

*President George Bush Turnpike Eastern Extension  
Construction on Lake Ray Hubbard*

**Rowlett**  
TEXAS

City of Rowlett, Texas  
Comprehensive Annual Financial Report  
For Fiscal Year Ended September 30, 2009

**CITY OF ROWLETT, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended September 30, 2009**



Prepared by

Department of Finance & Administration

Brian Funderburk, Director of Finance & Administration  
Ann Honza, Assistant Director of Finance & Administration  
George G. Vadakin, Accounting Manager

**CITY OF ROWLETT, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2009**

**TABLE OF CONTENTS**

	<u>Page</u>
<b><u>INTRODUCTORY SECTION (Unaudited)</u></b>	
Letter of Transmittal	1
Organization Chart	6
List of Principal Officials	7
Location Map	8
Certificate of Achievement for Excellence in Financial Reporting	9
 <b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditors' Report</b>	11
<b>Management's Discussion and Analysis (Unaudited)</b>	15
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets	25
Statement of Activities	26
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet-Governmental Funds	28
Reconciliation of the Statement of Net Assets of Governmental Funds to the Balance Sheet	29
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Proprietary Fund Financial Statements:	
Statement of Net Assets-Proprietary Funds	32
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds	34
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds	35
Statement of Cash Flows	36
Notes to the Basic Financial Statements	39
 <b>Required Supplementary Information (Unaudited):</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund	66
Notes to Required Supplementary Information	67
 <b>Other Supplementary Information:</b>	
Non-Major Governmental Funds:	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72
Budgetary Comparison Schedule-Debt Service Fund	74
Budgetary Comparison Schedule-Impact Fee Fund	75
Budgetary Comparison Schedule-Police Seizure Fund	76

**CITY OF ROWLETT, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2009**

**TABLE OF CONTENTS - (continued)**

	<u>Page</u>
<b>Other Supplementary Information (continued):</b>	
Budgetary Comparison Schedule-Traffic Safety Fund	77
Budgetary Comparison Schedule-Hotel/Motel Fund	78
Budgetary Comparison Schedule-Grant Fund	79
Budgetary Comparison Schedule-Golf Course Fund	80
Budgetary Comparison Schedule-Tax Increment Financing Fund	81
 Internal Service Funds:	
Statement of Net Assets	84
Statement of Revenues, Expenses and Changes in Fund Net Assets	85
Statement of Cash Flows	86
 <b><u>STATISTICAL SECTION (Unaudited)</u></b>	
Net Assets – Table 1	88
Changes in Net Assets – Table 2	90
Fund Balances, Governmental Funds – Table 3	92
Changes in Fund Balances, Governmental Funds – Table 4	94
Tax Revenue by Source – Table 5	96
Assessed Value and Estimated Actual Value of Taxable Property – Table 6	97
Property Tax Rates/Assessment Ratios – All Direct and Overlapping Governments – Table 7	98
Principal Taxpayers – Table 8	100
Property Tax levies and Collections – Table 9	101
Ratio of Outstanding Debt by Type – Table 10	102
Ratio of General Bonded Debt Outstanding – Table 11	104
Computation of Direct and Overlapping Debt – Table 12	105
Computation of Legal Debt Margin – Table 13	106
Schedule of Revenue Bond Coverage – Water & Sewer Bonds – Table 14	107
Demographic and Economic Statistics – Table 15	108
Principal Employers – Table 16	109
Full-Time Equivalent City Government Employees by Function – Table 17	110
Operating Indicators by Function / Program – Table 18	112
Capital Asset Statistics by Function / Program – Table 19	114
 <b><u>FEDERAL AWARDS SECTION</u></b>	
Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	117
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	119
Schedule of Expenditures of Federal Awards	121
Notes to Schedule of Expenditures of Federal Awards	122
Schedule of Findings and Questioned Costs	123
Summary Schedule of Prior Audit Findings	124



## **INTRODUCTORY SECTION**

MAYOR  
John E. Harper  
MAYOR PRO TEM  
Steve Maggiotto  
DEPUTY MAYOR  
PRO TEM  
Todd W. Gottel



CITY COUNCIL  
Patrick Jackson  
Chris Kilgore  
Doug Phillips  
Cindy Rushing  
CITY MANAGER  
Lynda K. Humble

March 10, 2010

To the Honorable Mayor, City Council and Citizens of the City of Rowlett, Texas:

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the City of Rowlett, Texas for the year ended September 30, 2009. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. 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 City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Pattillo, Brown & Hill, L.L.P., have issued an unqualified ("clean") opinion on the City of Rowlett's financial statements for the year ended September 30, 2009. The independent auditors' report is located at the front of the financial section of this report.

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

### **Profile of the Government**

The City of Rowlett is located 20 miles northeast of Dallas. Surrounded by more than 30 miles of shoreline on beautiful Lake Ray Hubbard, Rowlett is poised to capitalize from the completion of the President George Bush Turnpike and the arrival of the new Dart Light Rail Station. Once a small farming community, the City has doubled in population over the past sixteen years. It currently occupies 20.2 square miles and serves a population estimated by The North Central Texas Council of Governments of 54,250. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

Rowlett voters approved a home rule charter in 1979 establishing Council/Manager form of government. Under this form the Mayor and the City Council establish policy and law, and the City Manager handles the day-to-day management of the City organization. This system combines the strong political leadership of elected officials in the form of a council with the managerial experience of an appointed local government manager. A representative system is established in which all power is concentrated in the elected City Council and the Council then hires a professionally trained manager to oversee the delivery of public services.

The City Manager is the Chief Executive Officer of city government. Appointed directly by the City Council, the City Manager is in charge of the day-to-day operations of the City. The City Manager is responsible for implementing the policy direction of the City Council in an efficient, effective, responsive, and responsible manner.

The City Council is elected at-large representing all residents within the City Limits. The Mayor and six Council members serve staggered three year terms creating a three-year cycle. The mayor and three Council positions are filled in one cycle, three Council positions are selected in the second cycle, and there is no election in the third cycle.

The City provides a full range of services. These services include general administrative services, police and fire protection, public works for the construction and maintenance of roadways and infrastructure; library services, recreational services; parks maintenance and public utilities. The City's utilities include water and sewer, drainage and sanitation services. Sewage treatment is provided by the City of Garland and IESI Solid Waste Management ("IESI") provides sanitation collection. The North Texas Municipal Water District ("NTMWD") provides water for the City.

City Council is required to adopt an annual operating budget by no later than the beginning of the fiscal year. The adoption process begins with the staff of each department submitting their revised expenditure estimates for the current year and their estimates for the upcoming year. These expenditure estimates are reviewed and combined with the revenue estimates from the financial staff to present a proposed budget to the governing body. Through subsequent budget meetings and public hearings a final budget is developed and adopted.

The budget is developed on a departmental level and adopted at the fund level. The Department of Finance and Administration generates monthly reports that detail expenditures and revenues on a departmental and line item level. The reports provide monthly expenditures with year-to-date totals along with a comparison to budget giving a budget balance and unexpended percentage. The level of control at which expenditures may not exceed budget without City Council approval is fund level. The City Manager has the authority to approve individual departmental budget overages.

It is possible to amend the budget with City Council action to provide for any emergency items that were unforeseen during the regular budget process. Most unexpended appropriations lapse at year-end; however, the City's financial policies specify that funds budgeted for capital purposes automatically carryover into the new year as well as operational purchases encumbered as of the last day of the fiscal year.

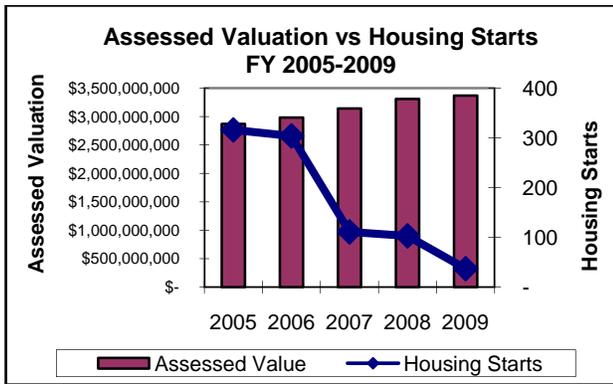
## **Local Economy**

The City of Rowlett can best be described as a bedroom community, on the-outer ring of the Dallas Metroplex against the backdrop of Lake Ray Hubbard. Major industries located within the government's boundaries include large retail stores and specialty medical care facilities. Major access to the community is provided by IH-30. Construction on the President George Bush Turnpike (PGBT) Eastern Extension will complete the PGBT from SH78 to IH-30, and will provide much improved access into and out of the City. The majority of the new turnpike traverses Rowlett and will provide an economic engine for the City's development and growth. The project is being completed in four sections simultaneously and the entire corridor is scheduled for completion in late 2011. Construction is also underway on Dart Rail Blue Line Extension that will link the downtowns of Rowlett and Garland and bring the first light rail station into the City. This project is scheduled for completion in early 2012.

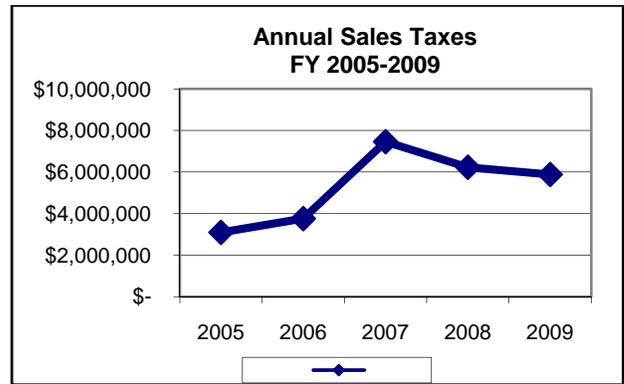
What began as a slowdown in the pace of growth during fiscal year 2007 continued and even accelerated into 2008; possibly reaching the bottom in 2009. There is no doubt that this latest economic downturn has affected all aspects of how consumers will spend their disposable income. In the past year the City has turned its focus inward trying to draw from what makes this community unique and striving to provide the best service possible from every dollar of revenue received. While consumers have delayed purchases and vacation plans, the City has provided needed improvements to the Rowlett Community Center, the Rowlett Library and added a series of local community events designed to boost local businesses and community involvement. In addition, operating efficiencies were added to the Wet Zone, a City owned waterpark that resulted in the lowest subsidy since its opening in 2001. Strategic changes were made at the department level to increase operating efficiency and improve customer service City-wide.

City-wide, our average annual unemployment rate increased from 4.2% to 6.7% for the year comparing well with the statewide average of 8.0%, the Dallas County average of 7.4%, and the national average of 9.7%. The Dallas housing market remains one of the top housing markets in terms of annual decline in housing values in the U.S., with an annual decline of just 5.6%. Sales tax collections decreased by 3.7% over the previous year primarily due to reduced taxable sales for a significant developer in which 90% of the taxes are rebated back to the developer. When taking into account the reduction in the rebates, net sales taxes actually increased 0.4%. New residential building construction in Rowlett continued to decline in the current year from 103 in 2008 to 37 in 2009. Commercial permits decreased slightly from 12 in 2008 to 10 in 2009. The value of this new construction, along with other additions, added an estimated \$39.9 million of new taxable value to our tax rolls for the upcoming year, up 1.8% from the previous year's increased value of \$39.2 million. Overall, this trend is not expected to continue; 2010 data from the appraisal districts indicates an overall 2.5% decrease in property value thus decreasing taxable assessed value by \$82.7 million. These factors, although not overly positive provide the cornerstone for

developing the budget and operating plan for the upcoming year.



Five Year trend of Housing Starts compared to Assessed Valuation



Five Year trend of Sales Tax Collections

The fiscal year 2010 budget was developed with a conservative approach and built-in flexibility to address any further unknowns in the economy. Anticipating further declines in our revenue sources other than those experienced in 2009 specifically in housing values and sales tax, expenditures were reduced by 3.9% to reflect this possible reduction in revenues. Excess fund balance in the General Fund; an amount that exceeds the 10% fund balance requirement will be earmarked as an “emergency savings account”. Should the economy continue to decline further than anticipated and negatively affect revenue projections, this resource is available to bridge the difference before staff reductions or reduced programs/services are necessary. The City has also appropriated one-time funds to be spent during the year. Prior to actual spending, staff will gauge the economic climate to determine if revenues are meeting expectations before actual spending occurs. This budget and those that follow will provide an appropriate window of time for the economy to recover; housing values to stabilize; and for the completion of the President George Bush Turnpike and DART light rail.

**Relevant Financial Policies**

The City has established reserve policies for its’ operating funds:

Fund Type	Reserve Balance Requirement
<b>Government</b>	
General Fund	10%
<b>Proprietary</b>	
Water and Sewer Fund	25%
Drainage Fund	10%
Refuse Fund	5%

The City’s ability to maintain adequate reserves is critical in allowing flexibility in budgeting and responsiveness to unforeseen short term economic conditions. The City is proud to report that reserve balance requirements have been met or exceeded in all instances.

**Major Initiatives**

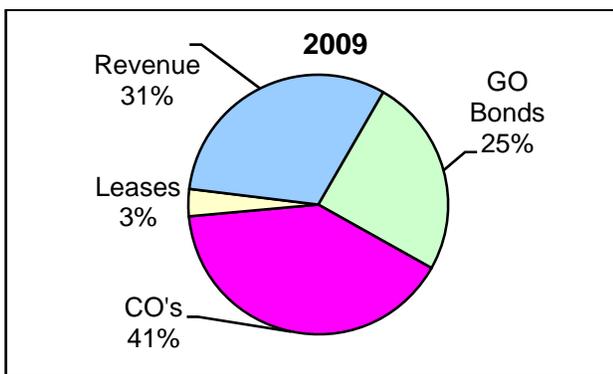
**For the Year.** During fiscal year 2008-2009, the City completed and capitalized \$13.0 million including Point Royal Subdivision streets, water and drainage improvements, Kenwood Heights Phase II street, water, sewer and drainage improvements, Royal Miller Road street and utility improvements, and various alley improvements. Much of the City’s strategic focus over the past few years and moving forward to next year involves preparing for the construction of the President George Bush Turnpike and DART Light Rail Station.

**For the Future.** For fiscal year 2010, the City adopted a Five Year Capital Improvements Plan (“CIP”) totaling \$111.7 million encompassing a wide variety of buildings, equipment and infrastructure construction projects. Significant projects include \$13.9 million for the Merritt Road Interconnector; \$4.5 million for PG&T utilities, \$3.3 million for facilities; \$8.0 million for miscellaneous concrete and asphalt improvements for roadways below the

pavement condition index of 60; \$8.3 million for alley improvements, \$7.6 million for waterline replacements, \$1.7 million for water tank refurbishing, and \$2.0 million for drainage improvements. Capital expenditures for the next three fiscal years are based primarily on existing bond construction funds and cash from the operating funds; however, approximately \$21.1 million in fiscal years 2010-2012 is projected to come from federal/state/local grants and \$3.5 million from new bonds in fiscal year 2012.

The City also realizes that the days of borrow and build are over. The City has not gone out to the bond market for financing since fiscal year 2006. The property tax rate has remained 0.747173 per \$100 of assessed valuation for the past four years. Although it is anticipated that to maintain the five year capital improvement plan at its present level, additional bond financing will be required in 2012; the City will carefully measure and prioritize all of its options and seek approval for its needs.

At September 30, 2009, the City had various debt issues outstanding totaling \$141.9 million exclusive of premiums, discounts or deferred losses. Of this total, \$89.2 million is supported by a combination of ad valorem taxes, developer contributions and lease payments. Revenues of the Water and Sewer Enterprise Fund support \$44.6 million and the Drainage Fund support the remaining \$4.4 million. The breakdown of outstanding debt by type at the end of the fiscal year is as follows:



During the year, Standard & Poor's rated the City's general obligation bonds at A+ and revenue bonds at A. In addition, Moody's Investors Service rated the City as A1 on general obligation bonds and A2 for revenue bonds. On February 9, 2009, Standard & Poor's upgraded its rating of general obligation bonds from A+ to AA- citing a credit profile stronger than indicated by the City's credit ratios.

The current budget takes into account the value of every dollar spent and a common theme around city hall is "work smarter, not harder". This phrase emphasizes the desire to get more done with better tools and technology. The focus is on "citizen centered" government and to put the right resources in the right place at the right time.

### Awards and Acknowledgements

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 of Rowlett for its CAFR for the Fiscal Year ended September 30, 2008. This is the fifth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

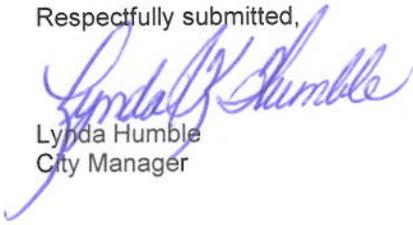
A Certificate of Achievement is valid for a period of one year only. The City believes its current CAFR continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2008. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would also like to thank the Mayor and City Council members for their interest and unfailing support for maintaining the highest standards of

professionalism in the management of the City and for conducting the financial operations in a responsible and progressive manner.

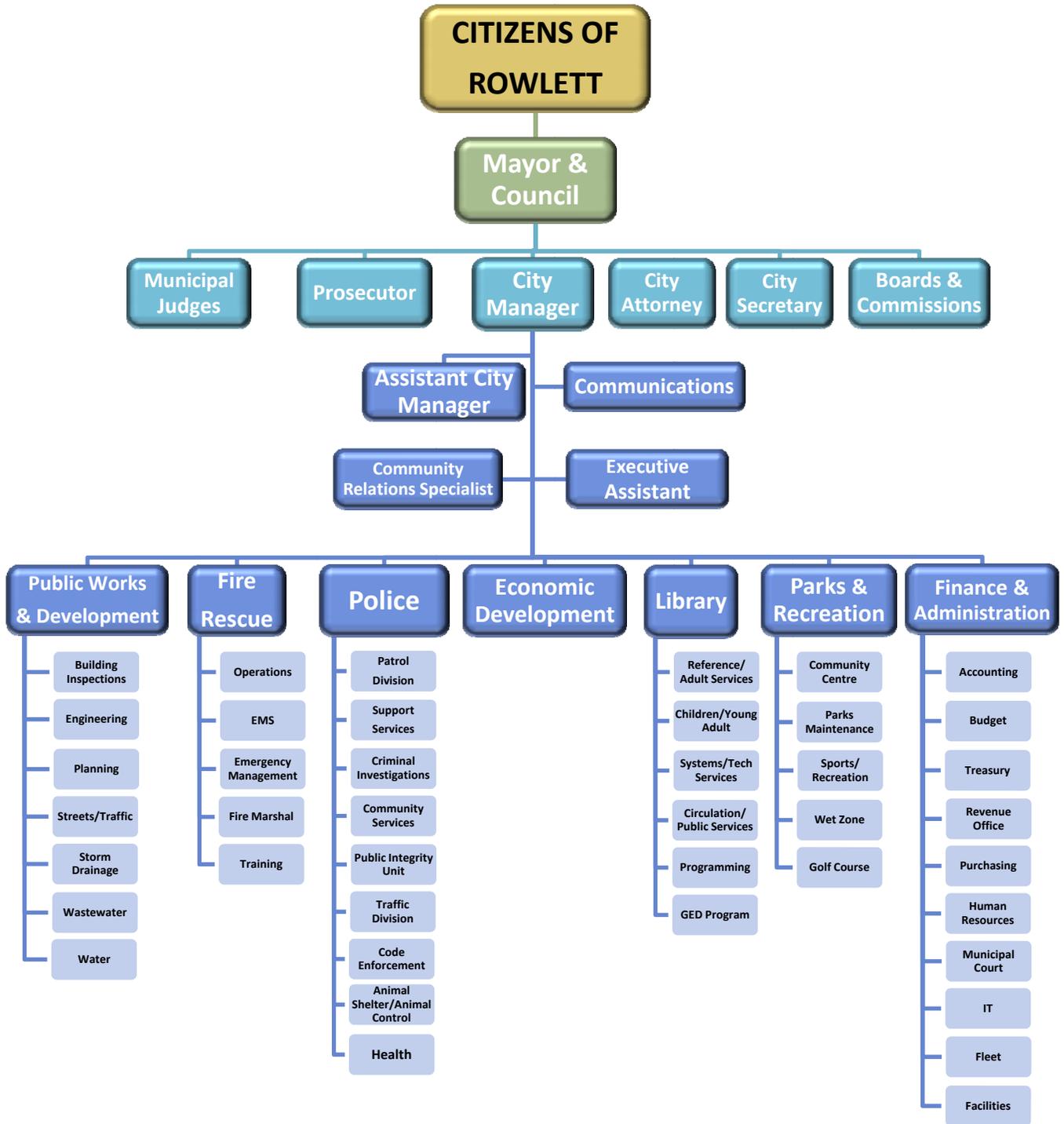
Respectfully submitted,



Lynda Humble  
City Manager



Brian Funderburk  
Acting Assistant City Manager,  
Director of Finance and Administration



**CITY OF ROWLETT**  
**LIST OF PRINCIPAL OFFICIALS**

**CITY COUNCIL**

John E. Harper	Mayor
Steve Maggiotto	Mayor Pro-tem
Scott Gottel	Deputy Mayor Pro-tem
Cindy Rushing	Councilmember
Chris Kilgore	Councilmember
Doug Phillips	Councilmember
Patrick Jackson	Councilmember

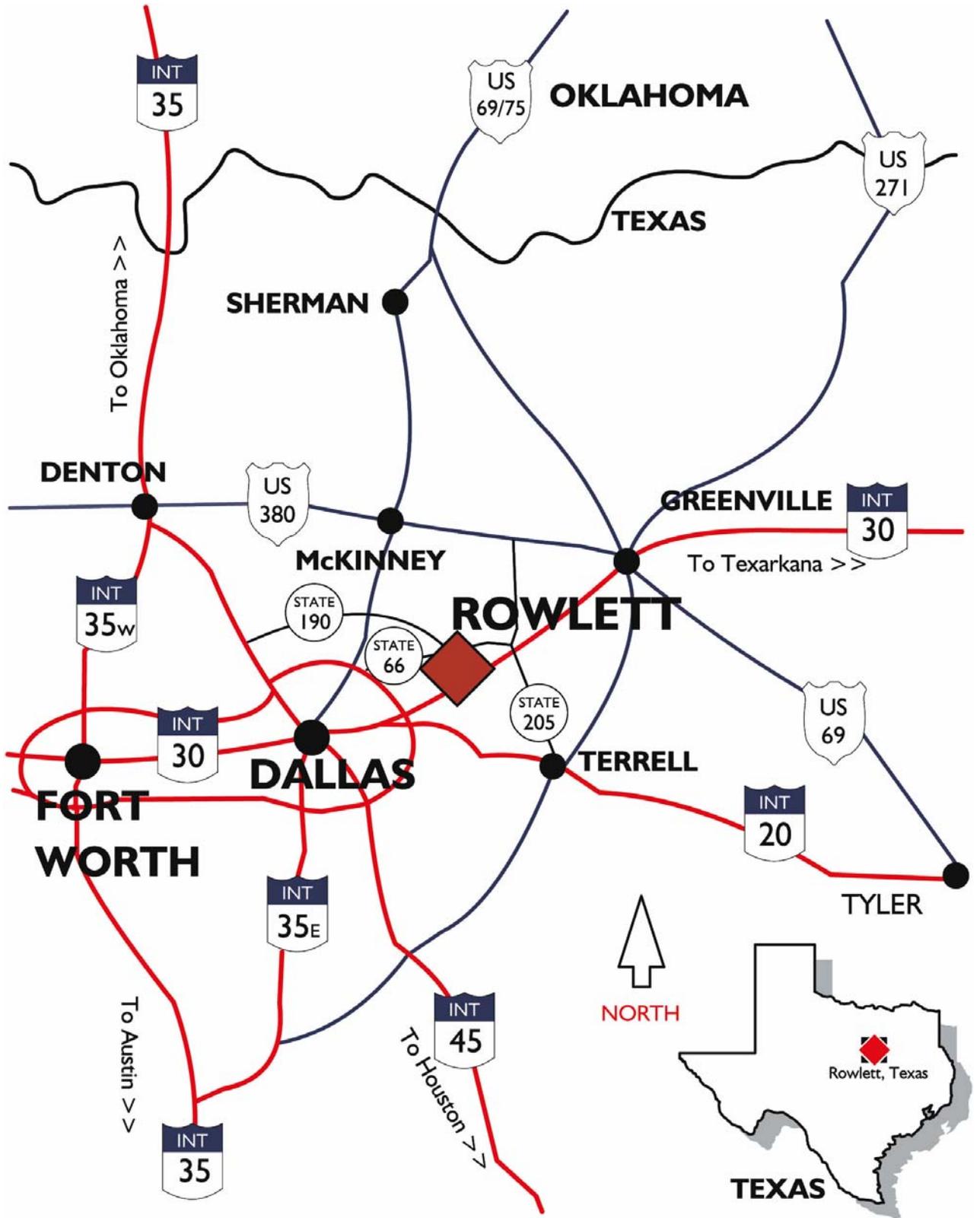
**APPOINTED OFFICIALS**

Lynda Humble	City Manager
David Berman	City Attorney
Susie Quinn	City Secretary
Owen Lokken	Municipal Judge
Pam Liston	City Prosecutor

**MANAGEMENT TEAM**

Katherine Corder	Assistant City Manager
Ben White	Economic Development
Brian Funderburk	Finance & Administration
George Harris	Fire Rescue
Kathy Cockcroft	Library
Jermel Stevenson	Parks and Recreation
Matt Walling	Police
Vacant	Public Works/Development

# CITY OF ROWLETT LOCATION MAP



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rowlett  
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

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of City Council  
City of Rowlett, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rowlett, 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 Rowlett'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, each major fund, and the aggregate remaining fund information of the City of Rowlett, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2010, 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.

The management's discussion and analysis and budgetary comparison on pages 15 through 22 and pages 66 and 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 of Rowlett, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the City of Rowlett, Texas. The combining and individual nonmajor fund financial statements and schedules and Schedule of Expenditures of Federal Awards 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 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.

Pattillo, Brown & Hill, L.L.P.

March 10, 2010

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

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**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2009**  
(Unaudited)

Our discussion and analysis of the City of Rowlett'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 accompanying transmittal letter and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in millions of dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of September 30, 2009 by \$117.4 million (net assets). Of this amount, \$14.1 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Rowlett's net assets of governmental activities decreased by \$5.1 million or 10.7 percent as a result of this year's operations primarily as a result of lower operating revenues for capital grants and contributions, lower interest income due to spending down bond funds and lower interest rates, and increased operating expenses related to an ongoing non-capitalized street overlay project. Net assets of the City's business type activities increased by \$2.8 million or 3.9 percent. This increase is from a combination of factors. Water revenues increased \$0.7 million on a slightly reduced volume attributable to a pass through rate increase; sewer charges increased approximately \$.03 million due to slightly increased flows and a pass through rate increase; and refuse charges increased over \$0.2 million. Payment penalties increased almost \$0.3 million which was expected in tougher economic times. Capital contributions and grants decreased \$1.8 million reflective of the general downturn in development and construction. The City was able to reduce operating expenses 3.1 percent after absorbing the pass through increases for water and sewer charges.
- As of September 30, 2009, the City's governmental funds reported combined ending fund balances of \$27.4 million, a decrease of \$6.2 million from the prior year, primarily due to spending down \$11.3 million in bond construction fund and cash funds for various repairs and capital improvements. Of this amount, \$6.0 million is unreserved and available for spending subject to the City's reserve policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4.8 million or approximately 16.0 percent of total general fund expenditures.
- The City's total bonded debt for governmental activities decreased by \$5.4 million during the current fiscal year. Total bonded debt for enterprise funds decreased by \$3.2 million during the fiscal year ended September 30, 2009. No bonds were issued during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's discussion and analysis is intended to serve as an introduction to the City of Rowlett's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the City'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 Rowlett 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. While helpful, 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 (i.e. roads, drainage improvements, storm and sewer lines, etc.), 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

**City of Rowlett, Texas**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2009**

only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but not used 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 two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, libraries, development, public services and operations, public works, information services and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system, refuse system, and municipal drainage system are reported here.

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

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law or by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

- Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader 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. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Rowlett maintains ten individual governmental funds for budget and financial statement presentation purposes. 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 capital projects fund, all of which are considered to be major funds. Data from the other seven 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 – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City maintains three enterprise funds. The City uses enterprise funds to account for its water and sewer, refuse, and municipal drainage. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements

**City of Rowlett, Texas**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2009**

provide separate information for the water and sewer, municipal drainage and solid waste functions, all three of which are considered to be major funds of the City.

Internal service funds- The internal service funds were liquidated effective October 1, 2008. Capital assets and any related debt were transferred to the government or the proprietary fund that had exercised control through operations. Current assets and liabilities of the funds were transferred to the general fund. The activities of fleet services and information technology are reported as new divisions in the general fund. This tactical change will free up unnecessary reserves and improve transparency and accountability.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's budgetary comparative information for required funds.

**THE CITY AS A WHOLE – Government-Wide Financial Analysis**

The City's combined net assets were \$117.4 million as of September 30, 2009. Analyzing the net assets and net expenses of governmental and business-type activities separately, governmental type activities net assets are \$42.2 million and business type activities net assets are \$75.2 million. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**City of Rowlett**  
**Condensed Schedule of Net Assets**  
**(in Thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>
Current and other assets	\$ 34,889	\$ 42,665	\$ 38,455	\$ 39,269	\$ 73,344	\$ 81,934
Capital assets	105,093	107,061	92,343	92,168	197,436	199,229
<b>Total assets</b>	<b>139,982</b>	<b>149,726</b>	<b>130,798</b>	<b>131,437</b>	<b>270,780</b>	<b>281,163</b>
Current liabilities	11,241	11,620	6,498	6,356	17,739	17,976
Noncurrent liabilities	86,530	90,822	49,068	52,674	135,598	143,496
<b>Total liabilities</b>	<b>97,771</b>	<b>102,442</b>	<b>55,566</b>	<b>59,030</b>	<b>153,337</b>	<b>161,472</b>
Net assets:						
net of related debt	33,707	40,312	65,577	63,829	99,284	104,141
Restricted	911	1,536	3,137	2,895	4,048	4,431
Unrestricted	7,593	5,436	6,518	5,683	14,111	11,119
<b>Total net assets</b>	<b>\$ 42,211</b>	<b>\$ 47,284</b>	<b>\$ 75,232</b>	<b>\$ 72,407</b>	<b>\$ 117,443</b>	<b>\$ 119,691</b>

By far, the largest portion of the City's net assets (84.5 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), 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. Governmental and Business-type activities decreased the City's net assets by \$2.2 million. The key elements of this decrease are as shown in Table 2 on the following page:

**City of Rowlett, Texas  
Management's Discussion and Analysis (continued)  
September 30, 2009**

**Table 2  
City of Rowlett  
Changes in Net Assets  
(in Thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>
Revenues:						
Program revenues:						
Charges for services	\$ 5,786	\$ 5,559	\$ 26,341	\$ 24,751	\$ 32,127	\$ 30,310
Operating grants and contributions	348	519	-	-	348	519
Capital grants and contributions	175	2,306	63	2,360	238	4,666
General revenues:						
Property taxes	25,255	25,044	-	-	25,255	25,044
Sales taxes	5,667	5,882	-	-	5,667	5,882
Other taxes	111	121	-	-	111	121
Investment income	702	1,571	747	1,489	1,449	3,060
Other	3,515	4,054	-	-	3,515	4,054
Total revenues	<u>41,559</u>	<u>45,056</u>	<u>27,151</u>	<u>28,600</u>	<u>68,710</u>	<u>73,656</u>
Expenses:						
General government	5,235	5,210	-	-	5,235	5,210
Public safety	19,372	19,027	-	-	19,372	19,027
Public works	12,719	8,819	-	-	12,719	8,819
Culture and recreation	4,926	5,388	-	-	4,926	5,388
Development	1,220	1,229	-	-	1,220	1,229
Interest on long-term debt	4,089	4,473	-	-	4,089	4,473
Water and sewer	-	-	18,502	19,065	18,502	19,065
Drainage	-	-	1,608	1,692	1,608	1,692
Refuse	-	-	3,287	3,252	3,287	3,252
Total expenses	<u>47,561</u>	<u>44,146</u>	<u>23,397</u>	<u>24,009</u>	<u>70,958</u>	<u>68,155</u>
Increase/(decrease in net assets before transfers	(6,002)	910	3,754	4,591	(2,248)	5,501
Transfers	929	1,447	(929)	(1,447)	-	-
Increase/(decrease) in net assets	(5,073)	2,357	2,825	3,144	(2,248)	5,501
Net assets, beginning	47,284	44,424	72,407	69,262	119,691	113,686
Net assets, ending	<u>\$ 42,211</u>	<u>\$ 47,284</u>	<u>\$ 75,232</u>	<u>\$ 72,407</u>	<u>\$ 117,443</u>	<u>\$ 119,691</u>

**Governmental Activities**

Total revenues for governmental activities, exclusive of transfers, was \$41.6 million in fiscal year 2009, down 7.8 percent from the previous year, primarily in decreased capital grants and contribution, and investment income. Of this total, the most significant revenue source is property tax revenues which represent \$25.3 million or 60.8 percent of the total. The most significant governmental expense for the City was in providing public safety for the community, which incurred expenses of \$19.4 million, or 40.7 percent of total expenses. These expenses were partially offset by revenues collected from a variety of sources, with the largest being from fines and forfeitures totaling \$1.7 million. Depreciation for all governmental capital assets totaled \$7.4 million representing 15.5 percent of the total.

**City of Rowlett, Texas**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2009**

**Business-type Activities**

Revenues of the City's business-type activities were \$27.2 million for the fiscal year ending September 30, 2009, down 5.1 percent. Water and sewer charges account for \$20.6 million of this amount or 75.7 percent. Total operating expenses were \$23.4 million of which the Water and Sewer Enterprise accounted for \$18.5 million or 79.1 percent. The Water and Sewer, Drainage, and Refuse Enterprises all reflected increased net assets for the year; increasing total net assets \$2.8 million. The Water and Sewer, Drainage, and Refuse Enterprises increased net assets by \$0.5 million, \$1.7 million, and \$0.2 million, respectively.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27.4 million. Approximately 23.8 percent of this total amount, \$6.5 million, constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available to pay for new spending because it has already been committed to pay for encumbrances of \$9.8 million, capital projects of \$10.3 million, or other items totaling \$0.8 million. The fund balance for all governmental funds decreased by \$6.2 million over the previous fiscal year primarily due to spending bond construction funds for capital improvements.

In the General Fund, the original budget projected a \$17,224 increase in fund balance this fiscal year; however, this was changed to a decrease of \$311,379 with the final amended budget due in part to reduced revenue expectations and overall reduced departmental operating budgets. Differences between the original and final amended budget were relatively minor with decreases in revenue projections not quite equaling the decreases in the departmental operating budgets. On the expenditure side, most functions, except public safety and capital outlay were projected to be lower than originally adopted in the budget process. The environment in which this budget came together was one of declining local and national economic conditions with expectations that the economy could decline.

Ultimately, revenues did exceed expectations from the final estimate by approximately \$564,824 and, expenditures surpassed expectations, through aggressive management, by \$989,582. The elimination of the internal service funds increased transfers to the general fund by \$476,757 and allowed for earmarking funds for technological innovations in the 2010 budget. As a result, the net increase in the fund balance in the General Fund was \$2.2 million better than the decrease projected in the final amended budget.

Revenues in the Debt Service Fund, exclusive of transfers decreased by \$1.0 million primarily as a result of stable property tax values and decreasing the portion of the tax rate dedicated for debt service by 2.9 cents. This change was necessary to accommodate a \$1.0 million decrease in debt service.

The Capital Projects Fund expended \$11.3 million in fiscal year 2009, a decrease from 2008 expenditures of \$15.3 million primarily due to the completion of several significant projects in the prior year. Revenues declined by \$1.3 million primarily due to decreased interest income and grant income. The City did not issue any new bonds for capital projects in 2009 electing to spend down construction funds accumulated in previous years.

Proprietary Funds. The City's proprietary fund statements provide detail on the City's individual business-like activities. The City maintains three enterprise funds, including the Water and Sewer Fund, Refuse Fund, Drainage Fund that make up the proprietary funds.

The Water and Sewer, Drainage, and Refuse Enterprises recorded increases in net assets of \$0.5 million, \$1.7 million, and \$0.2 million respectively. The increase in net assets in the Water and Sewer Fund was due to an increase in revenues of \$1.0 million primarily resulting from increased water rates offset by slightly reduced consumption, increased late penalty charges, and decreased contributions. The increase in net assets for the

**City of Rowlett, Texas  
Management’s Discussion and Analysis (continued)  
September 30, 2009**

Drainage funds was primarily due to a rate increase, and increased capital contributions from developers and other sources of \$0.4 million. The increase in net assets for the Refuse fund was primarily due to increased contract services totaling \$0.2 million partially as a result of increased fuel prices.

**CAPITAL ASSETS**

At the end of the fiscal year 2009, the City had \$197.4 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3 below.) This amount represents a net decrease (including additions net of depreciations and disposals) of 0.9 percent over the prior fiscal year.

**Table 3  
City of Rowlett  
Capital Assets at Year End  
(in Thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>
Land	\$ 25,897	\$ 25,054	\$ 511	\$ 511	\$ 26,408	\$ 25,565
Buildings and improvement	44,443	45,035	1,364	832	45,807	45,867
Machinery and equipment	10,732	12,541	6,995	5,109	17,727	17,650
Construction in progress	5,278	7,452	3,793	3,946	9,071	11,398
Infrastructure	97,635	91,349	133,859	128,824	231,494	220,173
Total	<u>183,985</u>	<u>181,431</u>	<u>146,522</u>	<u>139,222</u>	<u>330,507</u>	<u>320,653</u>
Accumulated depreciation	<u>(78,892)</u>	<u>(74,369)</u>	<u>(54,179)</u>	<u>(47,054)</u>	<u>(133,071)</u>	<u>(121,423)</u>
Total Capital Assets	<u>\$ 105,093</u>	<u>\$ 107,062</u>	<u>\$ 92,343</u>	<u>\$ 92,168</u>	<u>\$ 197,436</u>	<u>\$ 199,230</u>

This year’s major construction projects completed included:

Point Royal Subdision - streets	\$2,609
Kenwood Heights Ph II - street improvements	2,158
Kenwood Heights Ph II - drainage improvements	1,398
Point Royal Subdision - water	989
Point Royal Subdision - drainage	804
Land, 4020 Lakeview Pkwy - .670 acres	705
Kenwood Heights Ph II - sewer improvements	636
Point Royal Subdision - sewer	579
Kenwood Heights Ph II - water improvements	437
Widen Rowlett Rd/Hwy 66/Main - street improvements	376
Miller Rd - water improvements	346
Miller Rd - street improvements	155
R-O-W Main Street Project	142
Various alley improvements	1,713
	<u>\$13,047</u>

Additional information on the City’s capital assets can be found in Note 7 to the basic financial statements.

**DEBT**

At year-end, the City had \$137.1 million in bonds and tax anticipation notes outstanding as compared to \$145.7 at the end of the prior fiscal year, a decrease of 5.9 percent – as shown in Table 4.

**City of Rowlett, Texas**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2009**

**Table 4**  
**City of Rowlett**  
**Outstanding Debt at Year End**  
**(in Millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>
General obligations bonds (backed by the City)	\$ 35.1	\$ 38.0	\$ -	\$ -	\$ 35.1	\$ 38.0
Certificates of obligation and tax anticipation notes (backed by the City)	53.0	55.5	4.4	4.5	57.4	60.0
Revenue bonds (backed by fee revenues)	-	-	44.6	47.7	44.6	47.7
<b>Total</b>	<b>\$ 88.1</b>	<b>\$ 93.5</b>	<b>\$ 49.0</b>	<b>\$ 52.2</b>	<b>\$ 137.1</b>	<b>\$ 145.7</b>

In the current year, the City issued no new bonds.

The City's general obligation bonds and tax notes have been assigned an A1 rating from Moody's Investor Service and an A+ rating from Standard & Poors and the City has never defaulted on a bond. On February 9, 2009, Standard & Poors upgraded the City's general obligation bond rating from A+ to AA- citing a credit profile stronger than indicated by the City's credit ratios. The City's utility revenue bonds carry A2. 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. However, in May 2003, the citizens of Rowlett amended the Charter to limit the amount of taxes that may be levied to \$1.25 per \$100 of assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 2.61 percent.

Additional information on the City's long-term bonded debt can be found in Note 9 to the basic financial statements.

**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 rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The population growth experienced by the City has stimulated local business and development activity, and the community has placed additional demands on the City to maintain or enhance services provided to our citizens. However, the population growth is expected to slow in coming years and the City anticipates relying on more commercial growth to offset that decline. Rowlett's current population is approximately 54,250. Rowlett's expected population at build out will be approximately 70,000. Rowlett's greatest economic strength is its location on Lake Ray Hubbard and within the crosshairs of the President George Bush Turnpike and I-30. The three largest job sectors are retail and wholesale trade, services, and manufacturing but it is anticipated that future growth for the region will focus on healthcare and small businesses, rather than technology. Nationwide employment statistics show the region as leading the country in employment growth, ahead of much larger metropolitan areas. The reasonable costs of living and homes priced below the national average continue to make Rowlett an attractive area for new business locations and re-locations.

Rowlett has had a successful financial year, when considering what the rest of the nation experienced stemming from the continuation of a national recession. The direction of the Council, work by staff, and input from citizens has moved the community forward. With the process that the City Council and management staff instituted with its goals alignment process, the City is working smarter, with better-defined goals and objectives, so staff effort delivers more targeted value.

**City of Rowlett, Texas  
Management's Discussion and Analysis (continued)  
September 30, 2009**

Much of Rowlett's financial stability is due to the fact that it is not reliant on any one or two specific industries. In fact, the single largest property taxpayer in the City represents only 1.4 percent of the total assessed valuation and the entire top ten taxpayers only account for 5.4 percent of the total assessed valuation – a positive factor to bond rating agencies. This may be the most significant factor explaining why Rowlett has financially performed so well over the past five years.

These indicators were taken into account when adopting the budget for fiscal year 2010. The total 2009-10 combined budget appropriation totaled \$80.2 million for all funds. This represents a small decrease over the previous year adopted budget of \$81.6 million. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the central Appraisal District of Dallas County and the tax rate established by the Rowlett City Council. Due to the fact that assessed property values have increased annually since 1999, the City was able to hold the tax rate constant for 9 years. However, operational factors and debt service payments related to needed street and roadways resulted in the City increasing the tax rate from 64.0000 cents per \$100 valuation to 67.6945 cents in the fiscal year ending 9-30-04 and again to 74.7173 cents for fiscal years ending 9-30-06 – 9/30/09. The tax rate once again remains unchanged for fiscal year 2010. According to final figures received from the Central Appraisal District, the total assessed property value for 2009-10 of \$3.3 billion is a decrease of 2.4 percent, including increased appraisals and new construction. A penny on the tax rate generates approximately \$328,571 annually for the City.

The General Fund's largest revenue source is property tax receipts. In 2004, Rowlett broke the \$3.0 million barrier for the first time in sales taxes with the addition of Home Depot and the local beer/wine option. In 2006, an economic development incentive package lured the national headquarters of D.R. Horton resulting in an increase in sales taxes of \$3.6 million to \$7.5 million although that economic activity declined during the fiscal years ending 2007 - 2009. The 30 year agreement requires rebating 90 percent of the sales taxes paid back to D.R. Horton. Those rebates totaled \$1.2 million in the current fiscal year, down over \$0.2 million from the previous year.

As for the City's business type activities, the City was cautious with its revenue expectations in the Water and Sewer fund recognizing that weather plays a big role in ultimately determining earnings as well as the economy for outdoor water uses. For example, the drought in 2006 and 2007, combined with a historic rain event in June 2007 combined to reduce the city's water sales nearly a billion gallons. The 2010 budget includes a rate increase of 6.1 percent from the North Texas Municipal Water District but also projects a decrease in consumption. An increased penalty fee is proposed and the City of Garland is increasing sewer rates 2.8 percent. Overall revenues are projected to increase \$0.5 million in the Water and Sewer fund; expenses are also projected to increase approximately the same amount. Revenues in the Drainage fund are projected to remain flat as there is no projected growth. Rates will remain the same. Revenues in the Refuse fund will decrease approximately \$0.1 million due to the elimination of the fuel surcharge. Expenses in this fund would also decrease, except for a scheduled transfer to the cash capital projects fund to reduce fund balance down to its 5 percent reserve policy required by policy.

The City is committed to taking a cautious approach, analyzing revenues, cutting expenses and judiciously using excess reserves until the economic situation stabilizes.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Finance and Administration, at City of Rowlett, 4004 Main Street, Rowlett, TX 75088 or check our new website at [www.Rowlett.com](http://www.Rowlett.com).

## **BASIC FINANCIAL STATEMENTS**

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CITY OF ROWLETT, TEXAS

STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2009

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 29,545,311	\$ 32,950,097	\$ 62,495,408
Receivables (net of allowance for doubtful accounts)	3,700,479	4,083,956	7,784,435
Due from other governments	322,108	18,623	340,731
Inventories	95,269	488,869	584,138
Prepaid and other items	1,225,665	913,015	2,138,680
Capital assets:			
Non-depreciable	25,896,952	510,688	26,407,640
Depreciable (net)	73,918,755	88,039,021	161,957,776
Construction in progress	5,277,568	3,793,594	9,071,162
Total Assets	<u>139,982,107</u>	<u>130,797,863</u>	<u>270,779,970</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	4,577,584	1,930,418	6,508,002
Retainage payable	548,437	154,795	703,232
Accrued interest payable	505,860	199,898	705,758
Customer deposits		534,349	534,349
Unearned revenues	13,708		13,708
Non-current liabilities			
Due within one-year			
Compensated absences	224,874	13,416	238,290
Capital leases payable	170,609	269,772	440,381
Bonds payable	5,180,000	3,395,000	8,575,000
Tax anticipation notes payable	20,000		20,000
Due in more than one-year			
Compensated absences	2,208,285	131,744	2,340,029
Unfunded pension obligation	374,326	27,682	402,008
Unfunded OPEB obligation	228,954	24,853	253,807
Capital leases payable	847,044	3,503,499	4,350,543
Bonds payable	82,871,364	45,380,514	128,251,878
Total Liabilities	<u>97,771,045</u>	<u>55,565,940</u>	<u>153,336,985</u>
<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	33,707,411	65,576,708	99,284,119
Restricted for:			
Debt service	114,017	3,136,923	3,250,940
Capital projects	491,793		491,793
Police seizures	304,618		304,618
Unrestricted	7,593,223	6,518,292	14,111,515
Total Net Assets	<u>\$ 42,211,062</u>	<u>\$ 75,231,923</u>	<u>\$ 117,442,985</u>

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, 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>				
<b>Governmental activities:</b>				
General government	\$ 5,235,080	\$ 99,906	\$	\$
Public safety	19,372,690	3,466,449	330,890	12,800
Public works	12,719,561	87,594		162,232
Culture and recreation	4,926,422	1,627,643	17,035	
Development	1,219,772	504,544		
Interest and fiscal charges	4,088,968			
Total governmental activities	<u>47,562,493</u>	<u>5,786,136</u>	<u>347,925</u>	<u>175,032</u>
<b>Business-type activities:</b>				
Water and sewer	18,502,215	20,570,813		63,966
Drainage	1,607,736	1,276,659		
Refuse	3,286,924	4,493,083		
Total business-type activities	<u>23,396,875</u>	<u>26,340,555</u>		<u>63,966</u>
Total primary government	<u>\$ 70,959,368</u>	<u>\$ 32,126,691</u>	<u>\$ 347,925</u>	<u>\$ 238,998</u>

General revenues:  
 Taxes:  
   Property taxes  
   Sales taxes  
   Other  
 Franchise fees  
 Investment earnings  
 Miscellaneous  
 Transfers (net)  
   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 Revenue (Expense) and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (5,135,174)	\$	\$ (5,135,174)
(15,562,551)		(15,562,551)
(12,469,735)		(12,469,735)
(3,281,744)		(3,281,744)
(715,228)		(715,228)
(4,088,968)		(4,088,968)
<u>(41,253,400)</u>		<u>(41,253,400)</u>
	2,132,564	2,132,564
	(331,077)	(331,077)
	1,206,159	1,206,159
	<u>3,007,646</u>	<u>3,007,646</u>
<u>(41,253,400)</u>	<u>3,007,646</u>	<u>(38,245,754)</u>
25,255,663		25,255,663
5,666,751		5,666,751
110,778		110,778
2,881,223		2,881,223
702,090	746,997	1,449,087
633,877		633,877
929,213	(929,213)	
<u>36,179,595</u>	<u>(182,216)</u>	<u>35,997,379</u>
<u>(5,073,805)</u>	<u>2,825,430</u>	<u>(2,248,375)</u>
47,284,867	72,406,493	119,691,360
<u>\$ 42,211,062</u>	<u>\$ 75,231,923</u>	<u>\$ 117,442,985</u>

**CITY OF ROWLETT, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 5,747,550	\$ 366,994	\$ 20,574,447	\$ 2,856,320	\$ 29,545,311
Receivables (net of allowance for uncollectibles):					
Taxes	1,573,542	251,947		12,996	1,838,485
Accounts	565,529				565,529
Accrued interest	11,679	936	61,241	6,553	80,409
Other	1,229,745			66,720	1,296,465
Due from other governments	30,616		129,260	162,232	322,108
Inventories	95,269				95,269
Prepaid and other items	48,620	1,485			50,105
<b>Total Assets</b>	<b>\$ 9,302,550</b>	<b>\$ 621,362</b>	<b>\$ 20,764,948</b>	<b>\$ 3,104,821</b>	<b>\$ 33,793,681</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,681,000		\$ 1,532,045	\$ 256,838	\$ 3,469,883
Accrued liabilities	1,087,416			20,288	1,107,704
Deferred revenues	1,254,851	217,303	116,805	185,648	1,774,607
<b>Total Liabilities</b>	<b>4,023,267</b>	<b>217,303</b>	<b>1,648,850</b>	<b>462,774</b>	<b>6,352,194</b>
<b>FUND BALANCES</b>					
Fund balances:					
Reserved for:					
Encumbrances	288,471		9,342,313	169,373	9,800,157
Debt service		402,574			402,574
Capital projects			9,773,785	491,793	10,265,578
Inventories and prepaid items	143,889	1,485			145,374
Public safety				298,203	298,203
Unreserved, designated in:					
Special revenue funds for future projects				466,726	466,726
Unreserved, reported in:					
General fund	4,846,923				4,846,923
Special revenue funds				1,215,952	1,215,952
<b>Total Fund Balances</b>	<b>5,279,283</b>	<b>404,059</b>	<b>19,116,098</b>	<b>2,642,047</b>	<b>27,441,487</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,302,550</b>	<b>\$ 621,362</b>	<b>\$ 20,764,948</b>	<b>\$ 3,104,821</b>	<b>\$ 33,793,681</b>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF NET ASSETS OF GOVERNMENTAL FUNDS**  
**TO THE BALANCE SHEET**  
**SEPTEMBER 30, 2009**

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

Total fund balances per balance sheet - governmental funds	\$ 27,441,487
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	105,093,275
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	1,760,899
Long-term liabilities, including retainage payable, bonds payable, and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds.	(93,278,387)
Unamortized bond discounts, premiums and deferred losses are not uses of funds and, therefore, are not reported in the funds.	1,193,788
Net assets of governmental activities	<u>\$ 42,211,062</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED SEPTEMBER 30, 2009**

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 16,440,238	\$ 8,392,359	\$	\$ 295,884	\$ 25,128,481
Sales taxes	5,666,751				5,666,751
Other	62,508			48,270	110,778
Franchise fees	2,999,281				2,999,281
License and permits	412,385			87,594	499,979
Charge for services	2,313,487			576,204	2,889,691
Fines and forfeitures	1,734,618			605,217	2,339,835
Intergovernmental	362,854		18,299		381,153
Interest	79,095	20,416	549,527	53,052	702,090
Miscellaneous	633,877				633,877
Total revenues	<u>30,705,094</u>	<u>8,412,775</u>	<u>567,826</u>	<u>1,666,221</u>	<u>41,351,916</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	3,899,118	109,030		39,702	4,047,850
Public safety	17,179,702	25,992	24,530	680,362	17,910,586
Public works	3,342,267		4,447,540		7,789,807
Culture and recreation	4,151,303				4,151,303
Development	1,151,720				1,151,720
Debt service:					
Principal retirement	221,562	5,330,437			5,551,999
Interest and fiscal charges	46,121	3,998,758			4,044,879
Capital outlay	381,592		6,825,666	651,226	7,858,484
Total expenditures	<u>30,373,385</u>	<u>9,464,217</u>	<u>11,297,736</u>	<u>1,371,290</u>	<u>52,506,628</u>
Excess (deficiency) of revenues over expenditures	<u>331,709</u>	<u>(1,051,442)</u>	<u>(10,729,910)</u>	<u>294,931</u>	<u>(11,154,712)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease	152,925				152,925
Transfers from other funds	3,095,556	1,018,707	3,157,484		7,271,747
Transfers to other funds	(1,707,484)	-		(777,788)	(2,485,272)
Total other financing sources (uses)	<u>1,540,997</u>	<u>1,018,707</u>	<u>3,157,484</u>	<u>(777,788)</u>	<u>4,939,400</u>
Net change in fund balances	1,872,706	(32,735)	(7,572,426)	(482,857)	(6,215,312)
Fund balances, beginning of year	3,406,577	436,794	26,688,524	3,124,904	33,656,799
Fund balances, end of year	<u>\$ 5,279,283</u>	<u>\$ 404,059</u>	<u>\$ 19,116,098</u>	<u>\$ 2,642,047</u>	<u>\$ 27,441,487</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED SEPTEMBER 30, 2009**

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

Net change in fund balances-total governmental funds	\$ (6,215,312)
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. This is the amount by which depreciation (\$7,391,664) and transfers of capital assets (\$2,991,620) exceeded capital outlays \$8,402,055 in the current period. (Note 2)	(1,981,229)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the governmental financial statements, these revenues are referred to as deferred revenues.	194,759
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (Note 2)	5,399,074
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. This includes accrued interest payable \$61,581, amortization of bond discounts/premiums and deferred losses (\$105,670).	(44,089)
Some expenses not reported in the statements are required to be expensed in the statement of activities. This includes retainage payable, compensated absences, the undunded pension obligation, and the unfunded OPEB obligation.	(1,574,166)
Internal service funds previously used by management were dissolved effective 10/01/2008. The cummulative effect of internal service fund activity is eliminated.	(865,642)
Some revenues not reported in the statements are required to be reported in the statement of activities. This includes capital contributions from seized assets.	12,800
Change in net assets of governmental activities	<u>\$ (5,073,805)</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Refuse	Drainage	Total	
<b>ASSETS</b>					
Current Assets:					
Cash, cash equivalents and investments	\$ 2,852,582	\$ 631,659	\$ 382,236	\$ 3,866,477	\$
Restricted cash, cash equivalents and investments:					
Revenue bond covenant accounts	3,301,429			3,301,429	
Receivables (net of allowance for uncollectibles):					
Accounts	2,811,823	596,427	164,637	3,572,887	
Accrued interest	70,940	1,439	2,259	74,638	
Other	333,530	1,591		335,121	
Due from other governments	11,487	5,676	1,460	18,623	
Inventories	488,869			488,869	
Prepaid and other items	854,649		58,366	913,015	
Total Current Assets	<u>10,725,309</u>	<u>1,236,792</u>	<u>608,958</u>	<u>12,571,059</u>	<u>-</u>
Noncurrent Assets:					
Restricted cash, cash equivalents and investments:					
Revenue bond construction funds	25,178,430		603,761	25,782,191	
Receivables (net of allowance for uncollectibles):					
Notes receivable	101,310			101,310	
Capital Assets:					
Land	510,688			510,688	
Buildings	1,041,640		59,178	1,100,818	
System	96,802,046	194,768	37,126,046	134,122,860	
Machinery & equipment	6,695,918		298,907	6,994,825	
Construction in progress	3,100,483	23,365	669,746	3,793,594	
Less accumulated depreciation	<u>(43,587,197)</u>	<u>(107,123)</u>	<u>(10,485,162)</u>	<u>(54,179,482)</u>	
Total Capital Assets	<u>64,563,578</u>	<u>111,010</u>	<u>27,668,715</u>	<u>92,343,303</u>	<u>-</u>
Total Noncurrent Assets	<u>89,843,318</u>	<u>111,010</u>	<u>28,272,476</u>	<u>118,226,804</u>	<u>-</u>
Total Assets	<u>100,568,627</u>	<u>1,347,802</u>	<u>28,881,434</u>	<u>130,797,863</u>	<u>-</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	1,021,831	453,868		1,475,699	
Accrued liabilities	145,072		3,774	148,846	
Accrued interest payable	8,998		26,394	35,392	
Customer deposits	534,349			534,349	
Compensated absences	12,735		681	13,416	
Capital lease payable	269,772			269,772	
Bonds payable	3,220,000		175,000	3,395,000	
Total Current Liabilities	<u>5,212,757</u>	<u>453,868</u>	<u>205,849</u>	<u>5,872,474</u>	<u>-</u>
Current Liabilities payable from Restricted Assets:					
Accounts payable	305,873			305,873	
Accrued interest payable	164,506			164,506	
Retainage payable	125,261		29,534	154,795	
Total Current Liabilities payable from Restricted Assets	<u>595,640</u>	<u>-</u>	<u>29,534</u>	<u>625,174</u>	<u>-</u>
Total Current Liabilities	<u>5,808,397</u>	<u>453,868</u>	<u>235,383</u>	<u>6,497,648</u>	<u>-</u>
Non-current liabilities					
Compensated absences	125,052		6,692	131,744	
Unfunded pension obligation	25,770		1,912	27,682	
Unfunded OPEB obligation	23,347		1,506	24,853	
Capital lease payable	3,503,499			3,503,499	
Bonds payable	41,146,046		4,234,468	45,380,514	
Total Non-current Liabilities	<u>44,823,714</u>	<u>-</u>	<u>4,244,578</u>	<u>49,068,292</u>	<u>-</u>
Total Liabilities	<u>50,632,111</u>	<u>453,868</u>	<u>4,479,961</u>	<u>55,565,940</u>	<u>-</u>
<b>NET ASSETS</b>					
Invested in capital assets (net of related debt)	41,602,690	111,010	23,863,008	65,576,708	
Restricted for:					
Debt service	3,136,923			3,136,923	
Unrestricted	5,196,903	782,924	538,465	6,518,292	
Total Net Assets	<u>\$ 49,936,516</u>	<u>\$ 893,934</u>	<u>\$ 24,401,473</u>	<u>\$ 75,231,923</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

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**CITY OF ROWLETT, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Refuse	Drainage	Total	
<b>OPERATING REVENUES</b>					
Charges for sales and services:					
Service charges	\$ 19,716,796	\$ 4,491,411	\$ 1,276,659	\$ 25,484,866	\$
Penalties	542,035			542,035	
Taps and meters	18,248			18,248	
Subdivision inspections	5,643			5,643	
Connection fees	165,398			165,398	
Miscellaneous	122,693	1,672		124,365	
Total operating revenues	<u>20,570,813</u>	<u>4,493,083</u>	<u>1,276,659</u>	<u>26,340,555</u>	<u>-</u>
<b>OPERATING EXPENSES</b>					
Personal services	1,790,339		103,616	1,893,955	
Water supply	3,706,927			3,706,927	
Wastewater treatment	2,960,366			2,960,366	
Contractual services	275,543		21,706	297,249	
Maintenance, repairs and supplies	465,205		44,330	509,535	
Utilities	474,143			474,143	
Legal and professional	59,095	556	9,928	69,579	
Refuse collection		3,039,352		3,039,352	
Depreciation	4,522,967	19,476	974,403	5,516,846	
Intragovernmental charges	1,994,072	227,523	253,877	2,475,472	
Miscellaneous	28,764	17		28,781	
System improvements	18,180			18,180	
Total operating expenses	<u>16,295,601</u>	<u>3,286,924</u>	<u>1,407,860</u>	<u>20,990,385</u>	<u>-</u>
Operating income (loss)	<u>4,275,212</u>	<u>1,206,159</u>	<u>(131,201)</u>	<u>5,350,170</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	707,507	10,826	28,664	746,997	
Gain (loss) on disposition of assets	(155,946)			(155,946)	
Interest and fiscal charges	(2,050,668)		(199,876)	(2,250,544)	
Total nonoperating revenues (expenses)	<u>(1,499,107)</u>	<u>10,826</u>	<u>(171,212)</u>	<u>(1,659,493)</u>	<u>-</u>
Income (loss) before contributions, transfers and special items	2,776,105	1,216,985	(302,413)	3,690,677	
Capital contributions	427,433		1,856,160	2,283,593	
Transfers in	687,178		289,612	976,790	
Transfers out	(3,428,600)	(985,918)	(100,000)	(4,514,518)	(2,728,853)
Change in net assets	<u>462,116</u>	<u>231,067</u>	<u>1,743,359</u>	<u>2,436,542</u>	<u>(2,728,853)</u>
Total net assets - beginning of year	49,474,400	662,867	22,658,114	72,795,381	2,728,853
Total net assets - end of year	<u>\$ 49,936,516</u>	<u>\$ 893,934</u>	<u>\$ 24,401,473</u>	<u>\$ 75,231,923</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS OF PROPRIETARY FUNDS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

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Amounts reported for business-type activities in the statement of activities are different because:

Net change in net assets-total proprietary funds	\$	2,436,542
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Internal service funds previously used by management to charge the costs of fleet services and information technology to individual funds were dissolved effective 10/01/2008. The cumulative effect of internal service fund activity is eliminated.		388,888
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Change in net assets of business-type activities	\$	<u>2,825,430</u>
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The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Refuse	Drainage	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 19,960,069	\$ 4,421,306	\$ 1,232,527	\$ 25,613,902	\$
Cash received from miscellaneous	122,693	1,672	-	124,365	
Cash paid to employees for services	(1,747,608)		(94,730)	(1,842,338)	
Cash paid for goods and services	(9,815,316)	(3,359,142)	(408,102)	(13,582,560)	
Net cash provided (used) by operating activities	8,519,838	1,063,836	729,695	10,313,369	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer out	(3,223,802)	(985,918)	(100,000)	(4,309,720)	(534,069)
Net cash provided (used) by noncapital financing activities	(3,223,802)	(985,918)	(100,000)	(4,309,720)	(534,069)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on long-term debt	(3,338,566)		(174,568)	(3,513,134)	
Interest and fiscal charges paid on long-term debt	(2,050,668)		(199,876)	(2,250,544)	
Capital contributions	63,965		-	63,965	
Acquisition and construction of capital assets	(2,666,319)		(190,258)	(2,856,577)	
Net cash provided (used) by capital and related financing activities	(7,991,588)	-	(564,702)	(8,556,290)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	707,507	10,826	28,664	746,997	
Net cash provided by (used) for investing activities	707,507	10,826	28,664	746,997	-
Net increase (decrease) in cash and cash equivalents	(1,988,045)	88,744	93,657	(1,805,644)	(534,069)
Cash and cash equivalents, beginning of year	33,320,486	542,915	892,340	34,755,741	534,069
Cash and cash equivalents, end of year	\$ 31,332,441	\$ 631,659	\$ 985,997	\$ 32,950,097	\$ -

The accompanying notes are an integral part of this statement.

(Continued)

CITY OF ROWLETT, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Refuse	Drainage	Total	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED) FOR OPERATING ACTIVITIES (continued)</b>					
Operating income (loss)	\$ 4,275,212	\$ 1,206,159	\$ (131,201)	\$ 5,350,170	\$
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	4,522,967	19,476	974,403	5,516,846	
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(148,823)	(68,815)	(50,609)	(268,247)	
(Increase) decrease in other receivables	(305,381)	(1,290)	3,044	(303,627)	
(Increase) decrease in prepaid expenses & other assets	(21,502)		3,433	(18,069)	
(Increase) decrease in inventory	(12,345)			(12,345)	
(Increase) decrease in accounts payable and accrued liabilities	121,770	(91,694)	(78,261)	(48,185)	
Increase (decrease) in customer/escrow deposits	45,209			45,209	
Increase (decrease) in accrued comp absences	(6,386)		5,468	(918)	
Increase (decrease) in accrued pension obligation	49,117		3,418		
Total adjustments	4,244,626	(142,323)	860,896	4,910,664	-
Net cash provided (used) by operating activities	\$ 8,519,838	\$ 1,063,836	\$ 729,695	\$ 10,260,834	\$ -
<b>NONCASH CAPITAL ACTIVITIES:</b>					
Contributions of capital assets from developers and general government	\$ 363,468	\$	\$ 1,856,160	\$ 2,219,628	\$
Gain (loss) on disposal of capital assets	(155,946)		-	(155,946)	
Cancellation of advance from other fund	-				
Assets transferred from other funds	687,178		289,612	976,790	94,762
Assets transferred to other funds	(204,798)		-	(204,798)	(2,289,546)
Total noncash capital activities	\$ 689,902	\$ -	\$ 2,145,772	\$ 2,835,674	\$ (2,194,784)

The accompanying notes are an integral part of this statement.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The City of Rowlett, Texas ("City") is a municipal corporation governed by an elected mayor and six-member council. It was incorporated on March 1, 1952, under the provisions of Chapter 11, Title 28, Texas Revised Civil Statutes of 1925. On January 19, 1980, the City adopted a charter making it a home rule city operating under a Council-Manager form of government. The City provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of its inhabitants. The City's services include public safety, streets and transportation, water and wastewater, solid waste collection and disposal, environmental health and leisure services.

The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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. The more significant accounting and reporting policies and practices used by the City are described below.

The City's basic financial statements include all organizations and activities determined to be part of the City's reporting entity. There are no component units of the City as defined by generally accepted accounting principles.

B. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34, as amended, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net assets and statement of activities. The City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's fixed assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for the government funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GASB Statement No. 34 also requires supplementary information such as Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the adopted and modified General Fund budget with actual results.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the financial statements.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information of the primary government. *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.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with 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, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. The internal service funds were liquidated effective October 1, 2008. Capital assets and any related debt were transferred to the government or the proprietary fund that had exercised control through operations. Current assets and liabilities of the Internal Service Funds were transferred to the General fund. The activities of fleet services and information technology are reported as new divisions in the General fund.

GASB Statement No. 34 also permits the City to report individual non-major funds if officials believe the fund is particularly important to the financial statement's readers. No funds have been reported individually for this reason.

D. Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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.

Government fund level 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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

Property taxes, sales taxes, franchise fees, 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. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered deferred revenue.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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 City's water and sewer, refuse, and municipal drainage funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds 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.

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 *Capital Projects Fund* accounts for the financing and acquisition of right of way and construction of streets and alleys, buildings, land acquisition and park improvements. Funds are provided primarily through bond sales, impact fees and interest earnings.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the activities of the enterprise. The enterprise operates the water distribution and pump stations, and the sewage collection system and lift stations.

The *Refuse Fund* accounts for the activities of the City's residential and commercial trash collection service.

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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The *Drainage Fund* accounts for the activities of the City's drainage maintenance operations.

Additionally, the City reports the following fund types:

*Internal service funds* account for fleet and information technology services provided to other departments of the City, on a cost reimbursement basis.

*Special revenue funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

E. Assets, Liabilities, and Net Assets or Equity:

1. Deposits and Investments

Cash in all funds, excluding the City's payroll account and certain escrow accounts, is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash. Investment income resulting from this pooling is allocated to the respective funds based on the sources of the funds invested.

Investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers a quoted market price at September 30, 2009 to be the fair value of investments.

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash on hand, demand deposits, escrow cash with fiscal agent and short-term investments with original maturities of three months or less from the date of acquisition.

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 and property tax receivables are shown net of an allowance for uncollectibles. Allowances are calculated based on historical performance and can differ between receivable types. Accounts without the backing of liens or contractual agreements exceeding 365 days are typically written off.

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

3. Inventories and Prepaid Items

Inventories, which are expended as they are consumed, are recorded using the average cost method and are stated at cost. They are valued at the lower of moving average (i.e., perpetual inventory) cost or

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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market. Unit prices are adjusted as new inventory is added, thus the moving average cost closely represents the cost of goods sold. Other inventories are stated at the lower of cost (first-in, first-out method) or market.

Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A reserve for prepaid items is recognized in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures. At the government-wide level, unamortized bond issue costs are treated as a prepaid item.

#### 4. Interfund transactions and Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or non-routine transfers of equity between funds - for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds - are accounted for as transfers.

#### 5. Restricted Assets

Assets, consisting of cash and short-term investments, have been set aside on the balance sheet because they represent funds with restricted purposes.

In the Water and Sewer Fund, restricted assets are segregated to reflect resources accumulated for debt service, construction funds, customer deposits, pro rata deposits or other legal requirements. Debt service amounts are restricted for the current year's requirements and also for future years' requirements as required by bond covenants. Construction funds represent resources set aside for construction projects of the Water and Sewer Fund. Pro rata payments are assessed against all new developments to offset the cost of water and sewer improvements. All unspent pro-rata funds are reflected as restricted assets.

In the Special Revenue Funds, restricted assets represent funds collected from developers for future park development and street improvements and police seizure funds not yet awarded to the City.

#### 6. Capital Assets

Capital assets, which include property, plant, equipment and public domain (infrastructure) assets (e.g. roads, water and sewer lines, 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 three years. Public infrastructure is capitalized at \$100,000 and an estimated useful life in excess of five years. Contributed assets are recorded at estimated fair market value at the time received. Assets acquired by lease financing are capitalized over the term of the lease regardless of the cost of individual items. Capital costs that do not materially add to the value of the asset, extend its useful life, or do not otherwise meet the government's capitalization threshold 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. The total amount of interest capitalized for the current fiscal year was \$215,712.

Capital assets of the primary government are depreciated using the straight line with half-year convention method. The estimated useful lives under the policy is as follows:

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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Buildings, other improvements	20 - 40	Years
Alleys, drainage systems, and water and sewer system	25	Years
Equipment	3 - 20	Years
Streets	10 - 20	Years

**7. Compensated Absences**

City employees earn vacation and sick leave based on length of service. Nonexempt employees are eligible to accumulate compensation time at one and one-half times the hourly rate of pay. At termination, employees are reimbursed for accumulated vacation and compensatory time. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and are typically liquidated with expendable resources in the general fund.

**8. 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 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Federal and State Grants**

Grants and shared revenues are generally accounted for within the various funds. Federal grants include Community Development Block Grant funds and several police grants, which are accounted for within the General Fund unless they are for capital improvements and are then recorded in the Capital Projects Fund. Various state grants are included in the General Fund and Capital Projects Funds.

**10. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. The City does not utilize encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation. Accordingly, the total amount of encumbrances at year-end is not determinable. Since the City intends to honor such commitments, the subsequent year's appropriations will provide authority to complete these transactions. Under the City's budgetary process, appropriations lapse at fiscal year-end, except for capital improvements or contracts in which the City issued a purchase order prior to the end of the year. Encumbrances do not constitute expenditures or liabilities.

**11. Fund Equity and Net Assets**

In the fund financial statements, governmental funds and proprietary funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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use for a specific purpose. At the government-wide level, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used for the acquisition, construction or improvements of those assets, net of debt related to any unspent proceeds.

**NOTE 2. 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 of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$92,278,387 difference are as follows:

Bonds and certificates of obligation payable	\$88,150,000
Tax anticipation notes	20,000
Capital leases	1,017,653
Compensated absences	2,433,158
Unfunded pension obligation	374,326
Unfunded OPEB obligation	228,954
Accrued interest	505,860
Retainage payable	548,437
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets of governmental activities	\$93,278,387

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, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.” The details of the (\$1,981,229) difference are as follows:

Capital outlay	\$8,402,055
Depreciation expense	(7,391,664)
Transfers of capital assets	(2,991,620)
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	(\$1,981,229)

Another element of that reconciliation states “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets”. Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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Debt issued or incurred:	
Capital lease	(\$152,925)
Repayments:	
Principal repayments	
General obligation debt	2,855,000
Certificates of obligation	2,235,000
Notes & capital leases	<u>461,999</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$5,399,074</u></u>

**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Information

The City Council follows these procedures in establishing the budgets reflected in the financial statements:

- Approximately 60-90 days prior to October 1 of each fiscal year, the City Manager submits a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings and budget work sessions are conducted to obtain taxpayer comments.
- Typically, the City Council enacts the budget by ordinance at its first meeting in September. This allows tax statements to be prepared and mailed in a timely fashion.
- Annual budgets are legally adopted for the General, Special Revenue, Debt Service and Enterprise Funds. Budgets are prepared on a modified accrual basis for the General, Special Revenue and Debt Service Funds. Enterprise and Internal Service Fund budgets are prepared on an accrual basis, except that capital outlays (exclusive of water and sewer capital projects) and principal payments on debt are budgeted as expenses and depreciation expense is not budgeted. Budgets for the Capital Projects Funds are normally established pursuant to the term of the related bond indentures, that is, on a project basis.
- The level of control is at the fund level. The City Manager has the authority to approve the transfer of budgeted amounts between accounts within any department. Revisions that alter the total expenditures of any fund must be approved by the City Council. The City Council has the power to revise any appropriations deemed to be in the best interest of the City.

The Budgetary Comparison Schedule, included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund in which an annual operating budget was legally adopted. This schedule utilizes the same basis of accounting for both budgetary purposes and actual results.

Budgetary data for the Capital Projects Funds have not been presented in the accompanying required supplemental information. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in a Five Year Capital Improvements Plan.

B. Excess of Expenditures over Appropriations:

For the year ended September 30, 2009, expenditures exceeded appropriations in the Police Seizures Fund by \$185,600 and in the Hotel/Motel Fund by \$11,114. Resources for Police Seizure Fund come

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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from federal and state asset forfeitures which govern the purposes for which they may be spent. Hotel/Motel fund revenues are derived from hotel/motel taxes and their use is limited to promoting tourism and the convention and hotel industry. The budgets were not specifically amended for the fiscal year ended September 30, 2009 to address the over expenditures.

**NOTE 4. DEPOSITS AND INVESTMENTS**

The City has adopted Investment Policies, which are in accordance with the laws of the State of Texas, where applicable, specifically the Public Funds Investment Act (“PFIA”). The policies identify authorized investments and investment terms, collateral requirements, safekeeping requirements for collateral and investments, and certain investment practices. Authorized investments include obligations of the federal government or its agencies and instrumentalities, repurchase agreements, state and local investment pools, SEC regulated money market mutual funds, collateralized or insured certificates of deposit, and prime commercial paper.

State statutes require that all deposits in the financial institutions be fully collateralized by U.S. government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City’s demand deposits were fully collateralized at September 30, 2009 with collateral required by the state statutes. At year-end, the carrying amount of the City’s deposits and cash on hand was \$433,343 and the bank balance was \$1,330,760. Of the bank balance, \$250,000 was covered by the Federal Depository Insurance Corporation and the remainder by collateral held by the City’s depository bank in the City’s name. The City covers demand payments on a daily basis as needed from its overnight investments.

The City’s investments carried at fair value as of September 30, 2009 are:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (years)*</u>	<u>Rating</u>
U.S. Agencies	\$21,840,050	0.655	AAA/A-1+
U.S. Treasuries	4,552,118	2.430	TSY
Texas Local Government Investment Pools:			
Texpool	35,669,896	0.120	AAAm
<b>Total</b>	<u>\$62,062,065</u>	<u>3.205</u>	

\*Fair Value Basis

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from increasing interest rates, the City’s investment policy states that the overall weighted average duration of principal return for the entire portfolio shall be less than two (2) years. By policy, the City will not directly invest in securities maturing more than five years from the date of purchase.

*Credit Risk.* The City’s investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City’s investments in U.S. Agency securities (Commercial Paper, FHLB, FNMA, FHLMC, and US TSY) are individually rated by Standard & Poor’s and by Moody’s Investors Service (see table above). As of September 30, 2009, investments in the Texas Local Government Pool (“TexPool”) carried a credit rating of AAAm by Standard & Poor’s. \*US Treasuries are backed by the full faith and credit of the US Government.

*Concentration of Credit Risk.* With the exception of U.S. Treasury securities and State Local Government Pools, the City’s investment policy limits the amount that may be invested in any one issuer to 40% of the total investment portfolio. The City’s investment policy also has stricter restrictions for commercial paper,

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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CD's, repurchase agreements, mutual funds and other investments. As of September 30, 2009, 42.53% or more of the City's total investments are in the following: Federal Home Loan Banks (31.04%), Fannie Mae (28.60%), Freddie Mac (23.11%), and US Treasury Notes (17.25%) on a fair value basis.

*Custodial Credit Risk – Deposits.* For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy follows state statutes, which require that all deposits in financial institutions be fully collateralized or insured. The City was not exposed to any custodial credit risk at year-end.

*Custodial Credit Risk – Investments.* For investments, custodial credit risk is the risk that in the event of the failure of a counter party, 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 all investments held by outside parties for safekeeping be held in the name of the City. The City was not exposed to any custodial credit risk at year-end.

**NOTE 5. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. The property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value and certified by the Board of Equalization. The assessed value for the roll of January 1, 2008, upon which the fiscal 2009-year levy was based, was \$3,368,492,778.

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. However, on May 3, 2003, the citizens of Rowlett approved modifications to the City's Home Rule Charter, including a provision to cap the levy of property taxes at \$1.25 per \$100 of assessed valuation. The tax rate for the year ended September 30, 2009, was \$.747173 per \$100, of which \$.494673 was allocated for general government and \$.252500 was allocated for the payment of principal and interest on general obligation debt. Taxes are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Tax collections, including past delinquencies, for the year ended September 30, 2009, were 99.06% of the tax levy.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every four years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district. As of September 1, 1997, the City contracted with Dallas County to bill and collect the City's property taxes.

**NOTE 6. RECEIVABLES**

Receivables as of the year end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

Receivables	General	Debt Service	Water & Sewer	Capital Projects	Refuse	Drainage	Nonmajor & Other Funds	Grand Total
Interest	\$11,679	\$936	\$70,941	\$61,241	\$1,439	\$2,259	\$6,553	\$155,048
Court	125,860							125,860
Ambulance	598,507							598,507
Lot mowing	441,800							441,800
Other	71,293		335,447		1,591		10,370	418,701
Sales tax	1,075,963							1,075,963
Other Taxes (Hotel/Motel)							12,996	12,996
Property Taxes	576,775	285,401						862,176
Customer Accounts			3,056,253		646,528	177,250		3,880,031
Other Governments	30,616		11,487	129,260	5,676	1,460	162,232	340,731
Franchise Fees	1,121,713							1,121,713
911 Fees	39,172							39,172
Red light Camera							203,775	203,775
<b>Gross Receivables</b>	<b>4,093,378</b>	<b>286,337</b>	<b>3,474,128</b>	<b>190,501</b>	<b>655,234</b>	<b>180,969</b>	<b>395,926</b>	<b>9,276,473</b>
Less: Allowance for uncollectible	(682,267)	(33,455)	(246,350)		(50,102)	(12,613)	(147,426)	(1,172,212)
<b>Net total receivables</b>	<b>\$3,411,111</b>	<b>252,883</b>	<b>3,227,780</b>	<b>\$190,501</b>	<b>605,133</b>	<b>\$168,356</b>	<b>248,501</b>	<b>8,104,265</b>

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:

Deferred Revenue	Unavailable	Unearned
Delinquent property tax receivable	\$648,087	
Accounts	363,087	
Adjudicated fines not yet collected	9,203	
Intergovernmental	279,037	\$13,708
Other	461,485	
Total deferred/unearned for governmental funds	\$1,760,899	\$13,708

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

**NOTE 7. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows:

Government Activities:	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 25,054,056	\$ 847,756	\$ (4,860)	\$ 25,896,952
Construction in progress	7,451,885	5,008,257	(7,182,574)	\$5,277,568
Total capital assets, not being depreciated	32,505,941	5,856,013	(7,187,434)	\$31,174,520
Capital assets being depreciated:				
Buildings	23,418,569		(596,918)	22,821,651
Improvements other than buildings	21,616,000	5,560		21,621,560
Machinery & equipment	12,541,299	526,181	(2,335,874)	10,731,606
Infrastructure	91,349,235	6,995,260	(709,020)	97,635,475
Total capital assets, being depreciated	148,925,103	7,527,001	(3,641,812)	152,810,292
Less accumulated depreciation:				
Buildings	(4,519,976)	(593,271)	191,372	(4,921,875)
Improvements other than buildings	(16,092,701)	(1,213,837)		(17,306,538)
Machinery & equipment	(8,385,960)	(864,322)	1,969,080	(7,281,202)
Infrastructure	(45,370,708)	(4,720,234)	709,020	(49,381,922)
Total accumulated depreciation	(74,369,345)	(7,391,664)	2,869,472	(78,891,537)
Total capital assets being depreciated, net	74,555,758	135,337	(772,340)	73,918,755
Governmental activities capital assets, net	<u>\$107,061,699</u>	<u>\$ 5,991,350</u>	<u>\$ (7,959,774)</u>	<u>\$105,093,275</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 510,688	\$ -	\$ -	\$ 510,688
Construction in progress	3,945,759	1,619,894	(1,772,060)	3,793,594
Total capital assets, not being depreciated	4,456,447	1,619,894	(1,772,060)	4,304,282
Capital assets, being depreciated:				
Buildings	568,210		532,608	1,100,818
Improvements other than buildings	263,429			263,429
Machinery & equipment	5,109,442	23,978	1,861,406	6,994,825
Infrastructure	128,824,393	5,204,045	(169,008)	133,859,430
Total capital assets, being depreciated	134,765,474	5,228,023	2,225,006	142,218,502
Less accumulated depreciation:				
Buildings	(158,431)	(28,825)	(127,064)	(314,320)
Improvements other than buildings	(135,762)	(20,891)		(156,653)
Machinery & equipment	(983,612)	(473,924)	(1,494,611)	(2,952,147)
Infrastructure	(45,776,218)	(4,993,206)	13,063	(50,756,361)
Total accumulated depreciation	(47,054,023)	(5,516,846)	(1,608,612)	(54,179,481)
Total capital assets, being depreciated, net	87,711,451	(288,823)	616,394	88,039,021
Business-type activities capital assets, net	<u>\$ 92,167,898</u>	<u>\$ 1,331,071</u>	<u>\$ (1,155,666)</u>	<u>\$ 92,343,303</u>

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 1,012,591
Public safety	713,220
Public works	4,859,173
Culture and recreation	780,373
Development	26,307
Total depreciation expense - governmental activities	<u>\$ 7,391,664</u>
Business-type activities	
Water & sewer	\$ 4,522,967
Refuse	19,476
Drainage	974,403
Total depreciation expense - business-type activities	<u>\$ 5,516,846</u>

**NOTE 8. EMPLOYEE'S RETIREMENT SYSTEM**

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (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 publicly available comprehensive annual 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 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:

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%
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, 0/25	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

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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Contributions

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

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

Annual Required Contribution	\$ 2,880,006
Interest on Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost	<u>2,880,006</u>
Contributions Made	<u>2,477,998</u>
Increase (Decrease in net Pension Obligation)	402,008
Net Pension Obligation/(Asset), beginning of year	<u>-</u>
Net Pension Obligation/(Asset), end of year	<u><u>\$ 402,008</u></u>

Year Ending	Pension Cost (APC)	Contribution Made	% of APC Contributed	Pension Obligation	Annual Required Contribution Rate
9/30/2007	\$ 2,151,314	\$ 2,151,314	100%	\$ -	11.79%
9/30/2008	2,393,015	2,393,015	100%	-	12.13%
9/30/2009	2,880,006	2,477,998	86.04%	402,008	16.11%

The required contributions rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008 also follows:

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

Actuarial Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial cost method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining amortization period	25 years; open	30 years; closed	29 years; closed
Asset valuation method	Amortized cost	Amortized cost	Amortized cost
Actuarial Assumptions			
Investment rate of return	7%	7%	7.5%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustment	N/A	2.1%	2.1%

Schedule of Funding Information

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial value of assets	\$ 36,350,164	\$ 40,286,326	\$ 42,662,962
Actuarial accrued liability (AAL)	44,738,513	58,073,788	61,211,355
Percent funded	81.7%	69.4%	69.7%
Unfunded (overfunded) actuarial accrued liability (UAAL)	8,208,349	17,787,462	18,548,393
Annual covered payroll	19,258,058	19,189,437	19,796,538
UAAL as a percent of covered payroll	42.6%	92.7%	93.7%

**NOTE 9. LONG-TERM DEBT**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2009, is as follows:

	Balance at October 1, 2008	Issued or Incurred	Retired or Refunded	Balance at September 30, 2009	Due within One year
Governmental Activities:					
General obligation bonds	\$ 38,030,000	\$ -	\$ 2,855,000	\$ 35,175,000	\$ 2,865,000
Combined tax and surplus revenue certificates of obligation	55,210,000		2,235,000	52,975,000	2,315,000
Capital leases	1,086,291	152,925	221,561	1,017,655	170,607
Compensated absences	2,010,707	587,108	164,656	2,433,159	224,875
Unfunded pension obligation		374,326		374,326	
Unfunded OPEB obligation		228,954		228,954	
Limited tax anticipation notes	260,437		240,437	20,000	20,000
Governmental activity long term debt	<u>\$ 96,597,434</u>	<u>\$ 1,343,313</u>	<u>\$ 5,716,654</u>	<u>\$ 92,224,093</u>	<u>\$ 5,595,482</u>

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

	Balance at October 1, 2008	Issued or Incurred	Retired or Refunded	Balance at September 30, 2009	Due within One year
Business-type activities					
Water and sewer					
Revenue bonds	\$ 47,665,000		\$ 3,105,000	\$ 44,560,000	\$ 3,220,000
Combination tax and surplus revenue					
certificates of obligation	4,535,000		170,000	4,365,000	175,000
Capital leases	4,014,716	9,094	250,539	3,773,271	269,772
Compensated absences	146,078	24,914	25,832	145,160	13,416
Unfunded pension obligation		27,682		27,682	
Unfunded OPEB obligation		24,853		24,853	
Business-type activity					
long term debt	<u>\$ 56,360,794</u>	<u>\$ 86,543</u>	<u>\$ 3,551,371</u>	<u>\$ 52,895,966</u>	<u>\$ 3,678,188</u>

Long-term debt for governmental activities at September 30, 2009, includes the following individual issues (not including unamortized premiums of \$404,445, unamortized discounts of \$66,206, unamortized bond issuance costs of \$1,095,151 and deferred charges of \$436,876:

Governmental Activities	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
General obligation bonds:				
1997 Refunding and improvements	4.90-5.75	2/15/2017	\$ 1,070,000	\$ 110,000
1997A Various purpose	6.36 var	8/15/2026	5,735,000	180,000
2001 Various purpose	4.00-5.00	2/15/2021	1,960,000	125,000
2002 Various purpose	4.00-5.00	2/15/2022	4,585,000	270,000
2003 Revenue and improvements	2.15-4.50	2/15/2014	3,405,000	860,000
2003A Various purpose	2.25-5.00	2/15/2023	3,075,000	165,000
2004 Revenue and improvements	3.50-4.60	2/15/2018	3,435,000	325,000
2004A Various purpose	2.00-4.80	2/15/2024	4,935,000	245,000
2005 Refunding	3.00-4.50	2/15/2020	6,975,000	585,000
			<u>\$ 35,175,000</u>	<u>\$ 2,865,000</u>
Tax notes:				
2004 Limited tax anticipation notes	3.00-5.00	2/15/2010	20,000	20,000
			<u>20,000</u>	<u>20,000</u>
Combination tax and revenue certificates of obligation:				
1999A Various purpose	7.25	5/15/2028	1,125,000	30,000
2001 Various purpose	4.00-5.00	2/15/2021	1,040,000	65,000
2002 Various purpose	3.00-5.00	2/15/2022	3,695,000	220,000
2003 Various purpose	2.00-5.00	2/15/2023	5,620,000	300,000
2004 Various purpose	2.00-4.80	2/15/2029	3,695,000	155,000
2005 Various purpose	3.00-4.50	2/15/2025	18,955,000	870,000
2006 Various purpose	4.00-5.125	2/15/2031	18,845,000	675,000
			<u>52,975,000</u>	<u>2,315,000</u>
Total government activities long-term bonded debt			88,170,000	5,200,000
Less deferred amounts:				
On refunding			(436,876)	
For issuance premiums and discounts			338,239	
Net government activities long-term bonded debt			<u>\$ 88,071,363</u>	<u>\$ 5,200,000</u>

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

Long-term debt for business activities at September 30, 2009 includes the following individual issues (not including unamortized premiums of \$600,275 unamortized discounts of \$119,567, unamortized bond issuance costs of \$808,655) and deferred charges of \$630,195:

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Business-type activities				
Utility system revenue bonds:				
2001 Various purpose	4.00-5.00	3/1/2021	1,480,000	95,000
2003 Refunding and improvements	4.00-4.30	3/1/2012	280,000	90,000
2004 Refunding and improvements	2.00-4.50	3/1/2018	4,595,000	720,000
2004A Various purpose	2.00-5.00	3/1/2024	15,220,000	730,000
2005 Refunding	3.00-5.00	3/1/2020	6,905,000	595,000
2005A Various purpose	3.00-4.375	3/1/2025	6,155,000	280,000
2006 Various purpose	4.00-4.890	3/1/2026	9,925,000	710,000
			<u>44,560,000</u>	<u>3,220,000</u>
Combination tax and revenue certificates of obligation:				
2006 Various purpose	4.00-5.125	2/15/2031	4,365,000	175,000
Total business-like long-term bonded debt			48,925,000	3,395,000
Less deferred amounts:				
On refunding			(630,195)	
For issuance premiums and discounts			480,708	
Net business-like activities long-term bonded debt			<u>\$48,775,513</u>	<u>\$3,395,000</u>

The annual requirements to amortize outstanding debt and advances from other funds as of September 30, 2009 are summarized below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and have not been included in the following summary:

Year ended September 30,	General obligation and tax anticipation notes			Enterprise revenue bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$5,375,000	\$3,897,869	\$9,272,869	\$3,220,000	\$1,913,848	\$5,133,848
2011	5,550,000	3,688,836	9,238,836	3,345,000	1,786,546	5,131,546
2012	5,770,000	3,465,146	9,235,146	3,470,000	1,647,984	5,117,984
2013	5,615,000	3,233,129	8,848,129	3,125,000	1,513,747	4,638,747
2014	5,555,000	3,002,806	8,557,806	3,255,000	1,383,562	4,638,562
2015-2019	29,205,000	11,374,098	40,579,098	13,920,000	5,038,553	18,958,553
2020-2024	26,470,000	4,997,761	31,467,761	12,270,000	1,929,391	14,199,391
2025-2029	8,195,000	787,074	8,982,074	1,955,000	80,369	2,035,369
2030-2032	800,000	41,512	841,512			
Total	<u>\$92,535,000</u>	<u>\$34,488,231</u>	<u>\$127,023,231</u>	<u>\$44,560,000</u>	<u>\$15,294,000</u>	<u>\$59,854,000</u>

Significant restrictions are set forth as follows:

General Obligation Bonds and Contractual Obligation – Bond principal and interest payments are made by the City from ad valorem taxes.

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. Beginning in 2003, the City paid required five-year rebates. Future rebates are estimated to be \$12,620 at September 30, 2009.

The 1997-A general obligation bonds contain a variable rate which can be reset on August 15 of each year. The interest rate to be borne by the bonds for the one-year period commencing at each interest reset date will be the per annum rate determined by an interest index plus a premium equal to thirty one-hundredths of one percent (0.31%) as determined by Chase Manhattan Bank.

As of September 30, 2009, the City had authorized, but unissued general obligation bonds outstanding as follows:

Date	Purpose	Amount Authorized	Previously Issued	Unissued Balance
1-18-1997	Streets	\$15,000,000	\$11,040,000	\$3,960,000

Revenue Bonds – The ordinance authorizing the water and sewer revenue bonds stipulate that the City will deposit, in addition to principal and interest requirements, certain amounts in a reserve fund. Amounts in the reserve fund are to be used to pay principal and interest on outstanding bonds at any time sufficient funds are not available in the bond interest and sinking fund. Amounts in the interest and sinking, and reserve funds, reported as restricted assets in the accompanying combined financial statements at September 30, 2009, were sufficient to meet the reserve requirements. The bonds have various call options whereby they may be redeemed during certain periods prior to maturity.

Compliance with Debt Covenants – At September 30, 2009, and for the year then ended, the City was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt.

Conduit Debt – On August 1, 2006, the City of Rowlett, along with three other cities and Rockwall County, approved an agreement with the Rockwall County Emergency Services Corporation (“RESC”) to construct a firearms training facility in an aggregate principal amount not to exceed \$2,925,000. Under the terms of the agreement, each jurisdiction’s debt service liability, as well as an operations component, would be based proportionately upon the number of Authorized Personnel (i.e. active certified peace officers) as of April 1<sup>st</sup> of the preceding fiscal year. On August 23, 2006, the RESC issued \$2,700,000 in contract revenue bonds with a ten year maturity. Based on Rowlett’s Authorized Personnel count as of April 1, 2006, the City’s initial anticipated annual payments under the agreement ranges from \$104,676 to \$106,272 but may vary from year to year under the terms of the agreement.

During the current year RESC repaid a portion of the debt from unused bond proceeds reducing the City’s annual obligation to \$30,123 for 2009. The City will continue to share in the debt service and operating expenses of the facility based on their authorized personnel count. As of September 30, 2009, the outstanding balance was \$1,990,000. The City has no obligation for this debt beyond the resources provided by this agreement.

Capital Leases – On December 10, 2008, the City entered into an agreement with Baystone Financial Group totaling \$9,094 to purchase a payment remittance processor. The agreement is for an approximate 23 month term based on delivery of the equipment and expires on October 31, 2010. Payments are \$3,184 annually and carry an effective interest rate of 5.24%.

On July 24, 2009, the City entered into an agreement with Baystone Financial Group totaling \$152,925 to purchase two cab and chassis ambulance remounts. The agreement is for an approximate 26 month term based on delivery of the equipment and expires on September 25, 2011. The first payment was due September 25, 2009 and annually in the amount of \$54,430 through expiration and carry an effective interest rate of 5.75%.

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

The City previously entered into an agreement with Baystone Financial Group totaling \$39,461 to purchase a police recorder system. The agreement is for a five year term based on delivery of the equipment and expires on December 15, 2012. Payments are \$7,496 annually and carry an effective interest rate of 5.79%.

The City previously entered into an agreement with Koch Financial Corporation totaling \$174,897 to purchase a police video system. The agreement is for a four year term based on delivery of the equipment and expires on October 15, 2011. Payments are \$48,456 annually and carry an effective interest rate of 4.36%.

The City previously entered into an agreement with Elterkon Capital totaling \$494,515 to purchase a Fire Rescue Engine. The agreement is for a nine year term based on delivery of the equipment and expires on October 15, 2015. Payments are \$60,671 annually and carry an effective interest rate of 4.17%.

The City previously entered into an agreement with Elterkon Capital totaling \$151,835 to purchase computer equipment. The agreement is for a two year term based on delivery of the equipment and expires on October 15, 2008. Payments are \$53,702 annually and carry an effective interest rate of 4.86%.

The City previously entered into an agreement with All America Finance Group in 2005 totaling \$5,183,559 to replace its water meter system and for various facility improvements. The agreement is for a fifteen year term expiring on July 10, 2020. Payments are made quarterly, ranging from \$108,000 to \$128,000 and carries an effective interest rate of 3.99%. Responsibility for repaying the debt is split between the General Fund and Water and Sewer Fund at 9.5% and 90.5% respectively.

The assets acquired through capital leases are as follows:

	Water and Sewer Fund	Governmental Activities	Total
Asset:			
Motor vehicles	\$77,880	\$847,226	\$925,106
Machinery and equipment	4,913,086	931,890	5,844,976
Less: Accumulated depreciation	(1,318,803)	(820,964)	(2,139,767)
Total	<u>\$3,672,163</u>	<u>\$958,152</u>	<u>\$4,630,315</u>

Pursuant to the terms of the capital lease agreements, the following schedule represents the net present value of these minimum lease payments as of September 30:

Year ending September 30,	Water and Sewer Fund	Governmental Activities
2010	\$269,772	\$172,446
2011	285,471	181,198
2012	302,434	87,862
2013	314,932	91,662
2014	327,947	88,133
2015-2019	1,854,576	309,602
2020-2024	418,141	44,096
Total minimum lease payments	<u>3,773,273</u>	<u>974,999</u>
Less: Amount representing interest	(929,329)	(180,688)
Present value of minimum lease payments	<u>\$2,843,944</u>	<u>\$794,311</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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**NOTE 10. INSURANCE**

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; and natural disasters. During fiscal 2009, the City purchased commercial insurance from Texas Municipal League (“TML”) to cover these general liabilities, including workers’ compensation and medical. TML purchases reinsurance and does not retain the risk of loss. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

**NOTE 11. INTERFUND TRANSFERS, RECEIVABLE AND PAYABLES**

The City makes transfers between its funds for several reasons. General and administrative (indirect) costs are allocated between operating funds, such as the General Fund and Water and Sewer Fund, to recover overhead and administrative cost of service performed by one fund for the benefit of another. The amounts transferred represent the net balance due between the funds based on the services provided. Payments in lieu of property taxes are paid by the Water and Sewer Fund to the General Fund. This fee is calculated at the same rate as the City’s approved property tax rate per \$100 of assessed valuation based on the Water and Sewer Fund’s capital assets. And amount is also transferred from the Water and Sewer Fund to the General Fund as a payment in lieu of franchise fees and represent similar charges paid by electric, gas, and cable and telecommunication franchises for use of City rights-of-way. This fee is calculated as 5% of gross revenues less interest earnings. The Refuse Fund transfers funds to cover the cost of alley repairs and improvements to the General Fund. Finally, the General Fund and Water and Sewer Fund each share the costs of Economic Development activities reported in the General Fund.

Individual transfers, as reported at the fund statement level, for the year ended September 30, 2009, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General Fund	\$3,095,556	\$1,707,484
Debt service fund	1,018,707	
Capital projects fund	3,157,484	
Nonmajor governmental funds		777,788
Business-type activities		
Water and sewer fund	687,178	3,428,600
Refuse fund		985,918
Drainage fund	289,612	100,000
Internal Service Funds		2,728,853
Total	<u>\$8,248,537</u>	<u>\$9,728,643</u>

The difference of \$1,480,106 represents transfers between the internal service funds and the general fixed asset and general long term debt account groups (GFAAG and GLTDAG). The internal service funds were dissolved effective October 1, 2008. Current assets and liabilities were transferred to the general fund where the new fleet and information technology divisions were established. Long term assets and long term liabilities were transferred to business-type activities and to GFAAG and GLTDAG as appropriate. The specific difference of \$1,480,106 represents the transfer to the government of fixed assets, net of the related long term liabilities which were previously reported at the fund level in the internal service funds before being assigned to the government. At the fund statement level, the transfers to the proprietary funds are treated as transfers; the recognition of the transfer to the governmental activities is only recognized on the government-wide statements under Governmental Activities. The transfers include the following:

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

Transfer from Fund	Transfer to Fund	Amount
General Fund		
Transfer for Capital Projects	Capital Projects Fund	\$ 1,707,484
Non-Major Governmental Funds		
Internal Service Funds		
Transfer current assets and liabilities	General Fund	476,757
Transfer fixed assets to operating fund	Water and Sewer Fund	687,178
Transfer fixed assets to operating fund	Drainage Fund	84,814
TIF		
To pay debt service on TIF improvement bonds	Debt Service Fund	295,958
Golf Fund		
To pay debt service on golf course bonds	Debt Service Fund	481,831
Water and Sewer Fund		
In-Lieu of Property Taxes	General Fund	702,688
Franchise Fees	General Fund	1,068,677
To assist with City's economic development efforts	General Fund	102,434
Transfer for Capital Projects	Capital Projects Fund	1,350,000
Transfer for Capital Projects	Drainage Fund	204,798
Drainage Fund		
Transfer for Capital Projects	Capital Projects Fund	100,000
Refuse Fund		
Alley Repairs	General Fund	745,000
To pay debt service on Alley Bonds	Debt Service Fund	240,918
		\$ 8,248,537

**NOTE 12. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is administered by ICMA Retirement Corporation ("ICMA") and contributions are voluntary. All amounts of compensation under this plan are placed into investment pools administered by ICMA. The plan, available to all regular employees, permits them to defer until future years up to 100% of compensation, not to exceed \$16,500 (\$22,000 if over age 50) per year. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City has amended its deferred compensation plans to conform with the requirements of subsection (g) of IRC Section 457 making all assets and income of the plans to be held in trust for the exclusive benefit of participants and beneficiaries. In accordance with GASB Statement No. 32, the City's Deferred Compensation Plan is no longer included in the financial statements of the City.

**NOTE 13. POSTEMPLOYMENT BENEFITS**

**Post-retirement Health Care Benefits**

The City offers its retired employees health insurance benefits through a single-employer defined benefit OPEB plan, under City policy. The benefit plan was established by the City in 2002 and last amended in 2005. Retired employees who have satisfied the retirement requirement as defined by the Texas Municipal Retirement System (TMRS) are eligible to participate. The City has elected the retirement requirement as any age with 20 years of service or 5 years of service for age 60 and above. Retirees

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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under 65 retiring under the TMRS system are eligible to receive premium payments of individual (not dependent) health insurance benefits for a period of time equal to one month for every full year of service with the City. Retirees over 65 are eligible to receive premium reimbursement for an individual (not dependent) medicare supplement for a period of time equal to one month for every full year of service with the City. All other premiums are paid by the retired employees and claims are processed by the City's agent. Currently the City has 350 active employees and 9 retirees eligible to participate in the plan.

Retirees do not pay premiums for coverage in the OPEB program. The maximum employer paid premium (capped benefit) is based on the employee only premium for the core insurance plan option. For 2009 this premium was \$322 per month. Employees are eligible immediately upon retirement and the eligibility only runs from the retirement date.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is made up of two components, the Normal Cost and the Amortization Amount. The normal cost, which is the present value of benefits deemed to accrue in the plan year, is \$162,482. The amortized amount, which is the present value of the accrued benefit, is \$119,255. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to fully amortize the unfunded actuarial accrued liability over a 30-year period using a 4.50% discount rate. The City's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	\$ 281,737
Interest on Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	<u>281,737</u>
Employer contribution	27,930
Increase in Net OPEB Obligation	253,807
Net OPEB Obligation, beginning of year	<u>-</u>
Net OPEB Obligation, ending of year	<u><u>\$ 253,807</u></u>

Expenditures for postretirement health care insurance are recognized on a pay-as-you-go basis. The employer contribution for retired employees for 2009 was approximately \$27,930.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years (4.5% discount rate, and level percent of pay amortization) follow:

Fiscal Year Ended	OPEB Cost	Employer Contribution	Percentage Contributed	OPEB Obligation
9/30/2007	N/A	N/A	N/A	N/A
9/30/2008	N/A	N/A	N/A	N/A
9/30/2009	\$281,737	\$27,930	9.91%	\$253,807

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	Percent of Covered Payroll
6/30/2008	\$ -	\$2,924,489	\$2,924,489	0%	\$ 19,165,822	15.26%

This is the first year of implementing GASB 45. The two previous years of funding status as funding progress are not available. The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan ( the plan as understood by the employer and plan members) and include the type of benefit provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Valuation date	June 30, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Payroll Growth Rate	3.0%
Projected Salary Increases	3.0%
General Inflation Rate	3.0%

**Post-retirement Supplemental Death Benefit**

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 Benefit Fund (SDBF). The City elected by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City can 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.

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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Contributions

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

The City's contribution to the TMRS SDBF for the years ended 2009, was \$191,658 at the City required contribution rate of 0.01% which equaled the required contribution for the year.

**NOTE 14. COMMITMENTS AND CONTRACTS**

The City has several long-term agreements with significant commitments as follows:

A. North Texas Municipal Water District Water Purchase Agreement – The City has a long-term contract with the North Texas Municipal Water District for the purchase of treated water. The contract for water is dated June 3, 1965, and is for a period of 40 years. Over the years, the contract has been amended to provide for additional services as the City has grown. Currently, the City receives water at three take points. For the year ended September 30, 2009, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 2,521,741,000 gallons.

B. City of Garland Sewage Treatment Agreement – The City entered into a contract with the City of Garland for sewage treatment effective April 2, 1991, which was later amended on June 8, 1994. Payments are determined based on actual metered flows into the City of Garland's treatment facility. No minimum payments are required. Rates are reviewed yearly and adjusted under the terms of the contract. The contract is in force until April 1, 2020.

C. Solid Waste Disposal Contract – In August 2002, the City contracted with IESI TX Corporation to provide collection of refuse and recyclable materials within the corporate limits of the City. The initial contract is for a period of five years beginning October 1, 2002, and shall automatically extend for one successive five-year term unless either party terminates the contract in writing. Collection rates may be adjusted yearly based upon the terms of the contract. An administrative fee assessed by the City is retained in the Enterprise Fund as a charge for service.

D. The City is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of City officials and management, will have complex material effect on the City's financial position.

E. The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, disallowed cash, if any, would not be material.

F. The City has several rebate agreements with various developers entered into for economic development purposes. One of these agreements is with D.R. Horton, Inc. This agreement is for a thirty year period and includes required rebates of 90% of the sales taxes paid. During the current fiscal year, the City rebated \$1,167,463 of the \$1,297,181 paid by D.R. Horton. The July - September rebate invoices in the amount of \$421,308 were paid after the fiscal year end and are included in accounts payable as of September 30, 2009.

G. The City has contractual commitments of approximately \$9,341,102 in the Capital Projects Funds, \$6,404,080 in the Water and Sewer Fund, and \$136,043 in the Drainage Fund. These commitments are for construction of various projects and will be funded primarily from general obligation bond proceeds

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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and certificates of obligations in the Capital Projects Funds, and revenue bond proceeds in the Water and Sewer Fund.

**NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS**

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies in reporting of these types of assets. The statement requires that all intangible assets not specifically excluded by its scope and provisions be classified as capital assets. This statement is effective for financial statements for periods beginning after June 15, 2009. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which establishes *standards on* how state and local governments report information about derivative instruments in their financial statements. This statement is effective for financial statements for periods beginning after June 15, 2009. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds. This statement is effective for financial statements for periods beginning after June 15, 2010. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**  
(Unaudited)

CITY OF ROWLETT, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Adjustments- Budgetary Basis	Final Budget as Adjusted	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Property taxes	\$ 16,634,654	\$ 16,560,306	\$	\$ 16,560,306	\$ 16,440,238	\$ (120,068)
Sales taxes	5,940,416	5,345,588		5,345,588	5,666,751	321,163
Other	49,448	58,156		58,156	62,508	4,352
Franchise fees	3,108,211	2,948,763		2,948,763	2,999,281	50,518
License and permits	557,516	363,148		363,148	412,385	49,237
Charge for services	2,473,336	2,441,761		2,441,761	2,313,487	(128,274)
Fines and forfeitures	1,899,402	1,609,606		1,609,606	1,734,618	125,012
Intergovernmental	239,034	292,112		292,112	362,854	70,742
Intragovernmental	1,884,604	2,475,472	(2,475,472)	-	-	-
Interest	161,323	84,323		84,323	79,095	(5,228)
Miscellaneous	345,645	436,507		436,507	633,877	197,370
Total Revenues	<u>33,293,589</u>	<u>32,615,742</u>	<u>(2,475,472)</u>	<u>30,140,270</u>	<u>30,705,094</u>	<u>564,824</u>
<b>EXPENDITURES</b>						
Current operating:						
General government	5,159,956	6,465,308	(2,475,472)	3,989,836	3,899,118	90,718
Public safety	19,511,625	17,758,535		17,758,535	17,179,702	578,833
Public works	2,928,931	3,629,707		3,629,707	3,342,267	287,440
Culture and recreation	5,235,916	4,487,014		4,487,014	4,151,303	335,711
Development	1,375,318	1,250,972		1,250,972	1,151,720	99,252
Debt service:						
Principal retirement				-	221,562	(221,562)
Interest and fiscal charges				-	46,121	(46,121)
Capital outlay		246,903		246,903	381,592	(134,689)
Total Expenditures	<u>34,211,746</u>	<u>33,838,439</u>	<u>(2,475,472)</u>	<u>31,362,967</u>	<u>30,373,385</u>	<u>989,582</u>
Excess (deficiency) of revenues over expenditures	<u>(918,157)</u>	<u>(1,222,697)</u>	<u>-</u>	<u>(1,222,697)</u>	<u>331,709</u>	<u>1,554,406</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital Lease					152,925	152,925
Transfers from other funds	2,642,865	2,618,802		2,618,802	3,095,556	476,754
Transfers to other funds	<u>(1,707,484)</u>	<u>(1,707,484)</u>		<u>(1,707,484)</u>	<u>(1,707,484)</u>	-
Total other financing sources (uses)	<u>935,381</u>	<u>911,318</u>	<u>-</u>	<u>911,318</u>	<u>1,540,997</u>	<u>629,679</u>
Net change in fund balances	17,224	(311,379)		(311,379)	1,872,706	2,184,085
Fund balances, beginning of year	3,406,577	3,406,577		3,406,577	3,406,577	-
Fund balances, end of year	<u>\$ 3,423,801</u>	<u>\$ 3,095,198</u>	<u>-</u>	<u>\$ 3,095,198</u>	<u>\$ 5,279,283</u>	<u>\$ 2,184,085</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2009**

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**NOTE 1. BASIS OF BUDGETING**

The Budgetary Comparison Schedule, included in Required Supplemental Schedules, presents a comparison of budgetary data to actual results of operations for the General Fund in which an annual operating budget was legally adopted. This schedule utilizes the same basis of accounting for both budgetary purposes and actual results. The Column titled Adjustments- Budgetary Basis is a management tool used to track general and administrative expenses.

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for particular purposes. Individual funds maintained are as follows:

Impact Fees Fund – to account for street impact and park pro-rata fees on new development. These funds are limited to capital improvements based on an approved plan.

Police Seizure Fund – to account for funds awarded as a result of court forfeitures of contraband pursuant to the Texas Code of Criminal Procedure. The law provides for a special fund to be established and to be used solely for law enforcement purposes.

Traffic Safety Fund – to account for revenues and expenditures related to red light camera fines. The revenues may be disbursed only as established by law, for the costs of operating the program, then to be split between the State of Texas and the City of Rowlett for traffic safety purposes.

Hotel/Motel Tax Fund – to account for funds received from a tax on the cost of occupancy in hotels and motels within the city limits of Rowlett. These revenues may only be utilized to promote tourism and the convention and hotel industry.

Grant Fund – to account for funds awarded the City by various federal or state agencies. This fund includes funds granted the City by the US Department of Housing and Urban Development (“H.U.D.”) under their community development block grant (CDBG) programs.

Golf Fund – to account for funds related to the City’s municipally-owned golf course, including lease payments from the contractor and assessments from local property owners. These funds are used to pay principal and interest on the bonds utilized to construct the course.

TIF Fund – to account for property taxes on improvements in the City’s Tax-Increment Financing Reinvestment Zone Number One. These funds may only be used for capital improvements within the zone, which generally follows the President George Bush Turnpike corridor.

**CITY OF ROWLETT, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
<b>ASSETS</b>			
Pooled cash and investments	\$ 1,974,039	\$ 312,522	\$ 99,434
Receivables (net of allowance for uncollectibles):			
Taxes			
Accrued interest	5,161		329
Other		10,370	56,350
Due from other governments			
Total Assets	<u>\$ 1,979,200</u>	<u>\$ 322,892</u>	<u>\$ 156,113</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,520	\$ 36,967	\$ 98,032
Accrued liabilities		20,288	
Deferred revenue	155		19,100
Total Liabilities	<u>1,675</u>	<u>57,255</u>	<u>117,132</u>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances		6,415	
Capital projects	490,793		
Public safety		259,222	38,981
Unreserved for:			
Designated for capital projects			
Designated for economic dev.			
Unreserved, undesignated	1,486,732		
Total Fund Balances	<u>1,977,525</u>	<u>265,637</u>	<u>38,981</u>
Total Liabilities and Fund Balances	<u>\$ 1,979,200</u>	<u>\$ 322,892</u>	<u>\$ 156,113</u>

Special Revenue					Total
Hotel/Motel Tax	Grant	Golf Fund	TIF Fund		Governmental Funds
\$ 70,384	\$ 10,808	\$ 388,133	\$ 1,000		\$ 2,856,320
12,996					12,996
224	8	831			6,553
					66,720
	162,232				162,232
<u>\$ 83,604</u>	<u>\$ 173,048</u>	<u>\$ 388,964</u>	<u>\$ 1,000</u>		<u>\$ 3,104,821</u>
\$ 759	\$ 119,560	\$	\$	\$	256,838
					20,288
4,161	162,232				185,648
<u>4,920</u>	<u>281,792</u>	<u>-</u>	<u>-</u>		<u>462,774</u>
	162,036	922			169,373
			1,000		491,793
					298,203
		388,042			388,042
78,684					78,684
	(270,780)				1,215,952
<u>78,684</u>	<u>(108,744)</u>	<u>388,964</u>	<u>1,000</u>		<u>2,642,047</u>
<u>\$ 83,604</u>	<u>\$ 173,048</u>	<u>\$ 388,964</u>	<u>\$ 1,000</u>		<u>\$ 3,104,821</u>

**CITY OF ROWLETT, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
<b>REVENUES</b>			
Taxes	\$	\$	\$
License and permits	87,594		
Charges for services			
Fines and forfeitures		230,673	374,544
Interest	39,451	2,352	3,245
Total revenues	<u>127,045</u>	<u>233,025</u>	<u>377,789</u>
<b>EXPENDITURES</b>			
Current operating:			
General government			
Public safety		266,059	391,759
Capital outlay	389,376	101,554	
Total expenditures	<u>389,376</u>	<u>367,613</u>	<u>391,759</u>
Excess (deficiency) of revenues over expenditures	<u>(262,331)</u>	<u>(134,588)</u>	<u>(13,970)</u>
<b>OTHER FINANCING USES</b>			
Transfers to other funds			
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(262,331)</u>	<u>(134,588)</u>	<u>(13,970)</u>
Fund balances, beginning of year	2,239,856	400,225	52,951
Fund balances, end of year	<u>\$ 1,977,525</u>	<u>\$ 265,637</u>	<u>\$ 38,981</u>

Special Revenue				
Hotel/Motel Tax	Grant	Golf Fund	TIF Fund	Total Governmental Funds
\$ 48,270	\$	\$	\$ 295,884	\$ 344,154
				87,594
		576,204		576,204
				605,217
2,076	163	5,466	299	53,052
<u>50,346</u>	<u>163</u>	<u>581,670</u>	<u>296,183</u>	<u>1,666,221</u>
39,702				39,702
	22,544			680,362
30,912	129,384			651,226
<u>70,614</u>	<u>151,928</u>	<u>-</u>	<u>-</u>	<u>1,371,290</u>
<u>(20,268)</u>	<u>(151,765)</u>	<u>581,670</u>	<u>296,183</u>	<u>294,931</u>
		(481,831)	(295,957)	(777,788)
		<u>(481,831)</u>	<u>(295,957)</u>	<u>(777,788)</u>
(20,268)	(151,765)	99,839	226	(482,857)
98,952	43,021	289,125	774	3,124,904
<u>\$ 78,684</u>	<u>\$ (108,744)</u>	<u>\$ 388,964</u>	<u>\$ 1,000</u>	<u>\$ 2,642,047</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2009**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 8,457,864	\$ 8,460,666	\$ 8,392,359	\$ (68,307)
Interest	90,000	43,029	20,416	(22,613)
Total revenues	<u>8,547,864</u>	<u>8,503,695</u>	<u>8,412,775</u>	<u>(90,920)</u>
<b>EXPENDITURES</b>				
Current operating:				
General government	139,916	139,916	109,030	30,886
Public Safety	-	-	25,992	(25,992)
Debt service:				
Principal retirement	5,356,137	5,317,128	5,330,437	(13,309)
Interest and fiscal charges	4,153,702	4,097,308	3,998,758	98,550
Total expenditures	<u>9,649,755</u>	<u>9,554,352</u>	<u>9,464,217</u>	<u>90,135</u>
Excess (deficiency) of revenues over expenditures	<u>(1,101,891)</u>	<u>(1,050,657)</u>	<u>(1,051,442)</u>	<u>(785)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	1,126,722	1,075,489	1,018,707	(56,782)
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>1,126,722</u>	<u>1,075,489</u>	<u>1,018,707</u>	<u>(56,782)</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>24,831</u>	<u>24,832</u>	<u>(32,735)</u>	<u>(57,567)</u>
Fund balances, beginning of year	436,794	436,794	436,794	-
Fund balances, end of year	<u>\$ 461,625</u>	<u>\$ 461,626</u>	<u>\$ 404,059</u>	<u>\$ (57,567)</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 IMPACT FEES FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2009**

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	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
License and permits	\$ 150,000	\$ 150,000	\$ 87,594	\$ (62,406)
Interest	<u>75,000</u>	<u>75,000</u>	<u>39,451</u>	<u>(35,549)</u>
Total revenues	<u>225,000</u>	<u>225,000</u>	<u>127,045</u>	<u>(97,955)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>145,930</u>	<u>492,195</u>	<u>389,376</u>	<u>102,819</u>
Total expenditures	<u>145,930</u>	<u>492,195</u>	<u>389,376</u>	<u>102,819</u>
Excess (deficiency) of revenues over expenditures	<u>79,070</u>	<u>(267,195)</u>	<u>(262,331)</u>	<u>4,864</u>
Fund balances, beginning of year	2,239,856	2,239,856	2,239,856	-
Fund balances, end of year	<u>\$ 2,318,926</u>	<u>\$ 1,972,661</u>	<u>\$ 1,977,525</u>	<u>\$ 4,864</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 POLICE SEIZURE FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2009**

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	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 230,673	\$ 205,673
Interest	<u>5,000</u>	<u>5,000</u>	<u>2,352</u>	<u>(2,648)</u>
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>233,025</u>	<u>203,025</u>
<b>EXPENDITURES</b>				
Public safety	-	26,501	266,059	(239,558)
Capital outlay	-	<u>155,512</u>	<u>101,554</u>	<u>53,958</u>
Total expenditures	<u>-</u>	<u>182,013</u>	<u>367,613</u>	<u>(185,600)</u>
Excess of revenues over expenditures	<u>30,000</u>	<u>(152,013)</u>	<u>(134,588)</u>	<u>17,425</u>
Fund balances, beginning of year	400,225	400,225	400,225	-
Fund balances, end of year	<u>\$ 430,225</u>	<u>\$ 248,212</u>	<u>\$ 265,637</u>	<u>\$ 17,425</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC SAFETY FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2009**

---

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Fines & forfeitures	\$ 600,000	\$ 414,282	\$ 374,544	\$ (39,738)
Interest	2,500	1,776	3,245	1,469
Total revenues	<u>602,500</u>	<u>416,058</u>	<u>377,789</u>	<u>(38,269)</u>
<b>EXPENDITURES</b>				
Public safety	600,000	413,558	391,759	21,799
Total expenditures	<u>600,000</u>	<u>413,558</u>	<u>391,759</u>	<u>21,799</u>
Deficiency of revenues over expenditures	<u>2,500</u>	<u>2,500</u>	<u>(13,970)</u>	<u>(16,470)</u>
Fund balances, beginning of year	52,951	52,951	52,951	-
Fund balances, end of year	<u>\$ 55,451</u>	<u>\$ 55,451</u>	<u>\$ 38,981</u>	<u>\$ (16,470)</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 HOTEL/MOTEL FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2009**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Taxes				
Motel taxes	\$ 61,733	\$ 61,733	\$ 48,270	\$ (13,463)
Interest	<u>3,500</u>	<u>3,500</u>	<u>2,076</u>	<u>(1,424)</u>
Total revenues	<u>65,233</u>	<u>65,233</u>	<u>50,346</u>	<u>(14,887)</u>
<b>EXPENDITURES</b>				
General government	59,500	59,500	39,702	19,798
Capital outlay	<u>-</u>	<u>-</u>	<u>30,912</u>	<u>(30,912)</u>
Total expenditures	<u>59,500</u>	<u>59,500</u>	<u>70,614</u>	<u>(11,114)</u>
Excess of revenues over expenditures	<u>5,733</u>	<u>5,733</u>	<u>(20,268)</u>	<u>(26,001)</u>
Fund balances, beginning of year	98,952	98,952	98,952	-
Fund balances, end of year	<u>\$ 104,685</u>	<u>\$ 104,685</u>	<u>\$ 78,684</u>	<u>\$ (26,001)</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 GRANT FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2009**

---

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 175,000	\$ 175,000	\$	\$ (175,000)
Interest			163	163
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>163</u>	<u>(174,837)</u>
<b>EXPENDITURES</b>				
Public works	22,000	22,000	22,544	(544)
Capital outlay	<u>153,000</u>	<u>289,442</u>	<u>129,384</u>	<u>160,058</u>
Total expenditures	<u>175,000</u>	<u>311,442</u>	<u>151,928</u>	<u>159,514</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(136,442)</u>	<u>(151,765)</u>	<u>(15,323)</u>
Fund balances, beginning of year	43,021	43,021	43,021	-
Fund balances, end of year	<u>\$ 43,021</u>	<u>\$ (93,421)</u>	<u>\$ (108,744)</u>	<u>\$ (15,323)</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 GOLF COURSE FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2009**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Interest	\$ 10,000	\$ 4,009	\$ 5,466	1,457
Rental fees	569,954	569,954	576,204	6,250
Total revenues	<u>579,954</u>	<u>573,963</u>	<u>581,670</u>	<u>7,707</u>
<b>EXPENDITURES</b>				
Capital Outlay	-	305,242	-	305,242
Total expenditures	<u>-</u>	<u>305,242</u>	<u>-</u>	<u>305,242</u>
Excess (deficiency) of revenues over expenditures	<u>579,954</u>	<u>268,721</u>	<u>581,670</u>	<u>312,949</u>
<b>OTHER FINANCING USES</b>				
Transfers to other funds	(569,954)	(529,456)	(481,831)	47,625
Total other financing uses	<u>(569,954)</u>	<u>(529,456)</u>	<u>(481,831)</u>	<u>47,625</u>
Excess (deficiency) of revenues over expenditures and other uses	<u>10,000</u>	<u>(260,735)</u>	<u>99,839</u>	<u>360,574</u>
Fund balances, beginning of year	289,125	289,125	289,125	-
Fund balances, end of year	<u>\$ 299,125</u>	<u>\$ 28,390</u>	<u>\$ 388,964</u>	<u>\$ 360,574</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 TAX INCREMENT FINANCING FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2009**

---

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 314,552	305,115	295,884	\$ (9,231)
Interest	100	100	299	199
Total revenues	<u>314,652</u>	<u>305,215</u>	<u>296,183</u>	<u>(9,032)</u>
<b>OTHER FINANCING USES</b>				
Transfers to other funds	<u>(314,552)</u>	<u>(305,115)</u>	<u>(295,957)</u>	<u>9,158</u>
Total other financing uses	<u>(314,552)</u>	<u>(305,115)</u>	<u>(295,957)</u>	<u>9,158</u>
Excess (deficiency) of revenues over other uses	<u>100</u>	<u>100</u>	<u>226</u>	<u>126</u>
Fund balances, beginning of year	774	774	774	-
Fund balances, end of year	<u>\$ 874</u>	<u>\$ 874</u>	<u>\$ 1,000</u>	<u>\$ 126</u>

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## **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 on a cost reimbursement basis. Individual funds maintained are as follows:

Fleet Services Fund – To account for the rental of vehicular equipment to other departments and related costs.

Information Technology Fund – To account for the accumulation and allocation of costs associated with electronic data processing, telecommunications and web-based services.

**CITY OF ROWLETT, TEXAS  
 STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2009**

---

	Fleet Services	Information Technology	Total
<b>ASSETS</b>			
Total Assets	\$ -	\$ -	\$ -
<b>LIABILITIES</b>			
Total Liabilities	-	-	-
<b>NET ASSETS</b>			
Total Net Assets	\$ -	\$ -	\$ -

**CITY OF ROWLETT, TEXAS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009**

---

	Fleet Services	Information Technology	Total
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfers out	\$ (2,045,813)	\$ (683,040)	\$ (2,728,853)
Change in net assets	<u>(2,045,813)</u>	<u>(683,040)</u>	<u>(2,728,853)</u>
Total Net Assets-Beginning of Year	2,045,813	683,040	2,728,853
Total Net Assets - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ROWLETT, TEXAS  
STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

---

	Fleet Services	Information Technology	Total
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer out	\$ (289,007)	\$ (245,062)	\$ (534,069)
Net cash (used) by noncapital financing activities	<u>(289,007)</u>	<u>(245,062)</u>	<u>(534,069)</u>
Cash and cash equivalents, beginning of year	289,007	245,062	534,069
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NONCASH CAPITAL ACTIVITIES:</b>			
Noncash operating assets net of liabilities, merged with other funds	\$ (7,180)	\$ 101,942	\$ 94,762
Capital assets net of related debt transferred to other funds	<u>(1,749,626)</u>	<u>(539,920)</u>	<u>(2,289,546)</u>
Total noncash capital activities	<u>\$ (1,756,806)</u>	<u>\$ (437,978)</u>	<u>\$ (2,194,784)</u>



## **STATISTICAL SECTION**

**STATISTICAL SECTION  
(unaudited)**

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 financial performance and well-being have changed over time.	88-93
<u>Revenue Capacity</u> – These schedules contain information to help the reader assess the City’s most significant local revenue source, the Property tax.	94-101
<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.	102-107
<u>Demographic and Economic Information</u> – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	108-109
<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.	110-115

**CITY OF ROWLETT, TEXAS**

**NET ASSETS BY COMPONENT (UNAUDITED)  
LAST SEVEN FISCAL YEARS  
(accrual basis of accounting)**

<b>Expenses</b>	<b>2003</b>	<b>2004</b>	<b>Fiscal Year 2005</b>
Governmental activities:			
Invested in capital assets, net of related debt	\$ 26,639,038	\$ 31,824,439	\$ 35,082,256
Restricted	3,372,556	2,995,418	1,040,997
Unrestricted	2,180,379	1,501,435	4,110,733
Total governmental activities net assets	<u>\$ 32,191,973</u>	<u>\$ 36,321,292</u>	<u>\$ 40,233,986</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 63,940,654	\$ 64,217,338	\$ 62,588,336
Restricted	3,561,918	1,368,449	3,210,754
Unrestricted	2,339,895	6,128,244	6,742,040
Total business-type activities net assets	<u>\$ 69,842,467</u>	<u>\$ 71,714,031</u>	<u>\$ 72,541,130</u>
Primary government:			
Invested in capital assets, net of related debt	\$ 90,579,692	\$ 96,041,777	\$ 97,670,592
Restricted	6,934,475	4,363,866	4,251,751
Unrestricted	4,520,273	7,629,679	10,852,773
Total primary government net assets	<u>\$ 102,034,440</u>	<u>\$ 108,035,322</u>	<u>\$ 112,775,116</u>

Information prior to fiscal year 2003 is not available.

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 1

<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>	
\$	42,099,813	\$	38,656,284	\$	40,312,017	\$	33,707,411
	1,724,868		1,249,120		1,537,197		910,428
	4,121,491		4,519,005		5,435,653		7,593,223
\$	<u>47,946,172</u>	\$	<u>44,424,409</u>	\$	<u>47,284,867</u>	\$	<u>42,211,062</u>
\$	61,546,001	\$	62,484,938	\$	63,829,157	\$	65,576,708
	2,876,092		2,849,815		2,894,124		3,136,923
	5,289,946		3,926,786		5,683,212		6,518,292
\$	<u>69,712,039</u>	\$	<u>69,261,539</u>	\$	<u>72,406,493</u>	\$	<u>75,231,923</u>
\$	103,645,814	\$	101,141,222	\$	104,141,174	\$	99,284,119
	4,600,960		4,098,935		4,431,321		4,047,351
	9,411,437		8,445,791		11,118,865		14,111,515
\$	<u>117,658,211</u>	\$	<u>113,685,948</u>	\$	<u>119,691,360</u>	\$	<u>117,442,985</u>

CITY OF ROWLETT, TEXAS

**CHANGES IN NET ASSETS (UNAUDITED)  
LAST SEVEN FISCAL YEARS  
(accrual basis of accounting)**

<b>Expenses</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Governmental activities:			
General government	\$ 4,762,474	\$ 5,221,878	\$ 5,461,721
Public safety	13,531,944	14,412,536	15,345,813
Public works	4,593,744	5,009,553	5,210,406
Culture and recreation	3,579,707	3,828,425	4,353,767
Development	1,401,486	1,341,012	1,341,144
Interest and fiscal charges	2,303,626	2,598,852	2,965,565
Total governmental activities	<u>30,172,981</u>	<u>32,412,255</u>	<u>34,678,416</u>
Business-type activities:			
Water and sewer	13,451,133	13,672,908	15,617,433
Drainage	1,069,723	1,004,201	1,101,040
Refuse	2,358,869	2,205,365	2,244,735
Wet zone	727,611	633,912	729,695
Total business-type activities	<u>17,607,336</u>	<u>17,516,386</u>	<u>19,692,903</u>
Total primary government expenses	<u>\$ 47,780,317</u>	<u>\$ 49,928,641</u>	<u>\$ 54,371,319</u>

**Program Revenues**

Governmental Activities:			
Charges for services:			
General government	\$ 633	\$ 4,512	\$ 8,092
Public safety	1,668,838	1,905,311	1,806,208
Public works	120,004	87,540	270,525
Culture and recreation	255,836	492,410	305,672
Development	1,060,116	1,020,646	992,676
Operating grants and contributions	386,095	356,981	543,706
Capital grants and contributions	963,453	5,462,783	3,185,246
Total governmental activities program revenues	<u>4,454,974</u>	<u>9,330,184</u>	<u>7,112,125</u>
Business-type activities:			
Charges for services:			
Water and sewer	11,688,693	16,163,854	18,467,908
Drainage	438,822	489,439	495,255
Refuse	2,726,756	3,079,240	3,494,784
Wet zone	410,288	337,403	435,202
Capital grants and contributions	632,841	3,151,578	2,424,461
Total business-type activities program revenues	<u>15,897,400</u>	<u>23,221,514</u>	<u>25,317,610</u>
Total primary government revenues	<u>\$ 20,352,374</u>	<u>\$ 32,551,698</u>	<u>\$ 32,429,735</u>

Net (expense)/revenue			
Governmental activities	\$ (25,718,007)	\$ (23,082,071)	\$ (27,566,291)
Business-type activities	(1,709,936)	5,705,128	5,624,707
Total primary government net expense	<u>\$ (27,427,943)</u>	<u>\$ (17,376,943)</u>	<u>\$ (21,941,584)</u>

**General Revenue and Other Changes in Net Assets**

Governmental activities:			
Taxes			
Property taxes	\$ 16,343,280	\$ 17,481,315	\$ 19,701,994
Sales taxes	2,767,989	3,097,455	3,760,344
Other	77,481	87,162	98,303
Franchise fees	2,233,351	2,587,990	2,418,182
Investment earnings	561,482	402,908	878,622
Gain (loss) on sale/retirement of capital assets	(14,179)	(133,488)	(203,409)
Miscellaneous	673,266	768,839	1,247,579
Transfers (net)	2,717,928	2,919,208	3,577,370
Total governmental activities	<u>25,360,599</u>	<u>27,211,390</u>	<u>31,478,985</u>
Business-type activities:			
Investment earnings	190,208	165,376	660,515
Gain (loss) on sale/retirement of capital assets	-	(9,462)	(6,855)
Miscellaneous	95,728	-	-
Transfers (net)	(2,717,928)	(2,919,208)	(3,577,370)
Special items	-	-	(1,873,898)
Total business-type activities	<u>(2,431,993)</u>	<u>(2,763,294)</u>	<u>(4,797,608)</u>
Total primary government	<u>\$ 22,928,606</u>	<u>\$ 24,448,096</u>	<u>\$ 26,681,377</u>

**Changes in Net Assets**

Governmental activities	\$ (357,408)	\$ 4,129,319	\$ 3,912,694
Business type activities	(4,141,929)	2,941,834	827,099
Total primary government	<u>\$ (4,499,337)</u>	<u>\$ 7,071,153</u>	<u>\$ 4,739,793</u>

Information prior to fiscal year 2003 is not available.  
Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year			
2006	2007	2008	2009
\$ 7,547,049	\$ 6,463,416	\$ 5,210,003	\$ 5,235,080
17,566,690	19,064,945	19,026,455	19,372,690
5,338,600	13,357,060	8,819,541	12,719,561
6,202,601	6,102,323	5,388,160	4,926,422
1,529,689	1,476,900	1,229,275	1,219,772
3,864,246	4,825,639	4,473,104	4,088,968
<u>42,048,875</u>	<u>51,290,283</u>	<u>44,146,538</u>	<u>47,562,493</u>
19,243,442	19,136,724	19,065,087	18,502,215
1,332,109	1,604,017	1,692,004	1,607,736
2,627,304	2,940,905	3,251,155	3,286,924
-	-	-	-
<u>23,202,855</u>	<u>23,681,646</u>	<u>24,008,246</u>	<u>23,396,875</u>
<u>\$ 65,251,730</u>	<u>\$ 74,971,929</u>	<u>\$ 68,154,784</u>	<u>\$ 70,959,368</u>
\$ 121,309	\$ 67,617	\$ 72,486	\$ 99,906
2,847,875	3,089,141	3,591,329	3,466,449
418,169	265,677	211,128	87,594
1,280,621	1,185,071	1,115,647	1,627,643
911,160	696,991	567,913	504,544
461,654	578,571	518,835	347,925
2,658,930	469,433	2,306,004	175,032
<u>8,699,718</u>	<u>6,352,501</u>	<u>8,383,342</u>	<u>6,309,093</u>
19,125,037	18,951,024	19,553,413	20,570,813
485,580	929,773	951,715	1,276,659
3,493,756	4,054,166	4,246,481	4,493,083
-	-	-	-
1,314,213	616,691	2,359,949	63,966
<u>24,418,586</u>	<u>24,551,654</u>	<u>27,111,558</u>	<u>26,404,521</u>
<u>\$ 33,118,304</u>	<u>\$ 30,904,155</u>	<u>\$ 35,494,900</u>	<u>\$ 32,713,614</u>
\$ (33,349,157)	\$ (44,937,782)	\$ (35,763,196)	\$ (41,253,400)
1,215,731	870,008	3,103,312	3,007,646
<u>\$ (32,133,426)</u>	<u>\$ (44,067,774)</u>	<u>\$ (32,659,884)</u>	<u>\$ (38,245,754)</u>
\$ 22,472,350	\$ 23,758,243	\$ 25,044,496	\$ 25,255,663
7,458,230	6,230,025	5,882,325	5,666,751
111,619	120,329	121,242	110,778
2,850,027	3,393,874	3,014,846	2,881,223
2,418,273	3,242,124	1,570,639	702,090
(178,719)	-	-	-
956,044	939,421	1,039,438	633,877
4,973,519	3,732,003	1,447,292	929,213
<u>41,061,343</u>	<u>41,416,019</u>	<u>38,120,278</u>	<u>36,179,595</u>
1,899,345	2,411,495	1,488,934	746,997
(970,648)	-	-	-
-	-	-	-
(4,973,519)	(3,732,003)	(1,447,292)	(929,213)
-	-	-	-
<u>(4,044,822)</u>	<u>(1,320,508)</u>	<u>41,642</u>	<u>(182,216)</u>
<u>\$ 37,016,521</u>	<u>\$ 40,095,511</u>	<u>\$ 38,161,920</u>	<u>\$ 35,997,379</u>
\$ 7,712,186	\$ (3,521,763)	\$ 2,357,082	\$ (5,073,805)
(2,829,091)	(450,500)	3,144,954	2,825,430
<u>\$ 4,883,095</u>	<u>\$ (3,972,263)</u>	<u>\$ 5,502,036</u>	<u>\$ (2,248,375)</u>

**CITY OF ROWLETT, TEXAS**

**GENERAL GOVERNMENTAL EXPENDITURES BY DEPARTMENT (UNAUDITED)  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (modified accrual basis of accounting)**

	Fiscal Year			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General fund				
Reserved	\$ 13,103	\$ 18,823	\$ 1,659,652	\$ 170,263
Unreserved	3,514,073	4,197,461	3,362,536	2,777,063
Total general fund	<u>\$ 3,527,176</u>	<u>\$ 4,216,284</u>	<u>\$ 5,022,188</u>	<u>\$ 2,947,326</u>
All other governmental funds				
Reserved	\$ 1,011,544	\$ 1,175,792	\$ 16,159,882	\$ 26,854,129
Unreserved, reported in:				
Special revenue funds	44,767	27,264	160,073	154,018
Capital project funds	4,538,696	5,310,696	-	-
Total all other governmental funds	<u>\$ 5,595,007</u>	<u>\$ 6,513,752</u>	<u>\$ 16,319,955</u>	<u>\$ 27,008,147</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

**TABLE 3**

<b>Fiscal Year</b>					
<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
\$ 67,241	\$ 474,664	\$ 113,638	\$ 334,908	\$ 186,401	\$ 432,360
2,566,930	2,717,632	2,957,331	2,723,433	3,220,176	4,846,923
<u>\$ 2,634,171</u>	<u>\$ 3,192,296</u>	<u>\$ 3,070,969</u>	<u>\$ 3,058,341</u>	<u>\$ 3,406,577</u>	<u>\$ 5,279,283</u>
\$ 19,759,466	\$ 42,937,142	\$ 56,450,397	\$ 38,895,212	\$ 28,688,462	\$ 20,479,526
32,072	1,153,135	1,248,627	1,432,574	1,561,760	1,682,678
-	-	-	-	-	-
<u>\$ 19,791,538</u>	<u>\$ 44,090,277</u>	<u>\$ 57,699,024</u>	<u>\$ 40,327,786</u>	<u>\$ 30,250,222</u>	<u>\$ 22,162,204</u>

CITY OF ROWLETT, TEXAS

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

	Fiscal Year			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Revenues</b>				
Taxes	\$ 12,723,048	\$ 14,710,190	\$ 16,642,021	\$ 19,148,762
Franchise fees	1,670,983	2,209,372	2,409,889	2,233,351
Licenses and permits	1,111,056	1,299,881	1,042,257	1,108,478
Charges for services	891,026	1,253,884	901,094	1,397,231
Fines and forfeitures	683,482	806,023	1,077,686	997,664
Intergovernmental	120,148	216,115	452,819	829,382
Intragovernmental	778,498	836,658	1,083,610	-
Interest	962,734	620,152	473,738	561,483
Miscellaneous	720,650	996,273	974,270	791,815
Total revenues	<u>19,661,625</u>	<u>22,948,548</u>	<u>25,057,384</u>	<u>27,068,167</u>
<b>Expenditures</b>				
General government	3,038,697	3,296,026	4,401,992	3,202,704
Public safety	8,350,941	10,131,991	11,312,329	12,995,737
Public works	2,875,488	3,778,404	3,878,885	2,052,741
Culture and recreation	n/a	n/a	n/a	2,505,666
Development	n/a	n/a	n/a	1,351,759
Debt service:				
Principal	1,949,622	2,045,000	2,405,000	3,215,000
Interest	2,119,626	2,434,983	2,198,881	2,237,253
Other charges	-	-	-	353,394
Capital outlay	11,646,413	4,239,784	3,269,716	3,588,238
Total expenditures	<u>29,980,787</u>	<u>25,926,188</u>	<u>27,466,803</u>	<u>31,502,492</u>
Excess of revenues over/(under) expenditures	(10,319,162)	(2,977,640)	(2,409,419)	(4,434,325)
<b>Other Financing Sources/(Uses)</b>				
Proceeds from capital leases	-	-	-	-
Proceeds from sale of bonds	4,144,200	4,295,000	11,555,000	19,078,542
Premiums on bonds issued	n/a	n/a	n/a	n/a
Discounts on bonds issued	n/a	n/a	n/a	n/a
Payments to refunding bond escrow agent	-	-	-	(8,234,543)
Transfers in	1,876,160	925,760	1,081,498	2,651,916
Transfers out	(745,835)	(848,260)	(879,999)	(447,531)
Total other financing sources/(uses)	<u>5,274,525</u>	<u>4,372,500</u>	<u>11,756,499</u>	<u>13,048,384</u>
Net change in fund balances	<u>\$ (5,044,637)</u>	<u>\$ 1,394,860</u>	<u>\$ 9,347,080</u>	<u>\$ 8,614,059</u>
Debt service as a percentage of noncapital expenditures	13.6%	17.3%	16.8%	18.4%

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 4

		Fiscal Year									
		2004	2005	2006	2007	2008	2009				
\$	20,621,070	\$	23,538,352	\$	29,954,902	\$	30,089,399	\$	31,065,958	\$	30,906,010
	2,587,990		2,418,182		2,850,027		3,393,874		3,018,734		2,999,281
	1,163,776		994,556		1,288,735		778,007		720,779		499,979
	1,265,001		1,321,381		2,318,143		2,415,006		2,343,594		2,889,691
	1,017,960		1,005,818		1,728,113		2,191,648		2,465,790		2,339,835
	931,636		1,711,827		1,753,744		892,635		1,270,253		381,153
	-		-		-		-		-		-
	402,908		878,622		2,400,651		3,211,947		1,556,897		702,090
	940,014		1,072,547		1,134,831		937,824		992,518		633,877
	<u>28,930,355</u>		<u>32,941,285</u>		<u>43,429,146</u>		<u>43,910,340</u>		<u>43,434,523</u>		<u>41,351,916</u>
	3,208,460		3,493,066		7,029,763		5,396,190		4,059,446		4,047,850
	13,890,075		14,808,481		17,302,986		18,616,295		18,429,503		17,910,586
	2,415,019		2,413,042		2,360,852		8,834,282		4,775,269		7,789,807
	2,856,944		3,327,315		5,116,947		5,171,047		4,462,616		4,151,303
	1,311,215		1,313,779		1,512,154		1,458,834		1,212,987		1,151,720
	3,080,000		3,985,000		4,890,000		7,285,049		5,991,212		5,551,999
	2,522,751		2,692,355		3,506,208		4,783,411		4,400,172		4,044,879
	133,775		703,265		315,607		25,000		-		-
	9,545,691		10,662,429		11,748,134		14,831,198		13,804,949		7,858,484
	<u>38,963,930</u>		<u>43,398,732</u>		<u>53,782,651</u>		<u>66,401,306</u>		<u>57,136,154</u>		<u>52,506,628</u>
	(10,033,575)		(10,457,447)		(10,353,505)		(22,490,966)		(13,701,631)		(11,154,712)
	-		213,956		-		-		39,461		152,925
	5,544,792		41,285,000		21,465,000		1,690,000		-		-
	n/a		318,843		291,917		-		-		-
	n/a		(233,114)		(30,614)		-		-		-
	(4,985,624)		(8,723,648)		-		-		-		-
	3,229,170		3,182,730		2,650,984		7,499,125		7,157,912		7,271,747
	(1,014,528)		(729,457)		(536,360)		(4,082,025)		(3,225,070)		(2,485,272)
	<u>2,773,810</u>		<u>35,314,310</u>		<u>23,840,927</u>		<u>5,107,100</u>		<u>3,972,303</u>		<u>4,939,400</u>
\$	<u>(7,259,765)</u>	\$	<u>24,856,863</u>	\$	<u>13,487,422</u>	\$	<u>(17,383,866)</u>	\$	<u>(9,729,328)</u>	\$	<u>(6,215,312)</u>
	14.7%		17.0%		16.2%		18.2%		18.2%		21.8%

**GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE (UNAUDITED)**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Other</b>	<b>Total</b>
2000	\$ 10,653,840	\$ 2,069,208	-	\$ 12,723,048
2001	12,263,567	2,446,623	-	14,710,190
2002	13,968,939	2,673,082	-	16,642,021
2003	16,303,292	2,767,989	77,481	19,148,762
2004	17,436,453	3,097,455	87,162	20,621,070
2005	19,679,705	3,760,344	98,303	23,538,352
2006	22,385,053	7,458,230	111,619	29,954,902
2007	23,739,045	6,230,025	120,329	30,089,399
2008	25,062,391	5,882,325	121,243	31,065,958
2009	25,027,004	5,666,751	110,779	30,804,534

Source: City of Rowlett - Finance Department

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)  
 LAST TEN FISCAL YEARS**

Fiscal Year	Estimated Market Value		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2000	\$ 1,723,853,440	\$ 93,833,660	\$ 159,491,539	\$ 1,658,195,561	0.64000
2001	1,992,755,840	94,262,590	186,403,152	1,900,615,278	0.64000
2002	2,256,966,560	123,998,760	216,164,020	2,164,801,300	0.64000
2003	2,615,332,420	148,119,230	241,899,279	2,521,552,371	0.64000
2004	2,794,686,350	135,846,450	244,309,008	2,686,223,792	0.64000
2005	3,001,096,970	138,562,630	270,204,525	2,869,455,075	0.67695
2006	3,152,152,570	143,648,500	317,521,416	2,978,279,654	0.74717
2007	3,328,602,160	155,650,970	342,854,454	3,141,398,676	0.74717
2008	3,505,032,790	165,364,960	361,998,133	3,308,399,617	0.74717
2009	3,562,876,777	178,689,105	373,073,104	3,368,492,778	0.74717

Source: Dallas County Tax Office

CITY OF ROWLETT, TEXAS

PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)  
LAST TEN FISCAL YEARS

Fiscal Year	City of Rowlett Direct Rates			Overlapping Rates <sup>(1)</sup>				
				Dallas County Properties				Total Direct & Overlapping Rates
	General Fund	Debt Service Fund	Total City	Dallas County	Dallas County Hospital District	Dallas County Community College District	Garland Independent School District	
2000	0.44373	0.19627	0.64000	0.20170	0.19600	0.05000	1.47840	2.56610
2001	0.44664	0.19336	0.64000	0.20167	0.25400	0.05000	1.40530	2.55097
2002	0.45240	0.18760	0.64000	0.19600	0.25400	0.06000	1.45860	2.60860
2003	0.43313	0.20687	0.64000	0.19600	0.25400	0.06000	1.45800	2.60800
2004	0.46227	0.17773	0.64000	0.20390	0.25400	0.07780	1.55850	2.73420
2005	0.47413	0.20281	0.67695	0.20390	0.25400	0.08030	1.62140	2.83655
2006	0.50178	0.24539	0.74717	0.21390	0.25400	0.08160	1.67010	2.96677
2007	0.47872	0.26845	0.74717	0.21390	0.25400	0.08100	1.54490	2.84097
2008	0.46617	0.28100	0.74717	0.22810	0.25400	0.08040	1.25330	2.56297
2009	0.49467	0.25250	0.74717	0.22810	0.25400	0.08940	1.25330	2.57197

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Rowlett. A typical property tax bill would consist of the City, School District, and County taxes; residents within the City of Rowlett are divided between Dallas and Rockwall counties.

Source: City of Rowlett - Finance Department

Tax rates are applied on each \$100 of assessed value and are levied on 100% of assessed value.

TABLE 7

<b>Rockwall County Properties</b>		
<b>Rockwall County</b>	<b>Rockwall Independent School District</b>	<b>Total Direct &amp; Overlapping Rates</b>
0.353600	1.52110	2.51470
0.353600	1.57850	2.57210
0.350000	1.84000	2.83000
0.350000	1.83720	2.82720
0.350700	1.88000	2.87070
0.350700	1.88000	2.90765
0.350700	1.88000	2.97787
0.350700	1.71000	2.80787
0.350000	1.47000	2.56717
0.375000	1.47000	2.59217

**PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)  
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2009			Taxpayer	2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lake Pointe Medical Center	\$ 46,943,855	1	1.39%	Texas Utilities	\$ 17,767,810	1	1.07%
Texas Utilities/Oncor Electric Co	23,783,970	2	0.71%	Albertson Grocery Company	13,504,730	2	0.81%
Verizon	23,156,580	3	0.69%	Snapdragon Properties	9,151,320	3	0.55%
Wal Mart	23,013,160	4	0.68%	Verizon	8,826,900	4	0.53%
Target Corporation	17,989,470	5	0.53%	Lake Pointe Medical Center	7,632,650	5	0.46%
Home Depot	12,295,360	6	0.37%	Brookshire Grocery Company	6,851,250	6	0.41%
Shafer Plaza LX VII LTD	9,833,480	7	0.29%	Lakepointe Partners	5,635,170	7	0.34%
Gemni Rowlett Crossing LP	9,658,080	8	0.29%	Centex	5,548,890	8	0.33%
Safeway Inc	7,930,370	9	0.24%	Legacy Monterey Homes	5,148,800	9	0.31%
Lakeview Parkview	6,636,500	10	0.20%	Highland Homes	4,421,190	10	0.27%
	<u>\$ 181,240,825</u>		<u>5.38%</u>		<u>\$ 84,488,710</u>		<u>5.10%</u>

Source: Dallas County Tax Office

Source: City of Rowlett 2000 CAFR

**PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	10,610,760	10,489,090	98.85%	86,942	10,576,032	99.67%
2001	12,232,018	11,981,403	97.95%	176,846	12,158,249	99.40%
2002	13,854,728	13,575,094	97.98%	183,093	13,758,187	99.30%
2003	16,137,934	15,767,490	97.70%	232,511	16,000,001	99.15%
2004	17,191,832	16,848,678	98.00%	383,311	17,231,989	100.23%
2005	19,424,633	19,018,687	97.91%	430,069	19,448,756	100.12%
2006	22,257,540	21,757,513	97.75%	230,955	21,988,468	98.79%
2007	23,379,880	22,812,468	97.57%	385,491	23,197,959	99.22%
2008	24,582,645	24,129,517	98.16%	432,572	24,562,089	99.92%
2009	25,022,666	24,529,606	98.03%	598,235	25,127,841	100.42%

Source: City of Rowlett - Finance Department

**CITY OF ROWLETT, TEXAS**

**RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)  
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Capital Leases
2000	\$ 29,820,000	\$ 12,585,000	\$ -	\$ -
2001	33,270,000	11,385,000	-	-
2002	38,045,000	15,760,000	-	-
2003	42,340,000	19,090,000	310,000	-
2004	41,145,000	17,470,000	770,000	-
2005	47,200,000	40,690,000	530,000	174,627
2006	44,325,000	60,350,000	320,000	1,308,775
2007	41,245,000	57,370,000	845,437	1,061,675
2008	38,030,000	55,210,000	260,437	1,086,291
2009	35,175,000	52,975,000	20,000	1,017,655

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: City of Rowlett - Finance Department

TABLE 10

Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
Revenue Bonds	Certificates of Obligation	Capital Leases			
\$ 24,355,000	\$ -	\$ -	\$ 66,760,000	4.15%	\$ 1,500
25,295,000	-	-	69,950,000	4.25%	1,532
23,960,000	-	-	77,765,000	4.55%	1,622
22,520,000	-	179,910	84,439,910	4.77%	1,709
21,185,000	-	160,809	80,730,809	4.23%	1,589
45,015,000	-	47,166	133,656,793	6.39%	2,556
54,220,000	4,815,000	4,457,829	169,796,604	7.66%	3,198
51,035,000	4,695,000	4,245,257	160,497,369	6.82%	2,986
47,665,000	4,535,000	4,014,716	150,801,444	6.14%	2,785
44,560,000	4,365,000	3,773,272	141,885,927	5.56%	2,615

**RATIO OF NET GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Obligation Bonds and Certificates of Obligations</b>	<b>Less: Amounts in Debt Service Fund</b>	<b>Net</b>	<b>Percentage Taxable Assessed Value <sup>(1)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
2000	\$ 42,405,000	\$ 1,011,544	\$ 41,393,456	2.50%	\$ 930
2001	44,655,000	1,175,792	43,479,208	2.29%	952
2002	53,805,000	1,295,017	52,509,983	2.43%	1,095
2003	61,740,000	1,608,700	60,131,300	2.38%	1,217
2004	59,385,000	1,304,239	58,080,761	2.16%	1,143
2005	88,420,000	1,172,787	87,247,213	3.04%	1,668
2006	104,995,000	937,316	104,057,684	3.49%	1,960
2007	99,460,437	566,928	98,893,509	3.15%	1,840
2008	93,500,437	436,794	93,063,643	2.81%	1,719
2009	88,170,000	404,059	87,765,941	2.61%	1,618

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>(1)</sup> See Table 5 for property value data.

<sup>(2)</sup> See Table 15 for population data.

Source: City of Rowlett - Finance Department

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)  
 SEPTEMBER 30, 2009**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Dallas County Properties:</u>			
Debt repaid with property taxes:			
Dallas County	\$ 136,274,000	1.91%	\$ 1,267,348
Dallas County Community College District	387,260,000	1.91%	3,601,518
Dallas County Hospital District	707,542,000	1.91%	6,580,141
Garland Independent School District	403,633,073	15.18%	<u>46,337,077</u>
Subtotal, overlapping debt			57,786,084
City of Rowlett, direct debt			<u>88,170,000</u>
Total direct and overlapping debt			<u>\$ 145,956,084</u>
<u>Rockwall County Properties:</u>			
Debt repaid with property taxes:			
Rockwall County	\$ 60,060,000	9.19%	\$ 5,981,976
Rockwall Independent School District	349,963,101	10.57%	<u>37,866,008</u>
Subtotal, overlapping debt			43,847,984
City of Rowlett, direct debt			<u>88,170,000</u>
Total direct and overlapping debt			<u>\$ 132,017,984</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Rowlett. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Source: Debt outstanding data provided by each governmental unit.

**COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)  
SEPTEMBER 30, 2009**

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As a home rule city, the City of Rowlett is not limited by law in the amount of debt it may issue. The City's Charter (Section 6.04) states:

The City Council shall have the power to levy, for general purposes, an ad valorem tax on real, personal, and mixed property within the territory of the City, not exempt from taxation by the Texas Constitution and the laws of the state, not to exceed a total of one dollar and twenty-five cents (\$1.25) per one hundred dollars (\$100.00) assessed valuation...

The City Charter (Section 7.01) also states:

The City shall have the right and power to borrow money for public purposes by whatever method it may deem to be in the public interest. The City shall have the right and power to issue tax bonds, revenue bonds, and any other evidences of indebtedness for permanent public improvements or for any other public purpose not prohibited by law or this Charter...

Article 11, Section 5 of the State of Texas Constitution states in part:

. . . but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such City...

The tax rate at September 30, 2009, is \$ 0.747173 per \$100 of assessed valuation, with assessed valuation being 100% of appraised value.

Source: City of Rowlett - Finance Department

**PLEDGED-REVENUE COVERAGE - WATER AND SEWER FUND (UNAUDITED)  
LAST TEN FISCAL YEARS**

Fiscal Year	Water and Sewer Charges and Other <sup>(2)</sup>	Less: Operating Expenses <sup>(3)</sup>	Net Available Revenue	Debt Service <sup>(1)</sup>		Coverage
				Principal	Interest	
2000	\$ 10,984,464	\$ 6,654,628	\$ 4,329,836	\$ 1,217,750	\$ 583,043	2.40
2001	11,463,057	6,851,824	4,611,233	1,264,750	571,284	2.51
2002	14,088,657	10,878,762	3,209,895	1,261,053	532,964	1.79
2003	11,702,149	8,580,944	3,121,205	1,251,111	481,319	1.80
2004	16,163,854	9,514,217	6,649,637	1,246,176	417,569	4.00
2005	18,467,908	10,277,087	8,190,821	1,988,500	854,613	2.88
2006	19,778,203	12,618,049	7,160,154	2,711,000	1,092,634	1.88
2007	19,157,633	11,947,291	7,210,342	2,686,053	1,025,084	1.94
2008	19,754,519	11,762,579	7,991,940	2,648,056	962,571	2.21
2009	20,634,778	11,772,634	8,862,144	2,621,176	899,647	2.52

<sup>(1)</sup> Debt service requirements are the average annual requirements.

<sup>(2)</sup> Total revenues excluding interest income and including capital recovery fees.

<sup>(3)</sup> Total expenses excluding depreciation, interest expense, and fiscal charges.

Source: City of Rowlett - Finance Department

**DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)  
LAST TEN FISCAL YEARS**

Fiscal Year	Population <sup>(1)</sup>	Personal Income <sup>(2)</sup>	Per Capita Personal Income <sup>(2)</sup>	School Enrollment <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>	
					Dallas County	Rowlett
2000	44,503	1,610,296,552	36,184	10,631	4.1%	n/a
2001	45,653	1,646,155,874	36,058	10,924	5.0%	n/a
2002	47,950	1,709,465,450	35,651	11,203	7.3%	n/a
2003	49,423	1,770,183,591	35,817	11,186	7.7%	n/a
2004	50,800	1,908,048,000	37,560	11,371	6.9%	n/a
2005	52,300	2,091,477,000	39,990	10,914	5.9%	5.0%
2006	53,100	2,217,933,900	41,769	10,716	5.6%	4.6%
2007	53,750	2,353,981,250	43,795	11,470	4.6%	3.9%
2008	54,150	2,456,873,223	45,372	11,500	4.8%	4.2%
2009	54,250	2,550,021,159	47,005	11,499	7.4%	6.7%

<sup>(1)</sup> North Central Texas Council of Governments.

<sup>(2)</sup> U.S. Department of Commerce: Bureau of Economic Analysis. Per Capita Personal Income represents the Dallas-Plano-Irving, TX Metropolitan Division. 2007 & 2008 are estimated based on prior year changes.

<sup>(3)</sup> Texas Education Agency Standard Reports - Enrollment. Totals include only students attending schools within City of Rowlett boundaries.

<sup>(4)</sup> Texas Workforce Commission (Rowlett specific data is unavailable for years prior to 2005).

**PRINCIPAL EMPLOYERS (UNAUDITED)  
CURRENT YEAR AND NINE YEARS AGO  
SEPTEMBER 30, 2009**

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Garland ISD (City schools only)	1,076	1	3.91%	n/a	1	n/a
Lake Pointe Medical Center	700	2	2.54%	n/a	2	n/a
Wal-mart Supercenter	500	3	1.82%	n/a	3	n/a
City of Rowlett	393	4	1.43%	n/a	4	n/a
Target Corporation	275	5	1.00%	n/a	5	n/a
Senior Care at Lake Pointe	190	7	0.69%	n/a	7	n/a
Rowlett Nursing Home	152	6	0.55%	n/a	6	n/a
H & S Manufacturing	135	8	0.49%	n/a	8	n/a
Store Décor	126	9	0.46%	n/a	9	n/a
Albertson's, Inc.	125	10	0.45%	n/a	10	n/a
	<u>3,672</u>		<u>13.34%</u>	\$ -		<u>0.00%</u>

Source: City of Rowlett - Economic Development Department  
\*2000 not available

**CITY OF ROWLETT, TEXAS**

**FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION/FUND (UNAUDITED)  
LAST TEN FISCAL YEARS**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Function/Program</b>				
General government				
City council	3.50	3.50	3.50	3.50
City manager	3.63	3.88	4.00	3.00
City secretary	3.00	3.00	3.00	3.00
Financial services	21.00	23.13	24.25	27.00
Information technology	2.00	2.00	2.00	3.00
Public information office	-	-	-	3.00
Human resources	3.00	3.00	3.00	3.00
Buildings and grounds	2.50	2.50	3.00	3.00
Public safety				
Police	78.00	83.00	86.00	93.25
Fire	60.75	61.50	64.50	69.00
Municipal court	6.00	6.00	7.00	7.00
Animal services	3.00	3.62	4.00	5.00
Environmental services	2.00	3.00	3.00	4.00
Public works				
Administration & engineering	6.00	7.00	8.00	8.00
Streets	9.00	10.00	10.00	14.00
Fleet services	1.00	1.00	1.00	2.00
Traffic maintenance	2.00	2.00	2.00	2.00
Water and sewer	17.00	19.00	20.00	23.00
Drainage	n/a	n/a	n/a	2.00
Culture and recreation				
Parks administration	2.00	2.00	2.00	2.00
Parks operations	8.00	9.00	9.00	10.00
Community athletics	4.50	4.50	4.50	4.00
Community centre	3.00	3.00	3.00	7.50
Wet zone	1.00	1.00	1.00	19.75
Urban Forestry	-	-	-	1.00
Library services	10.50	11.50	12.00	15.00
Development				
Planning	4.00	7.00	7.00	7.00
Building inspections	4.00	4.00	4.00	5.00
GIS	1.00	1.00	2.00	2.00
Economic development	1.00	1.00	1.00	2.00
<b>Total fte's by Function/Program</b>	<b>262.38</b>	<b>281.13</b>	<b>293.75</b>	<b>353.00</b>
<b>Fund</b>				
General	229.38	245.13	254.75	285.25
Water and sewer	33.00	36.00	39.00	46.00
Drainage	n/a	n/a	n/a	2.00
Wet zone	n/a	n/a	n/a	19.75
Fleet services	n/a	n/a	n/a	n/a
Information technology	n/a	n/a	n/a	n/a
<b>Total fte's by Fund</b>	<b>262.38</b>	<b>281.13</b>	<b>293.75</b>	<b>353.00</b>

Source: City of Rowlett - Finance Department

TABLE 17

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
3.50	3.50	3.50	3.50	3.50	3.50
5.00	5.00	5.00	5.00	4.00	3.00
3.00	3.00	3.00	3.00	3.00	3.00
28.00	28.00	22.50	22.50	22.00	21.00
5.00	5.00	7.00	7.00	5.00	5.00
2.00	3.00	3.00	4.00	6.00	5.00
3.00	5.00	5.00	5.00	3.00	3.00
6.50	6.50	7.50	7.50	6.00	6.00
98.25	98.75	102.75	114.00	114.00	115.00
75.50	75.50	77.00	77.00	77.00	76.00
7.00	7.00	9.00	9.00	8.50	7.50
5.00	5.00	5.00	5.00	5.00	5.00
5.00	4.00	5.00	5.00	5.50	5.50
7.00	10.00	10.00	11.00	9.00	9.00
17.00	17.00	17.00	19.00	17.00	14.00
2.00	2.00	3.00	3.00	3.00	3.00
2.00	2.00	2.00	-	-	-
27.00	27.00	27.00	27.00	23.00	23.00
2.00	2.00	2.00	2.00	2.00	3.00
2.00	2.00	3.00	3.00	4.00	4.00
10.00	10.00	10.00	10.00	12.00	11.50
4.00	4.00	2.00	-	-	-
8.00	8.00	9.00	11.00	9.00	9.50
19.75	19.75	22.00	22.00	22.00	22.00
1.00	1.00	3.00	4.00	-	-
14.50	14.50	15.00	15.00	16.00	16.50
6.00	7.00	7.00	7.00	5.00	5.00
5.00	5.00	5.00	5.00	4.00	4.00
2.00	2.00	3.00	3.00	2.00	2.00
2.00	2.00	2.00	2.00	2.00	2.00
<b>378.00</b>	<b>384.50</b>	<b>397.25</b>	<b>411.50</b>	<b>392.50</b>	<b>387.00</b>
305.25	308.75	341.25	362.50	350.50	343.00
51.00	54.00	44.00	37.00	32.00	33.00
2.00	2.00	2.00	2.00	2.00	3.00
19.75	19.75	n/a	n/a	n/a	n/a
n/a	n/a	3.00	3.00	3.00	3.00
n/a	n/a	7.00	7.00	5.00	5.00
<b>378.00</b>	<b>384.50</b>	<b>397.25</b>	<b>411.50</b>	<b>392.50</b>	<b>387.00</b>

**CITY OF ROWLETT, TEXAS**

**OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
<b>Public Safety</b>				
Number of police employees	78	83	86	93
Number of citations	11,716	14,421	12,712	11,099
Number of fire employees	61	62	65	69
Number of fire calls	1,484	1,087	1,039	1,030
Number of EMS calls	1,582	1,753	1,949	1,986
Fire inspections	1,063	840	998	873
<b>Public Works</b>				
Asphalt replaced (tons)	n/a	n/a	232	592
Concrete placed (cubic yards)	n/a	n/a	201	555
Concrete pavement (sq ft)	n/a	n/a	6,490	10,679
<b>Culture and recreation</b>				
Volumes in collection	40,140	52,342	56,785	62,424
<b>Development</b>				
Permits issued	818	844	703	656
<b>Water and Sewer</b>				
Number of water customers	15,324	15,457	17,068	18,001
Average daily water consumption	7,392,181	7,302,000	7,076,667	7,641,199
Peak daily water consumption	21,983,000	21,317,000	15,514,000	18,390,000
Number of sewer customers	14,828	14,756	16,577	17,483
Average daily sewer usage	3,158,745	3,155,937	4,117,000	3,471,326

Source: City of Rowlett Departments

**TABLE 18**

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
98	99	103	114	114	115
11,360	12,624	10,245	19,430	18,507	22,587
76	76	77	77	77	76
1,075	1,096	1,451	1,403	1,361	1,160
2,014	2,307	2,378	2,305	2,496	2,421
1,370	1,237	1,232	1,125	1,365	1,166
2,071	1,210	1,839	3,034	3,270	1,457
698	443	191	200	3,184	14,313
18,870	18,506	7,296	7,522	171,989	495,007
71,701	74,956	76,237	85,374	93,451	100,480
473	329	326	125	97	52
18,236	18,400	19,270	19,019	19,006	19,354
7,321,447	7,908,956	8,272,239	5,660,705	7,422,493	6,363,270
15,473,000	17,806,000	17,221,000	13,257,000	17,373,000	16,238,000
17,247	17,504	18,199	18,002	18,456	18,388
4,304,359	4,792,605	4,798,498	4,005,619	3,529,445	3,720,899

**CITY OF ROWLETT, TEXAS**

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)  
LAST TEN FISCAL YEARS**

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<b>Function/Program</b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
Public Safety				
Police stations	1	1	1	1
Marked Police units	13	13	13	15
Fire stations	3	3	3	3
Public Works				
Miles of streets	441	451	462	466
Miles of alleys	n/a	n/a	n/a	n/a
Culture and recreation				
Parks acreage - developed	256	256	256	256
Parks acreage - undeveloped	258	258	258	258
Libraries	1	1	1	1
Water and Sewer				
Water mains (miles)	175	220	240	240
Fire hydrants	1,451	1,545	1,564	1,593
Sewer mains (miles)	165	200	200	200

Source: City of Rowlett Departments

TABLE 19

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<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	1	1	1	1	1
15	16	16	16	21	24
3	4	4	4	4	4
472	478	480	551	534	534
103	106	151	105	105	105
536	604	607	607	607	607
274	379	376	376	376	377
1	1	1	1	1	1
246	259	236	245	253	253
1,604	1,865	1,875	1,911	1,948	2,012
210	232	226	234	235	235

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## **FEDERAL AWARDS SECTION**



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

To the Honorable Mayor and  
Members of City Council  
City of Rowlett, Texas

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rowlett, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 10, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses as defined above.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the management, audit committee, the City's Council, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

March 10, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and  
Members of City Council  
City of Rowlett, Texas

**Compliance**

We have audited the compliance of the City of Rowlett, Texas, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City of Rowlett's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

## Internal Control Over Compliance

The management of the City of Rowlett is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's Council, audit committee, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

March 10, 2010

**CITY OF ROWLETT, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2009**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Pass-through Number	Federal Expenditures
<b>Federal Awards</b>			
<b><u>U. S. Department of Housing and Urban Development</u></b>			
Passed through Dallas County:			
Community Development Block Grant	14.218	B-07-MC-48-0047	\$ <u>162,232</u>
Total Passed through Dallas County			<u>162,232</u>
Total U. S. Department of Housing and Urban Development			<u>162,232</u>
<b><u>U. S. Department of Justice</u></b>			
Organized Crime Drug Enforcement Task Force	16.xxx	SW-TXE-Various	9,590
Federal Seizure Forfeitures	16.000	N/A	304,719
Bureau of Justice Assistance Bulletproof Vest Partnership	16.607	None	<u>5,120</u>
Total U. S. Department of Justice			<u>319,429</u>
<b><u>U. S. Department of Transportation</u></b>			
Passed through the Texas Department of Transportation:			
Highway Planning and Construction	20.205	588XF6148	10,000
Traffic Safety Program	20.600	S-MYG-YR1-0132	69,534
Traffic Safety Equipment and/or Training	20.602	2009-RowlettPD-CIOT-0030	11,990
Traffic Safety Equipment and/or Training	20.602	2009-RowlettPD-CIOT-0030	<u>4,000</u>
Total Passed through Texas Department of Transportation			<u>95,524</u>
Total U. S. Department of Transportation			<u>95,524</u>
<b><u>U. S. Department of Homeland Security</u></b>			
Passed through the Governor's Division of Emergency Management (GDEM):			
Citizens Corps Program 2006	97.053	6CCP8113	57
Citizens Corps Program 2008	97.053	2008-GE-T8-0034	4,188
2007 Homeland Security Grant Program	97.073	2007-GE-T7-0024	12,234
2008 Homeland Security Grant Program	97.073	2008-GE-T8-0034	<u>3,990</u>
Total Passed through the Governor's Division of Emergency Management (GDEM)			<u>20,469</u>
Total U. S. Department of Homeland Security			<u>20,469</u>
Total Expenditures of Federal Awards			<u>\$ 597,654</u>

**CITY OF ROWLETT, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2009**

**1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards to the City of Rowlett, Texas (the "City"). The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

**CITY OF ROWLETT, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**Summary of Auditors' Results**

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	None reported
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	None reported
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	No
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The City was classified as a high-risk auditee in the context of OMB Circular A-133.
Major federal program	Federal Forfeitures, CFDA #16.000

**Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards**

None

**Findings and Questioned Costs for Federal Awards**

None

**CITY OF ROWLETT, TEXAS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED SEPTEMBER 30, 2009**

**Findings Relating to the Financial Statements Which are  
Required to be Reported in Accordance With Generally  
Accepted Government Auditing Standards**

**Finding 2008-1:**

Condition: During our testing and documentation of the payroll process, we noted that the City had not properly filed and paid the liabilities for the Employer's Quarterly Federal Tax Return (Form 941) filed with the IRS and for the Texas Workforce Commission's (TWC) Quarterly State Unemployment Report for periods including the first quarter of fiscal year 2008.

Effect: The City was required to pay significant penalties and interest assessed by the state and federal government for noncompliance with laws and regulations.

Cause: The City did not have adequate procedures in place to ensure payroll tax payments were being made and forms were being filed properly and on a timely basis.

Recommendation: We recommend the City work closely with the IRS to ensure all matters have been appropriately addressed. Additionally, the City needs to monitor that adequate procedures have been put in place to ensure future payments and forms are filed on a timely basis.

Current Status: This matter has been resolved.

(continued)

**CITY OF ROWLETT, TEXAS**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES  
(Continued)  
YEAR ENDED SEPTEMBER 30, 2009**

**Findings Relating to the Financial Statements Which are  
Required to be Reported in Accordance With Generally  
Accepted Government Auditing Standards (Continued)**

**Finding 2008-2:**

Condition: We determined that the individuals in charge of processing transactions are able to edit and modify master files, those in charge of processing transactions and accepting payment for transactions are able to delete and modify transactions without adequate review or approvals, and IT has full access to all functions in the accounting software.

Effect: A lack of strong segregation of duties increases the risk that errors, whether intentional or not, will be identified on a timely basis. Accounting system access needs to be designed in such a manner that those individuals in charge of processing transactions do not have the ability to delete or modify transactions or master files, at least not without proper review and approval procedures in place.

Cause: System access had not been properly designated and monitored to prevent employees from having access to applications that impaired the segregation of duties put in place by the City.

Recommendation: We recommend the City review and modify employee access to the system to ensure that individuals have access to only those systems and functions that are necessary for them to complete their job requirements and limit access to functions that cause segregation of duties issues.

Current Status: This matter has been resolved.

**(continued)**

**CITY OF ROWLETT, TEXAS**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES**

**(Continued)**

**YEAR ENDED SEPTEMBER 30, 2009**

**Findings Relating to the Financial Statements Which are  
Required to be Reported in Accordance With Generally  
Accepted Government Auditing Standards** (Continued)

**Finding 2008-3:**

Condition:

We noted instances where grant revenues were not being properly recorded. The grant revenues were being deferred when revenues had actually or already been earned. This led to initial grant expenditures, reported to us by the City, being understated. We also found an instance where documentation could not be provided for grant expenditures and no support could be provided that expenditures were submitted for reimbursement.

Effect:

Lack of internal controls over grants could lead to errors or omissions in the financial reporting of grants and could lead to compliance matters not being appropriately addressed. Additionally, if reports are not filed correctly or timely with granting agencies, the City would risk not being reimbursed for expenditures.

Cause:

The City currently does not have proper controls in place to ensure that grants are being properly recorded and submitted for reimbursement on a timely basis.

Recommendation:

Often, cities utilize one individual who is primarily responsible for overseeing the reporting and compliance functions of these awards. One benefit of centralized grant management is the City would have an individual who is familiar with grant processes as well as compliance requirements. This would reduce the potential for errors and omissions in financial reporting of grants and the City would be less likely to have noncompliance with grant requirements.

Current Status:

This matter has been resolved.