,839</u>	<u>561,139</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor/council	88,450	108,365	108,366	(1)
Administration	2,630,300	2,929,100	2,910,478	18,622
Finance	840,700	862,900	856,292	6,608
Municipal court	305,300	310,850	303,131	7,719
Police	5,677,200	5,652,800	5,558,412	94,388
Fire	1,291,250	1,303,350	1,233,823	69,527
Public works	2,339,000	2,310,550	2,336,855	(26,305)
Community development	1,941,200	1,884,350	1,783,961	100,389
Parks and recreation	1,928,200	2,216,000	2,151,399	64,601
Total current	<u>17,041,600</u>	<u>17,578,265</u>	<u>17,242,717</u>	<u>335,548</u>
<b>Capital outlay:</b>				
Administration	6,500	6,500	6,088	412
Police	7,600	7,600	7,624	(24)
Fire	4,250	4,250	4,013	237
Total capital outlay	<u>18,350</u>	<u>18,350</u>	<u>17,725</u>	<u>625</u>
Total expenditures	<u>17,059,950</u>	<u>17,596,615</u>	<u>17,260,442</u>	<u>336,173</u>
Excess of revenues over expenditures	<u>338,250</u>	<u>515,085</u>	<u>1,412,397</u>	<u>897,312</u>
<b>Other financing sources (uses):</b>				
Transfers in	520,000	637,000	637,000	-
Transfers out	(1,118,300)	(1,565,120)	(1,658,919)	(93,799)
Total other financing sources (uses)	<u>(598,300)</u>	<u>(928,120)</u>	<u>(1,021,919)</u>	<u>(93,799)</u>
Net change in fund balances	(260,050)	(413,035)	390,478	803,513
Fund balances, October 1	<u>7,328,314</u>	<u>7,328,314</u>	<u>7,328,314</u>	<u>-</u>
Fund balances, September 30	<u>\$ 7,068,264</u>	<u>\$ 6,915,279</u>	<u>\$ 7,718,792</u>	<u>\$ 803,513</u>

***COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES  
AS SUPPLEMENTARY INFORMATION***

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CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2006

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-3)</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,803	\$ 273	\$ 19,076
Investments	2,422,121	845,657	3,267,778
Receivables (net of allowances for uncollectibles):			
Interest	6,861	2,130	8,991
Accounts	56,573	-	56,573
Assessments	70,184	-	70,184
Intergovernmental	-	70,114	70,114
Due from other funds	<u>348,000</u>	<u>-</u>	<u>348,000</u>
 Total assets	 <u>\$ 2,922,542</u>	 <u>\$ 918,174</u>	 <u>\$ 3,840,716</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 39,527	\$ 30,479	\$ 70,006
Deferred revenue	293,639	-	293,639
Due to other funds	<u>167,000</u>	<u>1,805</u>	<u>168,805</u>
Total liabilities	<u>500,166</u>	<u>32,284</u>	<u>532,450</u>
 <b>Fund balances:</b>			
Unreserved, undesignated	<u>2,422,376</u>	<u>885,890</u>	<u>3,308,266</u>
Total fund balances	<u>2,422,376</u>	<u>885,890</u>	<u>3,308,266</u>
 Total liabilities and fund balances	 <u>\$ 2,922,542</u>	 <u>\$ 918,174</u>	 <u>\$ 3,840,716</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Sales taxes	\$ 190,820	\$ -	\$ 190,820
Permits	124,893	-	124,893
Municipal court	65,650	-	65,650
Intergovernmental	116,147	674,233	790,380
Interest income	43,041	5,790	48,831
Miscellaneous	917,972	41,764	959,736
Contributions and donations	87,216	-	87,216
Total revenues	<u>1,545,739</u>	<u>721,787</u>	<u>2,267,526</u>
Expenditures:			
Current:			
Finance	168,938	-	168,938
Police	677,051	-	677,051
Fire	9,013	-	9,013
Public works	74,469	-	74,469
Parks and recreation	166,736	-	166,736
Total current	<u>1,096,207</u>	<u>-</u>	<u>1,096,207</u>
Capital outlay:			
Administration	-	122,462	122,462
Police	128,867	148,659	277,526
Fire	82,922	640,037	722,959
Public works	2,211	540,973	543,184
Parks and recreation	143,595	-	143,595
Total capital outlay	<u>357,595</u>	<u>1,452,131</u>	<u>1,809,726</u>
Debt service:			
Bond issuance costs	-	27,507	27,507
Total debt service	<u>-</u>	<u>27,507</u>	<u>27,507</u>
Total expenditures	<u>1,453,802</u>	<u>1,479,638</u>	<u>2,933,440</u>
Excess of revenues over (under) expenditures	<u>91,937</u>	<u>(757,851)</u>	<u>(665,914)</u>
Other financing sources (uses):			
Transfers in	390,729	349,094	739,823
Transfers out	(106,700)	(296,339)	(403,039)
Bonds issued	-	2,035,000	2,035,000
Premium on bonds issued	-	13,389	13,389
Total other financing sources (uses)	<u>284,029</u>	<u>2,101,144</u>	<u>2,385,173</u>
Net change in fund balances	375,966	1,343,293	1,719,259
Fund balances, October 1	<u>2,046,410</u>	<u>(457,403)</u>	<u>1,589,007</u>
Fund balances, September 30	<u>\$ 2,422,376</u>	<u>\$ 885,890</u>	<u>\$ 3,308,266</u>

## *SPECIAL REVENUE FUNDS*

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation – established to account for donations, court security fees, and forfeitures.

Recreational Development – established to account for the annual lease income from marinas and golf course.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Motel Tax – established to account for the annual income from hotel motel taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Kidzone – established to account for revenues and expenditures related to a joint project with the Rockwall Breakfast Rotary and Kiwanis clubs to construct a playground.

Downtown Improvement – established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Drug Grant – established to account for revenues and expenditures related to a multi-jurisdictional crime task force.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2006

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Street Improvements</u>	<u>Hotel Motel Tax</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,807	\$ 1,129	\$ 3,784	\$ 2,537	\$ 1,117
Investments	121,792	180,064	367,590	1,116,535	65,188
Receivables (net of allowances for uncollectibles):					
Interest	-	-	-	6,861	-
Accounts	-	-	2,083	-	51,068
Assessments	-	-	-	70,184	-
Due from other funds	-	-	-	348,000	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>348,000</u>	<u>-</u>
 Total assets	 <u>\$ 124,599</u>	 <u>\$ 181,193</u>	 <u>\$ 373,457</u>	 <u>\$ 1,544,117</u>	 <u>\$ 117,373</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 322	\$ 20,250	\$ 6,647	\$ -	\$ -
Deferred revenue	-	-	-	70,184	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>322</u>	<u>20,250</u>	<u>6,647</u>	<u>70,184</u>	<u>-</u>
 Fund balances:					
Unreserved, undesignated	124,277	160,943	366,810	1,473,933	117,373
Total fund balances	<u>124,277</u>	<u>160,943</u>	<u>366,810</u>	<u>1,473,933</u>	<u>117,373</u>
 Total liabilities and fund balances	 <u>\$ 124,599</u>	 <u>\$ 181,193</u>	 <u>\$ 373,457</u>	 <u>\$ 1,544,117</u>	 <u>\$ 117,373</u>

	Fire Equipment	Aviation	Recycling	Emergency Siren	Kidzone	Downtown Improvement	Drug Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$	1,355	\$ 1,076	\$ 290	\$ 8	\$ 3,611	\$ -	\$ 1,089	\$ 18,803
	81,057	57,120	33,297	14,478	-	35,000	350,000	2,422,121
	-	-	-	-	-	-	-	6,861
	1,613	-	1,809	-	-	-	-	56,573
	-	-	-	-	-	-	-	70,184
	-	-	-	-	-	-	-	348,000
<u>\$</u>	<u>84,025</u>	<u>58,196</u>	<u>35,396</u>	<u>14,486</u>	<u>3,611</u>	<u>35,000</u>	<u>351,089</u>	<u>2,922,542</u>
\$	5,030	\$ 400	\$ -	\$ 230	\$ -	\$ -	\$ 6,648	\$ 39,527
	-	-	-	-	-	-	223,455	293,639
	-	-	-	-	-	-	167,000	167,000
	<u>5,030</u>	<u>400</u>	<u>-</u>	<u>230</u>	<u>-</u>	<u>-</u>	<u>397,103</u>	<u>500,166</u>
	<u>78,995</u>	<u>57,796</u>	<u>35,396</u>	<u>14,256</u>	<u>3,611</u>	<u>35,000</u>	<u>(46,014)</u>	<u>2,422,376</u>
	<u>78,995</u>	<u>57,796</u>	<u>35,396</u>	<u>14,256</u>	<u>3,611</u>	<u>35,000</u>	<u>(46,014)</u>	<u>2,422,376</u>
<u>\$</u>	<u>84,025</u>	<u>58,196</u>	<u>35,396</u>	<u>14,486</u>	<u>3,611</u>	<u>35,000</u>	<u>351,089</u>	<u>2,922,542</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Street Improvements</u>	<u>Hotel Motel Tax</u>
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ 190,820
Permits	600	-	124,293	-	-
Municipal court	-	65,650	-	-	-
Intergovernmental	-	-	-	-	-
Interest income	2,383	3,645	13,222	17,296	1,320
Miscellaneous	30,400	-	119,714	708,370	760
Contributions and donations	-	24,834	52,382	-	-
Total revenues	<u>33,383</u>	<u>94,129</u>	<u>309,611</u>	<u>725,666</u>	<u>192,900</u>
Expenditures:					
Current:					
Finance	-	-	-	-	168,938
Police	-	1,260	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	322	-	166,017	-	-
Total current	<u>322</u>	<u>1,260</u>	<u>166,017</u>	<u>-</u>	<u>168,938</u>
Capital outlay:					
Police	-	128,867	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	-	-	143,595	-	-
Total capital outlay	<u>-</u>	<u>128,867</u>	<u>143,595</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>322</u>	<u>130,127</u>	<u>309,612</u>	<u>-</u>	<u>168,938</u>
Excess of revenues over (under) expenditures	<u>33,061</u>	<u>(35,998)</u>	<u>(1)</u>	<u>725,666</u>	<u>23,962</u>
Other financing sources (uses):					
Transfers in	-	75,450	-	161,279	-
Transfers out	-	(20,000)	(50,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>55,450</u>	<u>(50,000)</u>	<u>161,279</u>	<u>-</u>
Net change in fund balances	33,061	19,452	(50,001)	886,945	23,962
Fund balances, October 1	<u>91,216</u>	<u>141,491</u>	<u>416,811</u>	<u>586,988</u>	<u>93,411</u>
Fund balances, September 30	<u>\$ 124,277</u>	<u>\$ 160,943</u>	<u>\$ 366,810</u>	<u>\$ 1,473,933</u>	<u>\$ 117,373</u>

Fire Equipment	Aviation	Recycling	Emergency Siren	Kidzone	Downtown Improvement	Drug Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,820
-	-	-	-	-	-	-	124,893
-	-	-	-	-	-	-	65,650
94,417	21,730	-	-	-	-	-	116,147
1,795	1,422	322	-	-	-	1,636	43,041
2,481	10,719	18,455	4,127	-	-	22,946	917,972
-	-	-	-	-	10,000	-	87,216
<u>98,693</u>	<u>33,871</u>	<u>18,777</u>	<u>4,127</u>	<u>-</u>	<u>10,000</u>	<u>24,582</u>	<u>1,545,739</u>
-	-	-	-	-	-	-	168,938
-	-	-	-	-	-	675,791	677,051
9,013	-	-	-	-	-	-	9,013
-	64,469	10,000	-	-	-	-	74,469
-	-	-	-	397	-	-	166,736
<u>9,013</u>	<u>64,469</u>	<u>10,000</u>	<u>-</u>	<u>397</u>	<u>-</u>	<u>675,791</u>	<u>1,096,207</u>
-	-	-	-	-	-	-	128,867
82,922	-	-	-	-	-	-	82,922
-	-	-	2,211	-	-	-	2,211
-	-	-	-	-	-	-	143,595
<u>82,922</u>	<u>-</u>	<u>-</u>	<u>2,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>357,595</u>
<u>91,935</u>	<u>64,469</u>	<u>10,000</u>	<u>2,211</u>	<u>397</u>	<u>-</u>	<u>675,791</u>	<u>1,453,802</u>
<u>6,758</u>	<u>(30,598)</u>	<u>8,777</u>	<u>1,916</u>	<u>(397)</u>	<u>10,000</u>	<u>(651,209)</u>	<u>91,937</u>
-	79,000	-	-	-	25,000	50,000	390,729
-	(36,700)	-	-	-	-	-	(106,700)
-	<u>42,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>50,000</u>	<u>284,029</u>
6,758	11,702	8,777	1,916	(397)	35,000	(601,209)	375,966
<u>72,237</u>	<u>46,094</u>	<u>26,619</u>	<u>12,340</u>	<u>4,008</u>	<u>-</u>	<u>555,195</u>	<u>2,046,410</u>
<u>\$ 78,995</u>	<u>\$ 57,796</u>	<u>\$ 35,396</u>	<u>\$ 14,256</u>	<u>\$ 3,611</u>	<u>\$ 35,000</u>	<u>\$ (46,014)</u>	<u>\$ 2,422,376</u>

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 800	\$ 800	\$ 600	\$ (200)
Interest income	500	1,000	2,383	1,383
Miscellaneous	5,000	30,000	30,400	400
Total revenues	<u>6,300</u>	<u>31,800</u>	<u>33,383</u>	<u>1,583</u>
Expenditures:				
Current:				
Parks and recreation	33,800	43,800	322	43,478
Total expenditures	<u>33,800</u>	<u>43,800</u>	<u>322</u>	<u>43,478</u>
Net change in fund balances	(27,500)	(12,000)	33,061	45,061
Fund balances, October 1	<u>91,216</u>	<u>91,216</u>	<u>91,216</u>	<u>-</u>
Fund balances, September 30	<u>\$ 63,716</u>	<u>\$ 79,216</u>	<u>\$ 124,277</u>	<u>\$ 45,061</u>

CITY OF ROCKWALL, TEXAS  
POLICE INVESTIGATION FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal court	\$ 50,000	\$ 55,000	\$ 65,650	\$ 10,650
Interest income	350	1,500	3,645	2,145
Contributions and donations	4,000	25,000	24,834	(166)
Total revenues	<u>54,350</u>	<u>81,500</u>	<u>94,129</u>	<u>12,629</u>
Expenditures:				
Current:				
Police	10,200	300	1,260	(960)
Total current	<u>10,200</u>	<u>300</u>	<u>1,260</u>	<u>(960)</u>
Capital outlay:				
Police	2,000	166,700	128,867	37,833
Total capital outlay	<u>2,000</u>	<u>166,700</u>	<u>128,867</u>	<u>37,833</u>
Total expenditures	<u>12,200</u>	<u>167,000</u>	<u>130,127</u>	<u>36,873</u>
Excess of revenues over (under) expenditures	<u>42,150</u>	<u>(85,500)</u>	<u>(35,998)</u>	<u>49,502</u>
Other financing sources (uses):				
Transfers in	-	75,450	75,450	-
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>55,450</u>	<u>55,450</u>	<u>-</u>
Net change in fund balances	22,150	(30,050)	19,452	49,502
Fund balances, October 1	<u>141,491</u>	<u>141,491</u>	<u>141,491</u>	<u>-</u>
Fund balances, September 30	<u>\$ 163,641</u>	<u>\$ 111,441</u>	<u>\$ 160,943</u>	<u>\$ 49,502</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 91,000	\$ 110,500	\$ 124,293	\$ 13,793
Interest income	750	750	13,222	12,472
Miscellaneous	103,000	110,000	119,714	9,714
Contributions and donations	-	48,700	52,382	3,682
Total revenues	<u>194,750</u>	<u>269,950</u>	<u>309,611</u>	<u>39,661</u>
Expenditures:				
Current:				
Parks and recreation	<u>120,300</u>	<u>131,800</u>	<u>166,017</u>	<u>(34,217)</u>
Total current	<u>120,300</u>	<u>131,800</u>	<u>166,017</u>	<u>(34,217)</u>
Capital outlay:				
Parks and recreation	<u>30,000</u>	<u>163,000</u>	<u>143,595</u>	<u>19,405</u>
Total capital outlay	<u>30,000</u>	<u>163,000</u>	<u>143,595</u>	<u>19,405</u>
Total expenditures	<u>150,300</u>	<u>294,800</u>	<u>309,612</u>	<u>(14,812)</u>
Excess of revenues over (under) expenditures	<u>44,450</u>	<u>(24,850)</u>	<u>(1)</u>	<u>24,849</u>
Other financing sources (uses):				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	(5,550)	(74,850)	(50,001)	24,849
Fund balances, October 1	<u>416,811</u>	<u>416,811</u>	<u>416,811</u>	<u>-</u>
Fund balances, September 30	<u>\$ 411,261</u>	<u>\$ 341,961</u>	<u>\$ 366,810</u>	<u>\$ 24,849</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,500	\$ 7,600	\$ 17,296	\$ 9,696
Miscellaneous	17,700	17,700	708,370	690,670
Total revenues	<u>19,200</u>	<u>25,300</u>	<u>725,666</u>	<u>700,366</u>
Expenditures:				
Capital outlay:				
Public works	313,000	-	-	-
Total expenditures	<u>313,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(293,800)</u>	<u>25,300</u>	<u>725,666</u>	<u>700,366</u>
Other financing sources:				
Transfers in	-	-	161,279	161,279
Total other financing sources	<u>-</u>	<u>-</u>	<u>161,279</u>	<u>161,279</u>
Net change in fund balances	(293,800)	25,300	886,945	861,645
Fund balances, October 1	<u>586,988</u>	<u>586,988</u>	<u>586,988</u>	<u>-</u>
Fund balances, September 30	<u>\$ 293,188</u>	<u>\$ 612,288</u>	<u>\$ 1,473,933</u>	<u>\$ 861,645</u>

CITY OF ROCKWALL, TEXAS  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 140,000	\$ 179,000	\$ 190,820	\$ 11,820
Interest income	500	500	1,320	820
Miscellaneous	-	750	760	10
Total revenues	<u>140,500</u>	<u>180,250</u>	<u>192,900</u>	<u>12,650</u>
Expenditures:				
Current:				
Finance	148,340	193,848	168,938	24,910
Total expenditures	<u>148,340</u>	<u>193,848</u>	<u>168,938</u>	<u>24,910</u>
Net change in fund balances	(7,840)	(13,598)	23,962	37,560
Fund balances, October 1	<u>93,411</u>	<u>93,411</u>	<u>93,411</u>	<u>-</u>
Fund balances, September 30	<u>\$ 85,571</u>	<u>\$ 79,813</u>	<u>\$ 117,373</u>	<u>\$ 37,560</u>

CITY OF ROCKWALL, TEXAS  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 78,000	\$ 78,000	\$ 94,417	\$ 16,417
Interest income	1,000	1,000	1,795	795
Miscellaneous	-	6,800	2,481	(4,319)
Total revenues	<u>79,000</u>	<u>85,800</u>	<u>98,693</u>	<u>12,893</u>
Expenditures:				
Current:				
Fire	10,000	10,000	9,013	987
Total current	<u>10,000</u>	<u>10,000</u>	<u>9,013</u>	<u>987</u>
Capital outlay:				
Fire	73,450	72,000	82,922	(10,922)
Total capital outlay	<u>73,450</u>	<u>72,000</u>	<u>82,922</u>	<u>(10,922)</u>
Total expenditures	<u>83,450</u>	<u>82,000</u>	<u>91,935</u>	<u>(9,935)</u>
Net change in fund balances	(4,450)	3,800	6,758	2,958
Fund balances, October 1	<u>72,237</u>	<u>72,237</u>	<u>72,237</u>	<u>-</u>
Fund balances, September 30	<u>\$ 67,787</u>	<u>\$ 76,037</u>	<u>\$ 78,995</u>	<u>\$ 2,958</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 21,730	\$ 21,730
Interest income	400	400	1,422	1,022
Miscellaneous	8,500	10,400	10,719	319
Total revenues	<u>8,900</u>	<u>10,800</u>	<u>33,871</u>	<u>23,071</u>
Expenditures:				
Current:				
Public works	96,500	94,000	64,469	29,531
Total expenditures	<u>96,500</u>	<u>94,000</u>	<u>64,469</u>	<u>29,531</u>
Excess of revenues over (under) expenditures	<u>(87,600)</u>	<u>(83,200)</u>	<u>(30,598)</u>	<u>52,602</u>
Other financing sources (uses):				
Transfers in	79,000	79,000	79,000	-
Transfers out	-	-	(36,700)	(36,700)
Total other financing sources (uses)	<u>79,000</u>	<u>79,000</u>	<u>42,300</u>	<u>(36,700)</u>
Net change in fund balances	(8,600)	(4,200)	11,702	15,902
Fund balances, October 1	<u>46,094</u>	<u>46,094</u>	<u>46,094</u>	<u>-</u>
Fund balances, September 30	<u>\$ 37,494</u>	<u>\$ 41,894</u>	<u>\$ 57,796</u>	<u>\$ 15,902</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 100	\$ 100	\$ 322	\$ 222
Miscellaneous	9,000	22,800	18,455	(4,345)
Total revenues	<u>9,100</u>	<u>22,900</u>	<u>18,777</u>	<u>(4,123)</u>
Expenditures:				
Current:				
Public works	8,000	13,000	10,000	3,000
Total expenditures	<u>8,000</u>	<u>13,000</u>	<u>10,000</u>	<u>3,000</u>
Net change in fund balances	1,100	9,900	8,777	(1,123)
Fund balances, October 1	<u>26,619</u>	<u>26,619</u>	<u>26,619</u>	<u>-</u>
Fund balances, September 30	<u>\$ 27,719</u>	<u>\$ 36,519</u>	<u>\$ 35,396</u>	<u>\$ (1,123)</u>

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*DEBT SERVICE FUND*

**The debt service fund is used to account for the accumulation of resources and payment of bond principal and interest from governmental resources.**

CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 3,660,915	\$ 3,690,915	\$ 3,702,380	\$ 11,465
Sales taxes	80,000	80,000	51,915	(28,085)
Interest income	20,000	50,000	96,668	46,668
Contributions and donations	620,010	620,010	652,670	32,660
Total revenues	<u>4,380,925</u>	<u>4,440,925</u>	<u>4,503,633</u>	<u>62,708</u>
Expenditures:				
Debt service:				
Principal	2,584,000	2,584,000	2,620,235	(36,235)
Interest	1,826,825	1,826,825	1,748,001	78,824
Fiscal charges	10,000	10,000	6,020	3,980
Total expenditures	<u>4,420,825</u>	<u>4,420,825</u>	<u>4,374,256</u>	<u>46,569</u>
Excess of revenues over (under) expenditures	<u>(39,900)</u>	<u>20,100</u>	<u>129,377</u>	<u>109,277</u>
Other financing sources:				
Accrued interest on bonds issued	<u>-</u>	<u>-</u>	<u>176,020</u>	<u>176,020</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>176,020</u>	<u>176,020</u>
Net change in fund balances	(39,900)	20,100	305,397	285,297
Fund balances, October 1	<u>1,155,897</u>	<u>1,155,897</u>	<u>1,155,897</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,115,997</u>	<u>\$ 1,175,997</u>	<u>\$ 1,461,294</u>	<u>\$ 285,297</u>

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## *CAPITAL PROJECTS FUNDS*

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

Harbor/TIF Projects – established to account for revenues and expenditures related to the Tax Increment Financing District and the associated public improvements within the Harbor development.

G.O. Bonds Capital Projects – established to account for street and drainage projects using proceeds from the issuance of bonds.

Ralph Hall Parkway Capital Improvements – established to account for the construction of the recently completed Ralph M. Hall Parkway.

1995 G.O. Bonds Capital Improvements – established to account for street and drainage improvements, road improvements, and expansion of the City's service center using proceeds of the 1995 General Obligation Bond Issue.

205 Bypass Project – established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2006

	<u>Equipment Acquisition</u>	<u>Ralph Hall Parkway Capital Improvements</u>	<u>1995 G.O. Bonds Capital Improvements</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 273	\$ -	\$ -	\$ 273
Investments	845,657	-	-	845,657
Receivables (net of allowances for uncollectibles):				
Interest	2,130	-	-	2,130
Intergovernmental	<u>70,114</u>	<u>-</u>	<u>-</u>	<u>70,114</u>
 Total assets	 <u>\$ 918,174</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 918,174</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 30,479	\$ -	\$ -	\$ 30,479
Due to other funds	1,805	-	-	1,805
Total liabilities	<u>32,284</u>	<u>-</u>	<u>-</u>	<u>32,284</u>
 Fund balances:				
Unreserved, undesignated	885,890	-	-	885,890
Total fund balances	<u>885,890</u>	<u>-</u>	<u>-</u>	<u>885,890</u>
 Total liabilities and fund balances	 <u>\$ 918,174</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 918,174</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Equipment Acquisition	Ralph Hall Parkway Capital Improvements	1995 G.O. Bonds Capital Improvements	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
<b>Revenues:</b>				
Intergovernmental	\$ 674,233	\$ -	\$ -	\$ 674,233
Interest income	5,159	-	631	5,790
Miscellaneous	41,764	-	-	41,764
Contributions and donations	-	-	-	-
Total revenues	<u>721,156</u>	<u>-</u>	<u>631</u>	<u>721,787</u>
<b>Expenditures:</b>				
<b>Capital outlay:</b>				
Administration	122,462	-	-	122,462
Police	148,659	-	-	148,659
Fire	640,037	-	-	640,037
Public works	540,973	-	-	540,973
Total capital outlay	<u>1,452,131</u>	<u>-</u>	<u>-</u>	<u>1,452,131</u>
<b>Debt service:</b>				
Bond issuance costs	27,507	-	-	27,507
Total debt service	<u>27,507</u>	<u>-</u>	<u>-</u>	<u>27,507</u>
Total expenditures	<u>1,479,638</u>	<u>-</u>	<u>-</u>	<u>1,479,638</u>
Excess of revenues over (under) expenditures	<u>(758,482)</u>	<u>-</u>	<u>631</u>	<u>(757,851)</u>
<b>Other financing sources (uses):</b>				
Transfers in	187,815	161,279	-	349,094
Transfers out	-	(161,584)	(134,755)	(296,339)
Bonds issued	2,035,000	-	-	2,035,000
Premium on bonds issued	13,389	-	-	13,389
Total other financing sources (uses)	<u>2,236,204</u>	<u>(305)</u>	<u>(134,755)</u>	<u>2,101,144</u>
Net change in fund balances	1,477,722	(305)	(134,124)	1,343,293
Fund balances, October 1	<u>(591,832)</u>	<u>305</u>	<u>134,124</u>	<u>(457,403)</u>
Fund balances, September 30	<u>\$ 885,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 885,890</u>

### *INTERNAL SERVICE FUNDS*

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2006

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 114,376	\$ 10,401	\$ 124,777
Investments	218,120	1,386,772	1,604,892
Receivables (net of allowances for uncollectibles):			
Interest	<u>1,852</u>	<u>4,002</u>	<u>5,854</u>
Total current assets	<u>334,348</u>	<u>1,401,175</u>	<u>1,735,523</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	<u>345,635</u>	<u>6,858</u>	<u>352,493</u>
Total current liabilities	<u>345,635</u>	<u>6,858</u>	<u>352,493</u>
<b>NET ASSETS</b>			
Unrestricted	<u>(11,287)</u>	<u>1,394,317</u>	<u>1,383,030</u>
Total Net Assets	<u>\$ (11,287)</u>	<u>\$ 1,394,317</u>	<u>\$ 1,383,030</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-8)
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 320,960	\$ -	\$ 320,960
Total operating revenues	<u>320,960</u>	<u>-</u>	<u>320,960</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	1,997,975	183,187	2,181,162
Total operating expenses	<u>1,997,975</u>	<u>183,187</u>	<u>2,181,162</u>
Operating loss	<u>(1,677,015)</u>	<u>(183,187)</u>	<u>(1,860,202)</u>
<b>NON-OPERATING REVENUES:</b>			
Interest income	23,368	51,966	75,334
Miscellaneous income	53,765	12,158	65,923
Total non-operating revenues	<u>77,133</u>	<u>64,124</u>	<u>141,257</u>
Loss before transfers and capital contributions	<u>(1,599,882)</u>	<u>(119,063)</u>	<u>(1,718,945)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Transfers in	1,518,500	30,000	1,548,500
Total transfers and capital contributions	<u>1,518,500</u>	<u>30,000</u>	<u>1,548,500</u>
Decrease in net assets	(81,382)	(89,063)	(170,445)
Net assets, October 1	<u>70,095</u>	<u>1,483,380</u>	<u>1,553,475</u>
Net assets, September 30	<u>\$ (11,287)</u>	<u>\$ 1,394,317</u>	<u>\$ 1,383,030</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 375,228	\$ 12,158	\$ 387,386
Cash paid to suppliers for goods and services	(1,802,927)	(179,357)	(1,982,284)
Net cash used by operating activities	<u>(1,427,699)</u>	<u>(167,199)</u>	<u>(1,594,898)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash received from other funds	<u>1,533,861</u>	<u>30,000</u>	<u>1,563,861</u>
Net cash provided by non-capital financing activities	<u>1,533,861</u>	<u>30,000</u>	<u>1,563,861</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	(1,100,000)	(1,305,000)	(2,405,000)
Proceeds from sales and maturities of investments	1,081,868	1,300,000	2,381,868
Interest and dividends received	<u>56</u>	<u>43,312</u>	<u>43,368</u>
Net cash provided (used) by investing activities	<u>(18,076)</u>	<u>38,312</u>	<u>20,236</u>
Net increase (decrease) in cash and cash equivalents	88,086	(98,887)	(10,801)
Cash and cash equivalents at beginning of year	<u>26,290</u>	<u>109,288</u>	<u>135,578</u>
Cash and cash equivalents at end of year	<u>\$ 114,376</u>	<u>\$ 10,401</u>	<u>\$ 124,777</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (1,677,015)	\$ (183,187)	\$ (1,860,202)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	53,765	12,158	65,923
Decrease (increase) in assets:			
Receivables	503	-	503
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>195,048</u>	<u>3,830</u>	<u>198,878</u>
Net cash used by operating activities	<u>\$ (1,427,699)</u>	<u>\$ (167,199)</u>	<u>\$ (1,594,898)</u>

### *AGENCY FUND*

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

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CITY OF ROCKWALL, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
<b>ASSETS</b>				
Cash and cash equivalents	\$ 71,555	\$ 1,494,043	\$ 1,560,524	\$ 5,074
Investments	1,492,750	3,373,948	3,009,969	1,856,729
Accrued interest receivable	2,490	10,629	6,866	6,253
 Total assets	 <u>\$ 1,566,795</u>	 <u>\$ 4,878,620</u>	 <u>\$ 4,577,359</u>	 <u>\$ 1,868,056</u>
 <b>LIABILITIES</b>				
Due to developers	\$ <u>1,566,795</u>	\$ <u>611,785</u>	\$ <u>310,524</u>	\$ <u>1,868,056</u>
 Total liabilities	 <u>\$ 1,566,795</u>	 <u>\$ 611,785</u>	 <u>\$ 310,524</u>	 <u>\$ 1,868,056</u>

***DISCRETELY PRESENTED COMPONENT UNITS***

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.**

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNITS  
SEPTEMBER 30, 2006

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 63,943	\$ 14,433
Investments	3,213,953	36,662
Receivables (net of allowances for uncollectibles):		
Interest	931	-
Accounts	437	1,517
Notes	604,804	-
Intergovernmental	503,978	-
Due from primary government	4,534	-
Due from Rockwall Economic Development Corporation	-	10,011
Inventory	<u>14,721,495</u>	<u>-</u>
 Total assets	 <u>\$ 19,114,075</u>	 <u>\$ 62,623</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 147,982	\$ 12,208
Due to primary government	4,904	-
Due to Rockwall Technology Park	10,011	-
Total liabilities	<u>162,897</u>	<u>12,208</u>
Fund balances:		
Reserved for inventory	14,721,495	-
Unreserved, undesignated	4,229,683	50,415
Total fund balances	<u>18,951,178</u>	<u>50,415</u>
 Total liabilities and fund balances	 <u>\$ 19,114,075</u>	 <u>\$ 62,623</u>

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2006

	Rockwall Economic Development Corporation	Rockwall Technology Park
Total fund balances - discretely presented component units	\$ 18,951,178	\$ 50,415
Amounts reported for discretely presented component units in the statement of net assets are different because:		
The following assets are not current financial resources and are not reported in the component units balance sheet:		
Capital assets used by component units (net of accumulated depreciation of \$55,270)	11,596	-
Costs of bonds issued to finance component units (net of accumulated amortization of \$28,521)	153,608	-
The following liabilities are not due in the current period and are not reported in the component units balance sheet:		
Compensated absences	(7,941)	-
Bonds payable	(12,557,622)	-
Interim construction loan	(6,684,229)	-
Accrued interest payable	(126,805)	-
Net assets of discretely presented component units	\$ <u>(260,215)</u>	\$ <u>50,415</u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Rockwall Economic Development Corporation	Rockwall Technology Park
Revenues:		
Sales taxes	\$ 2,750,577	\$ -
Charges for services	-	132,569
Interest income	156,952	1,812
Miscellaneous	274,443	-
Total revenues	<u>3,181,972</u>	<u>134,381</u>
Expenditures:		
Current:		
Administration	<u>7,424,772</u>	<u>134,000</u>
Total current	<u>7,424,772</u>	<u>134,000</u>
Capital outlay:		
Administration	<u>5,609</u>	<u>-</u>
Total capital outlay	<u>5,609</u>	<u>-</u>
Debt service:		
Principal	475,000	-
Interest	667,069	-
Bond issuance costs	70,018	-
Fiscal charges	<u>3,322</u>	<u>-</u>
Total debt service	<u>1,215,409</u>	<u>-</u>
Total expenditures	<u>8,645,790</u>	<u>134,000</u>
Excess of revenues over (under) expenditures	<u>(5,463,818)</u>	<u>381</u>
Other financing sources:		
Bonds issued	5,540,000	-
Premium on bonds issued	36,450	-
Interim construction loan	<u>3,586,009</u>	<u>-</u>
Total other financing sources	<u>9,162,459</u>	<u>-</u>
Net change in fund balances	<u>3,698,641</u>	<u>381</u>
Fund balances, October 1, as previously reported	9,777,963	50,034
Prior period adjustment	<u>5,474,574</u>	<u>-</u>
Fund balances, October 1, as restated	<u>15,252,537</u>	<u>50,034</u>
Fund balances, September 30	<u>\$ 18,951,178</u>	<u>\$ 50,415</u>

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
 COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Net change in fund balances - discretely presented component units	\$ 3,698,641	\$ 381
Amounts reported for discretely presented component units in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,384) exceeded depreciation (\$4,830) in the current period.	(3,446)	-
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount by which debt issuance costs (\$70,018) exceeded amortization (\$7,267) in the current period.	62,751	-
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	(70,321)	-
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$9,307,391) exceeded repayments (\$475,000) and bond premium amortization (\$8,760) in the current period.	(8,823,631)	-
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	<u>965</u>	<u>-</u>
Change in net assets of discretely presented component units	<u>\$ (5,135,041)</u>	<u>\$ 381</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 2,533,000	\$ 2,719,000	\$ 2,750,577	\$ 31,577
Interest income	35,000	152,000	156,952	4,952
Miscellaneous	188,000	322,050	274,443	(47,607)
Total revenues	<u>2,756,000</u>	<u>3,193,050</u>	<u>3,181,972</u>	<u>(11,078)</u>
Expenditures:				
Current:				
Administration	3,575,850	7,667,400	7,424,772	242,628
Total current	<u>3,575,850</u>	<u>7,667,400</u>	<u>7,424,772</u>	<u>242,628</u>
Capital outlay:				
Administration	7,000	7,000	5,609	1,391
Total capital outlay	<u>7,000</u>	<u>7,000</u>	<u>5,609</u>	<u>1,391</u>
Debt service:				
Principal	475,000	475,000	475,000	-
Interest	548,900	678,900	667,069	11,831
Bond issuance costs	-	-	70,018	(70,018)
Fiscal charges	4,500	3,500	3,322	178
Total debt service	<u>1,028,400</u>	<u>1,157,400</u>	<u>1,215,409</u>	<u>(58,009)</u>
Total expenditures	<u>4,611,250</u>	<u>8,831,800</u>	<u>8,645,790</u>	<u>186,010</u>
Excess of revenues over (under) expenditures	<u>(1,855,250)</u>	<u>(5,638,750)</u>	<u>(5,463,818)</u>	<u>174,932</u>
Other financing sources:				
Bonds issued	-	5,540,000	5,540,000	-
Premium on bonds issued	-	-	36,450	36,450
Interim construction loan	4,410,750	3,586,000	3,586,009	9
Total other financing sources	<u>4,410,750</u>	<u>9,126,000</u>	<u>9,162,459</u>	<u>36,459</u>
Net change in fund balances	<u>2,555,500</u>	<u>3,487,250</u>	<u>3,698,641</u>	<u>211,391</u>
Fund balances, October 1, as previously reported	9,777,963	9,777,963	9,777,963	-
Prior period adjustment	<u>5,474,574</u>	<u>5,474,574</u>	<u>5,474,574</u>	<u>-</u>
Fund balances, October 1, as restated	<u>15,252,537</u>	<u>15,252,537</u>	<u>15,252,537</u>	<u>-</u>
Fund balances, September 30	<u>\$ 17,808,037</u>	<u>\$ 18,739,787</u>	<u>\$ 18,951,178</u>	<u>\$ 211,391</u>

***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS***

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Governmental funds capital assets:		
Land	\$ 3,274,598	\$ 2,097,819
Buildings	10,335,142	10,029,010
Improvements other than buildings	2,116,511	1,887,671
Machinery and equipment	2,937,154	2,517,762
Vehicles	4,552,000	4,100,750
Furniture and fixtures	1,975,590	1,757,420
Infrastructure	86,870,528	79,354,299
Construction in progress	<u>41,204,224</u>	<u>16,578,527</u>
Total governmental funds capital assets	<u>\$ 153,265,747</u>	<u>\$ 118,323,258</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 55,216,520	\$ 26,506,421
General government	33,936,838	34,022,577
Grants and entitlements	1,590,211	1,319,028
Developer contributions	<u>62,522,178</u>	<u>56,475,232</u>
Total investments in governmental funds capital assets	<u>\$ 153,265,747</u>	<u>\$ 118,323,258</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2006

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>
General government	\$ 1,225,684	\$ 3,794,472	\$ 374,935
Public works	273,803	171,724	-
Public safety	81,713	2,247,826	12,802
Recreation/development	1,693,398	2,076,600	1,728,774
Fire equipment	<u>-</u>	<u>2,044,520</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 3,274,598</u>	<u>\$ 10,335,142</u>	<u>\$ 2,116,511</u>

<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 110,462	\$ 359,510	\$ 1,526,058	\$ -	\$ 5,772,609	\$ 13,163,730
611,074	564,199	15,370	86,870,528	33,411,228	121,917,926
483,558	1,497,820	379,496	-	1,754,549	6,457,764
853,904	295,434	29,074	-	157,125	6,834,309
<u>878,156</u>	<u>1,835,037</u>	<u>25,592</u>	<u>-</u>	<u>108,713</u>	<u>4,892,018</u>
<u>\$ 2,937,154</u>	<u>\$ 4,552,000</u>	<u>\$ 1,975,590</u>	<u>\$ 86,870,528</u>	<u>\$ 41,204,224</u>	<u>\$ 153,265,747</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Function and Activity</u>	<u>Balance 10/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/06</u>
General government	\$ 12,172,285	\$ 1,510,939	\$ (499,705)	\$ (19,789)	\$ 13,163,730
Public works	90,530,099	31,452,198	(64,371)	-	121,917,926
Public safety	5,830,155	788,305	(160,696)	-	6,457,764
Recreation/development	5,395,969	1,449,743	(31,192)	19,789	6,834,309
Fire equipment	<u>4,394,750</u>	<u>497,268</u>	<u>-</u>	<u>-</u>	<u>4,892,018</u>
Total governmental funds capital assets	<u>\$ 118,323,258</u>	<u>\$ 35,698,453</u>	<u>\$ (755,964)</u>	<u>\$ -</u>	<u>\$ 153,265,747</u>

## STATISTICAL SECTION

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	95-103
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	104-109
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	110-114
<u>Demographic and Economic Information</u> - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	115-116
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	117-120

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF ROCKWALL, TEXAS  
NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 1

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Governmental activities										
Invested in capital assets, net of related debt	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	37,748,076	17,051,680	5,897,961	8,354,614	-	-	-	-	-	-
Unrestricted	11,683,150	11,850,426	10,242,495	9,975,317	-	-	-	-	-	-
Total governmental activities net assets	<u>\$ 83,451,860</u>	<u>\$ 70,248,286</u>	<u>\$ 63,835,499</u>	<u>\$ 61,450,375</u>	<u>\$ -</u>					
Business-type activities										
Invested in capital assets, net of related debt	\$ 41,923,596	\$ 37,368,956	\$ 38,406,139	\$ 32,724,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	18,060,049	18,350,884	11,698,161	15,635,741	-	-	-	-	-	-
Unrestricted	7,081,727	7,475,827	9,457,896	3,746,526	-	-	-	-	-	-
Total business-type activities net assets	<u>\$ 67,065,372</u>	<u>\$ 63,195,667</u>	<u>\$ 59,562,196</u>	<u>\$ 52,106,845</u>	<u>\$ -</u>					
Primary government										
Invested in capital assets, net of related debt	\$ 75,944,230	\$ 78,715,136	\$ 86,101,182	\$ 75,845,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	55,808,125	35,402,564	17,596,122	23,990,355	-	-	-	-	-	-
Unrestricted	18,764,877	19,326,253	19,700,391	13,721,843	-	-	-	-	-	-
Total primary government net assets	<u>\$ 150,517,232</u>	<u>\$ 133,443,953</u>	<u>\$ 123,397,695</u>	<u>\$ 113,557,220</u>	<u>\$ -</u>					

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 2

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Expenses</b>										
<b>Governmental activities:</b>										
Mayor/Council	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administration	6,040,692	4,908,083	5,757,527	3,583,719	-	-	-	-	-	-
Finance	1,027,654	954,840	877,537	760,436	-	-	-	-	-	-
Municipal Court	304,492	295,379	254,210	236,201	-	-	-	-	-	-
Police	6,095,435	6,372,344	6,862,707	5,446,279	-	-	-	-	-	-
Fire	1,889,269	1,144,577	1,530,503	966,400	-	-	-	-	-	-
Public Works	5,530,219	4,753,190	6,155,726	3,961,797	-	-	-	-	-	-
Community Development	1,781,548	1,680,857	1,493,249	442,470	-	-	-	-	-	-
Parks and Recreation	2,583,547	2,329,095	2,323,558	1,487,036	-	-	-	-	-	-
Interest on long-term debt	2,179,950	1,136,584	1,277,825	1,244,127	-	-	-	-	-	-
<b>Total governmental activities expenses</b>	<b>27,541,172</b>	<b>23,653,063</b>	<b>26,607,258</b>	<b>18,186,843</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>										
Water and Sewer	10,253,226	8,777,277	7,061,272	6,436,878	-	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>10,253,226</b>	<b>8,777,277</b>	<b>7,061,272</b>	<b>6,436,878</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government expenses</b>	<b>\$ 37,794,398</b>	<b>\$ 32,430,340</b>	<b>\$ 33,668,530</b>	<b>\$ 24,623,721</b>	<b>\$ -</b>					
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services	\$ 4,622,302	\$ 4,337,664	\$ 3,906,111	\$ 2,931,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants & contributions	783,317	894,114	1,424,824	772,911	-	-	-	-	-	-
Capital grants & contributions	11,804,857	5,893,301	6,624,160	181,426	-	-	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>17,210,476</b>	<b>11,125,079</b>	<b>11,955,095</b>	<b>3,885,448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>										
Charges for services:	11,067,802	9,498,555	8,287,744	8,138,036	-	-	-	-	-	-
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	4,319,065	3,411,639	6,576,943	2,906,811	-	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>15,386,867</b>	<b>12,910,194</b>	<b>14,864,687</b>	<b>11,044,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government program revenues</b>	<b>\$ 32,597,343</b>	<b>\$ 24,035,273</b>	<b>\$ 26,819,782</b>	<b>\$ 14,930,295</b>	<b>\$ -</b>					

CITY OF ROCKWALL, TEXAS  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 2

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	(continued)									
<b>Net (Expense)/Revenue</b>										
Governmental activities	(10,330,696)	(12,527,984)	(14,652,163)	(14,301,395)	-	-	-	-	-	-
Business-type activities	5,133,641	4,132,917	7,803,415	4,607,969	-	-	-	-	-	-
<b>Total primary government net expense</b>	<b>(5,197,055)</b>	<b>(8,395,067)</b>	<b>(6,848,748)</b>	<b>(9,693,426)</b>	-	-	-	-	-	-
<b>General Revenues and Transfers</b>										
<b>Governmental activities:</b>										
Property taxes	\$ 9,063,530	\$ 8,111,715	\$ 7,265,947	\$ 6,717,883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	8,529,051	7,379,841	6,736,054	6,277,216	-	-	-	-	-	-
Other	3,566,689	2,442,815	2,167,786	1,843,906	-	-	-	-	-	-
Transfers	2,375,000	1,006,400	867,500	1,337,963	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>23,534,270</b>	<b>18,940,771</b>	<b>17,037,287</b>	<b>16,176,968</b>	-	-	-	-	-	-
<b>Business-type activities:</b>										
Other	1,111,064	506,954	519,436	345,017	-	-	-	-	-	-
Transfers	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>(1,263,936)</b>	<b>(499,446)</b>	<b>(348,064)</b>	<b>(992,946)</b>	-	-	-	-	-	-
<b>Total primary government</b>	<b>\$ 22,270,334</b>	<b>\$ 18,441,325</b>	<b>\$ 16,689,223</b>	<b>\$ 15,184,022</b>	<b>\$ -</b>					
<b>Change in Net Assets</b>										
Governmental activities	\$ 13,203,574	\$ 6,412,787	\$ 2,385,124	\$ 1,875,573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	3,869,705	3,633,471	7,455,351	3,615,023	-	-	-	-	-	-
<b>Total primary government</b>	<b>\$ 17,073,279</b>	<b>\$ 10,046,258</b>	<b>\$ 9,840,475</b>	<b>\$ 5,490,596</b>	<b>\$ -</b>					

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (unaudited)

TABLE 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1997	-	-	-	\$ -
1998	-	-	-	-
1999	-	-	-	-
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	6,717,883	6,277,216	1,567,874	14,562,973
2004	7,265,947	6,736,054	1,776,406	15,778,407
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 4

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Fund										
Reserved	\$ 26,130	\$ 26,980	\$ 16,104	\$ 7,500	\$ 6,862	\$ 16,414	\$ 11,663	\$ 12,614	\$ 687,280	\$ 191,948
Unreserved	7,692,662	7,301,334	6,860,155	7,235,979	7,579,095	6,436,530	6,770,275	4,826,291	3,031,786	2,232,577
Total general fund	<u>\$ 7,718,792</u>	<u>\$ 7,328,314</u>	<u>\$ 6,876,259</u>	<u>\$ 7,243,479</u>	<u>\$ 7,585,957</u>	<u>\$ 6,452,944</u>	<u>\$ 6,781,938</u>	<u>\$ 4,838,905</u>	<u>\$ 3,719,066</u>	<u>\$ 2,424,525</u>
All other governmental funds										
Reserved for:										
Debt Service	\$ 1,461,294	\$ 1,155,897	\$ 694,758	\$ 683,650	\$ 551,753	\$ 509,255	\$ 386,149	\$ 284,139	\$ 228,315	\$ 182,084
Unreserved, reported in:										
Special revenue funds	2,422,376	2,046,410	1,358,357	926,507	671,382	1,171,009	5,120,309	6,534,173	822,669	745,321
Capital projects funds	36,529,256	16,113,095	5,271,300	7,540,907	9,031,865	13,065,344	16,135,737	8,235,081	3,749,670	3,648,564
Total all other governmental funds	<u>\$ 40,412,926</u>	<u>\$ 19,315,402</u>	<u>\$ 7,324,415</u>	<u>\$ 9,151,064</u>	<u>\$ 10,255,000</u>	<u>\$ 14,745,608</u>	<u>\$ 21,642,195</u>	<u>\$ 15,053,393</u>	<u>\$ 4,800,654</u>	<u>\$ 4,575,969</u>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 5

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Revenues</b>										
Ad valorem taxes, penalty and interest	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166	\$ 5,722,744	\$ 5,032,885	\$ 4,072,641	\$ 3,450,302	\$ 3,146,060	\$ 2,777,296
Sales taxes	8,529,051	7,379,841	6,736,054	6,277,216	6,228,716	6,109,463	7,726,450	6,031,372	3,577,892	2,683,477
Franchise taxes	1,981,016	1,715,242	1,702,156	1,548,499	1,506,971	1,278,671	1,034,660	1,002,559	878,843	834,365
Charges for services	426,996	268,125	266,450	263,349	159,451	135,417	108,441	89,450	64,636	67,254
Permits	1,325,832	1,718,218	1,709,832	1,521,019	1,467,736	618,405	570,932	515,688	439,881	295,393
Municipal court	987,066	906,634	937,164	734,500	584,171	509,645	472,921	504,015	571,367	428,541
Intergovernmental	1,011,739	3,182,350	1,772,811	1,100,961	1,452,565	1,155,484	1,891,965	872,468	658,736	695,528
Interest income	1,149,204	304,644	143,269	312,700	598,483	1,002,624	1,569,214	756,313	610,716	242,982
Miscellaneous	1,060,866	1,080,366	755,733	422,427	375,753	297,490	584,386	1,874,540	523,572	414,010
Donations	6,251,435	163,635	252,037	56,463	35,112	60,539	244,594	465,487	443,541	29,566
<b>Total Revenues</b>	<b>31,703,153</b>	<b>24,859,180</b>	<b>21,545,914</b>	<b>18,915,300</b>	<b>18,131,702</b>	<b>16,200,623</b>	<b>18,276,204</b>	<b>15,562,194</b>	<b>10,915,244</b>	<b>8,468,412</b>
<b>Expenditures</b>										
<b>Current:</b>										
Mayor/council	108,366	78,114	74,416	58,377	68,480	38,068	31,148	30,590	35,473	38,123
Administration	2,910,478	2,708,948	2,324,516	3,024,304	2,421,992	1,880,816	1,348,888	1,457,683	1,370,623	1,280,420
Finance	1,025,230	952,808	837,800	756,688	707,823	615,694	515,463	347,570	344,736	326,115
Municipal court	303,131	291,348	249,839	234,832	189,088	187,687	163,977	142,452	134,084	102,467
Police	6,235,463	6,070,311	6,083,676	5,171,682	5,024,188	4,261,907	3,770,329	3,227,329	1,877,408	1,970,191
Fire	1,242,836	1,075,427	950,622	757,447	373,099	336,556	267,251	254,931	429,585	129,951
Public works	2,411,324	2,050,077	2,005,360	1,781,760	1,648,599	1,393,969	1,278,762	1,337,413	1,667,103	1,498,742
Community development	1,783,961	1,682,480	1,477,483	440,481	302,156	391,843	954,429	776,061	-	-
Parks and recreation	2,318,135	1,826,608	1,758,180	1,369,986	1,322,614	1,030,236	862,235	659,184	673,077	649,635
<b>Total current</b>	<b>18,338,924</b>	<b>16,736,121</b>	<b>15,761,892</b>	<b>13,595,557</b>	<b>12,058,039</b>	<b>10,136,776</b>	<b>9,192,482</b>	<b>8,233,213</b>	<b>6,532,089</b>	<b>5,995,644</b>
<b>Capital outlay:</b>										
Administration	1,580,706	602,847	623,526	1,843,858	8,767,869	3,101,580	4,596,796	7,195,832	1,212,029	590,032
Finance	-	-	36,746	141,102	104,138	66,898	88,238	230,327	40,948	8,823
Municipal Court	-	-	3,958	13,152	-	-	11,705	3,256	4,188	1,749
Police	285,150	1,850,771	978,179	372,661	370,552	298,869	880,517	76,666	40,079	229,058
Fire	835,685	711,166	525,888	172,970	542,049	1,322,965	750,226	1,025,551	17,999	1,765
Public works	25,733,888	9,756,038	1,667,682	1,198,999	892,865	1,306,605	108,831	272,955	111,801	864,290
Community development	-	519	668	1,123	-	97,479	60,738	36,216	-	-
Parks and recreation	1,477,499	757,360	600,049	443,049	199,661	646,525	239,448	42,216	175,795	77,785
<b>Total capital outlay</b>	<b>29,912,928</b>	<b>13,678,701</b>	<b>4,436,696</b>	<b>4,186,914</b>	<b>10,877,134</b>	<b>6,840,921</b>	<b>6,736,499</b>	<b>8,883,019</b>	<b>1,602,839</b>	<b>1,773,502</b>

CITY OF ROCKWALL, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 5

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	(continued)									
Debt service:										
Principal	2,620,235	1,801,369	2,831,984	1,623,841	1,590,000	1,196,321	780,188	799,572	682,915	585,875
Interest	1,748,001	977,878	1,032,504	1,229,093	1,198,065	1,305,721	1,438,232	407,390	500,273	486,463
Bond issuance costs	500,889	429,728	99,311	-	50,879	-	-	-	-	-
Fiscal charges	6,020	5,063	7,403	9,272	14,580	10,380	6,968	8,026	8,460	4,839
Total debt services	<u>4,875,145</u>	<u>3,214,038</u>	<u>3,971,202</u>	<u>2,862,206</u>	<u>2,853,524</u>	<u>2,512,422</u>	<u>2,225,388</u>	<u>1,214,988</u>	<u>1,191,648</u>	<u>1,077,177</u>
Total expenditures	<u>53,126,997</u>	<u>33,628,860</u>	<u>24,169,790</u>	<u>20,644,677</u>	<u>25,788,697</u>	<u>19,490,119</u>	<u>18,154,369</u>	<u>18,331,220</u>	<u>9,326,576</u>	<u>8,846,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,423,844)</u>	<u>(8,769,680)</u>	<u>(2,623,876)</u>	<u>(1,729,377)</u>	<u>(7,656,995)</u>	<u>(3,289,496)</u>	<u>121,835</u>	<u>(2,769,026)</u>	<u>1,588,668</u>	<u>(377,911)</u>
<b>Other financing sources (uses):</b>										
Transfers in	4,305,332	2,959,535	2,429,909	4,445,973	4,976,111	2,942,643	2,815,824	1,180,243	330,000	260,914
Sale of fixed assets	-	-	-	-	-	-	-	42,031	-	-
Transfers out	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)	(4,971,711)	(2,996,182)	(3,055,824)	(1,424,986)	(540,000)	(525,914)
Bonds issued	41,045,000	21,200,000	-	-	4,295,000	-	8,650,000	13,421,011	203,550	571,600
Refunding bonds issued	-	6,095,000	4,067,415	-	-	-	-	-	-	-
Accrued interest on bonds issued	176,020	129,913	-	-	-	-	-	-	-	-
Premium on bonds issued	864,326	271,518	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(6,027,109)	(3,120,178)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>42,911,846</u>	<u>21,212,722</u>	<u>564,737</u>	<u>282,963</u>	<u>4,299,400</u>	<u>(53,539)</u>	<u>8,410,000</u>	<u>13,218,299</u>	<u>(6,450)</u>	<u>306,600</u>
Net change in fund balances	<u>21,488,002</u>	<u>12,443,042</u>	<u>(2,059,139)</u>	<u>(1,446,414)</u>	<u>(3,357,595)</u>	<u>(3,343,035)</u>	<u>8,531,835</u>	<u>10,449,273</u>	<u>1,582,218</u>	<u>(71,311)</u>
Debt service as a percentage of noncapital expenditures	21.0%	16.1%	20.1%	17.4%	19.1%	19.9%	19.5%	12.9%	15.4%	15.2%

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 6

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1997	\$ 2,777,296	\$2,683,477	\$ 834,365	\$6,295,138
1998	3,146,060	3,577,892	878,843	7,602,795
1999	3,450,302	6,031,372	1,002,559	10,484,233
2000	4,072,641	7,726,450	1,034,660	12,833,751
2001	5,032,885	6,109,463	1,278,671	12,421,019
2002	5,722,744	6,228,716	1,506,971	13,458,431
2003	6,678,166	6,277,216	1,548,499	14,503,881
2004	7,270,408	6,736,054	1,702,156	15,708,618
2005	8,140,125	7,379,841	1,715,242	17,235,208
2006	8,979,948	8,529,051	1,981,016	19,490,015

CITY OF ROCKWALL  
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 7

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
1997	\$2,683,477	130.00%	0.49
1998	3,577,892	156.20%	0.51
1999	4,548,948	133.67%	0.48
2000	5,834,244	143.91%	0.52
2001	6,109,463	124.62%	0.45
2002	6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34

CITY OF ROCKWALL, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 8

Fiscal Year	Tax Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
1997	1996	N/A	N/A	N/A	N/A	719,921,004	0.3800
1998	1997	539,565,365	220,097,027	120,504,113	45,322,187	834,844,318	0.3600
1999	1998	601,976,181	252,746,017	144,053,947	53,803,586	944,972,559	0.3600
2000	1999	713,080,370	313,108,302	161,240,698	65,713,842	1,121,715,528	0.3600
2001	2000	879,924,785	370,271,592	201,150,402	86,564,864	1,364,781,915	0.3600
2002	2001	1,005,596,905	434,430,607	231,005,372	92,155,332	1,578,877,552	0.3600
2003	2002	1,180,867,660	484,847,529	271,117,946	99,943,555	1,836,889,580	0.3600
2004	2003	1,371,585,380	487,360,218	258,028,313	130,750,657	1,986,223,254	0.3600
2005	2004	1,573,206,290	525,794,698	284,849,415	154,608,703	2,229,241,700	0.3600
2006	2005	1,736,808,885	567,435,458	286,808,498	163,343,787	2,427,709,054	0.3689

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 9

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
1997	18,890,430	572,540	14,427,950	5,465,975	-
1998	21,247,629	569,970	20,550,470	1,634,676	3,676
1999	24,255,378	733,000	29,972,670	6,844,740	57,091
2000	27,511,159	759,504	34,508,640	7,041,464	26,250
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	-
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 10

<u>Fiscal Year</u>	<u>City of Rockwall</u>			<u>Overlapping Rates</u>	
	<u>M&amp;O</u>	<u>Debt</u>	<u>Total</u>	<u>School</u>	<u>County</u>
1997	0.2046	0.1754	0.3800	1.4900	0.3050
1998	0.1999	0.1601	0.3600	1.4900	0.3202
1999	0.2179	0.1421	0.3600	1.4900	0.3202
2000	0.1898	0.1702	0.3600	1.5780	0.3536
2001	0.1748	0.1852	0.3600	1.8400	0.3534
2002	0.1826	0.1774	0.3600	1.8372	0.3534
2003	0.1982	0.1618	0.3600	1.8800	0.3534
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3507

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 CURRENT YEAR AND EIGHT YEARS AGO  
 (unaudited)

TABLE 11

Taxpayer	2006			1998		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Continental Pet Technology	28,674,629	1	1.18%	19,908,903	2	2.38%
Wal-mart	22,262,152	2	0.92%	20,118,553	1	2.41%
TXU Electric Delivery Service (formerly T	17,608,030	3	0.73%	7,619,300	3	0.91%
SPM/WRI Rockwall, L.P.	17,130,190	4	0.71%	-	-	-
Rockwall Apartment Associates, LP	14,590,520	5	0.60%	-	-	-
Lowe's Home Centers, Inc.	11,859,853	6	0.49%	-	-	-
Steger Towne Crossing, LP	11,340,310	7	0.47%	4,559,090	6	0.55%
Bent Tree Realty Co.	9,667,830	8	0.40%	6,968,440	4	0.83%
Dayton Hudson Corp./Target	8,856,277	9	0.36%	-	-	-
Texas Star Express	7,929,600	10	0.33%	-	-	-
Southwestern Bell Telephone	-	-	-	6,063,800	5	0.73%
WDC/Hi-Life Properties	-	-	-	4,283,810	7	0.51%
Columbia Extrusion Corp.	-	-	-	3,957,879	8	0.47%
Rockwall Steel Co.	-	-	-	3,637,820	9	0.44%
Lago Vista Partners, LTD	-	-	-	3,573,440	10	0.43%
Subtotal	<u>149,919,391</u>		<u>6.18%</u>	<u>80,691,035</u>		<u>9.67%</u>
Total Taxable Value	<u>2,427,709,054</u>		<u>100.00%</u>	<u>834,844,318</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District  
 Note: For tax years 2005 and 1997

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 12

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Total Current Year Collections</b>	<b>Percent of Levy Collected During Fiscal Period</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Tax Levy</b>
1997	1996	2,735,700	2,679,180	2,679,180	97.93%	61,003	2,740,183	100.16%
1998	1997	3,038,767	2,986,332	2,986,332	98.27%	89,084	3,075,416	101.21%
1999	1998	3,403,144	3,314,812	3,314,812	97.40%	90,041	3,404,853	100.05%
2000	1999	4,054,089	3,937,051	3,937,051	97.11%	90,041	4,027,092	99.33%
2001	2000	4,915,155	4,864,930	4,864,930	98.98%	110,627	4,975,557	101.23%
2002	2001	5,696,005	5,605,385	5,605,385	98.41%	55,841	5,661,226	99.39%
2003	2002	6,619,325	6,487,602	6,487,602	98.01%	77,090	6,564,692	99.17%
2004	2003	7,194,520	7,145,433	7,145,433	99.32%	176,253	7,321,686	101.77%
2005	2004	8,063,888	8,021,945	8,021,945	99.48%	141,227	8,163,172	101.23%
2006	2005	8,984,907	8,921,613	8,921,613	99.30%	114,598	9,036,211	100.57%

CITY OF ROCKWALL  
TOP TEN WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO  
(unaudited)

TABLE 13

Customer	2006			1997		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
Rockwall I.S.D.	84,213,000	1	3.85%	26,018,560	1	2.03%
City of Rockwall	35,693,100	2	1.63%	-	-	-
D.W.C./Highlife Properties	18,166,600	3	0.83%	10,499,800	4	0.82%
Walden Residential Properties	12,065,000	4	0.55%	13,117,300	2	1.03%
Mission Rockwall	11,863,900	5	0.54%	-	-	-
Sabre Realty Management	11,238,600	6	0.51%	11,404,700	3	0.89%
Rockwall Nursing Home	9,970,700	7	0.46%	8,294,600	5	0.65%
Lake Pointe Church	8,357,000	8	0.38%	-	-	-
Bent Creek Condos, HOA	7,855,300	9	0.36%	8,289,300	6	0.65%
Steger Towne Crossing, LP	7,576,400	10	0.35%	-	-	-
J&L Plating	-	-	-	7,810,300	7	0.61%
Continental Can	-	-	-	7,494,000	8	0.59%
Rockwall Travel Center	-	-	-	2,772,600	9	0.22%
Whitmore Manufacturing	-	-	-	1,318,200	10	0.10%
Subtotal	<u>206,999,600</u>		<u>9.47%</u>	<u>97,019,360</u>		<u>7.58%</u>
Total Water Usage	<u>2,186,820,120</u>		<u>100.00%</u>	<u>1,279,673,940</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 14

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Water and Sewer Revenue Bonds			
1997	\$ 6,742,577	\$ 55,921	\$ 1,157,040	\$ 962,423	\$ 29,078	\$ 152,958	\$ 3,579,919	\$ 12,679,916	3.51%	874
1998	6,361,805	-	1,114,368	852,595	-	255,631	3,326,494	11,910,893	2.58%	778
1999	13,094,712	-	1,990,449	715,288	-	189,551	5,114,141	21,104,141	4.00%	1,311
2000	14,809,306	6,500,000	1,725,245	610,694	-	119,755	4,815,936	28,580,936	5.12%	1,676
2001	14,088,900	6,375,000	1,374,329	506,100	-	60,644	4,563,753	26,968,726	5.00%	1,424
2002	13,295,364	10,485,000	945,000	384,636	-	-	10,991,569	36,101,569	6.11%	1,722
2003	12,521,523	9,890,000	690,000	288,477	-	-	10,555,000	33,945,000	5.27%	1,486
2004	11,918,933	9,075,000	420,000	271,067	-	-	10,035,000	31,720,000	3.86%	1,259
2005	22,992,564	17,940,000	345,000	247,436	-	-	14,910,000	56,435,000	6.07%	2,030
2006	57,632,329	21,825,000	315,000	212,671	-	-	14,145,000	94,130,000	9.45%	3,117

Note: See Table 19 for personal income and population data

CITY OF ROCKWALL, TEXAS  
 RATIO OF GENERAL BONDED DEBT OUTSTANDING  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 15

Fiscal Year	Governmental Activities			Gross Bonded Debt	Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations					
1997	6,742,577	55,921	1,157,040	\$ 7,955,538	\$ 182,083	\$ 7,773,455	1.08%	536
1998	6,361,805	-	1,114,368	7,476,173	228,315	7,247,858	0.87%	474
1999	13,094,712	-	1,990,449	15,085,161	284,139	14,801,022	1.56%	919
2000	14,809,306	6,500,000	1,725,245	23,034,551	386,149	22,648,402	2.01%	1,328
2001	14,088,900	6,375,000	1,374,329	21,838,229	509,255	21,328,974	1.58%	1,126
2002	13,295,364	10,485,000	945,000	24,725,364	551,753	24,173,611	1.52%	1,153
2003	12,521,523	9,890,000	690,000	23,101,523	683,650	22,417,873	1.21%	981
2004	11,918,933	9,075,000	420,000	21,413,933	694,758	20,719,175	1.04%	822
2005	22,992,564	17,940,000	345,000	41,277,564	1,014,713	40,262,851	1.80%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,461,294	78,311,035	3.22%	2,593

Note: See Table 19 for population data and Table 8 for property value data

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2006  
 (unaudited)

TABLE 16

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	<u>\$ 78,311,035</u>	100.00%	<u>\$ 78,311,035</u>
Indirect:			
Rockwall Independent School District	202,255,726	59.12%	119,573,585
Rockwall County	<u>10,915,000</u>	49.72%	5,426,938
Total Indirect	<u>213,170,726</u>		<u>125,000,523</u>
Total Direct and Overlapping Bonded Debt	<u><u>\$ 291,481,761</u></u>		<u><u>\$ 203,311,558</u></u>
Average debt per capita			<u><u>\$ 6,732</u></u>

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 17

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.3689	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3800
Legal Debt Margin	2.1311	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1200

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 18

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	5,875,714	2,744,826	3,130,888	240,000	239,510	479,510	6.53
1998	6,694,849	1,131,069	5,563,780	255,000	222,888	477,888	11.64
1999	7,114,040	2,787,236	4,326,804	280,000	205,017	485,017	8.92
2000	9,225,111	3,068,964	6,156,147	255,000	242,228	497,228	12.38
2001	10,253,437	3,773,301	6,480,136	260,000	227,663	487,663	13.29
2002	7,785,753	4,159,459	3,626,294	280,000	213,638	493,638	7.35
2003	9,259,528	4,647,959	4,611,569	510,000	486,884	996,884	4.63
2004	10,081,442	5,194,575	4,886,867	520,000	476,108	996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN YEARS  
 (unaudited)

TABLE 19

<b>DEMOGRAPHICS</b>					
<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income (1)</b>	<b>RISD School Enrollment (2)</b>	<b>Unemployment Rate (%) (3)</b>
1997	14,500	361,050	24,900	6,443	2.4
1998	15,300	462,075	30,201	6,898	2.3
1999	16,100	526,969	32,731	7,335	2.7
2000	17,050	558,064	32,731	8,435	3.0
2001	18,934	539,278	28,482	8,898	5.5
2002	20,967	590,473	28,162	9,617	7.1
2003	22,850	644,256	28,195	10,077	6.7
2004	25,200	822,453	32,637	10,527	5.1
2005	27,800	929,882	33,449	11,560	3.5
2006	30,200	995,574	32,966	12,627	3.4

Source: (1) Rockwall Economic Development Corporation  
 (2) Rockwall Independent School District - private schools not included  
 (3) Texas Workforce Commission

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (unaudited)

TABLE 20

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,601	1	10.83%	750	1	9.20%
Texas Star Express	484	2	3.27%	175	7	2.15%
Wal-Mart Superstore	450	3	3.04%	450	3	5.52%
Rockwall County	235	4	1.59%	-	-	-
City of Rockwall	227	5	1.54%	-	-	-
Special Products	205	6	1.39%	156	9	1.91%
Target	170	7	1.15%	155	10	1.90%
Rockwall Nursing Home	160	8	1.08%	-	-	-
Kohl's Department Store	140	9	0.95%	-	-	-
Home Depot	130	10	0.88%	-	-	-
Lake Pointe Medical Center*	-	-	-	600	2	7.36%
Dallas Carrier	-	-	-	225	4	2.76%
Precision Cable	-	-	-	182	5	2.23%
James Helwig & Son	-	-	-	180	6	2.21%
Kroger Food	-	-	-	159	8	1.95%
Subtotal	<u>3,802</u>		<u>25.72%</u>	<u>3,032</u>		<u>37.21%</u>
Total	<u>14,784</u>		<u>100.00%</u>	<u>8,149</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation  
 North Central Texas Council of Governments

\*Lake Pointe Medical Center was originally presented in 1997, however the facility is in Rockwall County, outside of Rockwall city limits and has been removed for future years.

CITY OF ROCKWALL, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 21

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Administration	21	21	21	23	19	13	12	11	6.25	5.25
Finance	8	7.5	6.5	4.5	4.5	5	5	5	5	4
Municipal Court	4	4	3	3	3	3	3	3	3	2
Fire	9	9	8	5	4	3	2	2	1	1
Police	80	72	70	68	63	57	53	47	50	45
Community Development	28.5	25.5	22	21	19	14	15	13	13	10
Parks & Recreation	25	24	21	21	22	18	16	16	14.5	13.5
Public Works	23	21	21	21	20	19	19.5	19.5	20	16
Water/Sewer	29	26	25	23	22	21	20	19	18	16
<b>Total</b>	<b>227.50</b>	<b>210.00</b>	<b>197.50</b>	<b>189.50</b>	<b>176.50</b>	<b>153.00</b>	<b>145.50</b>	<b>135.50</b>	<b>130.75</b>	<b>112.75</b>

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 22

Function	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Finance										
Invoices processed	15,883	14,919	14,246	14,430	n/a	n/a	n/a	n/a	n/a	n/a
Payroll checks issued	7,042	6,579	6,543	5,882	4,983	4,277	4,196	n/a	n/a	n/a
Purchase orders issued	2,468	2,561	2,420	2,338	n/a	n/a	n/a	n/a	n/a	n/a
Municipal Court										
Violations Processed	16,635	15,225	13,913	15,000	9,364	8,010	7,173	6,930	10,307	9,121
Fire										
Employees (paid)	9	9	8	4	3	2	1	1	0	0
Volunteers	40	39	36	38	38	36	37	38	37	37
Fire Calls (City and County)	718	772	623	560	474	460	425	382	318	452
Police										
Employees (uniformed)	61	55	51	49	42	37	36	33	35	31
Employees (civilian)	18	17	17	15	12	12	12	15	17	15
Calls for Service	21,121	17,915	16,066	14,699	14,717	13,924	14,633	n/a	n/a	n/a
Community Development										
# permits - New commercial construction	18	51	18	27	22	13	26	36	44	56
Value - New commercial construction	39,358,497	49,918,558	29,067,960	40,304,701	41,967,125	16,001,068	12,444,115	18,810,452	21,562,833	26,589,846
# permits - New residential construction	470	739	885	775	945	767	655	488	504	278
Value - New residential construction	82,305,725	123,215,423	135,501,919	117,512,216	144,002,845	119,521,248	94,343,746	72,960,161	73,552,939	41,659,665

CITY OF ROCKWALL, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (unaudited)

TABLE 22

Function	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Parks &amp; Recreation</b>										
The Center facility rentals	75,757	71,118	58,060	38,821	2,713	n/a	n/a	n/a	n/a	n/a
Special event attendance	25,231	26,547	35,736	14,300	9,113	5,440	n/a	n/a	n/a	n/a
# recreation participants (youth & adult)	2,381	2,034	1,793	1,411	882	1,028	n/a	n/a	n/a	n/a
<b>Public Works</b>										
Streets - sq yd concrete street repair	1,967.75	2,961.55	2,395.76	n/a						
\$ spent on concrete/asphalt street repair	478,169	352,048	431,475	339,507	284,129	242,810	294,895	n/a	n/a	n/a
Miles of public street maintained by City	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69	87.10	75.67
<b>Water/Sewer</b>										
Water customers	11,985	11,491	10,497	9,440	8,827	7,875	7,035	6,615	6,124	5,223
Sewer customers	10,445	10,020	9,282	8,510	7,781	7,026	6,310	5,749	5,340	4,364
Average daily water consumption (gal)	5,991,288	5,023,404	4,327,595	4,209,473	3,019,976	3,937,395	3,874,655	3,009,200	4,716,189	3,505,956
Maximum storage capacity (gal)	7,500,000	7,500,000	7,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 23

Function	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Fire										
Number of stations	2	2	2	2	2	1	1	1	1	1
Number of fire engines/trucks	9	8	8	8	8	8	8	7	7	7
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	37	30	26	22	n/a	n/a	n/a	n/a	n/a
Parks & Recreation										
Parks acres (developed)	324.60	307.30	287.70	283.20	n/a	n/a	n/a	n/a	n/a	n/a
Playgrounds	18	12	12	12	11	10	10	10	10	6
Picnic areas	27	26	26	25	12	5	5	5	5	5
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	1,689,445	2,477,496	165,359	116,368	1,670,734	377,153	n/a	n/a	n/a	n/a
\$ spent on street rehabilitation	6,575,541	2,352,112	583,947	397,026	967,878	1,503,738	n/a	n/a	n/a	n/a
Miles of public street	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69	87.10	75.67
Water/Sewer										
Water mains (miles)	155.37	146.32	139.93	128.49	120.93	105.35	96.43	86.62	n/a	n/a
Sanitary sewers (miles)	113.58	107.83	103.62	96.64	91.87	79.21	69.59	59.62	n/a	n/a

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available

# **Comprehensive Annual Financial Report**

Fiscal Year Ended September 30, 2005



## **City of Rockwall, Texas**

**CITY OF ROCKWALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, Director of Finance

**CITY OF ROCKWALL, TEXAS  
Comprehensive Annual Financial Report  
For the Year Ended September 30, 2005**

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**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2005**

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# CITY OF ROCKWALL

at Rockwall CityPlace

March 23, 2006

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The comprehensive annual financial report of the City of Rockwall for the fiscal year ended September 30, 2005, is hereby submitted. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Rockwall. Consequently, management assumes full responsibility for both the accuracy of the data, and the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosure necessary to enable the reader to gain an understanding of the City's financial activities has been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company, CPA a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Rockwall was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Rockwall's separately issued Single Audit Report.

In fiscal year 2003, the City implemented a change in governmental financial reporting. We believe this presentation provides valuable information to the readers of our comprehensive annual financial report. The new reporting model issued, by the Governmental Accounting Standards Board, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Rockwall's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, County Seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the east shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth Airport, one of the largest in the world, continues with expansion plans to meet the air transportation needs of the region. Love Field in Dallas and Alliance Airport near Fort Worth provide commuter air service and general aviation facilities for the area. Due to favorable economic conditions, excellent business climate, and desirable living conditions, corporate relocations to the area continue.

The City of Rockwall has operated under a council-manager form of government since 1985. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on

both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City currently has a land area of approximately 23.77 square miles and an estimated population of 27,800.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. Accordingly, the Rockwall Economic Development Corporation and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in the note disclosures.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City of Rockwall operates.

#### **Local economy**

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. Rockwall enjoyed a relatively stable economic environment during the recent downturn in the national and regional economies. With the upturn in the economy new commercial starts are strong. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Property values have continued to rise at an average 14.6% per annum. The City's largest taxpayers include a number of commercial developments. The Rockwall Technology Park has welcomed a number of new companies to the City; including a number of new retail companies have opened locations in Rockwall including Circuit City, Bed Bath & Beyond and many new restaurants. The Rockwall Technology Park continues to attract relocations to our community. The Rockwall Economic Development Corporation continues to market the City as an ideal community to locate a business with over 200 acres of industrially zoned land in its inventory. The implementation of the Harbor tax increment financing district opens another venue for retail growth with many new establishments under construction at this time.

#### **Long-term financial planning**

The City Council and staff have recognized the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

A number of long-range studies have been completed or updated recently. A Capital Improvement Task Force prepared an update the City's Capital Improvement Plan which resulted

in a number of projects being proposed and which met with positive voter response in late 2005. The City finalized revisions to the subdivision ordinance based on the City's Comprehensive

Plan. With the assistance of the North Central Texas Council of Governments the City began the development of a GIS mapping project. A downtown committee was formed joining business leaders with city planners to continue the central business district planning effort. City staff expects to complete an update of the Central Business District zoning in 2006. A consultant was retained to begin planning two major parks projects.

An economic analysis study was completed which correlates the city's operating budgets to daytime and evening populations and projects revenues and expenditures associated with different types of land zoning. The study required twenty years of financial data is accumulated as well as the tax years that each non-residential property was added to the tax rolls. The final report and associated "Development Simulation Model" allowed city officials to gauge the impact on revenues and expenditures for each of the different zoning categories. The City still has several thousand acres of agriculturally zoned land. This model will be a tool in the decision making process when city officials must determine the "highest and best" zoning categories for those acres and in the budgeting process as well.

Organizationally, the City is in the process of refining its strategic plan using the Balanced Scorecard Methodology. When the strategy map was completed in 2003, the City's strategic initiatives for the implementation of the City's goals were formalized within the organization. Departmental business plans were developed and will be updated as progress is made and priorities change. These business plans develop performance measures for the strategic initiatives for which each department is responsible.

#### Future Development

"The Harbor", to be situated on the shores of Lake Ray Hubbard at I-30, will provide opportunities for new retailers as well as public open space. The largely undeveloped hillside has become the home of a twelve-screen Cinemark Theatre and will soon include a full-service Hilton Hotel and Conference Center and approximately 222,000 sq.ft of retail, restaurant and office space. In conjunction with the private development, the City established a tax increment financing (TIF) zone in an approximately 103 acre area which will allow for the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The public area will include both passive and active event areas, a Harbor/Urban Court, spray plaza and large open areas suitable for a variety of outdoor events. Construction is underway and the open space should be ready for events in late 2006. The City has sponsored a very well attended "Concert on the Lake Series" which will use this public space as its venue in the future. The City and Chamber of Commerce will be working to attract events to the area. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF and finance the public projects. This is expected to transform the area and spur development in the entire TIF zone. Construction continues on the various phases of the private development with several establishments expected to be open Fall 2006.

The Presbyterian Hospital of Rockwall has been announced and is expected to break ground by Summer 2006. The Hospital, in addition to providing needed acute care facilities will provide approximately 40,000 square feet of medial office space in the immediately adjacent area. Future phases of the development are expected.

Design is underway on several road and drainage projects approved by voters. Construction has been completed on the extension of Lakeshore Drive and the reconstruction of Clark Street is nearly completed. Several major roadway projects are in design and should begin construction shortly, including Townsend Road, Yellowjacket Lane and Fannin Street. Design work will commence on the voter approved projects with construction to begin on early phases of the 205Bypass project by late 2006.

The water and sewer rate study was updated in 2005, ensuring that the city's goal of providing sufficient water and sewer rates to meet system needs is achieved. Construction work has concluded on the new two-million gallon water tower which is now in service, with construction of a new pump station and ground storage facility underway at this time. A number of main extension projects will be undertaken to increase system capacity and provide water and sewer service to outlying areas of the City.

#### Cash Management:

The City invests cash temporarily idle during the year in money market funds and short-term notes of the U.S. Government and its agencies.

Other cash classified as being not immediately needed is invested in longer-term obligations of the U.S. Government and its agencies. All of these investments are classified as "hold-to-maturity" investments. The City believes that it will not be required to sell these investments prior to maturity, barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no reverse repos nor has any other form of borrowing been used to finance the City's portfolio.

The City's investment policy is to safeguard the City's assets and maintain liquidity while enhancing the yield of its portfolio and ensuring public trust. All securities owned by the City were held in a financial institution trust department acting as an agent of the City, in the City's name.

#### Risk Management:

In fiscal year 1990, the City established a Self-Insurance and Risk Management Program. Under the terms of this program, the City is permitted by law and its home rule charter to insure itself against the various risks of liability and loss to which it is exposed. This may be done either through an insurance provider or through a defined self-insurance program. Other risks to which the City is exposed are covered by commercial insurance.

#### Retirement System:

The City of Rockwall provides pension benefits to all full-time employees through a nontraditional, joint contributory defined benefit plan administered by the Texas Municipal Retirement System, an agent multiple-employer public retirement system. Pension expense for the calendar year ended December 31, 2004 (including prior service costs amortized over 25 years) was \$1,270,547. The City of Rockwall does not provide post employment health and dental benefits for retirees.

### Debt Administration:

Outstanding General Obligation Bonds, Certificates of Obligation, and Contractual Obligations at September 30, 2005, totaled \$41,595,000 of which \$247,436 was issued for water and sewer improvements and \$3,225,000 issued for the Rockwall Economic Development Corporation infrastructure projects. The Rockwall Economic Development Corporation also has outstanding \$4,095,000 in sales tax revenue bonds for development of the Rockwall Technology Park. In addition, the Water and Sewer Fund has outstanding, as of September 30, 2005, \$14,910,000 in revenue bonds. The City has an "A1" rating by Moody's Investor Services, Inc., and "A" by Standard and Poor's Corporation on its outstanding general obligation debt. The City's outstanding revenue bonds have an "A2" rating by Moody's and an "A-" from Standard and Poor's. The City's outstanding sales tax revenue bonds have an "A3" rating by Moody's and an "A-" from Standard and Poor's.

### OTHER INFORMATION

#### Independent Audit:

State statutes require an annual audit by independent certified public accountants. The firm of Fox, Byrd & Company, PC, was selected by the City Council. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and the related U.S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the general purpose financial statements and combining and individual funds statements and schedules is included in the financial section of this report. The auditors' report on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

#### Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This comprehensive annual financial report satisfies both generally accepted accounting principles and applicable legal requirements.

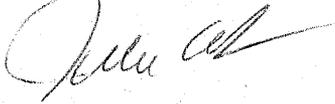
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last fifteen consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement:

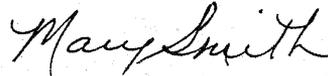
The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Julie Couch  
City Manager



Mary Smith, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



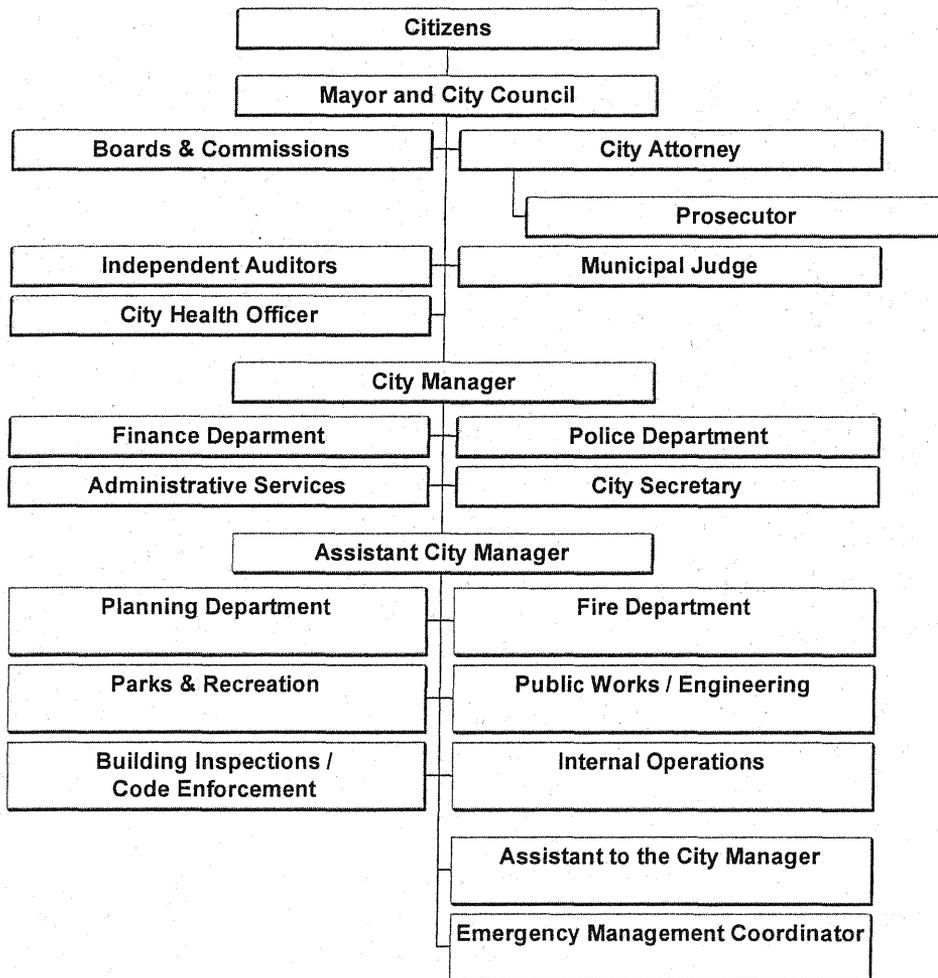
*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2005

**City Council**

Bill Cecil, Mayor  
Bob Cotti, Mayor Pro-Tempore  
John King, Councilmember  
Tim McCallum, Councilmember  
Margo Nielsen, Councilmember  
Matt Scott, Councilmember  
Stephen Straughan, Councilmember

**City Staff**

Julie Couch, City Manager  
Rick Crowley, Assistant City Manager  
Mary Smith, Director of Finance  
Cheryl Austin, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Community Development  
Chuck Todd, City Engineer/Director of Public Works  
Jeffrey Widmer, Director of Building Inspections & Code Enforcement  
Brad Griggs, Director of Parks, Recreation and Rights-of-Way



**FOX, BYRD & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 12 – 22 and the budgetary comparison information on pages 62 - 70 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Fox, Byrd + Company, P.C.*

Dallas, Texas  
January 10, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2005. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$133,443,953 at September 30, 2005.
- During the year, the City's expenses were \$6,412,787 less than the \$30,065,850 generated in taxes and other revenues for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2005 by \$70,248,286 (net assets). Of this amount \$11,850,426 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of this fiscal year, unreserved fund balance for the general fund was \$7,301,334 or approximately 42.5 percent of the total general fund expenditures and transfers out.
- The City issued general obligation refunding bonds during the fiscal year ended September 30, 2005, in order to defease two older debt issues. In addition the City issued Certificates of Obligation for a number of capital projects. Total general obligation debt increased by \$19,840,000 during the fiscal year. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

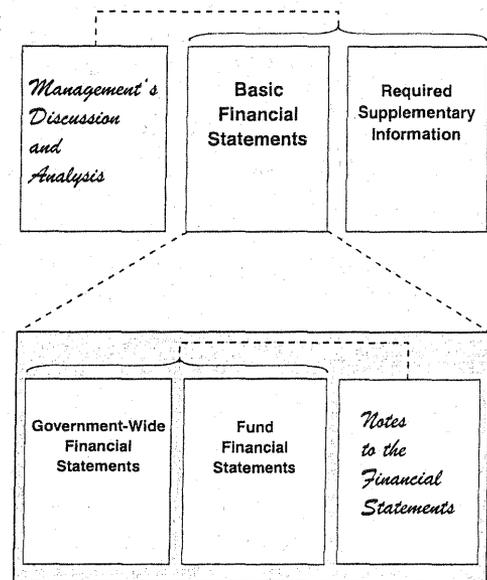
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



Summary ←→ Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else's resources
<i>Required financial statements</i>	♦ Statement of net assets ♦ Statement of activities	♦ Balance sheet ♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of net assets ♦ Statement of revenues, expenses and changes in fund net assets ♦ Statement of cash flows	♦ Statement of fiduciary net assets ♦ Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall's finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the city of Rockwall's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services finance most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer system are reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s 4A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units.

The government-wide financial statements can be found on pages 22-26 of this report.

## **Reporting the City’s Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 23 individual governmental funds. 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, debt service fund, equipment acquisition fund, Harbor projects fund and the G.O. Bonds Capital Projects fund, all of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City’s enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City’s self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

### CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2005, the City's net assets (assets exceeding liabilities) totaled \$133,443,953. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

By far the largest portion of the City's net assets reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

Table 1  
Net Assets

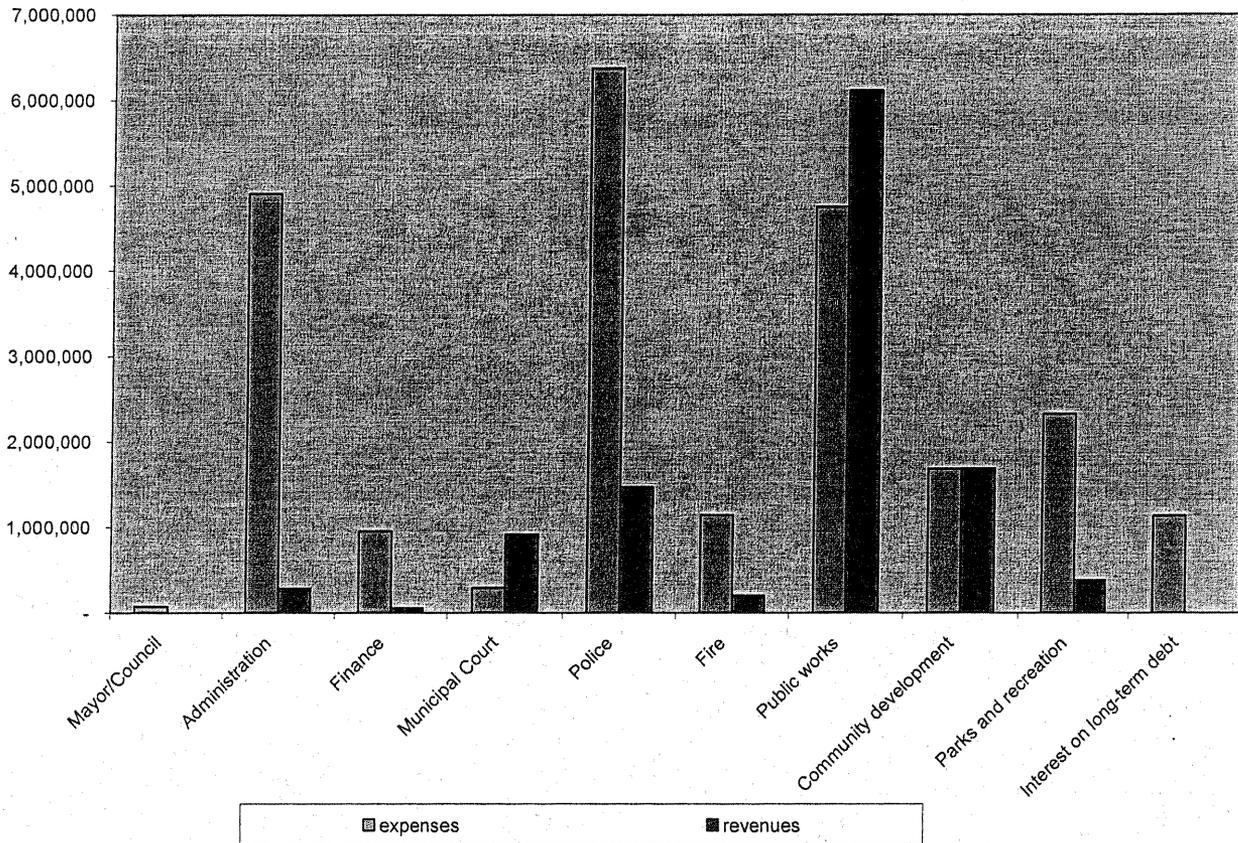
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$33,937,666	\$18,884,482	\$27,101,355	\$21,950,625	\$61,039,021	\$40,835,107
Capital Assets	82,623,744	69,108,976	53,874,312	50,434,407	136,498,056	119,543,383
Total Assets	116,561,410	87,993,458	80,975,667	72,385,032	197,537,077	160,378,490
Long-term liabilities	42,094,907	22,188,707	16,545,326	12,068,421	58,640,233	34,257,128
Other liabilities	4,218,217	1,969,252	1,234,674	754,415	5,452,891	2,723,667
Total Liabilities	46,313,124	24,157,959	17,780,000	12,822,836	64,093,124	36,980,795
Net Assets:						
Invested in capital assets, net of related debt	41,346,180	47,695,043	37,368,956	38,406,139	78,715,136	86,101,182
Restricted for:						
Debt Service	938,585	626,661	1,640,880	1,324,515	2,579,465	1,951,176
Capital Projects	16,113,095	5,271,300	16,710,004	10,373,646	32,823,099	15,644,946
Unrestricted	11,850,426	10,242,495	7,475,827	9,457,896	19,326,253	19,700,391
Total net assets	\$70,248,286	\$63,835,499	\$63,195,667	\$59,562,196	\$133,443,953	\$123,397,695

Governmental activities increased the City's net assets by \$6,412,787. The key elements of this increase are as follows:

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Program revenues:						
Charges for services	-\$ 4,337,664	\$ 3,906,111	\$9,498,555	\$8,287,744	\$13,836,219	\$12,193,855
Operating grants & contributions	894,114	1,424,824	-	-	894,114	1,424,824
Capital grants & contributions	5,893,301	6,624,160	3,411,639	6,576,943	9,304,940	13,201,103
General Revenues:						
Property taxes	8,111,715	7,265,947	-	-	8,111,715	7,265,947
Sales taxes	7,379,841	6,736,054	-	-	7,379,841	6,736,054
Other	2,442,815	2,167,786	506,954	519,436	2,949,769	2,687,222
Total revenues	29,059,450	28,124,882	13,417,148	15,384,123	42,476,598	43,509,005
Program expenses:						
Mayor/Council	78,114	74,416	-	-	78,114	74,416
Administration	4,908,083	5,757,527	-	-	4,908,083	5,757,527
Finance	954,840	877,537	-	-	954,840	877,537
Municipal Court	295,379	254,210	-	-	295,379	254,210
Police	6,372,344	6,862,707	-	-	6,372,344	6,862,707
Fire	1,144,577	1,530,503	-	-	1,144,577	1,530,503
Public works	4,753,190	6,155,726	-	-	4,753,190	6,155,726
Community development	1,680,857	1,493,249	-	-	1,680,857	1,493,249
Parks and recreation	2,329,095	2,323,558	-	-	2,329,095	2,323,558
Interest on long-term debt	1,136,584	1,277,825	-	-	1,136,584	1,277,825
Water and sewer	-	-	8,777,277	7,061,272	8,777,277	7,061,272
Total expenses	23,653,063	26,607,258	8,777,277	7,061,272	32,430,340	33,668,530
Increase (decrease) in net assets						
before transfers	5,406,387	1,517,624	4,639,871	8,322,851	10,046,258	9,840,475
Transfers	1,006,400	867,500	(1,006,400)	(867,500)	-	-
Increase in net assets	6,412,787	2,385,124	3,633,471	7,455,351	10,046,258	9,840,475
Net assets, October 1	63,835,499	61,450,375	59,562,196	52,106,845	123,397,695	113,557,220
Net assets, September 30	\$70,248,286	\$63,835,499	\$63,195,667	\$59,562,196	\$ 133,443,953	\$123,397,695

## ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION



### Governmental Activities

Total revenues of governmental activities were \$29,059,450. A significant portion 27.9%, of the City's revenues came from property taxes. Another 25.4% of revenue came from sales taxes. Ad valorem property tax revenues continue to increase each year primarily due to the addition of new property and increased valuation throughout the City. Assessed values of the properties in the City increased by \$241,506,248 or 12.09%. The City has maintained a property tax rate of 36 cents per \$100 of assessed valuation for eight years. Sales tax revenue has shown improvement as the city's business community and population and has increased by more than 9.6% for fiscal year 2005.

The total cost of all programs and services were \$23,653,063 of these costs \$6,372,344 (26.9%) is for the Police Department. Administration related departments including Administration, Human Resources, and Internal Operations had combined costs of \$4,908,083 (20.8%).

The overall economy in the City continues to show improvement in 2005 and beyond. No major negative events are expected for the next fiscal year. During 2005, Rockwall County, of which the City of Rockwall is the County seat, was the fourth fastest growing county in America, and the fastest growing county in Texas. Residential growth should remain strong. The Harbor Project, a lakefront multi-use planned development, is under construction with establishments opening in 2006. It is expected to have a positive effect on sales tax and property taxes in the area. A tax increment financing zone established to provide for public improvements in the area will begin receiving revenues in 2006.

## Business-Type Activities

The City's business-type activities recorded an increase of \$3,633,371 in net assets. Total revenues were \$13,417,148. Sales continue to be strong despite the impact of the implementation of conservation water rates in 2001. The tendency to irrigate despite higher rates and drought conditions is seen as the norm across North Texas. The increase in revenues can largely be attributed to strong sales due to the drought conditions.

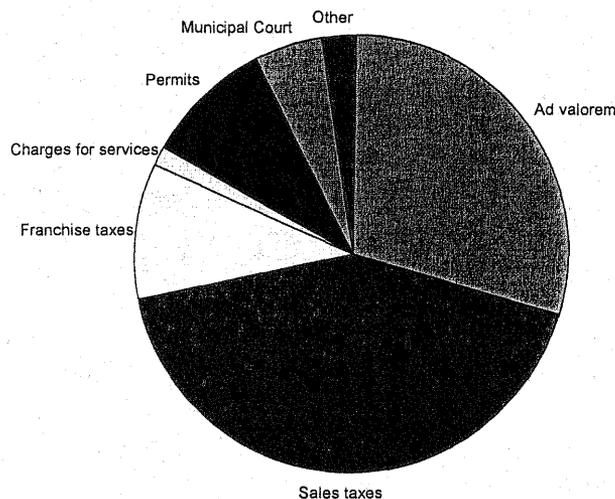
## Component Units

The Rockwall Economic Development Corporation (REDC) reported operating revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$2,972,883. Assets managed by the corporation include an inventory of land available for sale to business entities. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

## ANALYSIS OF INDIVIDUAL FUNDS

The City's General Fund reported an ending unreserved fund balance of \$7,301,334; an increase of \$441,179 from the prior year. The main source of general fund revenue is sales tax, it accounted for \$7,232,908 (42.1%) of total general fund revenue. Ad valorem property taxes account for \$5,057,703 (29.4%) of general fund revenues. The increase in fund balance allows the City to maintain a "recommended" fund balance as defined within the City's financial policies. This "reserve" balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows.

Revenues by Source – General Fund



The City's Debt Service Fund reported an increase in fund balance of \$461,139. Property tax collections for debt service requirements were \$3,082,422.

Water and sewer charges were \$9,498,555. Ending working capital, excluding restricted assets, for the water and sewer fund was \$6,006,779. Revenue Bonds were issued to fund system improvements as well as Revenue Refunding Bonds to defease 1994 revenue bonds.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2005, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases in revenues beyond projections. With the adjustments made to the budget, the budgeted expenditures of \$15,667,200 increased to \$15,811,265 while revenues increased from \$16,210,300 to \$16,682,100. Budgeted transfers out of the General Fund increased by \$828,000. The City of Rockwall had originally estimated the ending general fund balance to be \$6,518,159 however due to the budget adjustments mentioned above, the fund balance was re-estimated to be \$6,014,894. The actual fund balance was higher due to management's conservative projections of both revenues and expenditures.

Actual general fund revenues were \$17,178,554, an increase of \$496,454 over the final budget. Actual general fund total expenditures were \$350,982 less than the revised budget. Total revenues exceeded total expenditures by \$847,436.

No significant budget shortfalls are noted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2005 the City had \$136,498,056 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities roads, police and fire equipment and water and sewer lines.

Table 3  
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$ 2,097,819	\$ 2,097,819	\$ 799,533	\$ 799,533	\$ 2,897,352	\$ 2,897,352
Buildings	8,558,082	8,619,340	-	-	8,558,082	8,619,340
Improvements other than buildings	1,578,257	1,289,074	40,868,001	39,141,739	42,446,258	40,430,813
Machinery & Equipment	1,321,332	1,216,858	262,370	346,572	1,583,702	1,563,430
Vehicles	1,738,781	1,142,592	-	-	1,738,781	1,142,592
Furniture & Fixtures	940,857	1,066,325	6,273	7,404	947,130	1,073,729
Infrastructure	49,810,089	48,742,318	-	-	49,810,089	48,742,318
Construction in Progress	16,578,527	4,934,650	4,817,769	2,808,383	21,396,296	7,743,033
Wastewater treatment facilities	-	-	7,120,366	7,330,776	7,120,366	7,330,776
	<u>\$ 82,623,744</u>	<u>\$ 69,108,976</u>	<u>\$ 53,874,312</u>	<u>\$ 50,434,407</u>	<u>\$ 136,498,056</u>	<u>\$ 119,543,383</u>

The City's capital improvement program includes a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects were under construction in 2005. Bonds will be issued in fiscal year 2006 to fund various voter approved projects. A number of drainage projects will be undertaken during the 5-year planned capital improvement period. The City completed acquisition of a trunked 700 MHz radio system to be utilized by city departments and an adjoining city and should be completing the final testing late in 2005.

The City held a bond election in November 2005 which will fund road, park and fire projects in excess of \$64,000,000. Design is underway on several road projects and construction should begin shortly. The City was authorized to move ahead with several parks projects as well as the construction of 2 new fire stations.

Construction in progress at September 30, 2005 for governmental activities included the radio system discussed above, The Harbor public improvements, Clark Street, North Lakeshore Drive and various other improvements.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of waterline improvements and the extensions of sanitary sewers into an area of the city. A new two-million gallon water tower was nearing completion at year end. Several projects are approved in the City's capital improvement plan including participation in the joint construction of a shared ground storage facility and pump station as well as other line projects to improve system capacity and extend services.

The Rockwall Economic Development Corporation is completing roadway, drainage and landscape improvements on land it carries as Phase II of the Technology Park as well as the construction of an industrial building in Phase I of the park.

Additional information on the City of Rockwall's capital assets can be found in note III-C on pages 45-48.

### Debt

At year end, the City had \$57,890,000 in bonds and capitalized leases shown in Table 4.

**Table 4**  
**City of Rockwall Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$22,992,564	\$ 11,918,933	\$ 247,436	\$ 271,067	\$23,240,000	\$12,190,000
Certificates of obligation	17,940,000	9,075,000	-	-	17,940,000	9,075,000
Contractual obligations	345,000	420,000	-	-	345,000	420,000
Tax notes	70,000	70,000	-	-	70,000	70,000
Revenue bonds	-	-	14,910,000	10,035,000	14,910,000	10,035,000
Capital Lease obligations	-	-	1,385,000	1,780,000	1,385,000	1,780,000
	<u>\$41,347,564</u>	<u>\$ 21,483,933</u>	<u>\$ 16,542,436</u>	<u>\$ 12,086,067</u>	<u>\$ 57,890,000</u>	<u>\$33,570,000</u>

The City of Rockwall's general obligation bonds carry an "A" rating from Standard & Poor's Corporation and an "A1" rating from Moody's Investor Services, both national rating agencies. The City's water and sewer bonds carry an "A-" rating from Standard & Poor's and an "A2" rating from Moody's. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 1.80% or \$1,448 per capita.

Additional information on the City of Rockwall's long-term debt can be found in note III-E on pages 49-56 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rate and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the growth in our community and its population. With a strengthened economy, Rockwall has seen a number of new commercial/retail business developments which should positively impact sales tax revenues. Commercial building permits showed strong improvement over the prior year and, interviews with local builders project strong home sales continuing for the foreseeable future. An emphasis is being placed by the City on the custom home market. The City of Rockwall's citizens enjoy above-average income levels per household. This in combination with the City's proximity to major highways, and the Dallas-Ft. Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school

district and the "hometown" atmosphere in Rockwall. The Rockwall Economic Development Corporation works diligently to attract businesses with relocation incentives as well as providing business retention incentives such as workforce training opportunities.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2006. The budgeted revenues for fiscal year 2006 total \$17,729,300 for the general fund. Ad valorem tax revenue is determined by two major factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. Due to voter approved debt issued in 2005, the property tax rate was increased to 36.89 cents per hundred dollars of assessed value. Due to a marked improvement in actual sales tax collections in 2005, city officials have projected a conservative 8% increase over the prior fiscal year.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. In addition, the policies set minimum, recommended and maximum fund balance levels for the City's fund types. The general fund minimum fund balance is set at 3 months recurring operating expenditures. The recommended fund balance is 5 months of recurring operating expenditures and the maximum fund balance is 7 months of recurring operating expenditures. The budget as adopted for fiscal year 2006 projects a fund balance of approximately 4.5 months of recurring operating expenditures.

A number of planning initiatives including the completion of a the Downtown Planning process are authorized for fiscal year 2006. In addition, the City will undertake a number of improvements to existing City parks in order to better serve our citizens. The City will continue to offer training opportunities for all employees including Rockwall University, an education initiative for employees across the organization to learn about the work performed by other departments in a university style curriculum. In addition, the City will again offer a "Citizen's Academy" to provide citizens the opportunity to learn more about city government in Rockwall.

The water and sewer rates adopted in fiscal year 2002 were reviewed by our rate consultant with his report issued in fiscal year 2005. City Council will consider a 4% rate increase in early 2006. A number of capital projects are being planned for fiscal year 2006.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

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***BASIC FINANCIAL STATEMENTS***

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CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,152,210	\$ 280,685	\$ 1,432,895	\$ 28,250	\$ 9,241
Investments	28,600,365	6,177,277	34,777,642	4,723,225	61,871
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	224,318	-	224,318	-	-
Franchise taxes	866,084	-	866,084	-	-
Interest	77,902	46,306	124,208	-	-
Accounts	190,678	1,440,834	1,631,512	1,525	2,590
Assessments	73,180	-	73,180	-	-
Intergovernmental	2,103,449	137,556	2,241,005	435,598	-
Other	11,410	-	11,410	-	-
Due from primary government	-	-	-	-	7,000
Internal balances	-	-	-	-	-
Inventory	26,980	238,515	265,495	6,457,669	-
Restricted assets:					
Cash and cash equivalents	-	807,260	807,260	-	-
Investments	-	17,642,648	17,642,648	-	-
Accrued interest	-	31,511	31,511	-	-
Deferred charges	611,090	298,763	909,853	90,857	-
Capital assets not being depreciated	18,676,346	5,617,302	24,293,648	5,474,574	-
Capital assets being depreciated, net	63,947,398	48,257,010	112,204,408	15,042	-
Total assets	<u>116,561,410</u>	<u>80,975,667</u>	<u>197,537,077</u>	<u>17,226,740</u>	<u>80,702</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	3,717,330	668,868	4,386,198	1,868,304	30,668
Accrued interest payable	294,399	130,535	424,934	56,484	-
Unearned revenue	35,740	-	35,740	-	-
Due to other governments	163,748	-	163,748	-	-
Due to component unit	7,000	-	7,000	-	-
Customer deposits	-	435,271	435,271	-	-
Noncurrent liabilities:					
Due within one year	2,757,255	1,061,547	3,818,802	477,599	-
Due in more than one year	39,337,652	15,483,779	54,821,431	9,949,527	-
Total liabilities	<u>46,313,124</u>	<u>17,780,000</u>	<u>64,093,124</u>	<u>12,351,914</u>	<u>30,668</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	41,346,180	37,368,956	78,715,136	1,261,396	-
Restricted for:					
Debt service	938,585	1,640,880	2,579,465	480,318	-
Capital projects	16,113,095	16,710,004	32,823,099	1,372,897	-
Unrestricted	11,850,426	7,475,827	19,326,253	1,760,215	50,034
Total net assets	<u>\$ 70,248,286</u>	<u>\$ 63,195,667</u>	<u>\$ 133,443,953</u>	<u>\$ 4,874,826</u>	<u>\$ 50,034</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
Mayor/council	\$ 78,114	\$ -	\$ -	\$ -
Administration	4,908,083	289,450	-	-
Finance	954,840	56,350	-	-
Municipal court	295,379	917,610	-	-
Police	6,372,344	720,395	749,554	-
Fire	1,144,577	91,700	9,039	103,125
Public works	4,753,190	326,476	-	5,790,176
Community development	1,680,857	1,687,141	-	-
Parks and recreation	2,329,095	248,542	135,521	-
Interest on long-term debt	1,136,584	-	-	-
Total governmental activities	<u>23,653,063</u>	<u>4,337,664</u>	<u>894,114</u>	<u>5,893,301</u>
Business-type activities:				
Water and sewer	8,777,277	9,498,555	-	3,411,639
Total business-type activities	<u>8,777,277</u>	<u>9,498,555</u>	<u>-</u>	<u>3,411,639</u>
<b>Total primary government</b>	<u>\$ 32,430,340</u>	<u>\$ 13,836,219</u>	<u>\$ 894,114</u>	<u>\$ 9,304,940</u>
<b>COMPONENT UNITS:</b>				
Rockwall Economic Development Corporation				
	\$ 2,864,983	\$ -	\$ -	\$ -
Rockwall Technology Park				
	106,960	79,593	-	-
Total component units	<u>\$ 2,971,943</u>	<u>\$ 79,593</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Ad valorem taxes, penalty and interest

Sales taxes

Franchise taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
\$ (78,114)		\$ (78,114)		
(4,618,633)		(4,618,633)		
(898,490)		(898,490)		
622,231		622,231		
(4,902,395)		(4,902,395)		
(940,713)		(940,713)		
1,363,462		1,363,462		
6,284		6,284		
(1,945,032)		(1,945,032)		
(1,136,584)		(1,136,584)		
<u>(12,527,984)</u>		<u>(12,527,984)</u>		
	\$ 4,132,917	4,132,917		
	<u>4,132,917</u>	<u>4,132,917</u>		
<u>(12,527,984)</u>	<u>4,132,917</u>	<u>(8,395,067)</u>		
			\$ (2,864,983)	\$ -
			<u>-</u>	<u>(27,367)</u>
			<u>(2,864,983)</u>	<u>(27,367)</u>
8,111,715	-	8,111,715	-	-
7,379,841	-	7,379,841	2,387,110	-
1,765,509	-	1,765,509	-	-
341,996	391,330	733,326	118,306	1,560
335,310	115,624	450,934	467,467	-
1,006,400	(1,006,400)	-	-	-
<u>18,940,771</u>	<u>(499,446)</u>	<u>18,441,325</u>	<u>2,972,883</u>	<u>1,560</u>
6,412,787	3,633,471	10,046,258	107,900	(25,807)
63,835,499	59,562,196	123,397,695	4,766,926	75,841
<u>\$ 70,248,286</u>	<u>\$ 63,195,667</u>	<u>\$ 133,443,953</u>	<u>\$ 4,874,826</u>	<u>\$ 50,034</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2005

	General	Debt Service	Equipment Acquisition	Harbor/TIF Projects	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 13,527	\$ 85,411	\$ -	\$ 68,797	\$ 138,090	\$ 710,807	\$ 1,016,632
Investments	6,869,599	1,055,075	876	10,501,243	5,830,675	2,791,825	27,049,293
Receivables (net of allowances for uncollectibles):							
Ad valorem taxes	134,662	89,656	-	-	-	-	224,318
Interest	47,137	1,541	631	12,161	10,476	1,380	73,326
Accounts	68,562	1,301	403	3,729	-	41,536	115,531
Assessments	-	-	-	-	-	73,180	73,180
Intergovernmental	1,311,278	-	-	688,795	-	103,376	2,103,449
Other	10,621	-	-	-	-	789	11,410
Due from other funds	124,839	-	-	223,000	-	240,377	588,216
Inventory	26,980	-	-	-	-	-	26,980
<b>Total assets</b>	<b>\$ 8,607,205</b>	<b>\$ 1,232,984</b>	<b>\$ 1,910</b>	<b>\$ 11,497,725</b>	<b>\$ 5,979,241</b>	<b>\$ 3,963,270</b>	<b>\$ 31,282,335</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 953,571	\$ -	\$ 30,365	\$ 1,563,811	\$ 942,035	\$ 73,933	\$ 3,563,715
Deferred revenue	114,572	77,087	-	-	-	108,920	300,579
Due to other governments	163,748	-	-	-	-	-	163,748
Due to component unit	7,000	-	-	-	-	-	7,000
Due to other funds	40,000	-	563,377	-	-	200	603,577
<b>Total liabilities</b>	<b>1,278,891</b>	<b>77,087</b>	<b>593,742</b>	<b>1,563,811</b>	<b>942,035</b>	<b>183,053</b>	<b>4,638,619</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
Inventory	26,980	-	-	-	-	-	26,980
Debt service	-	1,155,897	-	-	-	-	1,155,897
<b>Unreserved, reported in:</b>							
General fund	7,301,334	-	-	-	-	-	7,301,334
Special revenue funds	-	-	-	-	-	2,046,410	2,046,410
Capital projects funds	-	-	(591,832)	9,933,914	5,037,206	1,733,807	16,113,095
<b>Total fund balances</b>	<b>7,328,314</b>	<b>1,155,897</b>	<b>(591,832)</b>	<b>9,933,914</b>	<b>5,037,206</b>	<b>3,780,217</b>	<b>26,643,716</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,607,205</b>	<b>\$ 1,232,984</b>	<b>\$ 1,910</b>	<b>\$ 11,497,725</b>	<b>\$ 5,979,241</b>	<b>\$ 3,963,270</b>	<b>\$ 31,282,335</b>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2005

Total fund balances - governmental funds	\$ 26,643,716
Amounts reported for governmental activities in the statement of net assets are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	1,553,475
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	191,659
Assessments receivable	73,180
The following assets are not available to pay for current period expenditures and are not accrued in the funds:	
Franchise taxes receivable	866,084
Court fines receivable	74,644
The following assets are not current financial resources and are not reported in the funds:	
Capital assets used in governmental activities (net of accumulated depreciation of \$35,699,514)	82,623,744
Costs of bonds issued to finance governmental activities (net of accumulated amortization of \$93,949)	611,090
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(747,343)
Bonds payable	(41,277,564)
Notes payable	(70,000)
Accrued interest payable	(294,399)
Net assets of governmental activities	\$ 70,248,286

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General	Debt Service	Equipment Acquisition	Harbor/TIF Projects	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:							
Ad valorem taxes, penalty and interest	\$ 5,057,703	\$ 3,082,422	\$ -	\$ -	\$ -	\$ -	\$ 8,140,125
Sales taxes	7,232,908	-	-	-	-	146,933	7,379,841
Franchise taxes	1,715,242	-	-	-	-	-	1,715,242
Charges for services	268,125	-	-	-	-	-	268,125
Permits	1,613,966	-	-	-	-	104,252	1,718,218
Municipal court	852,851	-	-	-	-	53,783	906,634
Intergovernmental	183,284	-	103,125	2,095,000	-	800,941	3,182,350
Interest income	118,074	31,813	5,553	16,102	92,803	40,299	304,644
Miscellaneous	136,401	-	36,602	281	-	907,082	1,080,366
Donations	-	-	-	-	-	163,635	163,635
Total revenues	<u>17,178,554</u>	<u>3,114,235</u>	<u>145,280</u>	<u>2,111,383</u>	<u>92,803</u>	<u>2,216,925</u>	<u>24,859,180</u>
Expenditures:							
Current:							
Mayor/council	78,114	-	-	-	-	-	78,114
Administration	2,708,948	-	-	-	-	-	2,708,948
Finance	819,131	-	-	-	-	133,677	952,808
Municipal court	291,348	-	-	-	-	-	291,348
Police	5,035,447	-	-	-	-	1,034,864	6,070,311
Fire	1,064,419	-	-	-	-	11,008	1,075,427
Public works	2,023,391	-	-	-	-	26,686	2,050,077
Community development	1,682,480	-	-	-	-	-	1,682,480
Parks and recreation	1,706,854	-	-	-	-	119,754	1,826,608
Total current	<u>15,410,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,989</u>	<u>16,736,121</u>
Capital outlay:							
Administration	16,053	-	240,046	-	-	346,748	602,847
Police	1,698	-	1,832,555	-	-	16,518	1,850,771
Fire	30,705	-	569,148	-	-	111,313	711,166
Public works	1,176	-	64,339	4,461,827	5,175,325	53,371	9,756,038
Community development	519	-	-	-	-	-	519
Parks and recreation	-	-	205,172	-	-	552,188	757,360
Total capital outlay	<u>50,151</u>	<u>-</u>	<u>2,911,260</u>	<u>4,461,827</u>	<u>5,175,325</u>	<u>1,080,138</u>	<u>13,678,701</u>
Debt service:							
Principal	-	1,801,369	-	-	-	-	1,801,369
Interest	-	977,878	-	-	-	-	977,878
Bond issuance costs	-	163,724	14,157	183,121	68,726	-	429,728
Fiscal charges	-	5,063	-	-	-	-	5,063
Total debt service	<u>-</u>	<u>2,948,034</u>	<u>14,157</u>	<u>183,121</u>	<u>68,726</u>	<u>-</u>	<u>3,214,038</u>
Total expenditures	<u>15,460,283</u>	<u>2,948,034</u>	<u>2,925,417</u>	<u>4,644,948</u>	<u>5,244,051</u>	<u>2,406,127</u>	<u>33,628,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,718,271</u>	<u>166,201</u>	<u>(2,780,137)</u>	<u>(2,533,565)</u>	<u>(5,151,248)</u>	<u>(189,202)</u>	<u>(8,769,680)</u>
Other financing sources (uses):							
Transfers in	462,534	-	950,131	389,100	-	1,157,770	2,959,535
Transfers out	(1,728,750)	-	-	-	(1,334,151)	(353,234)	(3,416,135)
Bonds issued	-	-	1,360,000	12,590,000	7,250,000	-	21,200,000
Refunding bonds issued	-	6,095,000	-	-	-	-	6,095,000
Accrued interest on bonds issued	-	129,913	-	-	-	-	129,913
Premium on bonds issued	-	97,134	57,560	81,850	34,974	-	271,518
Payment to refunded bond escrow agent	-	(6,027,109)	-	-	-	-	(6,027,109)
Total other financing sources (uses)	<u>(1,266,216)</u>	<u>294,938</u>	<u>2,367,691</u>	<u>13,060,950</u>	<u>5,950,823</u>	<u>804,536</u>	<u>21,212,722</u>
Net change in fund balances	452,055	461,139	(412,446)	10,527,385	799,575	615,334	12,443,042
Fund balances, October 1	6,876,259	694,758	(179,386)	(593,471)	4,237,631	3,164,883	14,200,674
Fund balances, September 30	<u>\$ 7,328,314</u>	<u>\$ 1,155,897</u>	<u>\$ (591,832)</u>	<u>\$ 9,933,914</u>	<u>\$ 5,037,206</u>	<u>\$ 3,780,217</u>	<u>\$ 26,643,716</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net change in fund balances - governmental funds	\$ 12,443,042
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets.	38,190
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	(28,411)
Assessments receivable	(12,704)
Franchise taxes receivable	50,267
Court fines receivable	42,072
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$13,770,326) exceeded depreciation (\$3,906,264) and retirements (\$44,470) in the current period.	9,819,592
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	3,695,176
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount by which debt issuance costs (\$429,728) exceeded amortization (\$25,910) in the current period.	403,818
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	(132,055)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$27,295,000) exceeded repayments (\$7,431,369) in the current period.	(19,863,631)
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	<u>(42,569)</u>
Change in net assets of governmental activities	<u>\$ 6,412,787</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2005

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and Sewer</u>	<u>Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 280,685	\$ 135,578
Investments	6,177,277	1,551,072
Receivables (net of allowances for uncollectibles):		
Interest	46,306	4,576
Accounts	1,440,834	503
Intergovernmental	137,556	-
Due from other funds	-	40,000
Inventory	238,515	-
Restricted assets:		
Cash and cash equivalents	807,260	-
Investments	17,642,648	-
Accrued interest	31,511	-
Total current assets	<u>26,802,592</u>	<u>1,731,729</u>
Noncurrent assets:		
Deferred charges	298,763	-
Capital assets not being depreciated	5,617,302	-
Capital assets being depreciated, net	48,257,010	-
Total noncurrent assets	<u>54,173,075</u>	<u>-</u>
Total Assets	<u>80,975,667</u>	<u>1,731,729</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	668,868	153,615
Due to other funds	-	24,639
Customer deposits	435,271	-
Liability for compensated absences	39,970	-
General obligation bonds payable - current	34,750	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	765,000	-
Obligations under capital leases - current	240,000	-
Accrued interest payable	130,535	-
Total current liabilities	<u>2,314,394</u>	<u>178,254</u>
Noncurrent liabilities:		
General obligation bonds payable	212,686	-
Revenue bonds payable	14,107,920	-
Obligations under capital leases	1,145,000	-
Total noncurrent liabilities	<u>15,465,606</u>	<u>-</u>
Total Liabilities	<u>17,780,000</u>	<u>178,254</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	37,368,956	-
Restricted for debt service	1,640,880	-
Restricted for construction	16,710,004	-
Unrestricted	7,475,827	1,553,475
Total Net Assets	<u>\$ 63,195,667</u>	<u>\$ 1,553,475</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 9,498,555	\$ 268,041
Total operating revenues	<u>9,498,555</u>	<u>268,041</u>
<b>OPERATING EXPENSES:</b>		
Personal services	1,222,610	-
Contractual services	4,748,112	1,878,680
Materials and supplies	356,873	-
Operations	103,797	-
Utilities	385,702	-
Depreciation and amortization	1,365,551	-
Total operating expenses	<u>8,182,645</u>	<u>1,878,680</u>
Operating income (loss)	<u>1,315,910</u>	<u>(1,610,639)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Capital recovery fees	1,442,301	-
Interest income	391,330	37,352
Miscellaneous income	115,624	148,477
Paying agent fees	(2,681)	-
Interest expense	(591,951)	-
Total non-operating revenues (expenses)	<u>1,354,623</u>	<u>185,829</u>
Income (loss) before transfers and capital contributions	<u>2,670,533</u>	<u>(1,424,810)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
Capital contributions	1,969,338	-
Transfers in	-	1,463,000
Transfers out	(1,006,400)	-
Total transfers and capital contributions	<u>962,938</u>	<u>1,463,000</u>
Increase in net assets	3,633,471	38,190
Net assets, October 1	<u>59,562,196</u>	<u>1,515,285</u>
Net assets, September 30	<u>\$ 63,195,667</u>	<u>\$ 1,553,475</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 9,160,754	\$ 452,884
Cash paid to employees for services	(1,212,274)	-
Cash paid to suppliers for goods and services	(5,203,454)	(1,932,461)
Net cash provided (used) by operating activities	<u>2,745,026</u>	<u>(1,479,577)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash paid to other funds	(1,052,423)	-
Cash received from other funds	1,151,500	1,333,061
Net cash provided by non-capital financing activities	<u>99,077</u>	<u>1,333,061</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or construction of capital assets	(2,788,255)	-
Capital recovery fees received	1,442,301	-
Bond proceeds received	6,427,903	-
Bond issuance costs paid	(153,245)	-
Principal paid on capital debt	(1,958,631)	-
Interest and fees paid on capital debt	(570,067)	-
Net cash provided by capital and related financing activities	<u>2,400,006</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(27,716,306)	(1,950,000)
Proceeds from sales and maturities of investments	22,084,726	1,924,651
Interest and dividends received	347,119	33,681
Net cash provided (used) by investing activities	<u>(5,284,461)</u>	<u>8,332</u>
Net decrease in cash and cash equivalents	(40,352)	(138,184)
Cash and cash equivalents at beginning of year	1,128,297	273,762
Cash and cash equivalents at end of year	<u>\$ 1,087,945</u>	<u>\$ 135,578</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 1,315,910	\$ (1,610,639)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,365,551	148,477
Miscellaneous income	115,624	-
Decrease (increase) in assets:		
Receivables	(499,509)	36,366
Inventories	(8,061)	-
Increase (decrease) in liabilities:		
Bank overdraft	-	(5,517)
Accounts payable and accrued liabilities	409,610	(48,264)
Customer deposits	46,084	-
Compensated absences	(183)	-
Net cash provided (used) by operating activities	<u>\$ 2,745,026</u>	<u>\$ (1,479,577)</u>
<b>Non-cash investing and financing activities:</b>		
Capital contributions	<u>\$ 1,969,338</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2005

	Agency Fund
	Special Escrow
	Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 71,555
Investments	1,492,750
Accrued interest receivable	2,490
Total assets	\$ 1,566,795
<b>LIABILITIES</b>	
Due to developers	\$ 1,566,795
Total liabilities	\$ 1,566,795

The accompanying notes are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a five-member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities. Stand alone financial statements for REDC as of and for the fiscal year ended September 30, 2005, are not prepared.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2005, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Stand alone financial statements for RTPA as of and for the fiscal year ended September 30, 2005, are not prepared.

The funds of both REDC and RTPA are composed of governmental fund types.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Government-wide and Fund Financial Statements:*

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Equipment Acquisition Fund* accounts for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

The *Harbor/TIF Projects Fund* accounts for revenues and expenditures related to the Tax Increment Financing District and the associated public improvements within the Harbor development.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of general fixed assets.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Assets, liabilities, and net assets or equity*Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Deposits and investments - continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items "a" through "d" above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1<sup>st</sup> by the City based on the January 1<sup>st</sup> property values as assessed by the Rockwall County Central Appraisal District. Taxes are due without penalty until January 31<sup>st</sup> of the next calendar year. After January 31<sup>st</sup> the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 1.25 days per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has ten or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Assets, liabilities, and net assets or equity – continued*

Long-term obligations

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

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

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

## A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During the year ended September 30, 2005, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

A. Budgetary information - continued

6. The City did not adopt budgets for certain special revenue funds. The Drug Grant Fund is used to account for revenues and expenditures relating to federal criminal justice and drug abuse resistance education program grants with a fiscal year which does not coincide with that of the City. This makes any comparison of program expenditures to the grant allocations confusing and misleading. Budgets were also not adopted for the Emergency Siren Fund and the Kidzone Fund.
7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$2,439,065 in the Rockwall Economic Development Corporation. The REDC Board of Directors and the City Council entered into a contract for the construction of an industrial building in the Rockwall Technology Park. At that time the cash flow was estimated over multiple budget periods, as is the practice for capital projects. Ultimately, the current year budget was not sufficient for current year cash flow needs. The expenditures are within contractual limits for the project.

C. Deficit fund equity

The Equipment Acquisition Fund had a deficit fund balance in the amount of \$591,832 at September 30, 2005, as a result of expenditures on the police radio system, for which the City anticipates reimbursement from another governmental entity who may, but is not contractually obligated to, become a partner in the system.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2005, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$617,216, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2005, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

## NOTES TO FINANCIAL STATEMENTS

## 3. DETAILED NOTES ON ALL FUNDS – continued

## A. Deposits and investments – continued

Investments

At September 30, 2005, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-18
<b>Primary Government</b>					
U.S. Treasury bills and notes	\$ 10,864,704	\$ -	\$ 8,888,406	\$ 1,976,298	\$ -
U.S. government agencies:					
Federal Home Loan Bank	27,295,469	-	8,460,217	18,835,252	-
Federal National Mortgage Association	2,474,225	-	-	-	2,474,225
	<u>29,769,694</u>	<u>-</u>	<u>8,460,217</u>	<u>18,835,252</u>	<u>2,474,225</u>
Money market funds	13,278,642	13,278,642	-	-	-
Total primary government	<u>53,913,040</u>	<u>13,278,642</u>	<u>17,348,623</u>	<u>20,811,550</u>	<u>2,474,225</u>
<b>Discretely Presented Component Units</b>					
Rockwall Economic Development Corporation:					
Certificates of deposit	300,000	-	300,000	-	-
Money market funds	4,423,225	4,423,225	-	-	-
Rockwall Technology Park:					
Money market funds	61,871	61,871	-	-	-
Total discretely presented component units	<u>4,785,096</u>	<u>4,485,096</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Total reporting entity	\$ <u>58,698,136</u>	\$ <u>17,763,738</u>	\$ <u>17,648,623</u>	\$ <u>20,811,550</u>	\$ <u>2,474,225</u>

Investments are reported in the statement of net assets as follows:

Governmental activities	28,600,365
Business-type activities	23,819,925
Discretely presented component units:	
Rockwall Economic Development Corporation	4,723,225
Rockwall Technology Park	61,871
Fiduciary funds	1,492,750
	<u>\$ 58,698,136</u>

The City's investments in U.S. Treasury bills and notes are backed by the full faith and credit of the U.S. government. The City's investments in U.S. government agencies are rated AAA by Standard & Poor's or Aaa by Moody's Investors Service. The City's investments in certificates of deposit and money market funds are not rated.

Custodial credit risk for investments is the risk that the City will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2005, the City's investments were entirely insured or registered in the City's name; as a result, the City's investments were not exposed to custodial credit risk.

## NOTES TO FINANCIAL STATEMENTS

## 3. DETAILED NOTES ON ALL FUNDS – continued

## B. Receivables

In the Water and Sewer Fund, accounts receivable and revenues are reported net of uncollectible amounts. For the year ended September 30, 2005, the uncollectible amounts related to accounts receivable totaled \$213,670, and the uncollectible amounts related to revenues of the current period totaled \$42,685.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General Fund	\$ 114,572	\$ -
Debt Service Fund	77,087	-
Assessments receivable not yet due:		
Street Improvements	73,180	-
Grant drawdowns prior to meeting all eligibility requirements	<u>-</u>	<u>35,740</u>
Total deferred revenue for governmental funds	<u>\$ 264,839</u>	<u>\$ 35,740</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2005, was as follows:

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 2,097,819	\$ -	\$ -	\$ -	\$ 2,097,819
Construction in progress	4,934,650	11,777,750	-	(133,873)	16,578,527
Total capital assets not being depreciated	<u>7,032,469</u>	<u>11,777,750</u>	<u>-</u>	<u>(133,873)</u>	<u>18,676,346</u>
Capital assets being depreciated:					
Buildings	9,778,712	272,578	(22,280)	-	10,029,010
Improvements other than buildings	1,515,131	238,667	-	133,873	1,887,671
Machinery and equipment	2,227,543	290,219	-	-	2,517,762
Vehicles	3,105,746	995,004	-	-	4,100,750
Furniture and fixtures	1,709,866	196,108	(148,554)	-	1,757,420
Infrastructure	75,659,123	3,695,176	-	-	79,354,299
Total capital assets being depreciated	<u>93,996,121</u>	<u>5,687,752</u>	<u>(170,834)</u>	<u>133,873</u>	<u>99,646,912</u>
Less accumulated depreciation for:					
Buildings	(1,159,372)	(325,666)	14,110	-	(1,470,928)
Improvements other than buildings	(226,057)	(83,357)	-	-	(309,414)
Machinery and equipment	(1,010,685)	(185,745)	-	-	(1,196,430)
Vehicles	(1,963,154)	(398,815)	-	-	(2,361,969)
Furniture and fixtures	(643,541)	(285,276)	112,254	-	(816,563)
Infrastructure	(26,916,805)	(2,627,405)	-	-	(29,544,210)
Total accumulated depreciation	<u>(31,919,614)</u>	<u>(3,906,264)</u>	<u>126,364</u>	<u>-</u>	<u>(35,699,514)</u>
Total capital assets being depreciated, net	<u>62,076,507</u>	<u>1,781,488</u>	<u>(44,470)</u>	<u>133,873</u>	<u>63,947,398</u>
Governmental activities capital assets, net	<u>\$ 69,108,976</u>	<u>\$ 13,559,238</u>	<u>\$ (44,470)</u>	<u>\$ -</u>	<u>\$ 82,623,744</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ -	\$ -	\$ 799,533
Construction in progress	2,808,383	2,009,386	-	-	4,817,769
Total capital assets not being depreciated	<u>3,607,916</u>	<u>2,009,386</u>	<u>-</u>	<u>-</u>	<u>5,617,302</u>
Capital assets being depreciated:					
Buildings	89,421	-	-	-	89,421
Improvements other than buildings	46,997,088	2,693,135	-	-	49,690,223
Sewage treatment plants and pump station	10,594,237	-	-	-	10,594,237
Machinery and equipment	3,297,709	55,072	-	-	3,352,781
Furniture and fixtures	69,031	-	-	-	69,031
Total capital assets being depreciated	<u>61,047,486</u>	<u>2,748,207</u>	<u>-</u>	<u>-</u>	<u>63,795,693</u>
Less accumulated depreciation for:					
Buildings	(89,421)	-	-	-	(89,421)
Improvements other than buildings	(7,855,349)	(966,873)	-	-	(8,822,222)
Sewage treatment plants and pump station	(3,263,461)	(210,410)	-	-	(3,473,871)
Machinery and equipment	(2,951,137)	(139,274)	-	-	(3,090,411)
Furniture and fixtures	(61,627)	(1,131)	-	-	(62,758)
Total accumulated depreciation	<u>(14,220,995)</u>	<u>(1,317,688)</u>	<u>-</u>	<u>-</u>	<u>(15,538,683)</u>
Total capital assets being depreciated, net	<u>46,826,491</u>	<u>1,430,519</u>	<u>-</u>	<u>-</u>	<u>48,257,010</u>
Business-type activities capital assets, net	<u>\$ 50,434,407</u>	<u>\$ 3,439,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,874,312</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	\$ 414,100
Police	328,503
Fire	239,062
Public works	2,705,780
Parks and recreation	<u>218,819</u>
Total depreciation expense - governmental activities	<u>\$ 3,906,264</u>
Business-type activities:	
Water and sewer	<u>\$ 1,317,688</u>

Construction commitments

The City has active construction projects as of September 30, 2005. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Source of Funding</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities:			
Radio system	Bond proceeds	\$ 2,145,433	\$ 245,673
The Harbor	Bond proceeds	2,386,083	2,014,273
North Lakeshore Drive	Bond proceeds	2,297,310	299,226
Clark Street improvements	Bond proceeds	1,474,205	1,843,820
Other improvements	Various	<u>302,031</u>	<u>60,485</u>
Total governmental activities		<u>8,605,062</u>	<u>4,463,477</u>
Business-type activities:			
Water tower project	Bond proceeds	144,273	29,321
I-30/549 waterline improvements	Bond proceeds	858,041	71,898
Amity Lane sewer	Sewer impact fees	<u>641,500</u>	<u>227,926</u>
Total business-type activities		<u>1,643,814</u>	<u>329,145</u>
Discretely presented component units:			
Phase II construction	Bond proceeds	884,473	609,907
EDC building #2	Interim construction loan	<u>3,498,332</u>	<u>2,994,610</u>
Total discretely presented component units		<u>4,382,805</u>	<u>3,604,517</u>
Total reporting entity		<u>\$ 14,631,681</u>	<u>\$ 8,397,139</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 5,474,574	\$ -	\$ -	\$ 5,474,574
Capital assets being depreciated:					
Furniture and fixtures	58,061	7,421	-	-	65,482
Less accumulated depreciation for:					
Furniture and fixtures	(45,872)	(4,568)	-	-	(50,440)
Total capital assets being depreciated, net	12,189	2,853	-	-	15,042
REDC capital assets, net	<u>\$ 12,189</u>	<u>\$ 5,477,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,489,616</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2005, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 124,839	\$ 40,000
Equipment Acquisition	-	563,377
Harbor/TIF Projects	223,000	-
Nonmajor governmental funds	240,377	200
Internal service funds	40,000	24,639
Total interfund balances	<u>\$ 628,216</u>	<u>\$ 628,216</u>

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. Also, working capital loans are made to the capital projects fund in advance of debt issuances. These are expected to be collected within one year.

## NOTES TO FINANCIAL STATEMENTS

## 3. DETAILED NOTES ON ALL FUNDS – continued

## D. Interfund receivables, payables, and transfers - continued

The composition of interfund transfers for the year ended September 30, 2005, is as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 462,534	\$ 1,728,750
Equipment Acquisition	950,131	-
Harbor/TIF Projects	389,100	-
G.O. Bonds Capital Projects	-	1,334,151
Nonmajor governmental funds	1,157,770	353,234
Water and Sewer Fund	-	1,006,400
Internal service funds	1,463,000	-
Total interfund transfers	<u>\$ 4,422,535</u>	<u>\$ 4,422,535</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations. Included in the transfers are amounts which are the commitment of unrestricted general fund balance to the Harbor/TIF Projects construction fund to be used for project components and to the Recreation Development fund for large park improvements.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2005, is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance 9/30/05</u>
Governmental Activities:					
General obligation bonds:					
Improvements	\$ 7,185,000	1999	2019	4.25%-5.25%	\$ 5,890,000
Improvements	2,150,000	2000	2020	5.00%-6.00%	445,000
Refunding	4,024,394	2003	2015	2.00%-4.00%	3,312,564
Refunding and improvement	13,345,000	2005	2025	3.00%-4.50%	13,345,000
Total general obligation bonds					<u>22,992,564</u>
Contractual obligations:					
Equipment purchase	1,165,000	1999	2014	4.00%-4.80%	<u>345,000</u>
Certificates of obligation:					
Improvements	6,500,000	2000	2020	4.75%-5.75%	1,330,000
Improvements	4,295,000	2002	2012	2.80%-3.80%	2,660,000
Improvements	13,950,000	2005	2025	3.00%-5.00%	13,950,000
Total certificates of obligation					<u>17,940,000</u>
Tax note payable	70,000	1999	2006	5.00%	<u>70,000</u>
Total governmental activities general obligation debt					41,347,564
Business-type Activities:					
General obligation bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	<u>247,436</u>
Total general obligation debt					<u>\$ 41,595,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2006	\$ 2,620,250	\$ 1,748,002	\$ 34,750	\$ 7,830	\$ 4,410,832
2007	2,551,505	1,656,615	28,495	7,135	4,243,750
2008	2,425,462	1,556,511	29,538	6,494	4,018,005
2009	2,385,540	1,456,975	19,460	5,682	3,867,657
2010	1,719,845	1,355,380	20,155	5,098	3,100,478
2011-2015	11,344,962	5,492,990	115,038	14,064	16,967,054
2016-2020	11,185,000	3,000,517	-	-	14,185,517
2021-2025	7,115,000	964,938	-	-	8,079,938
Total	\$ <u>41,347,564</u>	\$ <u>17,231,928</u>	\$ <u>247,436</u>	\$ <u>46,303</u>	\$ <u>58,873,231</u>

Revenue bonds

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding as of September 30, 2005, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/05
Improvements	\$ 3,535,000	1999	2019	4.15%-5.00%	\$ 2,445,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	6,050,000
Refunding and improvement	6,415,000	2005	2025	3.00%-4.50%	<u>6,415,000</u>
					14,910,000
Plus unamortized premium					12,903
Less unamortized discount					<u>(49,983)</u>
Total revenue bonds					\$ <u><u>14,872,920</u></u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Water and Sewer Fund		
	Principal	Interest	Total
2006	\$ 765,000	\$ 635,235	\$ 1,400,235
2007	785,000	606,179	1,391,179
2008	830,000	575,410	1,405,410
2009	860,000	542,595	1,402,595
2010	895,000	507,657	1,402,657
2011-2015	3,885,000	2,033,588	5,918,588
2016-2020	4,115,000	1,182,785	5,297,785
2021-2025	2,775,000	315,064	3,090,064
	14,910,000	\$ 6,398,513	\$ 21,308,513
Plus unamortized premium	12,903		
Less unamortized discount	(49,983)		
Total revenue bonds	\$ 14,872,920		

Advance and current refundings

In September 2005 the City issued \$6,415,000 of revenue refunding and improvement bonds, of which \$1,000,000 was used for a current refunding of \$990,000 of revenue bonds. This refunding was undertaken to reduce total debt service payments by \$47,985 and resulted in an economic gain of \$45,635.

In September 2005 the City issued \$13,345,000 of general obligation refunding and improvement bonds, of which \$6,095,000 was used for an advance refunding. The net proceeds of the refunding bonds were used to purchase U.S. government securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$1,395,000 of Series 2000 general obligation bonds and \$4,235,000 of Series 2000 certificates of obligation. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the City's statement of net assets. These refundings were undertaken to reduce total debt service payments by \$222,858 and resulted in an economic gain of \$191,863. At September 30, 2005, the amount outstanding on the Series 2000 defeased bonds was \$5,630,000.

At September 30, 2005, the amount outstanding on the Series 1995 general obligation bonds, which were advance refunded in December 2003, was \$2,880,000.

## NOTES TO FINANCIAL STATEMENTS

## 3. DETAILED NOTES ON ALL FUNDS – continued

## E. Long-term debt – continued

Capitalized lease obligations

The City has entered into contracts with NTMWD, a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of sewer treatment plants. The contractual obligations have been treated as capitalized lease obligations. Capitalized lease obligations outstanding as of September 30, 2005, are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/05</u>
North Plant Improvements	\$ 1,325,000	1993	2006	Various	\$ 155,000
South Plant Improvements	1,800,000	1996	2016	Various	<u>1,230,000</u>
Total capitalized lease obligations					<u>\$ 1,385,000</u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2005, are as follows:

<u>Year Ending September 30</u>	<u>Total</u>
2006	\$ 309,495
2007	143,045
2008	148,795
2009	149,045
2010	149,045
2011-2015	750,000
2016	<u>152,540</u>
Total minimum lease payments	1,801,965
Less amount representing interest	<u>(416,965)</u>
Present value of minimum lease payments	<u>\$ 1,385,000</u>

## NOTES TO FINANCIAL STATEMENTS

## 3. DETAILED NOTES ON ALL FUNDS – continued

## E. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 11,918,933	\$ 13,345,000	\$ (2,271,369)	\$ 22,992,564	\$ 1,135,250
Contractual obligations	420,000	-	(75,000)	345,000	30,000
Certificates of obligation	9,075,000	13,950,000	(5,085,000)	17,940,000	1,385,000
Total bonds payable	21,413,933	27,295,000	(7,431,369)	41,277,564	2,550,250
Notes payable	70,000	-	-	70,000	70,000
Compensated absences	704,774	567,226	(524,657)	747,343	137,005
Total	<u>\$ 22,188,707</u>	<u>\$ 27,862,226</u>	<u>\$ (7,956,026)</u>	<u>\$ 42,094,907</u>	<u>\$ 2,757,255</u>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 271,067	\$ -	\$ (23,631)	\$ 247,436	\$ 34,750
Revenue bonds	10,035,000	6,415,000	(1,540,000)	14,910,000	765,000
Plus unamortized premium	-	12,903	-	12,903	-
Less unamortized discount	(57,799)	-	7,816	(49,883)	-
Total bonds payable	10,248,268	6,427,903	(1,555,815)	15,120,356	799,750
Capitalized lease obligations	1,780,000	-	(395,000)	1,385,000	240,000
Compensated absences	40,153	52,074	(52,257)	39,970	21,797
Total	<u>\$ 12,068,421</u>	<u>\$ 6,479,977</u>	<u>\$ (2,003,072)</u>	<u>\$ 16,545,326</u>	<u>\$ 1,061,547</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

## NOTES TO FINANCIAL STATEMENTS

## 3. DETAILED NOTES ON ALL FUNDS – continued

## E. Long-term debt – continued

Conduit debt obligations

Certain revenue bonds have been issued in the past to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2005, there was one series of revenue bonds outstanding. The aggregate principal amount payable on the outstanding bonds was \$1,700,000.

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2005:

Year Authorized	Amount Authorized	Amount Issued	Balance Unissued 9/30/05
General obligation bonds:			
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
1998	10,950,000	(8,985,000)	1,965,000
2002	<u>19,843,100</u>	<u>(6,600,000)</u>	<u>13,243,100</u>
Total general obligation bonds	<u>\$ 36,393,100</u>	<u>\$ (19,785,000)</u>	<u>\$ 16,608,100</u>
Revenue bonds:			
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Total revenue bonds	<u>\$ 3,540,000</u>	<u>\$ (1,060,000)</u>	<u>\$ 2,480,000</u>

In a bond election held in November 2005, the City's citizens approved additional general obligation bonds in the amount of \$63,705,000.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2005:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/05</u>
Sales tax revenue bonds:					
Land improvements	\$ 5,000,000	1999	2019	4.20%-6.20%	\$ 4,095,000
Certificates of obligation:					
Land improvements	3,225,000	2005	2025	3.00%-5.00%	3,225,000
Interim construction loan	3,098,220	2005	2009	Variable	<u>3,098,220</u>
Total REDC debt					<u>\$ 10,418,220</u>

Annual debt service requirements to maturity for REDC debt are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 475,000	\$ 532,544	\$ 1,007,544
2007	495,000	511,574	1,006,574
2008	515,000	485,834	1,000,834
2009	3,638,220	381,241	4,019,461
2010	570,000	243,085	813,085
2011-2015	3,260,000	833,812	4,093,812
2016-2019	<u>1,465,000</u>	<u>186,700</u>	<u>1,651,700</u>
Total	<u>\$ 10,418,220</u>	<u>\$ 3,174,790</u>	<u>\$ 13,593,010</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Sales tax revenue bonds	\$ 4,295,000	\$ -	\$ (200,000)	\$ 4,095,000	\$ 210,000
Certificates of obligation	-	<u>3,225,000</u>	-	<u>3,225,000</u>	<u>265,000</u>
Total bonds payable	4,295,000	3,225,000	(200,000)	7,320,000	475,000
Interim construction loan	-	3,098,220	-	3,098,220	-
Compensated absences	<u>8,004</u>	<u>9,359</u>	<u>(8,457)</u>	<u>8,906</u>	<u>2,599</u>
Total	<u>\$ 4,303,004</u>	<u>\$ 6,332,579</u>	<u>\$ (208,457)</u>	<u>\$ 10,427,126</u>	<u>\$ 477,599</u>

4. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$65,000 per covered individual, or approximately \$1,168,872 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2005.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a cap of \$600,000 per year.

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION - continued

A. Risk management - continued

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements. Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Workers' Compensation	
	2005	2004	2005	2004
Claims payable, beginning of the year	\$ 164,921	\$ 193,309	\$ 13,925	\$ 15,554
Claims incurred	1,388,159	1,232,390	35,045	131,433
Claims paid	<u>(1,397,259)</u>	<u>(1,260,778)</u>	<u>(46,610)</u>	<u>(133,062)</u>
Claims payable, end of the year	<u>\$ 155,821</u>	<u>\$ 164,921</u>	<u>\$ 2,360</u>	<u>\$ 13,925</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52<sup>nd</sup> Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

## NOTES TO FINANCIAL STATEMENTS

## 4. OTHER INFORMATION - continued

## B. North Texas Municipal Water District - continued

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2005, is \$1,385,000. See Note 3E for the annual requirements to amortize the bonds as of September 30, 2005.

In August 2005 the District issued \$3,020,000 of Water Facilities Installment Sale Contract Revenue Bonds (the "Facility Bonds") to finance the construction of a 3.0 million gallon per day ground storage reservoir for the joint benefit of the Cities of Rockwall and Heath, Texas. Prior to the completion of the facility, the District retains all ownership of the facility. Upon completion of the facility, which had not occurred as of September 30, 2005, the Cities of Rockwall and Heath will own 66.67% and 33.33% undivided interests, respectively, in the facility. The Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of (1) all principal, interest, and paying agent fees on the Facility Bonds; (2) all payments or deposits required to be made into any special or reserve fund or other account established or maintained by the provisions of the resolution authorizing the Facility Bonds; and (3) all other expenses and costs of the facility that are not payable from the proceeds of the Facility Bonds. While the City anticipates its share of the aforementioned payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

## C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION - continued

C. Contingent liabilities and commitments - continued

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 3E above, the general revenues of the City are contingently liable in the amount of \$247,436 for general obligation bonds which are currently outstanding and recorded as obligations of the Water and Sewer Fund.

The City contracts for solid waste disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2005, these commitments totaled \$1,090,300.

D. Employee retirement systems and pension plans

Texas Municipal Retirement System

Plan Description – The City provides pension benefits for all of its full-time employees (except volunteer firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 801 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 801 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2004 valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Benefits – Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

## NOTES TO FINANCIAL STATEMENTS

## 4. OTHER INFORMATION – continued

## D. Employee retirement systems and pension plans – continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit rate: 7%

Matching Ratio (City to Employee): 2 to 1

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Contributions – Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2004 valuation is effective for rates beginning January 2006.

A schedule of funding progress as of the three most recent actuarial valuation dates is as follows:

	Actuarial Valuation Date		
	12/31/2004	12/31/2003	12/31/2002
Actuarial value of assets (a)	\$ 14,505,752	\$ 14,356,528	\$ 11,949,020
Actuarial accrued liability (AAL) - unit credit (b)	19,508,568	19,724,820	15,905,584
Unfunded (over-funded) AAL (UAAL) (b-a)	5,002,816	5,368,292	3,956,564
Funded ratio (a/b)	74.4%	72.8%	75.1%
Annual covered payroll (c)	9,354,662	8,808,639	7,833,164
UAAL as a percentage of covered payroll ((b-a)/c)	53.5%	60.9%	50.5%

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

A summary of the City's net pension obligation (NPO) and annual required contributions for the last three fiscal years is as follows:

	Fiscal Year Ended September 30		
	2005	2004	2003
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	1,270,547	1,155,023	1,023,494
Contributions made (100%)	<u>(1,270,547)</u>	<u>(1,155,023)</u>	<u>(1,023,494)</u>
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of the actuarial assumptions used is as follows:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7.0%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$35,699 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 39 active participants currently covered by the Fund and payments are being made to eight retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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CITY OF ROCKWALL, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 4,904,000	\$ 4,908,000	\$ 5,057,703	\$ 149,703
Sales taxes	6,875,000	7,173,300	7,232,908	59,608
Franchise taxes	1,610,000	1,689,000	1,715,242	26,242
Charges for services	242,000	252,000	268,125	16,125
Permits	1,431,000	1,561,000	1,613,966	52,966
Municipal court	785,000	735,500	852,851	117,351
Intergovernmental	184,800	184,800	183,284	(1,516)
Interest income	125,000	125,000	118,074	(6,926)
Miscellaneous	53,500	53,500	136,401	82,901
Total revenues	<u>16,210,300</u>	<u>16,682,100</u>	<u>17,178,554</u>	<u>496,454</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor/council	87,800	85,600	78,114	7,486
Administration	2,501,550	2,728,825	2,708,948	19,877
Finance	805,750	824,220	819,131	5,089
Municipal court	282,950	281,750	291,348	(9,598)
Police	5,158,250	5,115,035	5,035,447	79,588
Fire	1,155,800	1,159,420	1,064,419	95,001
Public works	2,080,300	2,088,140	2,023,391	64,749
Community development	1,738,600	1,726,975	1,682,480	44,495
Parks and recreation	1,789,250	1,735,850	1,706,854	28,996
Total current	<u>15,600,250</u>	<u>15,745,815</u>	<u>15,410,132</u>	<u>335,683</u>
<b>Capital outlay:</b>				
Administration	18,200	16,700	16,053	647
Police	1,750	1,750	1,698	52
Fire	35,400	35,400	30,705	4,695
Public works	7,500	7,500	1,176	6,324
Community development	4,100	4,100	519	3,581
Total capital outlay	<u>66,950</u>	<u>65,450</u>	<u>50,151</u>	<u>15,299</u>
Total expenditures	<u>15,667,200</u>	<u>15,811,265</u>	<u>15,460,283</u>	<u>350,982</u>
Excess of revenues over expenditures	<u>543,100</u>	<u>870,835</u>	<u>1,718,271</u>	<u>847,436</u>
<b>Other financing sources (uses):</b>				
Transfers in	466,400	463,400	462,534	(866)
Transfers out	<u>(1,367,600)</u>	<u>(2,195,600)</u>	<u>(1,728,750)</u>	<u>466,850</u>
Total other financing sources (uses)	<u>(901,200)</u>	<u>(1,732,200)</u>	<u>(1,266,216)</u>	<u>465,984</u>
Net change in fund balances	(358,100)	(861,365)	452,055	1,313,420
Fund balances, October 1	<u>6,876,259</u>	<u>6,876,259</u>	<u>6,876,259</u>	<u>-</u>
Fund balances, September 30	<u>\$ 6,518,159</u>	<u>\$ 6,014,894</u>	<u>\$ 7,328,314</u>	<u>\$ 1,313,420</u>

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 600	\$ 800	\$ 825	\$ 25
Interest income	500	500	3,571	3,071
Miscellaneous	3,000	24,000	55,525	31,525
Total revenues	<u>4,100</u>	<u>25,300</u>	<u>59,921</u>	<u>34,621</u>
Expenditures:				
Current:				
Parks and recreation	32,000	19,000	12,745	6,255
Total current	<u>32,000</u>	<u>19,000</u>	<u>12,745</u>	<u>6,255</u>
Capital outlay:				
Parks and recreation	-	152,000	152,869	(869)
Total capital outlay	<u>-</u>	<u>152,000</u>	<u>152,869</u>	<u>(869)</u>
Total expenditures	<u>32,000</u>	<u>171,000</u>	<u>165,614</u>	<u>5,386</u>
Net change in fund balances	(27,900)	(145,700)	(105,693)	40,007
Fund balances, October 1	<u>196,909</u>	<u>196,909</u>	<u>196,909</u>	<u>-</u>
Fund balances, September 30	<u>\$ 169,009</u>	<u>\$ 51,209</u>	<u>\$ 91,216</u>	<u>\$ 40,007</u>

CITY OF ROCKWALL, TEXAS  
POLICE INVESTIGATION FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal court	\$ 50,000	\$ 50,000	\$ 53,783	\$ 3,783
Interest income	350	350	2,161	1,811
Donations	4,000	21,700	26,614	4,914
Total revenues	<u>54,350</u>	<u>72,050</u>	<u>82,558</u>	<u>10,508</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Police	10,200	7,700	7,608	92
Total current	<u>10,200</u>	<u>7,700</u>	<u>7,608</u>	<u>92</u>
<b>Capital outlay:</b>				
Police	2,000	18,500	16,518	1,982
Total capital outlay	<u>2,000</u>	<u>18,500</u>	<u>16,518</u>	<u>1,982</u>
Total expenditures	<u>12,200</u>	<u>26,200</u>	<u>24,126</u>	<u>2,074</u>
Excess of revenues over expenditures	<u>42,150</u>	<u>45,850</u>	<u>58,432</u>	<u>12,582</u>
<b>Other financing sources (uses):</b>				
Transfers out	(18,000)	(15,000)	(14,134)	866
Total other financing sources (uses)	<u>(18,000)</u>	<u>(15,000)</u>	<u>(14,134)</u>	<u>866</u>
Net change in fund balances	24,150	30,850	44,298	13,448
Fund balances, October 1	<u>97,193</u>	<u>97,193</u>	<u>97,193</u>	<u>-</u>
Fund balances, September 30	<u>\$ 121,343</u>	<u>\$ 128,043</u>	<u>\$ 141,491</u>	<u>\$ 13,448</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 85,500	\$ 93,000	\$ 103,427	\$ 10,427
Interest income	750	750	623	(127)
Miscellaneous	100,000	100,000	114,741	14,741
Donations	-	161,000	132,448	(28,552)
Total revenues	<u>186,250</u>	<u>354,750</u>	<u>351,239</u>	<u>(3,511)</u>
Expenditures:				
Current:				
Parks and recreation	30,300	66,850	107,009	(40,159)
Total current	<u>30,300</u>	<u>66,850</u>	<u>107,009</u>	<u>(40,159)</u>
Capital outlay:				
Parks and recreation	500,000	447,600	392,584	55,016
Total capital outlay	<u>500,000</u>	<u>447,600</u>	<u>392,584</u>	<u>55,016</u>
Total expenditures	<u>530,300</u>	<u>514,450</u>	<u>499,593</u>	<u>14,857</u>
Excess of revenues over (under) expenditures	<u>(344,050)</u>	<u>(159,700)</u>	<u>(148,354)</u>	<u>11,346</u>
Other financing sources (uses):				
Transfers in	500,000	547,000	576,474	29,474
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>450,000</u>	<u>497,000</u>	<u>526,474</u>	<u>29,474</u>
Net change in fund balances	105,950	337,300	378,120	40,820
Fund balances, October 1	<u>38,691</u>	<u>38,691</u>	<u>38,691</u>	<u>-</u>
Fund balances, September 30	<u>\$ 144,641</u>	<u>\$ 375,991</u>	<u>\$ 416,811</u>	<u>\$ 40,820</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,000	\$ 1,000	\$ 6,864	\$ 5,864
Miscellaneous	7,900	139,900	160,569	20,669
Total revenues	<u>8,900</u>	<u>140,900</u>	<u>167,433</u>	<u>26,533</u>
Expenditures:				
Capital outlay:				
Public works	313,000	36,887	36,887	-
Total expenditures	<u>313,000</u>	<u>36,887</u>	<u>36,887</u>	<u>-</u>
Net change in fund balances	(304,100)	104,013	130,546	26,533
Fund balances, October 1	<u>456,442</u>	<u>456,442</u>	<u>456,442</u>	<u>-</u>
Fund balances, September 30	<u>\$ 152,342</u>	<u>\$ 560,455</u>	<u>\$ 586,988</u>	<u>\$ 26,533</u>

CITY OF ROCKWALL, TEXAS  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 140,500	\$ 140,500	\$ 146,933	\$ 6,433
Interest income	500	500	829	329
Total revenues	<u>141,000</u>	<u>141,000</u>	<u>147,762</u>	<u>6,762</u>
Expenditures:				
Current:				
Finance	114,100	133,677	133,677	-
Total expenditures	<u>114,100</u>	<u>133,677</u>	<u>133,677</u>	<u>-</u>
Net change in fund balances	26,900	7,323	14,085	6,762
Fund balances, October 1	<u>79,326</u>	<u>79,326</u>	<u>79,326</u>	<u>-</u>
Fund balances, September 30	<u>\$ 106,226</u>	<u>\$ 86,649</u>	<u>\$ 93,411</u>	<u>\$ 6,762</u>

CITY OF ROCKWALL, TEXAS  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 65,000	\$ 78,000	\$ 78,000	\$ -
Interest income	1,000	1,000	2,478	1,478
Miscellaneous		3,500	10,494	6,994
Donations	-	1,000	1,500	500
Total revenues	<u>66,000</u>	<u>83,500</u>	<u>92,472</u>	<u>8,972</u>
Expenditures:				
Current:				
Fire	<u>10,000</u>	<u>10,000</u>	<u>11,008</u>	<u>(1,008)</u>
Total current	<u>10,000</u>	<u>10,000</u>	<u>11,008</u>	<u>(1,008)</u>
Capital outlay:				
Fire	<u>135,200</u>	<u>135,200</u>	<u>111,313</u>	<u>23,887</u>
Total capital outlay	<u>135,200</u>	<u>135,200</u>	<u>111,313</u>	<u>23,887</u>
Total expenditures	<u>145,200</u>	<u>145,200</u>	<u>122,321</u>	<u>22,879</u>
Net change in fund balances	(79,200)	(61,700)	(29,849)	31,851
Fund balances, October 1	<u>102,086</u>	<u>102,086</u>	<u>102,086</u>	<u>-</u>
Fund balances, September 30	<u>\$ 22,886</u>	<u>\$ 40,386</u>	<u>\$ 72,237</u>	<u>\$ 31,851</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 400	\$ 400	\$ 1,098	\$ 698
Miscellaneous	8,500	8,500	8,403	(97)
Total revenues	<u>8,900</u>	<u>8,900</u>	<u>9,501</u>	<u>601</u>
Expenditures:				
Current:				
Public works	54,700	44,600	26,345	18,255
Total expenditures	<u>54,700</u>	<u>44,600</u>	<u>26,345</u>	<u>18,255</u>
Excess of revenues over (under) expenditures	<u>(45,800)</u>	<u>(35,700)</u>	<u>(16,844)</u>	<u>18,856</u>
Other financing sources:				
Transfers in	5,000	23,000	23,000	-
Total other financing sources	<u>5,000</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
Net change in fund balances	(40,800)	(12,700)	6,156	18,856
Fund balances, October 1	<u>39,938</u>	<u>39,938</u>	<u>39,938</u>	<u>-</u>
Fund balances, September 30	<u>\$ (862)</u>	<u>\$ 27,238</u>	<u>\$ 46,094</u>	<u>\$ 18,856</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 100	\$ 100	\$ 192	\$ 92
Miscellaneous	8,500	8,500	9,101	601
Total revenues	<u>8,600</u>	<u>8,600</u>	<u>9,293</u>	<u>693</u>
Expenditures:				
Current:				
Public works	8,000	8,000	341	7,659
Total expenditures	<u>8,000</u>	<u>8,000</u>	<u>341</u>	<u>7,659</u>
Net change in fund balances	600	600	8,952	8,352
Fund balances, October 1	<u>17,667</u>	<u>17,667</u>	<u>17,667</u>	<u>-</u>
Fund balances, September 30	<u>\$ 18,267</u>	<u>\$ 18,267</u>	<u>\$ 26,619</u>	<u>\$ 8,352</u>

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***COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES  
AS SUPPLEMENTARY INFORMATION***

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CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2005

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-3)</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 702,355	\$ 8,452	\$ 710,807
Investments	1,365,288	1,426,537	2,791,825
Receivables (net of allowances for uncollectibles):			
Interest	749	631	1,380
Accounts	41,536	-	41,536
Assessments	73,180	-	73,180
Intergovernmental	38,242	65,134	103,376
Other	789	-	789
Due from other funds	<u>-</u>	<u>240,377</u>	<u>240,377</u>
 Total assets	 <u>\$ 2,222,139</u>	 <u>\$ 1,741,131</u>	 <u>\$ 3,963,270</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 66,609	\$ 7,324	\$ 73,933
Deferred revenue	108,920	-	108,920
Due to other funds	200	-	200
Total liabilities	<u>175,729</u>	<u>7,324</u>	<u>183,053</u>
 <b>Fund balances:</b>			
Unreserved, undesignated	<u>2,046,410</u>	<u>1,733,807</u>	<u>3,780,217</u>
Total fund balances	<u>2,046,410</u>	<u>1,733,807</u>	<u>3,780,217</u>
 Total liabilities and fund balances	 <u>\$ 2,222,139</u>	 <u>\$ 1,741,131</u>	 <u>\$ 3,963,270</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Sales taxes	\$ 146,933	\$ -	\$ 146,933
Permits	104,252	-	104,252
Municipal court	53,783	-	53,783
Intergovernmental	800,941	-	800,941
Interest income	18,982	21,317	40,299
Miscellaneous	907,082	-	907,082
Donations	163,635	-	163,635
Total revenues	<u>2,195,608</u>	<u>21,317</u>	<u>2,216,925</u>
Expenditures:			
Current:			
Finance	133,677	-	133,677
Police	1,034,864	-	1,034,864
Fire	11,008	-	11,008
Public works	26,686	-	26,686
Parks and recreation	119,754	-	119,754
Total current	<u>1,325,989</u>	<u>-</u>	<u>1,325,989</u>
Capital outlay:			
Administration	-	346,748	346,748
Police	16,518	-	16,518
Fire	111,313	-	111,313
Public works	36,887	16,484	53,371
Parks and recreation	552,188	-	552,188
Total capital outlay	<u>716,906</u>	<u>363,232</u>	<u>1,080,138</u>
Total expenditures	<u>2,042,895</u>	<u>363,232</u>	<u>2,406,127</u>
Excess of revenues over (under) expenditures	<u>152,713</u>	<u>(341,915)</u>	<u>(189,202)</u>
Other financing sources (uses):			
Transfers in	599,474	558,296	1,157,770
Transfers out	(64,134)	(289,100)	(353,234)
Total other financing sources (uses)	<u>535,340</u>	<u>269,196</u>	<u>804,536</u>
Net change in fund balances	688,053	(72,719)	615,334
Fund balances, October 1	<u>1,358,357</u>	<u>1,806,526</u>	<u>3,164,883</u>
Fund balances, September 30	<u>\$ 2,046,410</u>	<u>\$ 1,733,807</u>	<u>\$ 3,780,217</u>

## *SPECIAL REVENUE FUNDS*

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation – established to account for donations, court security fees, and forfeitures.

Recreational Development – established to account for the annual lease income from marinas and golf course.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Motel Tax – established to account for the annual income from hotel motel taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Kidzone – established to account for revenues and expenditures related to a joint project with the Rockwall Breakfast Rotary and Kiwanis clubs to construct a playground.

Drug Grant – established to account for revenues and expenditures related to a multi-jurisdictional drug task force.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2005

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Street Improvements</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,807	\$ 23,073	\$ 15,072	\$ 19,928
Investments	77,409	118,418	429,369	566,311
Receivables (net of allowances for uncollectibles):				
Interest	-	-	-	749
Accounts	-	-	-	-
Assessments	-	-	-	73,180
Intergovernmental	-	-	-	-
Other	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 91,216</u>	<u>\$ 141,491</u>	<u>\$ 444,441</u>	<u>\$ 660,168</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 27,630	\$ -
Deferred revenue	-	-	-	73,180
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>27,630</u>	<u>73,180</u>
 Fund balances:				
Unreserved, undesignated	<u>91,216</u>	<u>141,491</u>	<u>416,811</u>	<u>586,988</u>
Total fund balances	<u>91,216</u>	<u>141,491</u>	<u>416,811</u>	<u>586,988</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 91,216</u>	<u>\$ 141,491</u>	<u>\$ 444,441</u>	<u>\$ 660,168</u>

	Hotel Motel Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Kidzone	Drug Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$	11,050	\$ 19,171	\$ 86	\$ 9,855	\$ 1,862	\$ 4,008	\$ 584,443	\$ 702,355
	42,868	58,263	46,197	15,975	10,478	-	-	1,365,288
	-	-	-	-	-	-	-	749
	39,493	2,043	-	-	-	-	-	41,536
	-	-	-	-	-	-	-	73,180
	-	-	-	-	-	-	38,242	38,242
	-	-	-	789	-	-	-	789
\$	<u>93,411</u>	<u>\$ 79,477</u>	<u>\$ 46,283</u>	<u>\$ 26,619</u>	<u>\$ 12,340</u>	<u>\$ 4,008</u>	<u>\$ 622,685</u>	<u>\$ 2,222,139</u>
\$	-	\$ 7,240	\$ 189	\$ -	\$ -	\$ -	\$ 31,550	\$ 66,609
	-	-	-	-	-	-	35,740	108,920
	-	-	-	-	-	-	200	200
	-	7,240	189	-	-	-	67,490	175,729
	<u>93,411</u>	<u>72,237</u>	<u>46,094</u>	<u>26,619</u>	<u>12,340</u>	<u>4,008</u>	<u>555,195</u>	<u>2,046,410</u>
	<u>93,411</u>	<u>72,237</u>	<u>46,094</u>	<u>26,619</u>	<u>12,340</u>	<u>4,008</u>	<u>555,195</u>	<u>2,046,410</u>
\$	<u>93,411</u>	<u>\$ 79,477</u>	<u>\$ 46,283</u>	<u>\$ 26,619</u>	<u>\$ 12,340</u>	<u>\$ 4,008</u>	<u>\$ 622,685</u>	<u>\$ 2,222,139</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Street Improvements</u>
<b>Revenues:</b>				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Permits	825	-	103,427	-
Municipal court	-	53,783	-	-
Intergovernmental	-	-	-	-
Interest income	3,571	2,161	623	6,864
Miscellaneous	55,525	-	114,741	160,569
Donations	-	26,614	132,448	-
Total revenues	<u>59,921</u>	<u>82,558</u>	<u>351,239</u>	<u>167,433</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Finance	-	-	-	-
Police	-	7,608	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Parks and recreation	12,745	-	107,009	-
Total current	<u>12,745</u>	<u>7,608</u>	<u>107,009</u>	<u>-</u>
<b>Capital outlay:</b>				
Police	-	16,518	-	-
Fire	-	-	-	-
Public works	-	-	-	36,887
Parks and recreation	152,869	-	392,584	-
Total capital outlay	<u>152,869</u>	<u>16,518</u>	<u>392,584</u>	<u>36,887</u>
Total expenditures	<u>165,614</u>	<u>24,126</u>	<u>499,593</u>	<u>36,887</u>
Excess of revenues over (under) expenditures	<u>(105,693)</u>	<u>58,432</u>	<u>(148,354)</u>	<u>130,546</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	576,474	-
Transfers out	-	(14,134)	(50,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(14,134)</u>	<u>526,474</u>	<u>-</u>
Net change in fund balances	(105,693)	44,298	378,120	130,546
Fund balances, October 1	<u>196,909</u>	<u>97,193</u>	<u>38,691</u>	<u>456,442</u>
Fund balances, September 30	<u>\$ 91,216</u>	<u>\$ 141,491</u>	<u>\$ 416,811</u>	<u>\$ 586,988</u>

								Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<u>Hotel Motel Tax</u>	<u>Fire Equipment</u>	<u>Aviation</u>	<u>Recycling</u>	<u>Emergency Siren</u>	<u>Kidzone</u>	<u>Drug Grant</u>		
\$ 146,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,933
-	-	-	-	-	-	-	-	104,252
-	-	-	-	-	-	-	-	53,783
-	78,000	-	-	-	-	722,941	-	800,941
829	2,478	1,098	192	203	-	963	-	18,982
-	10,494	8,403	9,101	3,495	-	544,754	-	907,082
-	1,500	-	-	-	3,073	-	-	163,635
<u>147,762</u>	<u>92,472</u>	<u>9,501</u>	<u>9,293</u>	<u>3,698</u>	<u>3,073</u>	<u>1,268,658</u>		<u>2,195,608</u>
133,677	-	-	-	-	-	-	-	133,677
-	-	-	-	-	-	1,027,256	-	1,034,864
-	11,008	-	-	-	-	-	-	11,008
-	-	26,345	341	-	-	-	-	26,686
-	-	-	-	-	-	-	-	119,754
<u>133,677</u>	<u>11,008</u>	<u>26,345</u>	<u>341</u>	<u>-</u>	<u>-</u>	<u>1,027,256</u>		<u>1,325,989</u>
-	-	-	-	-	-	-	-	16,518
-	111,313	-	-	-	-	-	-	111,313
-	-	-	-	-	-	-	-	36,887
-	-	-	-	-	6,735	-	-	552,188
-	<u>111,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,735</u>	<u>-</u>	<u>-</u>	<u>716,906</u>
<u>133,677</u>	<u>122,321</u>	<u>26,345</u>	<u>341</u>	<u>-</u>	<u>6,735</u>	<u>1,027,256</u>		<u>2,042,895</u>
<u>14,085</u>	<u>(29,849)</u>	<u>(16,844)</u>	<u>8,952</u>	<u>3,698</u>	<u>(3,662)</u>	<u>241,402</u>		<u>152,713</u>
-	-	23,000	-	-	-	-	-	599,474
-	-	-	-	-	-	-	-	(64,134)
-	-	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535,340</u>
14,085	(29,849)	6,156	8,952	3,698	(3,662)	241,402	-	688,053
<u>79,326</u>	<u>102,086</u>	<u>39,938</u>	<u>17,667</u>	<u>8,642</u>	<u>7,670</u>	<u>313,793</u>		<u>1,358,357</u>
<u>\$ 93,411</u>	<u>\$ 72,237</u>	<u>\$ 46,094</u>	<u>\$ 26,619</u>	<u>\$ 12,340</u>	<u>4,008</u>	<u>\$ 555,195</u>		<u>\$ 2,046,410</u>

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***DEBT SERVICE FUND***

**The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.**

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CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 3,093,100	\$ 3,178,500	\$ 3,082,422	\$ (96,078)
Interest income	15,000	20,000	31,813	11,813
Total revenues	<u>3,108,100</u>	<u>3,198,500</u>	<u>3,114,235</u>	<u>(84,265)</u>
<b>Expenditures:</b>				
<b>Debt service:</b>				
Principal	1,840,000	1,840,000	1,801,369	38,631
Interest	1,160,250	1,160,250	977,878	182,372
Bond issuance costs	-	-	163,724	(163,724)
Fiscal charges	9,900	9,900	5,063	4,837
Total expenditures	<u>3,010,150</u>	<u>3,010,150</u>	<u>2,948,034</u>	<u>62,116</u>
Excess of revenues over expenditures	<u>97,950</u>	<u>188,350</u>	<u>166,201</u>	<u>(22,149)</u>
<b>Other financing sources (uses):</b>				
Proceeds from refunding bonds issued	-	-	6,192,134	6,192,134
Proceeds from accrued bond interest	-	-	129,913	129,913
Payment to refunded bond escrow agent	-	-	(6,027,109)	(6,027,109)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>294,938</u>	<u>294,938</u>
Net change in fund balances	97,950	188,350	461,139	272,789
Fund balances, October 1	<u>694,758</u>	<u>694,758</u>	<u>694,758</u>	<u>-</u>
Fund balances, September 30	<u>\$ 792,708</u>	<u>\$ 883,108</u>	<u>\$ 1,155,897</u>	<u>\$ 272,789</u>

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## *CAPITAL PROJECTS FUNDS*

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

Harbor/TIF Projects – established to account for revenues and expenditures related to the Tax Increment Financing District and the associated public improvements within the Harbor development.

G.O. Bonds Capital Projects – established to account for equipment acquisition and street and drainage projects using proceeds from the issuance of bonds.

Ralph Hall Parkway Capital Improvements – established to account for the construction of the recently completed Ralph M. Hall Parkway.

1995 G.O. Bonds Capital Improvements – established to account for street and drainage improvements, road improvements, and expansion of the City's service center using proceeds of the 1995 General Obligation Bond Issue.

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CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2005

	<u>Capital Projects</u>	<u>Ralph Hall Parkway Capital Improvements</u>	<u>1995 G.O.- Bonds Capital Improvements</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 846	\$ 305	\$ 7,301	\$ 8,452
Investments	1,364,848	-	61,689	1,426,537
Receivables (net of allowances for uncollectibles):				
Interest	631	-	-	631
Intergovernmental	-	-	65,134	65,134
Due from other funds	<u>240,377</u>	<u>-</u>	<u>-</u>	<u>240,377</u>
 Total assets	 <u>\$ 1,606,702</u>	 <u>\$ 305</u>	 <u>\$ 134,124</u>	 <u>\$ 1,741,131</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 7,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,324</u>
Total liabilities	<u>7,324</u>	<u>-</u>	<u>-</u>	<u>7,324</u>
 Fund balances:				
Unreserved, undesignated	<u>1,599,378</u>	<u>305</u>	<u>134,124</u>	<u>1,733,807</u>
Total fund balances	<u>1,599,378</u>	<u>305</u>	<u>134,124</u>	<u>1,733,807</u>
 Total liabilities and fund balances	 <u>\$ 1,606,702</u>	 <u>\$ 305</u>	 <u>\$ 134,124</u>	 <u>\$ 1,741,131</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Capital Projects	Ralph Hall Parkway Capital Improvements	1995 G.O. Bonds Capital Improvements	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Interest income	\$ 20,354	\$ -	\$ 963	\$ 21,317
Total revenues	<u>20,354</u>	<u>-</u>	<u>963</u>	<u>21,317</u>
Expenditures:				
Capital outlay:				
Administration	346,748	-	-	346,748
Public works	16,484	-	-	16,484
Total expenditures	<u>363,232</u>	<u>-</u>	<u>-</u>	<u>363,232</u>
Excess of revenues over (under) expenditures	<u>(342,878)</u>	<u>-</u>	<u>963</u>	<u>(341,915)</u>
Other financing sources (uses):				
Transfers in	558,296	-	-	558,296
Transfers out	(289,100)	-	-	(289,100)
Total other financing sources (uses)	<u>269,196</u>	<u>-</u>	<u>-</u>	<u>269,196</u>
Net change in fund balances	(73,682)	-	963	(72,719)
Fund balances, October 1	<u>1,673,060</u>	<u>305</u>	<u>133,161</u>	<u>1,806,526</u>
Fund balances, September 30	<u>\$ 1,599,378</u>	<u>\$ 305</u>	<u>\$ 134,124</u>	<u>\$ 1,733,807</u>

### *INTERNAL SERVICE FUNDS*

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

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CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2005

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 26,290	\$ 109,288	\$ 135,578
Investments	177,643	1,373,429	1,551,072
Receivables (net of allowances for uncollectibles):			
Interest	885	3,691	4,576
Accounts	503	-	503
Due from other funds	40,000	-	40,000
Total current assets	<u>245,321</u>	<u>1,486,408</u>	<u>1,731,729</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	150,587	3,028	153,615
Due to other funds	24,639	-	24,639
Total current liabilities	<u>175,226</u>	<u>3,028</u>	<u>178,254</u>
<b>NET ASSETS</b>			
Unrestricted	<u>70,095</u>	<u>1,483,380</u>	<u>1,553,475</u>
Total Net Assets	<u>\$ 70,095</u>	<u>\$ 1,483,380</u>	<u>\$ 1,553,475</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 268,041	\$ -	\$ 268,041
Total operating revenues	<u>268,041</u>	<u>-</u>	<u>268,041</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	1,685,661	193,019	1,878,680
Total operating expenses	<u>1,685,661</u>	<u>193,019</u>	<u>1,878,680</u>
Operating loss	<u>(1,417,620)</u>	<u>(193,019)</u>	<u>(1,610,639)</u>
<b>NON-OPERATING REVENUES:</b>			
Interest income	10,263	27,089	37,352
Miscellaneous income	123,823	24,654	148,477
Total non-operating revenues	<u>134,086</u>	<u>51,743</u>	<u>185,829</u>
Loss before transfers and capital contributions	<u>(1,283,534)</u>	<u>(141,276)</u>	<u>(1,424,810)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Transfers in	1,433,000	30,000	1,463,000
Total transfers and capital contributions	<u>1,433,000</u>	<u>30,000</u>	<u>1,463,000</u>
Increase (decrease) in net assets	149,466	(111,276)	38,190
Net assets, October 1	<u>(79,371)</u>	<u>1,594,656</u>	<u>1,515,285</u>
Net assets, September 30	<u>\$ 70,095</u>	<u>\$ 1,483,380</u>	<u>\$ 1,553,475</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	Total Internal Service Funds (See Exhibit A-9)
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 428,230	\$ 24,654	\$ 452,884
Cash paid to suppliers for goods and services	<u>(1,727,980)</u>	<u>(204,481)</u>	<u>(1,932,461)</u>
Net cash used by operating activities	<u>(1,299,750)</u>	<u>(179,827)</u>	<u>(1,479,577)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash received from other funds	<u>1,303,061</u>	<u>30,000</u>	<u>1,333,061</u>
Net cash provided by non-capital financing activities	<u>1,303,061</u>	<u>30,000</u>	<u>1,333,061</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	(800,000)	(1,150,000)	(1,950,000)
Proceeds from sales and maturities of investments	784,651	1,140,000	1,924,651
Interest and dividends received	34	33,647	33,681
Net cash provided (used) by investing activities	<u>(15,315)</u>	<u>23,647</u>	<u>8,332</u>
Net decrease in cash and cash equivalents	(12,004)	(126,180)	(138,184)
Cash and cash equivalents at beginning of year	<u>38,294</u>	<u>235,468</u>	<u>273,762</u>
Cash and cash equivalents at end of year	<u>\$ 26,290</u>	<u>\$ 109,288</u>	<u>\$ 135,578</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (1,417,620)	\$ (193,019)	\$ (1,610,639)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	123,823	24,654	148,477
Decrease (increase) in assets:			
Receivables	36,366	-	36,366
Increase (decrease) in liabilities:			
Bank overdraft	(5,517)	-	(5,517)
Accounts payable and accrued liabilities	<u>(36,802)</u>	<u>(11,462)</u>	<u>(48,264)</u>
Net cash used by operating activities	<u>\$ (1,299,750)</u>	<u>\$ (179,827)</u>	<u>\$ (1,479,577)</u>

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### ***AGENCY FUND***

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

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CITY OF ROCKWALL, TEXAS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 SPECIAL ESCROW AGENCY FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2005</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 210,007	\$ 1,350,071	\$ 1,488,523	\$ 71,555
Investments	1,377,508	1,373,417	1,258,175	1,492,750
Accrued interest receivable	<u>3,393</u>	<u>2,490</u>	<u>3,393</u>	<u>2,490</u>
 Total assets	 <u>\$ 1,590,908</u>	 <u>\$ 2,725,978</u>	 <u>\$ 2,750,091</u>	 <u>\$ 1,566,795</u>
 <b>LIABILITIES</b>				
Due to developers	<u>\$ 1,590,908</u>	<u>\$ 114,410</u>	<u>\$ 138,523</u>	<u>\$ 1,566,795</u>
 Total liabilities	 <u>\$ 1,590,908</u>	 <u>\$ 114,410</u>	 <u>\$ 138,523</u>	 <u>\$ 1,566,795</u>

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***DISCRETELY PRESENTED COMPONENT UNITS***

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.**

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CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNITS  
SEPTEMBER 30, 2005

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 28,250	\$ 9,241
Investments	4,723,225	61,871
Receivables (net of allowances for uncollectibles):		
Accounts	1,525	2,590
Intergovernmental	435,598	-
Due from primary government	-	7,000
Inventory	<u>6,457,669</u>	<u>-</u>
 Total assets	 <u>\$ 11,646,267</u>	 <u>\$ 80,702</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ <u>1,868,304</u>	\$ <u>30,668</u>
Total liabilities	<u>1,868,304</u>	<u>30,668</u>
Fund balances:		
Reserved for inventory	6,457,669	-
Unreserved, undesignated	<u>3,320,294</u>	<u>50,034</u>
Total fund balances	<u>9,777,963</u>	<u>50,034</u>
 Total liabilities and fund balances	 <u>\$ 11,646,267</u>	 <u>\$ 80,702</u>

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2005

	Rockwall Economic Development Corporation	Rockwall Technology Park
	<u>                    </u>	<u>                    </u>
Total fund balances - discretely presented component units	\$ 9,777,963	\$ 50,034
Amounts reported for discretely presented component units in the statement of net assets are different because:		
The following assets are not current financial resources and are not reported in the component units balance sheet:		
Capital assets used by component units (net of accumulated depreciation of \$50,440)	5,489,616	-
Costs of bonds issued to finance component units (net of accumulated amortization of \$21,254)	90,857	-
The following liabilities are not due in the current period and are not reported in the component units balance sheet:		
Compensated absences	(8,906)	-
Bonds payable	(7,320,000)	-
Interim construction loan	(3,098,220)	-
Accrued interest payable	<u>(56,484)</u>	<u>-</u>
Net assets of discretely presented component units	<u>\$ 4,874,826</u>	<u>\$ 50,034</u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Rockwall Economic Development Corporation	Rockwall Technology Park
Revenues:		
Sales taxes	\$ 2,387,110	\$ -
Charges for services	-	79,593
Interest income	118,306	1,560
Miscellaneous	467,467	-
Total revenues	<u>2,972,883</u>	<u>81,153</u>
Expenditures:		
Current:		
Administration	2,739,027	106,960
Total current	<u>2,739,027</u>	<u>106,960</u>
Capital outlay:		
Administration	5,483,265	-
Total capital outlay	<u>5,483,265</u>	<u>-</u>
Debt service:		
Principal	200,000	-
Interest	236,126	-
Bond issuance costs	49,726	-
Fiscal charges	3,321	-
Total debt service	<u>489,173</u>	<u>-</u>
Total expenditures	<u>8,711,465</u>	<u>106,960</u>
Excess of revenues over (under) expenditures	<u>(5,738,582)</u>	<u>(25,807)</u>
Other financing sources:		
Bonds issued	3,225,000	-
Premium on bonds issued	144,932	-
Interim construction loan	3,098,220	-
Total other financing sources	<u>6,468,152</u>	<u>-</u>
Net change in fund balances	729,570	(25,807)
Fund balances, October 1	<u>9,048,393</u>	<u>75,841</u>
Fund balances, September 30	<u>\$ 9,777,963</u>	<u>\$ 50,034</u>

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
 COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Net change in fund balances - discretely presented component units	\$ 729,570	\$ (25,807)
Amounts reported for discretely presented component units in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$5,481,995) exceeded depreciation (\$4,568) in the current period.	5,477,427	-
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount by which debt issuance costs (\$49,726) exceeded amortization (\$4,009) in the current period.	45,717	-
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	(20,692)	-
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$6,323,220) exceeded repayments (\$200,000) in the current period.	(6,123,220)	-
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	<u>(902)</u>	<u>-</u>
Change in net assets of discretely presented component units	<u>\$ 107,900</u>	<u>\$ (25,807)</u>

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales taxes	\$ 2,200,000	\$ 2,318,000	\$ 2,387,110	\$ 69,110
Interest income	20,000	20,000	118,306	98,306
Miscellaneous	623,976	703,626	467,467	(236,159)
Total revenues	<u>2,843,976</u>	<u>3,041,626</u>	<u>2,972,883</u>	<u>(68,743)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	2,742,050	2,999,150	2,739,027	260,123
Total current	<u>2,742,050</u>	<u>2,999,150</u>	<u>2,739,027</u>	<u>260,123</u>
<b>Capital outlay:</b>				
Administration	5,110,500	2,824,750	5,483,265	(2,658,515)
Total capital outlay	<u>5,110,500</u>	<u>2,824,750</u>	<u>5,483,265</u>	<u>(2,658,515)</u>
<b>Debt service:</b>				
Principal	200,000	200,000	200,000	-
Interest	304,900	245,000	236,126	8,874
Bond issuance costs	-	-	49,726	(49,726)
Fiscal charges	3,500	3,500	3,321	179
Total debt service	<u>508,400</u>	<u>448,500</u>	<u>489,173</u>	<u>(40,673)</u>
Total expenditures	<u>8,360,950</u>	<u>6,272,400</u>	<u>8,711,465</u>	<u>(2,439,065)</u>
Excess of revenues over (under) expenditures	<u>(5,516,974)</u>	<u>(3,230,774)</u>	<u>(5,738,582)</u>	<u>(2,507,808)</u>
<b>Other financing sources:</b>				
Bonds issued	-	3,325,000	3,225,000	(100,000)
Premium on bonds issued	-	-	144,932	144,932
Interim construction loan	4,622,000	2,289,250	3,098,220	808,970
Total other financing sources	<u>4,622,000</u>	<u>5,614,250</u>	<u>6,468,152</u>	<u>853,902</u>
Net change in fund balances	(894,974)	2,383,476	729,570	(1,653,906)
Fund balances, October 1	<u>9,048,393</u>	<u>9,048,393</u>	<u>9,048,393</u>	<u>-</u>
Fund balances, September 30	<u>\$ 8,153,419</u>	<u>\$ 11,431,869</u>	<u>\$ 9,777,963</u>	<u>\$ (1,653,906)</u>

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***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS***

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CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Governmental funds capital assets:		
Land	\$ 2,097,819	\$ 2,097,819
Buildings	10,029,010	9,778,712
Improvements other than buildings	1,887,671	1,515,131
Machinery and equipment	2,517,762	2,227,543
Vehicles	4,100,750	3,105,746
Furniture and fixtures	1,757,420	1,709,866
Infrastructure	79,354,299	75,659,123
Construction in progress	<u>16,578,527</u>	<u>4,934,650</u>
Total governmental funds capital assets	<u>\$ 118,323,258</u>	<u>\$ 101,028,590</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 26,506,421	\$ 21,331,096
General government	34,022,577	25,801,728
Grants and entitlements	1,319,028	1,115,710
Developer contributions	<u>56,475,232</u>	<u>52,780,056</u>
Total investments in governmental funds capital assets	<u>\$ 118,323,258</u>	<u>\$ 101,028,590</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2005

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>
General government	\$ 1,225,684	\$ 3,575,450	\$ 374,935
Public works	273,803	171,724	-
Public safety	81,713	2,247,825	12,802
Recreation/development	516,619	2,076,600	1,499,934
Fire equipment	-	1,957,411	-
Total governmental funds capital assets	<u>\$ 2,097,819</u>	<u>\$ 10,029,010</u>	<u>\$ 1,887,671</u>

<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 90,516	\$ 403,931	\$ 1,433,306	\$ -	\$ 5,068,463	\$ 12,172,285
515,296	509,082	15,370	79,354,299	9,690,525	90,530,099
342,324	1,282,904	256,696	-	1,605,891	5,830,155
838,695	299,472	29,074	-	135,575	5,395,969
<u>730,931</u>	<u>1,605,361</u>	<u>22,974</u>	<u>-</u>	<u>78,073</u>	<u>4,394,750</u>
<u>\$ 2,517,762</u>	<u>\$ 4,100,750</u>	<u>\$ 1,757,420</u>	<u>\$ 79,354,299</u>	<u>\$ 16,578,527</u>	<u>\$ 118,323,258</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Function and Activity</u>	<u>Balance 10/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/05</u>
General government	\$ 11,702,341	\$ 747,088	\$ (148,554)	\$ (128,590)	\$ 12,172,285
Public works	77,064,277	13,465,822	-	-	90,530,099
Public safety	3,956,820	1,873,335	-	-	5,830,155
Recreation/development	4,799,152	490,507	(22,280)	128,590	5,395,969
Fire equipment	<u>3,506,000</u>	<u>888,750</u>	<u>-</u>	<u>-</u>	<u>4,394,750</u>
Total governmental funds capital assets	<u>\$ 101,028,590</u>	<u>\$ 17,465,502</u>	<u>\$ (170,834)</u>	<u>\$ -</u>	<u>\$ 118,323,258</u>

CITY OF ROCKWALL, TEXAS  
 GOVERNMENT-WIDE EXPENSES BY FUNCTION (1)  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 1

Fiscal Year	General Government (2)	Public Safety (3)	Public Works	Other (4)	Interest on Long-term Debt	Water and Sewer	Total
1996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1997	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-
2003	4,638,734	6,412,679	3,961,797	1,929,506	1,244,127	6,436,878	24,623,721
2004	6,963,690	8,393,210	6,155,726	3,816,807	1,277,825	7,061,272	33,668,530
2005	6,236,416	7,516,921	4,753,190	4,009,952	1,136,584	8,777,277	32,430,340

Notes:

- (1) The City converted to the GASB 34 reporting model in the fiscal year ended September 30, 2003.
- (2) General government includes Mayor/Council, Administration, Finance, and Municipal Court.
- (3) Public safety includes Police and Fire.
- (4) Other includes Community Development and Parks and Recreation.

CITY OF ROCKWALL, TEXAS  
 GOVERNMENT-WIDE REVENUES (1)  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 2

Fiscal Year	Program Revenues			General Revenues						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Ad Valorem Taxes, Penalty and Interest	Sales Taxes	Franchise Taxes	Unrestricted Investment Earnings	Miscellaneous		
1996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1997	-	-	-	-	-	-	-	-	-	
1998	-	-	-	-	-	-	-	-	-	
1999	-	-	-	-	-	-	-	-	-	
2000	-	-	-	-	-	-	-	-	-	
2001	-	-	-	-	-	-	-	-	-	
2002	-	-	-	-	-	-	-	-	-	
2003	11,069,147	772,911	3,088,237	6,717,883	6,277,216	1,567,874	673,344	278,899	30,445,511	
2004	12,193,855	1,424,824	13,201,103	7,265,947	6,736,054	1,776,406	396,761	514,055	43,509,005	
2005	13,836,219	894,114	9,304,940	8,111,715	7,379,841	1,765,509	733,326	450,934	42,476,598	

Notes:

(1) The City converted to the GASB 34 reporting model in the fiscal year ended September 30, 2003.

CITY OF ROCKWALL, TEXAS  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 3

Fiscal Year	Current				Capital Outlay	Debt Service	Total
	General Government (2)	Public Safety (3)	Public Works	Other (4)			
1996	\$ 1,855,807	\$ 1,947,205	\$ 1,151,886	\$ 579,183	\$ 180,905	\$ 1,068,714	\$ 6,783,700
1997	2,077,959	2,100,142	1,144,165	649,635	658,773	1,077,177	7,707,851
1998	2,149,010	2,306,993	1,272,114	673,077	809,082	1,191,647	8,401,923
1999	1,955,615	3,482,260	1,553,908	659,184	1,186,425	1,151,189	9,988,581
2000	2,181,663	4,037,580	1,577,427	862,235	1,073,459	1,727,290	11,459,654
2001	2,692,893	4,598,463	1,785,812	1,030,236	820,434	2,512,422	13,440,260
2002	3,382,575	5,397,287	1,950,755	1,322,614	977,659	2,802,645	15,833,535
2003	4,073,871	5,929,129	1,781,760	1,810,467	1,168,987	2,862,206	17,626,420
2004	3,486,571	7,034,298	2,005,360	3,235,663	510,800	3,971,202	20,243,894
2005	4,031,218	7,145,738	2,050,077	3,509,088	767,057	2,948,034	20,451,212

Notes:

- (1) Includes General, Special Revenue, and Debt Service Funds.
- (2) General government includes Mayor/Council, Administration, Finance, and Municipal Court.
- (3) Public safety includes Police and Fire.
- (4) Other includes Community Development and Parks and Recreation.

CITY OF ROCKWALL, TEXAS  
 GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 4

<u>Fiscal Year</u>	<u>Property and Sales Taxes</u>	<u>Franchise Fees &amp; Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Municipal Court</u>	<u>Investment Income</u>	<u>Miscellaneous &amp; Donations</u>	<u>Total</u>
1996	\$ 4,938,184	\$ 1,114,811	\$ 569,264	\$ 265,657	\$ 384,735	\$ 154,956	\$ 275,692	\$ 7,703,299
1997	5,460,773	1,129,758	695,528	67,254	428,541	(180,194)	430,790	8,032,450
1998	6,723,952	1,318,724	658,736	64,636	571,367	223,556	469,071	10,030,042
1999	7,999,250	1,518,247	778,868	89,450	504,015	218,223	771,521	11,879,574
2000	9,906,885	1,605,592	985,446	108,441	472,921	550,171	568,073	14,197,529
2001	11,142,348	1,897,076	856,375	135,417	509,645	402,000	341,260	15,284,121
2002	11,951,460	2,974,707	1,037,633	159,451	584,171	382,799	366,548	17,456,769
2003	12,955,382	3,069,518	919,534	263,349	734,500	161,639	475,832	18,579,754
2004	14,006,462	3,411,988	1,402,702	266,450	937,164	62,181	980,430	21,067,377
2005	15,519,966	3,433,460	984,225	268,125	906,634	168,869	1,207,118	22,488,397

Notes:

(1) Includes General, Special Revenue, and Debt Service Funds.

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 5

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1996	1995	3,053,400	3,004,285	98.39%	65,607	3,069,892	100.54%	210,886	6.91%
1997	1996	2,735,700	2,679,180	97.93%	61,003	2,740,183	100.16%	222,352	8.13%
1998	1997	3,038,767	2,986,332	98.27%	89,084	3,075,416	101.21%	89,081	2.93%
1999	1998	3,403,144	3,314,812	97.40%	90,041	3,404,853	100.05%	152,968	4.49%
2000	1999	4,054,089	3,937,051	97.11%	90,041	4,027,092	98.57%	195,547	4.82%
2001	2000	4,915,155	4,864,930	98.98%	110,627	4,975,557	101.23%	169,192	3.44%
2002	2001	5,696,005	5,605,385	98.41%	55,841	5,661,226	99.39%	200,439	3.52%
2003	2002	6,619,325	6,487,602	98.01%	77,090	6,564,692	99.17%	254,405	3.84%
2004	2003	7,194,520	7,145,433	99.32%	176,253	7,321,686	101.77%	234,960	3.27%
2005	2004	8,063,888	8,021,945	99.48%	141,227	8,163,173	101.23%	224,318	2.78%

CITY OF ROCKWALL, TEXAS  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 6

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Assessed Value</u>	<u>Total Estimated Actual Value</u>	<u>Ratio of Assessed Value to Total Estimated Actual Value</u>
1996	1995	660,645,203	660,645,203	100.00%
1997	1996	719,921,004	719,921,004	100.00%
1998	1997	834,932,223	834,932,223	100.00%
1999	1998	945,317,622	945,317,622	100.00%
2000	1999	1,125,145,000	1,125,145,000	100.00%
2001	2000	1,365,273,846	1,365,273,846	100.00%
2002	2001	1,582,093,220	1,582,093,220	100.00%
2003	2002	1,838,618,028	1,838,618,028	100.00%
2004	2003	1,998,462,449	1,998,462,449	100.00%
2005	2004	2,239,968,698	2,239,968,697	100.00%

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
(PER \$1,000 OF ASSESSED VALUE)  
(Unaudited)

TABLE 7

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>County</u>	<u>State</u>	<u>Total</u>
1996	0.4600	1.4900	0.3050	--	2.2550
1997	0.3800	1.4900	0.3050	--	2.1750
1998	0.3600	1.4900	0.3202	--	2.1702
1999	0.3600	1.4900	0.3202	--	2.1702
2000	0.3600	1.5780	0.3536	--	2.2916
2001	0.3600	1.8400	1.0000	--	2.5534
2002	0.3600	1.8372	0.3534	--	2.5506
2003	0.3600	1.8800	0.3534	--	2.5934
2004	0.3600	1.8800	0.3507	--	2.5907
2005	0.3600	1.8800	0.3507	--	2.5907

CITY OF ROCKWALL, TEXAS  
 RATIO OF NET GENERAL OBLIGATIONS BONDED DEBT  
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 8

Fiscal Year	Estimated Population	Assessed Value	Gross Bonded Debt (1)	Debt Service Fund Balance	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	13,800	660,645,203	9,324,999	141,636	9,183,363	1.39%	665
1997	14,500	719,921,004	8,589,999	182,083	8,407,916	1.17%	580
1998	15,300	834,932,223	7,476,173	228,315	7,247,858	0.87%	474
1999	16,100	945,317,622	15,085,161	284,139	14,801,022	1.57%	919
2000	17,050	1,125,145,000	23,034,550	386,149	22,648,401	2.01%	1,328
2001	18,934	1,365,273,846	21,838,229	509,255	21,328,974	1.56%	1,126
2002	20,967	1,582,093,220	24,725,337	551,753	24,173,584	1.53%	1,153
2003	22,850	1,838,618,028	23,101,523	683,650	22,417,873	1.22%	981
2004	25,200	1,998,462,449	21,413,933	694,758	20,719,175	1.04%	822
2005	27,800	2,239,968,697	41,277,564	1,014,713	40,262,851	1.80%	1,448

Notes:

- (1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government only

CITY OF ROCKWALL, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2005  
(Unaudited)

TABLE 9

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the year ended September 30, 2005 was:

Maximum rate per \$100 valuation	\$2.50
City of Rockwall 2004-2005 tax rate	<u>0.36</u>
Margin	<u><u>\$2.14</u></u>

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
 GENERAL OBLIGATION BONDS  
 SEPTEMBER 30, 2005  
 (Unaudited)

TABLE 10

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 41,277,564	100.00%	\$ 41,277,564
Indirect:			
Rockwall Independent School District	181,424,746	57.44%	104,210,374
Rockwall County	12,020,000	49.41%	5,939,082
Total Indirect	<u>193,444,746</u>		<u>110,149,456</u>
Total Direct and Overlapping Bonded Debt	<u>\$ 234,722,310</u>		<u>\$ 151,427,020</u>
Average debt per capita			<u>\$ 5,447</u>

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

CITY OF ROCKWALL, TEXAS  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION  
BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 11

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures (3)	Ratio of Total Debt Service to General Governmental Expenditures
1996	\$ 423,631	\$ 645,083	\$ 1,068,714	\$ 6,783,700	15.75%
1997	585,875	491,302	1,077,177	7,979,939	13.50%
1998	682,915	508,733	1,191,648	9,561,795	12.46%
1999	741,443	409,747	1,151,190	9,988,581	11.53%
2000	700,636	1,026,654	1,727,290	11,459,654	15.07%
2001	1,196,321	1,305,721	2,502,042	13,440,260	18.62%
2002	1,590,000	1,198,065	2,788,065	15,833,535	17.61%
2003	1,623,841	1,238,365	2,862,206	17,626,420	16.24%
2004	2,831,984	1,039,907	3,871,891	20,243,894	19.13%
2005	1,801,369	982,941	2,784,310	20,451,212	13.61%

Notes:

- (1) Includes all general obligation debt serviced by the Debt Service Fund.
- (2) Excludes bond issuance costs.
- (3) Includes General, Debt Service, and Special Revenue Funds.

CITY OF ROCKWALL, TEXAS  
REVENUE BOND COVERAGE  
WATER AND WASTEWATER BONDS  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 12

<u>Fiscal Year</u>	<u>Net Revenue Available for Debt Service (1)</u>	<u>Annual Debt Service Requirements for Revenue Bonds</u>	<u>Coverage</u>
1996	\$ 1,821,101	\$ 479,685	3.80
1997	2,360,759	479,510	4.92
1998	3,419,166	477,888	7.15
1999	3,746,920	513,787	7.29
2000	5,351,052	499,195	10.72
2001	5,980,011	488,680	12.24
2002	3,155,073	494,080	6.39
2003	4,138,792	1,004,605	4.12
2004	4,338,561	996,108	4.36
2005	4,147,891	1,008,384	4.11

Notes:

- (1) Net revenue available for debt service is calculated as total operating and non-operating revenues less total operating expenses (not including depreciation) less contractual interest and principal payments to the North Texas Municipal Water District.

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 13

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate % (3)</u>
1996	13,800	22,000	33.1	5,900	2.9
1997	14,500	24,900	35.0	6,443	2.4
1998	15,300	30,201	38.1	6,898	2.3
1999	16,100	32,731	39.5	7,335	2.7
2000	17,050	32,731	34.9	8,435	3.0
2001	18,934	28,482	33.5	8,898	5.5
2002	20,967	28,162	32.2	9,617	7.1
2003	22,850	28,195	33.7	10,077	6.7
2004	25,200	32,637	36.3	10,527	5.1
2005	27,800	33,449	35.7	11,560	3.5

Source:

- (1) Rockwall Economic Development Corporation
- (2) Rockwall Independent School District. No private schools included.
- (3) Texas Workforce Commission.

CITY OF ROCKWALL, TEXAS  
PROPERTY VALUE AND CONSTRUCTION  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 14

Fiscal Year	New Commercial Construction (1)		New Residential Construction (1)		Total	Total Assessed Property Value
	Number of Units	Value	Number of Units	Value		
1996	49	8,897,140	267	38,520,610	47,417,750	660,645,203
1997	56	26,589,846	278	41,659,665	68,249,511	719,921,004
1998	44	21,562,833	504	73,552,939	95,115,772	834,932,223
1999	36	18,810,452	488	72,960,161	91,770,613	945,317,622
2000	26	12,444,115	655	94,343,746	106,787,861	1,125,145,000
2001	13	16,001,068	767	119,521,248	135,522,316	1,365,273,846
2002	22	41,967,125	945	144,002,845	185,969,970	1,582,093,220
2003	27	40,304,701	755	117,512,216	157,816,917	1,838,618,028
2004	18	29,067,960	885	135,501,919	164,569,879	1,998,462,449
2005	51	49,918,558	739	123,215,423	173,133,981	2,239,968,697

Notes:

(1) Source: City issued building permits

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 SEPTEMBER 30, 2005  
 (Unaudited)

TABLE 15

Name	Type of Business	2005 Assessed Valuations	Percentage of Total Assessed Valuation
Continental Petroleum Technology	Container Manufacturer	\$ 34,268,891	1.53%
Wal-Mart Stores, Inc.	Retail Store	23,160,475	1.03%
SPM/WRI Rockwall, L.P.	Developer	17,130,190	0.76%
Oncor Electric Delivery Co	Electric Utility	15,954,620	0.71%
Rockwall Apartment Associates, LP	Developer	14,590,520	0.65%
Lowes Home Improvement	Home Improvement Store	11,685,623	0.52%
Steger Towne Crossing Ltd.	Commercial Shopping Center	10,468,290	0.47%
Bent Tree Realty Co.	Commercial Shopping Center	9,667,830	0.43%
Dayton Hudson Corp/Target	Retail Store	8,575,130	0.38%
Texas Star Express	Motor Carrier	8,365,299	0.37%
	Subtotal	153,866,868	6.87%
Remaining Roll		2,086,101,829	
	Total roll	2,239,968,697	6.87%

CITY OF ROCKWALL, TEXAS  
TOP TEN EMPLOYERS IN ROCKWALL AREA  
SEPTEMBER 30, 2005  
(Unaudited)

TABLE 16

Employer	Number of Employees
Rockwall Independent School District	1,365
Texas Star Express	484
Wal-Mart Superstore	450
County of Rockwall	253
City of Rockwall	205
Special Products & Manufacturing	205
Target	200
Rockwall Nursing Home	160
Kohl's Department Store	140
Home Depot	130

CITY OF ROCKWALL, TEXAS  
 SCHEDULE OF INSURANCE IN FORCE  
 SEPTEMBER 30, 2005  
 (unaudited)

TABLE 17

<u>Description of Coverage</u>	<u>Insurer</u>	<u>Date Expires</u>	<u>Liability Limits</u>
General Liability, Auto	Texas Municipal League Joint Self - Insurance	10/1/2005	\$5,000,000 - bodily injury and property damage
Liability and Property Coverage	Texas Municipal League Joint Self - Insurance	10/1/2005	\$22,163,584 municipal property
Comprehensive Law Enforcement Liability	Texas Municipal League Joint Self - Insurance	10/1/2005	\$5,000,000
Public Officials and Employee Legal Liability	Texas Municipal League Joint Self - Insurance	10/1/2005	\$5,000,000
Airport Liability	Texas Municipal League Joint Self - Insurance	10/1/2005	\$1,000,000
Airport Property	Texas Municipal League Joint Self - Insurance	10/1/2005	\$1,000,000

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(unaudited)

TABLE 18

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
1996	17,526,920	139,500	14,105,490	1,949,502	-
1997	18,890,430	572,540	14,427,950	5,465,975	-
1998	21,247,629	569,970	20,550,470	1,634,676	3,676
1999	24,255,378	733,000	29,972,670	6,844,740	57,091
2000	27,511,159	759,504	34,508,640	7,041,464	26,250
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	-
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746

CITY OF ROCKWALL, TEXAS  
 SALES TAX COLLECTIONS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 19

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
1996	\$ 1,806,727	59.17%	0.27
1997	2,683,477	130.00%	0.49
1998	3,577,892	156.20%	0.51
1999	4,548,948	133.67%	0.48
2000	5,834,244	143.91%	0.52
2001	6,109,463	124.62%	0.45
2002	6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33

CITY OF ROCKWALL, TEXAS  
TOP TEN WATER CUSTOMERS  
SEPTEMBER 30, 2005  
(unaudited)

TABLE 20

Name	Fiscal 2005 Water Usage	Percentage of Total Water Usage
Rockwall Independent School District	58,683,500	3.20%
City of Rockwall	36,382,900	1.98%
D.W.C. - Highlife Properties	15,895,600	0.87%
Mission Rockwall	13,274,200	0.72%
Rockwall Nursing Home	11,184,700	0.61%
Steger Towne Crossing	9,792,700	0.53%
Walden Residential Properties	9,776,600	0.53%
Sabre Realty Management Company	9,219,400	0.50%
Lake Pointe Baptist Church	8,421,700	0.46%
SPM/WRI Rockwall LP	8,379,500	0.46%
Subtotal	181,010,800	9.87%
Remaining water usage	1,652,531,700	90.13%
Total water usage	1,833,542,500	100.00%

CITY OF ROCKWALL, TEXAS  
WATER AND SEWER RATES  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 21

Fiscal Year	Water		Sewer			
	Minimum (1)	Per M Over Minimum	Residence Base	Per M Over Base	Commercial Base	Per M Over Base
1996	7.40	2.65	7.40	1.20	11.15	1.20
1997	7.40	2.65	7.40	1.20	11.15	1.20
1998	7.40	2.65	7.40	1.20	11.15	1.20
1999	7.40	2.65	7.40	1.20	11.15	1.20
2000	7.40	2.65	7.40	1.20	11.15	1.20
2001	7.40	2.65	7.40	1.20	11.15	1.20
2002 (1)	7.40	1.96	7.40	1.40	7.40	1.40
2003	7.40	1.96	7.40	1.40	7.40	1.40
2004	7.40	1.96	7.40	1.40	7.40	1.40
2005	7.40	1.96	7.40	1.40	7.40	1.40

Notes:

- (1) Rates for 2002 forward reflect base rates for residential meters size 5/8" only up to 12,000 gallons.

CITY OF ROCKWALL, TEXAS  
 MISCELLANEOUS STATISTICS  
 SEPTEMBER 30, 2005  
 (unaudited)

TABLE 22

Date of Incorporation	1874																		
Form of government	Council-Manager																		
Estimated Population	27,800																		
Miles of Streets:																			
Public Streets - City maintained	129.23																		
Private Streets - privately maintained	13.60																		
State highways - excluding interstates	22.67																		
Interstate highways - I-30	4.61																		
Area in square miles	23.77																		
Fire Protection:																			
Number of stations	2																		
Number of employees	9																		
Number of volunteer fire personnel	39																		
Recreation and Culture:																			
Number of picnic areas	26																		
Number of swimming pools	2																		
Number of playgrounds	12																		
Number of golf courses	--																		
Police Protection:																			
Number of stations	1																		
Number of uniformed officers	52																		
Number of civilian personnel	16																		
Number of animal control officers	6																		
Library - County operated																			
Number of volumes	51,671																		
Circulation	162,004																		
Education:																			
	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center; border-bottom: 1px solid black;">Number of Students</th> <th style="text-align: center; border-bottom: 1px solid black;">Number of Teachers</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Elementary schools (10)</td> <td style="text-align: center;">6,437</td> <td style="text-align: center;">439</td> </tr> <tr> <td style="padding-left: 20px;">Middle schools (2)</td> <td style="text-align: center;">1,759</td> <td style="text-align: center;">117</td> </tr> <tr> <td style="padding-left: 20px;">Freshman Center (1)</td> <td style="text-align: center;">426</td> <td style="text-align: center;">41</td> </tr> <tr> <td style="padding-left: 20px;">High schools (2)</td> <td style="text-align: center;">2,886</td> <td style="text-align: center;">187</td> </tr> <tr> <td style="padding-left: 20px;">Alternative education (1)</td> <td style="text-align: center;">52</td> <td style="text-align: center;">9</td> </tr> </tbody> </table>		Number of Students	Number of Teachers	Elementary schools (10)	6,437	439	Middle schools (2)	1,759	117	Freshman Center (1)	426	41	High schools (2)	2,886	187	Alternative education (1)	52	9
	Number of Students	Number of Teachers																	
Elementary schools (10)	6,437	439																	
Middle schools (2)	1,759	117																	
Freshman Center (1)	426	41																	
High schools (2)	2,886	187																	
Alternative education (1)	52	9																	
Municipal Water and Sewer System:																			
Number of water customers	11,491																		
Average daily consumption	5,023,404																		
Total annual consumption	1,833,542,500																		
Peak daily consumption	15,880,429																		
Storage																			
Elevated (3)	3,500,000																		
Below ground (2)	4,000,000																		
Number of sewer customers	10,020																		

CITY OF ROCKWALL, TEXAS  
 HISTORICAL GROWTH - WATER AND SEWER CONNECTIONS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 23

Fiscal Year	Water		Sewer	
	Number of Meters	Percent of Increase	Number of Connections	Percent of Increase
1996	5,223	5.18%	4,785	7.12%
1997	5,551	6.28%	4,993	4.35%
1998	6,124	10.32%	4,340	6.95%
1999	6,615	8.02%	5,749	7.66%
2000	7,035	6.34%	6,310	17.06%
2001	7,875	11.94%	7,026	11.34%
2002	8,827	12.09%	7,781	10.75%
2003	9,440	6.94%	8,510	9.37%
2004	10,497	11.20%	9,282	9.07%
2005	11,491	9.47%	10,020	7.95%

CITY OF ROCKWALL, TEXAS  
 SPECIAL ASSESSMENT COLLECTIONS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 24

<u>Fiscal Year</u>	<u>Assessments Levied</u>	<u>Assessments Collected</u>	<u>Assessments Receivable</u>
1996	23,549	143,644	507,972
1997	95,465	34,140	569,297
1998	157,688	80,810	646,175
1999	40,861	315,749	371,287
2000	-	77,364	293,923
2001	-	23,823	270,100
2002	-	35,685	234,415
2003	-	44,399	190,016
2004	-	104,132	85,884
2005	-	12,704	73,180



# **CITY OF ROCKWALL, TEXAS**

COMPRHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2004

**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2004**

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**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
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**CITY OF ROCKWALL, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended September 30, 2004**

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# CITY OF ROCKWALL

at Rockwall CityPlace

April 5, 2005

To the Honorable Mayor,  
Members of the City Council,  
and the Citizens of the City of Rockwall, Texas:

The comprehensive annual financial report of the City of Rockwall for the fiscal year ended September 30, 2004, is hereby submitted. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Rockwall. Consequently, management assumes full responsibility for both the accuracy of the data, and the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosure necessary to enable the reader to gain an understanding of the City's financial activities has been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent

auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Rockwall was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Rockwall's separately issued Single Audit Report.

In fiscal year 2003, the City implemented a dramatic change in governmental financial reporting. We believe this presentation provides valuable information to the readers of our comprehensive annual financial report. The new reporting model, issued by the Governmental Accounting Standards Board, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Rockwall's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, County Seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the east shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth Airport, one of the largest in the world, continues with expansion plans to meet the air transportation needs of the region. Love Field in Dallas and Alliance Airport near Fort Worth provide commuter air service and general aviation facilities for the area. Due to favorable economic conditions, excellent business climate, and desirable living conditions, corporate relocations to the area continue.

The City of Rockwall has operated under a council-manager form of government since 1985. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The Mayor and six Council Members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City currently has a land area of approximately 23.43 square miles and an estimated population of 25,200.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. Accordingly, the Rockwall Economic Development Corporation and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in the note disclosures.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City of Rockwall operates.

**Local economy.** The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. Rockwall saw a relatively stable economic environment during the recent downturn in the national and regional economies. The City has a varied tax base including a mix of residential, commercial and light industrial properties. Property values have continued to rise at an average 14% per annum. The City's largest taxpayers include a number of commercial developments. The Rockwall Technology Park has welcomed a number of new companies to the City, including Col-Met Spray Booths, Ez-Flo, Inc., Graphic Microsystems, Inc. and Pilgrim's Pride Corporation's data processing center. The Rockwall Economic Development Corporation continues to market the City as an ideal community to locate a business.

**Long-term financial planning.** The City Council and staff have recognized the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

A number of long-range studies have been completed or updated recently. A Capital Improvement Task Force is meeting to update the City's Capital Improvement Plan which may result in a number of projects for voter consideration in 2005. The City formalized the Old Town Historic District in 2002 and continued our focus, with the support of a committee of area property owners in order to develop the Downtown Plan completed in 2004. City staff expects to complete the development of a Central Business District designation in 2005.

An economic analysis study was completed which correlates the City's operating budgets to daytime and evening populations and projects revenues and expenditures associated with different types of land zoning. The study required twenty years of financial data be accumulated as well as the tax years that each non-residential property was added to the tax rolls. The final report and associated "Development Simulation Model" allowed city officials to gauge the impact on revenues and expenditures for each of the different zoning categories. The City still has several thousand acres of agriculturally zoned land. This model will be a tool in the decision making process when city officials must determine the "highest and best" zoning categories for those acres.

Organizationally, the City is in the process of refining its strategic plan using the Balanced Scorecard Methodology. When the strategy map was completed in 2003, the City's strategic initiatives for the implementation of the City's goals were formalized within the organization. Departmental business plans were developed during 2004 and are being presented to City Council and the public. These business plans develop performance measures for the strategic initiatives for which each department is responsible.

**Future Development.** The City announced a private public partnership which began development in fiscal year 2004. "The Harbor," to be situated on the shores of Lake Ray Hubbard at I-30, will provide opportunities for new retailers as well as public open space. The largely undeveloped hillside will soon be the home of a twelve-screen Cinemark Theatre, full-service Hilton Hotel and Conference Center and approximately 222,000 sq.ft of retail, restaurant and office space. In conjunction with the private development, the City established a tax increment financing (TIF) zone in an approximately 103 acre area which will allow for the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The public area will include both passive and active event areas, a Harbor/Urban Court, spray plaza and large open areas suitable for a variety of outdoor events. The City has sponsored a very well attended "Concert on the Lake Series" which will use this public space as its venue in the future. The City will be partnering with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF and finance the public projects. This is expected to transform the area and spur development in the entire TIF zone. Construction on the private development has begun and will be followed shortly by public side construction. All phases are expected to take approximately 30 months to complete.

Design is underway on several road and drainage projects approved by voters in 2002. Construction has begun on the extension of Lakeshore Drive and the reconstruction of Clark Street is also underway.

The water and sewer rate study will be updated in 2005, ensuring that the City's goal of providing sufficient water and sewer rates to meet system needs is achieved. Construction work is concluding on the new two-million gallon water tower as well as design of a new pump station and ground storage facility. A number of main extension projects will be undertaken to increase system capacity and provide water and sewer service to outlying areas of the City.

#### Cash Management:

The City invests cash temporarily idle during the year in money market funds and short-term notes of the U.S. Government and its agencies.

Other cash classified as being not immediately needed is invested in longer-term obligations of the U.S. Government and its agencies. All of these investments are classified as "hold-to-maturity" investments. The City believes that it will not be required to sell these investments prior to maturity, barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no reverse repos nor has any other form of borrowing been used to finance the City's portfolio.

The City's investment policy is to safeguard the City's assets and maintain liquidity while enhancing the yield of its portfolio and ensuring public trust. All securities owned by the City were held in a financial institution trust department acting as an agent of the City, in the City's name.

#### Risk Management:

In fiscal year 1990, the City established a Self-Insurance and Risk Management Program. Under the terms of this program, the City is permitted by law and its home rule charter to insure itself against the various risks of liability and loss to which it is exposed. This may be done either through an insurance provider or through a defined self-insurance program. Other risks to which the City is exposed are covered by commercial insurance.

#### Retirement System:

The City of Rockwall provides pension benefits to all full-time employees through a nontraditional, joint contributory defined benefit plan administered by the Texas Municipal Retirement System, an agent multiple-employer public retirement system. Pension expense for the fiscal year ended September 30, 2004 (including prior service costs amortized over 25 years) was \$1,155,024. The City of Rockwall does not provide post employment health and dental benefits for retirees.

#### Debt Administration:

Outstanding General Obligation Bonds, Certificates of Obligation, and Contractual Obligations at September 30, 2004, totaled \$21,685,000 of which \$271,067 was issued for water and sewer improvements. The Rockwall Economic Development Corporation has outstanding \$4,295,000 in sales tax revenue bonds for development of the Rockwall Technology Park. In addition, the Water and Sewer Fund has outstanding, as of September 30, 2004, \$10,035,000 in revenue bonds. The City has an "A1" rating by Moody's Investor Services, Inc., and "A" by Standard and Poor's Corporation on its outstanding general obligation debt. The City's outstanding revenue bonds have an "A2" rating by Moody's and an "A-" from Standard and Poor's. The City's outstanding sales tax revenue bonds have an "A3" rating by Moody's and an "A-" from Standard and Poor's.

## OTHER INFORMATION

### Independent Audit:

State statutes require an annual audit by independent certified public accountants. The firm of Fox, Byrd & Company, P.C., was selected by the City Council. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and the related U.S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements and combining and individual funds statements and schedules is included in the financial section of this report. The auditors' report on internal controls and compliance with applicable laws and regulations can be found in a separately issued Single Audit Report.

### Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This comprehensive annual financial report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last fourteen consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Julie Couch  
City Manager



Mary Smith, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



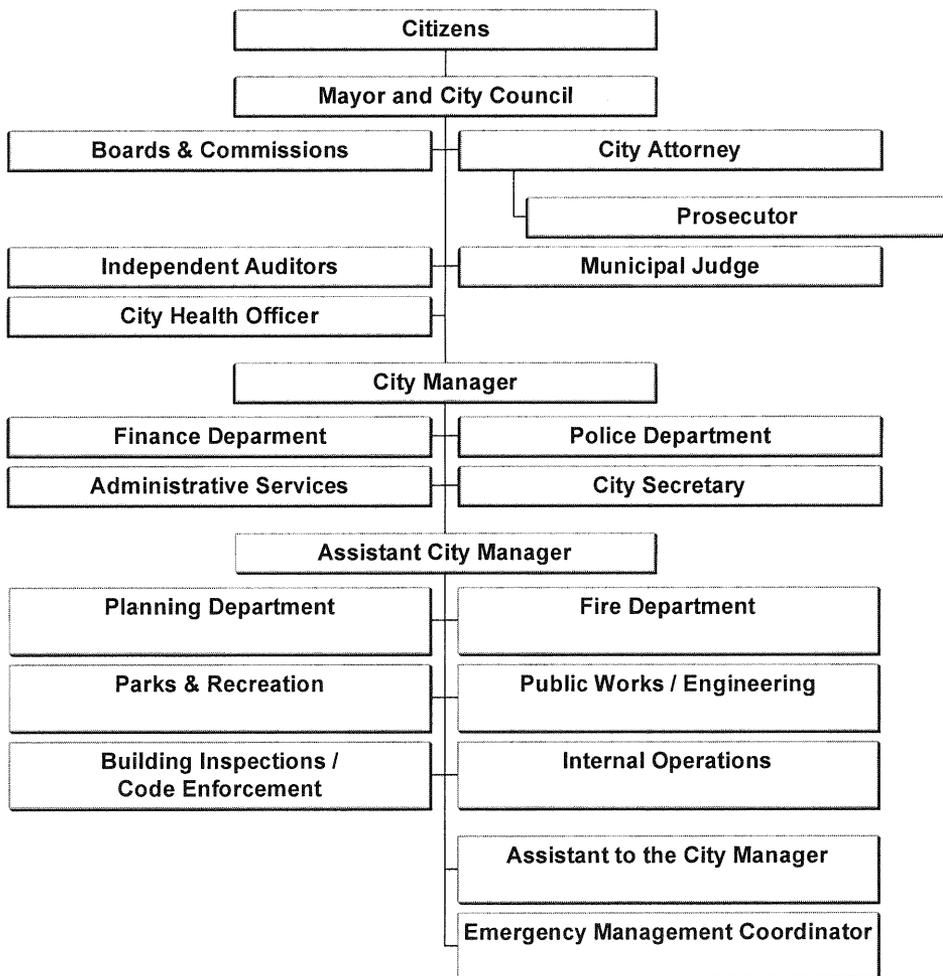
*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

# City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2004

**City Council**

Ken Jones, Mayor  
Tim McCallum, Mayor Pro-Tempore  
Bill Cecil, Councilmember  
Bob Cotti, Councilmember  
John King, Councilmember  
Terry Raulston, Councilmember  
Stephen Straughan, Councilmember

**City Staff**

Julie Couch, City Manager  
Rick Crowley, Assistant City Manager  
Mary Smith, Director of Finance  
Cheryl Austin, Director of Administrative Services  
Mark Moeller, Chief of Police  
Mark Poindexter, Fire Chief  
Robert LaCroix, Director of Community Development  
Chuck Todd, City Engineer/Director of Public Works  
Jeffrey Widmer, Director of Building Inspections & Code Enforcement  
Brad Griggs, Director of Parks, Recreation and Rights-of-Way

***FINANCIAL SECTION***



**FOX, BYRD & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 10-20 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Fox, Byrd + Company, P.C.*

Dallas, Texas  
February 11, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2004. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$123,397,695 at September 30, 2004.
- During the year, the City's expenditures were \$2,385,124 less than the \$28,992,382 generated in taxes and other revenues for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2004 by \$63,835,499 (net assets). Of this amount \$10,242,495 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of this fiscal year, unreserved fund balance for the General Fund was \$6,860,155 or approximately 42% of the total General Fund expenditures and transfers out.
- The City issued general obligation refunding bonds during the fiscal year ended September 30, 2004, in order to defease three older debt issues. Total debt was reduced by \$2,587,184 during the fiscal year. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

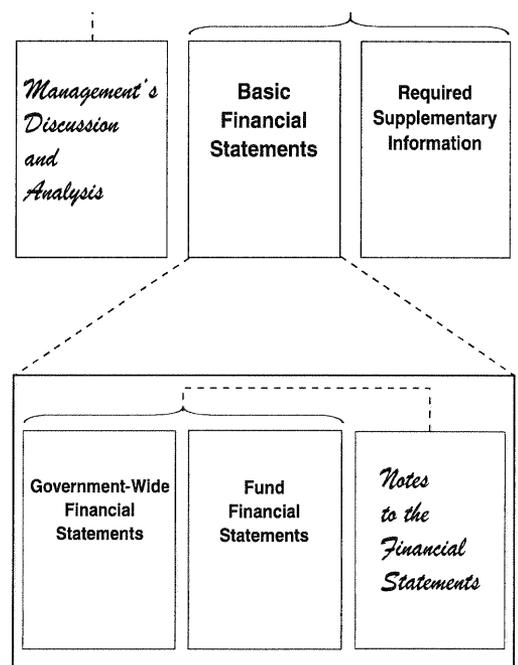
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else's resources
<i>Required financial statements</i>	♦ Statement of net assets	♦ Balance sheet	♦ Statement of net assets	♦ Statement of fiduciary net assets
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net assets	♦ Statement of changes in fiduciary net assets
			♦ Statement of cash flows	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall's finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the City of Rockwall's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City's basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services finance most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units: the City's 4A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, the City of Rockwall is financially accountable for these component units.

The government-wide financial statements can be found on pages 21-22 of this report.

## **Reporting the City's Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information

presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 21 individual governmental funds. 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, the Debt Service Fund and the G.O. Bonds Capital Projects Fund, all of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statement but provide more detail and additional information such as cash flows for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private business enterprise.

The City maintains two Internal Service funds to account for funds accumulated to self-insure for health and workers' compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

## CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2004, the City's net assets (assets exceeding liabilities) totaled \$123,397,695. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

By far the largest portion of the City's net assets reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

**Table 1**  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 18,884,482	\$ 20,933,341	\$ 21,950,625	\$ 20,782,706	\$ 40,835,107	\$ 41,716,047
Capital assets	69,108,976	66,221,967	50,434,407	45,556,562	119,543,383	111,778,529
Total assets	<u>87,993,458</u>	<u>87,155,308</u>	<u>72,385,032</u>	<u>66,339,268</u>	<u>160,378,490</u>	<u>153,494,576</u>
Long-term liabilities	22,188,707	23,938,539	12,068,421	12,106,098	34,257,128	36,044,637
Other liabilities	1,969,252	1,766,394	754,415	2,126,325	2,723,667	3,892,719
Total liabilities	<u>24,157,959</u>	<u>25,704,933</u>	<u>12,822,836</u>	<u>14,232,423</u>	<u>36,980,795</u>	<u>39,937,356</u>
Net assets:						
Invested in capital assets, net of related debt	47,695,043	43,120,444	38,406,139	32,724,578	86,101,182	75,845,022
Restricted for:						
Debt service	626,661	813,707	1,324,515	1,412,341	1,951,176	2,226,048
Capital projects	5,271,300	7,540,907	10,373,646	14,223,400	15,644,946	21,764,307
Unrestricted	10,242,495	9,975,317	9,457,896	3,746,526	19,700,391	13,721,843
Total net assets	<u>\$ 63,835,499</u>	<u>\$ 61,450,375</u>	<u>\$ 59,562,196</u>	<u>\$ 52,106,845</u>	<u>\$ 123,397,695</u>	<u>\$ 113,557,220</u>

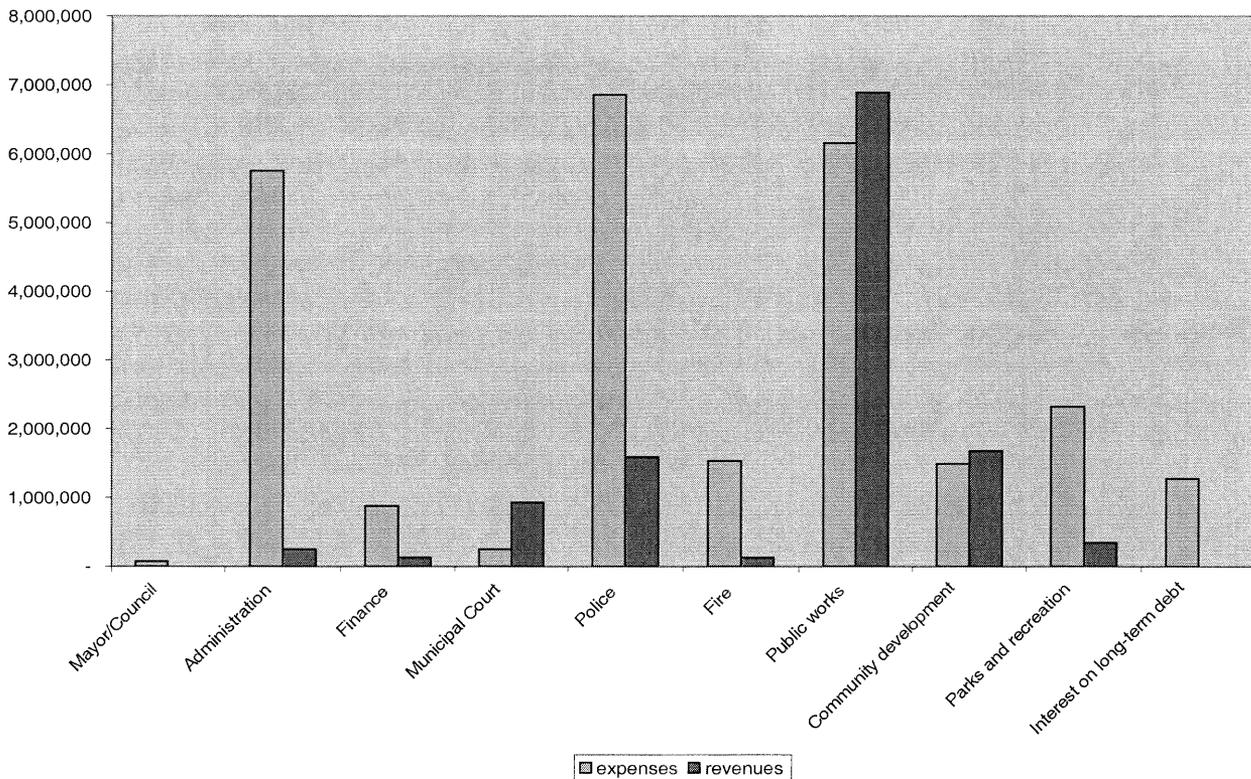
The City's net assets increased by \$9,840,475 during the year. The key elements of this increase are as follows:

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 3,906,111	\$ 2,931,111	\$ 8,287,744	\$ 8,138,036	\$ 12,193,855	\$ 11,069,147
Operating grants and contributions	1,424,824	772,911	-	-	1,424,824	772,911
Capital grants and contributions	6,624,160	181,426	6,576,943	2,906,811	13,201,103	3,088,237
General revenues:						
Property taxes	7,265,947	6,717,883	-	-	7,265,947	6,717,883
Sales taxes	6,736,054	6,277,216	-	-	6,736,054	6,277,216
Franchise taxes	1,776,406	1,567,874	-	-	1,776,406	1,567,874
Other	391,380	276,032	519,436	345,017	910,816	621,049
Total revenues	28,124,882	18,724,453	15,384,123	11,389,864	43,509,005	30,114,317
Expenses:						
Mayor/council	74,416	58,378	-	-	74,416	58,378
Administration	5,757,527	3,583,719	-	-	5,757,527	3,583,719
Finance	877,537	760,436	-	-	877,537	760,436
Municipal court	254,210	236,201	-	-	254,210	236,201
Police	6,862,707	5,446,279	-	-	6,862,707	5,446,279
Fire	1,530,503	966,400	-	-	1,530,503	966,400
Public works	6,155,726	3,961,797	-	-	6,155,726	3,961,797
Community development	1,493,249	442,470	-	-	1,493,249	442,470
Parks and recreation	2,323,558	1,487,036	-	-	2,323,558	1,487,036
Interest on long-term debt	1,277,825	1,244,127	-	-	1,277,825	1,244,127
Water and sewer	-	-	7,061,272	6,436,878	7,061,272	6,436,878
Total expenses	26,607,258	18,186,843	7,061,272	6,436,878	33,668,530	24,623,721
Increase in net assets						
before transfers	1,517,624	537,610	8,322,851	4,952,986	9,840,475	5,490,596
Transfers	867,500	1,337,963	(867,500)	(1,337,963)	-	-
Increase in net assets	2,385,124	1,875,573	7,455,351	3,615,023	9,840,475	5,490,596
Net assets, October 1	61,450,375	59,574,802	52,106,845	48,491,822	113,557,220	108,066,624
Net assets, September 30	\$ 63,835,499	\$ 61,450,375	\$ 59,562,196	\$ 52,106,845	\$ 123,397,695	\$ 113,557,220

## ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION

### Expenses and Program Revenues – Governmental Activities



### Governmental Activities

Total revenues of governmental activities were \$28,124,882. A significant portion, 25.8%, of the City's revenues came from property taxes. Another 24.0% of revenue came from sales taxes. Ad valorem property tax revenues continue to increase each year primarily due to the addition of new property and increased valuation throughout the City. Assessed values of the properties in the City increased by \$159,844,421 or 8.69%. The City has maintained a property tax rate of 36 cents per \$100 of assessed valuation for seven years. Sales tax revenue has remained relatively stable for several years despite the general downturn in the national economy, and increased by more than 7% for fiscal year 2004. This is primarily due to continuing growth in the area's population.

The total cost of all programs and services was \$26,607,258; of these costs \$6,862,707 (25.8%) is for the Police Department. Administration related departments including Administration, Human Resources, and Internal Operations had combined costs of \$5,757,527 (21.6%). Approximately 76% of the City's costs for all programs and services are for payroll and benefits.

The overall economy in the City continues to show improvement in 2005 and beyond. Collection rates for services and property tax remains strong. No major negative events are expected for the next fiscal year. During 2003, Rockwall County, of which the City of Rockwall is the County seat, was named the fourth fastest growing county in America. Residential growth should remain strong. A major lakefront multi-use planned development is underway and is expected to have a positive effect on sales tax and property taxes in the area. A tax increment financing zone was established in 2004 to provide for public improvements in the area.

## Business-Type Activities

The City's business-type activities recorded an increase of \$7,455,351 in net assets. Total revenues were \$15,384,123. Sales continue to be strong despite the impact of the implementation of conservation water rates in 2001. The tendency to irrigate despite higher rates is seen as the norm across North Texas. The increase in revenues can largely be attributed to a substantial amount of impact fees collected on new commercial projects.

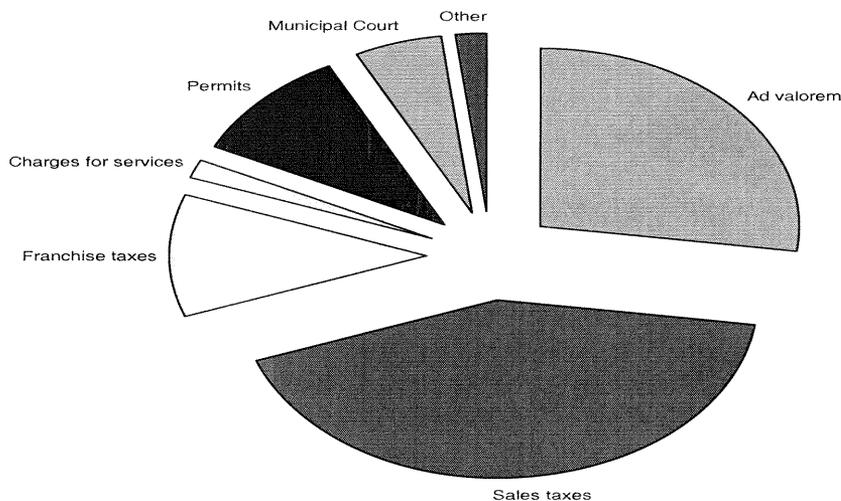
## Component Units

The Rockwall Economic Development Corporation (REDC) reported operating revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$2,225,368. Assets managed by the corporation include an inventory of land available for sale to business entities. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

## ANALYSIS OF INDIVIDUAL FUNDS

The City's General Fund reported an ending unreserved fund balance of \$6,860,155, a decrease of \$282,742 from the prior year. The main source of General Fund revenue is sales tax, accounting for \$6,593,226 (42.3%) of total General Fund revenue. Ad valorem property taxes account for \$4,247,724 (27.2%) of General Fund revenues. The decrease in fund balance was planned and expended for projects which the City Council and City Administration deemed appropriate for the use of "reserves."

**Revenues by Source – General Fund**



The City's Debt Service Fund reported an increase in fund balance of \$11,108. Property tax collections for debt service requirements were \$3,022,684.

Water and sewer charges were \$8,287,744. Ending working capital for the water and sewer fund was \$8,199,114. This increase over previously reported levels is due largely to the recognition of reserved funds which no longer needed to be reserved and could be made available for ongoing operations.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2004, the City Council of the City of Rockwall amended the General Fund budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases in revenues beyond projections. With the adjustments made to the budget, the budgeted expenditures of \$14,544,890 increased to \$14,646,670, while revenues increased from \$14,201,000 to \$15,157,400. The City of Rockwall had originally estimated the ending General Fund balance to be \$6,590,207; however, due to the budget adjustments mentioned above, the fund balance was re-estimated to be \$6,314,027. The actual fund balance was higher due to management's conservative projections of both revenues and expenditures. City staff began incorporating the Balanced Scorecard methodology into the budget this year.

Actual General Fund revenues were \$15,589,465, an increase of \$432,065 over the final budget. Actual General Fund total expenditures were \$195,667 less than the revised budget. Total revenues exceeded total expenditures by \$1,138,462.

No significant budget shortfalls are noted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2004, the City had \$119,543,383 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment, and water and sewer lines.

**Table 3**  
**Capital Assets at Year-End (net of depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 2,097,819	\$ 2,017,819	\$ 799,533	\$ 799,533	\$ 2,897,352	\$ 2,817,352
Construction in progress	4,934,650	10,696,999	2,808,383	6,046,709	7,743,033	16,743,708
Buildings	8,619,340	8,788,051	-	-	8,619,340	8,788,051
Improvements other than buildings	1,289,074	242,695	39,141,739	30,893,553	40,430,813	31,136,248
Wastewater treatment facilities	-	-	7,330,776	7,541,186	7,330,776	7,541,186
Machinery and equipment	1,216,858	1,199,202	346,572	395,712	1,563,430	1,594,914
Vehicles	1,142,592	1,158,310	-	-	1,142,592	1,158,310
Furniture and fixtures	1,066,325	1,112,908	7,404	9,521	1,073,729	1,122,429
Infrastructure	48,742,318	41,005,983	-	-	48,742,318	41,005,983
	<u>\$ 69,108,976</u>	<u>\$ 66,221,967</u>	<u>\$ 50,434,407</u>	<u>\$ 45,686,214</u>	<u>\$ 119,543,383</u>	<u>\$ 111,908,181</u>

The City's capital improvement program includes a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects are under design at this time with construction beginning in 2004 on several of the road projects. Bonds will be issued in fiscal year 2005 to fund various voter approved projects. A number of drainage projects will be undertaken during the five-year planned capital improvement period. In addition, the City is completing acquisition of a trunked 700 MHz radio system to be utilized by City departments and an adjoining city. The project completion date is in mid-2005.

Construction in progress at September 30, 2004 for governmental activities included the remodeling of a Community Center and the radio system discussed above.

Notably, the construction in progress at fiscal year end for business-type activities includes the construction of a two-million gallon water tower and several water and sewer main extensions needed to increase system capacity. Several projects are approved in the City's capital improvement plan including participation in the joint construction of an interceptor sewer line, and a shared ground storage facility and pump station.

Additional information on the City of Rockwall's capital assets can be found in note 3C on pages 46-49 of this report.

Debt

At year end, the City had \$33,570,000 in bonds and capitalized leases, as shown in Table 4.

**Table 4  
Outstanding Debt at Year-End**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 11,918,933	\$ 12,521,523	\$ 271,067	\$ 288,477	\$ 12,190,000	\$ 12,810,000
Contractual obligations	420,000	690,000	-	-	420,000	690,000
Certificates of obligation	9,075,000	9,890,000	-	-	9,075,000	9,890,000
Tax notes	70,000	70,000	-	-	70,000	70,000
Revenue bonds	-	-	10,035,000	10,555,000	10,035,000	10,555,000
Capitalized lease obligations	-	-	1,780,000	2,150,000	1,780,000	2,150,000
	<u>\$ 21,483,933</u>	<u>\$ 23,171,523</u>	<u>\$ 12,086,067</u>	<u>\$ 12,993,477</u>	<u>\$ 33,570,000</u>	<u>\$ 36,165,000</u>

The City of Rockwall's general obligation bonds carry an "A" rating from Standard & Poor's Corporation and an "A1" rating from Moody's Investor Services, both national rating agencies. The City's water and sewer bonds carry an "A-" rating from Standard & Poor's and an "A2" rating from Moody's. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 1.04% or \$822 per capita.

Additional information on the City of Rockwall's long-term debt can be found in note 3E on pages 50-56 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials consider many factors when setting the fiscal year 2005 budget, tax rate and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the growth in our community and its population. The population growth experienced by the City helped to offset declines in spending seen regionally over the last few years. Building permits showed improvement over the prior year, and interviews with local builders project strong home sales continuing for the foreseeable future. The City of Rockwall's citizens enjoy above-average income levels per household. This in combination with the City's proximity to major highways, and the Dallas-Ft. Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and the

"hometown" atmosphere in Rockwall. The Rockwall Economic Development Corporation works diligently to attract businesses with relocation incentives as well as providing business retention incentives such as workforce training opportunities.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2005. The budgeted revenues for fiscal year 2005 total \$16,091,600 for the General Fund. Ad valorem tax revenue is determined by two major factors: (1) the total assessed value established by the Rockwall Central Appraisal District, and (2) the tax rate established by the Rockwall City Council. Due to the fact that property values have continued to rise, the City has been able to maintain the 36 cent tax rate for the next year. Due to a marked improvement in actual sales tax collections in 2004, City officials have projected a conservative 6.25% increase over the prior fiscal year.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. In addition, the policies set minimum, recommended and maximum fund balance levels for the City's fund types. The General Fund minimum fund balance is set at three months recurring operating expenditures. The recommended fund balance is five months of recurring operating expenditures and the maximum fund balance is seven months of recurring operating expenditures. The budget as adopted for fiscal year 2005 projects a fund balance of approximately five months of recurring operating expenditures.

A number of planning initiatives, including the completion of a Compensation Plan review and the implementation of a GIS pilot project, are planned for fiscal year 2005. In addition, the City will undertake a large number of improvements to existing City parks in order to better serve our citizens. The City will continue to offer training opportunities for all employees including Rockwall University, an education initiative for employees across the organization to learn about the work performed by other departments in a university style curriculum. In addition, the City plans to offer a "Citizen's Academy" to offer citizens the opportunity to learn more about city government here in Rockwall.

The water and sewer rates adopted in fiscal year 2002 are being reviewed by our rate consultant with his report to be issued in fiscal year 2005. The rates were designed to be adequate for approximately five years, and are being reviewed to confirm their sufficiency in light of a number of capital projects being studied.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com).

***BASIC FINANCIAL STATEMENTS***

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,021,629	\$ 300	\$ 1,021,929	\$ -	\$ 44,272
Investments	15,905,160	7,524,297	23,429,457	1,244,932	37,332
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	234,960	-	234,960	-	-
Franchise taxes	815,817	-	815,817	-	-
Interest	62,766	22,904	85,670	604	-
Accounts	139,775	964,143	1,103,918	1,213	15,347
Assessments	85,884	-	85,884	-	-
Intergovernmental	1,484,933	114,738	1,599,671	372,577	-
Other	15,659	-	15,659	567,924	-
Internal balances	(1,105,477)	1,105,477	-	-	-
Inventory	16,104	230,454	246,558	5,773,266	-
Restricted assets:					
Cash and cash equivalents	-	1,127,997	1,127,997	-	-
Investments	-	10,643,322	10,643,322	1,133,351	-
Accrued interest	-	31,428	31,428	-	-
Deferred charges	207,272	185,565	392,837	45,140	-
Capital assets (net of accumulated depreciation)	69,108,976	50,434,407	119,543,383	12,189	-
Total assets	<u>87,993,458</u>	<u>72,385,032</u>	<u>160,378,490</u>	<u>9,151,196</u>	<u>96,951</u>
<b>LIABILITIES</b>					
Bank overdraft	5,517	-	5,517	3,729	-
Accounts payable and accrued liabilities	1,592,989	260,642	1,853,631	41,745	21,110
Accrued interest payable	162,344	104,586	266,930	35,792	-
Deferred revenue	65,407	-	65,407	-	-
Due to other governments	142,995	-	142,995	-	-
Customer deposits	-	389,187	389,187	-	-
Noncurrent liabilities:					
Due within one year	1,914,246	986,988	2,901,234	201,899	-
Due in more than one year	20,274,461	11,081,433	31,355,894	4,101,105	-
Total liabilities	<u>24,157,959</u>	<u>12,822,836</u>	<u>36,980,795</u>	<u>4,384,270</u>	<u>21,110</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	47,695,043	38,406,139	86,101,182	12,189	-
Restricted for:					
Debt service	626,661	1,324,515	1,951,176	484,864	-
Capital projects	5,271,300	10,373,646	15,644,946	612,695	-
Unrestricted	10,242,495	9,457,896	19,700,391	3,657,178	75,841
Total net assets	<u>\$ 63,835,499</u>	<u>\$ 59,562,196</u>	<u>\$ 123,397,695</u>	<u>\$ 4,766,926</u>	<u>\$ 75,841</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT A-2  
Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
Mayor/council	\$ 74,416	\$ -	\$ -	\$ -
Administration	5,757,527	255,364	-	-
Finance	877,537	8,400	123,000	-
Municipal court	254,210	928,470	-	-
Police	6,862,707	402,980	1,187,565	-
Fire	1,530,503	70,200	8,763	51,537
Public works	6,155,726	320,152	-	6,572,623
Community development	1,493,249	1,680,531	-	-
Parks and recreation	2,323,558	240,014	105,496	-
Interest on long-term debt	1,277,825	-	-	-
Total governmental activities	<u>26,607,258</u>	<u>3,906,111</u>	<u>1,424,824</u>	<u>6,624,160</u>
Business-type activities:				
Water and sewer	7,061,272	8,287,744	-	6,576,943
Total business-type activities	<u>7,061,272</u>	<u>8,287,744</u>	<u>-</u>	<u>6,576,943</u>
Total primary government	<u>\$ 33,668,530</u>	<u>\$ 12,193,855</u>	<u>\$ 1,424,824</u>	<u>\$ 13,201,103</u>
<b>COMPONENT UNITS:</b>				
Rockwall Economic Development Corporation				
Corporation	\$ 1,272,670	\$ -	\$ 1,625	\$ -
Rockwall Technology Park				
	108,956	108,705	-	-
Total component units	<u>\$ 1,381,626</u>	<u>\$ 108,705</u>	<u>\$ 1,625</u>	<u>\$ -</u>

General revenues:  
Ad valorem taxes, penalty and interest  
Sales taxes  
Franchise taxes  
Unrestricted investment earnings  
Miscellaneous  
Transfers  
Total general revenues and transfers

Change in net assets  
Net assets at beginning of year  
Net assets at end of year

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
\$ (74,416)		\$ (74,416)		
(5,502,163)		(5,502,163)		
(746,137)		(746,137)		
674,260		674,260		
(5,272,162)		(5,272,162)		
(1,400,003)		(1,400,003)		
737,049		737,049		
187,282		187,282		
(1,978,048)		(1,978,048)		
(1,277,825)		(1,277,825)		
<u>(14,652,163)</u>		<u>(14,652,163)</u>		
	\$ 7,803,415	7,803,415		
	<u>7,803,415</u>	<u>7,803,415</u>		
<u>(14,652,163)</u>	7,803,415	<u>(6,848,748)</u>		
			\$ (1,271,045)	\$ -
			-	(251)
			<u>(1,271,045)</u>	<u>(251)</u>
7,265,947	-	7,265,947	-	-
6,736,054	-	6,736,054	2,174,540	-
1,776,406	-	1,776,406	-	-
156,219	240,542	396,761	29,302	387
235,161	278,894	514,055	19,901	-
867,500	(867,500)	-	-	-
<u>17,037,287</u>	<u>(348,064)</u>	<u>16,689,223</u>	<u>2,223,743</u>	<u>387</u>
2,385,124	7,455,351	9,840,475	952,698	136
61,450,375	52,106,845	113,557,220	3,814,228	75,705
<u>\$ 63,835,499</u>	<u>\$ 59,562,196</u>	<u>\$ 123,397,695</u>	<u>\$ 4,766,926</u>	<u>\$ 75,841</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>G.O. Bonds Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,319	\$ 143,409	\$ 31,187	\$ 568,952	\$ 747,867
Investments	7,017,767	498,249	4,215,075	2,652,448	14,383,539
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	135,325	99,635	-	-	234,960
Interest	49,826	1,689	3,600	2,644	57,759
Accounts	22,127	-	-	48,207	70,334
Assessments	-	-	-	85,884	85,884
Intergovernmental	1,138,298	-	25,000	321,635	1,484,933
Other	14,931	-	-	728	15,659
Due from other funds	561,240	46,023	-	888,875	1,496,138
Inventory	16,104	-	-	-	16,104
 Total assets	 <u>\$ 8,959,937</u>	 <u>\$ 789,005</u>	 <u>\$ 4,274,862</u>	 <u>\$ 4,569,373</u>	 <u>\$ 18,593,177</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 832,752	\$ -	\$ 37,231	\$ 521,127	\$ 1,391,110
Deferred revenue	125,823	94,247	-	151,291	371,361
Due to other governments	142,995	-	-	-	142,995
Due to other funds	982,108	-	-	1,504,929	2,487,037
Total liabilities	<u>2,083,678</u>	<u>94,247</u>	<u>37,231</u>	<u>2,177,347</u>	<u>4,392,503</u>
Fund balances:					
Reserved for:					
Inventory	16,104	-	-	-	16,104
Debt service	-	694,758	-	-	694,758
Unreserved, reported in:					
General fund	6,860,155	-	-	-	6,860,155
Special revenue funds	-	-	-	1,358,357	1,358,357
Capital projects funds	-	-	4,237,631	1,033,669	5,271,300
Total fund balances	<u>6,876,259</u>	<u>694,758</u>	<u>4,237,631</u>	<u>2,392,026</u>	<u>14,200,674</u>
 Total liabilities and fund balances	 <u>\$ 8,959,937</u>	 <u>\$ 789,005</u>	 <u>\$ 4,274,862</u>	 <u>\$ 4,569,373</u>	 <u>\$ 18,593,177</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2004

Total fund balances - governmental funds		\$ 14,200,674
Amounts reported for governmental activities in the statement of net assets are different because:		
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		1,515,285
The following assets are not available to pay for current period expenditures and are deferred in the funds:		
Property taxes receivable		220,070
Assessments receivable		85,884
The following assets are not available to pay for current period expenditures and are not accrued in the funds:		
Franchise taxes receivable		815,817
Court fines receivable		32,572
The following assets are not current financial resources and are not reported in the funds:		
Capital assets used in governmental activities (net of accumulated depreciation of \$31,919,614)		69,108,976
Costs of bonds issued to finance governmental activities		207,272
The following liabilities are not due in the current period and are not reported in the funds:		
Compensated absences		(704,774)
Bonds payable		(21,413,933)
Notes payable		(70,000)
Accrued interest payable		(162,344)
		(162,344)
Net assets of governmental activities		\$ 63,835,499

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Ad valorem taxes, penalty and interest	\$ 4,247,724	\$ 3,022,684	\$ -	\$ -	\$ 7,270,408
Sales taxes	6,593,226	-	-	142,828	6,736,054
Franchise taxes	1,702,156	-	-	-	1,702,156
Charges for services	266,450	-	-	-	266,450
Permits	1,609,117	-	-	100,715	1,709,832
Municipal court	887,424	-	-	49,740	937,164
Intergovernmental	173,100	-	318,572	1,281,139	1,772,811
Interest income	41,684	12,389	55,882	33,314	143,269
Miscellaneous	68,584	-	20,000	667,149	755,733
Donations	-	-	-	252,037	252,037
Total revenues	<u>15,589,465</u>	<u>3,035,073</u>	<u>394,454</u>	<u>2,526,922</u>	<u>21,545,914</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Mayor/council	74,416	-	-	-	74,416
Administration	2,324,516	-	-	-	2,324,516
Finance	698,680	-	-	139,120	837,800
Municipal court	249,839	-	-	-	249,839
Police	4,968,376	-	-	1,115,300	6,083,676
Fire	940,022	-	-	10,600	950,622
Public works	1,981,880	-	-	23,480	2,005,360
Community development	1,477,483	-	-	-	1,477,483
Parks and recreation	1,528,006	-	-	230,174	1,758,180
Total current	<u>14,243,218</u>	<u>-</u>	<u>-</u>	<u>1,518,674</u>	<u>15,761,892</u>
<b>Capital outlay:</b>					
Administration	165,884	-	89,622	368,020	623,526
Finance	-	-	-	36,746	36,746
Municipal court	3,958	-	-	-	3,958
Police	10,802	-	-	967,377	978,179
Fire	20,184	-	-	505,704	525,888
Public works	3,294	-	388,988	1,275,400	1,667,682
Community development	668	-	-	-	668
Parks and recreation	2,995	-	397,890	199,164	600,049
Total capital outlay	<u>207,785</u>	<u>-</u>	<u>876,500</u>	<u>3,352,411</u>	<u>4,436,696</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT A-5  
Page 2 of 2

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
Debt service:					
Principal	-	2,831,984	-	-	2,831,984
Interest	-	1,032,504	-	-	1,032,504
Bond issuance costs	-	99,311	-	-	99,311
Fiscal charges	-	7,403	-	-	7,403
Total debt service	-	3,971,202	-	-	3,971,202
 Total expenditures	 14,451,003	 3,971,202	 876,500	 4,871,085	 24,169,790
 Excess (deficiency) of revenues over (under) expenditures	 1,138,462	 (936,129)	 (482,046)	 (2,344,163)	 (2,623,876)
 Other financing sources (uses):					
Transfers in	393,000	-	221,800	1,815,109	2,429,909
Transfers out	(1,805,600)	-	(588,000)	(418,809)	(2,812,409)
Proceeds from refunding bonds issued	-	4,067,415	-	-	4,067,415
Payment to refunded bond escrow agent	-	(3,120,178)	-	-	(3,120,178)
Total other financing sources (uses)	(1,412,600)	947,237	(366,200)	1,396,300	564,737
 Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	 (274,138)	 11,108	 (848,246)	 (947,863)	 (2,059,139)
 Fund balances, October 1, as previously reported	 7,243,479	 683,650	 5,119,410	 3,348,004	 16,394,543
 Prior period adjustment	 (93,082)	 -	 (33,533)	 (8,115)	 (134,730)
 Fund balances, October 1, as restated	 7,150,397	 683,650	 5,085,877	 3,339,889	 16,259,813
 Fund balances, September 30	 \$ 6,876,259	 \$ 694,758	 \$ 4,237,631	 \$ 2,392,026	 \$ 14,200,674

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2004

Net change in fund balances - governmental funds	\$ (2,059,139)
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets.	(232,925)
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	(4,460)
Assessments receivable	(104,133)
Franchise taxes receivable	74,250
Court fines receivable	16,140
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,523,417) and retirements (\$4,125,060) exceeded capital outlays (\$4,281,436) in the current period.	(3,367,041)
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	6,254,050
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount by which debt issuance costs (\$99,311) exceeded amortization (\$69,040) in the current period.	30,271
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	28,279
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$5,711,984) exceeded proceeds (\$4,024,394) in the current period.	1,687,590
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	62,242
Change in net assets of governmental activities	\$ <u><u>2,385,124</u></u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 4,163,000	\$ 4,281,000	\$ 4,247,724	\$ (33,276)
Sales taxes	6,064,000	6,473,000	6,593,226	120,226
Franchise taxes	1,528,500	1,699,500	1,702,156	2,656
Charges for services	156,500	242,400	266,450	24,050
Permits	1,154,000	1,373,500	1,609,117	235,617
Municipal court	622,000	757,000	887,424	130,424
Intergovernmental	299,500	162,500	173,100	10,600
Interest income	150,000	125,000	41,684	(83,316)
Miscellaneous	63,500	43,500	68,584	25,084
Total revenues	<u>14,201,000</u>	<u>15,157,400</u>	<u>15,589,465</u>	<u>432,065</u>
Expenditures:				
Current:				
Mayor/council	137,640	135,780	74,416	61,364
Administration	2,304,500	2,414,060	2,324,516	89,544
Finance	699,200	699,320	698,680	640
Municipal court	217,800	235,850	249,839	(13,989)
Police	4,769,850	5,022,300	4,968,376	53,924
Fire	1,016,750	1,006,350	940,022	66,328
Public works	1,977,450	1,966,200	1,981,880	(15,680)
Community development	1,551,850	1,554,110	1,477,483	76,627
Parks and recreation	1,421,300	1,467,900	1,528,006	(60,106)
Total current	<u>14,096,340</u>	<u>14,501,870</u>	<u>14,243,218</u>	<u>258,652</u>
Capital outlay:				
Administration	400,600	98,450	165,884	(67,434)
Municipal court	4,200	4,200	3,958	242
Police	11,350	11,350	10,802	548
Fire	23,000	23,000	20,184	2,816
Public works	4,900	3,300	3,294	6
Community development	1,500	1,500	668	832
Parks and recreation	3,000	3,000	2,995	5
Total capital outlay	<u>448,550</u>	<u>144,800</u>	<u>207,785</u>	<u>(62,985)</u>
Total expenditures	<u>14,544,890</u>	<u>14,646,670</u>	<u>14,451,003</u>	<u>195,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(343,890)</u>	<u>510,730</u>	<u>1,138,462</u>	<u>627,732</u>
Other financing sources (uses):				
Transfers in	390,000	393,000	393,000	-
Transfers out	(606,300)	(1,740,100)	(1,805,600)	(65,500)
Total other financing sources (uses)	<u>(216,300)</u>	<u>(1,347,100)</u>	<u>(1,412,600)</u>	<u>(65,500)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(560,190)</u>	<u>(836,370)</u>	<u>(274,138)</u>	<u>562,232</u>
Fund balances, October 1, as previously reported	7,243,479	7,243,479	7,243,479	-
Prior period adjustment	(93,082)	(93,082)	(93,082)	-
Fund balances, October 1, as restated	<u>7,150,397</u>	<u>7,150,397</u>	<u>7,150,397</u>	<u>-</u>
Fund balances, September 30	<u>\$ 6,590,207</u>	<u>\$ 6,314,027</u>	<u>\$ 6,876,259</u>	<u>\$ 562,232</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2004

	<u>Business-Type Activities Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 300	\$ 273,762
Investments	7,524,297	1,521,621
Receivables (net of allowances for uncollectibles):		
Interest	22,904	5,007
Accounts	964,143	36,869
Intergovernmental	114,738	-
Due from other funds	1,151,500	-
Inventory	230,454	-
Restricted assets:		
Cash and cash equivalents	1,127,997	-
Investments	10,643,322	-
Accrued interest	31,428	-
Total current assets	<u>21,811,083</u>	<u>1,837,259</u>
Noncurrent assets:		
Deferred charges	185,565	-
Capital assets (net of accumulated depreciation)	50,434,407	-
Total noncurrent assets	<u>50,619,972</u>	<u>-</u>
Total Assets	<u>72,431,055</u>	<u>1,837,259</u>
<b>LIABILITIES</b>		
Current liabilities:		
Bank overdraft	-	5,517
Accounts payable and accrued liabilities	260,642	201,879
Due to other funds	46,023	114,578
Customer deposits	389,187	-
Liability for compensated absences	40,153	-
General obligation bonds payable - current	23,631	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	550,000	-
Obligations under capital leases - current	395,000	-
Accrued interest payable	104,586	-
Total current liabilities	<u>1,809,222</u>	<u>321,974</u>
Noncurrent liabilities:		
General obligation bonds payable	247,436	-
Revenue bonds payable	9,427,201	-
Obligations under capital leases	1,385,000	-
Total noncurrent liabilities	<u>11,059,637</u>	<u>-</u>
Total Liabilities	<u>12,868,859</u>	<u>321,974</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	38,406,139	-
Restricted for debt service	1,324,515	-
Restricted for construction	10,373,646	-
Unrestricted	9,457,896	1,515,285
Total Net Assets	<u>\$ 59,562,196</u>	<u>\$ 1,515,285</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and Sewer</u>	<u>Service Funds</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 8,287,744	\$ 231,717
Total operating revenues	<u>8,287,744</u>	<u>231,717</u>
<b>OPERATING EXPENSES:</b>		
Personal services	1,157,603	-
Contractual services	3,457,101	1,826,046
Materials and supplies	258,133	-
Operations	96,192	-
Utilities	225,546	-
Depreciation and amortization	1,265,432	-
Total operating expenses	<u>6,460,007</u>	<u>1,826,046</u>
Operating income (loss)	<u>1,827,737</u>	<u>(1,594,329)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Capital recovery fees	1,202,156	-
Interest income	240,542	12,951
Miscellaneous income	278,894	98,453
Paying agent fees	(9,723)	-
Interest expense	(591,542)	-
Total non-operating revenues (expenses)	<u>1,120,327</u>	<u>111,404</u>
Income (loss) before transfers and capital contributions	<u>2,948,064</u>	<u>(1,482,925)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
Capital contributions	5,374,787	-
Transfers in	-	1,250,000
Transfers out	(867,500)	-
Total transfers and capital contributions	<u>4,507,287</u>	<u>1,250,000</u>
Increase (decrease) in net assets	<u>7,455,351</u>	<u>(232,925)</u>
Net assets, October 1, as previously reported	52,236,497	1,766,839
Prior period adjustment	<u>(129,652)</u>	<u>(18,629)</u>
Net assets, October 1, as restated	<u>52,106,845</u>	<u>1,748,210</u>
Net assets, September 30	<u>\$ 59,562,196</u>	<u>\$ 1,515,285</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-Type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 8,683,330	\$ 293,301
Cash paid to employees for services	(1,179,238)	-
Cash paid to suppliers for goods and services	(4,679,282)	(1,836,976)
Net cash provided (used) by operating activities	<u>2,824,810</u>	<u>(1,543,675)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash paid to other funds	(2,019,000)	-
Cash received from other funds	46,023	1,397,439
Net cash provided (used) by non-capital financing activities	<u>(1,972,977)</u>	<u>1,397,439</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or construction of capital assets	(1,498,146)	-
Proceeds from disposition of capital assets	894,321	-
Capital recovery fees received	1,202,156	-
Bond proceeds received	303,819	-
Bond issuance costs paid	(7,418)	-
Principal paid on capital debt	(1,208,016)	-
Interest and fees paid on capital debt	(607,960)	-
Net cash provided (used) by capital and related financing activities	<u>(921,244)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(33,811,351)	(1,806,000)
Proceeds from sales and maturities of investments	33,124,922	2,176,199
Interest and dividends received	470,921	43,314
Net cash provided (used) by investing activities	<u>(215,508)</u>	<u>413,513</u>
Net increase (decrease) in cash and cash equivalents	(284,919)	267,277
Cash and cash equivalents at beginning of year	1,413,216	6,485
Cash and cash equivalents at end of year	<u>\$ 1,128,297</u>	<u>\$ 273,762</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 1,827,737	\$ (1,594,329)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,265,432	-
Miscellaneous income	278,894	98,453
Decrease (increase) in assets:		
Receivables	74,570	(36,869)
Inventories	(121,547)	-
Increase (decrease) in liabilities:		
Bank overdraft	-	(1,715)
Accounts payable and accrued liabilities	(514,315)	(9,215)
Customer deposits	42,122	-
Compensated absences	(28,083)	-
Net cash provided (used) by operating activities	<u>\$ 2,824,810</u>	<u>\$ (1,543,675)</u>
<b>Non-cash investing and financing activities:</b>		
Capital contributions	<u>\$ 5,374,787</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2004

	Agency Fund
	Special Escrow
	Agency
<b>ASSETS</b>	
Cash and cash equivalents	\$ 210,007
Investments	1,377,508
Accrued interest receivable	3,393
Total assets	1,590,908
<b>LIABILITIES</b>	
Due to developers	1,590,908
Total liabilities	1,590,908
<b>NET ASSETS</b>	\$ -

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

*Reporting Entity*

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

*Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) is governed by a five-member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities. Stand alone financial statements for REDC as of and for the fiscal year ended September 30, 2004 are not prepared.

The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within the park being developed by REDC. RTP's Board of Directors is composed of representatives of the landowners. At September 30, 2004, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Stand alone financial statements for RTP as of and for the fiscal year ended September 30, 2004 are not prepared.

The funds of both REDC and RTP are composed of governmental fund types.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

*Government-wide and Fund Financial Statements:*

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financial accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of general fixed assets.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued*

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Assets, liabilities, and net assets or equity*

1. Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

*Assets, liabilities, and net assets or equity – continued*

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items “a” through “d” above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than “A-1” or “P-1” (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than “A-1” or “P-1” (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

*Assets, liabilities, and net assets or equity – continued*

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1<sup>st</sup> by the City based on the January 1<sup>st</sup> property values as assessed by the Rockwall County Central Appraisal District. Taxes are due without penalty until January 31<sup>st</sup> of the next calendar year. After January 31<sup>st</sup> the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

*Assets, liabilities, and net assets or equity – continued*

3. Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

*Assets, liabilities, and net assets or equity – continued*

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 1.25 days per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has ten or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

7. Long-term obligations

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

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

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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*NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During the year ended September 30, 2004, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain special revenue funds. The Drug Grant Fund is used to account for revenues and expenditures relating to federal criminal justice and drug abuse resistance education program grants with a fiscal year which does not coincide with that of the City. This makes any comparison of program expenditures to the grant allocations confusing and misleading. A budget was also not adopted for the Emergency Siren Fund, the Kidzone Fund, and the Sesquicentennial Fund.
7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$965,352 in the Debt Service Fund as a result of a bond refunding transaction during the year.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

C. Deficit fund equity

The following funds had deficit fund balances at September 30, 2004:

Capital Projects Funds:	
Equipment Acquisition	\$ 179,386
Harbor/TIF Projects	\$ 593,471
Internal Service Funds:	
Employee Benefits	\$ 79,371

The deficits in the Equipment Acquisition and Harbor/TIF Projects funds were caused by expenditures made in advance of anticipated bond issuances. The deficit in the Employee Benefits fund was caused by unanticipated health care cost increases, and will be covered by additional transfers from the General Fund.

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NOTE 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash

At year end, the carrying amount of the City's deposits was \$1,383,848 (including restricted cash of \$166,248) and the bank balance was \$1,568,914. These bank balances were entirely covered by federal depository insurance and collateral pledged by the depository in the City's name and held by the City's agent.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$961,749, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

At year end, the carrying amounts of deposits for REDC and RTP, discretely presented components units, were \$(3,729) and \$44,272, respectively, and the bank balances were \$3,904 and \$44,223, respectively. The component units' cash balances are covered by the City's depository contract and, therefore, these bank balances were entirely covered by federal depository insurance and collateral pledged by the depository in the City's name and held by the City's agent.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments

The City's investments are categorized into the following three categories of credit risk: (1) insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

At year end, the City's investments were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
<b>Primary Government</b>					
U.S. government securities:					
Agency notes	\$ 19,301,999	\$	\$	\$ 19,301,999	\$ 19,301,999
Treasury bills and notes	2,999,760			2,999,760	2,999,760
	<u>\$ 22,301,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>22,301,759</u>	<u>22,301,759</u>
Investments not subject to categorization:					
Money market funds				13,148,528	13,148,528
Total primary government				<u>35,450,287</u>	<u>35,450,287</u>
<b>Discretely Presented Component Units</b>					
Investments not subject to categorization:					
Rockwall Economic Development Corporation:					
Certificates of deposit				300,000	300,000
Money market funds				2,078,283	2,078,283
Rockwall Technology Park:					
Money market funds				37,332	37,332
Total discretely presented component units				<u>2,415,615</u>	<u>2,415,615</u>
Total reporting entity				<u>\$ 37,865,902</u>	<u>\$ 37,865,902</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

B. Receivables

In the Water and Sewer Fund, accounts receivable and revenues are reported net of uncollectible amounts. For the year ended September 30, 2004, the uncollectible amounts related to accounts receivable totaled \$171,276, and the uncollectible amounts related to revenues of the current period totaled \$43,645.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General Fund	\$ 125,823	\$ -
Debt Service Fund	94,247	-
Assessments receivable not yet due:		
Street Improvements	85,884	-
Grant drawdowns prior to meeting all eligibility requirements	<u>-</u>	<u>65,407</u>
Total deferred revenue for governmental funds	<u>\$ 305,954</u>	<u>\$ 65,407</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 2,017,819	\$ 80,000	\$ -	\$ -	\$ 2,097,819
Construction in progress	<u>10,696,999</u>	<u>3,151,612</u>	<u>(4,100,067)</u>	<u>(4,813,894)</u>	<u>4,934,650</u>
Total capital assets not being depreciated	<u>12,714,818</u>	<u>3,231,612</u>	<u>(4,100,067)</u>	<u>(4,813,894)</u>	<u>7,032,469</u>
Capital assets being depreciated:					
Buildings	9,628,068	150,644	-	-	9,778,712
Improvements other than buildings	425,592	154,861	-	934,678	1,515,131
Machinery and equipment	2,054,450	186,000	(12,907)	-	2,227,543
Vehicles	2,976,037	324,428	(194,719)	-	3,105,746
Furniture and fixtures	1,492,375	233,891	(16,400)	-	1,709,866
Infrastructure	<u>65,525,858</u>	<u>6,254,049</u>	<u>-</u>	<u>3,879,216</u>	<u>75,659,123</u>
Total capital assets being depreciated	<u>82,102,380</u>	<u>7,303,873</u>	<u>(224,026)</u>	<u>4,813,894</u>	<u>93,996,121</u>
Less accumulated depreciation for:					
Buildings	(840,017)	(319,355)	-	-	(1,159,372)
Improvements other than buildings	(182,897)	(43,160)	-	-	(226,057)
Machinery and equipment	(855,248)	(167,053)	11,616	-	(1,010,685)
Vehicles	(1,817,727)	(323,244)	177,817	-	(1,963,154)
Furniture and fixtures	(379,467)	(273,674)	9,600	-	(643,541)
Infrastructure	<u>(24,519,875)</u>	<u>(2,396,930)</u>	<u>-</u>	<u>-</u>	<u>(26,916,805)</u>
Total accumulated depreciation	<u>(28,595,231)</u>	<u>(3,523,416)</u>	<u>199,033</u>	<u>-</u>	<u>(31,919,614)</u>
Total capital assets being depreciated, net	<u>53,507,149</u>	<u>3,780,457</u>	<u>(24,993)</u>	<u>4,813,894</u>	<u>62,076,507</u>
Governmental activities capital assets, net	<u>\$ 66,221,967</u>	<u>\$ 7,012,069</u>	<u>\$ (4,125,060)</u>	<u>\$ -</u>	<u>\$ 69,108,976</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ -	\$ -	\$ 799,533
Construction in progress	<u>6,046,709</u>	<u>1,081,429</u>	<u>(619,352)</u>	<u>(3,700,403)</u>	<u>2,808,383</u>
Total capital assets not being depreciated	<u>6,846,242</u>	<u>1,081,429</u>	<u>(619,352)</u>	<u>(3,700,403)</u>	<u>3,607,916</u>
Capital assets being depreciated:					
Buildings	89,421	-	-	-	89,421
Improvements other than buildings	37,911,129	5,668,288	(282,732)	3,700,403	46,997,088
Sewage treatment plants and pump station	10,594,237	-	-	-	10,594,237
Machinery and equipment	3,175,693	123,216	(1,200)	-	3,297,709
Furniture and fixtures	<u>69,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,031</u>
Total capital assets being depreciated	<u>51,839,511</u>	<u>5,791,504</u>	<u>(283,932)</u>	<u>3,700,403</u>	<u>61,047,486</u>
Less accumulated depreciation for:					
Buildings	(89,421)	-	-	-	(89,421)
Improvements other than buildings	(7,017,576)	(846,255)	8,482	-	(7,855,349)
Sewage treatment plants and pump station	(3,053,051)	(210,410)	-	-	(3,263,461)
Machinery and equipment	(2,779,981)	(171,636)	480	-	(2,951,137)
Furniture and fixtures	<u>(59,510)</u>	<u>(2,117)</u>	<u>-</u>	<u>-</u>	<u>(61,627)</u>
Total accumulated depreciation	<u>(12,999,539)</u>	<u>(1,230,418)</u>	<u>8,962</u>	<u>-</u>	<u>(14,220,995)</u>
Total capital assets being depreciated, net	<u>38,839,972</u>	<u>4,561,086</u>	<u>(274,970)</u>	<u>3,700,403</u>	<u>46,826,491</u>
Business-type activities capital assets, net	<u>\$ 45,686,214</u>	<u>\$ 5,642,515</u>	<u>\$ (894,322)</u>	<u>\$ -</u>	<u>\$ 50,434,407</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	\$ 388,289
Police	292,004
Fire	190,510
Public works	2,477,694
Parks and recreation	<u>174,919</u>
Total depreciation expense - governmental activities	<u>\$ 3,523,416</u>
Business-type activities:	
Water and sewer	<u>\$ 1,230,418</u>

Construction commitments

The City has active construction projects as of September 30, 2004. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Community center remodel	\$ 58,950	\$ 61,500
Radio system	<u>1,378,131</u>	<u>986,061</u>
	<u>\$ 1,437,081</u>	<u>\$ 1,047,561</u>

The Community Center remodel is being financed with existing reserves. The radio system is being financed by bond proceeds.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2004 was as follows:

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
Capital assets being depreciated:					
Furniture and fixtures	\$ 57,063	\$ 998	\$ -	\$ -	\$ 58,061
Total capital assets being depreciated	<u>57,063</u>	<u>998</u>	<u>-</u>	<u>-</u>	<u>58,061</u>
Less accumulated depreciation for:					
Furniture and fixtures	(38,337)	(7,535)	-	-	(45,872)
Total accumulated depreciation	<u>(38,337)</u>	<u>(7,535)</u>	<u>-</u>	<u>-</u>	<u>(45,872)</u>
REDC capital assets, net	<u>\$ 18,726</u>	<u>\$ (6,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,189</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2004 is as follows:

Fund	Receivable	Payable
General Fund	\$ 561,240	\$ 982,108
Debt Service Fund	46,023	-
Nonmajor governmental funds	888,875	1,504,929
Water and Sewer Fund	1,151,500	46,023
Internal service funds	<u>-</u>	<u>114,578</u>
Total interfund balances	<u>\$ 2,647,638</u>	<u>\$ 2,647,638</u>

The composition of interfund transfers for the year ended September 30, 2004 is as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 393,000	\$ 1,805,600
G.O. Bonds Capital Projects	221,800	588,000
Nonmajor governmental funds	1,815,109	418,809
Water and Sewer Fund	-	867,500
Internal service funds	<u>1,250,000</u>	<u>-</u>
Total interfund transfers	<u>\$ 3,679,909</u>	<u>\$ 3,679,909</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2004 is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance 9/30/04</u>
Governmental Activities:					
General obligation bonds:					
Improvements	\$ 4,300,000	1995	2015	5.00%-8.00%	\$ 200,000
Improvements	7,185,000	1999	2014	4.25%-5.25%	6,175,000
Improvements	2,150,000	2000	2020	5.00%-6.00%	1,915,000
Refunding	4,024,394	2004	2015	2.00%-4.00%	3,628,933
Total general obligation bonds					<u>11,918,933</u>
Contractual obligations:					
Equipment purchase	350,000	1996	2005	4.60%-6.60%	45,000
Equipment purchase	1,165,000	1999	2014	4.00%-6.20%	375,000
Total contractual obligations					<u>420,000</u>
Certificates of obligation:					
Improvements	6,500,000	2000	2020	4.75%-5.75%	5,785,000
Improvements	4,295,000	2002	2012	2.80%-3.80%	3,290,000
Total certificates of obligation					<u>9,075,000</u>
Tax note payable	70,000	1999	2006	5.00%	<u>70,000</u>
Total governmental activities general obligation debt					21,483,933
Business-type Activities:					
General obligation bonds:					
Refunding	300,606	2004	2015	2.00%-4.00%	<u>271,067</u>
Total general obligation debt					<u>\$ 21,755,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2005	\$ 1,801,369	\$ 1,134,497	\$ 23,631	\$ 8,303	\$ 2,967,800
2006	1,840,235	897,635	34,765	7,830	2,780,465
2007	1,746,505	833,148	28,495	7,135	2,615,283
2008	1,585,462	768,131	29,538	6,494	2,389,625
2009	1,510,540	705,257	19,460	5,682	2,240,939
2010-2014	6,315,190	2,656,428	109,810	18,147	9,099,575
2015-2019	5,959,632	1,152,505	25,368	1,015	7,138,520
2020	725,000	41,688	-	-	766,688
Total	\$ <u>21,483,933</u>	\$ <u>8,189,289</u>	\$ <u>271,067</u>	\$ <u>54,606</u>	\$ <u>29,998,895</u>

Revenue bonds

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding as of September 30, 2004 are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/04
Improvements	\$ 1,650,000	1994	2014	4.60%-7.50%	\$ 1,075,000
Improvements	3,535,000	1999	2019	4.15%-5.00%	2,685,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	<u>6,275,000</u>
					10,035,000
Less unamortized discount					<u>(57,799)</u>
Total revenue bonds					\$ <u><u>9,977,201</u></u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Water and Sewer Fund		
	Principal	Interest	Total
2005	\$ 550,000	\$ 453,306	\$ 1,003,306
2006	575,000	429,139	1,004,139
2007	590,000	404,073	994,073
2008	625,000	377,979	1,002,979
2009	650,000	350,077	1,000,077
2010-2014	2,900,000	1,338,270	4,238,270
2015-2019	2,685,000	732,360	3,417,360
2020-2022	1,460,000	143,385	1,603,385
	10,035,000	\$ 4,228,589	\$ 14,263,589
Less unamortized discount	(57,799)		
Total revenue bonds	\$ 9,977,201		

Advance and current refundings

In December 2003, the City issued \$4,325,000 of general obligation refunding bonds. A portion of the proceeds was used for a current refunding of \$1,110,000 of general obligation bonds. The remaining proceeds were used to purchase U.S. Government securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$2,880,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the City's statement of net assets. These refundings were undertaken to reduce total debt service payments over the next twelve years by \$225,043 and resulted in an economic gain of \$191,151. At September 30, 2004 the amount outstanding on the defeased bonds was \$2,880,000.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Capitalized lease obligations

The City has entered into a contract with North Texas Municipal Water District (NTMWD), a conservation and reclamation district and political subdivision of the State of Texas, for construction and operation of sewer plants. The contractual obligations have been treated as capitalized lease obligations. Capitalized lease obligations outstanding as of September 30, 2004 are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/04</u>
North Plant Improvements	\$ 1,325,000	1993	2006	Various	\$ 300,000
South Plant Improvements	1,295,000	1993	2005	Various	170,000
South Plant Improvements	1,800,000	1996	2016	Various	<u>1,310,000</u>
Total capitalized lease obligations					\$ <u><u>1,780,000</u></u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2004 are as follows:

<u>Year Ending September 30</u>	<u>Total</u>
2005	\$ 482,825
2006	309,495
2007	143,045
2008	148,795
2009	149,045
2010-2014	749,620
2015-2016	<u>301,965</u>
Total minimum lease payments	2,284,790
Less amount representing interest	<u>(504,790)</u>
Present value of minimum lease payments	\$ <u><u>1,780,000</u></u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 12,521,523	\$ 4,024,394	\$ (4,626,984)	\$ 11,918,933	\$ 876,369
Contractual obligations	690,000	-	(270,000)	420,000	75,000
Certificates of obligation	<u>9,890,000</u>	<u>-</u>	<u>(815,000)</u>	<u>9,075,000</u>	<u>850,000</u>
Total bonds payable	23,101,523	4,024,394	(5,711,984)	21,413,933	1,801,369
Notes payable	70,000	-	-	70,000	-
Compensated absences	<u>767,016</u>	<u>222,781</u>	<u>(285,023)</u>	<u>704,774</u>	<u>112,877</u>
Total	<u>\$ 23,938,539</u>	<u>\$ 4,247,175</u>	<u>\$ (5,997,007)</u>	<u>\$ 22,188,707</u>	<u>\$ 1,914,246</u>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 288,477	\$ 300,606	\$ (318,016)	\$ 271,067	\$ 23,631
Revenue bonds	10,555,000	-	(520,000)	10,035,000	550,000
Less unamortized discount	<u>(65,615)</u>	<u>-</u>	<u>7,816</u>	<u>(57,799)</u>	<u>-</u>
Total bonds payable	10,777,862	300,606	(830,200)	10,248,268	573,631
Capitalized lease obligations	2,150,000	-	(370,000)	1,780,000	395,000
Compensated absences	<u>68,236</u>	<u>29,349</u>	<u>(57,432)</u>	<u>40,153</u>	<u>18,357</u>
Total	<u>\$ 12,996,098</u>	<u>\$ 329,955</u>	<u>\$ (1,257,632)</u>	<u>\$ 12,068,421</u>	<u>\$ 986,988</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Conduit debt obligations

Certain revenue bonds have been issued in the past to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2004, there were two series of revenue bonds outstanding. The aggregate principal amount payable for the two issues was \$1,721,574.

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2004:

Year Authorized	Amount Authorized	Amount Issued	Balance Unissued 9/30/04
General obligation bonds:			
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
1998	10,950,000	(8,335,000)	2,615,000
2001	19,843,100	-	19,843,100
	<u>\$ 36,393,100</u>	<u>\$ (12,535,000)</u>	<u>\$ 23,858,100</u>
Total general obligation bonds			
	<u>\$ 36,393,100</u>	<u>\$ (12,535,000)</u>	<u>\$ 23,858,100</u>
Revenue bonds:			
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	1,540,000	-	1,540,000
	<u>\$ 3,540,000</u>	<u>\$ (1,060,000)</u>	<u>\$ 2,480,000</u>
Total revenue bonds			
	<u>\$ 3,540,000</u>	<u>\$ (1,060,000)</u>	<u>\$ 2,480,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Discretely presented component units

The Rockwall Economic Development Corporation (REDC), a discretely presented component unit, has the following bonds outstanding as of September 30, 2004:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/04</u>
Sales tax revenue bonds:					
Land improvements	\$ 5,000,000	1999	2019	4.20%-6.20%	<u>\$ 4,295,000</u>

Annual debt service requirements to maturity for sales tax revenue bonds are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 200,000	\$ 209,493	\$ 409,493
2006	210,000	197,092	407,092
2007	220,000	184,073	404,073
2008	230,000	172,082	402,082
2009	240,000	162,423	402,423
2010-2014	1,405,000	642,167	2,047,167
2015-2019	1,790,000	274,855	2,064,855
Total	<u>\$ 4,295,000</u>	<u>\$ 1,842,185</u>	<u>\$ 6,137,185</u>

Long-term liability activity of the REDC for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Sales tax revenue bonds	\$ 4,485,000	\$ -	\$ (190,000)	\$ 4,295,000	\$ 200,000
Compensated absences	-	9,261	(1,257)	8,004	1,899
Total	<u>\$ 4,485,000</u>	<u>\$ 9,261</u>	<u>\$ (191,257)</u>	<u>\$ 4,303,004</u>	<u>\$ 201,899</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4: OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$35,000 per covered individual, or approximately \$1,003,217 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2004.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a cap of \$600,000 per year.

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Employee Benefits</u>		<u>Workers' Compensation</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Claims payable, beginning of the year	\$ 193,309	\$ 139,415	\$ 15,554	\$ 21,334
Claims incurred	1,232,390	870,879	131,433	187,474
Claims paid	<u>(1,260,778)</u>	<u>(816,985)</u>	<u>(133,062)</u>	<u>(193,254)</u>
Claims payable, end of the year	<u>\$ 164,921</u>	<u>\$ 193,309</u>	<u>\$ 13,925</u>	<u>\$ 15,554</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 4: OTHER INFORMATION – continued*

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52<sup>nd</sup> Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2004, is \$1,780,000. See Note 3E for the annual requirements to amortize the bonds as of September 30, 2004.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 4: OTHER INFORMATION – continued*

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 3 above, the general revenues of the City are contingently liable in the amount of \$271,067 for general obligation bonds which are currently outstanding and recorded as obligations of the Water and Sewer Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2004, these commitments totaled \$919,300.

D. Employee retirement systems and pension plans

Texas Municipal Retirement System

Plan Description – The City provides pension benefits for all of its full-time employees (except firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 794 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 794 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2003 valuations are contained in the 2003 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas, 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4: OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit rate: 7%

Matching Ratio (City to Employee): 2 to 1

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Contributions – Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2003 valuation is effective for rates beginning January 2005.

A schedule of funding progress as of the three most recent actuarial valuation dates is as follows:

	Actuarial Valuation Date		
	12/31/03	12/31/02	12/31/01
Actuarial value of assets (a)	\$ 14,356,528	\$ 11,949,020	\$ 10,215,762
Actuarial accrued liability (AAL) - unit credit (b)	19,724,820	15,905,584	13,833,397
Unfunded (over-funded) AAL (UAAL) (b-a)	5,368,292	3,956,564	3,617,635
Funded ratio (a/b)	72.8%	75.1%	73.8%
Annual covered payroll (c)	8,808,639	7,833,164	6,830,978
UAAL as a percentage of covered payroll ((b-a)/c)	60.9%	50.5%	53.0%

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4: OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

A summary of the City’s net pension obligation (NPO) and annual required contributions for the last three fiscal years is as follows:

	Fiscal Year Ended September 30		
	2004	2003	2002
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	1,155,023	1,023,494	890,635
Contributions made (100%)	<u>(1,155,023)</u>	<u>(1,023,494)</u>	<u>(890,635)</u>
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of the actuarial assumptions used is as follows:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	None
Cost-of-Living Adjustments	None

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the “Fund”) which is a component unit of the State of Texas. The City reimbursed the Fund \$48,774 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 35 active participants currently covered by the Fund and payments are being made to eight retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

E. Prior period adjustment

In the City’s financial statements for the year ended September 30, 2003, accrued interest receivable and interest revenue were overstated. The correction of this error decreased accrued interest receivable and fund balance by \$283,011.

***COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES  
AS SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2004

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-3)</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 269,755	\$ 299,197	\$ 568,952
Investments	944,117	1,708,331	2,652,448
Receivables (net of allowances for uncollectibles):			
Interest	1,126	1,518	2,644
Accounts	35,594	12,613	48,207
Assessments	85,884	-	85,884
Intergovernmental	204,964	116,671	321,635
Other	728	-	728
Due from other funds	<u>75</u>	<u>888,800</u>	<u>888,875</u>
 Total assets	 <u>\$ 1,542,243</u>	 <u>\$ 3,027,130</u>	 <u>\$ 4,569,373</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 32,595	\$ 488,532	\$ 521,127
Deferred revenue	151,291	-	151,291
Due to other funds	<u>-</u>	<u>1,504,929</u>	<u>1,504,929</u>
Total liabilities	<u>183,886</u>	<u>1,993,461</u>	<u>2,177,347</u>
 Fund balances:			
Unreserved, undesignated	<u>1,358,357</u>	<u>1,033,669</u>	<u>2,392,026</u>
Total fund balances	<u>1,358,357</u>	<u>1,033,669</u>	<u>2,392,026</u>
 Total liabilities and fund balances	 <u>\$ 1,542,243</u>	 <u>\$ 3,027,130</u>	 <u>\$ 4,569,373</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Sales taxes	\$ 142,828	\$ -	\$ 142,828
Permits	100,715	-	100,715
Municipal court	49,740	-	49,740
Intergovernmental	1,229,602	51,537	1,281,139
Interest income	8,108	25,206	33,314
Miscellaneous	659,809	7,340	667,149
Donations	252,037	-	252,037
Total revenues	<u>2,442,839</u>	<u>84,083</u>	<u>2,526,922</u>
Expenditures:			
Current:			
Finance	139,120	-	139,120
Police	1,115,300	-	1,115,300
Fire	10,600	-	10,600
Public works	23,480	-	23,480
Parks and recreation	230,174	-	230,174
Total current	<u>1,518,674</u>	<u>-</u>	<u>1,518,674</u>
Capital outlay:			
Administration	-	368,020	368,020
Finance	-	36,746	36,746
Police	11,673	955,704	967,377
Fire	88,100	417,604	505,704
Public works	4,078	1,271,322	1,275,400
Parks and recreation	199,164	-	199,164
Total capital outlay	<u>303,015</u>	<u>3,049,396</u>	<u>3,352,411</u>
Total expenditures	<u>1,821,689</u>	<u>3,049,396</u>	<u>4,871,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>621,150</u>	<u>(2,965,313)</u>	<u>(2,344,163)</u>
Other financing sources (uses):			
Transfers in	229,509	1,585,600	1,815,109
Transfers out	(418,809)	-	(418,809)
Total other financing sources (uses)	<u>(189,300)</u>	<u>1,585,600</u>	<u>1,396,300</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>431,850</u>	<u>(1,379,713)</u>	<u>(947,863)</u>
Fund balances, October 1, as previously reported	926,507	2,421,497	3,348,004
Prior period adjustment	<u>-</u>	<u>(8,115)</u>	<u>(8,115)</u>
Fund balances, October 1, as restated	<u>926,507</u>	<u>2,413,382</u>	<u>3,339,889</u>
Fund balances, September 30	<u>\$ 1,358,357</u>	<u>\$ 1,033,669</u>	<u>\$ 2,392,026</u>

## ***SPECIAL REVENUE FUNDS***

**Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.**

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation – established to account for donations, court security fees, and forfeitures.

Recreational Development – established to account for the annual lease income from marinas and golf course.

PID Special Revenue – established to account for the receipt and disposition of all revenues received from assessments levied for the Heritage Heights Public Improvement District.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Motel Tax – established to account for the annual income from hotel/motel taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Kidzone – established to account for revenues and expenditures related to a joint project with the Rockwall Breakfast Rotary and Kiwanis clubs to construct a playground.

Drug Grant – established to account for revenues and expenditures related to a multi-jurisdictional drug task force.

Sesquicentennial – established to account for revenues and expenditures related to the one-day event celebrating Rockwall's Sesquicentennial.

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2004

	Cemetery	Police Investigation	Recreational Development	PID Special Revenue
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,572	\$ 5,936	\$ 16,381	\$ -
Investments	186,337	91,257	28,746	-
Receivables (net of allowances for uncollectibles):				
Interest	-	-	-	-
Accounts	-	-	-	-
Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
	-	-	-	-
Total assets	\$ 196,909	\$ 97,193	\$ 45,127	\$ -
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 6,436	\$ -
Deferred revenue	-	-	-	-
Total liabilities	-	-	6,436	-
 Fund balances:				
Unreserved, undesignated	196,909	97,193	38,691	-
Total fund balances	196,909	97,193	38,691	-
Total liabilities and fund balances	\$ 196,909	\$ 97,193	\$ 45,127	\$ -

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2004

<u>Street Improvements</u>	<u>Hotel Motel Tax</u>	<u>Fire Equipment</u>	<u>Aviation</u>	<u>Recycling</u>	<u>Emergency Siren</u>
\$ 14,520	\$ 12,670	\$ 302	\$ 329	\$ 9,156	\$ 367
440,796	34,040	101,784	45,099	7,783	8,275
1,126	-	-	-	-	-
-	35,594	-	-	-	-
85,884	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	728	-
-	-	-	-	-	-
<u>\$ 542,326</u>	<u>\$ 82,304</u>	<u>\$ 102,086</u>	<u>\$ 45,428</u>	<u>\$ 17,667</u>	<u>\$ 8,642</u>
\$ -	\$ 2,978	\$ -	\$ 5,490	\$ -	\$ -
85,884	-	-	-	-	-
<u>85,884</u>	<u>2,978</u>	<u>-</u>	<u>5,490</u>	<u>-</u>	<u>-</u>
<u>456,442</u>	<u>79,326</u>	<u>102,086</u>	<u>39,938</u>	<u>17,667</u>	<u>8,642</u>
<u>456,442</u>	<u>79,326</u>	<u>102,086</u>	<u>39,938</u>	<u>17,667</u>	<u>8,642</u>
<u>\$ 542,326</u>	<u>\$ 82,304</u>	<u>\$ 102,086</u>	<u>\$ 45,428</u>	<u>\$ 17,667</u>	<u>\$ 8,642</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2004

EXHIBIT C-1  
 Page 3 of 3

	Kids Zone	Drug Grant	Sesquicentennial	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,670	\$ 191,852	\$ -	\$ 269,755
Investments	-	-	-	944,117
Receivables (net of allowances for uncollectibles):				
Interest	-	-	-	1,126
Accounts	-	-	-	35,594
Assessments	-	-	-	85,884
Intergovernmental	-	204,964	-	204,964
Other	-	-	-	728
Due from other funds	-	75	-	75
	<u>7,670</u>	<u>191,852</u>	<u>-</u>	<u>269,755</u>
Total assets	<u>\$ 7,670</u>	<u>\$ 396,891</u>	<u>\$ -</u>	<u>\$ 1,542,243</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 17,691	\$ -	\$ 32,595
Deferred revenue	-	65,407	-	151,291
Total liabilities	<u>-</u>	<u>83,098</u>	<u>-</u>	<u>183,886</u>
Fund balances:				
Unreserved, undesignated	7,670	313,793	-	1,358,357
Total fund balances	<u>7,670</u>	<u>313,793</u>	<u>-</u>	<u>1,358,357</u>
Total liabilities and fund balances	<u>\$ 7,670</u>	<u>\$ 396,891</u>	<u>\$ -</u>	<u>\$ 1,542,243</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Cemetery	Police Investigation	Recreational Development	PID Special Revenue
Revenues:				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Permits	600	-	100,115	-
Municipal court	-	49,740	-	-
Intergovernmental	-	-	-	-
Interest income	559	499	968	-
Miscellaneous	7,800	-	115,061	54,596
Donations	123,000	22,963	-	-
Total revenues	131,959	73,202	216,144	54,596
Expenditures:				
Current:				
Finance	-	-	-	-
Police	-	9,735	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	97,782	-
Total current	-	9,735	97,782	-
Capital outlay:				
Police	-	11,673	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	91,757	-
Total capital outlay	-	11,673	91,757	-
Total expenditures	-	21,408	189,539	-
Excess (deficiency) of revenues over (under) expenditures	131,959	51,794	26,605	54,596
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(3,000)	(316,800)	(99,009)
Total other financing sources (uses)	-	(3,000)	(316,800)	(99,009)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	131,959	48,794	(290,195)	(44,413)
Fund balances, October 1	64,950	48,399	328,886	44,413
Fund balances, September 30	\$ 196,909	\$ 97,193	\$ 38,691	\$ -

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Street Improvements</u>	<u>Hotel Motel Tax</u>	<u>Fire Equipment</u>	<u>Aviation</u>	<u>Recycling</u>	<u>Emergency Siren</u>
\$ -	\$ 142,828	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	65,000	-	-	-
2,980	625	1,451	469	91	91
171,122	-	-	10,052	8,662	4,423
-	-	578	-	-	-
<u>174,102</u>	<u>143,453</u>	<u>67,029</u>	<u>10,521</u>	<u>8,753</u>	<u>4,514</u>
-	139,120	-	-	-	-
-	-	-	-	-	-
-	-	10,600	-	-	-
-	-	-	20,966	2,514	-
-	-	-	-	-	-
<u>-</u>	<u>139,120</u>	<u>10,600</u>	<u>20,966</u>	<u>2,514</u>	<u>-</u>
-	-	-	-	-	-
-	-	88,100	-	-	-
-	-	-	-	-	4,078
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>88,100</u>	<u>-</u>	<u>-</u>	<u>4,078</u>
<u>-</u>	<u>139,120</u>	<u>98,700</u>	<u>20,966</u>	<u>2,514</u>	<u>4,078</u>
<u>174,102</u>	<u>4,333</u>	<u>(31,671)</u>	<u>(10,445)</u>	<u>6,239</u>	<u>436</u>
99,009	-	-	5,000	-	-
-	-	-	-	-	-
<u>99,009</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
273,111	4,333	(31,671)	(5,445)	6,239	436
<u>183,331</u>	<u>74,993</u>	<u>133,757</u>	<u>45,383</u>	<u>11,428</u>	<u>8,206</u>
<u>\$ 456,442</u>	<u>\$ 79,326</u>	<u>\$ 102,086</u>	<u>\$ 39,938</u>	<u>\$ 17,667</u>	<u>\$ 8,642</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Kidzone	Drug Grant	Sesquicentennial	Total Nonmajor Special Revenue Funds (See Exhibit B-2)
Revenues:				
Sales taxes	\$ -	\$ -	\$ -	\$ 142,828
Permits	-	-	-	100,715
Municipal court	-	-	-	49,740
Intergovernmental	-	1,164,602	-	1,229,602
Interest income	-	375	-	8,108
Miscellaneous	-	271,620	16,473	659,809
Donations	94,920	-	10,576	252,037
Total revenues	94,920	1,436,597	27,049	2,442,839
Expenditures:				
Current:				
Finance	-	-	-	139,120
Police	-	1,105,565	-	1,115,300
Fire	-	-	-	10,600
Public works	-	-	-	23,480
Parks and recreation	39,843	-	92,549	230,174
Total current	39,843	1,105,565	92,549	1,518,674
Capital outlay:				
Police	-	-	-	11,673
Fire	-	-	-	88,100
Public works	-	-	-	4,078
Parks and recreation	107,407	-	-	199,164
Total capital outlay	107,407	-	-	303,015
Total expenditures	147,250	1,105,565	92,549	1,821,689
Excess (deficiency) of revenues over (under) expenditures	(52,330)	331,032	(65,500)	621,150
Other financing sources (uses):				
Transfers in	60,000	-	65,500	229,509
Transfers out	-	-	-	(418,809)
Total other financing sources (uses)	60,000	-	65,500	(189,300)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,670	331,032	-	431,850
Fund balances, October 1	-	(17,239)	-	926,507
Fund balances, September 30	7,670	\$ 313,793	\$ -	\$ 1,358,357

CITY OF ROCKWALL, TEXAS  
CEMETERY FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 800	\$ 800	\$ 600	\$ (200)
Interest income	750	750	559	(191)
Miscellaneous	2,000	5,800	7,800	2,000
Donations	75,000	123,000	123,000	-
Total revenues	<u>78,550</u>	<u>130,350</u>	<u>131,959</u>	<u>1,609</u>
Expenditures:				
Current:				
Administration	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Excess (deficiency) of revenues over (under) expenditures	76,550	128,350	131,959	3,609
Fund balances, October 1	<u>64,950</u>	<u>64,950</u>	<u>64,950</u>	<u>-</u>
Fund balances, September 30	<u>\$ 141,500</u>	<u>\$ 193,300</u>	<u>\$ 196,909</u>	<u>\$ 3,609</u>

CITY OF ROCKWALL, TEXAS  
POLICE INVESTIGATION FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal court	\$ 39,000	\$ 47,500	\$ 49,740	\$ 2,240
Interest income	500	500	499	(1)
Donations	4,000	19,750	22,963	3,213
Total revenues	<u>43,500</u>	<u>67,750</u>	<u>73,202</u>	<u>5,452</u>
Expenditures:				
Current:				
Police	10,200	11,000	9,735	1,265
Total current	<u>10,200</u>	<u>11,000</u>	<u>9,735</u>	<u>1,265</u>
Capital outlay:				
Police	7,100	11,700	11,673	27
Total capital outlay	<u>7,100</u>	<u>11,700</u>	<u>11,673</u>	<u>27</u>
Total expenditures	<u>17,300</u>	<u>22,700</u>	<u>21,408</u>	<u>1,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,200</u>	<u>45,050</u>	<u>51,794</u>	<u>6,744</u>
Other financing sources (uses):				
Transfers out	-	(3,000)	(3,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	26,200	42,050	48,794	6,744
Fund balances, October 1	<u>48,399</u>	<u>48,399</u>	<u>48,399</u>	<u>-</u>
Fund balances, September 30	<u>\$ 74,599</u>	<u>\$ 90,449</u>	<u>\$ 97,193</u>	<u>\$ 6,744</u>

CITY OF ROCKWALL, TEXAS  
RECREATIONAL DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 70,500	\$ 100,500	\$ 100,115	\$ (385)
Interest income	3,000	3,000	968	(2,032)
Miscellaneous	100,000	112,000	115,061	3,061
Donations	103,000	103,000	-	(103,000)
Total revenues	<u>276,500</u>	<u>318,500</u>	<u>216,144</u>	<u>(102,356)</u>
Expenditures:				
Current:				
Parks and recreation	269,800	249,300	97,782	151,518
Total current	<u>269,800</u>	<u>249,300</u>	<u>97,782</u>	<u>151,518</u>
Capital outlay:				
Parks and recreation	175,000	235,000	91,757	143,243
Total capital outlay	<u>175,000</u>	<u>235,000</u>	<u>91,757</u>	<u>143,243</u>
Total expenditures	<u>444,800</u>	<u>484,300</u>	<u>189,539</u>	<u>294,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,300)</u>	<u>(165,800)</u>	<u>26,605</u>	<u>192,405</u>
Other financing sources (uses):				
Transfers in	32,000	32,000	-	(32,000)
Transfers out	(35,000)	(95,000)	(316,800)	(221,800)
Total other financing sources (uses)	<u>(3,000)</u>	<u>(63,000)</u>	<u>(316,800)</u>	<u>(253,800)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(171,300)</u>	<u>(228,800)</u>	<u>(290,195)</u>	<u>(61,395)</u>
Fund balances, October 1	<u>328,886</u>	<u>328,886</u>	<u>328,886</u>	<u>-</u>
Fund balances, September 30	<u>\$ 157,586</u>	<u>\$ 100,086</u>	<u>\$ 38,691</u>	<u>\$ (61,395)</u>

CITY OF ROCKWALL, TEXAS  
 PID SPECIAL REVENUE FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 500	\$ 500	\$ -	\$ (500)
Miscellaneous	19,000	19,000	54,596	35,596
Total revenues	<u>19,500</u>	<u>19,500</u>	<u>54,596</u>	<u>35,096</u>
Other financing sources (uses):				
Transfers out	-	-	(99,009)	(99,009)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(99,009)</u>	<u>(99,009)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	19,500	19,500	(44,413)	(63,913)
Fund balances, October 1	<u>44,413</u>	<u>44,413</u>	<u>44,413</u>	<u>-</u>
Fund balances, September 30	<u>\$ 63,913</u>	<u>\$ 63,913</u>	<u>\$ -</u>	<u>\$ (63,913)</u>

CITY OF ROCKWALL, TEXAS  
STREET IMPROVEMENTS FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,600	\$ 1,600	\$ 2,980	\$ 1,380
Miscellaneous	4,250	332,250	171,122	(161,128)
Total revenues	<u>5,850</u>	<u>333,850</u>	<u>174,102</u>	<u>(159,748)</u>
Other financing sources (uses):				
Transfers in	-	-	99,009	99,009
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>99,009</u>	<u>99,009</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	5,850	333,850	273,111	(60,739)
Fund balances, October 1	<u>183,331</u>	<u>183,331</u>	<u>183,331</u>	<u>-</u>
Fund balances, September 30	<u>\$ 189,181</u>	<u>\$ 517,181</u>	<u>\$ 456,442</u>	<u>\$ (60,739)</u>

CITY OF ROCKWALL, TEXAS  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 140,000	\$ 146,000	\$ 142,828	\$ (3,172)
Interest income	1,000	500	625	125
Total revenues	<u>141,000</u>	<u>146,500</u>	<u>143,453</u>	<u>(3,047)</u>
Expenditures:				
Current:				
Finance	140,850	140,350	139,120	1,230
Total expenditures	<u>140,850</u>	<u>140,350</u>	<u>139,120</u>	<u>1,230</u>
Excess (deficiency) of revenues over (under) expenditures	150	6,150	4,333	(1,817)
Fund balances, October 1	<u>74,993</u>	<u>74,993</u>	<u>74,993</u>	<u>-</u>
Fund balances, September 30	<u>\$ 75,143</u>	<u>\$ 81,143</u>	<u>\$ 79,326</u>	<u>\$ (1,817)</u>

CITY OF ROCKWALL, TEXAS  
 FIRE EQUIPMENT FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Interest income	1,000	1,000	1,451	451
Donations	-	550	578	28
Total revenues	<u>66,000</u>	<u>66,550</u>	<u>67,029</u>	<u>479</u>
Expenditures:				
Current:				
Fire	10,000	10,000	10,600	(600)
Total current	<u>10,000</u>	<u>10,000</u>	<u>10,600</u>	<u>(600)</u>
Capital outlay:				
Fire	51,900	91,900	88,100	3,800
Total capital outlay	<u>51,900</u>	<u>91,900</u>	<u>88,100</u>	<u>3,800</u>
Total expenditures	<u>61,900</u>	<u>101,900</u>	<u>98,700</u>	<u>3,200</u>
Excess (deficiency) of revenues over (under) expenditures	4,100	(35,350)	(31,671)	3,679
Fund balances, October 1	<u>133,757</u>	<u>133,757</u>	<u>133,757</u>	<u>-</u>
Fund balances, September 30	<u>\$ 137,857</u>	<u>\$ 98,407</u>	<u>\$ 102,086</u>	<u>\$ 3,679</u>

CITY OF ROCKWALL, TEXAS  
 AVIATION FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 500	\$ 500	\$ 469	\$ (31)
Miscellaneous	8,500	8,500	10,052	1,552
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>10,521</u>	<u>1,521</u>
Expenditures:				
Current:				
Public works	24,250	29,600	20,966	8,634
Total expenditures	<u>24,250</u>	<u>29,600</u>	<u>20,966</u>	<u>8,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,250)</u>	<u>(20,600)</u>	<u>(10,445)</u>	<u>10,155</u>
Other financing sources (uses):				
Transfers in	5,000	5,000	5,000	-
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(10,250)	(15,600)	(5,445)	10,155
Fund balances, October 1	<u>45,383</u>	<u>45,383</u>	<u>45,383</u>	<u>-</u>
Fund balances, September 30	<u>\$ 35,133</u>	<u>\$ 29,783</u>	<u>\$ 39,938</u>	<u>\$ 10,155</u>

CITY OF ROCKWALL, TEXAS  
 RECYCLING FUND  
 SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 150	\$ 150	\$ 91	\$ (59)
Miscellaneous	8,000	8,000	8,662	662
Total revenues	<u>8,150</u>	<u>8,150</u>	<u>8,753</u>	<u>603</u>
Expenditures:				
Current:				
Public works	8,000	7,550	2,514	5,036
Total expenditures	<u>8,000</u>	<u>7,550</u>	<u>2,514</u>	<u>5,036</u>
Excess (deficiency) of revenues over (under) expenditures	150	600	6,239	5,639
Fund balances, October 1	<u>11,428</u>	<u>11,428</u>	<u>11,428</u>	<u>-</u>
Fund balances, September 30	<u>\$ 11,578</u>	<u>\$ 12,028</u>	<u>\$ 17,667</u>	<u>\$ 5,639</u>

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*DEBT SERVICE FUND*

**The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.**

CITY OF ROCKWALL, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 2,971,000	\$ 3,012,000	\$ 3,022,684	\$ 10,684
Interest income	15,000	15,000	12,389	(2,611)
Total revenues	<u>2,986,000</u>	<u>3,027,000</u>	<u>3,035,073</u>	<u>8,073</u>
Expenditures:				
Debt service:				
Principal	1,825,900	1,825,900	2,831,984	(1,006,084)
Interest	1,169,250	1,169,250	1,032,504	136,746
Bond issuance costs	-	-	99,311	(99,311)
Fiscal charges	10,700	10,700	7,403	3,297
Total expenditures	<u>3,005,850</u>	<u>3,005,850</u>	<u>3,971,202</u>	<u>(965,352)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,850)</u>	<u>21,150</u>	<u>(936,129)</u>	<u>(957,279)</u>
Other financing sources (uses):				
Proceeds from refunding bonds issued	-	-	4,067,415	4,067,415
Payment to refunded bond escrow agent	-	-	(3,120,178)	(3,120,178)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>947,237</u>	<u>947,237</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(19,850)</u>	<u>21,150</u>	<u>11,108</u>	<u>(10,042)</u>
Fund balances, October 1	<u>683,650</u>	<u>683,650</u>	<u>683,650</u>	<u>-</u>
Fund balances, September 30	<u>\$ 663,800</u>	<u>\$ 704,800</u>	<u>\$ 694,758</u>	<u>\$ (10,042)</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2004

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Harbor/TIF Projects</u>	<u>Ralph Hall Parkway Capital Improvements</u>	<u>1995 G.O. Bonds Capital Improvements</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit B-1)</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 305	\$ 298,892	\$ 299,197
Investments	1,442,410	205,195	-	-	60,726	1,708,331
Receivables (net of allowances for uncollectibles):						
Interest	759	759	-	-	-	1,518
Accounts	-	12,613	-	-	-	12,613
Intergovernmental	-	51,537	-	-	65,134	116,671
Due from other funds	<u>502,100</u>	<u>386,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888,800</u>
 Total assets	 <u>\$ 1,945,269</u>	 <u>\$ 656,804</u>	 <u>\$ -</u>	 <u>\$ 305</u>	 <u>\$ 424,752</u>	 <u>\$ 3,027,130</u>
 <b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 9,360	\$ 97,600	\$ 89,981	\$ -	\$ 291,591	\$ 488,532
Due to other funds	<u>262,849</u>	<u>738,590</u>	<u>503,490</u>	<u>-</u>	<u>-</u>	<u>1,504,929</u>
Total liabilities	<u>272,209</u>	<u>836,190</u>	<u>593,471</u>	<u>-</u>	<u>291,591</u>	<u>1,993,461</u>
Fund balances:						
Unreserved, undesignated	<u>1,673,060</u>	<u>(179,386)</u>	<u>(593,471)</u>	<u>305</u>	<u>133,161</u>	<u>1,033,669</u>
Total fund balances	<u>1,673,060</u>	<u>(179,386)</u>	<u>(593,471)</u>	<u>305</u>	<u>133,161</u>	<u>1,033,669</u>
 Total liabilities and fund balances	 <u>\$ 1,945,269</u>	 <u>\$ 656,804</u>	 <u>\$ -</u>	 <u>\$ 305</u>	 <u>\$ 424,752</u>	 <u>\$ 3,027,130</u>

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## ***CAPITAL PROJECTS FUNDS***

**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

Harbor/TIF Projects – established to account for revenues and expenditures related to the Tax Increment Financing District and the associated public improvements within the Harbor development.

G.O. Bonds Capital Projects – established to account for equipment acquisition and street and drainage projects using proceeds from the issuance of bonds.

Ralph Hall Parkway Capital Improvements – established to account for the construction of the new Ralph M. Hall Parkway currently in progress.

1995 G.O. Bonds Capital Improvements – established to account for street and drainage improvements, road improvements, and expansion of the City's service center using proceeds of the 1995 General Obligation Bond Issue.

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Harbor/TIF Projects</u>	<u>Ralph Hall Parkway Capital Improvements</u>	<u>1995 G.O. Bonds Capital Improvements</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit B-2)</u>
Revenues:						
Intergovernmental	\$ -	\$ 51,537	\$ -	\$ -	\$ -	\$ 51,537
Interest income	7,711	7,711	-	-	9,784	25,206
Miscellaneous	-	7,000	-	340	-	7,340
Total revenues	<u>7,711</u>	<u>66,248</u>	<u>-</u>	<u>340</u>	<u>9,784</u>	<u>84,083</u>
Expenditures:						
Capital outlay:						
Administration	177,177	190,843	-	-	-	368,020
Finance	-	36,746	-	-	-	36,746
Police	-	955,704	-	-	-	955,704
Fire	28,851	388,753	-	-	-	417,604
Public works	5,295	104,188	593,471	89,084	479,284	1,271,322
Total expenditures	<u>211,323</u>	<u>1,676,234</u>	<u>593,471</u>	<u>89,084</u>	<u>479,284</u>	<u>3,049,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(203,612)</u>	<u>(1,609,986)</u>	<u>(593,471)</u>	<u>(88,744)</u>	<u>(469,500)</u>	<u>(2,965,313)</u>
Other financing sources (uses):						
Transfers in	502,100	995,500	-	88,000	-	1,585,600
Total other financing sources (uses)	<u>502,100</u>	<u>995,500</u>	<u>-</u>	<u>88,000</u>	<u>-</u>	<u>1,585,600</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>298,488</u>	<u>(614,486)</u>	<u>(593,471)</u>	<u>(744)</u>	<u>(469,500)</u>	<u>(1,379,713)</u>
Fund balances, October 1, as previously reported	1,374,572	435,100	-	1,049	610,776	2,421,497
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,115)</u>	<u>(8,115)</u>
Fund balances, October 1, as restated	<u>1,374,572</u>	<u>435,100</u>	<u>-</u>	<u>1,049</u>	<u>602,661</u>	<u>2,413,382</u>
Fund balances, September 30	<u>\$ 1,673,060</u>	<u>\$ (179,386)</u>	<u>\$ (593,471)</u>	<u>\$ 305</u>	<u>\$ 133,161</u>	<u>\$ 1,033,669</u>

### *INTERNAL SERVICE FUNDS*

**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City’s employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2004

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 38,294	\$ 235,468	\$ 273,762
Investments	152,950	1,368,671	1,521,621
Receivables (net of allowances for uncollectibles):			
Interest	-	5,007	5,007
Accounts	36,869	-	36,869
Total current assets	<u>228,113</u>	<u>1,609,146</u>	<u>1,837,259</u>
<b>LIABILITIES</b>			
Current liabilities:			
Bank overdraft	5,517	-	5,517
Accounts payable and accrued liabilities	187,389	14,490	201,879
Due to other funds	114,578	-	114,578
Total current liabilities	<u>307,484</u>	<u>14,490</u>	<u>321,974</u>
<b>NET ASSETS</b>			
Unrestricted	<u>(79,371)</u>	<u>1,594,656</u>	<u>1,515,285</u>
Total Net Assets	<u>\$ (79,371)</u>	<u>\$ 1,594,656</u>	<u>\$ 1,515,285</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 231,717	\$ -	\$ 231,717
Total operating revenues	<u>231,717</u>	<u>-</u>	<u>231,717</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	1,581,941	244,105	1,826,046
Total operating expenses	<u>1,581,941</u>	<u>244,105</u>	<u>1,826,046</u>
Operating income (loss)	<u>(1,350,224)</u>	<u>(244,105)</u>	<u>(1,594,329)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	3,012	9,939	12,951
Miscellaneous income	74,812	23,641	98,453
Total non-operating revenues (expenses)	<u>77,824</u>	<u>33,580</u>	<u>111,404</u>
Income (loss) before transfers and capital contributions	<u>(1,272,400)</u>	<u>(210,525)</u>	<u>(1,482,925)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Transfers in	1,220,000	30,000	1,250,000
Total transfers and capital contributions	<u>1,220,000</u>	<u>30,000</u>	<u>1,250,000</u>
Increase (decrease) in net assets	<u>(52,400)</u>	<u>(180,525)</u>	<u>(232,925)</u>
Net assets, October 1, as previously reported	(26,971)	1,793,810	1,766,839
Prior period adjustment	<u>-</u>	<u>(18,629)</u>	<u>(18,629)</u>
Net assets, October 1, as restated	<u>(26,971)</u>	<u>1,775,181</u>	<u>1,748,210</u>
Net assets, September 30	<u>\$ (79,371)</u>	<u>\$ 1,594,656</u>	<u>\$ 1,515,285</u>

CITY OF ROCKWALL, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	Total Internal Service Funds (See Exhibit A-10)
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 269,660	\$ 23,641	\$ 293,301
Cash paid to suppliers for goods and services	<u>(1,591,807)</u>	<u>(245,169)</u>	<u>(1,836,976)</u>
Net cash provided (used) by operating activities	<u>(1,322,147)</u>	<u>(221,528)</u>	<u>(1,543,675)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash received from other funds	<u>1,356,149</u>	<u>41,290</u>	<u>1,397,439</u>
Net cash provided (used) by non-capital financing activities	<u>1,356,149</u>	<u>41,290</u>	<u>1,397,439</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	(852,000)	(954,000)	(1,806,000)
Proceeds from sales and maturities of investments	856,199	1,320,000	2,176,199
Interest and dividends received	<u>93</u>	<u>43,221</u>	<u>43,314</u>
Net cash provided (used) by investing activities	<u>4,292</u>	<u>409,221</u>	<u>413,513</u>
Net increase (decrease) in cash and cash equivalents	38,294	228,983	267,277
Cash and cash equivalents at beginning of year	<u>-</u>	<u>6,485</u>	<u>6,485</u>
Cash and cash equivalents at end of year	<u>\$ 38,294</u>	<u>\$ 235,468</u>	<u>\$ 273,762</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (1,350,224)	\$ (244,105)	\$ (1,594,329)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Miscellaneous income	74,812	23,641	98,453
Decrease (increase) in assets:			
Receivables	(36,869)	-	(36,869)
Increase (decrease) in liabilities:			
Bank overdraft	(1,715)	-	(1,715)
Accounts payable and accrued liabilities	<u>(8,151)</u>	<u>(1,064)</u>	<u>(9,215)</u>
Net cash provided (used) by operating activities	<u>\$ (1,322,147)</u>	<u>\$ (221,528)</u>	<u>\$ (1,543,675)</u>

## *AGENCY FUND*

**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

CITY OF ROCKWALL, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL ESCROW AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,778	\$ 1,157,066	\$ 951,837	\$ 210,007
Investments	1,383,754	1,880,138	1,886,384	1,377,508
Accrued interest receivable	10,724	2,074	9,405	3,393
	<u>1,399,256</u>	<u>3,039,278</u>	<u>2,847,626</u>	<u>1,590,908</u>
Total assets	\$ <u>1,399,256</u>	\$ <u>3,039,278</u>	\$ <u>2,847,626</u>	\$ <u>1,590,908</u>
<b>LIABILITIES</b>				
Due to developers	\$ <u>1,399,256</u>	\$ <u>842,792</u>	\$ <u>651,140</u>	\$ <u>1,590,908</u>
Total liabilities	\$ <u>1,399,256</u>	\$ <u>842,792</u>	\$ <u>651,140</u>	\$ <u>1,590,908</u>

***DISCRETELY PRESENTED COMPONENT UNITS***

**The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.**

**The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within Phase I of the park developed by REDC.**

CITY OF ROCKWALL, TEXAS  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNITS  
SEPTEMBER 30, 2004

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 44,272
Investments	2,378,283	37,332
Receivables (net of allowances for uncollectibles):		
Interest	604	-
Accounts	1,213	15,347
Intergovernmental	372,577	-
Other	567,924	-
Inventory	<u>5,773,266</u>	<u>-</u>
 Total assets	 <u>\$ 9,093,867</u>	 <u>\$ 96,951</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Bank overdraft	\$ 3,729	\$ -
Accounts payable and accrued liabilities	<u>41,745</u>	<u>21,110</u>
Total liabilities	<u>45,474</u>	<u>21,110</u>
 Fund balances:		
Reserved for inventory	5,773,266	-
Unreserved, undesignated	<u>3,275,127</u>	<u>75,841</u>
Total fund balances	<u>9,048,393</u>	<u>75,841</u>
 Total liabilities and fund balances	 <u>\$ 9,093,867</u>	 <u>\$ 96,951</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Total fund balances - discretely presented component units	\$ 9,048,393	\$ 75,841
Amounts reported for discretely presented component units in the statement of net assets are different because:		
The following assets are not current financial resources and are not reported in the component units balance sheet:		
Capital assets used by component units (net of accumulated depreciation of \$45,872)	12,189	-
Costs of bonds issued to finance component units	45,140	-
The following liabilities are not due in the current period and are not reported in the component units balance sheet:		
Compensated absences	(8,004)	-
Bonds payable	(4,295,000)	-
Accrued interest payable	<u>(35,792)</u>	<u>-</u>
Net assets of discretely presented component units	<u>\$ 4,766,926</u>	<u>\$ 75,841</u>

CITY OF ROCKWALL, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Rockwall Economic Development Corporation	Rockwall Technology Park
Revenues:		
Sales taxes	\$ 2,174,540	\$ -
Charges for services	-	108,705
Intergovernmental	1,625	-
Interest income	29,302	387
Miscellaneous	19,901	-
Total revenues	<u>2,225,368</u>	<u>109,092</u>
Expenditures:		
Current:		
Administration	1,030,265	108,956
Total current	<u>1,030,265</u>	<u>108,956</u>
Capital outlay:		
Administration	998	-
Total capital outlay	<u>998</u>	<u>-</u>
Debt service:		
Principal	190,000	-
Interest	221,273	-
Fiscal charges	3,321	-
Total debt service	<u>414,594</u>	<u>-</u>
Total expenditures	<u>1,445,857</u>	<u>108,956</u>
Excess (deficiency) of revenues over (under) expenditures	779,511	136
Fund balances, October 1	<u>8,268,882</u>	<u>75,705</u>
Fund balances, September 30	<u>\$ 9,048,393</u>	<u>\$ 75,841</u>

CITY OF ROCKWALL, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED  
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Net change in fund balances - discretely presented component units	\$ 779,511	\$ 136
Amounts reported for discretely presented component units in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$7,535) exceeded capital outlays (\$998) in the current period.	(6,537)	-
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization expense in the current period.	(3,043)	-
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	771	-
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal repayments during the year.	190,000	-
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	<u>(8,004)</u>	<u>-</u>
Change in net assets of discretely presented component units	<u>\$ 952,698</u>	<u>\$ 136</u>

CITY OF ROCKWALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
ROCKWALL ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 2,000,000	\$ 2,133,000	\$ 2,174,540	\$ 41,540
Intergovernmental	-	-	1,625	1,625
Interest income	20,000	25,500	29,302	3,802
Miscellaneous	160,000	19,905	19,901	(4)
Total revenues	<u>2,180,000</u>	<u>2,178,405</u>	<u>2,225,368</u>	<u>46,963</u>
Expenditures:				
Current:				
Administration	2,314,900	1,245,723	1,030,265	215,458
Total current	<u>2,314,900</u>	<u>1,245,723</u>	<u>1,030,265</u>	<u>215,458</u>
Capital outlay:				
Administration	6,500	1,000	998	2
Total capital outlay	<u>6,500</u>	<u>1,000</u>	<u>998</u>	<u>2</u>
Debt service:				
Principal	190,000	190,000	190,000	-
Interest	221,500	221,500	221,273	227
Fiscal charges	3,500	3,500	3,321	179
Total debt service	<u>415,000</u>	<u>415,000</u>	<u>414,594</u>	<u>406</u>
Total expenditures	<u>2,736,400</u>	<u>1,661,723</u>	<u>1,445,857</u>	<u>215,866</u>
Excess (deficiency) of revenues over (under) expenditures	(556,400)	516,682	779,511	262,829
Fund balances, October 1	<u>8,268,882</u>	<u>8,268,882</u>	<u>8,268,882</u>	<u>-</u>
Fund balances, September 30	<u>\$ 7,712,482</u>	<u>\$ 8,785,564</u>	<u>\$ 9,048,393</u>	<u>\$ 262,829</u>

***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS***

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 SEPTEMBER 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Governmental funds capital assets:		
Land	\$ 2,097,819	\$ 2,017,819
Buildings	9,778,712	9,628,068
Improvements other than buildings	1,515,131	425,592
Machinery and equipment	2,227,543	2,054,450
Vehicles	3,105,746	2,976,037
Furniture and fixtures	1,709,866	1,492,375
Infrastructure	75,659,123	65,525,858
Construction in progress	<u>4,934,650</u>	<u>10,696,999</u>
Total governmental funds capital assets	<u>\$ 101,028,590</u>	<u>\$ 94,817,198</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 21,331,096	\$ 23,986,295
General government	25,801,728	23,244,178
Grants and entitlements	1,115,710	1,060,717
Developer contributions	<u>52,780,056</u>	<u>46,526,008</u>
Total investments in governmental funds capital assets	<u>\$ 101,028,590</u>	<u>\$ 94,817,198</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2004

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>
General government	\$ 1,225,684	\$ 3,575,450	\$ 137,719	\$ 90,516
Public works	273,803	171,724	-	499,161
Public safety	81,713	2,229,723	12,802	297,647
Recreation/development	516,619	1,844,404	1,364,610	794,751
Fire equipment	-	1,957,411	-	545,468
Total governmental funds capital assets	<u>\$ 2,097,819</u>	<u>\$ 9,778,712</u>	<u>\$ 1,515,131</u>	<u>\$ 2,227,543</u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2004

<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 336,726	\$ 1,401,596	\$ -	\$ 4,934,650	\$ 11,702,341
445,096	15,370	75,659,123	-	77,064,277
1,081,596	253,339	-	-	3,956,820
249,695	29,073	-	-	4,799,152
<u>992,633</u>	<u>10,488</u>	<u>-</u>	<u>-</u>	<u>3,506,000</u>
<u><u>\$ 3,105,746</u></u>	<u><u>\$ 1,709,866</u></u>	<u><u>\$ 75,659,123</u></u>	<u><u>\$ 4,934,650</u></u>	<u><u>\$ 101,028,590</u></u>

CITY OF ROCKWALL, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Function and Activity</u>	<u>Balance 10/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/04</u>
General government	\$ 17,205,351	\$ 3,505,778	\$ (4,194,893)	\$ (4,813,895)	\$ 11,702,341
Public works	66,978,818	6,254,049	(47,807)	3,879,217	77,064,277
Public safety	3,607,723	411,793	(62,696)	-	3,956,820
Recreation/development	3,667,309	215,863	(18,698)	934,678	4,799,152
Fire equipment	<u>3,357,997</u>	<u>148,003</u>	<u>-</u>	<u>-</u>	<u>3,506,000</u>
Total governmental funds capital assets	<u>\$ 94,817,198</u>	<u>\$ 10,535,486</u>	<u>\$ (4,324,094)</u>	<u>\$ -</u>	<u>\$ 101,028,590</u>

*STATISTICAL SECTION*

CITY OF ROCKWALL, TEXAS  
 GOVERNMENT-WIDE EXPENSES BY FUNCTION (1)  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 1

Fiscal Year	General (2) Government	Public (3) Safety	Public Works	Other (4)	Interest on Long-term Debt	Water and Sewer	Total
1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-
2003	4,638,734	6,412,679	3,961,797	1,929,506	1,244,127	6,436,878	24,623,721
2004	6,963,690	8,393,210	6,155,726	3,816,807	1,277,825	7,061,272	33,668,530

Notes:

- (1) The City converted to the GASB 34 reporting model in the fiscal year ended September 30, 2003.
- (2) General government includes Mayor/Council, Administration, Finance, and Municipal Court.
- (3) Public safety includes Police and Fire.
- (4) Other includes Community Development and Parks and Recreation.

CITY OF ROCKWALL, TEXAS  
GOVERNMENT-WIDE REVENUES (1)  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 2

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Ad Valorem Taxes, Penalty and Interest	Sales Taxes	Franchise Taxes	Unrestricted Investment Earnings	Miscellaneous	
1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-
2003	11,069,147	772,911	3,088,237	6,717,883	6,277,216	1,567,874	673,344	278,899	30,445,511
2004	12,193,855	1,424,824	13,201,103	7,265,947	6,736,054	1,776,406	396,761	514,055	43,509,005

Notes:

(1) The City converted to the GASB 34 reporting model in the fiscal year ended September 30, 2003.

CITY OF ROCKWALL, TEXAS  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 3

Fiscal Year	Current				Capital Outlay	Debt Service	Total
	General (2) Government	Public (3) Safety	Public Works	Other (4)			
1995	\$ 1,609,019	\$ 1,663,366	\$ 971,827	\$ 572,238	\$ 275,891	\$ 584,716	\$ 5,677,057
1996	1,855,807	1,947,205	1,151,886	579,183	180,905	1,068,714	6,783,700
1997	2,077,959	2,100,142	1,144,165	649,635	658,773	1,077,177	7,707,851
1998	2,149,010	2,306,993	1,272,114	673,077	809,082	1,191,647	8,401,923
1999	1,955,615	3,482,260	1,553,908	659,184	1,186,425	1,151,189	9,988,581
2000	2,181,663	4,037,580	1,577,427	862,235	1,073,459	1,727,290	11,459,654
2001	2,692,893	4,598,463	1,785,812	1,030,236	820,434	2,512,422	13,440,260
2002	3,382,575	5,397,287	1,950,755	1,322,614	977,659	2,802,645	15,833,535
2003	4,073,871	5,929,129	1,781,760	1,810,467	1,168,987	2,862,206	17,626,420
2004	3,486,571	7,034,298	2,005,360	3,235,663	510,800	3,971,202	20,243,894

Notes:

- (1) Includes General, Special Revenue, and Debt Service Funds.
- (2) General government includes Mayor/Council, Administration, Finance, and Municipal Court.
- (3) Public safety includes Police and Fire.
- (4) Other includes Community Development and Parks and Recreation.

CITY OF ROCKWALL, TEXAS  
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 4

Fiscal Year	Property and Sales Taxes	Franchise Fees & Permits	Inter- Governmental	Charges for Services	Municipal Court	Investment Income	Miscellaneous & Donations	Total
1995	\$ 3,747,128	\$ 977,279	\$ 496,765	\$ 138,628	\$ 390,796	\$ 170,237	\$ 232,485	\$ 6,153,318
1996	4,938,184	1,114,811	569,264	265,657	384,735	154,956	275,692	7,703,299
1997	5,460,773	1,129,758	695,528	67,254	428,541	(180,194)	430,790	8,032,450
1998	6,723,952	1,318,724	658,736	64,636	571,367	223,556	469,071	10,030,042
1999	7,999,250	1,518,247	778,868	89,450	504,015	218,223	771,521	11,879,574
2000	9,906,885	1,605,592	985,446	108,441	472,921	550,171	568,073	14,197,529
2001	11,142,348	1,897,076	856,375	135,417	509,645	402,000	341,260	15,284,121
2002	11,951,460	2,974,707	1,037,633	159,451	584,171	382,799	366,548	17,456,769
2003	12,955,382	3,069,518	919,534	263,349	734,500	161,639	475,832	18,579,754
2004	14,006,462	3,411,988	1,402,702	266,450	937,164	62,181	980,430	21,067,377

Notes:

(1) Includes General, Special Revenue, and Debt Service Funds.

CITY OF ROCKWALL  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 5

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1995	1994	\$2,367,127	\$ 2,312,378	97.69%	\$ 79,158	\$2,391,536	101.03%	\$ 221,525	9.36%
1996	1995	3,053,400	3,004,285	98.39%	65,607	3,069,892	100.54%	210,886	6.91%
1997	1996	2,735,700	2,679,180	97.93%	61,003	2,740,183	100.16%	222,352	8.13%
1998	1997	3,038,767	2,986,332	98.27%	89,084	3,075,416	101.21%	89,081	2.93%
1999	1998	3,403,144	3,314,812	97.40%	90,041	3,404,853	100.05%	152,968	4.49%
2000	1999	4,054,089	3,937,051	97.11%	90,041	4,027,092	98.57%	195,547	4.82%
2001	2000	4,915,155	4,864,930	98.98%	110,627	4,975,557	101.23%	169,192	3.44%
2002	2001	5,696,005	5,605,385	98.41%	55,841	5,661,226	99.39%	200,439	3.52%
2003	2002	6,619,325	6,487,602	98.01%	77,090	6,564,692	99.17%	254,405	3.84%
2004	2003	7,194,520	7,145,433	99.32%	176,253	7,321,686	101.77%	234,960	3.27%

CITY OF ROCKWALL, TEXAS  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 6

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Assessed Value</u>	<u>Total Estimated Actual Value</u>	<u>Ratio of Assessed Value to Total Estimated Actual Value</u>
1995	1994	\$ 605,755,297	\$ 605,755,297	100.00%
1996	1995	660,645,203	660,645,203	100.00%
1997	1996	719,921,004	719,921,004	100.00%
1998	1997	834,932,223	834,932,223	100.00%
1999	1998	945,317,622	945,317,622	100.00%
2000	1999	1,125,145,000	1,125,145,000	100.00%
2001	2000	1,365,273,846	1,365,273,846	100.00%
2002	2001	1,582,093,220	1,582,093,220	100.00%
2003	2002	1,838,618,028	1,838,618,028	100.00%
2004	2003	1,998,462,449	1,998,462,449	100.00%

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
(PER \$1,000 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 7

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>County</u>	<u>State</u>	<u>Total</u>
1995	0.3900	1.4055	0.2820	--	2.0775
1996	0.4600	1.4900	0.3050	--	2.2550
1997	0.3800	1.4900	0.3050	--	2.1750
1998	0.3600	1.4900	0.3202	--	2.1702
1999	0.3600	1.4900	0.3202	--	2.1702
2000	0.3600	1.5780	0.3536	--	2.2916
2001	0.3600	1.8400	0.3534	--	2.5534
2002	0.3600	1.8372	0.3534	--	2.5506
2003	0.3600	1.8800	0.3534	--	2.5934
2004	0.3600	1.8800	0.3507	--	2.5907

CITY OF ROCKWALL, TEXAS  
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT  
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 8

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (1)</u>	<u>Debt Service Fund Balance</u>	<u>Net Bonded Debt</u>	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	12,200	\$ 605,755,297	\$ 992,000	\$ 117,506	\$ 874,494	0.14%	\$ 67
1996	13,800	660,645,203	9,324,999	141,636	9,183,363	1.39%	665
1997	14,500	719,921,004	8,589,999	182,083	8,407,916	1.17%	580
1998	15,300	834,932,223	7,476,173	228,315	7,247,858	0.87%	474
1999	16,100	945,317,622	15,085,161	284,139	14,801,022	1.57%	919
2000	17,050	1,125,145,000	23,034,550	386,149	22,648,401	2.01%	1,328
2001	18,934	1,365,273,846	21,838,229	509,255	21,328,974	1.56%	1,126
2002	20,967	1,582,093,220	24,725,337	551,753	24,173,584	1.53%	1,153
2003	22,850	1,838,618,028	23,101,523	683,650	22,417,873	1.22%	981
2004	25,200	1,998,462,449	21,413,933	694,758	20,719,175	1.04%	822

Notes:

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government only

CITY OF ROCKWALL, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2004  
(Unaudited)

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the year ended September 30, 2004 was:

Maximum rate per \$100 valuation	\$2.50
City of Rockwall 2003-2004 tax rate	<u>0.36</u>
Margin	<u><u>\$2.14</u></u>

CITY OF ROCKWALL, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
 GENERAL OBLIGATION BONDS  
 SEPTEMBER 30, 2004  
 (Unaudited)

Table 10

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding (1)</u>	<u>Percentage Applicable to the City of Rockwall</u>	<u>Amounts Applicable to the City of Rockwall</u>
Direct:			
City of Rockwall	\$ 20,719,175	100.00%	\$ 20,719,175
Indirect:			
Rockwall Independent School District	392,639,979	57.31%	225,021,972
Rockwall County	12,895,000	50.61%	6,526,160
Total Indirect	<u>405,534,979</u>		<u>231,548,131</u>
Total Direct and Overlapping Bonded Debt	<u>\$ 426,254,154</u>		<u>\$ 252,267,306</u>
Average debt per capita			<u>\$ 6,761</u>

Notes

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

CITY OF ROCKWALL, TEXAS  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION  
BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 11

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures (3)	Ratio of Total Debt Service to General Governmental Expenditures
1995	\$ 345,986	\$ 238,730	\$ 584,716	\$ 5,677,057	10.30%
1996	423,631	645,083	1,068,714	6,783,700	15.75%
1997	585,875	491,302	1,077,177	7,979,939	13.50%
1998	682,915	508,733	1,191,648	9,561,795	12.46%
1999	741,443	409,747	1,151,190	9,988,581	11.53%
2000	700,636	1,026,654	1,727,290	11,459,654	15.07%
2001	1,196,321	1,305,721	2,502,042	13,440,260	18.62%
2002	1,590,000	1,198,065	2,788,065	15,833,535	17.61%
2003	1,623,841	1,238,365	2,862,206	17,626,420	16.24%
2004	2,831,984	1,039,907	3,871,891	20,243,894	19.13%

Notes:

- (1) Includes all general obligation debt serviced by the Debt Service Fund.
- (2) Excludes bond issuance costs.
- (3) Includes General, Debt Service, and Special Revenue Funds.

CITY OF ROCKWALL, TEXAS  
REVENUE BOND COVERAGE  
WATER AND WASTEWATER BONDS  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 12

<u>Fiscal Year</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirements for Revenue Bonds</u>	<u>Coverage</u>
1995	\$ 2,227,935	\$ 474,814	4.69
1996	1,821,101	479,685	3.80
1997	2,360,759	479,510	4.92
1998	3,419,166	477,888	7.15
1999	3,746,920	513,787	7.29
2000	5,351,052	499,195	10.72
2001	5,980,011	488,680	12.24
2002	3,155,073	494,080	6.39
2003	4,138,792	1,004,605	4.12
2004	4,338,561	996,108	4.36

Notes:

- (1) Net revenue available for debt service is calculated as total operating and non-operating revenues less total operating expenses (not including depreciation) less contractual interest and principal payments to the North Texas Municipal Water District.

CITY OF ROCKWALL, TEXAS  
 DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 13

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate % (3)</u>
1995	13,000	\$ 21,000	33.9	6,088	3.2
1996	13,800	22,000	33.1	5,900	2.9
1997	14,500	24,900	35.0	6,443	2.4
1998	15,300	30,201	38.1	6,898	2.3
1999	16,100	32,731	39.5	7,335	2.7
2000	17,050	32,731	34.9	8,435	3
2001	18,934	28,482	33.5	8,898	5.5
2002	20,967	28,162	32.2	9,617	7.1
2003	22,850	28,195	33.7	10,077	6.7
2004	25,200	32,637	36.3	10,527	5.1

Source:

- (1) Rockwall Economic Development Corporation
- (2) Rockwall Independent School District. No private schools included.
- (3) Texas Workforce Commission.

CITY OF ROCKWALL, TEXAS  
PROPERTY VALUE AND CONSTRUCTION  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 14

Fiscal Year	New Commercial Construction (1)		New Residential Construction (1)		Total	Total Assessed Property Value
	Number of Units	Value	Number of Units	Value		
1995	43	\$ 6,252,665	172	\$27,108,258	\$ 33,360,923	\$ 60,575,297
1996	49	8,897,140	267	38,520,610	47,417,750	660,645,203
1997	56	26,589,846	278	41,659,665	68,249,511	719,921,004
1998	44	21,562,833	504	73,552,939	95,115,772	834,932,223
1999	36	18,810,452	488	72,960,161	91,770,613	945,317,622
2000	26	12,444,115	655	94,343,746	106,787,861	1,125,145,000
2001	13	16,001,068	767	119,521,248	135,522,316	1,365,273,846
2002	22	41,967,125	945	144,002,845	185,969,970	1,582,093,220
2003	27	40,304,701	755	117,512,216	157,816,917	1,838,618,028
2004	18	29,067,960	885	135,501,919	164,569,879	1,998,462,449

Notes:

(1) Source: City issued building permits

CITY OF ROCKWALL, TEXAS  
 PRINCIPAL TAXPAYERS  
 SEPTEMBER 30, 2004  
 (Unaudited)

TABLE 15

Name	Type of Business	2004 Assessed Valuations	Percentage of Total Assessed Valuation
Continental Petroleum Technology	Container Manufacturer	\$ 35,129,020	1.76%
Wal-Mart Stores, Inc.	Retail Store	22,744,747	1.14%
SPM/WRI Rockwall, L.P.	Developer	17,559,561	0.88%
Oncor Electric Delivery Co	Electric Utility	14,626,950	0.73%
Rockwall I-30 Limited	Commercial Shopping Center	12,899,820	0.65%
Lowes Home Improvement	Home Improvement Store	12,641,842	0.63%
Steger Towne Crossing Ltd.	Commercial Shopping Center	9,768,360	0.49%
Bent Tree Realty Co.	Commercial Shopping Center	9,702,200	0.49%
Southwestern Bell Telephone	Utility	9,278,400	0.46%
Kohl's Department Store	Retail Store	<u>8,919,017</u>	<u>0.45%</u>
	Subtotal	153,269,917	7.67%
Remaining Roll	Total roll	<u>2,084,307,665</u>	<u>7.67%</u>
		<u>1,998,462,449</u>	<u>7.67%</u>

CITY OF ROCKWALL, TEXAS  
TOP TEN EMPLOYERS IN ROCKWALL AREA  
SEPTEMBER 30, 2004  
(Unaudited)

TABLE 16

<u>Employer</u>	<u>Number of Employees</u>
Rockwall Independent School District	1,350
Wal-Mart Superstore	450
Texas Star Express	400
County of Rockwall	250
City of Rockwall	200
James Helwig & Son	200
Special Products & Manufacturing	200
GE PMI Services	200
Target	170
Rockwall Nursing Home	150

CITY OF ROCKWALL, TEXAS  
SCHEDULE OF INSURANCE IN FORCE  
SEPTEMBER 30, 2004  
(Unaudited)

TABLE 17

<u>Description of Coverage</u>	<u>Insurer</u>	<u>Date Expires</u>	<u>Liability Limits</u>
General Liability, Auto	Texas Municipal League Joint Self - Insurance	10/1/2004	\$5,000,000 - bodily injury and property damage
Liability and Property Coverage	Texas Municipal League Joint Self - Insurance	10/1/2004	\$16,870,300 municipal property
Comprehensive Law Enforcement Liability	Texas Municipal League Joint Self - Insurance	10/1/2004	\$5,000,000
Public Officials and Employee Legal Liability	Texas Municipal League Joint Self - Insurance	10/1/2004	\$5,000,000
Airport Liability	Texas Municipal League Joint Self - Insurance	10/1/2004	\$1,000,000
Airport Property	Texas Municipal League Joint Self - Insurance	10/1/2004	\$1,000,000

CITY OF ROCKWALL, TEXAS  
PROPERTY TAX EXEMPTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 18

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
1995	\$16,423,440	\$ 138,000	\$14,730,750	\$ 7,446,302	\$ -
1996	17,526,920	139,500	14,105,490	1,949,502	-
1997	18,890,430	572,540	14,427,950	5,465,975	-
1998	21,247,629	569,970	20,550,470	1,634,676	3,676
1999	24,255,378	733,000	29,972,670	6,844,740	57,091
2000	27,511,159	759,504	34,508,640	7,041,464	26,250
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	-
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011

CITY OF ROCKWALL, TEXAS  
 SALES TAX COLLECTIONS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 19

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
1995	\$ 1,306,639	55.20%	0.22
1996	1,806,727	59.17%	0.27
1997	2,683,477	130.00%	0.49
1998	3,577,892	156.20%	0.51
1999	4,548,948	133.67%	0.48
2000	5,834,244	143.91%	0.52
2001	6,109,463	124.62%	0.45
2002	6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34

CITY OF ROCKWALL, TEXAS  
TOP TEN WATER CUSTOMERS  
SEPTEMBER 30, 2004  
(Unaudited)

TABLE 20

Name	Fiscal 2004 Water Usage	Percentage of Total Water Usage
Rockwall Independent School District	44,920,100	2.84%
City of Rockwall	29,407,300	1.86%
Legends on the Lake	18,031,100	1.14%
D.W.C. - Highlife Properties	15,824,100	1.00%
Walden Residential Properties	14,958,600	0.95%
Sabre Realty Management Company	13,629,600	0.86%
Caruth Ridge Estates	11,716,600	0.74%
Steger Towne Crossing	9,776,500	0.62%
Lake Pointe Baptist Church	9,543,600	0.60%
Rockwall Travel Center	9,080,800	0.57%
Subtotal	<u>176,888,300</u>	<u>11.18%</u>
Remaining water usage	<u>1,402,683,700</u>	<u>88.82%</u>
Total water usage	<u><u>1,579,572,000</u></u>	<u><u>100.00%</u></u>

CITY OF ROCKWALL, TEXAS  
WATER AND SEWER RATES  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 21

Fiscal Year	Water		Sewer			
	Minimum (1)	Per M Over Minimum	Residence Base	Per M Over Base	Commercial Base	Per M Over Base
1995	\$ 7.40	\$ 2.65	\$ 7.40	\$ 0.77	\$ 11.10	\$ 0.77
1996	7.40	2.65	7.40	1.20	11.15	1.20
1997	7.40	2.65	7.40	1.20	11.15	1.20
1998	7.40	2.65	7.40	1.20	11.15	1.20
1999	7.40	2.65	7.40	1.20	11.15	1.20
2000	7.40	2.65	7.40	1.20	11.15	1.20
2001	7.40	2.65	7.40	1.20	11.15	1.20
2002 (1)	7.40	1.96	7.40	1.40	7.40	1.40
2003	7.40	1.96	7.40	1.40	7.40	1.40
2004	7.40	1.96	7.40	1.40	7.40	1.40

Notes:

(1) Rates for 2002 and 2003 reflect base rates for residential meters size 5/8" only up to 12,000 gallons.

CITY OF ROCKWALL, TEXAS  
 MISCELLANEOUS STATISTICS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 22

Date of Incorporation	1,874	
Form of government	Council-Manager	
Estimated Population	25,200	
Miles of Streets:		
Public Streets - City maintained	127.66	
Private Streets - privately maintained	13.60	
State highways - excluding interstates	22.67	
Interstate highways - I-30	4.61	
Area in square miles	23.43	
Fire Protection:		
Number of stations	2	
Number of employees	8	
Number of volunteer fire personnel	36	
Recreation and Culture:		
Number of picnic areas	26	
Number of swimming pools	2	
Number of playgrounds	12	
Number of golf courses	--	
Police Protection:		
Number of stations	1	
Number of uniformed officers	51	
Number of civilian personnel	17	
Number of animal control officers	5	
Library - County operated		
Number of volumes	38,934	
Circulation	137,210	
Education:		
	<u>Number of</u>	<u>Number of Teachers</u>
	<u>Students</u>	
Elementary schools (10)	5,732	453
Middle schools (2)	1,597	117
Freshman Center (1)	875	60
High school (1)	2,237	147
Alternative education (1)	86	8
Municipal Water and Sewer System:		
Number of water customers	10,497	
Average daily consumption	4,327,595	
Total annual consumption	1,579,572,000	
Peak daily consumption	12,206,000	
Storage		
Elevated (3)	3,500,000	
Below ground (2)	4,000,000	
Number of sewer customers	9,282	

CITY OF ROCKWALL, TEXAS  
 HISTORICAL GROWTH - WATER AND SEWER CONNECTIONS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

TABLE 23

Fiscal Year	Water		Sewer	
	Number of Meters	Percent of Increase	Number of Connections	Percent of Increase
1995	4,966	6.11%	4,467	4.52%
1996	5,223	5.18%	4,785	7.12%
1997	5,551	6.28%	4,993	4.35%
1998	6,124	10.32%	4,340	6.95%
1999	6,615	8.02%	5,749	7.66%
2000	7,035	6.34%	6,310	17.06%
2001	7,875	11.94%	7,026	11.34%
2002	8,827	12.09%	7,781	10.75%
2003	9,440	6.94%	8,510	9.37%
2004	10,497	11.20%	9,282	9.07%

CITY OF ROCKWALL, TEXAS  
SPECIAL ASSESSMENT COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)

TABLE 24

Fiscal Year	Assessments Levied	Assessments Collected	Assessments Receivable
1994	\$ 107,183	\$ 162,867	\$ 628,453
1995	40,083	43,469	628,067
1996	23,549	143,644	507,972
1997	95,465	34,140	569,297
1998	157,688	80,810	646,175
1999	40,861	315,749	371,287
2000	-	77,364	293,923
2001	-	23,823	270,100
2002	-	35,685	234,415
2003	-	44,399	190,016
2004	-	104,132	85,884

**CITY OF ROCKWALL, TEXAS**

*COMPREHENSIVE ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2003*

Prepared by the

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, Director of Finance

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*Introductory Section*

The City of Rockwall's financial statements have been audited by Rutledge, Crain & Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Rockwall was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Rockwall's separately issued Single Audit Report.

In the current year's financial statements the City implemented a dramatic change in governmental financial reporting. We believe this new presentation will provide valuable information to the readers of our comprehensive annual financial report. The new reporting model issued, by the Governmental Accounting Standards Board, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Rockwall's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The City of Rockwall, Texas, County Seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1851. The unusual rock formations are found throughout the county. The City is located on the east shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth Airport, one of the largest in the world, continues with expansion plans to meet the air transportation needs of the region. Love Field in Dallas and Alliance Airport near Fort Worth provide commuter air service and general aviation facilities for the area. Due to favorable economic conditions, excellent business climate, and desirable living conditions, corporate relocations to the area continue.

The City of Rockwall has operated under a council-manager form of government since 1985. Policymaking and legislative authority is vested in the City Council, which consists of a mayor and six council members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms.

Organizationally, the City is in the process of refining its strategic plan using the Balanced Scorecard Methodology. When the strategy map was completed in 2003, the City's strategic initiatives for the implementation of the City's goals were formalized within the organization. Departmental business plans are being developed as well as performance measures for the strategic initiatives.

**Future Development.** The City has announced a private public partnership which will begin development in fiscal year 2004. "The Harbor" will be situated on the shores of Lake Ray Hubbard at I-30. The largely undeveloped hillside will soon be the home of a twelve-screen Cinemark Theatre, full-service Hilton Hotel and Conference Center and approximately 222,000 sq.ft of retail, restaurant and office space. In conjunction with the private development, the City expects to establish a tax increment financing (TIF) zone in an approximately 103 acre area which will allow for the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The public area will include both passive and active event areas, a Harbor/Urban Court, spray plaza and large open areas suitable for a variety of outdoor events. The City has sponsored a very well attended "Concert on the Lake Series" which will use this public space as its venue in the future. The City will be partnering with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF and finance the public projects. This is expected to transform the area and spur development in the entire TIF zone. Groundbreaking ceremonies will be held in Spring 2004 with phase I of the retail area to be open near Christmas 2004. All construction on both the private and public improvements is expected to take approximately 30 months to complete.

Design is underway on several road and drainage projects approved by voters in 2002. Debt will be issued in Spring 2004 and construction will begin on several roadway projects.

The water and sewer rate study will be updated in 2004, ensuring that the city's goal of providing sufficient water and sewer rates to meet system needs is achieved. Construction work continues on the new two-million gallon water tower as well as design of a new pump station and ground storage facility. A number of main extension projects will be undertaken to increase system capacity and provide water and sewer service to outlying areas of the City.

#### Cash Management:

The City invests cash temporarily idle during the year in money market funds and short-term notes of the U.S. Government and its agencies.

Other cash classified as being not immediately needed is invested in longer-term obligations of the U.S. Government and its agencies. All of these investments are classified as "hold-to-maturity" investments. The City believes that it will not be required to sell these investments prior to maturity, barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no reverse repos nor has any other form of borrowing been used to finance the City's portfolio.

The City's investment policy is to safeguard the City's assets and maintain liquidity while enhancing the yield of its portfolio and ensuring public trust. All securities owned by the City were held in a financial institution trust department acting as an agent of the City, in the City's name.

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This comprehensive annual financial report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last thirteen consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

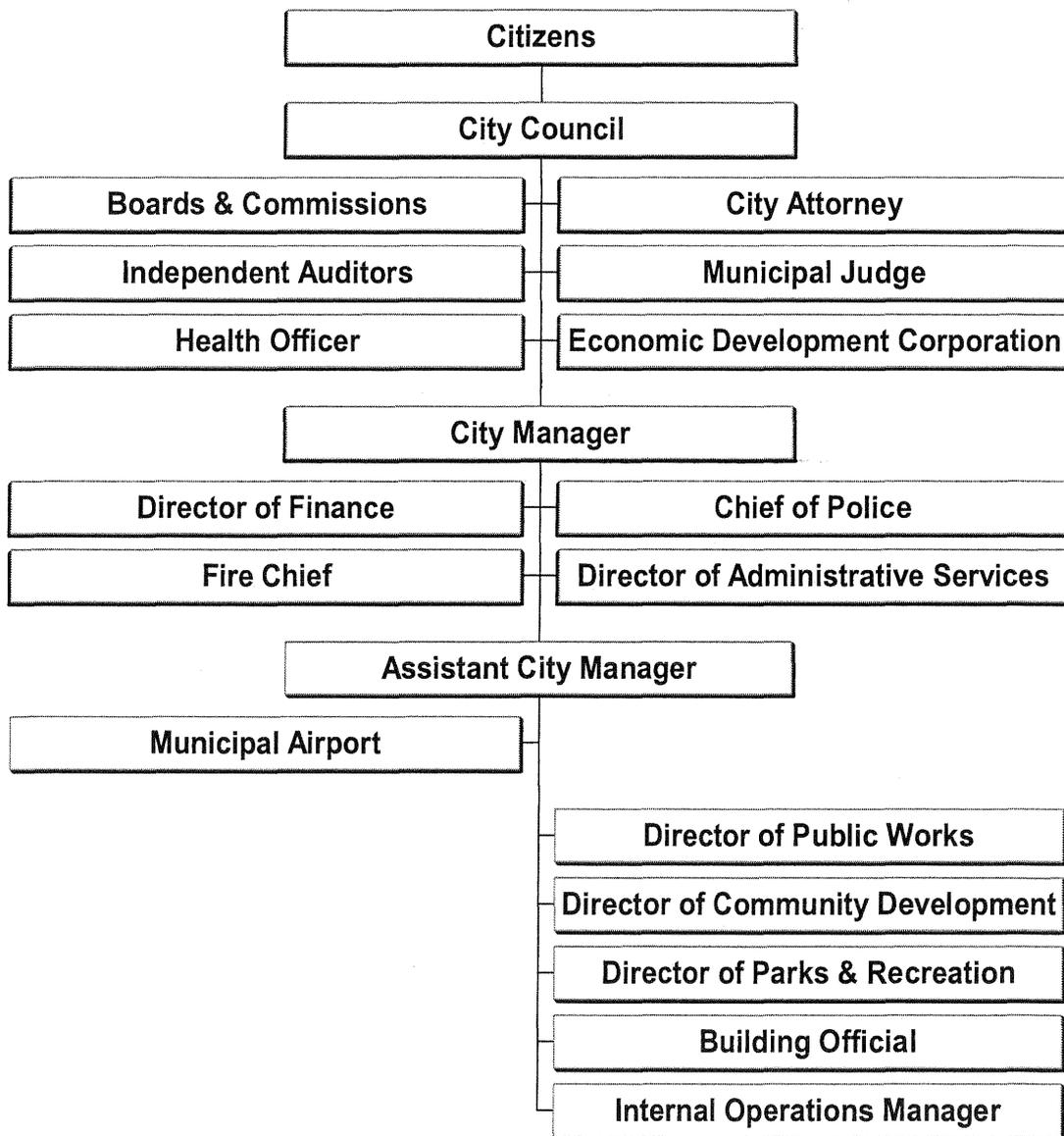


Julie Couch  
City Manager



Mary Smith, CPA  
Director of Finance

# City of Rockwall Organization Chart



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**RUTLEDGE CRAIN & COMPANY, PC**

CERTIFIED PUBLIC ACCOUNTANTS

2401 Garden Park Court, Suite B

Arlington, Texas 76013

**Independent Auditors' Report on Financial Statements**

To the City Council  
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rockwall, Texas' management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1 E, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of September 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003, on our consideration of the City of Rockwall, Texas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis identified as Required Supplementary Information in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Rockwall, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical tables 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Rutledge Crain & Company, PC*

December 12, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2003. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$113,888,414 At September 30, 2003.
- During the year, the City's expenditures were \$2,077,115 less than the \$20,263,958 generated in taxes and other revenues for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2003 by \$61,651,917 (net assets). Of this amount \$10,176,859 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of this fiscal year, unreserved fund balance for the general fund was \$7,235,979 or approximately 49 percent of the total general fund expenditures and transfers out.
- The City did not issue bonds during the fiscal year ended September 30, 2003. Total debt was reduced by \$2,577,184 during the fiscal year. More detailed information is given in the notes section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

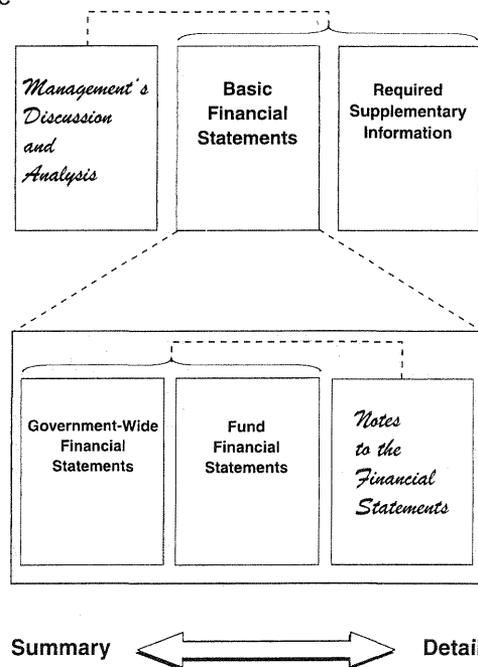
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

*Governmental activities* – Most of the City's basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services finance most of the activities.

*Business-type activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

*Component Units* – The City of Rockwall (the primary government) includes two discretely presented component units. The City's 4A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units.

The government-wide financial statements can be found on pages 23-25 of this report.

## **Reporting the City's Most Significant Funds**

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

*Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 17 individual governmental funds. 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, debt service fund and the G.O. Bonds Capital Projects fund, all of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self insurance funds. Because these services benefit both governmental as well as business type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing

Governmental activities increased the City's net assets by \$2,077,115. The key elements of this increase are as follows:

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities 2003</b>	<b>Business-type Activities 2003</b>	<b>Total 2003</b>
Revenues:			
Program revenues:			
Charges for services	\$ 2,931,111	\$ 8,138,036	\$ 11,069,147
Operating grants & contributions	772,911	-	772,911
Capital grants & contributions	181,426	2,906,811	3,088,237
General Revenues:			
Property taxes	6,717,883	-	6,717,883
Sales taxes	6,277,216	-	6,277,216
Other	<u>2,045,448</u>	<u>474,669</u>	<u>2,520,117</u>
Total revenues	<u>\$ 18,925,995</u>	<u>\$ 11,519,516</u>	<u>\$ 30,445,511</u>
Program expenses:			
Mayor/Council	58,378	-	58,378
Administration	3,583,719	-	3,583,719
Finance	760,436	-	760,436
Municipal Court	236,201	-	236,201
Police	5,446,279	-	5,446,279
Fire	966,400	-	966,400
Public works	3,961,797	-	3,961,797
Community development	442,470	-	442,470
Parks and recreation	1,487,036	-	1,487,036
Interest on long-term debt	1,244,127	-	1,244,127
Water and sewer	<u>-</u>	<u>6,436,878</u>	<u>6,436,878</u>
Total expenses	<u>\$ 18,186,843</u>	<u>\$ 6,436,878</u>	<u>\$ 24,623,721</u>
Increase (decrease) in net assets before transfers	739,152	5,082,638	5,821,790
Transfers	<u>1,337,963</u>	<u>(1,337,963)</u>	<u>-</u>
Increase (decrease) in net assets	2,077,115	3,744,675	5,821,790
Net assets, October 1	<u>59,574,802</u>	<u>48,491,822</u>	<u>108,066,624</u>
Net assets, September 30	<u>\$ 61,651,917</u>	<u>\$ 52,236,497</u>	<u>\$ 113,888,414</u>

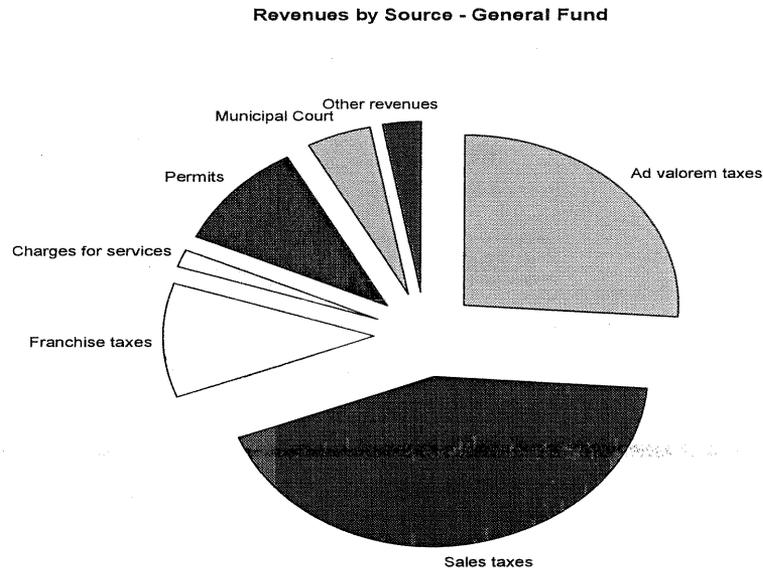
Note: The City did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

## Component Units

The Rockwall Economic Development Corporation (REDC) reported operating revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$2,094,670. Assets managed by the corporation including an inventory of land available for sale to business entities. During the fiscal year ended September 30, 2003; the corporation sold a speculative building constructed in 2002 and held for lease and future sale. All associated debt for the building was extinguished.

## ANALYSIS OF INDIVIDUAL FUNDS

The City's General Fund reported an ending unreserved fund balance of \$7,235,979 (25.3%); a decrease of \$342,477 from the prior year. The main source of general fund revenue is sales tax, it accounted for \$6,138,437 (43.0%) of total general fund revenue. Ad valorem property taxes account for \$3,707,621 (26.0%) of general fund revenues. The decrease in fund balance was planned and expended for the purchase of equipment typically financed with contractual obligations.



The City's Debt Service Fund reported an increase in fund balance of \$131,897. Property tax collections for debt service requirements were \$2,970,545.

Water and sewer charges were \$8,138,036. Ending working capital for the water and sewer fund was \$1,930,978. No new debt was issued during the fiscal year ended September 30, 2003.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2003, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases in revenues beyond projections. With the adjustments made to the budget, the budgeted expenditures of \$13,391,745 increased to \$14,084,950 while revenues increased from \$13,163,500 to \$13,799,200. The City of Rockwall had originally estimated the ending general fund balance to be \$6,897,711 however due to the budget adjustments mentioned above, the fund balance was re-estimated to be \$5,798,156. The actual fund balance was higher due to management's conservative projections.

Actual general fund revenues were \$14,262,632, an increase of \$463,432 over the final budget. Actual general fund total expenditures were \$981,891 less than the revised budget. Total revenues exceeded total expenditures by \$1,159,573.

No significant budget shortfalls are noted.

The City of Rockwall's general obligation bonds carry an "A" rating from Standard & Poor's Corporation and an "A1" rating from Moody's Investor Services, both national rating agencies. The City's water and sewer bonds carry an "A-" rating from Standard & Poor's and an "A2" rating from Moody's. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 1.22% or \$981 per capita.

Additional information on the City of Rockwall's long-term debt can be found in note IV-F on pages 54-59 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials consider many factors when setting the fiscal year 2004 budget, tax rate and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the national and regional economies. The population growth experienced by the City has helped to offset declines in spending seen regionally. While building permits were somewhat lower for fiscal 2003 than previous years, interviews with local builders project strong home sales continuing for the foreseeable future. The City of Rockwall's citizens enjoy above-average income levels per household. This in combination with the City's proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The Rockwall Economic Development Corporation works diligently to attract businesses with relocation incentives as well as providing business retention incentives such as workforce training opportunities.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2004. The budgeted revenues for fiscal year 2004 total \$14,201,000 for the general fund. Ad valorem tax revenue is determined by two major factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. Due to the fact that property values have continued to rise, the City has been able to maintain the 36 cent tax rate for the next year. Due to an uncertain economic recovery and the volatility of sales tax revenues, city officials have chosen to be very conservative in projecting sales tax revenues, projecting them to be at the same level as the prior fiscal year.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. In addition, the policies set minimum, recommended and maximum fund balance levels for the City's fund types. The general fund minimum fund balance is set at 3 months recurring operating expenditures. The recommended fund balance is 5 months of recurring operating expenditures and the maximum fund balance is 7 months of recurring operating expenditures. The budget as adopted for fiscal year 2004 projects a fund balance of approximately 5 ½ months of recurring operating expenditures.

A number of planning initiatives including the completion of the Comprehensive Plan and Zoning Ordinance and a study of GIS systems are planned for fiscal year 2004. In addition, the City will design and implement a new website for improved citizen, visitor and business information, as well as e-commerce opportunities. The City will continue will training opportunities for all employees including Rockwall University, an education initiative for employees across the organization to learn about the work performed by other departments in a university style curriculum. An economic analysis and forecasting study will allow the City to project revenue and expenditure levels for the various zoning categories as applied to currently zoned agricultural land. This will allow city officials to determine the "highest and best" use for tracts of land being rezoned. In addition, the City began incorporating the Balanced Scorecard methodology into the budget.

The water and sewer rates adopted in fiscal year 2002 will be reviewed by our rate consultant during the coming fiscal year. The rates were designed to be adequate for approximately five years, and will be reviewed to confirm their sufficiency.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email [msmith@rockwall.com](mailto:msmith@rockwall.com)

## CITY OF ROCKWALL, TEXAS

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 864,489	\$ 144,955	\$ 1,009,444	\$ 356,550
<i>Investments</i>	17,342,908	1,609,665	18,952,573	2,459,022
<i>Receivables (net of allowances for uncollectibles)</i>	1,519,127	1,251,914	2,771,041	572,024
<i>Due from other governments</i>	1,173,746	71,471	1,245,217	346,887
<i>Due from component unit</i>	1,928	--	1,928	--
<i>Inventories</i>	7,500	108,907	116,407	4,633,386
Restricted assets:				
<i>Cash and cash equivalents</i>	--	1,268,261	1,268,261	--
<i>Investments</i>	--	16,045,499	16,045,499	--
<i>Accrued interest</i>	--	70,455	70,455	--
<i>Deferred charges</i>	225,185	211,579	436,764	--
Capital assets (net of accumulated depreciation)				
<i>Land</i>	2,017,819	799,533	2,817,352	--
<i>Buildings and system</i>	8,788,050	38,434,739	47,222,789	--
<i>Improvements other than buildings</i>	242,695	--	242,695	--
<i>Machinery and equipment</i>	3,470,420	405,233	3,875,653	18,726
<i>Infrastructure</i>	41,005,982	--	41,005,982	--
<i>Construction in progress</i>	10,697,001	6,046,709	16,743,710	--
<b>Total Assets</b>	<b>87,356,850</b>	<b>66,468,920</b>	<b>153,825,770</b>	<b>8,386,595</b>
<b>LIABILITIES</b>				
<i>Bank overdraft</i>	7,232	--	7,232	--
<i>Accounts payable and accrued liabilities</i>	1,581,828	776,527	2,358,355	57,917
<i>Unearned revenue</i>	112,058	--	112,058	--
<i>Due to other governments</i>	65,276	--	65,276	--
<i>Due to primary government</i>	--	--	--	1,928
<i>Customer deposits</i>	--	347,065	347,065	--
<i>Liabilities payable from restricted assets</i>	--	1,002,733	1,002,733	--
Noncurrent liabilities:				
<i>Due within one year</i>	1,825,894	132,342	1,958,236	190,000
<i>Due in more than one year</i>	22,112,645	11,973,756	34,086,401	4,295,000
<b>Total Liabilities</b>	<b>25,704,933</b>	<b>14,232,423</b>	<b>39,937,356</b>	<b>4,544,845</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	43,120,444	32,724,578	75,845,022	18,726
Restricted For:				
Debt Service	813,707	1,412,341	2,226,048	--
Capital Projects	7,540,907	14,223,400	21,764,307	--
Unrestricted	10,176,859	3,876,178	14,053,037	3,823,024
<b>Total Net Assets</b>	<b>\$ 61,651,917</b>	<b>\$ 52,236,497</b>	<b>\$ 113,888,414</b>	<b>\$ 3,841,750</b>

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (58,378)		\$ (58,378)	
(2,070,307)		(2,070,307)	
(756,436)		(756,436)	
494,552		494,552	
(4,500,846)		(4,500,846)	
(887,911)		(887,911)	
(3,587,683)		(3,587,683)	
(410,235)		(410,235)	
(1,280,024)		(1,280,024)	
(1,244,127)		(1,244,127)	
<u>(14,301,395)</u>		<u>(14,301,395)</u>	
-	\$ 4,607,969	4,607,969	
<u>(14,301,395)</u>	<u>4,607,969</u>	<u>(9,693,426)</u>	
			\$ (2,531,605)
			<u>(9,874)</u>
			<u>(2,541,479)</u>
6,717,883	--	6,717,883	--
6,277,216	--	6,277,216	2,025,090
1,567,874	--	1,567,874	--
164,872	114,027	278,899	14,510
312,702	360,642	673,344	55,536
1,337,963	(1,337,963)	--	--
<u>16,378,510</u>	<u>(863,294)</u>	<u>15,515,216</u>	<u>2,095,136</u>
2,077,115	3,744,675	5,821,790	(446,343)
59,574,802	48,491,822	108,066,624	4,288,093
<u>\$ 61,651,917</u>	<u>\$ 52,236,497</u>	<u>\$ 113,888,414</u>	<u>\$ 3,841,750</u>

G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 129,537	\$ 302,611	\$ 858,002
5,181,577	3,061,212	15,423,245
--	--	--
--	--	254,406
44,086	14,575	165,712
--	105,514	106,276
--	190,016	190,016
--	666	18,564
--	120,685	1,173,746
--	--	1,928
--	--	7,500
<u>\$ 5,355,200</u>	<u>\$ 3,795,279</u>	<u>\$ 18,199,395</u>
\$ 235,790	\$ 112,340	\$ 1,180,111
--	302,074	526,604
--	32,861	32,861
--	--	65,276
<u>235,790</u>	<u>447,275</u>	<u>1,804,852</u>
--	--	7,500
--	--	683,650
--	--	7,235,979
--	926,507	926,507
5,119,410	2,421,497	7,540,907
<u>5,119,410</u>	<u>3,348,004</u>	<u>16,394,543</u>
<u>\$ 5,355,200</u>	<u>\$ 3,795,279</u>	<u>\$ 18,199,395</u>

**CITY OF ROCKWALL, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2003

Total fund balances - governmental funds balance sheet	\$ 16,394,543
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	66,221,967
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	224,530
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	1,766,839
Payables for bond principal which are not due in the current period are not reported in the funds.	(23,101,523)
Payables for bond interest which are not due in the current period are not reported in the funds.	(70,023)
Payables for notes which are not due in the current period are not reported in the funds.	(70,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(767,016)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	225,185
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	190,017
Court fines receivable unavailable to pay for current period expenditures are not recognized in the funds.	16,432
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	741,567
Net assets of governmental activities - statement of net assets	\$ <u>61,651,917</u>

The accompanying notes are an integral part of this statement.

G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 6,678,166
--	138,779	6,277,216
--	825	1,548,499
--	--	263,349
--	71,360	1,521,019
--	4,875	734,500
181,427	779,384	1,100,961
127,810	36,154	312,700
--	261,488	422,427
--	56,463	56,463
<u>309,237</u>	<u>1,349,328</u>	<u>18,915,300</u>
--	--	58,377
--	17,669	3,024,304
--	164,007	756,688
--	--	234,832
--	741,127	5,171,682
--	7,161	757,447
--	--	1,781,760
--	--	440,481
--	93,433	1,369,986
--	<u>1,023,397</u>	<u>13,595,557</u>
928,402	774,849	1,843,858
--	141,102	141,102
--	--	13,152
--	136,553	372,661
5,319	87,370	172,970
--	1,159,233	1,198,999
--	--	1,123
358,307	64,880	443,049
<u>1,292,028</u>	<u>2,363,987</u>	<u>4,186,914</u>
--	--	1,623,841
--	--	1,229,093
--	--	9,272
--	--	<u>2,862,206</u>
<u>1,292,028</u>	<u>3,387,384</u>	<u>20,644,677</u>
(982,791)	(2,038,056)	(1,729,377)
585,000	3,532,973	4,445,973
(2,062,960)	(270,000)	(4,163,010)
<u>(1,477,960)</u>	<u>3,262,973</u>	<u>282,963</u>
(2,460,751)	1,224,917	(1,446,414)
7,580,161	2,123,087	17,840,957
<u>\$ 5,119,410</u>	<u>\$ 3,348,004</u>	<u>\$ 16,394,543</u>

**CITY OF ROCKWALL, TEXAS**

**EXHIBIT A-7**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Ad valorem taxes, penalty and interest</i>	\$ 3,628,500	\$ 3,690,000	\$ 3,707,621	\$ 17,621
<i>Sales taxes</i>	6,065,000	6,062,000	6,138,437	76,437
<i>Franchise taxes</i>	1,326,000	1,500,000	1,547,674	47,674
<i>Charges for services</i>	143,500	140,900	263,349	122,449
<i>Permits</i>	1,112,800	1,353,100	1,449,659	96,559
<i>Municipal court</i>	518,000	681,500	729,625	48,125
<i>Intergovernmental</i>	131,200	131,200	140,150	8,950
<i>Interest income</i>	175,000	140,000	125,178	(14,822)
<i>Miscellaneous</i>	63,500	100,500	160,939	60,439
<b>Total revenues</b>	<u>13,163,500</u>	<u>13,799,200</u>	<u>14,262,632</u>	<u>463,432</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Mayor/Council</i>	60,840	62,840	58,377	4,463
<i>Administration</i>	2,768,000	2,964,550	3,006,635	(42,085)
<i>Finance</i>	562,725	610,300	592,681	17,619
<i>Municipal court</i>	217,950	224,950	234,832	(9,882)
<i>Police</i>	4,509,485	4,477,640	4,430,555	47,085
<i>Fire</i>	851,875	807,450	750,286	57,164
<i>Public works</i>	1,848,500	1,894,100	1,781,760	112,340
<i>Community development</i>	444,750	457,900	440,481	17,419
<i>Parks and recreation</i>	1,394,270	1,346,170	1,276,553	69,617
<b>Total current</b>	<u>12,658,395</u>	<u>12,845,900</u>	<u>12,572,160</u>	<u>273,740</u>
<b>Capital outlay:</b>				
<i>Administration</i>	178,900	851,250	140,607	710,643
<i>Municipal court</i>	12,650	12,650	13,152	(502)
<i>Police</i>	250,650	225,100	236,108	(11,008)
<i>Fire</i>	242,650	83,150	80,281	2,869
<i>Public works</i>	24,900	44,900	39,766	5,134
<i>Community development</i>	2,000	2,000	1,123	877
<i>Parks and recreation</i>	21,600	20,000	19,862	138
<b>Total capital outlay</b>	<u>733,350</u>	<u>1,239,050</u>	<u>530,899</u>	<u>708,151</u>
<b>Total expenditures</b>	<u>13,391,745</u>	<u>14,084,950</u>	<u>13,103,059</u>	<u>981,891</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(228,245)</u>	<u>(285,750)</u>	<u>1,159,573</u>	<u>1,445,323</u>
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	328,000	328,000	328,000	--
<i>Operating transfers out</i>	(788,000)	(1,830,050)	(1,830,050)	--
<b>Total other financing sources (uses)</b>	<u>(460,000)</u>	<u>(1,502,050)</u>	<u>(1,502,050)</u>	<u>--</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>(688,245)</u>	<u>(1,787,800)</u>	<u>(342,477)</u>	<u>1,445,323</u>
<b>Fund balances, October 1</b>	<u>7,585,956</u>	<u>7,585,956</u>	<u>7,585,956</u>	<u>--</u>
<b>Fund balances, September 30</b>	<u>\$ 6,897,711</u>	<u>\$ 5,798,156</u>	<u>\$ 7,243,479</u>	<u>\$ 1,445,323</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
<b>OPERATING REVENUES:</b>		
<i>Charges for services</i>	\$ 8,138,036	\$ 217,161
<i>Reinsurance reimbursement</i>	--	78,390
<b>Total Operating Revenues</b>	<u>8,138,036</u>	<u>295,551</u>
<b>OPERATING EXPENSES:</b>		
<i>Personal services</i>	1,070,680	--
<i>Contractual services</i>	2,978,645	1,334,799
<i>Materials and supplies</i>	329,589	--
<i>Operations</i>	63,752	--
<i>Utilities</i>	205,293	--
<i>Depreciation and amortization</i>	1,145,098	--
<b>Total Operating Expenses</b>	<u>5,793,057</u>	<u>1,334,799</u>
<b>Operating Income (Loss)</b>	<u>2,344,979</u>	<u>(1,039,248)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
<i>Capital recovery fees</i>	646,824	--
<i>Interest income</i>	360,641	65,438
<i>Miscellaneous income</i>	114,027	31,232
<i>Paying agent fees</i>	(5,420)	--
<i>Interest expense</i>	(638,401)	--
<b>Total Non-operating Revenues (Expenses)</b>	<u>477,671</u>	<u>96,670</u>
<b>Net Income (Loss) before Operating Transfers</b>	<u>2,822,650</u>	<u>(942,578)</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>		
<i>Capital contributions</i>	2,259,987	--
<i>Operating transfers in</i>	--	1,055,000
<i>Operating transfers out</i>	(1,337,962)	--
<b>Total Transfers and Capital Contributions</b>	<u>922,025</u>	<u>1,055,000</u>
<b>Net income</b>	<u>3,744,675</u>	<u>112,422</u>
<b>Net assets, October 1</b>	<u>48,491,822</u>	<u>1,654,417</u>
<b>Net assets, September 30</b>	<u>\$ 52,236,497</u>	<u>\$ 1,766,839</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

SEPTEMBER 30, 2003

	Agency Fund
	Special Escrow Agency
<b>ASSETS</b>	
<i>Cash and cash equivalents</i>	\$ 4,778
<i>Investments</i>	1,383,754
<i>Accrued interest</i>	10,724
<b>Total Assets</b>	<u>1,399,256</u>
<b>LIABILITIES</b>	
<i>Due to developers</i>	1,399,256
<b>Total Liabilities</b>	<u>1,399,256</u>
<b>NET ASSETS</b>	
<b>Total Net Assets</b>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Economic Development Corporation	Rockwall Technology Park
Revenues:		
<i>Sales taxes</i>	\$ 2,025,091	\$ --
<i>Charges for services</i>	5,902,855	--
<i>Intergovernmental</i>	4,875	--
<i>Interest income</i>	55,160	376
<i>Miscellaneous</i>	38,022	112,661
Total revenues	<u>8,026,003</u>	<u>113,037</u>
Expenditures:		
Current:		
<i>Administration</i>	6,979,848	122,535
Capital outlay	1,252,354	--
Debt service:		
<i>Principal</i>	4,393,243	--
<i>Interest</i>	292,339	--
<i>Fiscal charges</i>	3,327	--
Total expenditures	<u>12,921,111</u>	<u>122,535</u>
Excess (deficiency) of revenues over (under) expenditures	(4,895,108)	(9,498)
Fund balances, October 1 (restated)	13,163,990	85,203
Fund balances, September 30	<u>\$ 8,268,882</u>	<u>\$ 75,705</u>

The accompanying notes are an integral part of this statement.

segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of general fixed assets.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance, and worker's compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2003

- e. Certificates of deposit issued by a state or national bank domiciled in the state of Texas or a savings bank domiciled in the state of Texas provided that they are:
  - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
  - (2) Secured by obligations outlined in items 1 – 4. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
  - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least of the 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the state of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net assets value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

The City holds various mortgage backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 1.25 days per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of 3 days sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of 3 days sick leave to one day vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of 3 days sick leave to one day vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

7. Long-term obligations

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

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

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Implementation of Governmental Accounting Standards Board Statement 34 and 37

In June 1999 and June 2001, the GASB issued Statement No. 34, Basis Financial Statements - and Management's Discussion and Analysis for State and Local Governments, and Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments - Omnibus, respectively. These statements provide for the most significant change in financial reporting in over twenty years. As a part of these statements, there is a new reporting requirement regarding the City's infrastructure.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$225,185 difference are as follows:

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2003

C. Deficit fund equity

The following funds had deficit fund balances at September 30, 2003:

Drug Grant Special Revenue Fund	\$17,239
Employee Benefits Internal Service Fund	\$26,971

The deficit in the Drug Grant fund was caused by unanticipated expenditures, and will be covered by additional transfers from the general fund. The deficit in the Employee Benefits fund was caused by unanticipated health care cost increases, and will be covered by additional transfers from the general fund.

**IV. DETAILED NOTES ON ALL FUNDS**

A. Deposits and investments

Cash

At year end, the carrying amount of the City's cash on hand and deposits was \$1,312,214 (including restricted cash of \$302,771) and the bank balance was \$2,079,432. All of the bank balance was covered by federal deposit insurance and collateral pledged by the depository in the City's name and held by the City's agent.

Under a contractual agreement with North Texas Municipal Water Department (NTMWD), depository accounts are maintained by NTMWD for interest sinking, debt and construction reserves totaling \$965,490 which are separately insured or secured by collateral pledged by NTMWD's depository. This \$965,490 is included in restricted cash on the statement of net assets.

The carrying amount of deposits for REDC and RTP, discretely presented components units, was \$356,550, and the bank balance was \$531,408. The component units' cash balances are covered by the City's depository contract and therefore, all of the bank balance was covered by federal deposit insurance and collateral pledged by the depository in the in the City's name and by the City's agent.

Investments

The City's investments are categorized into these three categories of credit risk: (1) insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name or 3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in he City's name. At year end the City's investments were:

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2003

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	G.O. Bonds Capital Projects	Water and Sewer	Nonmajor and Other	Total
Taxes receivable - delinquent	\$145,453	\$108,953	\$ --	\$ --	\$ --	\$254,406
Accrued Interest	\$100,801	\$6,250	\$44,086	\$169,934	\$14,575	\$335,646
Accounts receivable	\$762	\$ --	\$ --	\$1,209,789	\$105,514	\$1,316,065
Allowance for uncollectibles	--	--	--	(127,809)	--	(127,809)
Net other receivables	\$762	\$0	\$0	\$1,081,980	\$105,514	\$1,188,256
Assessments receivable	\$ --	\$ --	\$ --	\$ --	\$190,016	\$190,016
Other receivables	\$17,898	\$ --	\$ --	\$ --	\$666	\$18,564

Revenues of the Water and Sewer Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period were \$32,562.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$129,035	\$ --
Delinquent property taxes receivable (Debt Service Fund)	95,495	--
Assessments receivable not yet due (PID Special Revenue)	105,804	--
Assessments receivable not yet due (Street Improvements)	84,212	--
Grant drawdowns prior to meeting all eligibility requirements	--	112,058
Total deferred/unearned revenue for governmental funds	\$414,546	\$112,058

**CITY OF ROCKWALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2003

	Balance 9/30/02	Additions	Retirements	Completed Construction	Balance 9/30/03
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$574,653	\$224,880	\$ --	\$ --	\$799,533
Construction in progress	1,423,379	4,623,330	--	--	6,046,709
Total capital assets not being depreciated	1,998,032	4,848,210	--	--	6,846,242
Capital assets, being depreciated:					
Buildings	89,421	--	--	--	89,421
Improvements other than buildings	35,211,478	2,699,651	--	--	37,911,129
Sewage treatment plants and pump station	10,594,237	--	--	--	10,594,237
Machinery and equipment	3,072,636	139,942	(36,885)	--	3,175,693
Furniture and fixtures	69,031	--	--	--	69,031
Total capital assets being depreciated	49,036,803	2,839,593	(36,885)	--	51,839,511
Less accumulated depreciation for:					
Buildings	(89,421)	--	--	--	(89,421)
Improvements other than buildings	(6,286,350)	(731,226)	--	--	(7,017,576)
Sewage treatment plants and pump station	(2,842,641)	(210,410)	--	--	(3,053,051)
Machinery and equipment	(2,614,531)	(202,335)	36,885	--	(2,779,981)
Furniture and fixtures	(58,383)	(1,127)	--	--	(59,510)
Total accumulated depreciation	(11,891,326)	(1,145,098)	36,885	--	(12,999,539)
Capital assets being depreciated, net	37,145,477	1,694,495	--	--	38,839,972
Business type activities capital assets, net	\$39,143,509	\$6,542,705	\$ --	\$ --	\$45,686,214

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	259,747
Police	174,993
Fire	231,981
Parks	109,703
Public works	2,177,969
Total depreciation expense - governmental activities	<u>\$2,954,393</u>

Business-type activities:

Water and sewer	<u>\$1,145,098</u>
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**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2003

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2003, is as follows:

Fund	Receivable	Payable
Drug Grant Special Revenue	\$ --	\$32,861
Internal Service Funds		
Employee Benefits	21,571	--
Workers Compensation	11,290	--
Total Internal Service Funds	32,861	--
Totals	\$32,861	\$32,861

Interfund transfers:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$328,000	\$1,830,050
G.O. Bonds Capital Projects	\$585,000	\$2,062,960
Nonmajor governmental funds		
Recreational Development Funds	--	35,000
PID Special Revenue	597,261	--
Fire Equipment	21,000	--
Aviation	10,000	
Capital Projects Fund	2,221,276	235,000
Equipment Acquisition Fund	663,823	--
Ralph Hall Parkway	19,612	--
Total Nonmajor governmental funds	3,532,972	270,000
Water Utility Fund	--	1,337,962
Internal Service Funds		
Employee Benefits	1,025,000	--
Workers' Compensation	30,000	--
Total Internal Service Funds	1,055,000	--
Totals	\$5,500,972	\$5,500,972

**CITY OF ROCKWALL, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2003

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2004	\$1,825,894	\$1,165,693	\$64,106	\$18,118	\$3,073,811
2005	1,699,207	1,077,069	65,793	14,208	2,856,277
2006	1,701,077	849,853	48,923	10,129	2,609,982
2007	1,692,703	911,094	52,297	7,047	2,663,141
2008	1,542,642	835,841	57,358	3,700	2,439,541
2009-2013	6,570,000	3,127,861	--	--	9,697,861
2014-2018	6,095,000	1,481,728	--	--	7,576,728
2019-2020	1,975,000	150,671	--	--	2,125,671
Total	\$23,101,523	\$9,599,810	\$288,477	\$53,202	\$33,043,012

Tax notes - The City has issued a tax note payable with interest accruing at 5.0% payable annually, principal due at maturity on February 1, 2006.

REVENUE BONDS. The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service.

Revenue bonds outstanding at year end are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/03
Revenue Bonds					
Improvements	\$1,650,000	1994	2014	4.60%-7.50%	\$1,155,000
Improvements	3,535,000	1999	2019	4.15%-5.00%	2,915,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	6,485,000
Total Revenue Bonds					10,555,000
Less unamortized discount on bonds					(65,615)
Total Revenue Bonds					\$10,489,385

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2003

Capital lease obligation debt service requirements to maturity are as follows:

Year	Total
2004	\$476,200
2005	482,825
2006	309,495
2007	143,045
2008	148,795
2009-2013	747,610
2014-2016	453,020
Total payments	2,760,990
Less imputed interest	(610,990)
Total Capital Lease Obligations	\$2,150,000

**CHANGES IN LONG-TERM LIABILITIES**

During the year ended September 30, 2003, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance 9/30/02	Additions	Retirements	Balance 9/30/03	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$13,295,364	\$ --	(\$773,841)	\$12,521,523	\$740,894
Contractual obligations	945,000	--	(255,000)	690,000	270,000
Certificates of obligation	10,485,000	--	(595,000)	9,890,000	815,000
Total bonds payable	24,725,364	--	(1,623,841)	23,101,523	1,825,894
Notes payable	70,000	--	--	70,000	--
Compensated absences	685,097	81,919	--	767,016	--
Governmental activity Long-Term Liabilities	\$25,480,461	\$81,919	(\$1,623,841)	\$23,938,539	\$1,825,894

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2003

Year Authorized	Revenue Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/03
1980	\$2,000,000	(\$1,060,000)	\$940,000
1985	1,540,000	--	1,540,000
Totals	<u>\$3,540,000</u>	<u>(\$1,060,000)</u>	<u>\$2,480,000</u>

Discretely presented component units - Rockwall Economic Development Corporation:

\$5,000,000 Sales Tax Revenue Bonds, series 1999, payable in annual installments through August 1, 2019, interest payable at 4.20% to 6.20% \$4,485,000

Annual debt service requirements to maturity for sales tax revenue bonds:

Year	Governmental Activities		
	Principal	Interest	Total
2004	\$190,000	\$224,250	\$414,250
2005	200,000	214,750	414,750
2006	210,000	204,750	414,750
2007	220,000	194,250	414,250
2008	230,000	183,250	413,250
2009-2013	1,335,000	732,000	2,067,000
2014-2018	1,705,000	362,500	2,067,500
2019-2020	395,000	19,750	414,750
Total	<u>\$4,485,000</u>	<u>\$2,135,500</u>	<u>\$6,620,500</u>

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of the City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Medical claims in any one year exceeding \$35,000 per covered individual or, approximately \$1,089,236 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2003.

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2003

construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable NTMWD to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the Annual Budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the Paying Agent and the Registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2003, is \$2,150,000. See Note IV E for the annual requirements to amortize the bonds as of September 30, 2003.

C Subsequent Events

December 1, 2003, the City issued \$4,380,000 of general obligation refunding bonds, series 2003 to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$4,325,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability will be removed from the books of the City. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$225,043 and resulted in an economic gain of \$191,151. At September 30, 2003 the amount outstanding on this refunded issue was approximately \$4,380,000.

D. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 5 above, the general revenues of the City are contingently liable for the \$288,477 payable in General Obligation Bonds which are currently outstanding and recorded as obligations of the Enterprise Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2003, these commitments totaled \$1,012,300.

E. Employee retirement systems and pension plans

The City participates in the Texas Municipal Retirement System

Plan Description - The City provides pension benefits for all of its full-time employees (except firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal

**CITY OF ROCKWALL, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2003

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/02	12/31/01	12/31/00
Actuarial Value of Assets	\$11,949,020	\$10,215,762	\$8,437,537
Actuarial Accrued Liabilities	15,905,584	13,833,397	11,304,236
Percentage Funded	75.1%	73.8%	74.6%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	3,956,564	3,617,635	2,866,699
Annual Covered Payroll	7,833,164	6,830,978	5,228,180
UAAL as a Percentage of Covered Payroll	50.5%	53.0%	54.8%
Net Pension Obligation (NPO) at the Beginning of Period	--	--	--
Annual Pension Cost:			
Annual Required Contribution (ARC)	1,023,494	890,635	714,899
Interest on NPO	--	--	--
Adjustment to the ARC	--	--	--
	1,023,494	890,635	714,899
Contributions Made (100%)	1,023,494	890,635	714,899
Increase in NPO	--	--	--
NPO at the End of Period	\$ --	\$ --	\$ --

Actuarial Assumptions

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	8%
Projected Salary Increases	None
Includes Inflation At	None
Cost of Living Adjustments	None

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$56,260 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a board of directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 37 active participants currently covered by the Fund and payments are being made to 9 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments, however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P. O. Box 12577, Austin, Texas, 78711.

*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>			
<i>Sales taxes</i>	\$ 138,779	\$ --	\$ 138,779
<i>Franchise taxes</i>	825	--	825
<i>Permits</i>	71,360	--	71,360
<i>Municipal court</i>	4,875	--	4,875
<i>Intergovernmental</i>	779,384	--	779,384
<i>Interest income</i>	12,903	23,251	36,154
<i>Miscellaneous</i>	258,430	3,058	261,488
<i>Donations</i>	56,463	--	56,463
<b>Total revenues</b>	<u>1,323,019</u>	<u>26,309</u>	<u>1,349,328</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Administration</i>	17,339	330	17,669
<i>Finance</i>	164,007	--	164,007
<i>Police</i>	741,127	--	741,127
<i>Fire</i>	7,161	--	7,161
<i>Parks and recreation</i>	93,433	--	93,433
<b>Total current</b>	<u>1,023,067</u>	<u>330</u>	<u>1,023,397</u>
<b>Capital outlay:</b>			
<i>Administration</i>	517,197	257,652	774,849
<i>Finance</i>	--	141,102	141,102
<i>Police</i>	27,512	109,041	136,553
<i>Fire</i>	28,499	58,871	87,370
<i>Public works</i>	--	1,159,233	1,159,233
<i>Parks and recreation</i>	64,880	--	64,880
<b>Total capital outlay</b>	<u>638,088</u>	<u>1,725,899</u>	<u>2,363,987</u>
<b>Total expenditures</b>	<u>1,661,155</u>	<u>1,726,229</u>	<u>3,387,384</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(338,136)	(1,699,920)	(2,038,056)
<b>Other financing sources (uses):</b>			
<i>Operating transfers in</i>	628,261	2,904,712	3,532,973
<i>Operating transfers out</i>	(35,000)	(235,000)	(270,000)
<b>Total other financing sources (uses)</b>	<u>593,261</u>	<u>2,669,712</u>	<u>3,262,973</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	255,125	969,792	1,224,917
<b>Fund balances, October 1</b>	671,382	1,451,705	2,123,087
<b>Fund balances, September 30</b>	<u>\$ 926,507</u>	<u>\$ 2,421,497</u>	<u>\$ 3,348,004</u>

## *Special Revenue Funds*

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery - established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation - established to account for donations, court security fees, and forfeitures.

Recreational Development - established to account for the annual lease income from marinas and golf course.

PID Special Revenue - established to account for the receipt and disposition of all revenues received from assessments levied for the Heritage Heights Public Improvement District.

Street Improvements - established to account for the proceeds of street improvement assessments.

Hotel/Motel Tax - established to account for the annual income from hotel/motel taxes.

Fire Equipment - established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation - established to account for funds received from airport operations and related expenses.

Recycling - established to account for funds to be used for the City's recycling program.

Emergency Siren - established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Drug Grant - established to account for revenues and expenditures related to a multi-jurisdictional drug task force.

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ 4,485	\$ 2,420	\$ 2,147	\$ 1,447	\$ 3,070
178,846	33,415	132,333	44,630	7,692
--	--	--	--	--
--	39,158	--	--	--
84,212	--	--	--	--
--	--	--	--	666
--	--	--	--	--
<u>\$ 267,543</u>	<u>\$ 74,993</u>	<u>\$ 134,480</u>	<u>\$ 46,077</u>	<u>\$ 11,428</u>
\$ --	\$ --	\$ 723	\$ 694	\$ --
84,212	--	--	--	--
--	--	--	--	--
<u>84,212</u>	<u>--</u>	<u>723</u>	<u>694</u>	<u>--</u>
183,331	74,993	133,757	45,383	11,428
<u>183,331</u>	<u>74,993</u>	<u>133,757</u>	<u>45,383</u>	<u>11,428</u>
<u>\$ 267,543</u>	<u>\$ 74,993</u>	<u>\$ 134,480</u>	<u>\$ 46,077</u>	<u>\$ 11,428</u>

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Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ --	\$ 138,779	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
1,845	865	65,000	--	--
28,681	--	1,124	--	111
--	--	--	9,785	7,673
--	--	1,000	--	--
<u>30,526</u>	<u>139,644</u>	<u>67,124</u>	<u>9,785</u>	<u>7,784</u>
300	--	--	12,304	4,735
--	164,007	--	--	--
--	--	--	--	--
--	--	7,161	--	--
--	--	--	--	--
<u>300</u>	<u>164,007</u>	<u>7,161</u>	<u>12,304</u>	<u>4,735</u>
--	--	--	--	--
--	--	--	--	--
--	--	28,499	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>28,499</u>	<u>--</u>	<u>--</u>
300	164,007	35,660	12,304	4,735
30,226	(24,363)	31,464	(2,519)	3,049
--	--	21,000	10,000	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>21,000</u>	<u>10,000</u>	<u>--</u>
30,226	(24,363)	52,464	7,481	3,049
153,105	99,356	81,293	37,902	8,379
<u>\$ 183,331</u>	<u>\$ 74,993</u>	<u>\$ 133,757</u>	<u>\$ 45,383</u>	<u>\$ 11,428</u>

**CITY OF ROCKWALL, TEXAS**

CEMETERY FUND

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Franchise taxes</i>	\$ 500	\$ 800	\$ 825	\$ 25
<i>Interest income</i>	1,000	750	778	28
<i>Miscellaneous</i>	4,000	1,600	4,000	2,400
<i>Donations</i>	--	2,000	2,000	--
Total revenues	<u>5,500</u>	<u>5,150</u>	<u>7,603</u>	<u>2,453</u>
Fund balances, October 1	57,347	57,347	57,347	--
Fund balances, September 30	<u>\$ 62,847</u>	<u>\$ 62,497</u>	<u>\$ 64,950</u>	<u>\$ 2,453</u>

**CITY OF ROCKWALL, TEXAS**

RECREATIONAL DEVELOPMENT FUND

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Permits</i>	\$ 71,250	\$ 70,200	\$ 71,360	\$ 1,160
<i>Interest income</i>	8,000	6,500	5,884	(616)
<i>Miscellaneous</i>	100,000	100,250	101,649	1,399
<i>Donations</i>	--	--	5,850	5,850
<b>Total revenues</b>	<u>179,250</u>	<u>176,950</u>	<u>184,743</u>	<u>7,793</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Parks and recreation</i>	45,300	85,300	93,433	(8,133)
<b>Total current</b>	<u>45,300</u>	<u>85,300</u>	<u>93,433</u>	<u>(8,133)</u>
<b>Capital outlay:</b>				
<i>Parks and recreation</i>	108,000	68,000	64,880	3,120
<b>Total capital outlay</b>	<u>108,000</u>	<u>68,000</u>	<u>64,880</u>	<u>3,120</u>
<b>Total expenditures</b>	<u>153,300</u>	<u>153,300</u>	<u>158,313</u>	<u>(5,013)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	25,950	23,650	26,430	2,780
<b>Other financing sources (uses):</b>				
<i>Operating transfers out</i>	(35,000)	(35,000)	(35,000)	--
<b>Total other financing sources (uses)</b>	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>--</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	(9,050)	(11,350)	(8,570)	2,780
<b>Fund balances, October 1</b>	337,456	337,456	337,456	--
<b>Fund balances, September 30</b>	<u>\$ 328,406</u>	<u>\$ 326,106</u>	<u>\$ 328,886</u>	<u>\$ 2,780</u>

**CITY OF ROCKWALL, TEXAS**

**EXHIBIT C-7**

STREET IMPROVEMENTS FUND

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Interest income</i>	\$ 250	\$ 250	\$ 1,845	\$ 1,595
<i>Miscellaneous</i>	59,000	59,000	28,681	(30,319)
Total revenues	<u>59,250</u>	<u>59,250</u>	<u>30,526</u>	<u>(28,724)</u>
Expenditures:				
Current:				
<i>Administration</i>	300	300	300	--
Total current	<u>300</u>	<u>300</u>	<u>300</u>	<u>--</u>
Total expenditures	<u>300</u>	<u>300</u>	<u>300</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	58,950	58,950	30,226	(28,724)
Fund balances, October 1	153,105	153,105	153,105	--
Fund balances, September 30	<u>\$ 212,055</u>	<u>\$ 212,055</u>	<u>\$ 183,331</u>	<u>\$ (28,724)</u>

**CITY OF ROCKWALL, TEXAS**

**EXHIBIT C-9**

*FIRE EQUIPMENT FUND  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Intergovernmental</i>	\$ 65,000	\$ 65,000	\$ 65,000	\$ --
<i>Interest income</i>	1,000	1,000	1,124	124
<i>Donations</i>	--	--	1,000	1,000
<b>Total revenues</b>	<u>66,000</u>	<u>66,000</u>	<u>67,124</u>	<u>1,124</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Fire</i>	10,000	7,550	7,161	389
<b>Total current</b>	<u>10,000</u>	<u>7,550</u>	<u>7,161</u>	<u>389</u>
<b>Capital outlay:</b>				
<i>Fire</i>	55,270	71,300	28,499	42,801
<b>Total capital outlay</b>	<u>55,270</u>	<u>71,300</u>	<u>28,499</u>	<u>42,801</u>
<b>Total expenditures</b>	<u>65,270</u>	<u>78,850</u>	<u>35,660</u>	<u>43,190</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	730	(12,850)	31,464	44,314
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	--	--	21,000	21,000
<b>Total other financing sources (uses)</b>	<u>--</u>	<u>--</u>	<u>21,000</u>	<u>21,000</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	730	(12,850)	52,464	65,314
<b>Fund balances, October 1</b>	81,293	81,293	81,293	--
<b>Fund balances, September 30</b>	<u>\$ 82,023</u>	<u>\$ 68,443</u>	<u>\$ 133,757</u>	<u>\$ 65,314</u>

**CITY OF ROCKWALL, TEXAS**

RECYCLING FUND

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Interest income</i>	\$ 500	\$ 100	\$ 111	\$ 11
<i>Miscellaneous</i>	6,500	7,600	7,673	73
Total revenues	<u>7,000</u>	<u>7,700</u>	<u>7,784</u>	<u>84</u>
Expenditures:				
Current:				
<i>Administration</i>	8,150	7,200	4,735	2,465
Total current	<u>8,150</u>	<u>7,200</u>	<u>4,735</u>	<u>2,465</u>
Total expenditures	<u>8,150</u>	<u>7,200</u>	<u>4,735</u>	<u>2,465</u>
Excess (deficiency) of revenues over (under) expenditures	(1,150)	500	3,049	2,549
Fund balances, October 1	8,379	8,379	8,379	--
Fund balances, September 30	<u>\$ 7,229</u>	<u>\$ 8,879</u>	<u>\$ 11,428</u>	<u>\$ 2,549</u>

### *Debt Service Fund*

The Debt service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

## *Capital Projects Funds*

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects - established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund.

Equipment Acquisition - established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

G.O. Bonds Capital Projects Fund - established to account for equipment acquisition and street and drainage projects using proceeds from the issuance of bonds.

Ralph Hall Parkway Capital Improvements - established to account for the construction of the new Ralph M. Hall Parkway currently in progress.

1995 G.O. Bonds Capital Improvements - established to account for street and drainage improvements, road improvements, and expansion of the City's service center using proceeds of the 1995 General Obligation Bond Issue.

Ralph Hall Parkway Capital Improvements	1995 G.O. Bonds Capital Improvements	Total Nonmajor Capital Projects Funds (See Exhibit B-1)
\$ 1,049	\$ 1,044	\$ 241,651
--	537,967	2,196,668
--	10,669	10,669
--	65,134	65,134
<u>\$ 1,049</u>	<u>\$ 614,814</u>	<u>\$ 2,514,122</u>
<u>\$ --</u>	<u>\$ 4,038</u>	<u>\$ 92,625</u>
<u>--</u>	<u>4,038</u>	<u>92,625</u>
<u>1,049</u>	<u>610,776</u>	<u>2,421,497</u>
<u>1,049</u>	<u>610,776</u>	<u>2,421,497</u>
<u>\$ 1,049</u>	<u>\$ 614,814</u>	<u>\$ 2,514,122</u>



### *Internal Service Funds*

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund- established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City employees and their covered dependents.

Workers' Compensation Fund - established to account for the costs of the workers' compensation self-insurance program for the City.

**CITY OF ROCKWALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
<b>OPERATING REVENUES:</b>			
<i>Charges for services</i>	\$ 217,161	\$ --	\$ 217,161
<i>Reinsurance reimbursement</i>	78,390	--	78,390
<b>Total Operating Revenues</b>	<u>295,551</u>	<u>--</u>	<u>295,551</u>
<b>OPERATING EXPENSES:</b>			
<i>Contractual services</i>	1,147,325	187,474	1,334,799
<b>Total Operating Expenses</b>	<u>1,147,325</u>	<u>187,474</u>	<u>1,334,799</u>
<b>Operating Income (Loss)</b>	<u>(851,774)</u>	<u>(187,474)</u>	<u>(1,039,248)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
<i>Interest income</i>	3,560	61,878	65,438
<i>Miscellaneous income</i>	--	31,232	31,232
<b>Total Non-operating Revenues (Expenses)</b>	<u>3,560</u>	<u>93,110</u>	<u>96,670</u>
<b>Net Income (Loss) before Operating Transfers</b>	<u>(848,214)</u>	<u>(94,364)</u>	<u>(942,578)</u>
<b>TRANSFERS:</b>			
<i>Operating transfers in</i>	1,025,000	30,000	1,055,000
<b>Net income</b>	<u>176,786</u>	<u>(64,364)</u>	<u>112,422</u>
<b>Net assets, October 1</b>	<u>(203,757)</u>	<u>1,858,174</u>	<u>1,654,417</u>
<b>Net assets, September 30</b>	<u>\$ (26,971)</u>	<u>\$ 1,793,810</u>	<u>\$ 1,766,839</u>

### *Agency Fund*

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

**CITY OF ROCKWALL, TEXAS**

EXHIBIT G-1

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

## SPECIAL ESCROW AGENCY FUND

YEAR ENDED SEPTEMBER 30, 2003

	Balance October 1, 2002	Additions	Deductions	Balance September 30, 2003
<b>SPECIAL ESCROW AGENCY FUND</b>				
<b>ASSETS</b>				
<i>Cash &amp; Cash Equivalents</i>	\$ 28,718	\$ 479,821	\$ 503,761	\$ 4,778
<i>Investments</i>	1,296,351	158,906	71,503	1,383,754
<i>Accrued Interest</i>	10,814	10,634	10,724	10,724
Total Assets	<u>\$ 1,335,883</u>	<u>\$ 649,361</u>	<u>\$ 585,988</u>	<u>\$ 1,399,256</u>
<b>LIABILITIES</b>				
<i>Due to Developers</i>	\$ 1,335,883	\$ 606,228	\$ 542,855	\$ 1,399,256
Total Liabilities	<u>\$ 1,335,883</u>	<u>\$ 606,228</u>	<u>\$ 542,855</u>	<u>\$ 1,399,256</u>

### *Discretely Presented Component Units*

The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half cent sales tax to support its activities.

The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within the park being developed by REDC.

**CITY OF ROCKWALL, TEXAS**

EXHIBIT H-1

ECONOMIC DEVELOPMENT CORPORATION  
DISCRETELY PRESENTED COMPONENT UNIT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Sales taxes</i>	\$ 2,000,000	\$ 2,000,000	\$ 2,025,091	\$ 25,091
<i>Charges for services</i>	141,570	141,570	5,902,855	5,761,285
<i>Intergovernmental</i>	--	--	4,875	4,875
<i>Interest income</i>	30,000	30,000	55,160	25,160
<i>Miscellaneous</i>	165,800	165,800	38,022	(127,778)
<b>Total revenues</b>	<u>2,337,370</u>	<u>2,337,370</u>	<u>8,026,003</u>	<u>5,688,633</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Administration</i>	843,500	683,200	6,979,848	(6,296,648)
<b>Total current</b>	<u>843,500</u>	<u>683,200</u>	<u>6,979,848</u>	<u>(6,296,648)</u>
<b>Capital outlay:</b>				
<i>Administration</i>	3,434,150	3,434,150	1,252,354	2,181,796
<b>Total capital outlay</b>	<u>3,434,150</u>	<u>3,434,150</u>	<u>1,252,354</u>	<u>2,181,796</u>
<b>Debt service:</b>				
<i>Principal</i>	180,000	180,000	4,393,243	(4,213,243)
<i>Interest</i>	232,500	232,500	292,339	(59,839)
<i>Fiscal charges</i>	3,500	3,500	3,327	173
<b>Total debt service</b>	<u>416,000</u>	<u>416,000</u>	<u>4,688,909</u>	<u>(4,272,909)</u>
<b>Total expenditures</b>	<u>4,693,650</u>	<u>4,533,350</u>	<u>12,921,111</u>	<u>(8,387,761)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(2,356,280)</u>	<u>(2,195,980)</u>	<u>(4,895,108)</u>	<u>(2,699,128)</u>
<b>Fund balances, October 1 (restated)</b>	<u>13,163,990</u>	<u>13,163,990</u>	<u>13,163,990</u>	<u>--</u>
<b>Fund balances, September 30</b>	<u>\$ 10,807,710</u>	<u>\$ 10,968,010</u>	<u>\$ 8,268,882</u>	<u>\$ (2,699,128)</u>

*Capital Assets Used in the Operation of Governmental Funds*

**CITY OF ROCKWALL, TEXAS**

EXHIBIT I-1

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE  
SEPTEMBER 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Governmental funds capital assets:		
<i>Land</i>	\$ 2,017,819	\$ 2,017,819
<i>Buildings</i>	9,628,068	3,631,320
<i>Infrastructure</i>	65,525,858	46,641,144
<i>Improvements other than buildings</i>	425,592	840,054
<i>Machinery and equipment</i>	6,522,862	8,240,782
<i>Construction in progress</i>	10,696,999	17,780,635
Total governmental funds capital assets	<u>\$ 94,817,198</u>	<u>\$ 79,151,754</u>
Investments in governmental funds capital assets by source:		
<i>Bond proceeds</i>	\$ 30,457,774	\$ 21,315,201
<i>General government</i>	16,782,145	15,625,426
<i>Grants and entitlements</i>	1,060,717	1,043,990
<i>Developers contribution</i>	46,516,562	41,167,137
Total investments in governmental funds capital assets	<u>\$ 94,817,198</u>	<u>\$ 79,151,754</u>

EXHIBIT I-2

<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 1,659,120	\$ 10,696,999	\$ 17,205,351
1,007,433	--	66,978,818
1,395,658	--	3,607,723
1,031,215	--	3,667,309
<u>1,429,436</u>	<u>--</u>	<u>3,357,997</u>
<u>6,522,862</u>	<u>\$ 10,696,999</u>	<u>\$ 94,817,198</u>

*Statistical Section*

**CITY OF ROCKWALL, TEXAS**

GOVERNMENT-WIDE REVENUES (1)

LAST TEN FISCAL YEARS

(Unaudited)

TABLE I-2

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Ad Valorem Taxes, Penalties and Interest	Sales Taxes	Franchise Taxes	Miscellaneous	Unrestricted Investment Earnings	Total
1994	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
1995	--	--	--	--	--	--	--	--	--
1996	--	--	--	--	--	--	--	--	--
1997	--	--	--	--	--	--	--	--	--
1998	--	--	--	--	--	--	--	--	--
1999	--	--	--	--	--	--	--	--	--
2000	--	--	--	--	--	--	--	--	--
2001	--	--	--	--	--	--	--	--	--
2002	--	--	--	--	--	--	--	--	--
2003	11,069,147	772,911	3,088,237	6,717,883	6,277,216	1,567,874	278,899	673,344	30,445,511

Note:

- (1) The City converted to the GASB 34 model of reporting in fiscal year ended September 30, 2003.

**CITY OF ROCKWALL, TEXAS**

**TABLE I-4**

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Fiscal Year	Property and Sales Taxes	Franchise Fees & Permits	Inter-Governmental	Charges For Services	Municipal Court	Investment Income (2)	Miscellaneous & Donations	Total
1994	\$3,563,656	\$882,632	\$451,731	\$385,409	\$335,064	\$126,719	\$137,185	\$5,882,396
1995	3,747,128	977,279	496,765	138,628	390,796	170,237	232,485	6,153,318
1996	4,938,184	1,114,811	569,264	265,657	384,735	154,956	275,692	7,703,299
1997	5,460,773	1,129,758	695,528	67,254	428,541	(180,194)	430,790	8,032,450
1998	6,723,952	1,318,724	658,736	64,636	571,367	223,556	469,071	10,030,042
1999	7,999,250	1,518,247	778,868	89,450	504,015	218,223	771,521	11,879,574
2000	9,906,885	1,605,592	985,446	108,441	472,921	550,171	568,073	14,197,529
2001	11,142,348	1,897,076	856,375	135,417	509,645	402,000	341,260	15,284,121
2002	11,951,460	2,974,707	1,037,633	159,451	584,171	382,799	366,548	17,456,769
2003	12,955,382	3,069,518	919,534	263,349	734,500	161,639	475,832	18,579,754

Note:

(1) Includes General, Special Revenue and Debt Service Funds.

**CITY OF ROCKWALL, TEXAS****ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY****LAST TEN FISCAL YEARS***(Unaudited)***TABLE I-6**

Fiscal Year	Tax Year	Assessed Value	Total Estimated Actual Value	Ratio of Assessed Value to Total Estimated Actual Value
1994	1993	\$578,479,366	\$578,479,366	100.00%
1995	1994	605,755,297	605,755,297	100.00%
1996	1995	660,645,203	660,645,203	100.00%
1997	1996	719,921,004	719,921,004	100.00%
1998	1997	834,932,223	834,932,223	100.00%
1999	1998	945,317,622	945,317,622	100.00%
2000	1999	1,125,145,000	1,125,145,000	100.00%
2001	2000	1,365,273,846	1,365,273,846	100.00%
2002	2001	1,582,093,220	1,582,093,220	100.00%
2003	2002	1,838,618,028	1,838,618,028	100.00%

# CITY OF ROCKWALL, TEXAS

TABLE I-8

RATIO OF NET GENERAL OBLIGATION BONDED DEBT  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS  
(Unaudited)

Fiscal Year	Estimated Population	Assessed Value	Gross Bonded Debt (1)	Debt Service Fund Balance	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1994	12,200	\$578,479,366	\$6,212,065	\$107,983	\$6,104,082	1.06%	\$500
1995	13,000	605,755,297	992,000	117,506	874,494	0.14%	67
1996	13,800	660,645,203	9,324,999	141,636	9,183,363	1.39%	665
1997	14,500	719,921,004	8,589,999	182,083	8,407,916	1.17%	580
1998	15,300	834,932,223	7,476,173	228,315	7,247,858	0.87%	474
1999	16,100	945,317,622	15,085,161	284,139	14,801,022	1.57%	919
2000	17,050	1,125,145,000	23,034,550	386,149	22,648,401	2.01%	1,328
2001	18,934	1,365,273,846	21,838,229	509,255	21,328,974	1.56%	1,126
2002	20,967	1,582,093,220	24,725,337	551,753	24,173,584	1.53%	1,153
2003	22,850	1,838,618,028	23,101,523	683,650	22,417,873	1.22%	981

Notes:

- (1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government only.

**CITY OF ROCKWALL, TEXAS**

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

GENERAL OBLIGATION BONDS

SEPTEMBER 30, 2003

(Unaudited)

TABLE I-10

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$23,101,523	100.00%	\$23,101,523
Indirect:			
Rockwall Independent School District	211,419,541	57.79%	122,179,353
Rockwall County	17,851,784	51.54%	9,200,809
Total Indirect	229,271,325		131,380,162
Total Direct and Overlapping Bonded Debt	\$252,372,848		\$154,481,685
 Average debt per capita			 \$6,761

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

**CITY OF ROCKWALL, TEXAS**

## REVENUE BOND COVERAGE

## WATER AND WASTEWATER BONDS

## LAST TEN FISCAL YEARS

*(Unaudited)*

TABLE I-12

Fiscal Year	Net Revenue Available for Debt Service	Annual Debt Requirement For Revenue Bonds	Coverage
1994	\$1,839,585	\$345,938	5.32
1995	2,227,935	474,814	4.69
1996	1,821,101	479,685	3.80
1997	2,360,759	479,510	4.92
1998	3,419,166	477,888	7.15
1999	3,746,920	513,787	7.29
2000	5,351,052	499,195	10.72
2001	5,980,011	488,680	12.24
2002	3,155,073	494,080	6.39
2003	4,138,792	1,004,605	4.12

## Notes:

- (1) Net revenue available for debt service is calculated as total operating and non-operating revenues less total operating expenses (not including depreciation) less contractual interest and principal payments to the North Texas Municipal Water District.

**CITY OF ROCKWALL, TEXAS**  
**PROPERTY VALUE AND CONSTRUCTION**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

**TABLE I-14**

Fiscal Year	New Commercial Construction (1)		New Residential Construction (1)		Total	Total Assessed Property Value
	Number of Units	Value	Number of Units	Value		
1994	16	\$3,739,247	166	\$21,396,768	\$25,136,015	\$578,479,366
1995	43	6,252,665	172	27,108,258	33,360,923	60,575,297
1996	49	8,897,140	267	38,520,610	47,417,750	660,645,203
1997	56	26,589,846	278	41,659,665	68,249,511	719,921,004
1998	44	21,562,833	504	73,552,939	95,115,772	834,932,223
1999	36	18,810,452	488	72,960,161	91,770,613	945,317,622
2000	26	12,444,115	655	94,343,746	106,787,861	1,125,145,000
2001	13	16,001,068	767	119,521,248	135,522,316	1,365,273,846
2002	22	41,967,125	945	144,002,845	185,969,970	1,582,093,220
2003	27	40,304,701	755	117,512,216	157,816,917	1,838,618,028

Notes:

(1) Source: City issued building permits.

**CITY OF ROCKWALL, TEXAS**

TOP TEN EMPLOYERS IN ROCKWALL AREA

SEPTEMBER 30, 2003

*(Unaudited)*

TABLE I-16

Employer	Number of Employees
Rockwall Independent School District	1,100
Wal-Mart Superstore	450
Continental Express	225
Amphenol PCM	200
James Helwig & Son	200
Texas Star Express	200
GE Digital Energy	200
City of Rockwall	182
Rockwall Nursing Home	150
Target	150

**CITY OF ROCKWALL, TEXAS**

PROPERTY TAX EXEMPTIONS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

**TABLE I-18**

Fiscal Year	Over 65 and Disabled	Disabled Veterans	Agriculture	Abatement	Prorated Total Exempt
1994	\$14,871,890	\$130,500	\$14,548,840	\$5,484,610	\$ --
1995	16,423,440	138,000	14,730,750	7,446,302	--
1996	17,526,920	139,500	14,105,490	1,949,502	--
1997	18,890,430	572,540	14,427,950	5,465,975	--
1998	21,247,629	569,970	20,550,470	1,634,676	3,676
1999	24,255,378	733,000	29,972,670	6,844,740	57,091
2000	27,511,159	759,504	34,508,640	7,041,464	26,250
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	--
2003	32,005,770	949,484	48,516,530	7,025,287	71,939

**CITY OF ROCKWALL, TEXAS**

TOP TEN WATER CUSTOMERS

SEPTEMBER 30, 2003

(Unaudited)

**TABLE I-20**

Name	Fiscal 2003 Water Usage	Percentage of Total Water Usage
Rockwall Independent School District	57,041,700	3.71%
City of Rockwall	22,684,600	1.48%
Legends on the Lake	17,728,400	1.15%
Sabre Realty Management Company	17,120,100	1.11%
D.W.C. - Highlife Properties	15,592,500	1.01%
Walden Residential Properties	13,887,300	0.90%
Steger Towne Crossing	13,055,100	0.85%
Rockwall Nursing Home	11,446,400	0.75%
Lake Pointe Baptist Church	8,356,600	0.54%
WalMart	8,047,300	0.52%
Subtotal	184,960,000	12.04%
Remaining water usage	1,351,497,500	87.96%
Total water usage	1,536,457,500	100.00%

**CITY OF ROCKWALL, TEXAS**

MISCELLANEOUS STATISTICS

SEPTEMBER 30, 2003

(Unaudited)

**TABLE I-22**

Date of incorporation		1874
Form of government		Council - Manager
Estimated Population		22,850
<b>Miles of Streets:</b>		
Public streets - City maintained		122.70
Private streets - privately maintained		13.60
State highways - excluding interstates		22.67
Interstate highways - I-30		4.61
Area in square miles		22.43
<b>Fire Protection:</b>		
Number of stations		2
Number of employees		4
Number of volunteer fire personnel		38
<b>Recreation and Culture:</b>		
Number of picnic areas		25
Number of swimming pools		2
Number of playgrounds		12
Number of golf courses		--
<b>Police Protection:</b>		
Number of stations		1
Number of uniformed officers		49
Number of civilian personnel		15
Number of animal control officers		4
<b>Library - County operated</b>		
Number of volumes		50,428
Circulation		116,175
<b>Education:</b>		
	<u>Number</u>	<u>Number</u>
	<u>of Students</u>	<u>of Teachers</u>
Elementary schools (10)	5518	455
Middle schools (2)	1,608	116
Freshman Center (1)	834	58
High school (1)	2041	145
Alternative education (1)	76	11
<b>Municipal Water and Sewer System:</b>		
Number of water customers		9,440
Average daily consumption		4,209,473
Total annual consumption		1,536,457,500
Peak daily consumption		14,903,000
Storage		
Elevated (2)		1,500,000
Below ground (2)		4,000,000
Number of sewer customers		8,510

**CITY OF ROCKWALL, TEXAS***SPECIAL ASSESSMENT COLLECTIONS**LAST TEN FISCAL YEARS**(Unaudited)***TABLE I-24**

<u>Fiscal Year</u>	<u>Assessments Levied</u>	<u>Assessments Collected</u>	<u>Assessments Receivable</u>
1993	\$47,354	\$159,524	\$684,137
1994	107,183	162,867	628,453
1995	43,083	43,469	628,067
1996	23,549	143,644	507,972
1997	95,465	34,140	569,297
1998	157,688	80,810	646,175
1999	40,861	315,749	371,287
2000	--	77,364	293,923
2001	--	23,823	270,100
2002	--	35,685	234,415
2003	--	44,399	190,016