



*Community Park*

*Rowlett*  
TEXAS

City of Rowlett, Texas  
Comprehensive Annual Financial Report  
For Fiscal Year Ended September 30, 2010

**CITY OF ROWLETT, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended September 30, 2010**



Prepared by

Department of Financial Services

Brian Funderburk, Assistant City Manager/Chief Financial Officer  
Ann Honza, Director of Financial Services  
George Vadakin, Accounting Manager

**CITY OF ROWLETT, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2010**

**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>	13
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets	27
Statement of Activities	28
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet-Governmental Funds	30
Reconciliation of the Statement of Net Assets of Governmental Funds to the Balance Sheet	31
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Proprietary Fund Financial Statements:	
Statement of Net Assets-Proprietary Funds	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets-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	68
Notes to Required Supplementary Information	69
 <b>Other Supplementary Information:</b>	
Non-Major Governmental Funds:	
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	74
Budgetary Comparison Schedule-Debt Service Fund	76
Budgetary Comparison Schedule-Impact Fee Fund	77
Budgetary Comparison Schedule-Police Seizure Fund	78

**CITY OF ROWLETT, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2010**

**TABLE OF CONTENTS - (continued)**

	<u>Page</u>
<b>Other Supplementary Information (continued):</b>	
Budgetary Comparison Schedule-Traffic Safety Fund	79
Budgetary Comparison Schedule-Court Fees Fund	80
Budgetary Comparison Schedule-Grant Fund	81
Budgetary Comparison Schedule-Golf Course Fund	82
Budgetary Comparison Schedule-Tax Increment Financing Fund	83
Budgetary Comparison Schedule-Other Special Revenue Fund	84
<b><u>STATISTICAL SECTION (Unaudited)</u></b>	
Net Assets – Table 1	86
Changes in Net Assets – Table 2	88
Fund Balances, Governmental Funds – Table 3	90
Changes in Fund Balances, Governmental Funds – Table 4	92
Tax Revenue by Source – Table 5	94
Assessed Value and Estimated Actual Value of Taxable Property – Table 6	95
Property Tax Rates/Assessment Ratios – All Direct and Overlapping Governments – Table 7	96
Principal Taxpayers – Table 8	98
Property Tax levies and Collections – Table 9	99
Ratio of Outstanding Debt by Type – Table 10	100
Ratio of General Bonded Debt Outstanding – Table 11	102
Computation of Direct and Overlapping Debt – Table 12	103
Computation of Legal Debt Margin – Table 13	104
Schedule of Revenue Bond Coverage – Water & Sewer Bonds – Table 14	105
Demographic and Economic Statistics – Table 15	106
Principal Employers – Table 16	107
Full-Time Equivalent City Government Employees by Function – Table 17	108
Operating Indicators by Function / Program – Table 18	110
Capital Asset Statistics by Function / Program – Table 19	112
<b><u>FEDERAL AND STATE AWARDS SECTION</u></b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	115
Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State of Texas Uniform Grant Maintenance Standards	117
Schedule of Expenditures of Federal and State Awards	119
Notes to Schedule of Expenditures of Federal and State Awards	122
Schedule of Findings and Questioned Costs	123



## **INTRODUCTORY SECTION**



March 10, 2011

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

**Mayor**  
John E. Harper  
**Mayor Pro Tem**  
Todd Gottel  
**Deputy Mayor**  
**Pro Tem**  
Patrick Jackson

**City Council**  
Donna Davis  
Michael Gallops  
Chris Kilgore  
Doug Phillips

**City Manager**  
Lynda K. Humble

**ROWLETT VISION~**  
*A unique community  
where families enjoy  
life and feel at home*

**Rowlett.com**  
City of Rowlett  
4000 Main Street  
PO Box 99  
Rowlett, TX  
75030-0099

972.463.CITY  
972.412.6118 Fax

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the City of Rowlett, Texas for the year ended September 30, 2010. 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, 2010. 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 54,500. 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 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 Financial Services 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.

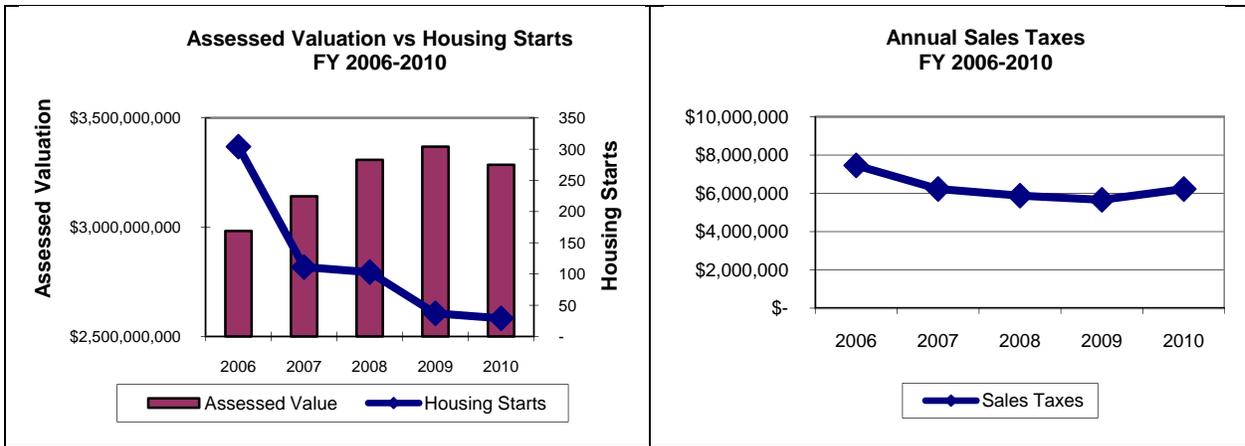
It is possible to amend the budget with City Council action to provide for any emergency items that were unforeseen during the regular budget process. Most unexpended appropriations lapse at year-end; however, the City's financial policies specify that funds budgeted for capital purposes automatically 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 late 2012. In 2010, the City was ranked in the Top 25 "*Best Places To Live*" by Money Magazine.

The economic slowdown which began in 2007, accelerated in 2008 and 2009 remains with us in 2010. Economists are now suggesting that there is a "new normal" and our current economic challenges are here to stay for the next five to ten years. Because this economic condition is likely to last for the next five years at least, it is no longer prudent to make economic decisions in one-year increments hoping next year gets better. Staff has approached the budgeting process from a much different and more strategic perspective going forward than in the past. Shrinking revenues create a gap between what the City can afford to pay and what the citizen expect to receive. The main focus has become sustainability, which is defined as planning for and providing the appropriate level of service, quality of life, and public safety that can be consistently maintained within the available resources. The gap between available revenues and expected services needs to be addressed in every aspect of how the City does business and will be the challenge for future decisions and budgets. Beginning with the 2011 budget process the City has embarked on a five year financial planning model that allows us to see how the decisions we make today will impact our future.

City-wide, our average annual unemployment rate increased from 6.7% to 8.0% for the year comparing well with the statewide average of 8.2%, the Metroplex average of 8.3%, 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 6.4%. Sales tax collections increased by 9.9% over the previous year primarily due to increased taxable sales for a significant developer in which 90% of the taxes are rebated back to the developer. When taking into account the increase in the rebates, net sales taxes actually decreased 0.2%. New residential building construction in Rowlett continued to decline in the current year from 37 in 2009 to 29 in 2010. Commercial permits decreased slightly from 10 in 2009 to 2 in 2010. The value of this new construction, along with other additions, added an estimated \$9.1 million of new taxable value to our tax rolls for the upcoming year, down 76.8% from the previous year's increased value of \$39.2 million. While there has been some interest on the part of the development community to begin to develop new home subdivisions and additional commercial projects, there has been nothing approved that suggest there will be significant new construction added in 2011. Overall, this trend is 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. Estimated data for 2011 suggests a 2% reduction in assessed valuation further eroding assessed valuation an additional \$65.5 million. These factors, although not overly positive provide the cornerstone for developing the budget and operating plan for the upcoming year and may be one of the indicators of the "new normal".



Five Year trend of Housing Starts to Assessed Valuation

Five Year trend of Sales Tax Collections

The fiscal year 2011 budget represents the first year of implementation of the Five Year Sustainability Financial Plan. All decisions regarding revenue projections follow the same fiscally conservative approach that was utilized in the 2010 budget. Expenditures were evaluated based from the perspective of organizational sustainability. For the sixth consecutive year, the property tax rate will be unchanged at \$0.747173 per \$100 of assessed valuation. Accommodating a flat tax rate was a significant challenge given an estimated 2.0% reduction in taxable property values, and reduced resources virtually across the board. As a result, the total fiscal year 2011 adopted budget is \$83.1 million. This is an increase of \$2.9 million or 3.7% compared to the 2010 approved budget of \$80.2 million. The main reason for the increase is the addition of a new fund entitled "Employee Health Benefits Fund", which as an internal service fund "double counts" expenditures on a budget basis by \$3.1 million. If the internal service fund "double counting" was excluded from consideration, the 2011 budget would reflect an overall reduction of \$0.2 million or 0.2%. This budget and those that follow will continue to utilize the principles of the Five Year Sustainability Financial Plan and the challenges facing the City during these challenging economic times.

**Relevant Financial Policies**

The City has established reserve policies for its' operating funds. These policies were amended during the current year. The established reserve policies are as follows:

<u>Fund Type</u>	<u>Reserve Balance Requirement</u>	<u>Reserve Balance Requirement Adopted September 21, 2010</u>
<b>Government</b>		
General Fund	10%	13%
Golf Fund	N/A	One year Debt Service
<b>Proprietary</b>		
Water and Sewer Fund	25%	20%
Drainage Fund	10%	10%
Refuse Fund	5%	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**

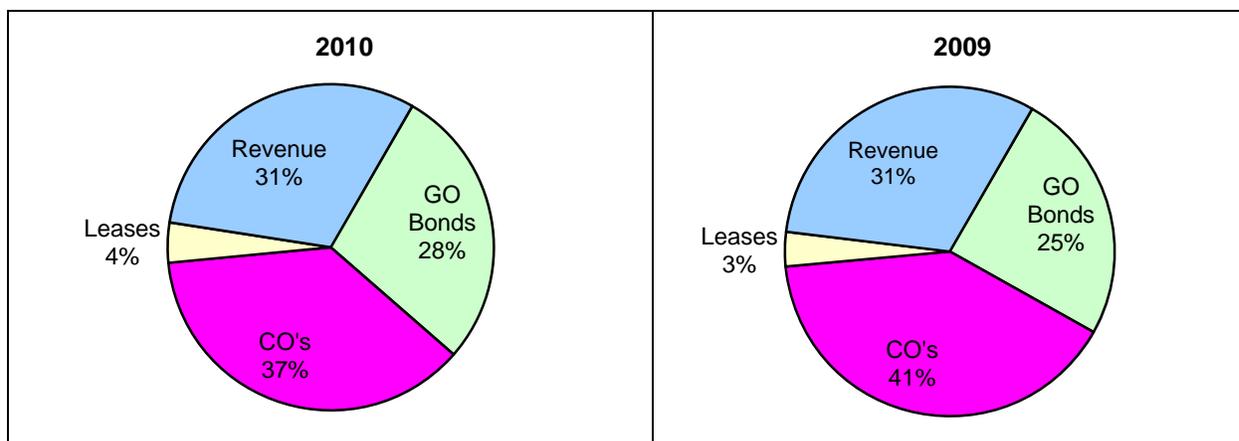
**For the Year.** During fiscal year 2009-2010, the City completed and capitalized \$15.9 million including Kenwood Heights Phase III street, water and sewer, and drainage improvements, Rowlett Road Reconstruction Phase III street and water improvements, Princeton Road Replacement street and water improvements. Much of the City's strategic focus over the

past few years has been on road construction and system improvements as we move toward the end of construction of the President George Bush Turnpike and DART Light Rail Station.

**For the Future.** For fiscal year 2011, the City adopted a Five Year Capital Improvements Plan (“CIP”) totaling \$70.5 million encompassing a wide variety of buildings, equipment and infrastructure construction projects. Significant projects include \$12.0 million for the Merritt Road Interconnector; \$4.6 million for PGBT utilities, \$7.5 million for miscellaneous concrete and asphalt improvements for roadways below the pavement condition index of 60; \$4.7 million for alley improvements, \$5.6 million for waterline replacements, \$1.6 million for water tank refurbishing, \$4.2 million for an elevated water tank, \$1.9 million for sewer line replacement, 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 \$15.1 million in fiscal years 2011-2013 is projected to come from federal/state/local grants.

The City has not gone out to the bond market for new financing since fiscal year 2006. The refundings that occurred in 2010 were done primarily to reduce interest rates. Evident in the charts below is the change in the mix of debt between GO Bonds and CO’s due to the refunding. The property tax rate has remained 0.747173 per \$100 of assessed valuation for the past five 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 2012-2013; the City will carefully measure and prioritize all of its options and seek approval for its needs.

At September 30, 2010, the City had various debt issues outstanding totaling \$133.8 million exclusive of premiums, discounts or deferred losses. Of this total, \$84.8 million is supported by a combination of ad valorem taxes, developer contributions and lease payments. Revenues of the Water and Sewer Enterprise Fund support \$44.8 million and the Drainage Fund support the remaining \$4.2 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 AA- and revenue bonds at A. In addition, Moody’s Investors Service rated the City as Aa2 on general obligation bonds and Aa3 for revenue bonds. These ratings are indicative of sound financial principles and practices.

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, 2009. This is the sixth 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, 2009. 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 financial services 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,



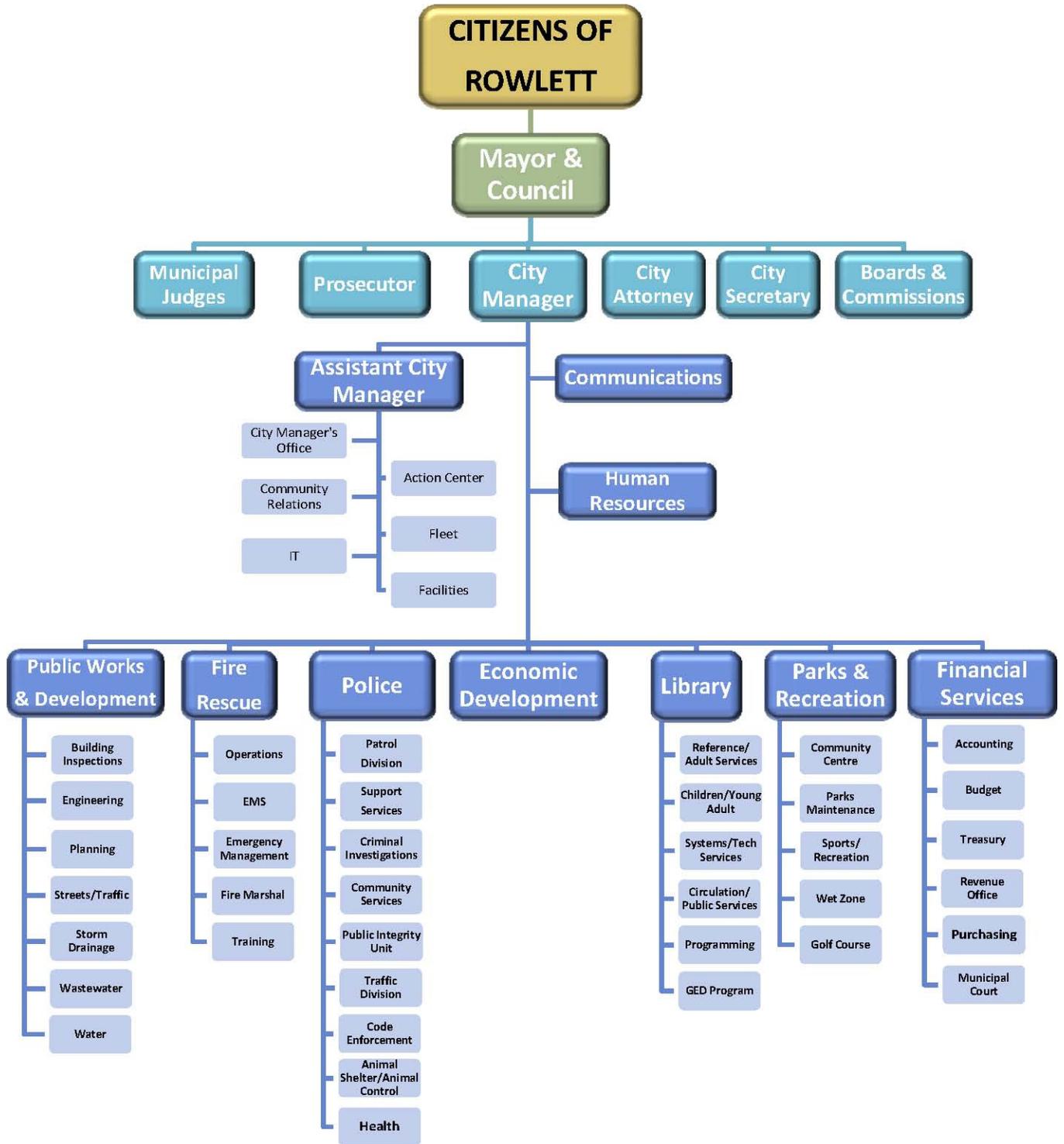
Lynda Humble  
City Manager



Brian Funderburk  
Assistant City Manager/Chief Financial Officer



Ann Honza  
Director of Financial Services



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

**CITY COUNCIL**

John E. Harper	Mayor
Todd Gottel	Mayor Pro-tem
Patrick Jackson	Deputy Mayor Pro-tem
Donna Davis	Councilmember
Chris Kilgore	Councilmember
Doug Phillips	Councilmember
Michael Gallops	Councilmember

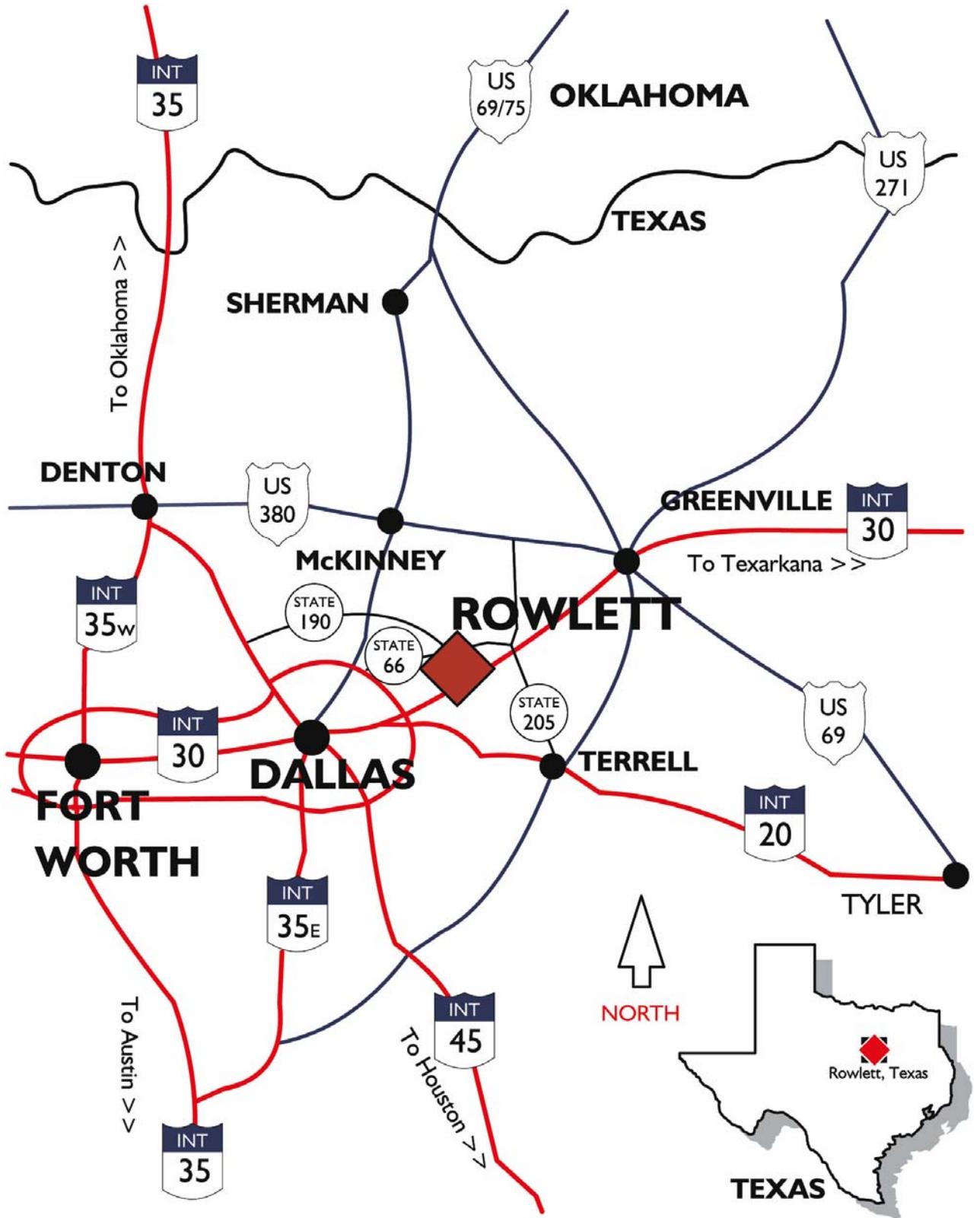
**APPOINTED OFFICIALS**

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

**MANAGEMENT TEAM**

Brian Funderburk	Assistant City Manager/CFO
Ben White	Economic Development
Ann Honza	Financial Services
George Harris	Fire Rescue
Jermel Stevenson	Parks and Recreation
Matt Walling	Police
Shante' Jordan	Human Resources
Vacant	Public Works/Development
Vacant	Library

# 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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2011, 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule – General Fund on pages 15 through 23 and 68 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rowlett, Texas' basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 financial statements. The combining and individual nonmajor fund financial statements and schedules and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

March 14, 2011

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

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**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2010**  
(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, 2010. 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, 2010 by \$115.2 million (net assets). Of this amount, \$13.4 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 \$0.003 million or 0.007 percent as a result of this year's operations. Program revenues increased \$1.8 million due principally to increased capital grants. General revenues declined \$0.6 million primarily as a result of lower property tax revenue, lower interest income due to spending down bond funds and lower interest rates, partially offset by an increase in sales tax revenues. Overall operating expenses decreased \$0.2 million with public safety increasing almost \$0.9 million and culture and recreation increasing \$0.2 million offset by decreases in other functional areas including interest on long term debt. Net assets of the City's business type activities decreased by \$2.2 million or 2.9 percent. This decrease is from a combination of factors. Water revenues increased \$0.4 million on a slightly reduced volume attributable to a pass through rate increase; sewer charges increased approximately \$0.4 million due to slightly decreased flows and a pass through rate increase; and refuse charges changed only slightly. Payment penalties increased only slightly which was expected with the introduction of new payment options. Capital contributions and grants decreased \$1.3 million reflective of the general downturn in development and construction. Contractual services and maintenance and repairs increased \$0.3 million, personal services decreased almost \$0.1 million due primarily to vacancies.
- As of September 30, 2010, the City's governmental funds reported combined ending fund balances of \$23.9 million, a decrease of \$3.5 million from the prior year, primarily due to spending down \$10.1 million in bond construction fund and cash funds for various repairs and capital improvements. Of this amount, \$7.1 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 \$6.8 million or approximately 21.5 percent of total general fund expenditures.
- The City's total bonded debt for governmental activities decreased by \$5.1 million during the current fiscal year. Total bonded debt for enterprise funds decreased by \$6.7 million during the fiscal year ended September 30, 2010. The City issued General Obligation Refunding Bonds, Series 2010 in the amount of \$10.8 million and General Obligation Refunding Bonds, Taxable Series 2010A in the amount of \$1.2 million to advance refund previously outstanding bonds.

**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.

**City of Rowlett, Texas**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2010**

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (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 eleven 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 eight 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.

**City of Rowlett, Texas**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2010**

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 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.

**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 \$115.2 million as of September 30, 2010. 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 \$75.0 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 2010</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2009</b>
Current and other assets	\$ 41,011	\$ 34,889	\$ 33,042	\$ 38,455	\$ 74,053	\$ 73,344
Capital assets	105,272	105,093	92,731	92,343	198,003	197,436
<b>Total assets</b>	<b>146,283</b>	<b>139,982</b>	<b>125,773</b>	<b>130,798</b>	<b>272,056</b>	<b>270,780</b>
Current liabilities	15,380	11,241	7,413	6,498	22,793	17,739
Noncurrent liabilities	88,695	86,530	45,334	49,068	134,029	135,598
<b>Total liabilities</b>	<b>104,075</b>	<b>97,771</b>	<b>52,747</b>	<b>55,566</b>	<b>156,822</b>	<b>153,337</b>
<b>Net assets:</b>						
net of related debt	33,070	33,707	64,417	65,577	97,487	99,284
Restricted	1,148	911	3,157	3,137	4,305	4,048
Unrestricted	7,990	7,593	5,452	6,518	13,442	14,111
<b>Total net assets</b>	<b>\$ 42,208</b>	<b>\$ 42,211</b>	<b>\$ 73,026</b>	<b>\$ 75,232</b>	<b>\$ 115,234</b>	<b>\$ 117,443</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, 2010**

	(in Thousands)					
	Governmental Activities		Business-type Activities		Total Government	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Revenues:						
Program revenues:						
Charges for services	\$ 6,091	\$ 5,786	\$ 27,396	\$ 26,341	\$ 33,487	\$ 32,127
Operating grants and contributions	485	348	-	-	485	348
Capital grants and contributions	1,533	175	21	63	1,554	238
General revenues:					-	-
Property taxes	24,650	25,255	-	-	24,650	25,255
Sales taxes	6,228	5,667	-	-	6,228	5,667
Other taxes	60	111	-	-	60	111
Investment income	232	702	214	747	446	1,449
Other	3,442	3,515	-	-	3,442	3,515
Total revenues	<u>42,721</u>	<u>41,559</u>	<u>27,631</u>	<u>27,151</u>	<u>70,352</u>	<u>68,710</u>
Expenses:						
General government	4,812	5,235	-	-	4,812	5,235
Public safety	20,244	19,372	-	-	20,244	19,372
Public works	12,747	12,719	-	-	12,747	12,719
Culture and recreation	5,139	4,926	-	-	5,139	4,926
Development	845	1,220	-	-	845	1,220
Interest on long-term debt	3,562	4,089	-	-	3,562	4,089
Water and sewer	-	-	19,293	18,502	19,293	18,502
Drainage	-	-	2,677	1,608	2,677	1,608
Refuse	-	-	3,242	3,287	3,242	3,287
Total expenses	<u>47,349</u>	<u>47,561</u>	<u>25,212</u>	<u>23,397</u>	<u>72,561</u>	<u>70,958</u>
Increase/(decrease in net assets before transfers	(4,628)	(6,002)	2,419	3,754	(2,209)	(2,248)
Transfers	4,625	929	(4,625)	(929)	-	-
Increase/(decrease) in net assets	(3)	(5,073)	(2,206)	2,825	(2,209)	(2,248)
Net assets, beginning	42,211	47,284	75,232	72,407	117,443	119,691
Net assets, ending	<u>\$ 42,208</u>	<u>\$ 42,211</u>	<u>\$ 73,026</u>	<u>\$ 75,232</u>	<u>\$ 115,234</u>	<u>\$ 117,443</u>

**Governmental Activities**

Total revenues for governmental activities, exclusive of transfers, was \$42.7 million in fiscal year 2010, up 3.8 percent from the previous year, primarily in increased capital grants and contribution, and sales tax income. There were modest decreases in property taxes and investment income. Of this total, the most significant revenue source is property tax revenues which represent \$24.7 million or 57.7 percent of the total. The most significant governmental expense for the City was in providing public safety for the community, which incurred expenses of \$20.2 million, or 42.8 percent of total expenses. These expenses were partially offset by revenues collected from a variety of sources, with the largest being from court fines totaling nearly \$2.0 million. Depreciation for all governmental capital assets totaled \$7.3 million representing 15.5 percent of the total.

**City of Rowlett, Texas  
Management's Discussion and Analysis (continued)  
September 30, 2010**

**Business-type Activities**

Revenues of the City's business-type activities were \$27.6 million for the fiscal year ending September 30, 2010, up 1.8 percent. Water and sewer charges account for \$20.7 million of this amount or 75.4 percent. Total operating expenses were \$25.2 million of which the Water and Sewer Enterprise accounted for \$19.3 million or 76.5 percent. Total net assets for business-type activities decreased \$2.2 million attributable primarily to increased operating expenses and decreased capital contributions. Changes in net assets for the Water and Sewer, Drainage, and Refuse were (\$2.2 million), (\$.09 million), and \$.01 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 \$23.9 million. Approximately 29.8 percent of this total amount, \$7.1 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 \$5.8 million, capital projects of \$9.9 million, or other items totaling \$1.1 million. The fund balance for all governmental funds decreased by \$3.5 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 \$191,337 increase in fund balance this fiscal year; however, this was changed to an increase of \$31,190 with the final amended budget due in part to reduced revenue expectations and overall slightly increased departmental operating budgets. Differences between the original and final amended budget were relatively minor with decreases in revenue projections not quite equaling the increases in the departmental operating budgets. On the expenditure side, an increase in general government expenditures was slightly higher than decreases in other functional areas. The environment in which this budget came together was one of expected declining local and national economic conditions with expectations that the economy could decline.

Ultimately, revenues did exceed expectations from the final estimate by \$1,256,957 and, expenditures savings surpassed expectations, through aggressive management, by \$319,951. As a result, the net increase in the fund balance in the General Fund including funding for a new capital lease was \$2.5 million better than the increase projected in the final amended budget.

Revenues in the Debt Service Fund, exclusive of transfers decreased by \$0.4 million primarily as a result of decreasing the portion of the tax rate dedicated for debt service by 0.7 cents. This change was necessary to match a \$0.4 million decrease in debt service.

The Capital Projects Fund expended \$10.1 million in fiscal year 2010, a decrease from 2009 expenditures of \$11.3 million primarily due to the completion of several significant projects in the prior year. Revenues increased by \$0.4 million primarily due to increased grant income. The City did not issue any new bonds for capital projects in 2010 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, and Drainage Fund that make up the proprietary funds.

The Water and Sewer, Drainage, and Refuse Enterprises recorded changes in net assets of (\$2.2) million, \$0.1 million, and (\$0.1) million respectively. The decrease in net assets in the Water and Sewer Fund was due primarily from nonoperating revenues and expenses. Operating income remained relatively unchanged from the prior year with increases in operating revenues primarily services charges, offset by increases in operating expenses, primarily system improvements, repair and maintenance and contractual services. Investment income

**City of Rowlett, Texas**  
**Management's Discussion and Analysis (continued)**  
**September 30, 2010**

was approximately \$0.5 Million lower than the previous year and transfers to other funds to support capital projects increased \$1.1 million. Capital contributions decreased by approximately \$0.3 million.

The increase in net assets in the Drainage fund is primarily due to an increase in transfers in from the Water and Sewer fund of fixed assets from joint capital projects. Operating revenues remained relatively flat from the prior year with the increase from operating revenue offset by the increase in operating expenses. The decrease in net assets for the Refuse fund was primarily due to an increase in the transfer to the Capital Projects fund to provide resources for the alley rehabilitation project. Increased revenues reflect the rate surcharge for fuel but are offset by the increased charges from the service provider.

**CAPITAL ASSETS**

At the end of the fiscal year 2010, the City had \$198.0 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 increase (including additions net of depreciations and disposals) of 0.3 percent over the prior fiscal year.

<b>City of Rowlett</b>						
<b>Capital Assets at Year End</b>						
<b>(in Thousands)</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2009</u>
Land	\$ 25,897	\$ 25,897	\$ 511	\$ 511	\$ 26,408	\$ 26,408
Buildings and improvement	44,638	44,443	1,364	1,364	46,002	45,807
Machinery and equipment	12,208	10,732	6,900	6,995	19,108	17,727
Construction in progress	3,492	5,278	4,612	3,793	8,104	9,071
Infrastructure	102,632	97,635	137,702	133,859	240,334	231,494
Total	<u>188,867</u>	<u>183,985</u>	<u>151,089</u>	<u>146,522</u>	<u>339,956</u>	<u>330,507</u>
Accumulated depreciation	<u>(83,595)</u>	<u>(78,892)</u>	<u>(58,358)</u>	<u>(54,179)</u>	<u>(141,953)</u>	<u>(133,071)</u>
Total Capital Assets	<u>\$ 105,272</u>	<u>\$ 105,093</u>	<u>\$ 92,731</u>	<u>\$ 92,343</u>	<u>\$ 198,003</u>	<u>\$ 197,436</u>

This year's major construction projects completed included:

Kenwood Heights Ph III-Street Improvements	\$3,806
Rowlett Rd Recon Ph III Street Improvements	1,924
Princeton Rd Replacement-Street Improvements	1,532
Princeton Rd Replacement-Water Improvements	1,432
Kenwood Heights Ph III-Sewer Improvements	1,038
Rowlett Rd Recon Ph III Water Improvements	1,017
Princeton Rd Replacement-Drainage Improvements	747
Delia Street Improvements CDBG	687
Kenwood Heights Ph III-Water Improvements	668
Kenwood Heights Ph III-Drainage Improvements	614
Fire Truck 2010 Typhoon Pumper	441
Fire Truck 2010 Typhoon Pumper	441
Scenic Dr (Shippman To Heritage)-Street Improvmts	364
Rowlett Rd (Miller To Lake Ray Hubbard)-Street Improvements	242

**City of Rowlett, Texas  
Management's Discussion and Analysis (continued)  
September 30, 2010**

Rowlett Rd Recon Ph III Drainage Improvements	173
Rowlett Rd/Hwy 66 Intersection-Street Improvements	170
Mobile Computer Terminals w/Printers-Police Cars	154
Screening Wall Falcon Rd Pid	140
Heritage Pkwy (Scenic To 66)-Street Improvements	138
Computer Equipment San/Various Equipment	102
A/C Police Station	100
	<hr/>
Total	<u><u>\$15,930</u></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 \$128.5 million in bonds and tax anticipation notes outstanding as compared to \$137.1 million at the end of the prior fiscal year, a decrease of 6.3 percent – as shown in Table 4.

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

	Governmental Activities		Business-type Activities		Total Government	
	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2009</u>
General obligations bonds (backed by the City)	\$ 37.6	\$ 35.1	\$ -	\$ -	\$ 37.6	\$ 35.1
Certificates of obligation and tax anticipation notes (backed by the City)	45.4	53.0	4.2	4.4	49.6	57.4
Revenue bonds (backed by fee revenues)	-	-	41.3	44.6	41.3	44.6
Total	<u>\$ 83.0</u>	<u>\$ 88.1</u>	<u>\$ 45.5</u>	<u>\$ 52.2</u>	<u>\$ 128.5</u>	<u>\$ 137.1</u>

In the current year, the City issued General Obligation Refunding Bonds, Series 2010 in the amount of \$10.8 million and General Obligation Refunding Bonds, Taxable Series 2010A in the amount of \$1.2 million to advance refund previously outstanding bonds. The net proceeds from the refunding bonds were used to purchase U.S. Government securities. The securities were deposited in an irrevocable trust to provide for all future debt service payments. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from outstanding debt.

The City's general obligation bonds and tax notes have been assigned an AA- rating from Moody's Investor Service and an Aa2 rating from Standard & Poor's and the City has never defaulted on a bond. The City's utility revenue bonds carry an Aa3 from Moody's and A from Standard & Poor's. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. 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 2.65 percent.

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

**City of Rowlett, Texas  
Management's Discussion and Analysis (continued)  
September 30, 2010**

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for the business-type activities. The most important factor is the challenging economic times that Americans and Rowlett citizens are currently facing. No longer are our national, state and local economies growing. Instead we are faced with declining revenue sources, high unemployment, and limited liquidity in the lending markets. Because this economic condition is likely to last for the next five years at least, it is no longer prudent to make decisions in one-year increments hoping next year gets better. During budget planning a five year financial planning model was used that allows us to see how the decisions we make today will impact our future. In most cases, the model won't change the decisions but will provide important insights as to the future impact of today's decisions. In addition to being the most challenging economic times in recent history, the next five to ten years may be some of the most critical times facing Rowlett's future. With the completion of President George Bush Turnpike (PGBT) and Dallas Area Rapid Transit (DART) Light Rail right around the corner, the final phase of Rowlett's development future prior to build out is here. The decisions made now will set the stage for development choices made in the future. One of the challenges is providing for current citizens while simultaneously funding opportunities for future development to grow and diversify the tax base.

Overwhelmingly, citizens all across the country, whether on a national, state or local level, are demanding accountability from their government as to how money is spent. Because the City is challenged with a high tax rate, a high debt structure, and high water rates it is not a realistic option to consider raising taxes to cover shrinking revenues. Knowing that we must be fiscally accountable to Rowlett citizens, staff has developed a strategy to begin to address that gap from a "sustainability" perspective. Sustainability has been defined as meeting the needs of the present without compromising the future. For the City, sustainability is planning for and providing the appropriate level of service, quality of life, and public safety that can be consistently maintained within the available resources.

Rowlett's current population is approximately 54,500. 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.

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 5.3 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 2011. The total 2010-11 combined budget appropriation totaled \$83.1 million for all funds. This represents an increase over the previous year adopted budget of \$80.2 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 until 2010 assessed property values have increased annually since 2001, 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

**City of Rowlett, Texas  
Management's Discussion and Analysis (continued)  
September 30, 2010**

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 – 9/30/10. The tax rate once again remains unchanged for fiscal year 2011. According to final figures received from the Central Appraisal District, the total assessed property value for 2010-11 of \$3.2 billion is a decrease of 2.0 percent, including increased appraisals and new construction. A penny on the tax rate generates approximately \$322,027 annually for the City.

The General Fund's largest revenue source is property tax receipts. Reflective of the decrease in appraisal values and no increase in the tax rate, property tax revenues have decreased from their highest level in 2008. 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 - 2010. The 30 year agreement requires rebating 90 percent of the sales taxes paid back to D.R. Horton. Those rebates totaled \$1.7 million in the current fiscal year, up almost \$0.6 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 2011 budget includes a rate increase of 10.0 percent from the North Texas Municipal Water District and also projects an increase in consumption. An increased penalty fee is proposed and the City of Garland has proposed no increase in 2011. However to soften the blow of a large increase down the road the City has adopted what is called Alternative One from the rate study prepared by Economists's.com which provides for a ramp-up increase of 4.1 percent based on the full cost of service rate model. Overall revenues are projected to increase \$1.4 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 also remain relatively flat, no rate increase is proposed. Expenses in this fund are also expected to remain unchanged, 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 Financial Services, at City of Rowlett, 4004 Main Street, Rowlett, TX 75088 or check our website at [www.Rowlett.com](http://www.Rowlett.com).

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## **BASIC FINANCIAL STATEMENTS**

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CITY OF ROWLETT, TEXAS

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 35,801,729	\$ 27,122,127	\$ 62,923,856
Receivables (net of allowance for doubtful accounts)	3,438,812	4,577,985	8,016,797
Due from other governments	353,788	21,006	374,794
Inventories	71,820	472,420	544,240
Prepaid and other items	1,344,211	848,599	2,192,810
Capital assets:			
Non-depreciable	25,896,951	510,688	26,407,639
Depreciable (net)	75,883,273	87,608,358	163,491,631
Construction in progress	3,492,189	4,612,145	8,104,334
Total Assets	<u>146,282,773</u>	<u>125,773,328</u>	<u>272,056,101</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,760,759	2,271,499	6,032,258
Retainage payable	609,545	564,826	1,174,371
Accrued interest payable	460,224	212,545	672,769
Customer deposits	-	540,759	540,759
Unearned revenues	10,549,154		10,549,154
Non-current liabilities			
Due within one-year			
Compensated absences	227,051	12,572	239,623
Capital leases payable	306,508	285,471	591,979
Bonds payable	5,450,000	3,525,000	8,975,000
Due in more than one-year			
Compensated absences	2,503,817	138,638	2,642,455
Unfunded pension obligation	875,221	64,724	939,945
Unfunded OPEB obligation	452,247	49,092	501,339
Capital leases payable	1,490,774	3,218,029	4,708,803
Bonds payable	77,389,938	41,864,035	119,253,973
Total Liabilities	<u>104,075,238</u>	<u>52,747,190</u>	<u>156,822,428</u>
<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	33,070,231	64,417,014	97,487,245
Restricted for:			
Debt service		3,156,935	3,156,935
Capital projects	486,524	-	486,524
Police seizures	661,689	-	661,689
Unrestricted	7,989,091	5,452,189	13,441,280
Total Net Assets	<u>\$ 42,207,535</u>	<u>\$ 73,026,138</u>	<u>\$ 115,233,673</u>

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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	\$ 4,812,456	\$ 135,922	\$ -	\$ -
Public safety	20,243,476	3,959,096	346,380	182,817
Public works	12,747,289	20,962	119,654	1,349,843
Culture and recreation	5,138,905	1,588,866	18,600	-
Development	844,980	386,696	-	-
Interest and fiscal charges	3,562,170	-	-	-
Total governmental activities	<u>47,349,276</u>	<u>6,091,542</u>	<u>484,634</u>	<u>1,532,660</u>
<b>Business-type activities:</b>				
Water and sewer	19,292,984	21,550,266	-	20,612
Drainage	2,676,412	1,361,162	-	-
Refuse	3,242,101	4,484,338	-	-
Total business-type activities	<u>25,211,497</u>	<u>27,395,766</u>	<u>-</u>	<u>20,612</u>
Total primary government	<u>\$ 72,560,773</u>	<u>\$ 33,487,308</u>	<u>\$ 484,634</u>	<u>\$ 1,553,272</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
\$ (4,676,534)	\$ -	\$ (4,676,534)
(15,755,183)	-	(15,755,183)
(11,256,830)	-	(11,256,830)
(3,531,439)	-	(3,531,439)
(458,284)	-	(458,284)
<u>(3,562,170)</u>	<u>-</u>	<u>(3,562,170)</u>
<u>(39,240,440)</u>	<u>-</u>	<u>(39,240,440)</u>
-	2,277,894	2,277,894
-	(1,315,250)	(1,315,250)
-	1,242,237	1,242,237
<u>-</u>	<u>2,204,881</u>	<u>2,204,881</u>
<u>(39,240,440)</u>	<u>2,204,881</u>	<u>(37,035,559)</u>
24,611,698	-	24,611,698
6,228,228	-	6,228,228
98,052	-	98,052
2,767,064	-	2,767,064
231,809	214,489	446,298
674,907	-	674,907
4,625,155	(4,625,155)	-
<u>39,236,913</u>	<u>(4,410,666)</u>	<u>34,826,247</u>
(3,527)	(2,205,785)	(2,209,312)
42,211,062	75,231,923	117,442,985
<u>\$ 42,207,535</u>	<u>\$ 73,026,138</u>	<u>\$ 115,233,673</u>

**CITY OF ROWLETT, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2010**

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 7,709,924	\$ 187,426	\$ 25,834,143	\$ 2,070,236	\$ 35,801,729
Receivables (net of allowance for uncollectibles):					
Taxes	1,465,652	230,542		15,187	1,711,381
Accounts	572,650	14,975			587,625
Accrued interest	8,939	398	32,785	3,182	45,304
Other	1,018,383			76,119	1,094,502
Due from other governments			12,455	341,333	353,788
Due from other funds	282,280				282,280
Inventories	71,820				71,820
Prepaid and other items	122,673	9,950			132,623
<b>Total Assets</b>	<b>\$ 11,252,321</b>	<b>\$ 443,291</b>	<b>\$ 25,879,383</b>	<b>\$ 2,506,057</b>	<b>\$ 40,081,052</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,641,257	\$ 3,185	\$ 742,811	\$ 237,331	\$ 2,624,584
Accrued liabilities	1,113,927			22,249	1,136,176
Deferred revenues	1,019,150	205,752	10,535,062	378,422	12,138,386
Due to other funds				282,280	282,280
<b>Total Liabilities</b>	<b>3,774,334</b>	<b>208,937</b>	<b>11,277,873</b>	<b>920,282</b>	<b>16,181,426</b>
<b>FUND BALANCES</b>					
Fund balances:					
Reserved for:					
Encumbrances	530,776		5,193,864	76,599	5,801,239
Debt service		224,404			224,404
Capital projects			9,407,646	486,524	9,894,170
Inventories and prepaid items	194,493	9,950			204,443
Public safety				653,341	653,341
Unreserved, designated in:					
Special revenue funds for future projects				610,247	610,247
Unreserved, reported in:					
General fund	6,752,718				6,752,718
Special revenue funds				(240,936)	(240,936)
<b>Total Fund Balances</b>	<b>7,477,987</b>	<b>234,354</b>	<b>14,601,510</b>	<b>1,585,775</b>	<b>23,899,626</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,252,321</b>	<b>\$ 443,291</b>	<b>\$ 25,879,383</b>	<b>\$ 2,506,057</b>	<b>\$ 40,081,052</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, 2010**

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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	\$ 23,899,626
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	105,272,414
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.	1,589,232
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. (Note 2)	(89,925,387)
Unamortized bond discounts, premiums and deferred losses are not uses of funds and, therefore, are not reported in the funds.	1,371,650
Net assets of governmental activities	\$ <u><u>42,207,535</u></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, 2010**

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 16,343,770	\$ 7,989,708		\$ 306,425	\$ 24,639,903
Sales taxes	6,228,228				6,228,228
Other	59,934			38,118	98,052
Franchise fees	2,930,137			85,328	3,015,465
License and permits	368,624			22,604	391,228
Charge for services	2,245,052			578,704	2,823,756
Fines and forfeitures	1,999,165			821,748	2,820,913
Intergovernmental	211,935		815,037	940,830	1,967,802
Interest	68,256	13,286	131,273	18,994	231,809
Miscellaneous	674,907				674,907
Total revenues	<u>31,130,008</u>	<u>8,002,994</u>	<u>946,310</u>	<u>2,812,751</u>	<u>42,892,063</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	4,242,154	93,769		135,556	4,471,479
Public safety	17,671,875	101,083		919,891	18,692,849
Public works	2,974,782		2,594,832	22,500	5,592,114
Culture and recreation	4,254,143			18,594	4,272,737
Development	808,218				808,218
Debt service:					
Principal retirement	207,452	5,225,000			5,432,452
Interest and fiscal charges	44,851	3,462,593			3,507,444
Bond issuance costs		207,999			207,999
Capital outlay	1,263,944		7,470,550	1,133,657	9,868,151
Total expenditures	<u>31,467,419</u>	<u>9,090,444</u>	<u>10,065,382</u>	<u>2,230,198</u>	<u>52,853,443</u>
Excess (deficiency) of revenues over expenditures	<u>(337,411)</u>	<u>(1,087,450)</u>	<u>(9,119,072)</u>	<u>582,553</u>	<u>(9,961,380)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunding bonds issued		12,000,000			12,000,000
Payment to refunded bond escrow agent		(12,455,399)			(12,455,399)
Capital lease	987,080				987,080
Premiums on sale of refunding bonds		440,175			440,175
Transfers from other funds	2,057,633	932,969	4,604,484		7,595,086
Transfers to other funds	(112,484)			(2,034,939)	(2,147,423)
Total other financing sources (uses)	<u>2,932,229</u>	<u>917,745</u>	<u>4,604,484</u>	<u>(2,034,939)</u>	<u>6,419,519</u>
Net change in fund balances	2,594,818	(169,705)	(4,514,588)	(1,452,386)	(3,541,861)
Fund balances, beginning of year	4,883,169	404,059	19,116,098	3,038,161	27,441,487
Fund balances, end of year	<u>\$ 7,477,987</u>	<u>\$ 234,354</u>	<u>\$ 14,601,510</u>	<u>\$ 1,585,775</u>	<u>\$ 23,899,626</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, 2010**

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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	\$ (3,541,861)
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 capital outlay \$9,868,151 exceeds depreciation (\$7,341,279) and transfers of capital assets (\$822,508) in the current period. (Note 2)	1,704,364
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.	(171,667)
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 and refunding reduces long-term liabilities in the statement of net assets. (Note 2)	4,460,596
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).	(54,726)
Some expenses reported in the funds are capitalized and amortized in the statement of activities. This includes bond issuance costs.	207,999
Some expenses not reported in the statements are required to be expensed in the statement of activities. This includes the loss on disposal of assets, retainage payable, compensated absences, the unfunded pension obligation, and the unfunded OPEB obligation.	(2,608,232)
Change in net assets of governmental activities	<u>\$ (3,527)</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Refuse	Drainage	Total
<b>ASSETS</b>				
Current Assets:				
Cash, cash equivalents and investments	\$ 1,783,327	\$ 635,685	\$ 813,354	\$ 3,232,366
Restricted cash, cash equivalents and investments:				
Revenue bond covenant accounts	3,311,403			3,311,403
Receivables (net of allowance for uncollectibles):				
Accounts	3,306,442	599,501	164,177	4,070,120
Accrued interest	36,819	895	1,623	39,337
Other	364,753	1,591		366,344
Due from other governments	13,392	6,087	1,527	21,006
Inventories	472,420			472,420
Prepaid and other items	793,666		54,933	848,599
Total Current Assets	<u>10,082,222</u>	<u>1,243,759</u>	<u>1,035,614</u>	<u>12,361,595</u>
Noncurrent Assets:				
Restricted cash, cash equivalents and investments:				
Revenue bond construction funds	20,080,499		497,859	20,578,358
Receivables (net of allowance for uncollectibles):				
Notes receivable	102,184			102,184
Capital Assets:				
Land	510,688			510,688
Buildings	1,041,640		59,178	1,100,818
System	100,542,626	194,768	37,228,279	137,965,673
Machinery & equipment	6,601,135		298,907	6,900,042
Construction in progress	3,892,484	23,365	696,296	4,612,145
Less accumulated depreciation	<u>(47,233,086)</u>	<u>(126,599)</u>	<u>(10,998,490)</u>	<u>(58,358,175)</u>
Total Capital Assets	<u>65,355,487</u>	<u>91,534</u>	<u>27,284,170</u>	<u>92,731,191</u>
Total Noncurrent Assets	<u>85,538,170</u>	<u>91,534</u>	<u>27,782,029</u>	<u>113,411,733</u>
Total Assets	<u>95,620,392</u>	<u>1,335,293</u>	<u>28,817,643</u>	<u>125,773,328</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	1,087,543	527,991	63	1,615,597
Accrued liabilities	96,345		4,628	100,973
Accrued interest payable	32,633		25,444	58,077
Retainage payable	3,791			3,791
Customer deposits	540,759			540,759
Compensated absences	11,856		716	12,572
Capital lease payable	285,471			285,471
Bonds payable	3,345,000		180,000	3,525,000
Total Current Liabilities	<u>5,403,398</u>	<u>527,991</u>	<u>210,851</u>	<u>6,142,240</u>
Current Liabilities payable from Restricted Assets:				
Accounts payable	543,589		11,340	554,929
Accrued interest payable	154,468			154,468
Retainage payable	559,035		2,000	561,035
Total Current Liabilities payable from Restricted Assets	<u>1,257,092</u>	<u>-</u>	<u>13,340</u>	<u>1,270,432</u>
Total Current Liabilities	<u>6,660,490</u>	<u>527,991</u>	<u>224,191</u>	<u>7,412,672</u>
Non-current liabilities				
Compensated absences	130,742		7,896	138,638
Unfunded pension obligation	60,654		4,070	64,724
Unfunded OPEB obligation	46,117		2,975	49,092
Capital lease payable	3,218,029			3,218,029
Bonds payable	37,813,964		4,050,071	41,864,035
Total Non-current Liabilities	<u>41,269,506</u>	<u>-</u>	<u>4,065,012</u>	<u>45,334,518</u>
Total Liabilities	<u>47,929,996</u>	<u>527,991</u>	<u>4,289,203</u>	<u>52,747,190</u>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	40,773,522	91,534	23,551,958	64,417,014
Restricted for:				
Debt service	3,156,935	-	-	3,156,935
Unrestricted	3,759,939	715,768	976,482	5,452,189
Total Net Assets	<u>\$ 47,690,396</u>	<u>\$ 807,302</u>	<u>\$ 24,528,440</u>	<u>\$ 73,026,138</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Refuse	Drainage	Total
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Service charges	\$ 20,655,985	\$ 4,482,505	\$ 1,305,614	\$ 26,444,104
Penalties	534,025			534,025
Taps and meters	14,479			14,479
Subdivision inspections	1,500			1,500
Connection fees	160,106			160,106
Miscellaneous	184,171	1,833	55,548	241,552
Total operating revenues	<u>21,550,266</u>	<u>4,484,338</u>	<u>1,361,162</u>	<u>27,395,766</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,697,922		104,217	1,802,139
Water supply	3,932,888			3,932,888
Wastewater treatment	2,996,282			2,996,282
Contractual services	378,328		32,153	410,481
Maintenance, repairs and supplies	690,675		9,155	699,830
Utilities	474,218			474,218
Legal and professional	32,070	639	4,023	36,732
Refuse collection		2,994,462		2,994,462
Depreciation	4,478,092	19,477	994,065	5,491,634
Intragovernmental charges	1,994,072	227,523	253,877	2,475,472
Miscellaneous	5,292			5,292
System improvements	573,306		127,301	700,607
Total operating expenses	<u>17,253,145</u>	<u>3,242,101</u>	<u>1,524,791</u>	<u>22,020,037</u>
Operating income (loss)	<u>4,297,121</u>	<u>1,242,237</u>	<u>(163,629)</u>	<u>5,375,729</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	201,771	4,161	8,557	214,489
Gain (loss) on disposition of assets	(240,871)		(950,690)	(1,191,561)
Interest and fiscal charges	(1,798,968)		(200,931)	(1,999,899)
Total nonoperating revenues (expenses)	<u>(1,838,068)</u>	<u>4,161</u>	<u>(1,143,064)</u>	<u>(2,976,971)</u>
Income (loss) before contributions, transfers and special items	2,459,053	1,246,398	(1,306,693)	2,398,758
Capital contributions	127,474		835,654	963,128
Transfers in			698,006	698,006
Transfers out	(4,832,647)	(1,333,030)	(100,000)	(6,265,677)
Change in net assets	<u>(2,246,120)</u>	<u>(86,632)</u>	<u>126,967</u>	<u>(2,205,785)</u>
Total net assets - beginning of year	49,936,516	893,934	24,401,473	75,231,923
Total net assets - end of year	<u>\$ 47,690,396</u>	<u>\$ 807,302</u>	<u>\$ 24,528,440</u>	<u>\$ 73,026,138</u>

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, 2010**

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Refuse	Drainage	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 20,949,027	\$ 4,479,564	\$ 1,310,076	\$ 26,738,667
Cash received from miscellaneous	184,171	1,833	55,548	241,552
Cash paid to employees for services	(1,635,457)	-	(99,351)	(1,734,808)
Cash paid for goods and services	(10,364,858)	(3,148,502)	(442,736)	(13,956,096)
Net cash provided (used) by operating activities	<u>9,132,883</u>	<u>1,332,895</u>	<u>823,537</u>	<u>11,289,315</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer out	(4,014,633)	(1,333,030)	(100,000)	(5,447,663)
Net cash provided (used) by noncapital financing activities	<u>(4,014,633)</u>	<u>(1,333,030)</u>	<u>(100,000)</u>	<u>(5,447,663)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on long-term debt	(3,476,853)	-	(179,397)	(3,656,250)
Interest and fiscal charges paid on long-term debt	(1,798,968)	-	(200,931)	(1,999,899)
Capital contributions	20,612	-	-	20,612
Acquisition and construction of capital assets	(6,222,024)	-	(26,550)	(6,248,574)
Net cash provided (used) by capital and related financing activities	<u>(11,477,233)</u>	<u>-</u>	<u>(406,878)</u>	<u>(11,884,111)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	201,771	4,161	8,557	214,489
Net cash provided by (used) for investing activities	<u>201,771</u>	<u>4,161</u>	<u>8,557</u>	<u>214,489</u>
Net increase (decrease) in cash and cash equivalents	(6,157,212)	4,026	325,216	(5,827,970)
Cash and cash equivalents, beginning of year	31,332,441	631,659	985,997	32,950,097
Cash and cash equivalents, end of year	<u>\$ 25,175,229</u>	<u>\$ 635,685</u>	<u>\$ 1,311,213</u>	<u>\$ 27,122,127</u>

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, 2010**

	Business-type Activities - Enterprise 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)	\$ 4,297,121	\$ 1,242,237	\$ (163,629)	\$ 5,375,729
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	4,478,092	19,477	994,065	5,491,634
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(494,619)	(3,074)	460	(497,233)
(Increase) decrease in other receivables	119	133	569	821
(Increase) decrease in prepaid expenses & other assets	60,983		3,433	64,416
(Increase) decrease in inventory	16,449			16,449
(Increase) decrease in accounts payable and accrued liabilities	705,863	74,122	(16,227)	763,758
Increase (decrease) in customer/escrow deposits	6,410			6,410
Increase (decrease) in accrued comp absences	4,811		1,239	6,050
Increase (decrease) in accrued pension obligation	57,654		3,627	61,281
Total adjustments	<u>4,835,762</u>	<u>90,658</u>	<u>987,166</u>	<u>5,913,586</u>
Net cash provided (used) by operating activities	<u>\$ 9,132,883</u>	<u>\$ 1,332,895</u>	<u>\$ 823,537</u>	<u>\$ 11,289,315</u>
<b>NONCASH CAPITAL ACTIVITIES:</b>				
Contributions of capital assets from developers and general government	\$ 106,862	\$ -	\$ 835,654	\$ 942,516
Gain (loss) on disposal of capital assets	(240,871)		(950,690)	(1,191,561)
Assets transferred from other funds	-		698,006	698,006
Assets transferred to other funds	(818,014)		-	(818,014)
Total noncash capital activities	<u>\$ (952,023)</u>	<u>\$ -</u>	<u>\$ 582,970</u>	<u>\$ (369,053)</u>

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, 2010**

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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, 2010**

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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, 2010**

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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, 2010**

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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:

*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 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.

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

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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 \$358,936.

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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

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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, 2010**

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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 \$89,925,387 difference are as follows:

Bonds and certificates of obligation payable	\$83,000,000
Capital leases	1,797,282
Compensated absences	2,730,868
Unfunded pension obligation	875,221
Unfunded OPEB obligation	452,247
Accrued interest	460,224
Retainage payable	609,545
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets of governmental activities	\$89,925,387

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 \$1,704,364 difference are as follows:

Capital outlay	\$9,868,151
Depreciation expense	(7,341,279)
Transfers of capital assets	(822,508)
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	\$1,704,364

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, 2010**

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Debt issued or incurred:	
General obligation refunding	(\$12,440,175)
Capital lease	(987,080)
Repayments:	
Payment to escrow agent for refunded debt	12,455,399
Principal repayments	
General obligation debt	2,890,000
Certificates of obligation	2,315,000
Notes & capital leases	<u>227,452</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>\$4,460,596</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.

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

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B. Excess of Expenditures over Appropriations:

For the year ended September 30, 2010, expenditures exceeded appropriations in the Police Seizures Fund by \$11,891 and in the Court Fees Fund by \$11,215. Resources for Police Seizure Fund come from federal and state asset forfeitures which govern the purposes for which they may be spent. Court Fees fund revenues are derived from court fees and fines and their use is limited to the enacting legislation which allows such fines. The budgets were not specifically amended for the fiscal year ended September 30, 2010 to address the over expenditures.

C. Deficit Fund Equity:

The Grant special revenue fund had a deficit fund balance of \$310,349 as of September 30, 2010. The fund incurred expenditures under a grant that were not reimbursed in a timely manner under the modified accrual basis of accounting to be included in revenue.

**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, 2010 with collateral required by the state statutes. At year-end, the carrying amount of the City’s deposits and cash on hand was \$1,014,363 and the bank balance was \$975,567. 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, 2010 are:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)*</u>	<u>Rating</u>
U.S. Agencies	\$ 15,766,410	1.230	AAA
U.S. Treasuries	6,574,173	1.130	TSY
Texas Local Government Investment Pools			
Texpool	<u>39,563,593</u>	<u>0.093</u>	AAAm
	<u>\$ 61,904,176</u>	<u>2.453</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,

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

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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, 2010, 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, CD's, repurchase agreements, mutual funds and other investments. As of September 30, 2010, 36.09% or more of the City's total investments are in the following: Federal Home Loan Banks (9.08%), Fannie Mae (41.90%), Freddie Mac (19.59%), and US Treasury Notes (29.43%) 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, 2009, upon which the fiscal 2010-year levy was based, was \$3,285,713,211.

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, 2010, was \$.747173 per \$100, of which \$.502020 was allocated for general government and \$.245153 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, 2010, were 99.49% 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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

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:

Receivables	General	Debt Service	Water & Sewer	Capital Projects	Refuse	Drainage	& Other Funds	Grand Total
Interest	\$8,939	\$398	\$36,819	\$32,785	\$895	\$1,623	\$3,182	\$84,641
Court	123,920							123,920
Ambulance	632,086							632,086
Lot mowing	442,947							442,947
Other	95,433	14,975	463,060		1,591		1,879	576,938
Sales tax	1,002,510							1,002,510
Other Taxes (Hotel/Motel)							15,187	15,187
Property Taxes	522,698	258,284						780,982
Customer Accounts			3,486,184		637,652	173,792		4,297,628
Other Accounts	1,964		5,454					7,418
Other Governments			13,392	12,455	6,087	1,527	341,333	374,794
Franchise Fees	892,895						23,233	916,128
911 Fees	31,979							31,979
Red light Camera							190,765	190,765
<b>Gross Receivables</b>	<b>3,755,371</b>	<b>273,657</b>	<b>4,004,909</b>	<b>45,240</b>	<b>646,225</b>	<b>176,942</b>	<b>575,579</b>	<b>9,477,923</b>
Less: Allowance for uncollectible	(689,747)	(27,742)	(181,319)		(38,151)	(9,615)	(139,758)	(1,086,332)
<b>Net total receivables</b>	<b>\$3,065,624</b>	<b>245,915</b>	<b>3,823,590</b>	<b>\$45,240</b>	<b>608,074</b>	<b>\$167,327</b>	<b>435,821</b>	<b>8,391,591</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	\$619,881	
Accounts	370,712	
Adjudicated fines not yet collected	3,808	
Intergovernmental	325,487	\$10,549,154
Other	269,344	
Total deferred/unearned for governmental funds	<u>\$1,589,232</u>	<u>\$10,549,154</u>

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

**NOTE 7. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010 was as follows:

Government Activities:	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 25,896,952	\$ -	\$ -	\$ 25,896,952
Construction in progress	5,277,568	1,328,780	(3,114,159)	\$3,492,189
Total capital assets, not being depreciated	31,174,520	1,328,780	(3,114,159)	\$29,389,141
Capital assets being depreciated:				
Buildings	22,821,651	25,375		22,847,026
Improvements other than buildings	21,621,560	168,979		21,790,539
Machinery & equipment	10,731,606	1,799,958	(323,257)	12,208,307
Infrastructure	97,635,475	8,934,048	(3,937,004)	102,632,519
Total capital assets, being depreciated	152,810,292	10,928,360	(4,260,261)	159,478,391
Less accumulated depreciation:				
Buildings	(4,921,875)	(595,672)		(5,517,547)
Improvements other than buildings	(17,306,538)	(874,912)		(18,181,450)
Machinery & equipment	(7,281,202)	(961,642)	298,101	(7,944,743)
Infrastructure	(49,381,922)	(4,909,053)	2,339,597	(51,951,378)
Total accumulated depreciation	(78,891,537)	(7,341,279)	2,637,698	(83,595,118)
Total capital assets being depreciated, net	73,918,755	3,587,081	(1,622,563)	75,883,273
Governmental activities capital assets, net	<u>\$105,093,275</u>	<u>\$ 4,915,861</u>	<u>\$ (4,736,722)</u>	<u>\$105,272,414</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 510,688	\$ -	\$ -	\$ 510,688
Construction in progress	3,793,593	2,283,443	(1,464,892)	4,612,144
Total capital assets, not being depreciated	4,304,281	2,283,443	(1,464,892)	5,122,832
Capital assets, being depreciated:				
Buildings	1,100,818			1,100,818
Improvements other than buildings	263,429			263,429
Machinery & equipment	6,994,826	33,279	(128,062)	6,900,043
Infrastructure	133,859,430	5,997,622	(2,154,808)	137,702,244
Total capital assets, being depreciated	142,218,503	6,030,901	(2,282,870)	145,966,534
Less accumulated depreciation:				
Buildings	(314,320)	(28,825)		(343,145)
Improvements other than buildings	(156,653)	(20,892)		(177,545)
Machinery & equipment	(2,952,147)	(455,902)	128,062	(3,279,987)
Infrastructure	(50,756,361)	(4,986,015)	1,184,878	(54,557,498)
Total accumulated depreciation	(54,179,481)	(5,491,634)	1,312,940	(58,358,175)
Total capital assets, being depreciated, net	88,039,022	539,267	(969,930)	87,608,359
Business-type activities capital assets, net	<u>\$ 92,343,303</u>	<u>\$ 2,822,710</u>	<u>\$ (2,434,822)</u>	<u>\$ 92,731,191</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

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

Governmental activities	
General government	\$ 237,729
Public safety	747,386
Public works	5,530,340
Culture and recreation	806,597
Development	19,227
Total depreciation expense - governmental activities	<u>\$ 7,341,279</u>
Business-type activities	
Water & sewer	\$ 4,478,092
Refuse	19,477
Drainage	994,065
Total depreciation expense - business-type activities	<u>\$ 5,491,634</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 2009	Plan Year 2010
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, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI repeating	70% of CPI repeating

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

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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	\$ 3,170,966
Interest on Pension Obligation	30,151
Adjustment to the ARC	(24,547)
Annual Pension Cost	<u>3,176,570</u>
Contributions Made	<u>2,638,633</u>
Increase in net Pension Obligation	537,937
Net Pension Obligation, beginning of year	<u>402,008</u>
Net Pension Obligation, end of year	<u>\$ 939,945</u>

Year Ending	Pension Cost (APC)	Contribution Made	% of APC Contributed	Pension Obligation	Annual Required Contribution Rate
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%
9/30/2010	3,176,570	2,638,633	83.07%	939,945	17.00%

The required contributions rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009 also follows:

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

<u>Actuarial Valuation Date</u>	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining amortization period	30 years; closed	29 years; closed	28 years; closed
Asset valuation method	Amortized cost	Amortized cost	Amortized cost
Actuarial Assumptions			
Investment rate of return	7%	7.5%	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	2.1%	2.1%	2.1%

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>
Actuarial value of assets	\$ 40,286,326	\$ 42,662,962	\$ 46,369,748
Actuarial accrued liability (AAL)	58,073,788	61,211,355	64,957,600
Percent funded	69.4%	69.7%	71.4%
Unfunded (overfunded) actuarial accrued liability (UAAL)	17,787,462	18,548,393	18,587,852
Annual covered payroll	19,189,437	19,796,538	19,167,685
UAAL as a percent of covered payroll	92.7%	93.7%	97.0%

**NOTE 9. LONG-TERM DEBT**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2010, is as follows:

	<u>Balance at October 1, 2009</u>	<u>Issued or Incurred</u>	<u>Retired or Refunded</u>	<u>Balance at September 30, 2010</u>	<u>Due within One year</u>
Governmental Activities:					
General obligation bonds	\$ 35,175,000	\$ 12,000,000	\$ 9,585,000	\$ 37,590,000	\$ 3,080,000
Combined tax and surplus revenue certificates of obligation	52,975,000		7,565,000	45,410,000	2,370,000
Capital leases	1,017,655	987,079	207,452	1,797,282	306,508
Compensated absences	2,433,159	401,081	103,372	2,730,868	227,052
Unfunded pension obligation	374,326	500,895		875,221	
Unfunded OPEB obligation	228,953	223,293		452,246	
Limited tax anticipation notes	20,000		20,000		
Governmental activity long term debt	<u>\$ 92,224,093</u>	<u>\$ 14,112,348</u>	<u>\$ 17,480,824</u>	<u>\$ 88,855,617</u>	<u>\$ 5,983,560</u>

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

	Balance at October 1, 2009	Issued or Incurred	Retired or Refunded	Balance at September 30, 2010	Due within One year
Business-type activities					
Water and sewer					
Revenue bonds	\$ 44,560,000		\$ 3,220,000	\$ 41,340,000	\$ 3,345,000
Combination tax and surplus revenue					
certificates of obligation	4,365,000		175,000	4,190,000	180,000
Capital leases	3,773,271		269,772	3,503,499	285,000
Compensated absences	145,160	23,423	17,372	151,211	12,572
Unfunded pension obligation	27,682	37,042		64,724	
Unfunded OPEB obligation	24,853	24,239		49,092	
Business-type activity					
long term debt	<u>\$ 52,895,966</u>	<u>\$ 84,704</u>	<u>\$ 3,682,144</u>	<u>\$ 49,298,526</u>	<u>\$ 3,822,572</u>

Long-term debt for governmental activities at September 30, 2010, includes the following individual issues (not including unamortized premiums of \$789,993, unamortized discounts of \$59,421, unamortized bond issuance costs of \$1,211,586 and deferred charges of \$890,634):

Governmental Activities	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
General obligation bonds:				
1997A Various purpose	6.36 var	8/15/2026	5,555,000	200,000
2001 Various purpose	4.25	2/15/2011	130,000	130,000
2002 Various purpose	3.75	2/15/2011	285,000	285,000
2003 Revenue and improvements	2.15-4.50	2/15/2014	2,545,000	875,000
2003A Various purpose	2.25-5.00	2/15/2023	2,910,000	170,000
2004 Revenue and improvements	3.50-4.60	2/15/2018	3,110,000	335,000
2004A Various purpose	2.00-4.80	2/15/2024	4,690,000	255,000
2005 Refunding	3.00-4.50	2/15/2020	6,390,000	605,000
2010 Refunding	2.00-3.00	2/15/2022	10,825,000	180,000
2010A Refunding (Taxable)	1.57-5.71	8/15/2028	1,150,000	45,000
			<u>\$ 37,590,000</u>	<u>\$ 3,080,000</u>
Combination tax and revenue certificates of obligation:				
2001 Various purpose	4.25	2/15/2011	70,000	70,000
2002 Various purpose	3.75	2/15/2011	225,000	225,000
2003 Various purpose	2.00-5.00	2/15/2023	5,320,000	310,000
2004 Various purpose	2.00-4.80	2/15/2029	3,540,000	160,000
2005 Various purpose	3.00-4.50	2/15/2025	18,085,000	900,000
2006 Various purpose	4.00-5.125	2/15/2031	18,170,000	705,000
			<u>45,410,000</u>	<u>2,370,000</u>
Total government activities long-term bonded debt			83,000,000	5,450,000
Less deferred amounts:				
On refunding			(890,634)	
For issuance premiums and discounts			730,572	
Net government activities long-term bonded debt			<u>\$ 82,839,938</u>	<u>\$ 5,450,000</u>

Long-term debt for business activities at September 30, 2010 includes the following individual issues (not including unamortized premiums of \$524,343, unamortized discounts of \$106,539, unamortized bond issuance costs of \$740,095, and deferred charges of \$558,769):

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

	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	1,385,000	100,000
2003 Refunding and improvements	4.00-4.30	3/1/2012	190,000	95,000
2004 Refunding and improvements	2.00-4.50	3/1/2018	3,875,000	750,000
2004A Various purpose	2.00-5.00	3/1/2024	14,490,000	760,000
2005 Refunding	3.00-5.00	3/1/2020	6,310,000	615,000
2005A Various purpose	3.00-4.375	3/1/2025	5,875,000	290,000
2006 Various purpose	4.00-4.890	3/1/2026	9,215,000	735,000
			41,340,000	3,345,000
Combination tax and revenue certificates of obligation:				
2006 Various purpose	4.00-5.125	2/15/2031	4,190,000	180,000
Total business-like long-term bonded debt			45,530,000	3,525,000
Less deferred amounts:				
On refunding			(558,769)	
For issuance premiums and discounts			417,804	
Net business-like activities long-term bonded debt			\$45,389,035	\$3,525,000

The annual requirements to amortize outstanding debt as of September 30, 2010 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 and certificate of obligation bonds			Enterprise revenue bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	5,630,000	3,501,008	9,131,008	3,345,000	1,786,546	5,131,546
2012	5,845,000	3,287,389	9,132,389	3,470,000	1,647,984	5,117,984
2013	5,670,000	3,072,102	8,742,102	3,125,000	1,513,747	4,638,747
2014	5,595,000	2,860,195	8,455,195	3,255,000	1,383,562	4,638,562
2015	5,555,000	2,652,152	8,207,152	2,680,000	1,260,275	3,940,275
2016-2020	29,305,000	9,695,449	39,000,449	13,825,000	4,395,914	18,220,914
2021-2025	24,630,000	3,711,388	28,341,388	10,905,000	1,374,668	12,279,668
2026-2030	4,550,000	464,971	5,014,971	735,000	17,456	752,456
2031-2035	410,000	10,506	420,506			
Total	\$87,190,000	\$29,255,160	\$116,445,160	\$41,340,000	\$13,380,152	\$54,720,152

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.

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 \$-0- at September 30, 2010.

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

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On June 15, 2010, the City issued \$10,825,000 in general obligation refunding bonds with interest ranging from 2.0% to 4.0% to advance refund previously outstanding bonds. The refunded bonds were comprised of the following:

<u>Series</u>	<u>Interest Rate</u>	<u>Amount</u>
1997 GO	5.60%-5.75%	\$ 960,000
2001 GO	4.30%-5.00%	1,705,000
2002 GO	3.75%-5.00%	4,030,000
2001 CO	4.30%-5.00%	905,000
2002 CO	3.75%-5.00%	3,250,000
		\$ 10,850,000

The net proceeds from the refunding bonds of \$11,315,854 (after payment of \$166,185 in underwriting fees and other issuance costs plus the reoffering premium of \$440,175, interest earnings of \$28,537 and \$188,328 deposited from previous debt service funds) were used to purchase U.S. Government securities. The securities were deposited in an irrevocable trust to provide for all future debt service payments. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$465,854. This difference, reported in the accompanying financial statements as a deduction from bonds payable is being charged to operations through the year 2022 using the effective interest method. The City completed the advance refunding to reduce its total debt service payments over the next 12 years by \$828,566 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$682,300.

On July 1, 2010, the City issued \$1,175,000 in general obligation taxable refunding bonds with interest ranging from 1.57% to 5.71% to advance refund the series 1999A Taxable CO's with an interest rate of 7.25%. The net proceeds from the refunding bonds of \$1,139,545 (after payment of \$47,289 in underwriting fees and other issuance costs plus \$11,834 deposited from previous debt service funds) were used to purchase U.S. Government securities. The securities were deposited in an irrevocable trust to provide for all future debt service payments. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$44,545. This difference, reported in the accompanying financial statements as a deduction from bonds payable is being charged to operations through the year 2028 using the effective interest method. The City completed the advance refunding to reduce its total debt service payments over the next 18 years by \$236,328 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$152,601.

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, 2010, the City had authorized, but unissued general obligation bonds outstanding as follows:

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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

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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 the City’s paid \$101,083 as its annual obligation under this agreement. 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, 2010, the outstanding balance was \$1,750,000. The City has no obligation for this debt beyond the resources provided by this agreement.

Capital Leases- On September 14, 2010, the City entered into an agreement with SunTrust Equipment Finance & Leasing Corp. to purchase two fire trucks. The agreement is for an approximate 110 month term based on delivery of the equipment and expires on October 31, 2019. Payments are \$99,888 annually and carry an effective interest rate of 2.77%.

On September 11, 2009, the City entered into an agreement with Kansas State Bank of Manhattan to purchase and install computer equipment. The agreement is for an approximate 36 month term based on delivery of the equipment and expires on October 31, 2011. Payments are \$37,367 annually and carry an effective interest rate of 5.95%.

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%.

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%.

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

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

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 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		\$1,529,118	\$1,529,118
Machinery and equipment	\$4,718,475	799,436	5,517,911
Less: Accumulated depreciation	(1,417,361)	(629,100)	(2,046,461)
Total	\$3,301,114	\$1,699,454	\$5,000,568

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	Total
2011	\$423,824	\$352,668	\$776,492
2012	428,831	299,102	727,933
2013	428,831	213,278	642,109
2014	428,831	205,783	634,614
2015	428,831	205,783	634,614
2016-2020	2,144,155	786,230	2,930,385
Total minimum lease payments	4,283,303	2,062,844	6,346,147
Less: Amount representing interest	(779,804)	(265,562)	(1,045,366)
Present value of minimum lease payments	\$3,503,499	\$1,797,282	\$5,300,781

**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.

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

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

The composition of interfund balances as of September 30, 2010, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
General fund	Nonmajor governmental fund	<u>\$282,280</u>

The outstanding balance between funds is the result of a negative cash balance in the grants fund and the other special revenue fund. The negative cash balances are the result of timing of accounts receivable collections.

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. An amount is also transferred from the Water and Sewer Fund to the General Fund as a payment in lieu of franchise fees and represents 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 Capital Projects 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, 2010, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General Fund	\$2,057,633	\$112,484
Debt service fund	932,969	
Capital projects fund	4,604,484	
Nonmajor governmental funds		2,034,939
Business-type activities		
Water and sewer fund		4,832,647
Refuse fund		1,333,030
Drainage fund	698,006	100,000
Total	<u>\$8,293,092</u>	<u>\$8,413,100</u>

The difference of \$120,008 represents assets that were reassigned to the government from the water and sewer enterprise fund. Because of the difference in measurement focus and basis of accounting between governmental funds and enterprise funds the government has nothing to report at the fund level.

Also, the government reassigned assets totaling \$942,516 to the water and sewer and drainage enterprise funds of \$106,862 and \$835,654, respectively. These amounts are reflected as capital contributions from the government in the fund level statements of the enterprise funds. The government wide statement of activities reflects these reassignments as a transfer between governmental activities and business-type activities.

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

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The detail transfer schedule includes the following:

Transfer from Fund	Transfer to Fund	Amount
General Fund		
Transfer for capital projects	Capital Projects Fund	\$ 112,484
Non-Major Governmental Funds		
Impact Fees Fund		
Transfer for capital projects	Capital Projects Fund	1,340,000
TIF		
To pay debt service on TIF improvement bonds	Debt Service Fund	306,455
Golf Fund		
To pay debt service on golf course bonds	Debt Service Fund	388,484
Water and Sewer Fund		
In-Lieu of property taxes	General Fund	772,577
Franchise fees	General Fund	1,124,126
To assist with City's economic development efforts	General Fund	160,930
Transfer assets from joint projects	Drainage Fund	698,006
Transfer for capital projects	Capital Projects Fund	1,957,000
Drainage Fund		
Transfer for capital projects	Capital Projects Fund	100,000
Refuse Fund		
Transfer for capital projects	Capital Projects Fund	1,095,000
To pay debt service on Alley Bonds	Debt Service Fund	238,030
		<u>\$ 8,293,092</u>

**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. No separate pension plan report is issued. This plan is administered by the City and no separate audited financial statements are available.

**CITY OF ROWLETT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

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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 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. Employees are eligible immediately upon retirement and the eligibility only runs from the retirement date. Active employees do not contribute any of their wage toward retiree health care benefits. The City pays the employee-only premium for medical coverage, based on the City's Core Medical Plan Option. Retired employees are required to pay 100% of any additional premium expense for health benefits purchased upon retirement.

Spouse and eligible dependents are eligible to continue to purchase health benefits per Chapter 175 provisions. The City does not pay any portion of spouse or dependent medical coverage.

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 represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City implemented the provisions of GASB 45 for the fiscal year ending September 30, 2009, as required by GASB. The City's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	\$ 354,359
Interest on Net OPEB Obligation	11,421
Adjustment to the ARC	(10,582)
Annual OPEB Cost	<u>355,198</u>
Employer contribution	<u>107,666</u>
Increase in Net OPEB Obligation	247,532
Net OPEB Obligation, beginning of year	<u>253,807</u>
Net OPEB Obligation, ending of year	<u>\$ 501,339</u>

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
9/30/2008	N/A	N/A	N/A	N/A
9/30/2009	\$281,737	\$27,930	9.91%	\$253,807
9/30/2010	\$355,198	\$107,666	30.31%	\$501,339

**CITY OF ROWLETT, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2010**

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Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Fiscal Year	Covered Payroll	Percent of Covered Payroll
6/30/2008	\$ -	\$2,924,489	\$2,924,489	0%	2009	\$19,165,822	15.26%
12/31/2009	\$ -	\$3,325,706	\$3,325,706	0%	2010	\$18,924,557	17.57%

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	December 31, 2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 Years; Open	28 Years; Open
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	4.5%	4.5%
Payroll Growth Rate	3.0%	3.0%
Projected Salary Increases	3.0%	3.0%
General Inflation Rate	3.0%	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.

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.

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

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The City's contribution to the TMRS SDBF for the years ended 2010 and 2009, were \$1,916, and \$1,892, respectively, at the City required contribution rate of 0.01% which equaled the required contribution each 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, 2010, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 2,667,185,000 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 \$1,739,264 of the \$1,932,515 paid by D.R. Horton. The August - September rebate invoices in the amount of \$192,104 were paid after the fiscal year end and are included in accounts payable as of September 30, 2010.

G. The City has contractual commitments of approximately \$5,193,864 in the Capital Projects Funds, \$2,601,438 in the Water and Sewer Fund, and \$126,068 in the Drainage Fund. These commitments are for construction of various projects and will be funded primarily from general obligation bond proceeds 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 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

**CITY OF ROWLETT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

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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.

**NOTE 16. SUBSEQUENT EVENTS**

**Lease Commitments.** On November 3, 2010 the City entered into three separate lease purchase agreements with Branch Banking & Trust Company (BB&T). The agreements provide for BB&T to make funding available to the City in the total sum of \$608,668 for the purchase of heavy equipment and computer equipment. The first annual lease payments are due November 30, 2010.

On January 25, 2011 the City entered into a lease purchase agreement with BB&T for the acquisition of a Digital 9-1-1 System. The agreement provides for BB&T to make funding available to the City in the total sum of \$189,228 to enable the City to acquire the equipment. The first annual lease payment is due August 31, 2011.

**Partially Self-Funded Health Insurance.** Commencing 10/01/10 the City established a partially self-funded health Insurance fund for the administration of health claims and costs.

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**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, 2010

	Original Budget	Final Budget	Adjustments- Budgetary Basis	Final Budget as Adjusted	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Property taxes	\$ 16,429,106	\$ 16,429,106	\$	\$ 16,429,106	\$ 16,343,770	\$ (85,336)
Sales taxes	5,292,102	5,292,102		5,292,102	6,228,228	936,126
Other	58,157	58,157		58,157	59,934	1,777
Franchise fees	2,738,254	2,738,254		2,738,254	2,930,137	191,883
License and permits	392,847	392,847		392,847	368,624	(24,223)
Charge for services	2,599,725	2,397,875		2,397,875	2,245,052	(152,823)
Fines and forfeitures	1,533,306	1,833,581		1,833,581	1,999,165	165,584
Intergovernmental	197,987	197,987		197,987	211,935	13,948
Intragovernmental	2,475,472	2,475,472	(2,475,472)			-
Interest	77,452	77,452		77,452	68,256	(9,196)
Miscellaneous	452,884	455,690		455,690	674,907	219,217
Total Revenues	<u>32,247,292</u>	<u>32,348,523</u>	<u>(2,475,472)</u>	<u>29,873,051</u>	<u>31,130,008</u>	<u>1,256,957</u>
<b>EXPENDITURES</b>						
Current operating:						
General government	6,617,658	7,003,896	(2,475,472)	4,528,424	4,242,154	286,270
Public safety	18,220,943	18,197,871		18,197,871	17,671,875	525,996
Public works	3,368,393	3,350,990		3,350,990	2,974,782	376,208
Culture and recreation	4,644,980	4,416,456		4,416,456	4,254,143	162,313
Development	990,130	990,130		990,130	808,218	181,912
Debt service:						
Principal retirement					207,452	(207,452)
Interest and fiscal charges					44,851	(44,851)
Capital outlay	159,000	303,139		303,139	1,263,944	(960,805)
Total Expenditures	<u>34,001,104</u>	<u>34,262,482</u>	<u>(2,475,472)</u>	<u>31,787,010</u>	<u>31,467,419</u>	<u>319,591</u>
Excess (deficiency) of revenues over expenditures	<u>(1,753,812)</u>	<u>(1,913,959)</u>	<u>-</u>	<u>(1,913,959)</u>	<u>(337,411)</u>	<u>1,576,548</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital Lease					987,080	987,080
Transfers from other funds	2,057,633	2,057,633		2,057,633	2,057,633	-
Transfers to other funds	(112,484)	(112,484)		(112,484)	(112,484)	-
Total other financing sources (uses)	<u>1,945,149</u>	<u>1,945,149</u>	<u>-</u>	<u>1,945,149</u>	<u>2,932,229</u>	<u>987,080</u>
Net change in fund balances	191,337	31,190		31,190	2,594,818	2,563,628
Fund balances, beginning of year	4,883,169	4,883,169		4,883,169	4,883,169	-
Fund balances, end of year	<u>\$ 5,074,506</u>	<u>\$ 4,914,359</u>	<u>-</u>	<u>4,914,359</u>	<u>\$ 7,477,987</u>	<u>\$ 2,563,628</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2010**

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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.

Court Fees Fund – to account for revenue generated on court fines for the purpose of paying salary and benefits for a juvenile case manager, acquiring qualifying technology for the municipal court, and for the purpose of providing security services for the municipal court; as allowed under Article 102 of the Texas Code of Criminal Procedure.

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 and other public safety, and library grants.

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.

Other Special Revenue Fund - to account for funds received from a tax on the cost of occupancy in hotels and motels within the city limits of Rowlett and revenues received for public access television. The hotel/motel tax funds may only be utilized to promote tourism and the convention and hotel industry. The PEG fees collected may only be utilized for the operation of public, educational, and government access channels.

**CITY OF ROWLETT, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
<b>ASSETS</b>			
Pooled cash and investments	\$ 602,478	\$ 360,158	\$ 71,589
Receivables (net of allowance for uncollectibles):			
Taxes			
Accrued interest	1,820		126
Other			51,007
Due from other governments			
Total Assets	<u>\$ 604,298</u>	<u>\$ 360,158</u>	<u>\$ 122,722</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,903	\$ 72,574	\$ 68,266
Accrued liabilities		16,669	
Deferred revenue	155		22,533
Due to other funds			
Total Liabilities	<u>2,058</u>	<u>89,243</u>	<u>90,799</u>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances	19,700	8,348	
Capital projects	485,524		
Public safety		262,567	31,923
Unreserved for:			
Designated for capital projects			
Unreserved, undesignated	97,016		
Total Fund Balances	<u>602,240</u>	<u>270,915</u>	<u>31,923</u>
Total Liabilities and Fund Balances	<u>\$ 604,298</u>	<u>\$ 360,158</u>	<u>\$ 122,722</u>

Special Revenue						Total Governmental Funds
Court Fees	Grant	Golf Fund	TIF Fund	Other		
\$ 410,782	\$ 43,438	\$ 580,791	\$ 1,000			\$ 2,070,236
				15,187		15,187
469	38	684		45		3,182
1,879				23,233		76,119
	341,333					341,333
<u>\$ 413,130</u>	<u>\$ 384,809</u>	<u>\$ 581,475</u>	<u>\$ 1,000</u>	<u>\$ 38,465</u>		<u>\$ 2,506,057</u>
\$ 3,286	\$ 88,856	\$	\$	2,446		\$ 237,331
2,075				3,505		22,249
1,879	342,424			11,431		378,422
	263,878			18,402		282,280
<u>7,240</u>	<u>695,158</u>	<u>-</u>	<u>-</u>	<u>35,784</u>		<u>920,282</u>
47,039	999	222		291		76,599
			1,000			486,524
358,851						653,341
	19,977	581,253		9,017		610,247
	(331,325)			(6,627)		(240,936)
<u>405,890</u>	<u>(310,349)</u>	<u>581,475</u>	<u>1,000</u>	<u>2,681</u>		<u>1,585,775</u>
<u>\$ 413,130</u>	<u>\$ 384,809</u>	<u>\$ 581,475</u>	<u>\$ 1,000</u>	<u>\$ 38,465</u>		<u>\$ 2,506,057</u>

**CITY OF ROWLETT, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
<b>REVENUES</b>			
Taxes	\$	\$	\$
Franchise fees			
License and permits	20,962		
Charges for services			
Fines and forfeitures		272,867	363,218
Intergovernmental			
Interest	11,411	717	380
Total revenues	<u>32,373</u>	<u>273,584</u>	<u>363,598</u>
<b>EXPENDITURES</b>			
Current operating:			
General government			
Public safety		262,777	370,656
Public works			
Culture and recreation			
Capital outlay	67,658	5,529	
Total expenditures	<u>67,658</u>	<u>268,306</u>	<u>370,656</u>
Excess (deficiency) of revenues over expenditures	<u>(35,285)</u>	<u>5,278</u>	<u>(7,058)</u>
<b>OTHER FINANCING USES</b>			
Transfers to other funds	(1,340,000)		
Total other financing uses	<u>(1,340,000)</u>	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1,375,285)</u>	<u>5,278</u>	<u>(7,058)</u>
Fund balances, beginning of year	1,977,525	265,637	38,981
Fund balances, end of year	<u>\$ 602,240</u>	<u>\$ 270,915</u>	<u>\$ 31,923</u>

Special Revenue					
Court Fees	Grant	Golf Fund	TIF Fund	Other	Total Governmental Funds
\$	\$	\$	\$ 306,425	\$ 38,118	\$ 344,543
				85,328	85,328
		1,642			22,604
		578,704			578,704
185,663					821,748
	940,830				940,830
2,682	20	3,347	30	407	18,994
<u>188,345</u>	<u>940,850</u>	<u>583,693</u>	<u>306,455</u>	<u>123,853</u>	<u>2,812,751</u>
	283			135,273	135,556
139,945	146,513				919,891
	22,500				22,500
	18,594				18,594
16,485	954,565	2,698		86,722	1,133,657
<u>156,430</u>	<u>1,142,455</u>	<u>2,698</u>	<u>-</u>	<u>221,995</u>	<u>2,230,198</u>
<u>31,915</u>	<u>(201,605)</u>	<u>580,995</u>	<u>306,455</u>	<u>(98,142)</u>	<u>582,553</u>
		(388,484)	(306,455)		(2,034,939)
-	-	(388,484)	(306,455)	-	(2,034,939)
<u>31,915</u>	<u>(201,605)</u>	<u>192,511</u>	<u>-</u>	<u>(98,142)</u>	<u>(1,452,386)</u>
373,975	(108,744)	388,964	1,000	100,823	3,038,161
<u>\$ 405,890</u>	<u>\$ (310,349)</u>	<u>\$ 581,475</u>	<u>\$ 1,000</u>	<u>\$ 2,681</u>	<u>\$ 1,585,775</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 8,097,728	\$ 8,097,728	\$ 7,989,708	\$ (108,020)
Interest	43,029	43,029	13,286	(29,743)
Total revenues	<u>8,140,757</u>	<u>8,140,757</u>	<u>8,002,994</u>	<u>(137,763)</u>
<b>EXPENDITURES</b>				
Current operating:				
General government	120,833	120,833	93,769	27,064
Public Safety	-	-	101,083	(101,083)
Debt service:				
Principal retirement	5,278,889	5,278,889	5,225,000	53,889
Interest and fiscal charges	3,849,426	3,849,426	3,462,593	386,833
Bond issuance costs	-	-	207,999	(207,999)
Total expenditures	<u>9,249,148</u>	<u>9,249,148</u>	<u>9,090,444</u>	<u>158,704</u>
Excess (deficiency) of revenues over expenditures	<u>(1,108,391)</u>	<u>(1,108,391)</u>	<u>(1,087,450)</u>	<u>20,941</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	12,000,000	12,000,000
Premiums on sale of bonds	-	-	440,175	440,175
Payment to refunding bond escrow agent	-	-	(12,455,399)	(12,455,399)
Transfers from other funds	1,067,661	941,637	932,969	(8,668)
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>1,067,661</u>	<u>941,637</u>	<u>917,745</u>	<u>(23,892)</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>(40,730)</u>	<u>(166,754)</u>	<u>(169,705)</u>	<u>(2,951)</u>
Fund balances, beginning of year	404,059	404,059	404,059	-
Fund balances, end of year	<u>\$ 363,329</u>	<u>\$ 237,305</u>	<u>\$ 234,354</u>	<u>\$ (2,951)</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 IMPACT FEES FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
License and permits	\$ 53,517	\$ 53,517	\$ 20,962	\$ (32,555)
Interest	38,230	38,230	11,411	(26,819)
Total revenues	<u>91,747</u>	<u>91,747</u>	<u>32,373</u>	<u>(59,374)</u>
<b>EXPENDITURES</b>				
Public works	45,873	45,873		45,873
Capital outlay	45,874	343,118	67,658	275,460
Total expenditures	<u>91,747</u>	<u>388,991</u>	<u>67,658</u>	<u>321,333</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(297,244)</u>	<u>(35,285)</u>	<u>261,959</u>
<b>OTHER FINANCING USES</b>				
Transfer to other funds	(500,000)	(1,340,000)	(1,340,000)	-
Total other financing uses	<u>(500,000)</u>	<u>(1,340,000)</u>	<u>(1,340,000)</u>	<u>-</u>
Net change in fund balance	(500,000)	(1,637,244)	(1,375,285)	261,959
Fund balances, beginning of year	1,977,525	1,977,525	1,977,525	-
Fund balances, end of year	<u>\$ 1,477,525</u>	<u>\$ 340,281</u>	<u>\$ 602,240</u>	<u>\$ 261,959</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 POLICE SEIZURE FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2010**

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	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 272,867	\$ 172,867
Interest	5,117	5,117	717	(4,400)
Total revenues	<u>105,117</u>	<u>105,117</u>	<u>273,584</u>	<u>168,467</u>
<b>EXPENDITURES</b>				
Public safety	250,000	256,415	262,777	(6,362)
Capital outlay			5,529	(5,529)
Total expenditures	<u>250,000</u>	<u>256,415</u>	<u>268,306</u>	<u>(11,891)</u>
Excess of revenues over expenditures	<u>(144,883)</u>	<u>(151,298)</u>	<u>5,278</u>	<u>156,576</u>
Fund balances, beginning of year	265,637	265,637	265,637	-
Fund balances, end of year	<u>\$ 120,754</u>	<u>\$ 114,339</u>	<u>\$ 270,915</u>	<u>\$ 156,576</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC SAFETY FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2010**

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	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Fines & forfeitures	\$ 414,282	\$ 414,282	\$ 363,218	\$ (51,064)
Interest	1,776	1,776	380	(1,396)
Total revenues	<u>416,058</u>	<u>416,058</u>	<u>363,598</u>	<u>(52,460)</u>
<b>EXPENDITURES</b>				
Public safety	<u>415,698</u>	<u>415,698</u>	<u>370,656</u>	<u>45,042</u>
Total expenditures	<u>415,698</u>	<u>415,698</u>	<u>370,656</u>	<u>45,042</u>
Deficiency of revenues over expenditures	<u>360</u>	<u>360</u>	<u>(7,058)</u>	<u>(7,418)</u>
Fund balances, beginning of year	38,981	38,981	38,981	-
Fund balances, end of year	<u>\$ 39,341</u>	<u>\$ 39,341</u>	<u>\$ 31,923</u>	<u>\$ (7,418)</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 COURT FEES FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2010**

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	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 140,165	\$ 140,165	\$ 185,663	\$ 45,498
Interest			2,682	2,682
Total revenues	<u>140,165</u>	<u>140,165</u>	<u>188,345</u>	<u>48,180</u>
<b>EXPENDITURES</b>				
Public safety	82,445	98,115	139,945	(41,830)
Capital outlay		47,100	16,485	30,615
Total expenditures	<u>82,445</u>	<u>145,215</u>	<u>156,430</u>	<u>(11,215)</u>
Excess of revenues over expenditures	<u>57,720</u>	<u>(5,050)</u>	<u>31,915</u>	<u>36,965</u>
Fund balances, beginning of year	373,975	373,975	373,975	-
Fund balances, end of year	<u>\$ 431,695</u>	<u>\$ 368,925</u>	<u>\$ 405,890</u>	<u>\$ 36,965</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 GRANT FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2010**

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	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 850,712	\$ 1,438,620	\$ 940,830	\$ (497,790)
Interest			20	20
Total revenues	<u>850,712</u>	<u>1,438,620</u>	<u>940,850</u>	<u>(497,770)</u>
<b>EXPENDITURES</b>				
General government	481,900	481,900	283	481,617
Public safety	134,532	167,408	146,513	20,895
Public works	22,000	22,000	22,500	(500)
Culture and recreation	17,035	18,180	18,594	(414)
Capital outlay	195,245	608,906	954,565	(345,659)
Total expenditures	<u>850,712</u>	<u>1,298,394</u>	<u>1,142,455</u>	<u>155,939</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>140,226</u>	<u>(201,605)</u>	<u>(341,831)</u>
Fund balances, beginning of year	(108,744)	(108,744)	(108,744)	-
Fund balances, end of year	<u>\$ (108,744)</u>	<u>\$ 31,482</u>	<u>\$ (310,349)</u>	<u>\$ (341,831)</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 GOLF COURSE FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
License and permits	\$	\$	\$ 1,642	1,642
Charges for services	581,204	581,204	578,704	(2,500)
Interest	2,005	2,005	3,347	1,342
Total revenues	<u>583,209</u>	<u>583,209</u>	<u>583,693</u>	<u>484</u>
<b>EXPENDITURES</b>				
Capital Outlay	-	300,000	2,698	297,302
Total expenditures	<u>-</u>	<u>300,000</u>	<u>2,698</u>	<u>297,302</u>
Excess (deficiency) of revenues over expenditures	<u>583,209</u>	<u>283,209</u>	<u>580,995</u>	<u>297,786</u>
<b>OTHER FINANCING USES</b>				
Transfers to other funds	(514,508)	(388,484)	(388,484)	-
Total other financing uses	<u>(514,508)</u>	<u>(388,484)</u>	<u>(388,484)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other uses	<u>68,701</u>	<u>(105,275)</u>	<u>192,511</u>	<u>297,786</u>
Fund balances, beginning of year	388,964	388,964	388,964	-
Fund balances, end of year	<u>\$ 457,665</u>	<u>\$ 283,689</u>	<u>\$ 581,475</u>	<u>\$ 297,786</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	\$ 315,123	315,123	306,425	\$ (8,698)
Interest			30	30
Total revenues	<u>315,123</u>	<u>315,123</u>	<u>306,455</u>	<u>(8,668)</u>
<b>OTHER FINANCING USES</b>				
Transfers to other funds	<u>(315,123)</u>	<u>(315,123)</u>	<u>(306,455)</u>	<u>8,668</u>
Total other financing uses	<u>(315,123)</u>	<u>(315,123)</u>	<u>(306,455)</u>	<u>8,668</u>
Excess (deficiency) of revenues over other uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	1,000	1,000	1,000	-
Fund balances, end of year	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 OTHER SPECIAL REVENUE FUND  
 FOR YEAR ENDED SEPTEMBER 30, 2010**

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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	\$ 63,810	\$ 63,810	\$ 38,118	\$ (25,692)
Franchise fees	69,834	69,834	85,328	
Interest	<u>1,618</u>	<u>1,618</u>	<u>407</u>	<u>(1,211)</u>
Total revenues	<u>135,262</u>	<u>135,262</u>	<u>123,853</u>	<u>(26,903)</u>
<b>EXPENDITURES</b>				
General government	177,280	177,280	135,273	42,007
Capital outlay	<u>91,490</u>	<u>72,813</u>	<u>86,722</u>	<u>(13,909)</u>
Total expenditures	<u>268,770</u>	<u>250,093</u>	<u>221,995</u>	<u>28,098</u>
Excess of revenues over expenditures	<u>(133,508)</u>	<u>(114,831)</u>	<u>(98,142)</u>	<u>16,689</u>
Fund balances, beginning of year	100,823	100,823	100,823	-
Fund balances, end of year	<u>\$ (32,685)</u>	<u>\$ (14,008)</u>	<u>\$ 2,681</u>	<u>\$ 16,689</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.	86-91
<u>Revenue Capacity</u> – These schedules contain information to help the reader assess the City’s most significant local revenue source, the Property tax.	92-99
<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.	100-105
<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.	106-107
<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.	108-113

**CITY OF ROWLETT, TEXAS**

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

<b>Expenses</b>	<b>2003</b>	<b>2004</b>	<b>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>		<u>2010</u>	
\$	42,099,813	\$	38,656,284	\$	40,312,017	\$	33,707,411	\$	33,070,231
	1,724,868		1,249,120		1,537,197		910,428		1,148,213
	4,121,491		4,519,005		5,435,653		7,593,223		7,989,091
\$	<u>47,946,172</u>	\$	<u>44,424,409</u>	\$	<u>47,284,867</u>	\$	<u>42,211,062</u>	\$	<u>42,207,535</u>
\$	61,546,001	\$	62,484,938	\$	63,829,157	\$	65,576,708	\$	64,417,014
	2,876,092		2,849,815		2,894,124		3,136,923		3,156,935
	5,289,946		3,926,786		5,683,212		6,518,292		5,452,189
\$	<u>69,712,039</u>	\$	<u>69,261,539</u>	\$	<u>72,406,493</u>	\$	<u>75,231,923</u>	\$	<u>73,026,138</u>
\$	103,645,814	\$	101,141,222	\$	104,141,174	\$	99,284,119	\$	97,487,245
	4,600,960		4,098,935		4,431,321		4,047,351		4,305,148
	9,411,437		8,445,791		11,118,865		14,111,515		13,441,280
\$	<u>117,658,211</u>	\$	<u>113,685,948</u>	\$	<u>119,691,360</u>	\$	<u>117,442,985</u>	\$	<u>115,233,673</u>

CITY OF ROWLETT, TEXAS

**CHANGES IN NET ASSETS (UNAUDITED)  
LAST EIGHT 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>
<b>Program Revenues</b>			
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>
<b>General Revenue and Other Changes in Net Assets</b>			
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>
<b>Changes in Net Assets</b>			
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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	7,547,049	\$ 6,463,416	\$ 5,210,003	\$ 5,235,080	\$ 4,812,456
	17,566,690	19,064,945	19,026,455	19,372,690	20,243,476
	5,338,600	13,357,060	8,819,541	12,719,561	12,747,289
	6,202,601	6,102,323	5,388,160	4,926,422	5,138,905
	1,529,689	1,476,900	1,229,275	1,219,772	844,980
	3,864,246	4,825,639	4,473,104	4,088,968	3,562,170
	<u>42,048,875</u>	<u>51,290,283</u>	<u>44,146,538</u>	<u>47,562,493</u>	<u>47,349,276</u>
	19,243,442	19,136,724	19,065,087	18,502,215	19,292,984
	1,332,109	1,604,017	1,692,004	1,607,736	2,676,412
	2,627,304	2,940,905	3,251,155	3,286,924	3,242,101
	-	-	-	-	-
	<u>23,202,855</u>	<u>23,681,646</u>	<u>24,008,246</u>	<u>23,396,875</u>	<u>25,211,497</u>
\$	<u>65,251,730</u>	<u>74,971,929</u>	<u>68,154,784</u>	<u>70,959,368</u>	<u>72,560,773</u>
\$	121,309	\$ 67,617	\$ 72,486	\$ 99,906	\$ 135,922
	2,847,875	3,089,141	3,591,329	3,466,449	3,959,096
	418,169	265,677	211,128	87,594	20,962
	1,280,621	1,185,071	1,115,647	1,627,643	1,588,866
	911,160	696,991	567,913	504,544	386,696
	461,654	578,571	518,835	347,925	484,634
	2,658,930	469,433	2,306,004	175,032	1,532,660
	<u>8,699,718</u>	<u>6,352,501</u>	<u>8,383,342</u>	<u>6,309,093</u>	<u>8,108,836</u>
	19,125,037	18,951,024	19,553,413	20,570,813	21,550,266
	485,580	929,773	951,715	1,276,659	1,361,162
	3,493,756	4,054,166	4,246,481	4,493,083	4,484,338
	-	-	-	-	-
	1,314,213	616,691	2,359,949	63,966	20,612
	<u>24,418,586</u>	<u>24,551,654</u>	<u>27,111,558</u>	<u>26,404,521</u>	<u>27,416,378</u>
\$	<u>33,118,304</u>	<u>30,904,155</u>	<u>35,494,900</u>	<u>32,713,614</u>	<u>35,525,214</u>
\$	(33,349,157)	\$ (44,937,782)	\$ (35,763,196)	\$ (41,253,400)	\$ (39,240,440)
	1,215,731	870,008	3,103,312	3,007,646	2,204,881
\$	<u>(32,133,426)</u>	<u>(44,067,774)</u>	<u>(32,659,884)</u>	<u>(38,245,754)</u>	<u>(37,035,559)</u>
\$	22,472,350	\$ 23,758,243	\$ 25,044,496	\$ 25,255,663	\$ 24,649,815
	7,458,230	6,230,025	5,882,325	5,666,751	6,228,228
	111,619	120,329	121,242	110,778	59,934
	2,850,027	3,393,874	3,014,846	2,881,223	2,767,064
	2,418,273	3,242,124	1,570,639	702,090	231,809
	(178,719)	-	-	-	-
	956,044	939,421	1,039,438	633,877	674,907
	4,973,519	3,732,003	1,447,292	929,213	4,625,155
	<u>41,061,343</u>	<u>41,416,019</u>	<u>38,120,278</u>	<u>36,179,595</u>	<u>39,236,912</u>
	1,899,345	2,411,495	1,488,934	746,997	214,489
	(970,648)	-	-	-	-
	-	-	-	-	-
	(4,973,519)	(3,732,003)	(1,447,292)	(929,213)	(4,625,155)
	-	-	-	-	-
	<u>(4,044,822)</u>	<u>(1,320,508)</u>	<u>41,642</u>	<u>(182,216)</u>	<u>(4,410,666)</u>
\$	<u>37,016,521</u>	<u>40,095,511</u>	<u>38,161,920</u>	<u>35,997,379</u>	<u>34,826,246</u>
\$	7,712,186	\$ (3,521,763)	\$ 2,357,082	\$ (5,073,805)	\$ (3,528)
	(2,829,091)	(450,500)	3,144,954	2,825,430	(2,205,785)
\$	<u>4,883,095</u>	<u>(3,972,263)</u>	<u>5,502,036</u>	<u>(2,248,375)</u>	<u>(2,209,313)</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)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General fund				
Reserved	\$ 18,823	\$ 1,659,652	\$ 170,263	\$ 67,241
Unreserved	4,197,461	3,362,536	2,777,063	2,566,930
Total general fund	<u>\$ 4,216,284</u>	<u>\$ 5,022,188</u>	<u>\$ 2,947,326</u>	<u>\$ 2,634,171</u>
All other governmental funds				
Reserved	\$ 1,175,792	\$ 16,159,882	\$ 26,854,129	\$ 19,759,466
Unreserved, reported in:				
Special revenue funds	27,264	160,073	154,018	32,072
Capital project funds	5,310,696	-	-	-
Total all other governmental funds	<u>\$ 6,513,752</u>	<u>\$ 16,319,955</u>	<u>\$ 27,008,147</u>	<u>\$ 19,791,538</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

**TABLE 3**

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 474,664	\$ 113,638	\$ 334,908	\$ 186,401	\$ 432,360	\$ 725,269
2,717,632	2,957,331	2,723,433	3,220,176	4,846,923	6,752,718
<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>	<u>\$ 7,477,987</u>
\$ 42,937,142	\$ 56,450,397	\$ 38,895,212	\$ 28,688,462	\$ 20,479,526	\$ 16,052,328
1,153,135	1,248,627	1,432,574	1,561,760	1,682,678	369,311
-	-	-	-	-	-
<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>	<u>\$ 16,421,639</u>

CITY OF ROWLETT, TEXAS

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Revenues</b>				
Taxes	\$ 14,710,190	\$ 16,642,021	\$ 19,148,762	\$ 20,621,070
Franchise fees	2,209,372	2,409,889	2,233,351	2,587,990
Licenses and permits	1,299,881	1,042,257	1,108,478	1,163,776
Charges for services	1,253,884	901,094	1,397,231	1,265,001
Fines and forfeitures	806,023	1,077,686	997,664	1,017,960
Intergovernmental	216,115	452,819	829,382	931,636
Intragovernmental	836,658	1,083,610	-	-
Interest	620,152	473,738	561,483	402,908
Miscellaneous	996,273	974,270	791,815	940,014
Total revenues	<u>22,948,548</u>	<u>25,057,384</u>	<u>27,068,167</u>	<u>28,930,355</u>
<b>Expenditures</b>				
General government	3,296,026	4,401,992	3,202,704	3,208,460
Public safety	10,131,991	11,312,329	12,995,737	13,890,075
Public works	3,778,404	3,878,885	2,052,741	2,415,019
Culture and recreation	n/a	n/a	2,505,666	2,856,944
Development	n/a	n/a	1,351,759	1,311,215
Debt service:				
Principal	2,045,000	2,405,000	3,215,000	3,080,000
Interest	2,434,983	2,198,881	2,237,253	2,522,751
Other charges	-	-	353,394	133,775
Capital outlay	4,239,784	3,269,716	3,588,238	9,545,691
Total expenditures	<u>25,926,188</u>	<u>27,466,803</u>	<u>31,502,492</u>	<u>38,963,930</u>
Excess of revenues over/(under) expenditures	(2,977,640)	(2,409,419)	(4,434,325)	(10,033,575)
<b>Other Financing Sources/(Uses)</b>				
Proceeds from capital leases	-	-	-	-
Proceeds from sale of bonds	4,295,000	11,555,000	19,078,542	5,544,792
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)	(4,985,624)
Transfers in	925,760	1,081,498	2,651,916	3,229,170
Transfers out	(848,260)	(879,999)	(447,531)	(1,014,528)
Total other financing sources/(uses)	<u>4,372,500</u>	<u>11,756,499</u>	<u>13,048,384</u>	<u>2,773,810</u>
Net change in fund balances	<u>\$ 1,394,860</u>	<u>\$ 9,347,080</u>	<u>\$ 8,614,059</u>	<u>\$ (7,259,765)</u>
Debt service as a percentage of noncapital expenditures	17.3%	16.8%	18.4%	14.7%

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 4

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	23,538,352	\$ 29,954,902	\$ 30,089,399	\$ 31,065,958	\$ 30,906,010	\$ 30,966,183
	2,418,182	2,850,027	3,393,874	3,018,734	2,999,281	3,015,465
	994,556	1,288,735	778,007	720,779	499,979	391,228
	1,321,381	2,318,143	2,415,006	2,343,594	2,889,691	2,823,756
	1,005,818	1,728,113	2,191,648	2,465,790	2,339,835	2,820,913
	1,711,827	1,753,744	892,635	1,270,253	381,153	1,967,802
	-	-	-	-	-	-
	878,622	2,400,651	3,211,947	1,556,897	702,090	231,809
	1,072,547	1,134,831	937,824	992,518	633,877	674,907
	<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>	<u>42,892,063</u>
	3,493,066	7,029,763	5,396,190	4,059,446	4,047,850	4,471,479
	14,808,481	17,302,986	18,616,295	18,429,503	17,910,586	18,692,849
	2,413,042	2,360,852	8,834,282	4,775,269	7,789,807	5,592,114
	3,327,315	5,116,947	5,171,047	4,462,616	4,151,303	4,272,737
	1,313,779	1,512,154	1,458,834	1,212,987	1,151,720	808,218
	3,985,000	4,890,000	7,285,049	5,991,212	5,551,999	5,432,452
	2,692,355	3,506,208	4,783,411	4,400,172	4,044,879	3,507,444
	703,265	315,607	25,000	-	-	207,999
	10,662,429	11,748,134	14,831,198	13,804,949	7,858,484	9,868,151
	<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>	<u>52,853,443</u>
	(10,457,447)	(10,353,505)	(22,490,966)	(13,701,631)	(11,154,712)	(9,961,380)
	213,956	-	-	39,461	152,925	987,080
	41,285,000	21,465,000	1,690,000	-	-	12,000,000
	318,843	291,917	-	-	-	440,175
	(233,114)	(30,614)	-	-	-	-
	(8,723,648)	-	-	-	-	(12,455,399)
	3,182,730	2,650,984	7,499,125	7,157,912	7,271,747	7,595,086
	(729,457)	(536,360)	(4,082,025)	(3,225,070)	(2,485,272)	(2,147,423)
	<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>6,419,519</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>	<u>(3,541,861)</u>
	17.0%	16.2%	18.2%	18.2%	21.8%	20.1%

**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>
2001	\$ 12,263,567	\$ 2,446,623	-	\$ 16,642,021
2002	13,968,939	2,673,082	-	19,148,762
2003	16,303,292	2,767,989	77,481	20,621,070
2004	17,436,453	3,097,455	87,162	23,538,349
2005	19,679,705	3,760,341	98,303	29,954,901
2006	22,385,053	7,458,229	111,619	30,089,398
2007	23,739,045	6,230,024	120,329	31,065,957
2008	25,062,391	5,882,323	121,243	31,065,957
2009	25,027,004	5,666,750	110,779	30,804,533
2010	24,639,903	6,228,228	98,052	30,966,183

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			
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
2010	3,522,255,306	177,752,490	414,294,585	3,285,713,211	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>				
	General Fund	Debt		Dallas County Properties				
		Service Fund	Total City	Dallas County	Dallas County Hospital District	Dallas County Community College District	Garland Independent School District	Total Direct & Overlapping Rates
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
2010	0.50202	0.24515	0.74717	0.22810	0.27400	0.09490	1.25330	2.59747

(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	\$ 1.57850	\$ 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
0.375000	1.47000	2.59217

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

Taxpayer	2010			Taxpayer	2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lake Pointe Medical Center	\$ 46,487,200	1	1.41%	Texas Utilities Electric Co.	\$ 24,500,490	1	1.29%
Texas Utilities/Oncor Electric Co	26,800,780	2	0.82%	Lake Pointe Medical Center	14,936,920	2	0.79%
Wal Mart	20,303,560	3	0.62%	Albertson Grocery Company	13,890,630	3	0.73%
Verizon	19,212,890	4	0.58%	Verizon	12,379,900	4	0.65%
Target Corporation	17,405,510	5	0.53%	Wal Mart	10,943,670	5	0.58%
Home Depot	12,126,670	6	0.37%	TCI Cable	6,287,690	6	0.33%
Gemni Rowlett Crossing LP	9,446,751	7	0.29%	Lakeview Parkview	4,948,330	7	0.26%
Acme Realty Plaza 71 LTD	8,013,620	8	0.24%	Campbell Nursing Home	3,994,680	8	0.21%
NWC Liberty Grove & SH66	7,677,970	9	0.23%	Prusak Family Ltd	3,763,220	9	0.20%
Safeway Inc	7,138,060	10	0.22%	Randalls Food & Drug	3,150,020	10	0.17%
	<u>\$ 174,613,011</u>		<u>5.31%</u>		<u>\$ 98,795,550</u>		<u>5.20%</u>

Source: Dallas County Tax Office

Source: City of Rowlett 2001 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
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%	275,787	17,124,465	99.61%
2005	19,424,633	19,018,687	97.91%	261,589	19,280,276	99.26%
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%	189,736	24,719,342	98.79%
2010	24,432,408	23,999,869	98.23%	-	23,999,869	98.23%

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
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
2010	37,590,000	45,410,000	-	1,797,282

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			
\$ 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	6.41%	2,785
44,560,000	4,365,000	3,773,272	141,885,927	5.96%	2,615
41,340,000	4,190,000	3,503,499	133,830,781	5.62%	2,467

**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>
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
2010	83,000,000	234,354	82,765,646	2.52%	1,519

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, 2010**

<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	\$ 121,176,552	1.47%	\$ 1,781,295
Dallas County Community College District	416,040,000	1.47%	6,115,788
Dallas County Hospital District	705,000,000	1.47%	10,363,500
Garland Independent School District	369,260,893	19.10%	<u>70,528,831</u>
Subtotal, overlapping debt			88,789,414
City of Rowlett, direct debt			<u>83,000,000</u>
Total direct and overlapping debt			<u>\$ 171,789,414</u>
<u>Rockwall County Properties:</u>			
Debt repaid with property taxes:			
Rockwall County	\$ 56,850,434	6.81%	\$ 3,871,515
Rockwall Independent School District	356,763,119	8.01%	<u>28,576,726</u>
Subtotal, overlapping debt			32,448,241
City of Rowlett, direct debt			<u>83,000,000</u>
Total direct and overlapping debt			<u>\$ 115,448,241</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 and estimated percentage applicable for taxing entities other than the City was obtained from the Municipal Advisory Council of Texas.

**COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)  
SEPTEMBER 30, 2010**

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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, 2010, is \$ 0.747173 per \$100 of assessed valuation, with assessed valuation being 100% of appraised value.

Source: City of Rowlett - Finance Department

**PLEGGED-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	
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
2010	21,570,878	12,775,053	8,795,825	2,583,750	836,260	2.57

<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
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	2,353,250,700	43,458	11,500	4.8%	4.2%
2009	54,250	2,381,172,465	43,893	11,499	7.4%	7.0%
2010	54,500	2,416,067,066	44,332	11,555	8.7%	8.0%

<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

<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, 2010**

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Garland ISD (City schools only)	1,076	1	3.98%	n/a	1	n/a
Lake Pointe Medical Center	700	2	2.59%	n/a	2	n/a
Wal-mart Supercenter	500	3	1.85%	n/a	3	n/a
City of Rowlett	375	4	1.39%	n/a	4	n/a
Target Corporation	275	5	1.02%	n/a	5	n/a
Senior Care at Lake Pointe	190	7	0.70%	n/a	7	n/a
Rowlett Nursing Home	152	6	0.56%	n/a	6	n/a
Store Décor	126	8	0.47%	n/a	8	n/a
Albertson's, Inc.	125	9	0.46%	n/a	9	n/a
H & S Manufacturing	85	10	0.31%	n/a	10	n/a
	<u>3,604</u>		<u>13.32%</u>	\$ -		<u>0.00%</u>

Source: City of Rowlett - Economic Development Department  
\*2001 not available

**CITY OF ROWLETT, TEXAS**

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Function/Program</b>				
General government				
City council	3.50	3.50	3.50	3.50
City manager	3.88	4.00	3.00	5.00
City secretary	3.00	3.00	3.00	3.00
Financial services	23.13	24.25	27.00	28.00
Information technology	2.00	2.00	3.00	5.00
Public information office	-	-	3.00	2.00
Human resources	3.00	3.00	3.00	3.00
Buildings and grounds	2.50	3.00	3.00	6.50
Public safety				
Police	83.00	86.00	93.25	98.25
Fire	61.50	64.50	69.00	75.50
Municipal court	6.00	7.00	7.00	7.00
Animal services	3.62	4.00	5.00	5.00
Environmental services	3.00	3.00	4.00	5.00
Public works				
Administration & engineering	7.00	8.00	8.00	7.00
Streets	10.00	10.00	14.00	17.00
Fleet services	1.00	1.00	2.00	2.00
Traffic maintenance	2.00	2.00	2.00	2.00
Water and sewer	19.00	20.00	23.00	27.00
Drainage	n/a	n/a	2.00	2.00
Culture and recreation				
Parks administration	2.00	2.00	2.00	2.00
Parks operations	9.00	9.00	10.00	10.00
Community athletics	4.50	4.50	4.00	4.00
Community centre	3.00	3.00	7.50	8.00
Wet zone	1.00	1.00	19.75	19.75
Urban Forestry	-	-	1.00	1.00
Library services	11.50	12.00	15.00	14.50
Development				
Planning	7.00	7.00	7.00	6.00
Building inspections	4.00	4.00	5.00	5.00
GIS	1.00	2.00	2.00	2.00
Economic development	1.00	1.00	2.00	2.00
<b>Total fte's by Function/Program</b>	<b>281.13</b>	<b>293.75</b>	<b>353.00</b>	<b>378.00</b>
<b>Fund</b>				
General	245.13	254.75	285.25	305.25
Water and sewer	36.00	39.00	46.00	51.00
Drainage	n/a	n/a	2.00	2.00
Wet zone	n/a	n/a	19.75	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>281.13</b>	<b>293.75</b>	<b>353.00</b>	<b>378.00</b>

Source: City of Rowlett - Finance Department

TABLE 17

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
3.50	3.50	3.50	3.50	3.50	3.50
5.00	5.00	5.00	4.00	3.00	4.00
3.00	3.00	3.00	3.00	3.00	3.00
28.00	22.50	22.50	22.00	21.00	21.00
5.00	7.00	7.00	5.00	5.00	5.00
3.00	3.00	4.00	6.00	5.00	4.00
5.00	5.00	5.00	3.00	3.00	3.00
6.50	7.50	7.50	6.00	6.00	7.00
98.75	102.75	114.00	114.00	115.00	115.00
75.50	77.00	77.00	77.00	76.00	76.00
7.00	9.00	9.00	8.50	7.50	7.00
5.00	5.00	5.00	5.00	5.00	5.00
4.00	5.00	5.00	5.50	5.50	6.00
10.00	10.00	11.00	9.00	9.00	7.00
17.00	17.00	19.00	17.00	14.00	14.00
2.00	3.00	3.00	3.00	3.00	3.50
2.00	2.00	-	-	-	-
27.00	27.00	27.00	23.00	23.00	23.50
2.00	2.00	2.00	2.00	3.00	2.00
2.00	3.00	3.00	4.00	4.00	2.00
10.00	10.00	10.00	12.00	11.50	12.00
4.00	2.00	-	-	-	-
8.00	9.00	11.00	9.00	9.50	11.00
19.75	22.00	22.00	22.00	22.00	21.00
1.00	3.00	4.00	-	-	-
14.50	15.00	15.00	16.00	16.50	17.00
7.00	7.00	7.00	5.00	5.00	4.00
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	2.00
384.50	397.25	411.50	392.50	387.00	382.50
308.75	341.25	362.50	350.50	343.00	347.00
54.00	44.00	37.00	32.00	33.00	33.50
2.00	2.00	2.00	2.00	3.00	2.00
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	n/a
384.50	397.25	411.50	392.50	387.00	382.50

**CITY OF ROWLETT, TEXAS**

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

<b>Function/Program</b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>
Public Safety				
Number of police employees	83	86	93	98
Number of citations	14,421	12,712	11,099	11,360
Number of fire employees	62	65	69	76
Number of fire calls	1,087	1,039	1,030	1,075
Number of EMS calls	1,753	1,949	1,986	2,014
Fire inspections	840	998	873	1,370
Public Works				
Asphalt replaced (tons)	n/a	232	592	2,071
Concrete placed (cubic yards)	n/a	201	555	698
Concrete pavement (sq ft)	n/a	6,490	10,679	18,870
Culture and recreation				
Volumes in collection	52,342	56,785	62,424	71,701
Development				
Permits issued	844	703	656	473
Water and Sewer				
Number of water customers	15,457	17,068	18,001	18,236
Average daily water consumption	7,302,000	7,076,667	7,641,199	7,321,447
Peak daily water consumption	21,317,000	15,514,000	18,390,000	15,473,000
Number of sewer customers	14,756	16,577	17,483	17,247
Average daily sewer usage	3,155,937	4,117,000	3,471,326	4,304,359

Source: City of Rowlett Departments

**TABLE 18**

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
99	103	114	114	115	115
12,624	10,245	19,430	18,507	22,587	20,188
76	77	77	77	76	76
1,096	1,451	1,403	1,361	1,160	1,278
2,307	2,378	2,305	2,496	2,421	2,572
1,237	1,232	1,125	1,365	1,166	992
1,210	1,839	3,034	3,270	1,457	5,562
443	191	200	3,184	14,313	8,862
18,506	7,296	7,522	171,989	495,007	359,275
74,956	76,237	85,374	93,451	100,480	106,436
329	326	125	97	52	28
18,400	19,270	19,019	19,006	19,354	19,227
7,908,956	8,272,239	5,660,705	7,422,493	6,363,270	6,196,262
17,806,000	17,221,000	13,257,000	17,373,000	16,238,000	17,772,000
17,504	18,199	18,002	18,456	18,388	18,304
4,792,605	4,798,498	4,005,619	3,529,445	3,720,899	3,723,123

**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>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>
Public Safety				
Police stations	1	1	1	1
Marked Police units	13	13	15	15
Fire stations	3	3	3	3
Public Works				
Miles of streets	451	462	466	472
Miles of alleys	n/a	n/a	n/a	103
Culture and recreation				
Parks acreage - developed	256	256	256	536
Parks acreage - undeveloped	258	258	258	274
Libraries	1	1	1	1
Water and Sewer				
Water mains (miles)	220	240	240	246
Fire hydrants	1,545	1,564	1,593	1,604
Sewer mains (miles)	200	200	200	210

Source: City of Rowlett Departments

TABLE 19

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<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	1	1	1	1	1
16	16	16	21	24	25
4	4	4	4	4	4
478	480	551	534	534	534
106	151	105	105	105	105
604	607	607	607	607	607
379	376	376	376	377	377
1	1	1	1	1	1
259	236	245	253	253	255
1,865	1,875	1,911	1,948	2,012	1,876
232	226	234	235	235	236

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**FEDERAL AND STATE  
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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 14, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 and state 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 14, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 AND THE STATE OF TEXAS  
UNIFORM GRANT MANAGEMENT STANDARDS**

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* and the *State of Texas Uniform Grant Management Standards* that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010. The City of Rowlett's major federal and state 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 and state 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* and the *State of Texas Uniform Grant Management Standards* ("UGMS"). 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 or state 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 could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010.

## 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 and state 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 or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, audit committee, City Council, others within the entity, and federal and state 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 14, 2011

**CITY OF ROWLETT, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<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	\$ 140,715
Community Development Block Grant	14.218	B-08-MC-48-0047	214,520
Community Development Block Grant	14.218	B-09-MC-48-0047	3,869
Community Development Block Grant - ARRA	14.253	B-09-MY-48-0047	<u>57,045</u>
Total Passed through Dallas County			<u>416,149</u>
Total U. S. Department of Housing and Urban Development			<u>416,149</u>
<b><u>U. S. Department of Justice</u></b>			
Direct Programs:			
Organized Crime Drug Enforcement Task Force	16.xxx	SW-TXE-Various	1,594
Federal Seizure Forfeitures	16.000	N/A	233,789
Bureau of Justice Assistance Bulletproof Vest Partnership	16.607	Noe	<u>635</u>
Total Direct Programs			<u>236,018</u>
Passed through the Office of the Governor Criminal Justice Division			
Recovery Act Justice Assistance Grant - ARRA	16.803	2214501	<u>151,498</u>
Total Passed through Office of the Governor Criminal Justice Division			<u>151,498</u>
Passed through the City of Dallas			
Recovery Act Edward Byrne Memorial Justice Assistance Grant - ARRA	16.804	2009-SB-B9-0969	<u>31,319</u>
Total Passed through the City of Dallas			<u>31,319</u>
Total U. S. Department of Justice			<u>418,835</u>
<b><u>U. S. Department of Transportation</u></b>			
Passed through Texas Department of Transportation			
Traffic Safety Program	20.600	S-MYG-YR2-0132	68,327
Traffic Safety Equipment and/or Training	20.602	2009-RowlettPD-CIOT-0009	<u>9,371</u>
Total Passed through Texas Department of Transportation			<u>77,698</u>
Total U. S. Department of Transportation			<u>77,698</u>

(continued)

**CITY OF ROWLETT, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U. S. Department Energy</u></b>			
Direct Programs:			
Energy Efficiency & Conservation Block Grant - ARRA	81.128	DE-SC0002911	\$ 313,666
Total Direct Programs			<u>313,666</u>
Total U. S. Department of Energy			<u>313,666</u>
<b><u>U. S. Department of Homeland Security</u></b>			
Passed through the Texas Division of Emergency Management			
Citizens Corps Program 2007	97.053	2007-GE-T7-0024	17,171
Citizens Corps Program 2008	97.053	2008-GE-T8-0034	1,307
Citizens Corps Program 2009	97.053	2009-SS-T9-0064	<u>7,950</u>
Total Passed through Texas Division of Emergency Management			<u>26,428</u>
Passed through North Central Texas Council of Governments			
SHSGP - Emergency Preparedness	97.067	None	<u>1,326</u>
Total Passed through North Central Texas Council of Governments			<u>1,326</u>
Total Cluster			<u>27,754</u>
Total U. S. Department of Homeland Security			<u>27,754</u>
Total Federal Awards			<u>1,254,102</u>

(continued)

**CITY OF ROWLETT, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>State Grantor Program Title</u>	<u>State Grantor Number</u>	<u>Expenditures</u>
<b><u>Texas Department of Transportation</u></b>		
Regional Toll Revenue (RTR) - Merrit Road	CSJ-0918-45-865	\$ <u>695,580</u>
Total Texas Department of Transportation		<u>695,580</u>
<b><u>Texas State Library and Archives Commission</u></b>		
Loan Star Libraries	442-10312	<u>18,194</u>
Total Texas State Library and Archives Commission		<u>18,194</u>
<b><u>Texas Department of State and Health Services</u></b>		
Passed through NCTTRAC		
EMS County Assistance	2009-03-1162	<u>5,632</u>
Total Passed through NCTTRAC		<u>5,632</u>
Total Texas Department of State and Health Services		<u>5,632</u>
Total State Awards		<u>719,406</u>
Total Federal and State Awards		\$ <u>1,973,508</u>

## **CITY OF ROWLETT, TEXAS**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**YEAR ENDED SEPTEMBER 30, 2010**

#### **1. GENERAL**

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state 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 and state agencies, as well as federal and state awards passed through other government agencies, are included on the schedule.

#### **2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal and State 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, 2010

### Summary of Auditors' Results

#### Financial Statements:

Type of auditors' report issued Unqualified

#### Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted?

None

#### Federal and State Awards:

#### Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and state awards as defined by the State of Texas Uniform Grant Management Standards?

None

Dollar threshold used to distinguish between type A and type B federal programs

\$300,000

Dollar threshold used to distinguish between type A and type B state programs

\$300,000

Auditee qualified as low-risk auditee?

The City was not classified as a low-risk auditee in the context of OMB Circular A-133 and the State of Texas Uniform Grant Management Standards.

#### Major Federal Programs

CFDA # 81.128

CFDA # 14.218 and 14.253

Energy Efficiency & Conservation Block Grant - ARRA  
Community Development Block Grant Cluster

#### Major State Program

Regional Toll Revenue (RTR) Grant

### 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

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