



President George Bush Turnpike Eastern Extension



City of Rowlett, Texas
Comprehensive Annual Financial Report
For Fiscal Year Ended September 30, 2011



CITY OF ROWLETT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

Prepared by

Department of Financial Services

Brian Funderburk, Assistant City Manager/Chief Financial Officer

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INTRODUCTORY SECTION



March 30, 2012

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

*Mayor
Todd Gottel*

*Mayor Pro Tem
Doug Phillips*

*Deputy Mayor
Pro Tem
Chris Kilgore*

*City Council
Donna Davis
Michael Gallops
Ron Miller
Carl Pankratz*

*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
Rowlett, TX 75088

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, 2011. 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, 2011. 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 56,230. 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.

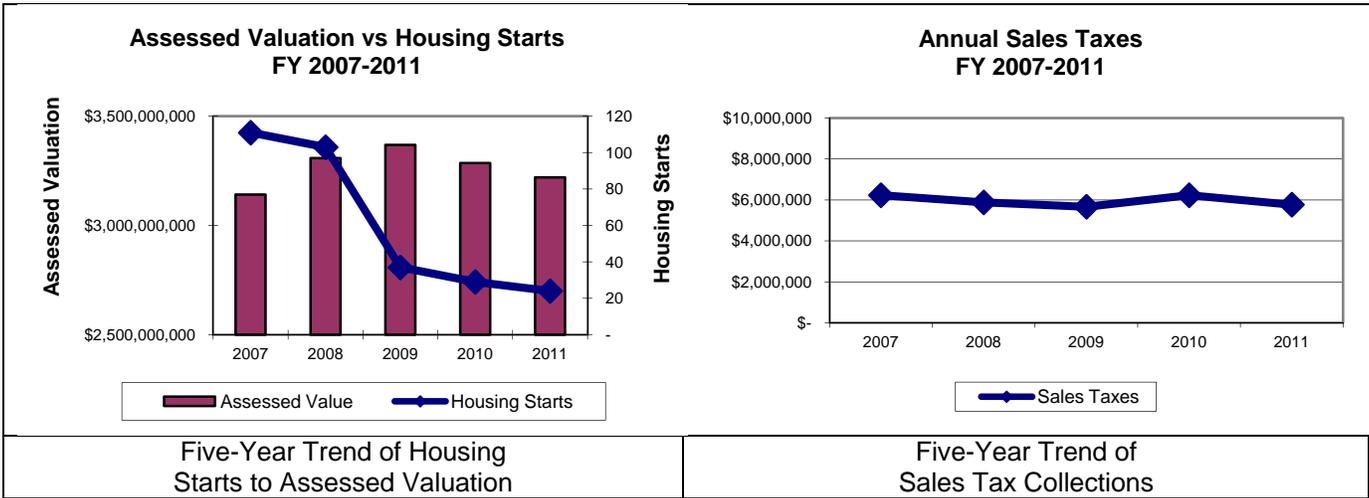
It is possible to amend the budget with City Council action to provide for any emergency items that were unforeseen during the regular budget process. Most unexpended appropriations lapse at year-end; however, the City's financial policies specify that funds budgeted for capital purposes automatically 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.

The economic slowdown which began in 2007 and accelerated in 2008-2010, has begun to soften somewhat in 2011 and 2012. Economists still suggest that the "new normal" and our current economic challenges are here to stay for several years yet. Because this economic condition is likely to last for the next five years at least, it is not prudent to make economic decisions in one-year increments hoping next year gets better. As a result, staff continues to approach 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 developed and maintains 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 decreased slightly from 8.0% to 7.8% for the year comparing well with the statewide average of 7.9%, the Metroplex average of 8.4%, and the national average of 8.9%. Sales tax collections decreased by 7.4% over the previous year primarily due to decreased taxable sales for a significant developer in which 90% of the taxes are rebated back to the developer. When taking into account the decrease in the rebates, net sales taxes actually increased 2.9%. New residential building construction in Rowlett continued to decline in the current year from 29 in 2010 to 24 in 2011. Commercial permits essentially remained flat growing from 2 in 2010 to 3 in 2011. The value of this new construction, along with other additions, added an estimated \$20.4 million of new taxable value to our tax rolls for the upcoming year, up 124.2% from the previous year's increased value of \$9.1 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 uptick in new construction in 2012. Overall, this trend is expected to continue; 2011 data from the appraisal districts indicates an overall 2.0% decrease in property value thus decreasing taxable assessed value by \$65.4 million. Preliminary data for 2012 is suggesting a 1.5% reduction in assessed valuation further eroding assessed valuation an additional \$47.7 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."



The fiscal year 2012 budget represents the second year of implementation of the Five-Year Sustainability Financial Plan. All decisions regarding revenue projections follow the same fiscally conservative approach that was begun in 2010. Expenditures were evaluated based from the perspective of organizational sustainability. For the seventh 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 additional 1.5% reduction in taxable property values, even while other resources have stabilized. As a result, the total fiscal year 2012 adopted budget is \$80.3 million. This is a decrease of \$2.8 million or 3.4% compared to the 2011 approved budget of \$83.1 million. The main reason for the decrease is a reduction in transfers between funds by \$1.9 million and a decrease in sales taxes by \$1.3 million due to the elimination of the rebate agreement with D.R. Horton, net of other increases. 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:

Fund Type	Reserve Balance Requirement	Reserve Balance Requirement Adopted September 21, 2011
Government		
General Fund	10%	13%
Golf Fund	N/A	<i>One year Debt Service</i>
Proprietary		
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

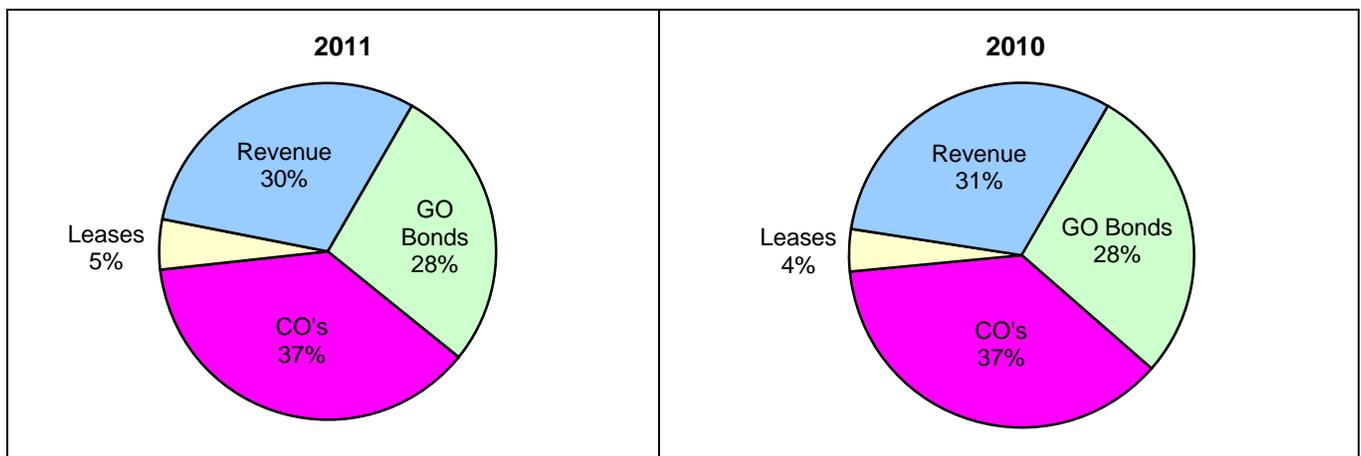
For the Year. During fiscal year 2011, the City completed and capitalized \$0.4 million including the Rowlett Creek Meter Station. However, the City has numerous projects that were in progress during the year, such as Merritt Road Interconnector, Castle Hills 12" Waterline, improvements to Westside and Eastside Lift Stations, Freedom/Martin Drive Extension, Main Street Lift Station, Rowlett Road Lift Station, and Rowlett Road Reconstruction, Phase II. 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 2012, the City adopted a Two Year Capital Improvements Plan (“CIP”) totaling \$28.2 million encompassing a wide variety of buildings, equipment and infrastructure construction projects. Significant projects include \$4.4 million for the Rowlett Road Pump Station, \$4.2 million for a new 2.25MG elevated water tank to address pressure in the upper pressure zone, \$2.9 million for concrete/asphalt renovations for streets with a pavement condition index of less than 60, \$1.9 million to add an 18” sewer line on Merritt Road, \$1.7 million for alley improvements and rehabilitation, \$1.3 million to complete the Rowlett Road Reconstruction-Phase II project, and \$1.1 million to add a 12” water line on Dalrock and Chiesa.

Capital expenditures for the next two fiscal years are based primarily on existing bond construction funds and cash from the operating funds; however, approximately \$1.3 million in fiscal year 2012 is projected to come from grants and \$8.5 million in fiscal year 2013 is projected to come from water and sewer revenue bonds

The City has not gone out to the bond market for 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 Revenue Bonds due to the refunding. The property tax rate has remained 0.747173 per \$100 of assessed valuation for the past six years. Although it is anticipated that to maintain the capital improvement plan at its present level, additional bond financing will be required in 2013 and beyond; the City will carefully measure and prioritize all of its options and seek approval for its needs.

At September 30, 2011, the City had various debt issues outstanding totaling \$133.8 million exclusive of premiums, discounts or deferred losses. Of this total, \$88.3 million is supported by a combination of ad valorem taxes, developer contributions and lease payments. Revenues of the Water and Sewer Enterprise Fund support \$41.5 million and the Drainage Fund supports the remaining \$4.0 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, 2010. This is the seventh 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, 2010. 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 Major 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.

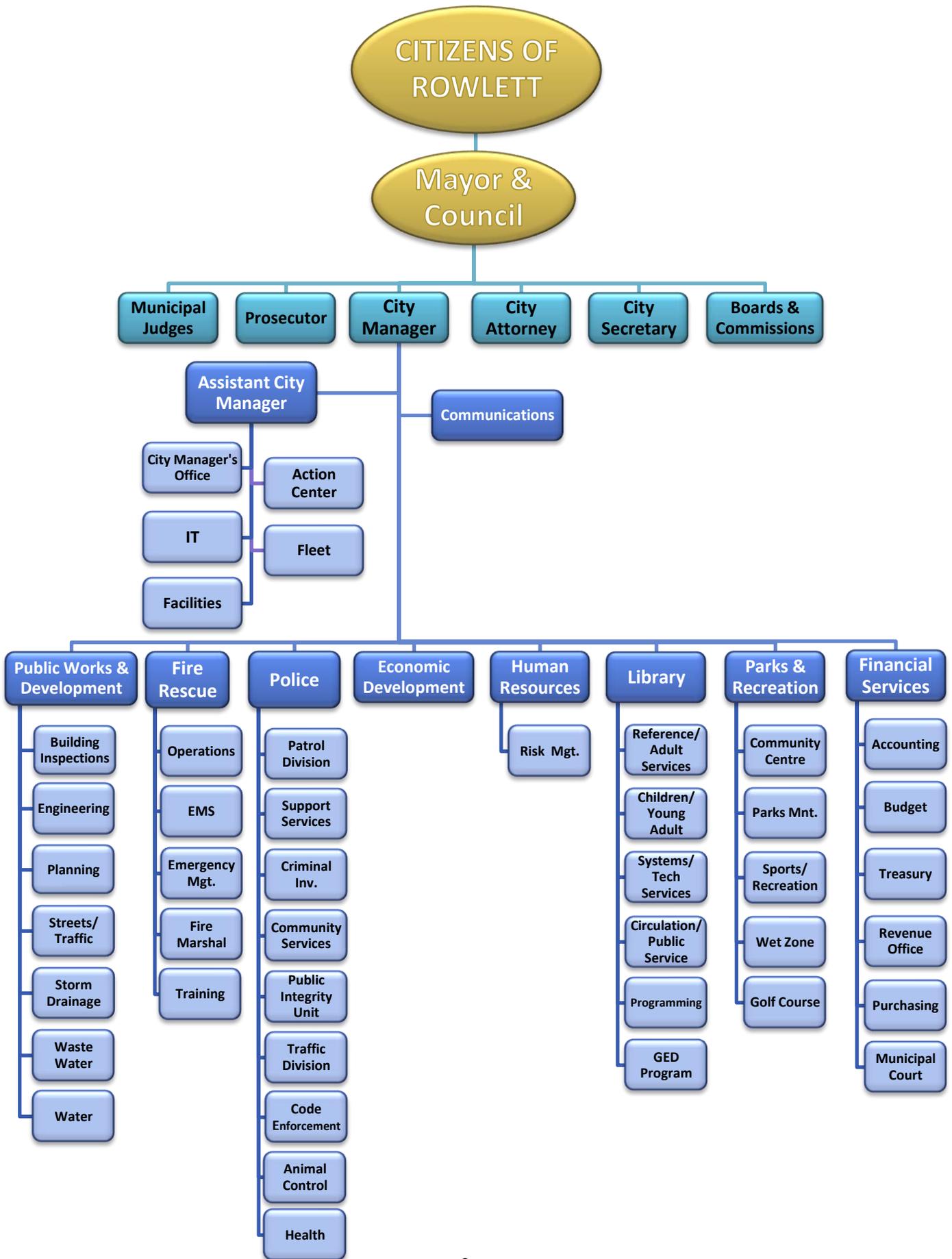
Respectfully submitted,



Lynda Humble
City Manager



Brian Funderburk
Assistant City Manager/Chief Financial Officer



CITY OF ROWLETT, TEXAS

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

Todd Gattel
Doug Phillips
Chris Kilgore
Donna Davis
Carl Pankratz
Ron Miller
Michael Gallops

Mayor
Mayor Pro-tem
Deputy Mayor Pro-tem
Councilmember
Councilmember
Councilmember
Councilmember

APPOINTED OFFICIALS

Lynda Humble
David Berman
Stacey Chadwick
Owen Lokken
Amy Thomas

City Manager
City Attorney
Acting City Secretary
Municipal Judge
City Prosecutor

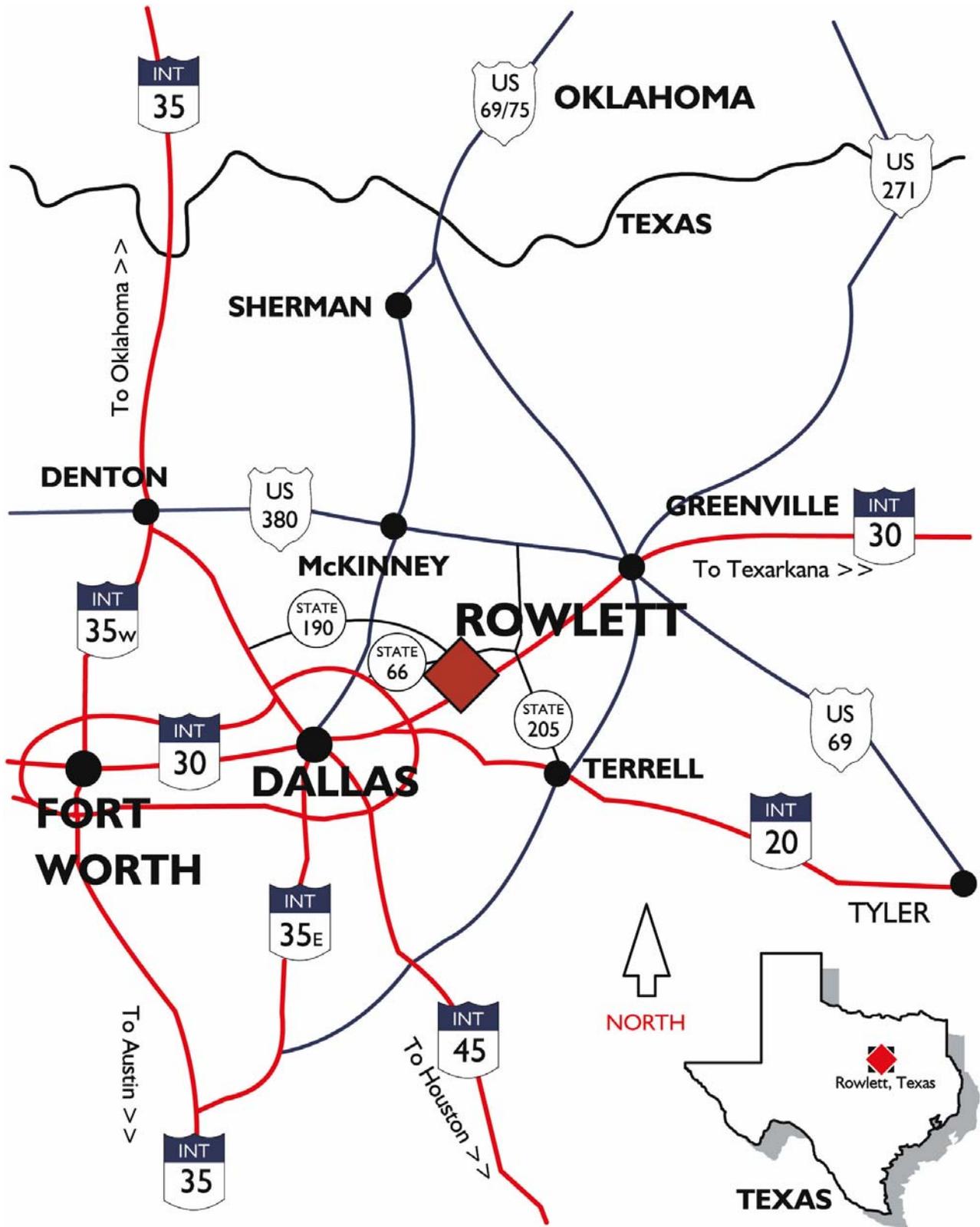
MANAGEMENT TEAM

Brian Funderburk
Jim Grabenhorst
George Harris
Jermel Stevenson
Matt Walling
Shante' Jordan
Jim Proce
Kathy Freiheit

Assistant City Manager/CFO
Economic Development
Fire Rescue
Parks and Recreation
Police
Human Resources
Public Works/Development
Library

CITY OF ROWLETT, TEXAS

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, 2010

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



Linda C. Danson

President

Jeffrey R. Egan

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, 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 71 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 and State 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 the State of Texas Uniform Grant Management Standards, 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 them.

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

March 30, 2012

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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CITY OF ROWLETT, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2011
(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, 2011. 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, 2011, by \$117 million (net assets). Of this amount, \$13 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 increased by \$1 million, or 3% percent as a result of this year's operations. Program revenues increased \$1 million due principally to increased capital grants. General revenues declined \$1 million primarily as a result of lower property tax revenue, lower interest income due to spending down bond funds and lower interest rates. Overall operating expenses decreased \$1 million with nearly every category experiencing declines including interest on long term debt. Net assets of the City's business type activities increased by \$0.4 million, or 0.5%. This increase is from a combination of factors. Water revenues increased \$1.7 million on additional water use of 500 million gallons and to a pass through rate increase; sewer charges increased approximately \$0.5 million due to increased 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 increased due to several new projects. Contractual services and maintenance and repairs increased \$0.2.
- As of September 30, 2011, the City's governmental funds reported combined ending fund balances of \$23 million, a decrease of \$1 million from the prior year, primarily due to spending down \$7 million in bond construction fund and cash funds for various repairs and capital improvements. Of this amount, \$7 million is unassigned and available for spending subject to the City's reserve policies.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7 million or approximately 22% percent of total General Fund expenditures.
- The City's total bonded debt for governmental activities decreased by \$6 million during the current fiscal year. Total bonded debt for Enterprise Funds decreased by \$4 million during the fiscal year ended September 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rowlett is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. While helpful, other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will 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 10 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 7 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds** – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's Enterprise Funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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

The City's combined net assets were \$117 million as of September 30, 2011. Analyzing the net assets and net expenses of governmental and business-type activities separately, governmental type activities net assets are \$44 million and business type activities net assets are \$73 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, Texas' Condensed Schedule of Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 39,053	\$ 41,011	\$ 30,310	\$ 33,042	\$ 69,363	\$ 74,053
Capital assets	102,560	105,272	91,562	92,731	194,122	198,003
Total assets	<u>141,613</u>	<u>146,283</u>	<u>121,872</u>	<u>125,773</u>	<u>263,485</u>	<u>272,056</u>
Current liabilities	13,202	15,380	2,391	7,413	15,593	22,793
Noncurrent liabilities	84,782	88,695	46,105	45,334	130,887	134,029
Total liabilities	<u>97,984</u>	<u>104,075</u>	<u>48,496</u>	<u>52,747</u>	<u>146,480</u>	<u>156,822</u>
Net assets:						
Invested in capital assets, net of related debt	32,375	33,070	63,268	64,417	95,643	97,487
Restricted	4,747	1,148	3,225	3,157	7,972	4,305
Unrestricted	<u>6,507</u>	<u>7,990</u>	<u>6,883</u>	<u>5,452</u>	<u>13,390</u>	<u>13,442</u>
Total net assets	<u>\$ 43,629</u>	<u>\$ 42,208</u>	<u>\$ 73,376</u>	<u>\$ 73,026</u>	<u>\$ 117,005</u>	<u>\$ 115,234</u>

By far, the largest portion of the City's net assets (84%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are 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 increased the City's net assets by \$2 million. The key elements of this increase are as shown in Table 2 below:

Table 2
City of Rowlett, Texas' Changes in Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 5,768	\$ 6,091	\$ 29,352	\$ 27,396	\$ 35,120	\$ 33,487
Operating grants and contributions	963	485	-	-	963	485
Capital grants and contributions	2,688	1,533	560	21	3,248	1,554
General revenues						
Property taxes	23,968	24,650	-	-	23,968	24,650
Sales taxes	5,768	6,228	-	-	5,768	6,228
Other taxes	125	60	-	-	125	60
Investment income	166	232	103	214	269	446
Other	3,385	3,442	-	-	3,385	3,442
Total revenues	<u>42,831</u>	<u>42,721</u>	<u>30,015</u>	<u>27,631</u>	<u>72,846</u>	<u>70,352</u>
Expenses						
General government	5,044	4,812	-	-	5,044	4,812
Public safety	20,077	20,244	-	-	20,077	20,244
Public works	12,321	12,747	-	-	12,321	12,747
Culture and recreation	4,796	5,139	-	-	4,796	5,139
Development	726	845	-	-	726	845
Interest on long-term debt	3,445	3,562	-	-	3,445	3,562
Water and sewer	-	-	19,715	19,293	19,715	19,293
Refuse	-	-	3,281	3,242	3,281	3,242
Drainage	-	-	1,670	2,677	1,670	2,677
Total expenses	<u>46,409</u>	<u>47,349</u>	<u>24,666</u>	<u>25,212</u>	<u>71,075</u>	<u>72,561</u>
Increase (decrease) in net assets before transfers	(3,578)	(4,628)	5,349	2,419	1,771	(2,209)
Transfers	<u>4,999</u>	<u>4,625</u>	(4,999)	(4,625)	-	-
Increase (decrease) in net assets	1,421	(3)	350	(2,206)	1,771	(2,209)
Net assets, beginning	<u>42,208</u>	<u>42,211</u>	<u>73,026</u>	<u>75,232</u>	<u>115,234</u>	<u>117,443</u>
Net assets, ending	<u>\$ 43,629</u>	<u>\$ 42,208</u>	<u>\$ 73,376</u>	<u>\$ 73,026</u>	<u>\$ 117,005</u>	<u>\$ 115,234</u>

Governmental Activities

Total revenues for governmental activities, exclusive of transfers, was \$43 million in fiscal year 2011, down 0% from the previous year, primarily in increased capital grants and contributions, net of lower property taxes. 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 million or 56% of the total. The most significant governmental expense for the City was in providing public safety for the community, which incurred expenses of \$20 million, or 43% of total expenses. These expenses were partially offset by revenues collected from a variety of sources, with the largest being from court fines totaling over \$1 million. Depreciation for all governmental capital assets totaled \$7 million representing 15% of the total.

Business-type Activities

Revenues of the City's business-type activities were \$30 million for the fiscal year ending September 30, 2011, up 9%. Water and sewer charges account for \$24 million of this amount or 80%. Total operating expenses were \$25 million of which the Water and Sewer Enterprise accounted for \$20 million or 80%. Total net assets for business-type activities increased \$0.4 million attributable primarily to increased water sales. Changes in net assets for the Water and Sewer, Drainage, and Refuse were (\$1 million), ((\$0.4) million), and ((\$0.3) 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 million. Approximately 29% percent of this total amount, \$7 million, constitutes unassigned fund balance. The remainder of the fund balance is restricted to indicate that it is not available to pay for new spending because it has already been committed to pay for capital projects of \$13 million, or other items totaling \$1 million. The fund balance for all governmental funds decreased by \$1 million over the previous fiscal year primarily due to spending bond construction funds for capital improvements.

Ultimately, revenues did exceed expectations from the final estimate by \$0.2 million and, expenditures savings surpassed expectations, through aggressive management, by \$0.7 million. As a result, the net increase in the fund balance in the General Fund including funding for a new capital lease was \$1.6 million better than the increase projected in the final amended budget.

Revenues in the Debt Service Fund, exclusive of transfers increased by \$0.1 million primarily as a result of increasing the portion of the tax rate dedicated for debt service by \$0.1 cent. This change was necessary to cover a 2% decrease in taxable assessed values.

The Capital Projects Fund expended \$7 million in fiscal year 2011, a decrease from 2010 expenditures of \$3 million primarily due to the completion of several significant projects in the prior year. Revenues increased by \$0.7 million primarily due to increased grant income. The City did not issue any new bonds for capital projects in 2011 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 \$1 million, (\$0.3) million, and (\$0.4) million, respectively. The increase in net assets in the Water and Sewer Fund was due primarily from increased water sales. Operating income increased 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 was approximately \$0.1 million lower than the previous year and transfers to other funds to support capital projects essentially remained flat. Capital contributions decreased by approximately \$.4 million.

The decrease in net assets in the Drainage Fund is primarily due to a reduction in capital contributions. Operating revenues remained relatively flat from the prior year with the decrease from operating revenue offset by the decrease 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.

CAPITAL ASSETS

At the end of the fiscal year 2011, the City had \$194 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3 below.) This amount represents a net decrease (including additions net of depreciations and disposals) of -2% over the prior fiscal year.

Table 3
City of Rowlett, Texas' Capital Assets at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 27,437	\$ 25,897	\$ 742	\$ 511	\$ 28,179	\$ 26,408
Buildings and improvements	44,776	44,638	1,101	1,364	45,877	46,002
Machinery and equipment	12,870	12,208	7,102	6,900	19,972	19,108
Construction in progress	4,413	3,492	7,214	4,612	11,627	8,104
Infrastructure	<u>103,213</u>	<u>102,632</u>	<u>138,851</u>	<u>137,702</u>	<u>242,064</u>	<u>240,334</u>
Total	192,709	188,867	155,010	151,089	347,719	339,956
Accumulated depreciation	<u>(90,149)</u>	<u>(83,595)</u>	<u>(63,448)</u>	<u>(58,358)</u>	<u>(153,597)</u>	<u>(141,953)</u>
Total capital assets	<u>\$ 102,560</u>	<u>\$ 105,272</u>	<u>\$ 91,562</u>	<u>\$ 92,731</u>	<u>\$ 194,122</u>	<u>\$ 198,003</u>

This year's major construction projects completed included:

Rowlett Creek Meter Station	\$ 361
CAT Asphalt Roller, John Deere Loader, 2 dump trucks	281
Jet Truck	249
911 System	<u>183</u>
 Total	 <u>\$ 1,074</u>

Additional information on the City's capital assets can be found in Note V.C. to the basic financial statements.

DEBT

At year-end, the City had \$120 million in bonds and tax anticipation notes outstanding as compared to \$129 million at the end of the prior fiscal year, a decrease of 7% – as shown in Table 4.

Table 4
City of Rowlett, Texas' Outstanding Debt at Year-end
(in millions)

	Governmental Activities		Business-type Activities		Total Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds (backed by the City)	\$ 34.5	\$ 37.6	\$ -	\$ -	\$ 34.5	\$ 37.6
Certificates of obligation and tax anticipation notes (backed by the City)	43.0	45.4	4.0	4.2	47.0	49.6
Revenue bonds (backed by fee revenues)	<u>-</u>	<u>-</u>	<u>38.0</u>	<u>41.3</u>	<u>38.0</u>	<u>41.3</u>
 Total bonded debt	 <u>\$ 77.5</u>	 <u>\$ 83.0</u>	 <u>\$ 42.0</u>	 <u>\$ 45.5</u>	 <u>\$ 119.5</u>	 <u>\$ 128.5</u>

The City's general obligation bonds and tax notes have been assigned an AA- rating from Standard & Poor's and an Aa2 rating from Moody's Investor Service, 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 2.4%.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2012 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 will not 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 5 to 10 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 56,230. 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 health care 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 1.34% percent of the total assessed valuation and the entire top 10 taxpayers only account for 5.28% 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 2012. The total 2011-12 combined budget appropriation totaled \$80.3 million for all funds. This represents a decrease over the previous year adopted budget of \$83.1 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 10 years. However, operational factors and debt service payments related to needed street and roadways resulted in the City increasing the tax rate from 64.0000 cents per \$100 valuation to 67.6945 cents in the fiscal year ending September 30, 2004, and again to 74.7173 cents for fiscal years ended September 30, 2006 – September 30, 2011. The tax rate once again remains unchanged for

fiscal year 2012. According to final figures received from the Central Appraisal District, the total assessed property value for 2011-12 of \$3.1 billion is a decrease of 1.5 percent, including increased appraisals and new construction. A penny on the tax rate generates approximately \$313,232 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 \$1.2 million in the current fiscal year, down almost \$.5 million from the previous year. Due to a change in state law, the agreement with D. R. Horton was eliminated on September 1, 2011. As a result, the City adjusted their revenue projections for FY 2012 accordingly.

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 2012 budget includes a rate increase of 8.5 percent from the North Texas Municipal Water District and also projects an increase in consumption. The City of Garland has proposed a 9.5% increase. Overall revenues are projected to increase \$.7 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, even with a 2.5% increase for its solid waste provider. Expenses in this fund are also expected to decrease \$.3 million due to the elimination of a one-time transfer of \$.6 million to cash Capital Projects Fund in FY 2011.

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.

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**BASIC
FINANCIAL STATEMENTS**

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CITY OF ROWLETT, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash, cash equivalents and investments	\$ 33,727,748	\$ 24,001,751	\$ 57,729,499
Receivables (net of allowance for doubtful accounts)	3,442,101	5,022,614	8,464,715
Due from other governments	537,809	5,335	543,144
Inventories	86,016	504,026	590,042
Prepaid and other items	1,259,667	776,157	2,035,824
Capital assets:			
Nondepreciable	31,849,662	7,955,915	39,805,577
Depreciable (net)	<u>70,710,239</u>	<u>83,606,094</u>	<u>154,316,333</u>
Total assets	<u>141,613,242</u>	<u>121,871,892</u>	<u>263,485,134</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,430,087	1,618,349	5,048,436
Accrued interest payable	452,171	204,155	656,326
Customer deposits	-	568,010	568,010
Unearned revenues	9,319,291	-	9,319,291
Noncurrent liabilities:			
Due within one year:			
Retainage payable	134,623	149,900	284,523
Compensated absences	234,873	12,749	247,622
Capital leases payable	406,424	354,425	760,849
Bonds payable	5,655,000	3,660,000	9,315,000
Due in more than one year:			
Compensated absences	2,548,808	138,351	2,687,159
Unfunded pension obligation	1,308,346	97,894	1,406,240
Unfunded OPEB obligation	664,400	75,418	739,818
Capital leases payable	2,102,927	3,194,381	5,297,308
Bonds payable	<u>71,727,425</u>	<u>38,422,028</u>	<u>110,149,453</u>
Total liabilities	<u>97,984,375</u>	<u>48,495,660</u>	<u>146,480,035</u>
NET ASSETS			
Invested in capital assets (net of related debt)	32,374,952	63,268,379	95,643,331
Restricted for:			
Debt service	11,709	3,225,296	3,237,005
Capital projects	3,609,753	-	3,609,753
Public safety	1,075,494	-	1,075,494
Economic development	17,751	-	17,751
Public broadcasting	32,216	-	32,216
Unrestricted	<u>6,506,992</u>	<u>6,882,557</u>	<u>13,389,549</u>
Total net assets	<u>\$ 43,628,867</u>	<u>\$ 73,376,232</u>	<u>\$ 117,005,099</u>

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 5,043,354	\$ 617,922	\$ 115,195	\$ 700,258
Public safety	20,077,172	1,808,112	641,512	-
Public works	12,320,408	116,950	187,529	1,987,626
Culture and recreation	4,796,472	2,659,906	2,094	-
Development	726,014	565,001	17,473	-
Interest and fiscal charges	3,445,261	-	-	-
Total governmental activities	<u>46,408,681</u>	<u>5,767,891</u>	<u>963,803</u>	<u>2,687,884</u>
Business-type activities:				
Water and sewer	19,715,254	23,592,840	-	351,963
Refuse	3,280,511	4,457,857	-	-
Drainage	1,669,999	1,301,172	-	208,510
Total business-type activities	<u>24,665,764</u>	<u>29,351,869</u>	<u>-</u>	<u>560,473</u>
Total primary government	<u>\$ 71,074,445</u>	<u>\$ 35,119,760</u>	<u>\$ 963,803</u>	<u>\$ 3,248,357</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 Revenues (Expenses) and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$(3,609,979)	\$ -	\$(3,609,979)
(17,627,548)	-	(17,627,548)
(10,028,303)	-	(10,028,303)
(2,134,472)	-	(2,134,472)
(143,540)	-	(143,540)
(3,445,261)	-	(3,445,261)
<u>(36,989,103)</u>	<u>-</u>	<u>(36,989,103)</u>
-	4,229,549	4,229,549
-	1,177,346	1,177,346
<u>-</u>	<u>(160,317)</u>	<u>(160,317)</u>
<u>-</u>	<u>5,246,578</u>	<u>5,246,578</u>
<u>(36,989,103)</u>	<u>5,246,578</u>	<u>(31,742,525)</u>
23,967,737	-	23,967,737
5,767,527	-	5,767,527
124,748	-	124,748
3,214,049	-	3,214,049
165,926	102,658	268,584
171,306	-	171,306
<u>4,999,142</u>	<u>(4,999,142)</u>	<u>-</u>
<u>38,410,435</u>	<u>(4,896,484)</u>	<u>33,513,951</u>
1,421,332	350,094	1,771,426
<u>42,207,535</u>	<u>73,026,138</u>	<u>115,233,673</u>
<u>\$ 43,628,867</u>	<u>\$ 73,376,232</u>	<u>\$ 117,005,099</u>

CITY OF ROWLETT, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and investments	\$ 8,584,407	\$ 268,754	\$ 22,494,599	\$ 1,720,124	\$ 33,067,884
Receivables (net of allowance for uncollectibles):					
Taxes	1,285,249	193,858	-	3,884	1,482,991
Accounts	580,056	-	-	-	580,056
Accrued interest	7,881	268	23,687	1,061	32,897
Other	1,222,008	-	-	123,869	1,345,877
Due from other governments	-	-	368,206	169,603	537,809
Due from other funds	93,279	-	-	-	93,279
Inventories	86,016	-	-	-	86,016
Prepaid and other items	73,555	8,455	-	4,350	86,360
Total assets	\$ 11,932,451	\$ 471,335	\$ 22,886,492	\$ 2,022,891	\$ 37,313,169
LIABILITIES					
Accounts payable	\$ 756,753	\$ -	\$ 1,018,196	\$ 222,725	\$ 1,997,674
Retainage payable	854	-	-	-	854
Accrued liabilities	1,158,303	-	-	22,730	1,181,033
Deferred revenues	1,072,597	182,602	9,585,797	238,527	11,079,523
Due to other funds	-	-	-	63,405	63,405
Total liabilities	2,988,507	182,602	10,603,993	547,387	14,322,489
FUND BALANCES					
Fund balances:					
Nonspendable:					
Inventories	86,016	-	-	-	86,016
Prepaid items	73,555	8,455	-	4,350	86,360
Restricted for:					
Debt Service	-	280,278	-	1,000	281,278
Capital projects	716,031	-	12,282,499	451,819	13,450,349
Public safety	-	-	-	1,075,494	1,075,494
Economic development	-	-	-	17,751	17,751
Public broadcasting	-	-	-	32,216	32,216
Assigned for:					
Economic development	224,092	-	-	-	224,092
Capital acquisition	1,163,159	-	-	-	1,163,159
Unassigned	6,681,091	-	-	(107,126)	6,573,965
Total fund balances	8,943,944	288,733	12,282,499	1,475,504	22,990,680
Total liabilities and fund balances	\$ 11,932,451	\$ 471,335	\$ 22,886,492	\$ 2,022,891	\$ 37,313,169

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, 2011

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

Total fund balances per balance sheet - governmental funds	\$ 22,990,680
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	102,559,901
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	1,760,232
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)	(85,401,718)
Unamortized bond discounts, premiums and deferred losses are not uses of funds and, therefore, are not reported in the funds.	1,288,482
The internal service fund is used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	<u>431,290</u>
Net assets of governmental activities	\$ <u><u>43,628,867</u></u>

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property taxes	\$ 15,847,989	\$ 8,095,918	\$ -	\$ 294,925	\$ 24,238,832
Sales taxes	5,767,527	-	-	-	5,767,527
Other	58,542	-	-	66,206	124,748
Franchise fees	3,211,302	-	-	93,061	3,304,363
License and permits	388,258	-	-	50,076	438,334
Charge for services	2,748,494	-	-	-	2,748,494
Fines and forfeitures	1,216,533	-	-	1,088,324	2,304,857
Intergovernmental	218,950	-	1,332,703	723,883	2,275,536
Interest	51,069	5,883	103,816	5,158	165,926
Miscellaneous	603,090	-	187,529	-	790,619
Total revenues	<u>30,111,754</u>	<u>8,101,801</u>	<u>1,624,048</u>	<u>2,321,633</u>	<u>42,159,236</u>
EXPENDITURES					
Current operating:					
General government	4,152,690	93,731	-	133,841	4,380,262
Public safety	17,939,924	105,009	-	746,995	18,791,928
Public works	2,652,139	-	4,549,901	44,601	7,246,641
Culture and recreation	3,929,002	-	-	2,807	3,931,809
Development	672,775	-	-	-	672,775
Debt service:					
Principal retirement	490,534	5,450,000	-	-	5,940,534
Interest and fiscal charges	47,041	3,323,106	-	-	3,370,147
Capital outlay	1,151,597	-	2,805,642	467,260	4,424,499
Total expenditures	<u>31,035,702</u>	<u>8,971,846</u>	<u>7,355,543</u>	<u>1,395,504</u>	<u>48,758,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(923,948)</u>	<u>(870,045)</u>	<u>(5,731,495)</u>	<u>926,129</u>	<u>(6,599,359)</u>
OTHER FINANCING SOURCES (USES)					
Capital lease	1,202,602	-	-	-	1,202,602
Transfers from other funds	2,109,193	924,424	3,412,484	-	6,446,101
Transfers to other funds	(1,503,365)	-	-	(454,925)	(1,958,290)
Total fund balances	<u>1,808,430</u>	<u>924,424</u>	<u>3,412,484</u>	<u>(454,925)</u>	<u>5,690,413</u>
NET CHANGE IN FUND BALANCES	884,482	54,379	(2,319,011)	471,204	(908,946)
FUND BALANCES, BEGINNING	<u>8,059,462</u>	<u>234,354</u>	<u>14,601,510</u>	<u>1,004,300</u>	<u>23,899,626</u>
FUND BALANCES, ENDING	<u>\$ 8,943,944</u>	<u>\$ 288,733</u>	<u>\$ 12,282,499</u>	<u>\$ 1,475,504</u>	<u>\$ 22,990,680</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, 2011

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

Net change in fund balances - total governmental funds.	\$(908,946)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation, (\$7,139,759), exceeds capital outlay, \$4,692,041, and capital contributions, \$496,827, in the current period. (Note 2)	(1,950,891)
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.	170,998
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)	4,737,931
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, \$8,053, amortization of bond discounts/premiums and deferred losses, \$7,513.	15,566
Some expenses reported in the funds are capitalized and amortized in the statement of activities. This includes bond issuance costs.	(90,680)
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, compensated absences, the unfunded pension obligation, and the unfunded OPEB obligation.	(983,936)
The internal service fund is used by management to charge the costs for self-insurance to the various funds. The net expenses of certain activities of the internal service fund is reported within the governmental activities.	<u>431,290</u>
Change in net assets of governmental activities	<u>\$ 1,421,332</u>

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 2,284,535	\$ 226,889	\$ 1,117,827	\$ 3,629,251	\$ 518,709
Restricted cash, cash equivalents and investments:					
Revenue bond covenant accounts	3,225,296	-	-	3,225,296	-
Medical claims	-	-	-	-	141,155
Receivables (net of allowance for uncollectibles):					
Accounts	3,855,549	589,244	161,571	4,606,364	-
Accrued interest	23,126	422	1,333	24,881	280
Other	267,389	1,591	-	268,980	-
Due from other governments	3,364	1,615	356	5,335	-
Inventories	504,026	-	-	504,026	-
Prepaid and other items	724,658	-	51,499	776,157	52,400
Total current assets	<u>10,887,943</u>	<u>819,761</u>	<u>1,332,586</u>	<u>13,040,290</u>	<u>712,544</u>
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue bond construction funds	16,745,256	-	401,948	17,147,204	-
Receivables (net of allowance for uncollectibles):					
Notes receivable	122,389	-	-	122,389	-
Capital assets:					
Land	741,645	-	-	741,645	-
Buildings	1,041,640	-	59,178	1,100,818	-
Systems	101,219,380	194,768	37,436,789	138,850,937	-
Machinery and equipment	6,780,160	23,365	298,908	7,102,433	-
Construction in progress	6,367,623	-	846,647	7,214,270	-
Less accumulated depreciation	<u>(51,303,242)</u>	<u>(148,412)</u>	<u>(11,996,440)</u>	<u>(63,448,094)</u>	<u>-</u>
Total capital assets	64,847,206	69,721	26,645,082	91,562,009	-
Total noncurrent assets	<u>81,714,851</u>	<u>69,721</u>	<u>27,047,030</u>	<u>108,831,602</u>	<u>-</u>
Total assets	<u>92,602,794</u>	<u>889,482</u>	<u>28,379,616</u>	<u>121,871,892</u>	<u>712,544</u>
LIABILITIES					
Current liabilities					
Accounts payable	873,763	493,576	3,687	1,371,026	251,380
Accrued liabilities	102,234	-	4,457	106,691	-
Due to other funds	-	-	-	-	29,874
Accrued interest payable	36,400	-	24,466	60,866	-
Customer deposits	568,010	-	-	568,010	-
Compensated absences	11,665	-	1,084	12,749	-
Capital lease payable	354,425	-	-	354,425	-
Bonds payable	3,470,000	-	190,000	3,660,000	-
Total current liabilities:	<u>5,416,497</u>	<u>493,576</u>	<u>223,694</u>	<u>6,133,767</u>	<u>281,254</u>
Current liabilities payable from restricted assets:					
Accounts payable	139,102	-	1,530	140,632	-
Accrued interest payable	143,289	-	-	143,289	-
Retainage payable	147,900	-	2,000	149,900	-
Total current liabilities payable from restricted assets	<u>430,291</u>	<u>-</u>	<u>3,530</u>	<u>433,821</u>	<u>-</u>
Total current liability:	<u>5,846,788</u>	<u>493,576</u>	<u>227,224</u>	<u>6,567,588</u>	<u>281,254</u>

(continued)

CITY OF ROWLETT, TEXAS

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (Continued)
 SEPTEMBER 30, 2011**

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
LIABILITIES (Continued)					
Noncurrent liabilities:					
Compensated absences	\$ 126,585	\$ -	\$ 11,766	\$ 138,351	\$ -
Unfunded pension obligation	92,298	-	5,596	97,894	-
Unfunded OPEB obligation	70,894	-	4,524	75,418	-
Capital lease payable	3,194,381	-	-	3,194,381	-
Bonds payable	<u>34,566,178</u>	<u>-</u>	<u>3,855,850</u>	<u>38,422,028</u>	<u>-</u>
Total noncurrent liabilities	<u>38,050,336</u>	<u>-</u>	<u>3,877,736</u>	<u>41,928,072</u>	<u>-</u>
Total liabilities	<u>43,897,124</u>	<u>493,576</u>	<u>4,104,960</u>	<u>48,495,660</u>	<u>281,254</u>
NET ASSETS					
Invested in capital assets (net of related debt)	40,007,478	69,721	23,191,180	63,268,379	-
Restricted for:					
Debt service	3,225,296	-	-	3,225,296	-
Unrestricted	<u>5,472,896</u>	<u>326,185</u>	<u>1,083,476</u>	<u>6,882,557</u>	<u>431,290</u>
Total net assets	<u>\$ 48,705,670</u>	<u>\$ 395,906</u>	<u>\$ 24,274,656</u>	<u>\$ 73,376,232</u>	<u>\$ 431,290</u>

The accompanying notes are an integral part of this statement.

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CITY OF ROWLETT, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
OPERATING REVENUES					
Charges for services	\$ 23,579,081	\$ 4,455,872	\$ 1,301,172	\$ 29,336,125	\$ 2,995,734
Miscellaneous	13,759	1,985	-	15,744	-
Total operating revenues	<u>23,592,840</u>	<u>4,457,857</u>	<u>1,301,172</u>	<u>29,351,869</u>	<u>2,995,734</u>
OPERATING EXPENSES					
Personnel services	1,761,296	6,915	89,981	1,858,192	-
Water supply	4,527,652	-	-	4,527,652	-
Wastewater treatment	2,981,227	-	-	2,981,227	-
Contractual services	424,792	-	49,397	474,189	3,074,943
Maintenance, repairs and supplies	855,145	-	67,138	922,283	-
Utilities	471,073	-	-	471,073	-
Legal and professional	10,094	1,649	3,995	15,738	-
Refuse collection	-	3,022,610	-	3,022,610	-
Depreciation	4,346,650	21,813	997,949	5,366,412	-
Intragovernmental charges	2,036,322	227,524	253,877	2,517,723	-
Miscellaneous	39,699	-	3	39,702	3,632
System improvements	316,200	-	14,125	330,325	-
Total operating expenses	<u>17,770,150</u>	<u>3,280,511</u>	<u>1,476,465</u>	<u>22,527,126</u>	<u>3,078,575</u>
OPERATING INCOME (LOSS)	<u>5,822,690</u>	<u>1,177,346</u>	<u>(175,293)</u>	<u>6,824,743</u>	<u>(82,841)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	94,918	1,207	6,533	102,658	2,800
Interest and fiscal charges	(1,945,104)	-	(193,534)	(2,138,638)	-
Total nonoperating revenues (expenses)	<u>(1,850,186)</u>	<u>1,207</u>	<u>(187,001)</u>	<u>(2,035,980)</u>	<u>2,800</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	3,972,504	1,178,553	(362,294)	4,788,763	(80,041)
Capital contributions	351,963	-	208,510	560,473	-
Transfers in	150,000	-	-	150,000	511,331
Transfers out	(3,459,193)	(1,589,949)	(100,000)	(5,149,142)	-
CHANGE IN NET ASSETS	1,015,274	(411,396)	(253,784)	350,094	431,290
TOTAL NET ASSETS, BEGINNING	<u>47,690,396</u>	<u>807,302</u>	<u>24,528,440</u>	<u>73,026,138</u>	<u>-</u>
TOTAL NET ASSETS, ENDING	<u>\$ 48,705,670</u>	<u>\$ 395,906</u>	<u>\$ 24,274,656</u>	<u>\$ 73,376,232</u>	<u>\$ 431,290</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, 2011

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 23,116,889	\$ 4,473,059	\$ 1,304,949	\$ 28,894,897	\$ 2,943,334
Cash paid to employees for services	(1,703,334)	(6,915)	(82,839)	(1,793,088)	-
Cash paid for goods and services	(12,253,220)	(3,286,198)	(394,721)	(15,934,139)	(2,797,321)
Net cash provided by operating activities	<u>9,160,335</u>	<u>1,179,946</u>	<u>827,389</u>	<u>11,167,670</u>	<u>146,013</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	150,000	-	-	150,000	511,331
Transfers to other funds	(3,459,193)	(1,589,949)	(100,000)	(5,149,142)	-
Net cash provided (used) by operating activities	<u>(3,309,193)</u>	<u>(1,589,949)</u>	<u>(100,000)</u>	<u>(4,999,142)</u>	<u>511,331</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(3,689,548)	-	(180,000)	(3,869,548)	-
Interest and fiscal charges paid on capital debt	(1,665,147)	-	(195,299)	(1,860,446)	-
Proceeds from capital debt	389,825	-	-	389,825	-
Capital contributions	35,921	-	-	35,921	-
Acquisition and construction of capital assets	(3,900,715)	-	(150,351)	(4,051,066)	-
Net cash used by capital and related financing activities	<u>(8,829,664)</u>	<u>-</u>	<u>(525,650)</u>	<u>(9,355,314)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	<u>94,918</u>	<u>1,207</u>	<u>6,823</u>	<u>102,948</u>	<u>2,520</u>
Net cash provided by investing activities	<u>94,918</u>	<u>1,207</u>	<u>6,823</u>	<u>102,948</u>	<u>2,520</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,883,604)	(408,796)	208,562	(3,083,838)	659,864
CASH AND CASH EQUIVALENTS, BEGINNING	<u>25,175,229</u>	<u>635,685</u>	<u>1,311,213</u>	<u>27,122,127</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 22,291,625</u>	<u>\$ 226,889</u>	<u>\$ 1,519,775</u>	<u>\$ 24,038,289</u>	<u>\$ 659,864</u>

(continued)

CITY OF ROWLETT, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise				Governmental
	Water and Sewer	Refuse	Drainage	Total	Activities - Internal Service Self-insurance
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED) FOR OPERATING ACTIVITIES					
Operating income (loss)	\$ 5,822,690	\$ 1,177,346	\$(175,293)	\$ 6,824,743	\$(82,841)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	4,346,650	21,813	997,949	5,366,412	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(549,107)	10,257	2,606	(536,244)	-
(Increase) decrease in other receivables	100,880	4,945	1,171	106,996	-
(Increase) decrease in prepaid expenses and other assets	3,882	-	-	3,882	(52,400)
(Increase) decrease in due from other funds	-	-	-	-	-
(Increase) decrease in inventory	(31,606)	-	-	(31,606)	-
(Increase) decrease in accounts payable and accrued liabilities	(618,267)	(34,415)	(6,186)	(658,868)	251,380
(Increase) decrease in customer/escrow deposits	27,251	-	-	27,251	-
(Increase) decrease in accrued compensated absences	(4,348)	-	7,313	2,965	-
(Increase) decrease in due to other funds	-	-	-	-	29,874
(Increase) decrease in accrued pension and OPEB obligation	<u>62,310</u>	<u>-</u>	<u>(171)</u>	<u>62,139</u>	<u>-</u>
Total adjustments	<u>3,337,645</u>	<u>2,600</u>	<u>1,002,682</u>	<u>4,342,927</u>	<u>228,854</u>
 Net cash provided by operating activities	 <u>\$ 9,160,335</u>	 <u>\$ 1,179,946</u>	 <u>\$ 827,389</u>	 <u>\$ 11,167,670</u>	 <u>\$ 146,013</u>
NONCASH CAPITAL ACTIVITIES					
Contributions of capital assets from developers	<u>\$ 316,042</u>	<u>\$ -</u>	<u>\$ 208,510</u>	<u>\$ 524,552</u>	<u>\$ -</u>
 Total noncash capital activities	 <u>\$ 316,042</u>	 <u>\$ -</u>	 <u>\$ 208,510</u>	 <u>\$ 524,552</u>	 <u>\$ -</u>

The accompanying notes are an integral part of this statement.

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**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

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CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

I. 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 capital 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.

(continued)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Financial Statement Presentation** (Continued)

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 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 nonmajor funds are combined in a separate column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

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

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus/Basis of Accounting

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 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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus/Basis of Accounting (Continued)

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.

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.

The **Internal Service Fund** is used to account for the City's self-insurance activities provided to other departments or funds of the City on a cost reimbursement basis.

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, 2011, 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."

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

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.

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.

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 proprietary funds,, restricted assets are segregated to reflect resources accumulated for debt service, construction funds, 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 and Drainage Funds.

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Capital Assets (Continued)

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 \$262,049.

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:

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.

Long-term obligations such as the unfunded net pension obligation and the unfunded net OPEB Obligation are typically liquidated with expendable resources in the General Fund.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

9. 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.

10. Fund Balance Classification and Net Assets

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent has been delegated to the Chief Financial Officer and/or the Director of Financial Services.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets 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 \$(85,401,718) difference are as follows:

Bonds and certificates of obligation payable	\$(77,550,000)
Capital leases	(2,509,351)
Compensated absences	(2,783,681)
Unfunded pension obligation	(1,308,346)
Unfunded OPEB obligation	(664,400)
Accrued interest	(452,171)
Retainage payable	<u>(133,769)</u>

Net adjustment to reduce fund balance - total governmental funds to arrive at net assets of governmental activities	<u>\$(85,401,718)</u>
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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 \$(1,950,891) difference are as follows:

Capital outlay	\$ 4,692,041
Depreciation expense	(7,139,759)
Capital contributions	<u>496,827</u>

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes net net assets of governmental activities	<u>\$(1,950,891)</u>
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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.

(continued)

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

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities
(Continued)

Debt issued or incurred:	
Capital lease	\$(1,202,602)
Repayments:	
General obligation debt	3,080,000
Certificates of obligation	2,370,000
Notes and capital leases	<u>490,533</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,737,931</u>

III. 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.

(continued)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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 multi-year Capital Improvements Plan.

B. Excess of Expenditures Over Appropriations

For the year ended September 30, 2011, expenditures exceeded appropriations in the Impact Fees Fund by \$14,528, Police Seizures Fund by \$13,122, Traffic Safety Fund by \$21,525, Grant Fund by \$260,963, and in the P.E.G. Fund by \$5,090. Revenues for the Impact Fees Fund come from private developers which are used on public improvements within designated zones in the City. Resources for Police Seizure Fund come from federal and state asset forfeitures which govern the purposes for which they may be spent. The Traffic Safety Fund generates fines which, by agreement, are paid to the contractor who manages the red light cameras. Any surpluses are divided between the State of Texas and the City of Rowlett 50/50. The Grant Fund accounts for revenues from other governments, including the federal Community Development Block Grant ("CDBG") program. Dollars provided in previous years for capital projects carryover automatically by city policy. Resources in the P.E.G. Fund are generated from cable subscribers under state guidelines which permit the City to spend for its cable channel RTN16. The budgets were not specifically amended for the fiscal year ended September 30, 2011, to address the over expenditures.

C. Deficit Fund Equity

The Grant Special Revenue Fund had a deficit fund balance of \$106,286 as of September 30, 2011. 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.

IV. 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, 2011, with collateral required by the state statutes. At year-end, the City's deposit balance was fully covered by collateral held by the City's depository bank in the City's name or by FDIC insurance.

(continued)

IV. DEPOSITS AND INVESTMENTS (Continued)

The City's investments carried at fair value as of September 30, 2011, are:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)*</u>	<u>Rating</u>
Commercial paper	\$ 4,399,309	0.07	A-1 to A-1+
U. S. Agencies	8,176,312	0.94	AAA
U. S. Treasuries	11,832,354	1.32	TSY
Texas Local Government Investment Pools			
TexPool	<u>32,451,038</u>	<u>0.12</u>	AAAm
	<u>\$ 56,859,013</u>	<u>2.38</u>	

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

Credit Risk. The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U. S. Agency securities (Commercial Paper, FHLB, FNMA, FHLMC, and US TSY) are individually rated by Standard & Poor's and by Moody's Investors Service (see table above). As of September 30, 2011, 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, 2011, 42.93% or more of the City's total investments are in the following: Federal Home Loan Banks (3.48%), Fannie Mae (8.58%), Freddie Mac (2.31%), US Treasury Notes (20.81%), and Commercial paper (7.74%) 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.

V. OTHER INFORMATION

A. 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, 2010, upon which the fiscal 2011-year levy was based, was \$3,220,265,191.

(continued)

V. **OTHER INFORMATION** (Continued)

A. **Property Taxes** (Continued)

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, 2011, was \$.747173 per \$100, of which \$0.494673 was allocated for general government and \$0.2525 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, 2011, were 99.03% of the tax levy.

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

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

B. **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	Capital Projects	Nonmajor Governmental Funds	Water and Sewer	Refuse	Drainage	Internal Service	Total
Interest	\$ 7,881	\$ 268	\$ 23,687	\$ 1,061	\$ 23,126	\$ 422	\$ 1,333	\$ 280	\$ 58,058
Court	98,538	-	-	1,260	-	-	-	-	99,798
Ambulance	541,619	-	-	-	-	-	-	-	541,619
Lot mowing	460,208	-	-	-	-	-	-	-	460,208
Other	66,866	-	-	-	375,235	1,599	-	-	443,700
Sales tax	898,562	-	-	-	-	-	-	-	898,562
Hotel/motel tax	-	-	-	3,884	-	-	-	-	3,884
Property taxes	437,496	217,439	-	-	-	-	-	-	654,935
Customer accounts	-	-	-	-	4,044,606	627,193	171,206	-	4,843,005
Other accounts	44,280	-	-	-	16,428	-	-	-	60,708
Franchise fees	1,084,773	-	-	46,619	-	-	-	-	1,131,392
911 fees	31,116	-	-	-	-	-	-	-	31,116
Red light camera	-	-	-	222,526	-	-	-	-	222,526
Gross receivables	3,671,339	217,707	23,687	275,350	4,459,395	629,214	172,539	280	9,449,511
Less: allowance for uncollectibles	(576,145)	(23,581)	-	(146,536)	(190,942)	(37,957)	(9,635)	-	(984,796)
Net total receivables	\$ 3,095,194	\$ 194,126	\$ 23,687	\$ 128,814	\$ 4,268,453	\$ 591,257	\$ 162,904	\$ 280	\$ 8,464,715

(continued)

V. **OTHER INFORMATION** (Continued)

B. **Receivables** (Continued)

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:

<u>Deferred Revenue</u>	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property tax receivable	\$ 547,690	\$ -
Ambulance	99,987	
Mowing liens	387,393	
Adjudicated fines not yet collected	11,207	-
Intergovernmental	476,894	9,271,460
Franchise fees	135,776	
Other	<u>101,285</u>	<u>47,831</u>
Total deferred/unearned for governmental funds	<u>\$ 1,760,232</u>	<u>\$ 9,319,291</u>

C. **Capital Assets**

Capital asset activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,896,952	\$ 1,539,998	\$ -	\$ 27,436,950
Construction in progress	<u>3,492,189</u>	<u>1,348,585</u>	<u>(428,062)</u>	<u>4,412,712</u>
Total capital assets, not being depreciated	<u>29,389,141</u>	<u>2,888,583</u>	<u>(428,062)</u>	<u>31,849,662</u>
Capital assets being depreciated:				
Buildings	22,847,026	36,351	-	22,883,377
Improvements other than buildings	21,790,539	101,589	-	21,892,128
Machinery and equipment	12,208,307	1,330,170	(668,528)	12,869,949
Infrastructure	<u>102,632,519</u>	<u>581,379</u>	<u>-</u>	<u>103,213,898</u>
Total capital assets being depreciated	<u>159,478,391</u>	<u>2,049,489</u>	<u>(668,528)</u>	<u>160,859,352</u>
Less accumulated depreciation:				
Buildings	(5,517,547)	(595,590)	-	(6,113,137)
Improvements other than buildings	(18,181,450)	(533,262)	-	(18,714,712)
Machinery and equipment	(7,944,743)	(948,378)	585,764	(8,307,357)
Infrastructure	<u>(51,951,378)</u>	<u>(5,062,529)</u>	<u>-</u>	<u>(57,013,907)</u>
Total accumulated depreciation	<u>(83,595,118)</u>	<u>(7,139,759)</u>	<u>585,764</u>	<u>(90,149,113)</u>
Total capital assets being depreciated, net	<u>75,883,273</u>	<u>(5,090,270)</u>	<u>(82,764)</u>	<u>70,710,239</u>
Governmental activities capital assets, net	<u>\$ 105,272,414</u>	<u>\$ (2,201,687)</u>	<u>\$ (510,826)</u>	<u>\$ 102,559,901</u>

(continued)

V. OTHER INFORMATION (Continued)

C. Capital Assets (Continued)

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 510,688	\$ 230,957	\$ -	\$ 741,645
Construction in progress	<u>4,612,144</u>	<u>3,302,452</u>	<u>(700,326)</u>	<u>7,214,270</u>
Total capital assets, not being depreciated	<u>5,122,832</u>	<u>3,533,409</u>	<u>(700,326)</u>	<u>7,955,915</u>
Capital assets being depreciated:				
Buildings	1,100,818	-	-	1,100,818
Improvements other than buildings	263,429	-	-	263,429
Machinery and equipment	6,900,043	478,883	<u>(276,493)</u>	7,102,433
Infrastructure	<u>137,702,244</u>	<u>885,264</u>	<u>-</u>	<u>138,587,508</u>
Total capital assets being depreciated	<u>145,966,534</u>	<u>1,364,147</u>	<u>(276,493)</u>	<u>147,054,188</u>
Less accumulated depreciation:				
Buildings	<u>(343,145)</u>	<u>(28,825)</u>	-	<u>(371,970)</u>
Improvements other than buildings	<u>(177,545)</u>	<u>(20,891)</u>	-	<u>(198,436)</u>
Machinery and equipment	<u>(3,279,987)</u>	<u>(452,609)</u>	276,493	<u>(3,456,103)</u>
Infrastructure	<u>(54,557,498)</u>	<u>(4,864,087)</u>	<u>-</u>	<u>(59,421,585)</u>
Total accumulated depreciation	<u>(58,358,175)</u>	<u>(5,366,412)</u>	<u>276,493</u>	<u>(63,448,094)</u>
Total capital assets being depreciated, net	<u>87,608,359</u>	<u>(4,002,265)</u>	<u>-</u>	<u>83,606,094</u>
Business-type activities capital assets, net	<u>\$ 92,731,191</u>	<u>\$ (468,856)</u>	<u>\$ (700,326)</u>	<u>\$ 91,562,009</u>

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

Governmental activities	
General government	\$ 281,474
Public safety	779,240
Public works	5,278,232
Culture and recreation	786,052
Development	<u>14,761</u>
Total depreciation expense - governmental activities	<u>\$ 7,139,759</u>
Business-type activities	
Water and sewer	\$ 4,346,650
Refuse	21,813
Drainage	<u>997,949</u>
Total depreciation expense - business-type activities	<u>\$ 5,366,412</u>

(continued)

V. **OTHER INFORMATION** (Continued)

D. **Employees' Retirement System**

Plan Description

The City provides pension benefits for all of its fulltime 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.

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 2010	Plan Year 2011
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	100% repeating
Annuity increase (to retirees)	Transfers	Transfers
	70% of CPI repeating	70% of CPI repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service 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	\$ 3,210,666
Interest on pension obligation	70,496
Adjustment to the ARC	(58,432)
Annual pension cost	3,222,730
Contributions made	(2,756,435)
Increase in net pension obligation	466,295
Net pension obligation, beginning of year	<u>939,945</u>
Net pension obligation, end of year	<u>\$ 1,406,240</u>

(continued)

V. **OTHER INFORMATION** (Continued)

D. **Employees' Retirement System** (Continued)

Contributions (Continued)

<u>Year Ending</u>	<u>Pension Cost (APC)</u>	<u>Contribution Made</u>	<u>% of APC Contributed</u>	<u>Pension Obligation</u>	<u>Annual Required Contribution Rate</u>
09/30/09	\$ 2,880,006	\$ 2,477,998	86.04%	\$ 402,008	16.11%
09/30/10	3,176,570	2,638,633	83.07%	939,945	17.00%
09/30/11	3,222,730	2,756,434	85.53%	1,406,241	17.30%

The required contributions rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10-prior to restructuring	12/31/10 restructured
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization period	29 years closed period	28 years closed period	27.2 years closed period	27.2 years closed period
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset valuation method	Amortized cost	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions				
Investment rate of return	7.5%	7.5%	7.5%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%	3.0%
Cost-of-living adjustment	2.1%	2.1%	2.1%	2.1%

Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 2010 TMRS Comprehensive Annual Financial Report (CAFR).

(continued)

V. **OTHER INFORMATION** (Continued)

D. **Employees' Retirement System** (Continued)

Contributions (Continued)

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial date	12/31/08	12/31/09	12/31/10 (1)	12/31/10 (2)
Actuarial value of assets	\$ 42,662,962	\$ 46,369,748	\$ 50,557,269	\$ 61,940,838
Actuarial accrued liability (AAL)	61,211,355	64,957,600	70,409,555	78,870,069
Percent funded	69.7%	71.4%	71.8%	78.5%
Unfunded (overfunded) actuarial accrued liability (UAAL)	18,548,393	18,587,852	19,852,286	16,929,231
Annual covered payroll	19,796,538	19,167,685	18,736,655	18,736,655
UAAL as a percent of covered payroll	93.7%	97.0%	106.0%	90.4%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

E. **Long-term Debt**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2011, is as follows:

	Balance October 1, 2010	Issued or Incurred	Retired or Refunded	Balance September 30, 2011	Due Within One Year
Governmental activities					
General obligation bonds	\$ 37,590,000	\$ -	\$ 3,080,000	\$ 34,510,000	\$ 3,495,000
Combined tax and surplus revenue certificates of obligation	45,410,000	-	2,370,000	43,040,000	2,160,000
Capital leases	1,797,282	1,202,602	490,533	2,509,351	406,424
Compensated absences	2,730,868	117,206	64,393	2,783,681	234,873
Unfunded pension obligation	875,221	2,997,139	2,564,014	1,308,346	-
Unfunded OPEB obligation	452,247	329,983	117,830	664,400	-
Retainage payable	609,545	134,623	609,545	134,623	134,623
Governmental activities long-term debt	<u>\$ 89,465,163</u>	<u>\$ 4,781,553</u>	<u>\$ 9,296,315</u>	<u>\$ 84,950,401</u>	<u>\$ 6,430,920</u>
Business-type activities					
Water and sewer revenue bonds	\$ 41,340,000	\$ -	\$ 3,345,000	\$ 37,995,000	\$ 3,470,000
Combination tax and surplus revenue certificates of obligation	4,190,000	-	180,000	4,010,000	190,000
Capital leases	3,503,499	389,825	344,518	3,548,806	354,425
Retainage Payable	564,826	149,900	564,826	149,900	149,900
Compensated absences	151,211	63,457	63,568	151,100	12,749
Unfunded pension obligation	64,724	225,591	192,421	97,894	-
Unfunded OPEB obligation	49,092	36,665	10,339	75,418	-
Business-type activities long-term debt	<u>\$ 49,863,352</u>	<u>\$ 865,438</u>	<u>\$ 4,700,672</u>	<u>\$ 46,028,118</u>	<u>\$ 4,177,074</u>

(continued)

V. **OTHER INFORMATION** (Continued)

E. **Long-term Debt** (Continued)

For the governmental activities, the net pension obligation and the other postemployment benefit obligation are generally liquidated by the General Fund.

Long-term debt for governmental activities at September 30, 2011, includes the following individual issues (not including unamortized premiums of \$678,042, unamortized discounts of \$52,920, unamortized bond issuance costs of \$1,120,907 and deferred loss of \$792,697):

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Governmental activities				
General obligation bonds:				
1997A various purpose	6.36 var	08/15/26	\$ 5,355,000	\$ 215,000
2001 various purpose	4.25	02/15/11	-	-
2002 various purpose	3.75	02/15/11	-	-
2003 Revenue and improvements	2.15-4.50	02/15/14	1,670,000	900,000
2003A various purpose	2.25-5.00	02/15/23	2,740,000	175,000
2004 Revenue and improvements	3.50-4.60	02/15/18	2,775,000	345,000
2004A various purpose	2.00-4.80	02/15/24	4,435,000	260,000
2005 Refunding	3.00-4.50	02/15/20	5,785,000	630,000
2010 Refunding	2.00-3.00	02/15/22	10,645,000	920,000
2010A Refunding (taxable)	1.57-5.71	08/15/28	1,105,000	50,000
			<u>34,510,000</u>	<u>3,495,000</u>
Combination tax and revenue certificates of obligation:				
2001 various purpose	4.25	02/15/11	-	-
2002 various purpose	3.75	02/15/11	-	-
2003 various purpose	2.00-5.00	02/15/23	5,010,000	325,000
2004 various purpose	2.00-4.80	02/15/29	3,380,000	165,000
2005 various purpose	3.00-4.50	02/15/25	17,185,000	930,000
2006 various purpose	4.00-5.125	02/15/31	17,465,000	740,000
			<u>43,040,000</u>	<u>2,160,000</u>
Total government activities long-term bonded debt			77,550,000	5,655,000
Less: deferred amounts:				
On refunding			(792,697)	-
For issuance premiums and discounts			<u>625,122</u>	-
Net government activities long-term bonded debt			<u>\$ 77,382,425</u>	<u>\$ 5,655,000</u>

(continued)

V. OTHER INFORMATION (Continued)

E. Long-term Debt (Continued)

Long-term debt for business activities at September 30, 2011, includes the following individual issues (not including unamortized premiums of \$452,472, unamortized discounts of \$43,208, unamortized bond issuance costs of \$671,535, and deferred loss of \$332,236):

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Business-type activities				
Utility system revenue bonds:				
2001 various purpose	4.00-5.00	03/01/21	\$ 1,285,000	\$ 105,000
2003 refunding and improvements	4.00-4.30	03/01/12	95,000	95,000
2004 refunding and improvements	2.00-4.50	03/01/18	3,125,000	775,000
2004A various purpose	2.00-5.00	03/01/24	13,730,000	790,000
2005 Refunding	3.00-5.00	03/01/20	5,695,000	635,000
2005A various purpose	3.00-4.375	03/01/25	5,585,000	300,000
2006 various purpose	4.00-4.890	03/01/26	8,480,000	770,000
			<u>37,995,000</u>	<u>3,470,000</u>
Combination tax and revenue certificates of obligation:				
2006 various purpose	4.00-5.125	02/15/31	4,010,000	190,000
			<u>4,010,000</u>	<u>190,000</u>
Total business-type activities long-term bonded debt			42,005,000	3,660,000
Less: deferred amounts:				
On refunding			(332,236)	-
For issuance premiums and discounts			409,264	-
Net business-type activities long-term bonded debt			<u>\$ 42,082,028</u>	<u>\$ 3,660,000</u>

The annual requirements to amortize outstanding debt as of September 30, 2011, 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
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	5,815,000	2,434,726	8,249,726	2,800,000	1,144,150	3,944,150
2017-2021	29,105,000	8,471,822	37,576,822	13,395,000	3,751,261	17,146,261
2022-2026	21,565,000	2,694,706	24,259,706	9,270,000	892,626	10,162,626
2027-2031	2,410,000	291,060	2,701,060	-	-	-
Total	<u>\$ 81,560,000</u>	<u>\$ 25,764,152</u>	<u>\$ 107,324,152</u>	<u>\$ 37,995,000</u>	<u>\$ 11,593,605</u>	<u>\$ 49,588,605</u>

(continued)

V. **OTHER INFORMATION** (Continued)

E. **Long-term Debt** (Continued)

As of September 30, 2011, 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>
01/18/1997	Streets	\$ 15,000,000	\$ 11,040,000	\$ 3,960,000

Revenue Bonds

The ordinance authorizing the water and sewer revenue bonds stipulate that the City will deposit, in addition to principal and interest requirements, certain amounts in a reserve fund. Amounts in the reserve fund are to be used to pay principal and interest on outstanding bonds at any time sufficient funds are not available in the Bond Interest and Sinking Fund. Amounts in the interest and sinking, and reserve funds, reported as restricted assets in the accompanying combined financial statements at September 30, 2011, 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, 2011, 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 1st of the preceding fiscal year. On August 23, 2006, the RESC issued \$2,700,000 in contract revenue bonds with a 10-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. On June 28, 2011, the RESC refunded the original 2006 bonds and issued additional contract revenue bonds totaling \$415,000 for necessary structural improvements.

During the current year, the City's paid \$105,009 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, 2011, the outstanding balance was \$1,925,000. 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%.

(continued)

V. **OTHER INFORMATION** (Continued)

E. **Long-term Debt** (Continued)

Capital Leases (Continued)

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 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 9-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 15-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:

	<u>Water and Sewer</u>	<u>Governmental Activities</u>	<u>Total</u>
Asset:			
Motor vehicles	\$ -	\$ 1,529,118	\$ 1,529,118
Machinery and equipment	5,108,300	1,280,123	6,388,423
Less: accumulated depreciation	<u>(1,766,836)</u>	<u>(980,185)</u>	<u>(2,747,021)</u>
Total	<u>\$ 3,341,464</u>	<u>\$ 1,829,056</u>	<u>\$ 5,170,520</u>

(continued)

V. **OTHER INFORMATION** (Continued)

E. **Long-term Debt** (Continued)

Capital Leases (Continued)

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:

<u>Year Ending September 30,</u>	<u>Water and Sewer</u>	<u>Governmental Activities</u>	<u>Total</u>
2012	\$ 488,562	\$ 484,008	
2013	488,562	398,185	886,747
2014	488,562	337,324	825,886
2015	488,562	337,324	825,886
2016	488,562	337,324	825,886
2017-2020	<u>1,775,054</u>	<u>952,245</u>	<u>2,727,299</u>
Total minimum lease payments	4,217,864	2,846,410	7,064,274
Less: amount representing interest	(669,058)	(337,059)	(1,006,117)
Present value of minimum lease payments	<u>\$ 3,548,806</u>	<u>\$ 2,509,351</u>	<u>\$ 6,058,157</u>

F. **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 year 2011, 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.

G. **Interfund Transfers, Receivable and Payables**

The composition of interfund balances as of September 30, 2011, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 63,405
	Internal service	<u>29,874</u>
		<u>\$ 93,279</u>

The negative cash balances are the result of timing of accounts receivable collections.

(continued)

V. **OTHER INFORMATION** (Continued)

G. **Interfund Transfers, Receivable and Payables** (Continued)

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, 2011, were as follows:

	<u>Transfers in</u>	<u>Transfers Out</u>
Governmental activities		
General	\$ 2,109,193	\$ 1,503,365
Debt service	924,424	-
Capital projects	3,412,484	-
Nonmajor governmental funds	-	454,925
Internal Service	511,331	-
Business-type activities		
Water and sewer	150,000	3,459,193
Refuse	-	1,589,949
Drainage	-	100,000
	<u> </u>	<u> </u>
Total	<u>\$ 7,107,432</u>	<u>\$ 7,107,432</u>

(continued)

V. **OTHER INFORMATION** (Continued)

G. **Interfund Transfers, Receivable and Payables** (Continued)

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	
General	Capital projects	\$ 452,484	Capital projects
	Debt service	389,550	Debt service
	Water and sewer	150,000	Golf course improvements
	Internal service	511,331	Self-insurance contributions
Nonmajor governmental			
Impact fees	Capital projects	160,000	Capital projects
TIF	Debt service	294,925	Debt service
Water and sewer			
	General	808,073	In-lieu of property taxes
	General	1,154,050	Franchise fees
	General	147,070	Economic development
	Capital projects	1,350,000	Capital projects
Drainage	Capital projects	100,000	Capital projects
Refuse	Capital projects	1,350,000	Capital projects
	Debt service	<u>239,949</u>	Debt service
		<u>\$ 7,107,432</u>	

H. **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.

I. **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.

(continued)

V. **OTHER INFORMATION** (Continued)

I. **Postemployment Benefits** (Continued)

Post-retirement Health Care Benefits (Continued)

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 wages 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)	\$ 364,990
Interest net OPEB obligation	22,560
Adjustment to the ARC	<u>(20,902)</u>
Annual OPEB cost	366,648
Employer contribution	<u>128,169</u>
Increase in net OPEB obligation	238,479
Net OPEB obligation, beginning of year	<u>501,339</u>
 Net OPEB obligation, end of year	 <u>\$ 739,818</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
09/30/09	\$ 281,737	\$ 27,930	9.91%	\$ 253,807
09/30/10	355,198	107,666	30.31%	501,339
09/30/11	364,990	128,169	35.12%	739,818

(continued)

V. **OTHER INFORMATION** (Continued)

I. **Postemployment Benefits** (Continued)

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
12/31/08	\$ -	\$ 2,924,489	\$ 2,924,489	- %	2009	\$ 19,165,822	15.26%
12/31/09	-	3,325,706	3,325,706	- %	2010	18,924,557	17.57%

This is the third year of implementation of GASB 45. Accordingly, only two years of funding progress are available as GASB 45 only requires the City to have actuarial evaluations performed every two years. Additional years of funding progress will be presented in future years, as they become available.

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	December 31, 2009	December 31, 2010
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.

(continued)

V. **OTHER INFORMATION** (Continued)

I. **Postemployment Benefits** (Continued)

Contributions

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

The City's contribution to the TMRS SDBF for the years ended 2011, 2010, and 2009 were \$1,865, \$1,916, and \$1,892, respectively, at the City required contribution rate of 0.01% which equaled the required contribution each year.

J. **Commitments and Contracts**

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

1. ***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, 2011, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 3,091,023,000 gallons.
2. ***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.
3. ***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.
4. 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.
5. 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.

(continued)

V. OTHER INFORMATION (Continued)

J. Commitments and Contracts (Continued)

6. 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 30-year period and includes required rebates of 90% of the sales taxes paid. During the current fiscal year, the City rebated \$1,213,919 of the \$1,348,799 paid by D.R. Horton. Due to a change in state law, the agreement with D.R. Horton was terminated on September 1, 2011. As a result, the City adjusted its revenue projections for fiscal year 2012 accordingly.
7. The City has contractual commitments of approximately \$9,242,288 in the Capital Projects Funds, \$1,806,112 in the Water and Sewer Fund, and \$166,291 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.

K. Change in Accounting Principles

For fiscal year 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the City reclassifying fund balances of its governmental funds.

L. Subsequent Events

Bond Refunding

On October 12, 2011, the City issued \$9,000,000 of General Obligation Refunding Bonds, Series 2011. Proceeds from the sale of the bonds will be used to refund a portion of the City's outstanding debt in order to lower the overall debt service requirements of the City. The bonds will be used to refund \$1,180,000 of Waterworks and Sewer System Revenue Bonds, Series 2001, \$4,000,000 of Combination Tax and Limited Surplus Revenue Bonds, Series 2001, \$4,000,000 of Combination Tax and Limited Surplus Revenue Certificates of Obligation, Taxable Series 2003, and \$2,190,000 of General Obligation Bonds, Series 2003-A.

Lease Commitments

On January 4, 2012, the City entered into a lease purchase agreement with Branch Banking & Trust Company (BB&T) for the acquisition of a 2011 Dodge Ram Diesel Chassis with Frazer Type I Ambulance Module. The agreement provides for BB&T to make funding available to the City in the total sum of \$136,300 to enable the City to acquire the equipment. The first annual lease payment is due October 15, 2012.

**REQUIRED
SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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CITY OF ROWLETT, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 15,786,644	\$ 15,786,644	\$ 15,847,989	\$ 61,345
Sales	5,682,373	5,682,373	5,767,527	85,154
Other	58,338	58,338	58,542	204
Franchise fees	2,911,231	2,911,231	3,211,302	300,071
Licenses and permits	366,680	366,680	388,258	21,578
Charge for services	2,838,028	2,838,028	2,748,494	(89,534)
Fines and forfeitures	1,533,688	1,533,688	1,216,533	(317,155)
Intergovernmental	199,967	199,967	218,950	18,983
Interest	42,027	42,027	51,069	9,042
Miscellaneous	494,221	494,221	603,090	108,869
Total revenues	<u>29,913,197</u>	<u>29,913,197</u>	<u>30,111,754</u>	<u>198,557</u>
EXPENDITURES				
Current operating:				
General government	3,989,448	4,624,327	4,152,690	471,637
Public safety	18,401,298	18,216,201	17,939,924	276,277
Public works	3,167,490	3,052,490	2,652,139	400,351
Culture and recreation	4,412,696	4,369,696	3,929,002	440,694
Development	917,811	912,811	672,775	240,036
Debt service:				
Principal retirement	44,360	44,360	490,534	(446,174)
Interest and fiscal charges	-	-	47,041	(47,041)
Capital outlay	215,242	485,242	1,151,597	(666,355)
Total expenditures	<u>31,148,345</u>	<u>31,705,127</u>	<u>31,035,702</u>	<u>669,425</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,235,148)</u>	<u>(1,791,930)</u>	<u>(923,948)</u>	<u>867,982</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	1,202,602	1,202,602
Transfers from other funds	2,109,193	2,109,193	2,109,193	-
Transfers to other funds	(992,034)	(992,034)	(1,503,365)	(511,331)
Total other financing sources (uses)	<u>1,117,159</u>	<u>1,117,159</u>	<u>1,808,430</u>	<u>691,271</u>
CHANGE IN NET ASSETS	<u>(117,989)</u>	<u>(674,771)</u>	<u>884,482</u>	<u>1,559,253</u>
TOTAL NET ASSETS, BEGINNING	<u>8,059,462</u>	<u>8,059,462</u>	<u>8,059,462</u>	<u>-</u>
TOTAL NET ASSETS, ENDING	<u>\$ 7,941,473</u>	<u>\$ 7,384,691</u>	<u>\$ 8,943,944</u>	<u>\$ 1,559,253</u>

CITY OF ROWLETT, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2011

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.

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**

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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 prorated 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 U. S. Department of Housing and Urban Development (“HUD”) under their community development block grant (CDBG) programs and other public safety, and library grants.

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, 2011

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
ASSETS			
Cash, cash equivalents and investments	\$ 473,076	\$ 662,840	\$ 169,469
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accrued interest	526	13	118
Other	-	-	75,990
Due from other governments	-	-	-
Prepaid and other items	-	3,510	-
Total assets	\$ 473,602	\$ 666,363	\$ 245,577
LIABILITIES			
Accounts payable	\$ 14,500	\$ 2,740	\$ 180,545
Accrued liabilities	-	18,214	926
Deferred revenue	7,283	-	39,740
Due to other funds	-	-	-
Total liabilities	21,783	20,954	221,211
FUND BALANCES			
Nonspendable - Prepaid items	-	3,510	-
Restricted for:			
Debt Service	-	-	-
Capital projects	451,819	-	-
Public safety	-	641,899	24,366
Economic development	-	-	-
Public broadcasting	-	-	-
Unassigned	-	-	-
Total fund balances	451,819	645,409	24,366
Total liabilities and fund balances	\$ 473,602	\$ 666,363	\$ 245,577

Special Revenue

Court Fees	Grant	TIF	Other	Total Governmental Funds
\$ 409,830	\$ -	\$ 1,000	\$ 3,909	\$ 1,720,124
-	-	-	3,884	3,884
401	-	-	3	1,061
1,260	-	-	46,619	123,869
-	169,603	-	-	169,603
-	840	-	-	4,350
<u>\$ 411,491</u>	<u>\$ 170,443</u>	<u>\$ 1,000</u>	<u>\$ 54,415</u>	<u>\$ 2,022,891</u>
\$ 101	\$ 23,080	\$ -	\$ 1,759	\$ 222,725
901	-	-	2,689	22,730
1,260	190,244	-	-	238,527
-	63,405	-	-	63,405
<u>2,262</u>	<u>276,729</u>	<u>-</u>	<u>4,448</u>	<u>547,387</u>
-	840	-	-	4,350
-	-	1,000	-	1,000
-	-	-	-	451,819
409,229	-	-	-	1,075,494
-	-	-	17,751	17,751
-	-	-	32,216	32,216
-	(107,126)	-	-	(107,126)
<u>409,229</u>	<u>(106,286)</u>	<u>1,000</u>	<u>49,967</u>	<u>1,475,504</u>
<u>\$ 411,491</u>	<u>\$ 170,443</u>	<u>\$ 1,000</u>	<u>\$ 54,415</u>	<u>\$ 2,022,891</u>

CITY OF ROWLETT, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
REVENUES			
Taxes:			
Property taxes	\$ -	\$ -	\$ -
Sales taxes	-	-	-
Other	-	-	-
Franchise fees	-	-	-
License and permits	50,076	-	-
Charges for services	-	-	-
Fines and forfeitures	-	636,851	361,739
Intergovernmental	-	-	-
Interest	2,316	765	297
Miscellaneous	-	-	-
Total revenues	52,392	637,616	362,036
EXPENDITURES			
Current operating:			
General government	-	-	-
Public safety	-	241,742	369,593
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	42,813	21,380	-
Total expenditures	42,813	263,122	369,593
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,579	374,494	(7,557)
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(160,000)	-	-
Total other financing sources (uses)	(160,000)	-	-
NET CHANGE IN FUND BALANCES	(150,421)	374,494	(7,557)
FUND BALANCES, BEGINNING	602,240	270,915	31,923
FUND BALANCES, ENDING	\$ 451,819	\$ 645,409	\$ 24,366

Special Revenue

<u>Court Fees</u>	<u>Grant</u>	<u>TIF</u>	<u>Other</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 294,925	\$ -	\$ 294,925
-	-	-	-	-
-	-	-	66,206	66,206
-	-	-	93,061	93,061
-	-	-	-	50,076
-	-	-	-	-
89,734	-	-	-	1,088,324
-	723,883	-	-	723,883
1,751	13	-	16	5,158
-	-	-	-	-
<u>91,485</u>	<u>723,896</u>	<u>294,925</u>	<u>159,283</u>	<u>2,321,633</u>
-	26,601	-	107,240	133,841
58,231	77,429	-	-	746,995
-	44,601	-	-	44,601
-	2,807	-	-	2,807
29,915	368,395	-	4,757	467,260
<u>88,146</u>	<u>519,833</u>	<u>-</u>	<u>111,997</u>	<u>1,395,504</u>
<u>3,339</u>	<u>204,063</u>	<u>294,925</u>	<u>47,286</u>	<u>926,129</u>
<u>-</u>	<u>-</u>	<u>(294,925)</u>	<u>-</u>	<u>(454,925)</u>
<u>-</u>	<u>-</u>	<u>(294,925)</u>	<u>-</u>	<u>(454,925)</u>
3,339	204,063	-	47,286	471,204
<u>405,890</u>	<u>(310,349)</u>	<u>1,000</u>	<u>2,681</u>	<u>1,004,300</u>
<u>\$ 409,229</u>	<u>\$ (106,286)</u>	<u>\$ 1,000</u>	<u>\$ 49,967</u>	<u>\$ 1,475,504</u>

CITY OF ROWLETT, TEXAS

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 8,064,580	\$ 8,064,580	\$ 8,095,918	\$ 31,338
Interest	15,786	15,786	5,883	(9,903)
Total revenues	<u>8,080,366</u>	<u>8,080,366</u>	<u>8,101,801</u>	<u>21,435</u>
EXPENDITURES				
Current operating:				
General government	122,535	122,535	93,731	28,804
Public safety	105,009	105,009	105,009	-
Debt service:				
Principal retirement	5,450,000	5,450,000	5,450,000	-
Interest and fiscal charges	3,351,727	3,351,727	3,323,106	28,621
Total expenditures	<u>9,029,271</u>	<u>9,029,271</u>	<u>8,971,846</u>	<u>57,425</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(948,905)</u>	<u>(948,905)</u>	<u>(870,045)</u>	<u>78,860</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	923,282	923,282	924,424	1,142
Total other financing sources (uses)	<u>923,282</u>	<u>923,282</u>	<u>924,424</u>	<u>1,142</u>
CHANGE IN FUND BALANCES	<u>(25,623)</u>	<u>(25,623)</u>	54,379	80,002
FUND BALANCES, BEGINNING	<u>234,354</u>	<u>234,354</u>	<u>234,354</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 208,731</u>	<u>\$ 208,731</u>	<u>\$ 288,733</u>	<u>\$ 80,002</u>

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
License and permits	\$ 28,285	\$ 28,285	\$ 50,076	\$ 21,791
Interest	<u>13,357</u>	<u>13,357</u>	<u>2,316</u>	<u>(11,041)</u>
Total revenues	<u>41,642</u>	<u>41,642</u>	<u>52,392</u>	<u>10,750</u>
EXPENDITURES				
Public works	14,143	14,143	-	14,143
Capital outlay	<u>14,142</u>	<u>14,142</u>	<u>42,813</u>	<u>(28,671)</u>
Total expenditures	<u>28,285</u>	<u>28,285</u>	<u>42,813</u>	<u>(14,528)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,357</u>	<u>13,357</u>	<u>9,579</u>	<u>(3,778)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(160,000)</u>	<u>(160,000)</u>	<u>(160,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(160,000)</u>	<u>(160,000)</u>	<u>(160,000)</u>	<u>-</u>
CHANGE IN FUND BALANCES	<u>(146,643)</u>	<u>(146,643)</u>	<u>(150,421)</u>	<u>(3,778)</u>
FUND BALANCES, BEGINNING	<u>602,240</u>	<u>602,240</u>	<u>602,240</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 455,597</u>	<u>\$ 455,597</u>	<u>\$ 451,819</u>	<u>\$ (3,778)</u>

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
POLICE SEIZURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 636,851	\$ 536,851
Interest	764	764	765	1
Total revenues	<u>100,764</u>	<u>100,764</u>	<u>637,616</u>	<u>536,852</u>
EXPENDITURES				
Public safety	250,000	250,000	241,742	8,258
Capital outlay	-	-	21,380	(21,380)
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>263,122</u>	<u>(13,122)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(149,236)	(149,236)	374,494	523,730
FUND BALANCES, BEGINNING	<u>270,915</u>	<u>270,915</u>	<u>270,915</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 121,679</u>	<u>\$ 121,679</u>	<u>\$ 645,409</u>	<u>\$ 523,730</u>

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Fines and forfeitures	\$ 348,068	\$ 348,068	\$ 361,739	\$ 13,671
Interest	<u>468</u>	<u>468</u>	<u>297</u>	<u>(171)</u>
Total revenues	<u>348,536</u>	<u>348,536</u>	<u>362,036</u>	<u>13,500</u>
EXPENDITURES				
Public safety	<u>348,068</u>	<u>348,068</u>	<u>369,593</u>	<u>(21,525)</u>
Total expenditures	<u>348,068</u>	<u>348,068</u>	<u>369,593</u>	<u>(21,525)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	468	468	(7,557)	(8,025)
FUND BALANCES, BEGINNING	<u>31,923</u>	<u>31,923</u>	<u>31,923</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 32,391</u>	<u>\$ 32,391</u>	<u>\$ 24,366</u>	<u>\$ (8,025)</u>

CITY OF ROWLETT, TEXAS

BUDGETARY COMPARISON SCHEDULE

COURT FEES FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Fines and forfeitures	\$ 142,099	\$ 142,099	\$ 89,734	\$(52,365)
Interest	<u>-</u>	<u>-</u>	<u>1,751</u>	<u>1,751</u>
Total revenues	<u>142,099</u>	<u>142,099</u>	<u>91,485</u>	<u>(50,614)</u>
EXPENDITURES				
Public safety	126,478	126,478	58,231	68,247
Capital outlay	<u>-</u>	<u>-</u>	<u>29,915</u>	<u>(29,915)</u>
Total expenditures	<u>126,478</u>	<u>126,478</u>	<u>88,146</u>	<u>38,332</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,621	15,621	3,339	(12,282)
FUND BALANCES, BEGINNING	<u>405,890</u>	<u>405,890</u>	<u>405,890</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 421,511</u>	<u>\$ 421,511</u>	<u>\$ 409,229</u>	<u>\$(12,282)</u>

CITY OF ROWLETT, TEXAS

BUDGETARY COMPARISON SCHEDULE

GRANT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 258,870	\$ 221,889	\$ 723,883	\$ 501,994
Interest	-	-	13	13
Total revenues	<u>258,870</u>	<u>221,889</u>	<u>723,896</u>	<u>502,007</u>
EXPENDITURES				
General government	-	-	26,601	(26,601)
Public safety	24,590	24,590	77,429	(52,839)
Public works	22,000	22,000	44,601	(22,601)
Culture and recreation	17,035	17,035	2,807	14,228
Capital outlay	<u>195,245</u>	<u>195,245</u>	<u>368,395</u>	<u>(173,150)</u>
Total expenditures	<u>258,870</u>	<u>258,870</u>	<u>519,833</u>	<u>(260,963)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(36,981)	204,063	241,044
FUND BALANCES, BEGINNING	<u>(310,349)</u>	<u>(310,349)</u>	<u>(310,349)</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(310,349)</u>	<u>\$(347,330)</u>	<u>\$(106,286)</u>	<u>\$ 241,044</u>

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Property taxes	\$ 293,783	\$ 293,783	\$ 294,925	\$ 1,142
Interest	-	-	-	-
Total revenues	<u>293,783</u>	<u>293,783</u>	<u>294,925</u>	<u>1,142</u>
EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>293,783</u>	<u>293,783</u>	<u>294,925</u>	<u>1,142</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(293,783)	(293,783)	(294,925)	(1,142)
Total other financing sources (uses)	<u>(293,783)</u>	<u>(293,783)</u>	<u>(294,925)</u>	<u>(1,142)</u>
CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
FUND BALANCES, ENDING	<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 THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Motel taxes	\$ 43,773	\$ 43,773	\$ 66,206	\$ 22,433
Franchise fees	78,285	78,285	93,061	14,776
Interest	<u>577</u>	<u>577</u>	<u>16</u>	<u>(561)</u>
Total revenues	<u>122,635</u>	<u>122,635</u>	<u>159,283</u>	<u>36,648</u>
EXPENDITURES				
General government	109,122	109,122	107,240	1,882
Capital outlay	<u>-</u>	<u>-</u>	<u>4,757</u>	<u>(4,757)</u>
Total expenditures	<u>109,122</u>	<u>109,122</u>	<u>111,997</u>	<u>(2,875)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	13,513	13,513	47,286	33,773
FUND BALANCES, BEGINNING				
	<u>2,681</u>	<u>2,681</u>	<u>2,681</u>	<u>-</u>
FUND BALANCES, ENDING				
	<u>\$ 16,194</u>	<u>\$ 16,194</u>	<u>\$ 49,967</u>	<u>\$ 33,773</u>

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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>Page Number</u>
Financial Trends These schedules contain trend information to help the reader understand how financial performance and well-being have changed over time.	1
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	2
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	3
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	4
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	5

CITY OF ROWLETT, TEXAS

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

	Fiscal Year		
	2011	2010	2009
Governmental activities:			
Invested in capital assets, net of related debt	\$ 32,374,952	\$ 33,070,231	\$ 33,707,411
Restricted	4,746,923	1,148,213	910,428
Unrestricted	<u>6,506,992</u>	<u>7,989,091</u>	<u>7,593,223</u>
Total governmental activities, net assets	<u>\$ 43,628,867</u>	<u>\$ 42,207,535</u>	<u>\$ 42,211,062</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 63,268,379	\$ 64,417,014	\$ 65,576,708
Restricted	3,225,296	3,156,935	3,136,923
Unrestricted	<u>6,882,557</u>	<u>5,452,189</u>	<u>6,518,292</u>
Total business-type activities, net assets	<u>\$ 73,376,232</u>	<u>\$ 73,026,138</u>	<u>\$ 75,231,923</u>
Primary government:			
Invested in capital assets, net of related debt	\$ 95,643,331	\$ 97,487,245	\$ 99,284,119
Restricted	7,972,219	4,305,148	4,047,351
Unrestricted	<u>13,389,549</u>	<u>13,441,280</u>	<u>14,111,515</u>
Total primary government, net assets	<u>\$ 117,005,099</u>	<u>\$ 115,233,673</u>	<u>\$ 117,442,985</u>

Note: Information prior to fiscal year 2003 is not available

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 40,312,017	\$ 38,656,284	\$ 42,099,813	\$ 35,082,256	\$ 31,824,439	\$ 26,639,038
1,537,197	1,249,120	1,724,868	1,040,997	2,995,418	3,372,556
<u>5,435,653</u>	<u>4,519,005</u>	<u>4,121,491</u>	<u>4,110,733</u>	<u>1,501,435</u>	<u>2,180,379</u>
<u>\$ 47,284,867</u>	<u>\$ 44,424,409</u>	<u>\$ 47,946,172</u>	<u>\$ 40,233,986</u>	<u>\$ 36,321,292</u>	<u>\$ 32,191,973</u>
\$ 63,829,157	\$ 62,484,938	\$ 61,546,001	\$ 62,588,336	\$ 64,217,338	\$ 63,940,654
2,894,124	2,849,815	2,876,092	3,210,754	1,368,449	3,561,918
<u>5,683,212</u>	<u>3,926,786</u>	<u>5,289,946</u>	<u>6,742,040</u>	<u>6,128,244</u>	<u>2,339,895</u>
<u>\$ 72,406,493</u>	<u>\$ 69,261,539</u>	<u>\$ 69,712,039</u>	<u>\$ 72,541,130</u>	<u>\$ 71,714,031</u>	<u>\$ 69,842,467</u>
\$ 104,141,174	\$ 101,141,222	\$ 103,645,814	\$ 97,670,592	\$ 96,041,777	\$ 90,579,692
4,431,321	4,098,935	4,600,960	4,251,751	4,363,867	6,934,474
<u>11,118,865</u>	<u>8,445,791</u>	<u>9,411,437</u>	<u>10,852,773</u>	<u>7,629,679</u>	<u>4,520,274</u>
<u>\$ 119,691,360</u>	<u>\$ 113,685,948</u>	<u>\$ 117,658,211</u>	<u>\$ 112,775,116</u>	<u>\$ 108,035,323</u>	<u>\$ 102,034,440</u>

CITY OF ROWLETT, TEXAS

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

	Fiscal Year		
	2011	2010	2009
EXPENSES			
Governmental activities:			
General government	\$ 5,043,354	\$ 4,812,456	\$ 5,235,080
Public safety	20,077,172	20,243,476	19,372,690
Public works	12,320,408	12,747,289	12,719,561
Culture and recreation	4,796,472	5,138,905	4,926,422
Development	726,014	844,980	1,219,772
Interest and fiscal charges	3,445,261	3,562,170	4,088,968
Total governmental activities	<u>46,408,681</u>	<u>47,349,276</u>	<u>47,562,493</u>
Business-type activities:			
Water and sewer	19,715,254	19,292,984	18,502,215
Refuse	3,280,511	3,242,101	3,286,924
Drainage	1,669,999	2,676,412	1,607,736
Wet zone	-	-	-
Total business-type activities	<u>24,665,764</u>	<u>25,211,497</u>	<u>23,396,875</u>
Total primary government expenses	<u>\$ 71,074,445</u>	<u>\$ 72,560,773</u>	<u>\$ 70,959,368</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	\$ 617,922	\$ 135,922	\$ 99,906
Public safety	1,808,112	3,959,096	3,466,449
Public works	116,950	20,962	87,594
Culture and recreation	2,659,906	1,588,866	1,627,643
Development	565,001	386,696	504,544
Operating grants and contributions	963,803	484,634	347,925
Capital grants and contributions	2,687,884	1,532,660	175,032
Total governmental activities program revenues	<u>9,419,578</u>	<u>8,108,836</u>	<u>6,309,093</u>
Business-type activities:			
Charges for services:			
Water and sewer	23,592,840	21,550,266	20,570,813
Refuse	4,457,857	4,484,338	4,493,083
Drainage	1,301,172	1,361,162	1,276,659
Wet zone	-	-	-
Capital grants and contributions	560,473	20,612	63,966
Total business-type activities program revenues	<u>29,912,342</u>	<u>27,416,378</u>	<u>26,404,521</u>
Total primary government revenues	<u>\$ 39,331,920</u>	<u>\$ 35,525,214</u>	<u>\$ 32,713,614</u>

TABLE 2

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 5,210,003	\$ 6,463,416	\$ 7,547,049	\$ 5,461,721	\$ 5,221,878	\$ 4,762,474
19,026,455	19,064,945	17,566,690	15,345,813	14,412,536	13,531,944
8,819,541	13,357,060	5,338,600	5,210,406	5,009,553	4,593,744
5,388,160	6,102,323	6,202,601	4,353,767	3,828,425	3,579,707
1,229,275	1,476,900	1,529,689	1,341,144	1,341,012	1,401,486
4,473,104	4,825,639	3,864,246	2,965,565	2,598,852	2,303,626
<u>44,146,538</u>	<u>51,290,283</u>	<u>42,048,875</u>	<u>34,678,416</u>	<u>32,412,256</u>	<u>30,172,981</u>
19,065,087	19,136,724	19,243,442	15,617,433	13,672,908	13,451,133
3,251,155	2,940,905	2,627,304	2,244,735	2,205,365	2,358,869
1,692,004	1,604,017	1,332,109	1,101,040	1,004,201	1,069,723
-	-	-	729,695	633,912	727,611
<u>24,008,246</u>	<u>23,681,646</u>	<u>23,202,855</u>	<u>19,692,903</u>	<u>17,516,386</u>	<u>17,607,336</u>
<u>\$ 68,154,784</u>	<u>\$ 74,971,929</u>	<u>\$ 65,251,730</u>	<u>\$ 54,371,319</u>	<u>\$ 49,928,642</u>	<u>\$ 47,780,317</u>
\$ 72,486	\$ 67,617	\$ 121,309	\$ 8,092	\$ 4,512	\$ 633
3,591,329	3,089,141	2,847,875	1,806,208	1,905,311	1,668,838
211,128	265,677	418,169	270,525	87,540	120,004
1,115,647	1,185,071	1,280,621	305,672	492,410	255,836
567,913	696,991	911,160	992,676	1,020,646	1,060,116
518,835	578,571	461,654	543,706	356,981	386,095
2,306,004	469,433	2,658,930	3,185,246	5,462,783	963,453
<u>8,383,342</u>	<u>6,352,501</u>	<u>8,699,718</u>	<u>7,112,125</u>	<u>9,330,183</u>	<u>4,454,975</u>
19,553,413	18,951,024	19,125,037	18,467,908	16,163,854	11,688,693
4,246,481	4,054,166	3,493,756	3,494,784	3,079,240	2,726,756
951,715	929,773	485,580	495,255	489,439	438,822
-	-	-	435,202	337,403	410,288
2,359,949	616,691	1,314,213	2,424,461	3,151,578	632,841
<u>27,111,558</u>	<u>24,551,654</u>	<u>24,418,586</u>	<u>25,317,610</u>	<u>23,221,514</u>	<u>15,897,400</u>
<u>\$ 35,494,900</u>	<u>\$ 30,904,155</u>	<u>\$ 33,118,304</u>	<u>\$ 32,429,735</u>	<u>\$ 32,551,697</u>	<u>\$ 20,352,375</u>

(continued)

CITY OF ROWLETT, TEXAS

**CHANGES IN NET ASSETS (UNAUDITED)
LAST NINE FISCAL YEARS**

(Continued)

(accrual basis of accounting)

	Fiscal Year		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
NET (EXPENSE) REVENUES			
Governmental activities	\$(36,989,103)	\$(39,240,440)	\$(41,253,400)
Business-type activities	<u>5,246,578</u>	<u>2,204,881</u>	<u>3,007,646</u>
 Total primary government revenues	 <u>\$(31,742,525)</u>	 <u>\$(37,035,559)</u>	 <u>\$(38,245,754)</u>
 GENERAL REVENUE AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes:			
Property	\$ 23,967,737	\$ 24,649,815	\$ 25,255,663
Sales	5,767,527	6,228,228	5,666,751
Other	124,748	59,934	110,778
Franchise fees	3,214,049	2,767,064	2,881,223
Investment earnings	165,926	231,809	702,090
Gain (loss) on sale/retirement of capital assets	-	-	-
Miscellaneous	171,306	674,907	633,877
Transfers, net	<u>4,999,142</u>	<u>4,625,155</u>	<u>929,213</u>
Total governmental activities	<u>38,410,435</u>	<u>39,236,912</u>	<u>36,179,595</u>
 Business-type activities:			
Investment earnings	102,658	214,489	746,997
Gain (loss) on sale/retirement of capital assets	-	-	-
Miscellaneous	-	-	-
Transfers, net	(4,999,142)	(4,625,155)	(929,213)
Special items	-	-	-
Total business-type activities	<u>(4,896,484)</u>	<u>(4,410,666)</u>	<u>(182,216)</u>
 Total primary government	 <u>\$ 33,513,951</u>	 <u>\$ 34,826,246</u>	 <u>\$ 35,997,379</u>
 CHANGES IN NET ASSETS			
Governmental activities	\$ 1,421,332	\$(3,528)	\$(5,073,805)
Business-type activities	<u>350,094</u>	<u>(2,205,785)</u>	<u>2,825,430</u>
 Total primary government	 <u>\$ 1,771,426</u>	 <u>\$(2,209,313)</u>	 <u>\$(2,248,375)</u>

Note: Information prior to fiscal year 2003 is not available.

Source: City of Rowlett - Comprehensive Annual Financial Reports.

TABLE 2

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$(35,763,196)	\$(44,937,782)	\$(33,349,157)	\$(27,566,291)	\$(23,082,073)	\$(25,718,006)
<u>3,103,312</u>	<u>870,008</u>	<u>1,215,731</u>	<u>5,624,707</u>	<u>5,705,128</u>	<u>(1,709,936)</u>
<u>\$(32,659,884)</u>	<u>\$(44,067,774)</u>	<u>\$(32,133,426)</u>	<u>\$(21,941,584)</u>	<u>\$(17,376,945)</u>	<u>\$(27,427,942)</u>
\$ 25,044,496	\$ 23,758,243	\$ 22,472,350	\$ 19,701,994	\$ 17,481,315	\$ 16,343,280
5,882,325	6,230,025	7,458,230	3,760,344	3,097,455	2,767,989
121,242	120,329	111,619	98,303	87,162	77,481
3,014,846	3,393,874	2,850,027	2,418,182	2,587,990	2,233,351
1,570,639	3,242,124	2,418,273	878,622	402,908	561,482
-	-	(178,719)	(203,409)	(133,488)	(14,179)
1,039,438	939,421	956,044	1,247,579	768,839	673,266
<u>1,447,292</u>	<u>3,732,003</u>	<u>4,973,519</u>	<u>3,577,370</u>	<u>2,919,208</u>	<u>2,717,928</u>
<u>38,120,278</u>	<u>41,416,019</u>	<u>41,061,343</u>	<u>31,478,985</u>	<u>27,211,389</u>	<u>25,360,598</u>
1,488,934	2,411,495	1,899,345	660,515	165,376	190,208
-	-	(970,648)	(6,855)	(9,462)	-
-	-	-	-	-	95,728
(1,447,292)	(3,732,003)	(4,973,519)	(3,577,370)	(2,919,208)	(2,717,928)
-	-	-	(1,873,898)	-	-
<u>41,642</u>	<u>(1,320,508)</u>	<u>(4,044,822)</u>	<u>(4,797,608)</u>	<u>(2,763,294)</u>	<u>(2,431,992)</u>
<u>\$ 38,161,920</u>	<u>\$ 40,095,511</u>	<u>\$ 37,016,521</u>	<u>\$ 26,681,377</u>	<u>\$ 24,448,095</u>	<u>\$ 22,928,606</u>
\$ 2,357,082	\$(3,521,763)	\$ 7,712,186	\$ 3,912,694	\$ 4,129,316	\$(357,408)
<u>3,144,954</u>	<u>(450,500)</u>	<u>(2,829,091)</u>	<u>827,099</u>	<u>2,941,834</u>	<u>(4,141,928)</u>
<u>\$ 5,502,036</u>	<u>\$(3,972,263)</u>	<u>\$ 4,883,095</u>	<u>\$ 4,739,793</u>	<u>\$ 7,071,150</u>	<u>\$(4,499,336)</u>

CITY OF ROWLETT, TEXAS

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

	Fiscal Year			
	2011	2010	2009	2008
General fund				
Reserved	\$ -	\$ 725,269	\$ 432,360	\$ 186,401
Unreserved	-	6,752,718	4,846,923	3,220,176
Nonspendable:				
Inventories	86,016	-	-	-
Prepaid items	73,555	-	-	-
Restricted for:				
Capital projects	716,031	-	-	-
Assigned for:				
Economic development	224,092	-	-	-
Capital acquisition	1,163,159	-	-	-
Unassigned	6,681,091	-	-	-
Total general fund	<u>\$ 8,943,944</u>	<u>\$ 7,477,987</u>	<u>\$ 5,279,283</u>	<u>\$ 3,406,577</u>
All other governmental funds				
Reserved	\$ -	\$ 16,052,328	\$ 20,479,526	\$ 28,688,462
Unreserved, reported in:				
Special revenue funds	-	369,311	1,682,678	1,561,760
Capital projects funds	-	-	-	-
Nonspendable:				
Prepaid items	12,805	-	-	-
Restricted for:				
Debt Service	281,278	-	-	-
Capital projects	12,734,318	-	-	-
Public safety	1,075,494	-	-	-
Economic development	17,751	-	-	-
Public broadcasting	32,216	-	-	-
Unassigned	(107,126)	-	-	-
Total all other governmental funds	<u>\$ 14,046,736</u>	<u>\$ 16,421,639</u>	<u>\$ 22,162,204</u>	<u>\$ 30,250,222</u>

Note: Information prior to fiscal year 2002 is not available

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 3

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 334,908	\$ 113,638	\$ 474,664	\$ 67,241	\$ 170,263	\$ 1,659,652
2,723,433	2,957,331	2,717,632	2,566,930	2,777,063	3,362,536
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,058,341</u>	<u>\$ 3,070,969</u>	<u>\$ 3,192,296</u>	<u>\$ 2,634,171</u>	<u>\$ 2,947,326</u>	<u>\$ 5,022,188</u>
\$ 38,895,212	\$ 56,450,397	\$ 42,937,142	\$ 19,759,466	\$ 26,854,129	\$ 16,159,882
1,432,474	1,248,627	1,153,135	32,072	154,018	160,073
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 40,327,686</u>	<u>\$ 57,699,024</u>	<u>\$ 44,090,277</u>	<u>\$ 19,791,538</u>	<u>\$ 27,008,147</u>	<u>\$ 16,319,955</u>

CITY OF ROWLETT, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year			
	2011	2010	2009	2008
REVENUES				
Taxes	\$ 30,131,107	\$ 30,966,183	\$ 30,906,010	\$ 31,065,958
Franchise fees	3,304,363	3,015,465	2,999,281	3,018,734
Licenses and permits	438,334	391,228	499,979	720,779
Charges for services	2,748,494	2,823,756	2,889,691	2,343,594
Fines and forfeitures	2,304,857	2,820,913	2,339,835	2,465,790
Intergovernmental	2,275,536	1,967,802	381,153	1,270,253
Intragovernmental		-	-	-
Interest	165,926	231,809	702,090	1,556,897
Miscellaneous	790,619	674,907	633,877	992,518
Total revenues	<u>42,159,236</u>	<u>42,892,063</u>	<u>41,351,916</u>	<u>43,434,523</u>
EXPENDITURES				
General government	4,380,262	4,471,479	4,047,850	4,059,446
Public safety	18,791,928	18,692,849	17,910,586	18,429,503
Public works	7,246,641	5,592,114	7,789,807	4,775,269
Culture and recreation	3,931,809	4,272,737	4,151,303	4,462,616
Development	672,775	808,218	1,151,720	1,212,987
Debt service:				
Principal	5,940,534	5,432,452	5,551,999	5,991,212
Interest	3,370,147	3,507,444	4,044,879	4,400,172
Other charges	-	207,999	-	-
Capital outlay	4,424,499	9,868,151	7,858,484	13,804,949
Total expenditures	<u>48,758,595</u>	<u>52,853,443</u>	<u>52,506,628</u>	<u>57,136,154</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,599,359)</u>	<u>(9,961,380)</u>	<u>(11,154,712)</u>	<u>(13,701,631)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	1,202,602	987,080	152,925	39,461
Proceeds from sale of bonds	-	12,000,000	-	-
Premiums on bonds issued	-	440,175	-	-
Discounts on bonds issued	-	-	-	-
Payments to refunding bond escrow agent	-	(12,455,399)	-	-
Transfers in	6,446,101	7,595,086	7,271,747	7,157,912
Transfers out	(1,958,290)	(2,147,423)	(2,485,272)	(3,225,070)
Total other financing sources (uses)	<u>5,690,413</u>	<u>6,419,519</u>	<u>4,939,400</u>	<u>3,972,303</u>
NET CHANGE IN FUND BALANCES	<u>\$ (908,946)</u>	<u>\$ (3,541,861)</u>	<u>\$ (6,215,312)</u>	<u>\$ (9,729,328)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	17.4%	20.1%	21.8%	18.2%

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 30,089,399	\$ 29,954,902	\$ 23,538,352	\$ 20,621,070	\$ 19,148,762	\$ 16,642,021
3,393,874	2,850,027	2,418,182	2,587,990	2,233,351	2,409,889
778,007	1,288,735	994,556	1,163,776	1,108,478	1,042,257
2,415,006	2,318,143	1,321,381	1,265,001	1,397,231	901,094
2,191,648	1,728,113	1,005,818	1,017,960	997,664	1,077,686
892,635	1,753,744	1,711,827	931,636	829,382	452,819
-	-	-	-	-	1,083,610
3,211,947	2,400,651	878,622	402,908	561,483	473,738
937,824	1,134,831	1,072,547	940,014	791,815	974,270
<u>43,910,340</u>	<u>43,429,146</u>	<u>32,941,285</u>	<u>28,930,355</u>	<u>27,068,166</u>	<u>25,057,384</u>
5,396,190	7,029,763	3,493,066	3,208,460	3,202,704	4,401,992
18,616,295	17,302,986	14,808,481	13,890,075	12,995,737	11,312,329
8,834,282	2,360,852	2,413,042	2,415,019	2,052,741	3,878,885
5,171,047	5,116,947	3,327,315	2,856,944	2,505,666	N/A
1,458,834	1,512,154	1,313,779	1,311,215	1,351,759	N/A
7,285,049	4,890,000	3,985,000	3,080,000	3,215,000	2,405,000
4,783,411	3,506,208	2,692,355	2,522,751	2,237,253	2,198,881
25,000	315,607	703,265	133,775	353,394	-
<u>14,831,198</u>	<u>11,748,134</u>	<u>10,662,429</u>	<u>9,545,691</u>	<u>3,588,238</u>	<u>3,269,716</u>
<u>66,401,306</u>	<u>53,782,651</u>	<u>43,398,732</u>	<u>38,963,930</u>	<u>31,502,492</u>	<u>27,466,803</u>
(22,490,966)	(10,353,505)	(10,457,447)	(10,033,575)	(4,434,326)	(2,409,419)
-	-	213,956	-	-	-
1,690,000	21,465,000	41,285,000	5,544,792	19,078,542	11,555,000
-	291,917	318,843	N/A	N/A	N/A
-	(30,614)	(233,114)	N/A	N/A	N/A
-	-	(8,723,648)	(4,985,624)	(8,234,543)	-
7,499,125	2,650,984	3,182,730	3,229,170	2,651,916	1,081,498
(4,082,025)	(536,360)	(729,457)	(1,014,528)	(447,531)	(879,999)
<u>5,107,100</u>	<u>23,840,927</u>	<u>35,314,310</u>	<u>2,773,810</u>	<u>13,048,384</u>	<u>11,756,499</u>
<u>\$(17,383,866)</u>	<u>\$ 13,487,422</u>	<u>\$ 24,856,863</u>	<u>\$(7,259,765)</u>	<u>\$ 8,614,058</u>	<u>\$ 9,347,080</u>
18.2%	16.2%	17.0%	14.7%	18.4%	16.8%

CITY OF ROWLETT, TEXAS

GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE (UNAUDITED)

LAST TEN FISCAL YEARS
(modified accrual basis)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Other</u>	<u>Total</u>
2011	\$ 24,238,832	\$ 5,767,527	\$ 124,748	\$ 30,131,107
2010	24,639,903	6,228,228	98,052	30,966,183
2009	25,027,004	5,666,750	110,779	30,804,533
2008	25,062,391	5,882,323	121,243	31,065,957
2007	23,739,045	6,230,024	120,329	30,089,398
2006	22,385,053	7,458,229	111,619	29,954,901
2005	19,679,705	3,760,341	98,303	23,538,349
2004	17,436,453	3,097,455	87,162	20,621,070
2003	16,303,292	2,767,989	77,481	19,148,762
2002	13,968,939	2,673,082	-	16,642,021

Source: City of Rowlett - Finance Department

CITY OF ROWLETT, TEXAS

ASSESSSED 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			
2011	\$ 3,447,524,437	\$ 174,055,050	\$ 401,314,296	\$ 3,220,265,191	\$ 0.74717
2010	3,522,255,306	177,752,490	414,294,585	3,285,713,211	0.74717
2009	3,562,876,777	178,689,105	373,073,104	3,368,492,778	0.74717
2008	3,505,032,790	165,364,960	361,998,133	3,308,399,617	0.74717
2007	3,328,602,160	155,650,970	342,854,454	3,141,398,676	0.74717
2006	3,152,152,570	143,648,500	317,521,416	2,978,279,654	0.74717
2005	3,001,096,970	138,562,630	270,204,525	2,869,455,075	0.67695
2004	2,794,686,350	135,846,450	244,309,008	2,686,223,792	0.64000
2003	2,615,332,420	148,119,230	241,899,279	2,521,552,371	0.64000
2002	2,256,966,560	123,998,760	216,164,020	2,164,801,300	0.64000

Source: Dallas County 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 ⁽¹⁾ Dallas County Properties				
	General	Debt Service	Total City	Dallas County	Dallas County	Dallas County	Garland	Total Direct and Overlapping Rates
					Hospital District	Community College District	Independent School District	
2011	\$ 0.49467	\$ 0.25250	\$ 0.74717	\$ 0.24310	\$ 0.27100	\$ 0.09923	\$ 1.25330	\$ 2.61380
2010	0.50202	0.24515	0.74717	0.22810	0.27400	0.09490	1.25330	2.59747
2009	0.49467	0.25250	0.74717	0.22810	0.25400	0.08940	1.25330	2.57197
2008	0.46617	0.28100	0.74717	0.22810	0.25400	0.08040	1.25330	2.56297
2007	0.47872	0.26845	0.74717	0.21390	0.25400	0.08100	1.54490	2.84097
2006	0.50178	0.24539	0.74717	0.21390	0.25400	0.08160	1.67010	2.96677
2005	0.47413	0.20281	0.67694	0.20390	0.25400	0.08030	1.62140	2.83654
2004	0.46227	0.17773	0.64000	0.32039	0.25400	0.07780	1.55850	2.85069
2003	0.43313	0.20687	0.64000	0.19600	0.25400	0.06000	1.45800	2.60800
2002	0.45240	0.18760	0.64000	0.19600	0.25400	0.06000	1.45860	2.60860

⁽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

Overlapping Rates⁽¹⁾
 Rockwall County Properties

<u>Rockwall County</u>	<u>Rockwall Independent School District</u>	<u>Total Direct and Overlapping Rates</u>
\$ 0.38640	\$ 1.47000	\$ 2.60357
0.37500	1.47000	2.59217
0.37500	1.47000	2.59217
0.35000	1.47000	2.56717
0.35070	1.71000	2.80787
0.35070	1.88000	2.97787
0.35070	1.88000	2.90764
0.35070	1.88000	2.87070
0.35000	1.83720	2.82720
0.35000	1.84000	2.83000

CITY OF ROWLETT, TEXAS

PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lake Pointe Medical Center	\$ 43,264,100	1	1.34%
Texas Utilities/Oncor Electric Co.	26,094,310	2	0.81%
Wal-Mart	19,880,950	3	0.62%
Verizon	18,944,270	4	0.59%
Target Corporation	16,811,860	5	0.52%
Home Depot	11,870,390	6	0.37%
Gemni Rowlett Crossing, LP	9,239,270	7	0.29%
Acme Realty Plaza 71, LTD	8,013,620	8	0.25%
LPMA	7,891,000	9	0.25%
NWC Liberty Grove & SH66	7,677,670	10	0.24%
	<u>\$ 169,687,440</u>		<u>5.28%</u>
Taxpayer	2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Texas Utilities/Oncor Electric Co.	\$ 27,965,760	1	1.29%
Wal-Mart	20,383,740	2	0.94%
Lake Pointe Medical Center	15,398,390	3	0.71%
Verizon	14,162,970	4	0.65%
Albertson Grocery Company	13,519,500	5	0.62%
Snapdragon Properties	9,931,540	6	0.46%
Randalls Food & Drug	9,749,730	7	0.45%
US Home Corp	8,246,440	8	0.38%
Horton DR Texas LTD	7,967,560	9	0.37%
Brookshire Crocery Co	5,861,310	10	0.27%
	<u>\$ 133,186,940</u>		<u>6.14%</u>

Source: Dallas County Tax Office

CITY OF ROWLETT, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy for Fiscal Year	Collected Within the		Collections in Subsequent Years	Total Collections to Date	
		<u>Fiscal Year of the Levy</u> Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 23,945,717	\$ 23,650,872	98.77%	\$ -	\$ 23,650,872	98.77%
2010	24,432,408	23,999,869	98.23%	399,972	24,399,841	99.87%
2009	25,022,666	24,529,606	98.03%	189,736	24,719,342	98.79%
2008	24,582,645	24,129,517	98.16%	432,572	24,562,089	99.92%
2007	23,379,880	22,812,468	97.57%	385,491	23,197,959	99.22%
2006	22,257,540	21,757,513	97.75%	230,955	21,988,468	98.79%
2005	19,424,633	19,018,687	97.91%	261,589	19,280,276	99.26%
2004	17,191,832	16,848,678	98.00%	275,787	17,124,465	99.61%
2003	16,137,934	15,767,490	97.70%	232,511	16,000,001	99.15%
2002	13,854,728	13,575,094	97.98%	183,093	13,758,187	99.30%

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
2011	\$ 34,510,000	\$ 43,040,000	\$ -	\$ 2,509,351
2010	37,590,000	45,410,000	-	1,797,282
2009	35,175,000	52,975,000	20,000	1,017,655
2008	38,030,000	55,210,000	260,437	1,086,291
2007	41,245,000	57,370,000	845,437	1,061,675
2006	44,325,000	60,350,000	320,000	1,308,775
2005	47,200,000	40,690,000	530,000	174,627
2004	41,145,000	17,470,000	770,000	-
2003	42,340,000	19,090,000	310,000	-
2002	38,045,000	15,760,000	-	-

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			
\$ 37,995,000	\$ 4,010,000	\$ 3,548,806	\$ 125,613,157	5.18%	\$ 2,234
41,340,000	4,190,000	3,503,499	133,830,781	5.62%	2,467
44,560,000	4,365,000	3,773,272	141,885,927	5.96%	2,615
47,665,000	4,535,000	4,014,716	150,801,444	6.41%	2,785
51,035,000	4,695,000	4,245,257	160,497,369	6.82%	2,986
54,220,000	4,815,000	4,457,829	169,796,604	7.66%	3,198
45,015,000	-	47,166	133,656,793	6.39%	2,556
21,185,000	-	160,809	80,730,809	4.23%	1,589
22,520,000	-	179,910	84,439,910	4.77%	1,709
23,960,000	-	-	77,765,000	4.55%	1,622

CITY OF ROWLETT, TEXAS

RATIO OF NET GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Obligation Bonds and Certificates of Obligation</u>	<u>Less: Amounts in Debt Service</u>	<u>Net</u>	<u>Percentage Taxable Assessed Value⁽¹⁾</u>	<u>Per Capita⁽²⁾</u>
2011	\$ 77,550,000	\$ 288,733	\$ 77,261,267	2.40%	\$ 1,374
2010	83,000,000	234,354	82,765,646	2.52%	1,519
2009	88,170,000	404,059	87,765,941	2.61%	1,618
2008	93,500,437	436,794	93,063,643	2.81%	1,719
2007	99,460,437	566,928	98,893,509	3.15%	1,840
2006	104,995,000	937,316	104,057,684	3.49%	1,960
2005	88,420,000	1,172,787	87,247,213	3.04%	1,668
2004	59,385,000	1,304,239	58,080,761	2.16%	1,143
2003	61,740,000	1,608,700	60,131,300	2.38%	1,217
2002	53,805,000	1,295,017	52,509,983	2.43%	1,095

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

⁽¹⁾ See Table 5 for property value data.

⁽²⁾ See Table 15 for population data.

Source: City of Rowlett - Finance Department

CITY OF ROWLETT, TEXAS

COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)

SEPTEMBER 30, 2011

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Dallas County Properties:			
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>81,560,000</u>
Total direct and overlapping debt			<u>\$ 170,349,414</u>
Rockwall County Properties:			
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			32,448,240
City of Rowlett, direct debt			<u>81,560,000</u>
Total direct and overlapping debt			<u>\$ 114,008,240</u>

CITY OF ROWLETT, TEXAS

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)

SEPTEMBER 30, 2011

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, 2011, is \$0.747173 per \$100 of assessed valuation, with assessed valuation being 100% of appraised value.

Source: City of Rowlett - Finance Department

CITY OF ROWLETT, TEXAS
PLEDGED REVENUE COVERAGE
WATER AND SEWER FUND (UNAUDITED)

LAST TEN FISCAL YEARS

Fiscal Year	Water and Sewer Charges and Other ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue	Debt Service ⁽¹⁾		Coverage
				Principal	Interest	
2011	\$ 23,579,540	\$ 13,423,497	\$ 10,156,043	\$ 2,713,929	\$ 828,115	\$ 2.87
2010	21,570,878	12,775,053	8,795,825	2,583,750	836,260	2.57
2009	20,634,778	11,772,634	8,862,144	2,621,176	899,647	2.52
2008	19,754,519	11,762,579	7,991,940	2,648,056	962,571	2.21
2007	19,157,633	11,947,291	7,210,342	2,686,053	1,025,084	1.94
2006	19,778,203	12,618,049	7,160,154	2,711,000	1,092,634	1.88
2005	18,467,908	10,277,087	8,190,821	1,988,500	854,613	2.88
2004	16,163,854	9,514,217	6,649,637	1,246,176	417,569	4.00
2003	11,702,149	8,580,944	3,121,205	1,251,111	481,319	1.80
2002	14,088,657	10,878,762	3,209,895	1,261,053	532,964	1.79

⁽¹⁾ Debt service requirements are the average annual requirements.

⁽²⁾ Total revenues excluding interest income and including capital recovery fees.

⁽³⁾ Total expenses excluding depreciation, interest expense, and fiscal charges.

Source: City of Rowlett - Finance Department

CITY OF ROWLETT, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	
					Dallas County	Rowlett
2011	56,230	\$ 2,426,767,748	\$ 43,158	11,382	8.8%	7.9%
2010	54,500	2,416,067,066	44,332	11,555	8.7%	8.0%
2009	54,250	2,381,172,465	43,893	11,499	7.4%	7.0%
2008	54,150	2,353,250,700	43,458	11,500	4.8%	4.2%
2007	53,750	2,353,981,250	43,795	11,470	4.6%	3.9%
2006	53,100	2,217,933,900	41,769	10,716	5.6%	4.6%
2005	52,300	2,091,477,000	39,990	10,914	5.9%	5.0%
2004	50,800	1,908,048,000	37,560	11,371	6.9%	N/A
2003	49,423	1,770,183,591	35,817	11,186	7.7%	N/A
2002	47,950	1,709,465,450	35,651	11,203	7.3%	N/A

⁽¹⁾ North Central Texas Council of Governments

⁽²⁾ 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.

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

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

CITY OF ROWLETT, TEXAS
PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND NINE YEARS AGO
SEPTEMBER 30, 2011

Employer	2011		
	Employees	Rank	Percentage of Total City Employment
Garland ISD (City schools only)	1,092	1	4.04%
Lake Pointe Medical Center	686	2	2.53%
City of Rowlett	371	3	1.37%
Target Corporation	275	4	1.02%
Wal-Mart Supercenter	250	5	0.92%
Senior Care at Lake Pointe	190	6	0.70%
Rowlett Nursing Home	152	7	0.56%
Store Décor	126	8	0.47%
Albertson's, Inc.	120	9	0.44%
H & S Manufacturing	82	10	0.30%
	<u>3,344</u>		<u>12.36%</u>
Employer	2002		
	Employees	Rank	Percentage of Total City Employment
Garland ISD (City schools only)	N/A	1	N/A
Lake Pointe Medical Center	N/A	2	N/A
Wal-Mart Supercenter	N/A	3	N/A
City of Rowlett	N/A	4	N/A
Target Corporation	N/A	5	N/A
Senior Care at Lake Pointe	N/A	6	N/A
Rowlett Nursing Home	N/A	7	N/A
Store Décor	N/A	8	N/A
Albertson's, Inc.	N/A	9	N/A
H & S Manufacturing	N/A	10	N/A

Source: City of Rowlett - Economic Development Department

CITY OF ROWLETT, TEXAS
FULLTIME EQUIVALENT EMPLOYEES BY FUNCTION/FUND (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2011	2010	2009	2008
General government:				
City council	3.50	3.50	3.50	3.50
City manager	4.00	4.00	3.00	4.00
City secretary	3.00	3.00	3.00	3.00
Financial services	20.00	21.00	21.00	22.00
Information technology	5.00	5.00	5.00	5.00
Public information office	4.00	4.00	5.00	6.00
Human resources	3.00	3.00	3.00	3.00
Buildings and grounds	7.00	7.00	6.00	6.00
Public safety:				
Police	110.50	115.00	115.00	114.00
Fire	76.00	76.00	76.00	77.00
Municipal court	7.00	7.00	7.50	8.50
Animal services	5.00	5.00	5.00	5.00
Environmental services	6.00	6.00	5.50	5.50
Public works:				
Administration and engineering	10.50	7.00	9.00	9.00
Streets	14.00	14.00	14.00	17.00
Fleet services	3.50	3.50	3.00	3.00
Traffic maintenance	-	-	-	-
Water and sewer	20.00	23.50	23.00	23.00
Drainage	2.00	2.00	3.00	2.00
Culture and recreation:				
Parks administration	2.00	2.00	4.00	4.00
Parks operations	12.00	12.00	11.50	12.00
Community athletics	-	-	-	-
Community centre	10.00	11.00	9.50	9.00
Wet zone	21.00	21.00	22.00	22.00
Urban Forestry	-	-	-	-
Library services	17.00	17.00	16.50	16.00
Development:				
Planning	3.25	3.25	5.00	5.00
Building inspections	2.00	2.00	4.00	4.00
GIS	2.00	2.00	2.00	2.00
Economic development	2.00	2.00	2.00	2.00
Total	375.25	381.75	387.00	392.50
Fund				
General	347.00	347.00	343.00	350.50
Water and sewer	33.50	33.50	33.00	32.00
Drainage	2.00	2.00	3.00	2.00
Wet zone	N/A	N/A	N/A	N/A
Fleet services	N/A	N/A	3.00	3.00
Information technology	N/A	N/A	5.00	5.00
Total	382.50	382.50	387.00	392.50

Source: City of Rowlett - Finance Department

TABLE 17

Fiscal Year						
2007	2006	2005	2004	2003	2002	
3.50	3.50	3.50	3.50	3.50	33.50	
5.00	5.00	5.00	5.00	3.00	4.00	
3.00	3.00	3.00	3.00	3.00	3.00	
22.50	22.50	28.00	28.00	27.00	24.25	
7.00	7.00	5.00	5.00	3.00	2.00	
4.00	3.00	3.00	2.00	3.00	-	
5.00	5.00	5.00	3.00	3.00	3.00	
7.50	7.50	6.50	6.50	3.00	3.00	
114.00	102.75	98.75	98.25	93.25	86.00	
77.00	77.00	75.50	75.50	69.00	64.50	
9.00	9.00	7.00	7.00	7.00	7.00	
5.00	5.00	5.00	5.00	5.00	4.00	
5.00	5.00	4.00	5.00	4.00	3.00	
11.00	10.00	10.00	7.00	8.00	8.00	
19.00	17.00	17.00	17.00	14.00	10.00	
3.00	3.00	2.00	2.00	2.00	1.00	
-	2.00	2.00	2.00	2.00	2.00	
27.00	27.00	27.00	27.00	23.00	20.00	
2.00	2.00	2.00	2.00	2.00	N/A	
3.00	3.00	2.00	2.00	2.00	2.00	
10.00	10.00	10.00	10.00	10.00	9.00	
-	2.00	4.00	4.00	4.00	4.50	
11.00	9.00	8.00	8.00	7.50	3.00	
22.00	22.00	19.75	19.75	19.38	1.00	
4.00	3.00	1.00	1.00	1.00	-	
15.00	15.00	14.50	14.50	15.00	12.00	
7.00	7.00	7.00	6.00	7.00	7.00	
5.00	5.00	5.00	5.00	5.00	4.00	
3.00	3.00	2.00	2.00	2.00	2.00	
2.00	2.00	2.00	2.00	2.00	1.00	
<u>411.50</u>	<u>397.25</u>	<u>384.50</u>	<u>378.00</u>	<u>352.63</u>	<u>323.75</u>	
362.50	341.25	308.75	305.25	285.25	254.75	
37.00	44.00	54.00	51.00	46.00	39.00	
2.00	2.00	2.00	2.00	2.00	N/A	
N/A	N/A	19.75	19.75	19.75	N/A	
3.00	3.00	N/A	N/A	N/A	N/A	
7.00	7.00	N/A	N/A	N/A	N/A	
<u>411.50</u>	<u>397.25</u>	<u>384.50</u>	<u>378.00</u>	<u>353.00</u>	<u>293.75</u>	

CITY OF ROWLETT, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2011	2010	2009	2008
Public safety:				
Number of police employees	111	115	115	114
Number of citations	10,675	20,188	22,587	18,507
Number of fire employees	76	76	76	77
Number of fire calls	1,295	1,278	1,160	1,361
Number of EMS calls	2,384	2,572	2,421	2,496
Fire inspections	1,450	992	1,166	1,365
Public works:				
Asphalt replaced (tons)	6,823	5,562	1,457	3,270
Concrete placed (cubic yards)	7,389	8,862	14,313	3,184
Concrete pavement (sq ft)	302,292	359,275	495,007	171,989
Culture and recreation:				
Volumes in collection	75,103	106,436	100,480	93,451
Development:				
Permits issued	27	28	52	97
Water and sewer:				
Number of water customers	19,311	19,227	19,354	19,006
Average daily water consumption	7,227,667	6,196,262	6,363,270	7,422,493
Peak daily water consumption	22,606,000	17,772,000	16,238,000	17,373,000
Number of sewer customers	18,323	18,304	18,388	18,456
Average daily sewer usage	3,695,811	3,723,123	3,720,899	3,529,445

Source: City of Rowlett Departments

TABLE 18

2007	2006	2005	2004	2003	2002
114	103	99	98	93	86
19,430	10,245	12,624	11,360	11,099	12,712
77	77	76	76	69	65
1,403	1,451	1,096	1,075	1,030	1,039
2,305	2,378	2,307	2,014	1,986	1,949
1,125	1,232	1,237	1,370	873	998
3,034	1,839	1,210	2,071	592	232
200	191	443	698	555	201
7,522	7,296	18,506	18,870	10,679	6,490
85,374	76,237	74,956	71,701	62,424	56,785
125	326	329	473	656	703
19,019	19,270	18,400	18,236	18,001	17,068
5,660,705	8,272,239	7,908,956	7,321,447	7,641,199	7,076,667
13,257,000	17,221,000	17,806,000	15,473,000	18,390,000	15,514,000
18,002	18,199	17,504	17,247	17,483	16,577
4,005,619	4,798,498	4,792,605	4,304,359	3,471,326	4,117,000

CITY OF ROWLETT, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2011	2010	2009	2008
Public safety:				
Police stations	1	1	1	1
Marked police units	25	25	24	21
Fire stations	4	4	4	4
Public works:				
Miles of streets	530	534	534	534
Miles of alleys	105	105	105	105
Culture and recreation:				
Parks acreage - developed	608	607	607	607
Parks acreage - undeveloped	377	377	377	376
Libraries	1	1	1	1
Water and sewer:				
Water mains (miles)	255	255	253	253
Fire hydrants	1,908	1,876	2,012	1,948
Sewer mains (miles)	236	236	235	235

Source: City of Rowlett Departments

TABLE 19

2007	2006	2005	2004	2003	2002
1	1	1	1	1	1
16	16	16	15	15	13
4	4	4	3	3	3
551	480	478	472	466	462
105	151	106	103	N/A	N/A
607	607	604	536	256	256
376	376	379	274	258	258
1	1	1	1	1	1
245	236	259	246	240	240
1,911	1,875	1,865	1,604	1,593	1,564
234	226	232	210	200	200

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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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2012. 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

Management of City of Rowlett, Texas, is responsible for establishing and maintaining effective 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 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 control 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 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 30, 2012



**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 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, 2011. 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 compliance 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, 2011.

Internal Control Over Compliance

Management of the City of Rowlett, Texas 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 and the State of Texas Uniform Grant Management Standards, 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.

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 30, 2012

CITY OF ROWLETT, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Dallas County			
Community Development Block Grant	14.218	B-10-MC-48-0047	\$ 121,143
Total Passed through Dallas County			<u>121,143</u>
Total U. S. Department of Housing and Urban Development			<u>121,143</u>
<u>U. S. Department of Justice</u>			
Direct Programs:			
Organized Crime Drug Enforcement Task Force	16.xxx	SW-TXE-0241	1,912
Federal Seizure Forfeitures	16.000	N/A	284,372
Bureau of Justice Assistance Bulletproof Vest Partnership	16.607	2011BUB X11055417	<u>14,969</u>
Total Direct Programs			<u>301,253</u>
Total U. S. Department of Justice			<u>301,253</u>
<u>U. S. Department of Transportation</u>			
Passed through Texas Department of Transportation			
Rowlett Road Phase 2 - Paving, Drainage, Water and Sanitary Sewer Improvements	20.205	STP 2007 (641) MM	234,681
Traffic Safety Equipment and/or Training	20.600	2011-MYG-YR3-0110	<u>30,274</u>
Total Passed through Texas Department of Transportation			<u>264,955</u>
Total U. S. Department of Transportation			<u>264,955</u>
<u>U. S. Department Energy</u>			
Direct Program:			
Energy Efficiency & Conservation Block Grant - ARRA	81.128	DE-SC0002911	<u>123,054</u>
Total Direct Program			<u>123,054</u>
Total U. S. Department of Energy			<u>123,054</u>
<u>U. S. Department of Homeland Security</u>			
Direct Program:			
Assistance to Firefighters Grant	97.044	FMW-2010-FO-02027	<u>182,319</u>
Total Direct Program			<u>182,319</u>
Passed through the Texas Division of Emergency Management			
2010 Homeland Security Grant Program	97.053	2010-SS-T0-0008	28,506
2009 Homeland Security Grant Program	97.053	2009-SS-T9-0064	<u>398</u>
Total Passed through Texas Division of Emergency Management			<u>28,904</u>
Total U. S. Department of Homeland Security			<u>211,223</u>
Total Federal Awards			<u>1,021,628</u>

(continued)

CITY OF ROWLETT, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

State Grantor Program Title	State Grantor Number	Expenditures
<u>Office of the Attorney General</u>		
State Seizure Forfeitures	N/A	\$ <u>38,053</u>
Total Office of the Attorney General		<u>38,053</u>
<u>Texas Department of Transportation</u>		
Regional Toll Revenue (RTR) - Merrit Road	CSJ-0918-45-865	<u>1,332,703</u>
Total Texas Department of Transportation		<u>1,332,703</u>
<u>Texas State Library and Archives Commission</u>		
Loan Star Libraries	442-10312	<u>8,146</u>
Total Texas State Library and Archives Commission		<u>8,146</u>
Total State Awards		<u>1,378,902</u>
Total Federal and State Awards		\$ <u>2,400,530</u>

CITY OF ROWLETT, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2011

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, 2011

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
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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
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Dollar threshold used to distinguish between type A and type B federal programs	\$300,000
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Dollar threshold used to distinguish between type A and type B state programs	\$300,000
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Auditee qualified as low-risk auditee?	The City was classified as a low-risk auditee in the context of OMB Circular A-133 and the State of Texas Uniform Grant Management Standards.
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Major Federal Programs

CFDA #97.044	Assistance to Firefighters Grant
CFDA # 81.128	Energy Efficiency & Conservation Block Grant - ARRA

Major State Program	Regional Toll Revenue (RTR) Grant
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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