



CITY OF ROWLETT, TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2015



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CITY OF ROWLETT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

Prepared by

Department of Financial Services

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**CITY OF ROWLETT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2015**

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>	
Letter of Transmittal	i
Organization Chart	viii
List of Principal Officials	ix
Location Map	x
Certificate of Achievement for Excellence in Financial Reporting	xi
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Fiduciary Fund Financial Statements	
Statement of Net Position – Fiduciary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Position – Fiduciary Funds	29
Notes to the Basic Financial Statements	30
Required Supplementary Information (Unaudited)	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund	69
Schedule of Changes in Net Pension Liability and Related Ratios – TMRS	70
Schedule of Contributions – TMRS	71
Notes to Required Supplementary Information	72
Other Supplementary Information	
Budgetary Comparison Schedule – Debt Service Fund	73
Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	77
Budgetary Comparison Schedules	
Impact Fees Fund	79
Police Seizure Fund	80
Traffic Safety Fund	81
Court Fees Fund	82
Grant Fund	83
Tax Increment Financing Fund	84
Other Special Revenue Fund	85

**CITY OF ROWLETT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2015**

TABLE OF CONTENTS - (continued)

	<u>Page</u>
<u>STATISTICAL SECTION (Unaudited)</u>	
Net Position – Table 1	87
Changes in Net Position – Table 2	89
Fund Balances, Governmental Funds – Table 3	91
Changes in Fund Balances, Governmental Funds – Table 4	93
General Governmental Tax Revenue by Source – Table 5	95
Assessed Value and Estimated Actual Value of Taxable Property – Table 6	96
Property Tax Rates – All Direct and Overlapping Governments – Table 7	97
Principal Property Taxpayers – Table 8	99
Property Tax levies and Collections – Table 9	100
Ratio of Outstanding Debt by Type – Table 10	101
Ratio of General Bonded Debt Outstanding – Table 11	103
Computation of Direct and Overlapping Debt – Table 12	104
Computation of Legal Debt Margin – Table 13	105
Schedule of Revenue Bond Coverage – Water & Sewer Bonds – Table 14	106
Demographic and Economic Statistics – Table 15	107
Principal Employers – Table 16	108
Full-Time Equivalent Employees by Function/Fund – Table 17	109
Operating Indicators by Function / Program – Table 18	111
Capital Asset Statistics by Function / Program – Table 19	113
<u>SINGLE AUDIT REPORTS</u>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	115
Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133	117
Schedule of Expenditures of Federal Awards	119
Notes to Schedule of Expenditures of Federal Awards	120
Summary of Findings and Questioned Costs	121
Schedule of Prior Year Findings	122

INTRODUCTORY SECTION

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Mayor ~ Todd Gottel
Mayor Pro Tem ~ Michael Gallops
Deputy Mayor Pro
Tem ~ Tammy Dana-Bashian

City Council ~
Robbert van Bloemendaal
Carl Pankratz
Debby Bobbitt
Rick Sheffield

City Manager ~ Brian Funderburk



City of Rowlett
4000 Main Street
Rowlett, TX 75088

Phone ~ 972.412.6100
Fax ~ 972.412.6118
www.rowlett.com

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

March 1, 2016

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

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Rowlett, Texas for the year ended September 30, 2015.

The purpose of the report is to provide the City Council, City staff, Rowlett citizens, bond holders, and other interested parties with detailed information reflecting the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with City management. We assert that the data, as presented, is accurate in all material respects and is organized in a manner which fairly presents the financial position and results of operations of the City.

City management is responsible for developing a comprehensive framework of internal control to provide reasonable, rather than absolute, assurance that the assets of the City are protected from loss, theft or misuse, and for the reliability of financial records relied upon when preparing the financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of the control should not outweigh the benefits likely to be derived and that the evaluation of cost and benefit require estimates and judgements by management.

Weaver and Tidwell, L.L.P., an independent firm of certified public accountants, has issued an unmodified ("clean") opinion on the City of Rowlett's financial statements for the year ended September 30, 2015. The independent auditor's 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. The MD&A and this letter are complimentary and should be read together.

Profile of the Government

The City of Rowlett is located 20 miles northeast of Dallas. Surrounded by more than 31 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 DART "Blue Line" Light Rail Extension. Once a small farming community, the City has doubled in population over the past twenty years. It currently occupies 20.8 square miles and is the hometown choice to an estimated population of 60,002 for fiscal year 2015.

Rowlett voters approved a home rule charter in 1979 establishing a Council-Manager form of government, and empowering the City Council to levy a property tax on both real and personal property located within its boundaries. Under the Council-Manager form of government the Mayor and the City Council establish policy and law, and the City Manager handles the day-to-day management of the City organization. As a representative system 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. 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.



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 Manager is appointed by the City Council, and serves as the Chief Executive Officer of the city government. The City Manager is responsible for implementing the policy direction of the City Council in an efficient, effective, responsive, and responsible manner.

A full range of services is provided by the City. These services include general administration, police and fire protection, library services, recreational services, parks maintenance, public works and public utilities. Public works provides construction and maintenance of roadways and infrastructure, while public utilities provides water distribution, sewer collection, drainage, and sanitation services. Sewage treatment is provided by the City of Garland, and treated water is provided by the North Texas Municipal Water District (NTMWD). Waste Management (WM) provides sanitation collection for residential and commercial customers.

The City Council is required to adopt an annual operating budget 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 projections for the upcoming year. These expenditures are evaluated and combined with the projected revenues to formulate the City Manager's budget. This proposed budget is presented to the governing body. Through subsequent budget meetings and public hearings a final budget is developed and adopted by the City Council.

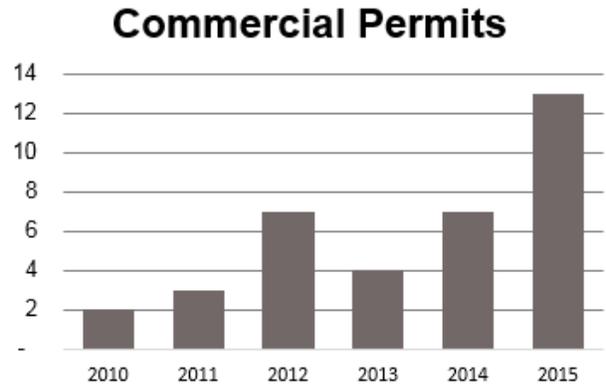
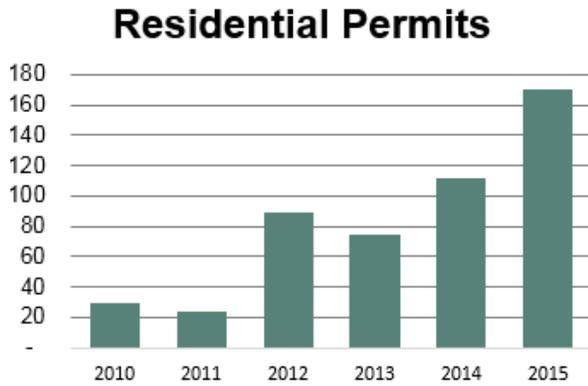
The budget is developed on a departmental level and adopted at the fund level. The Department of Financial Services generates monthly reports that detail expenditures and revenues on a departmental and line item level. This report presents a comparison of budgeted and actual expenditures, providing for the management review of budgetary compliance. Expenditures may not exceed the fund level budget without City Council approval. The City Manager has the authority to make budgetary changes up to the fund level.

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, located in the outer ring of the Dallas Metroplex on the shores of Lake Ray Hubbard. Major access to the community is provided by Interstate 30 to the South, President George Bush Turnpike to the North and East, as well as the DART "Blue Line" Light Rail Extension which connects downtown Dallas and Garland to Downtown Rowlett. Major employers within the government's boundaries include large retail stores and specialty medical care facilities.

Rowlett is finally capitalizing on the decade's long vision and commitment of City leadership. After 46 years, we have finally seen the completion of President George Bush Turnpike and the DART "Blue Line" Light Rail Station. With the completion of these two major transportation initiatives, Rowlett is experiencing development at a record pace. Residential building permits in Rowlett increased 52% in the current year from 112 in 2014 to 170 in 2015. Commercial permits also increased from 7 in 2014 to 13 in 2015. An estimated \$18.5 million in new taxable value was added to the tax rolls for the upcoming year, outpacing the previous year's growth of \$7.4 million. The record building pace of FY2015 is continuing into FY2016 with residential permits reaching 61 as of the end of the first quarter.

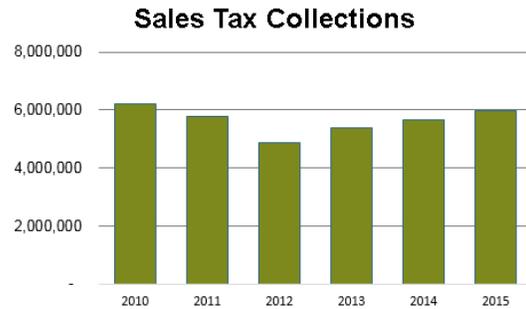
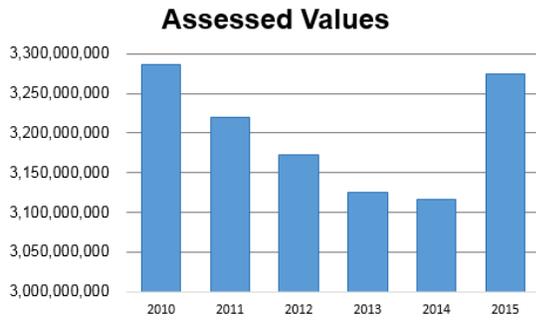


Economic development continues to provide phenomenal growth opportunities for Rowlett. In May 2015, the City purchased Elgin B. Robertson Park from the City of Dallas. Along with development partners Donahue Development, the City embarked on a truly remarkable opportunity. Renamed Bayside, this master planned 262 acre property will provide high quality amenities, 1.75 million square feet of commercial space and over 3,000 residential units with combined values approaching one billion dollars. This single development opportunity could provide the City with \$150 million in property, sales, and hotel occupancy taxes over the next twenty years, and position the City of Rowlett as a preferred “destination” in the Metroplex as we capitalize on this unique opportunity for diversified growth and high end development.



We're Growing!
 Rowlett incorporates Elgin
 B Robertson Park and
 renames the master
 planned development
BAYSIDE

Property and Sales tax turned around in 2015 and for the first time in five years reflected increased property values and retail expansion. Property values increased 5.29% in 2015, recovering the 5.1% decline over the previous five years. This increase was a result of not only increased values, but also new construction and development throughout the City. Sales tax also reflected the positive economic growth the City is experiencing with an increase of 6.1% over previous year collections.



Rowlett’s commitment to sustainable growth coupled with an educated and motivated workforce provides strong unemployment rates for the City of Rowlett at 4.0%, down from 5.5% in the previous year. In comparison, Dallas County and the State of Texas reported an average of 4.4%, and the national average is 4.9%. Rowlett’s median household income is \$83,442 with 31% of its residents holding at least a bachelor’s degree, compared to the state average of \$53,482 and 29% respectively.

Relevant Financial Policies

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

<u>Fund Type</u>	<u>Reserve Balance Requirement</u>
Governmental	
General Fund	13%
Golf Fund	One year Debt Service
Proprietary	
Water and Sewer Fund	20%
Drainage Fund	10%
Refuse Fund	5%

The City’s ability to maintain adequate reserves is critical to 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 the General, Water and Sewer, Drainage and Refuse funds as noted above. The City’s Golf fund did fall short of reserve requirement by 36%.

Long-Term Financial Planning

Long-term planning, responsiveness to changing economic conditions and community needs are key factors in maintaining Rowlett’s fiscal health. Through the development of a Five Year Financial Strategy Plan and a Five Year Capital Improvement Plan, the City can maximize opportunities, establish priorities, and develop funding sources to ensure organizational sustainability while softening the effects of growth on the tax rate.

With a commitment to long-term planning, the City has been able to fix structural imbalances in the General Fund and bring employee pay up to market. We have funded the first year of a three year capital bond program, replaced obsolete equipment, and added needed funds for alley improvements, parks maintenance and community amenities. Commitments to bolster planning and economic development efforts, allocate monies for neighborhood revitalization, and meet the needs of our seniors have been achieved. As the benefits of development are realized over the next three to five years and the economy continues to grow, the City will truly be able to make significant inroads to becoming economically diversified while meeting the growing service needs of our community.

The FY2016 Budget reflects this commitment to growth as appropriations increased \$3.3 million, or 3.7%, compared to the FY2015 approved budget. The two primary factors for the increase are outlined below:

- Personnel Costs will increase \$2.5 million
 - 21.5 full time equivalent positions are added to meet the needs of development
 - Phase II of the new pay plan effective April 1, 2016 includes a 2% COLA to ensure that the pay plan does not fall behind market
 - 10% increase in health insurance premiums, Other Post Employment Benefit (OPEB) contributions, and increases in a reserve in the Self Insurance Fund to ensure current needs are met and the fiscal health of the fund is maintained
- The cost of water acquisition from North Texas Municipal Water District will increase 9%, or \$0.6 million due to planned cost increases for their capital reinvestment

Economic development and growth for the near future will focus on funding for Downtown, North Shore, and Bayside marketing campaigns. With the acquisition of the Bayside property from the City of Dallas, Rowlett is embarking on an unprecedented level of development and future service delivery.

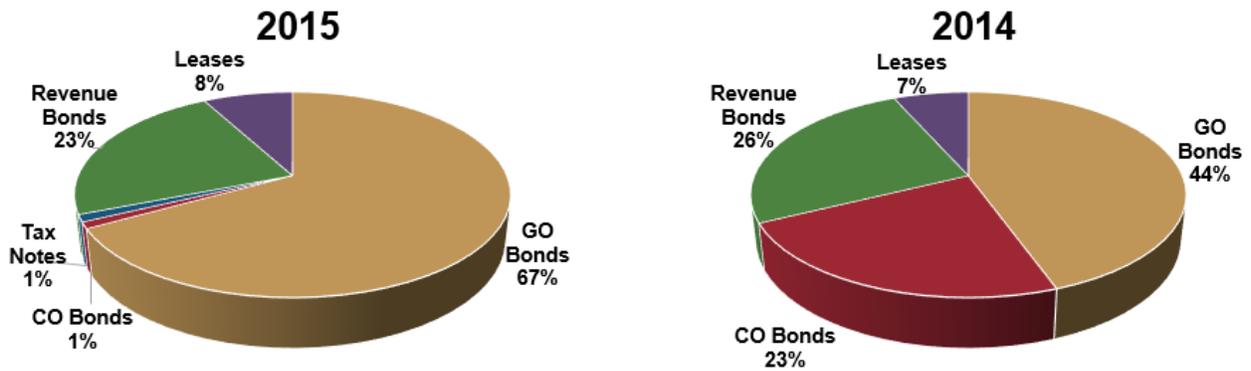
Funding strategies for the Self Insurance Fund will provide assurance that current and future medical claims are covered, and promotion of our *Building a Culture of Wellness and Creating Educated Consumers of Healthcare* mission created in FY2014 is continued. This strategy has also provided funding for the Other Post-Employment Benefits (OPEB) trust in FY2015 and maintained this funding in FY2016.

Over the past three years, Rowlett's Utility Fund has sustained losses in revenues due to water restrictions stemming from the regional drought. The resulting fund balance decrease also led to a reduction in the bond rating on the City's water and sewer utility bonds by Standard & Poor's from AA- to A+. Through a commitment to long term planning, the City has formulated a sustainable pledge to rebuild reserves. Over the next two years, capital investment has been balanced with operational cost reductions to provide for increased fund balances and the commitment to growth and high quality service to our customers.

The Five Year Capital Improvement Plan (CIP) totals \$98.1 million and consists of a comprehensive list of carefully selected and coordinated capital improvement projects in public works, public safety, parks and recreation, water and wastewater and capital equipment. All investments are necessary to accomplish Rowlett's long-range goals and policies, and are balanced against realistic revenue projections as well as staff capacity. The model also addresses the recommendations of the CIP Task Force formed in FY2014, implementing the projects approved in the FY2015 bond election, and the three year planned bond elections that will leverage the debt capacity resulting from retiring debt.

Over the next two years, FY2016 and FY2017, debt service payments are scheduled to decline. The City will use the available bonding capacity in the coming years to complete the projects identified in the capital bond programs. Through long-term planning and analysis, we can project approximately \$37.6 million in bonding capacity by FY2018 from the reduction in our debt service schedule and new growth. At September 30, 2015, the City had various debt issues outstanding totaling \$110 million exclusive of premiums, discounts, or deferred losses. Of this total, \$67 million is supported by a combination of ad valorem taxes, developer contributions, and lease payments. Revenues from the enterprise funds support \$43 million, which includes \$14 million for the enterprise portions of general obligation refundings and certificates of obligation.

The charts below reflect the change in the mix of debt resulting from the 2015 refunding and May 2015 bond election. As of September 30, 2015, the breakdown of outstanding debt by type at the end of the fiscal year is as follows:



As of September 30, 2015, Rowlett's bond ratings are as follows:

	<u>General Obligation & Certificates of Obligation</u>	<u>Revenue Bonds</u>
Standard & Poor's	AA	A+
Moody's Investor Service	Aa2	Aa3

Major Initiatives

For the Year: 2015 yielded the first bond election in over a decade, authorizing \$25.8 million in General Obligation Bonds with no property tax rate increase. The election covered three propositions including \$18.9 million for streets, \$4.2 million for parks, and \$2.7 million for public safety. To keep pace with construction efforts, the City only issued the \$9.0 million in FY2015. The City also issued \$23.2 million in General Obligation Refunding Bonds and \$12.3 million in Waterworks and Sewer System Refunding Bonds to benefit from declining interest rates in FY2015 as well as \$1.2 million in Tax Notes to pay associated costs for relocating the City's municipal library.

During FY2015 the City also saw several key economic development projects came to fruition including The Homestead at Liberty Grove, Terra Lago, Harmony Hills, Village of Rowlett, and Bayside. While some of these projects will develop in phases, many of them will be developed in one phase. Over the next five years, these projects will add an additional \$700-\$900 million in new investment, with the potential to add \$10-\$15 million in property taxes alone.

The City also made substantial investment in major construction projects and acquisitions during FY2015, including \$11.7 million in street improvements, \$3.5 million in sewer improvements, \$1.6 million in water improvements, \$2.1 million in downtown improvements, \$0.8 million for a new library building, \$0.5 million in Waterview Golf Course improvements, \$0.5 million in technology improvements, \$0.4 million for public works vehicles, \$0.4 million for two ambulances, and \$0.2 million for an Emergency CallWorks public safety system.

For the Future: The City will issue \$3.8 million in General Obligation Bonds to fulfill the second year phase of the May 2015 bond election. This phase primarily funds the continuation of street, parks and public safety projects commencing in phase one. Planning for the 2018 Bond Election will begin in 2016. The 2018 Bond Election will continue to address projects identified by the CIP Task Force for the 2015 Bond Election. This bond election will address community interests and needs in areas such as parks, roads, alleys and a City Hall complex

The City of Rowlett experienced a half mile wide EF4 tornado on December 26, 2015. The tornado affected a three and a half mile long path of primarily residential properties. Approximately 1100 homes were affected and some of those were destroyed. Due to this unforeseen event, City staff will re-evaluate the FY2016 budget to ensure the needs of the current recovery are met, while maintaining its commitment to growth and development. A budget amendment will be presented in March to the City Council. While City staff prepares to reevaluate the FY2016 budget to identify sources of funds to dedicate to the cost of emergency response and recovery, the citizens have united in a way that will forever shape the fabric of this incredible community. We are united, we are committed, we will persevere, and we will "Rebuild Rowlett."

The City of Rowlett would like to take this opportunity to thank those cities, churches, non-profit organizations, and citizens across North Texas that responded in our hour of need. To say that the emergency and recovery response was extraordinary would not begin to do justice to the commitment of resources we received. Thank you.

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 2014. This is the eleventh consecutive year that the City 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 satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City 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.

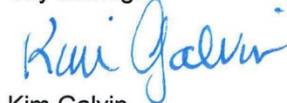
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria of a policy document, an operations guide, a financial plan, and a communication device.

The preparation of this report would not have been possible without the dedicated service of the entire staff of the Financial Services department. We wish to express our appreciation to all members of the department. We would also like to thank the Mayor and City Council members for their interest and trustworthy support for maintaining the highest standards of professionalism in the management of the City of Rowlett and for conducting the financial operations in a responsible and progressive manner.

Respectfully submitted,



Brian Funderburk
City Manager

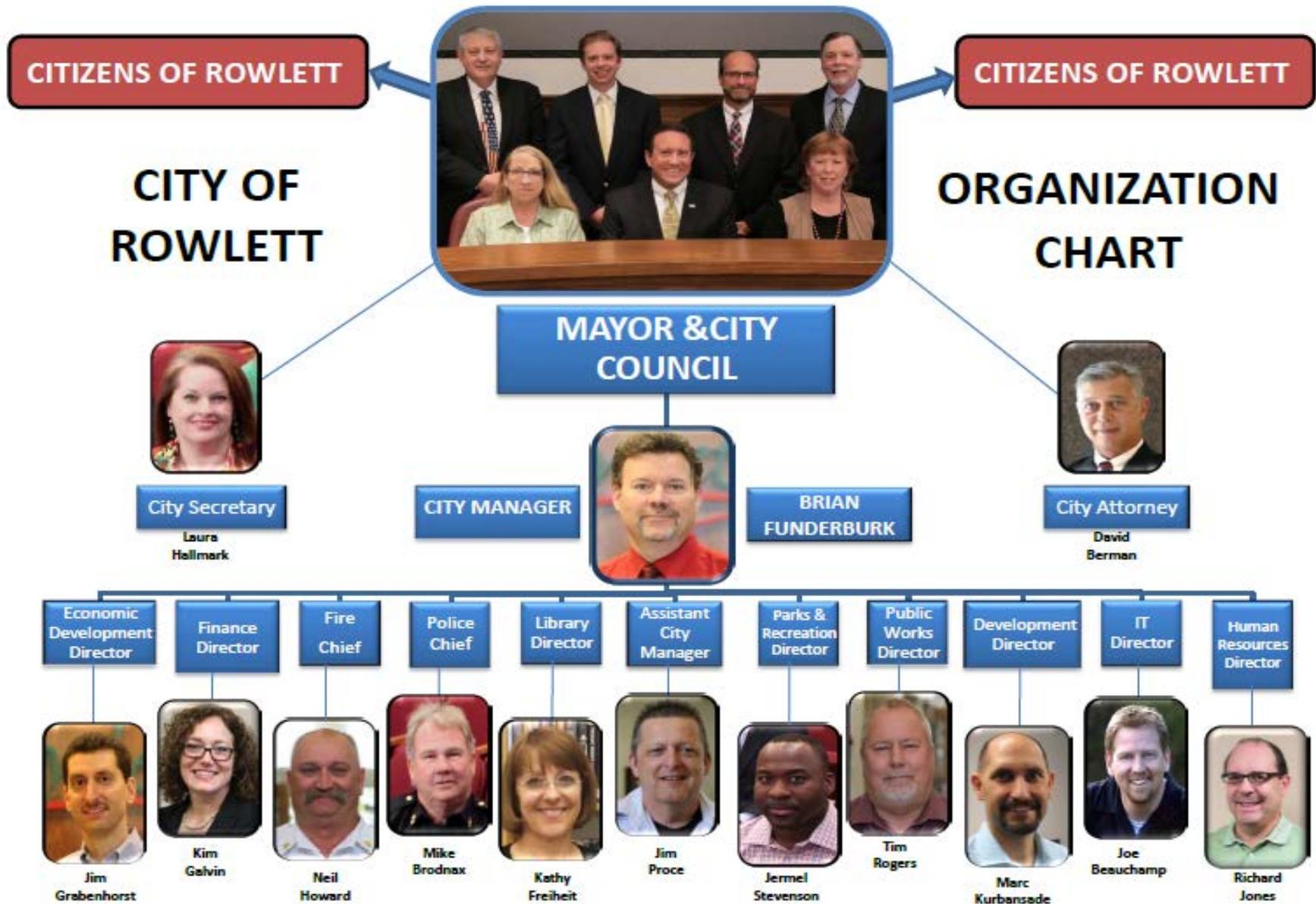


Kim Galvin
Chief Financial Officer
Director of Financial Services



Wendy Badgett
Assistant Director of Financial Services

ORGANIZATION CHART



CITY OF ROWLETT

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

Todd Gottel	Mayor
Michael Gallops	Mayor Pro-tem
Tammy Dana-Bashian	Deputy Mayor Pro-tem
Robbert van Bloemendaal	Councilmember
Carl Pankratz	Councilmember
Debby Bobbitt	Councilmember
Rick Sheffield	Councilmember

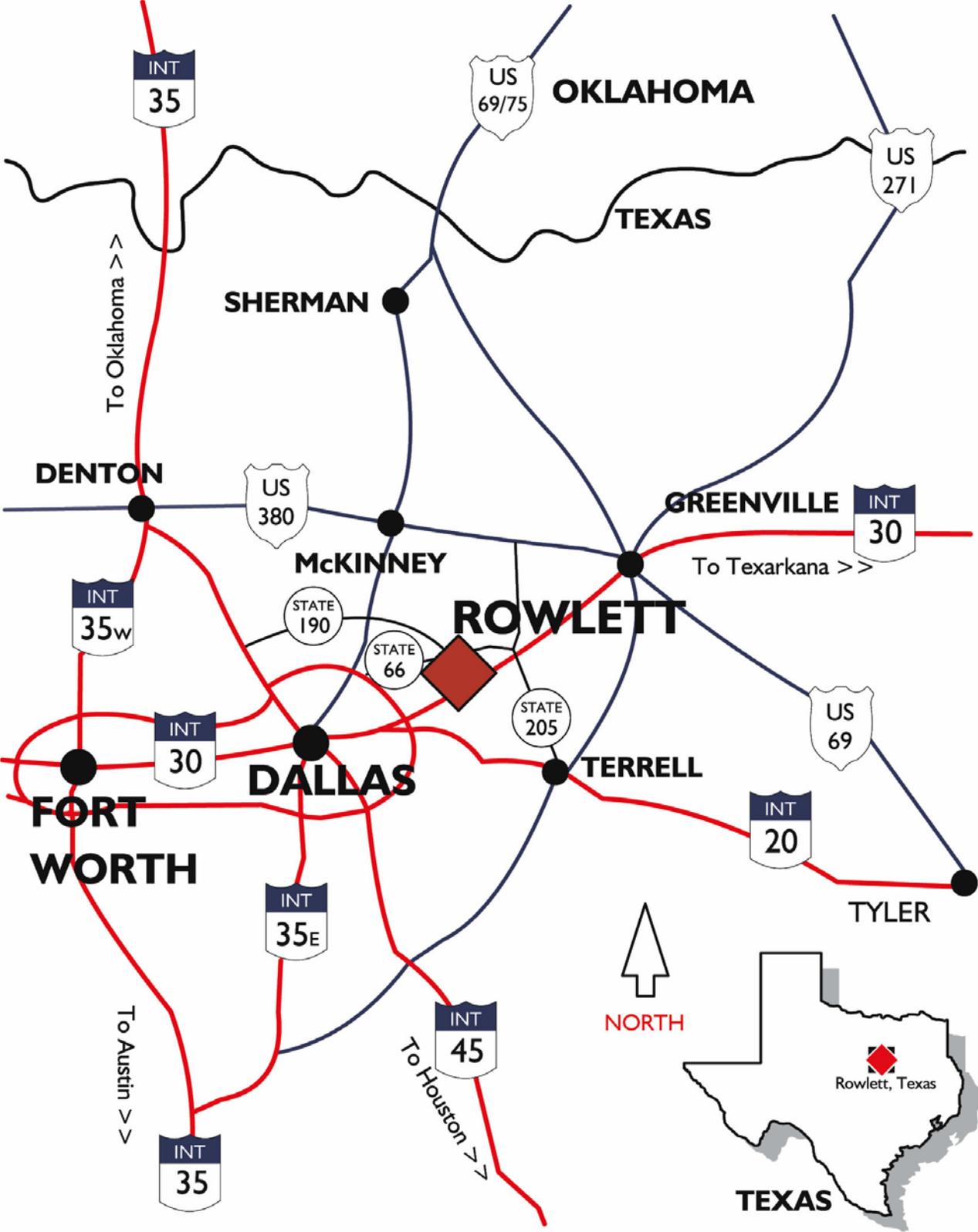
APPOINTED OFFICIALS

Brian Funderburk	City Manager
David Berman	City Attorney
Laura Hallmark	City Secretary
Owen Lokken	Municipal Judge
Amy Thomas	City Prosecutor

MANAGEMENT TEAM

Jim Proce	Assistant City Manager
Jim Grabenhorst	Economic Development
Kim Galvin	Financial Services
Neil Howard	Fire Rescue
Jermel Stevenson	Parks and Recreation
Marc Kurbansade	Development
William Brodnax	Police
Richard Jones	Human Resources
Tim Rogers	Public Works
Kathy Freiheit	Library
Joe Beauchamp	Information Technology

CITY OF ROWLETT
LOCATION MAP





Government Finance Officers Association

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, 2014

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 the City of Rowlett, Texas (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*, as of September 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4-15), budgetary comparison schedule – General Fund (on page 69), schedule of changes in net pension liability and related ratios (page 70), and schedule of contributions (page 71) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 29, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(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, 2015. 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 and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of September 30, 2015 by \$129 million (net position). Of this amount, \$115 million (89%) is net investment in capital asset and \$6 million (5%) is restricted for a specific purposes. The remaining \$8 million (6%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City of Rowlett's net position of governmental activities increased by \$3 million. Property tax revenues are higher over the prior year by \$2 million as a result of higher assessed property values and a tax rate increase. Public works impact fees exceeded prior year collections by \$1 million due to increased development during FY2015.
- Net position of the City's business-type activities increased by \$3 million. Water and sewer charges for services increased \$2 million as a result of less stringent water restrictions in the current year. Water and sewer expenses also decreased by \$0.8 million due to lower maintenance, repairs, and supplies costs.
- As of September 30, 2015, the City's governmental funds reported combined ending fund balances of \$25 million, an increase of \$9 million when compared to the prior year. This increase was primarily due to \$14 million in net bond issuance and refunding activity sources and a \$2 million increase in operating revenues. These increases were offset by additional spending of \$6 million in capital outlay for fire equipment in the general fund, and various community development projects, repairs and capital improvements in the capital projects funds. Within this total, \$16 million (64%) is restricted by specific legal requirements, \$3 million (12%) is committed and assigned to specific types of expenditures, and \$0.2 million (1%) is non-spendable prepaid and inventories. The remainder of the fund balance, \$6 million (23%), constitutes unassigned and available fund balance in the general fund and can be used for any lawful purpose. This \$6 million unassigned fund balance is approximately 15% of total general fund expenditures.
- The City's total debt for the fiscal year ended September 30, 2015 decreased \$1 million as a result of an increase in governmental activities of \$3 million due to a GO issue, a Tax Note issue, and a GO refunding, and a decrease in business type activities of \$4 million due to a Water and Sewer refunding.
- GASB Statement No. 68 was implemented in fiscal year 2015, which records net pension assets and/or liabilities, deferred outflows and inflows of resources, as well as pension expenses and contributions. Implementation of this standard resulted in a restated prior year net position (current year beginning net position) \$4.2 million less than originally reported. Governmental activities decreased \$3.8 million while business type activities decreased \$0.4 million.

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.

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

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 position presents information on all of the City's assets and deferred outflows, and liabilities and deferred inflows with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Rowlett is improving or deteriorating. The statement of net position combines and consolidates governmental and business type 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 position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but not used vacation leave). Both the statement of net position 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 position and the statement of activities, the City is divided into two types 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 fund 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.

Fund Financial Statements. – A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 be readily 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 position and the statement of activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

The City of Rowlett maintains ten individual governmental funds for budget and financial statement presentation purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position 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 internal service fund (the other component of proprietary funds) is utilized to report activities that provide services for the City's other programs such as the City's self-insurance fund and Other Post-Employment Benefits (OPEB) held in trust with Public Agency Retirement Services (PARS). Because these services benefit the governmental functions, they have been included in the governmental activities in the government-wide financial statements.

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.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes can be found on pages 30-68.

Other Information – In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including this discussion and analysis and information concerning the City's progress in funding its obligation to provide pension and retiree health benefits to its employees.

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$129 million as of September 30, 2015. Analyzing the net position and net expenses of governmental and business-type activities separately, governmental type activities net position is \$54 million and business-type activities net position is \$75 million. This analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Table I
City of Rowlett, Texas- Condensed Schedule of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 29,837	\$ 23,237	\$ 20,408	\$ 28,364	\$ 50,245	\$ 51,601
Capital assets	106,699	103,728	102,411	95,522	209,110	199,250
Total assets	<u>136,536</u>	<u>126,965</u>	<u>122,819</u>	<u>123,886</u>	<u>259,355</u>	<u>250,851</u>
Deferred outflow s	4,928	2,273	2,249	1,301	7,177	3,574
Total deferred outflow s	<u>4,928</u>	<u>2,273</u>	<u>2,249</u>	<u>1,301</u>	<u>7,177</u>	<u>3,574</u>
Current liabilities	3,614	4,442	4,025	4,376	7,639	8,818
Noncurrent liabilities	82,845	70,042	46,369	48,771	129,214	118,813
Total liabilities	<u>86,459</u>	<u>74,484</u>	<u>50,394</u>	<u>53,147</u>	<u>136,853</u>	<u>127,631</u>
Deferred inflow s	798	-	74	-	872	-
Total deferred inflow s	<u>798</u>	<u>-</u>	<u>74</u>	<u>-</u>	<u>872</u>	<u>-</u>
Net position:						
Net investment in capital assets	49,252	47,573	65,406	64,532	114,658	112,105
Restricted	3,428	3,385	2,392	2,093	5,820	5,478
Unrestricted	1,526	3,796	6,802	5,415	8,328	9,211
Total net position	<u>\$ 54,206</u>	<u>\$ 54,754</u>	<u>\$ 74,600</u>	<u>\$ 72,040</u>	<u>\$ 128,806</u>	<u>\$ 126,794</u>

By far, the largest portion of the City's net position (89%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related outstanding debt used to acquire those assets. 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.

An additional portion of the City's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (6%) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

Governmental and business-type activities increased the City's net position by \$6.2 million. The key elements of this increase are as shown in Table II:

Table II
City of Rowlett, Texas- Changes in Net Position
(in thousands)

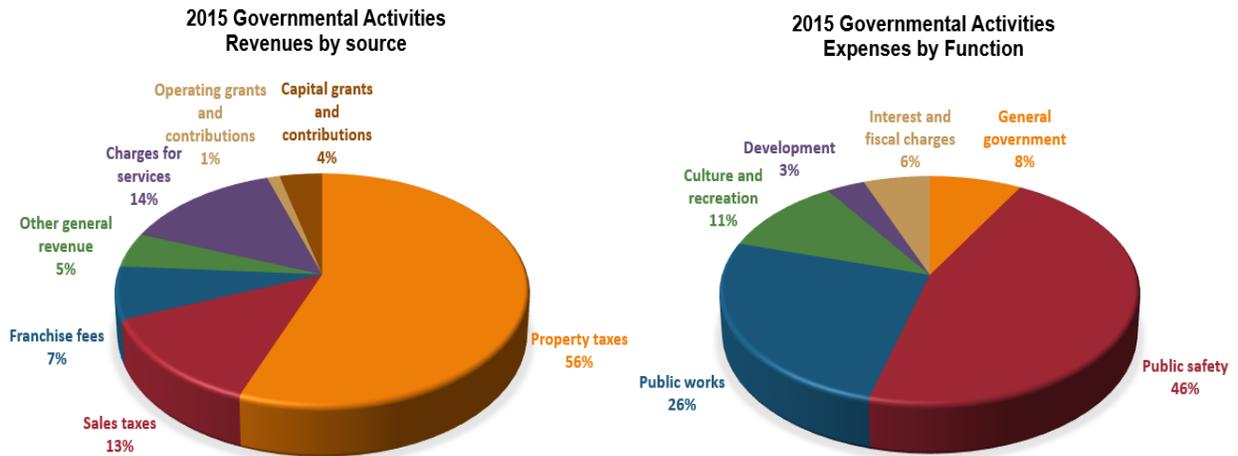
	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 6,472	\$ 5,332	\$ 32,838	\$ 31,073	\$ 39,310	\$ 36,405
Operating grants and contributions	521	419	-	-	521	419
Capital grants and contributions	1,716	3,878	2,723	621	4,439	4,499
General revenues						
Property taxes	25,609	23,307	-	-	25,609	23,307
Sales taxes	5,995	5,653	-	-	5,995	5,653
Other taxes	147	130	-	-	147	130
Investment income	66	57	72	61	138	118
Gain on sale of assets	779	-	-	-	779	-
Other	4,574	4,709	(115)	263	4,459	4,972
Total revenues	<u>45,879</u>	<u>43,485</u>	<u>35,518</u>	<u>32,018</u>	<u>81,397</u>	<u>75,503</u>
Expenses						
General government	3,812	3,744	-	-	3,812	3,744
Public safety	21,683	20,993	-	-	21,683	20,993
Public works	12,001	12,040	-	-	12,001	12,040
Culture and recreation	5,211	5,153	-	-	5,211	5,153
Development	1,586	1,231	-	-	1,586	1,231
Interest on long-term debt	2,732	3,407	-	-	2,732	3,407
Water and sewer	-	-	22,362	23,177	22,362	23,177
Refuse	-	-	3,782	3,986	3,782	3,986
Drainage	-	-	2,008	1,981	2,008	1,981
Total expenses	<u>47,025</u>	<u>46,568</u>	<u>28,152</u>	<u>29,144</u>	<u>75,177</u>	<u>75,712</u>
Increase (decrease) in net assets before transfers	(1,146)	(3,083)	7,366	2,874	6,220	(209)
Transfers	4,441	4,366	(4,441)	(4,366)	-	-
Increase (decrease) in net position	3,295	1,283	2,925	(1,492)	6,220	(209)
Net position, beginning as restated	<u>50,912</u>	<u>53,471</u>	<u>71,675</u>	<u>73,532</u>	<u>122,587</u>	<u>127,003</u>
Net position, ending	<u>\$ 54,207</u>	<u>\$ 54,754</u>	<u>\$ 74,600</u>	<u>\$ 72,040</u>	<u>\$ 128,807</u>	<u>\$ 126,794</u>

Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No.68

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

Governmental Activities

Governmental activities increased the City's net position by \$3.3 million. Governmental activities net investment in capital assets increased by \$1.7 million, and restricted net position increased by \$.04 million, Unrestricted net position decreased by \$2.3 million as a result of operations and due to the reporting of the net pension liability as a result of the GASB 68 implementation.



Total revenues for governmental activities, exclusive of transfers, were \$46 million in fiscal year 2015, up \$2.4 million from the previous year. The most significant revenue source is property tax revenues which represent \$25.6 million or 56% of the total. The breakdown of the increase is as follows:

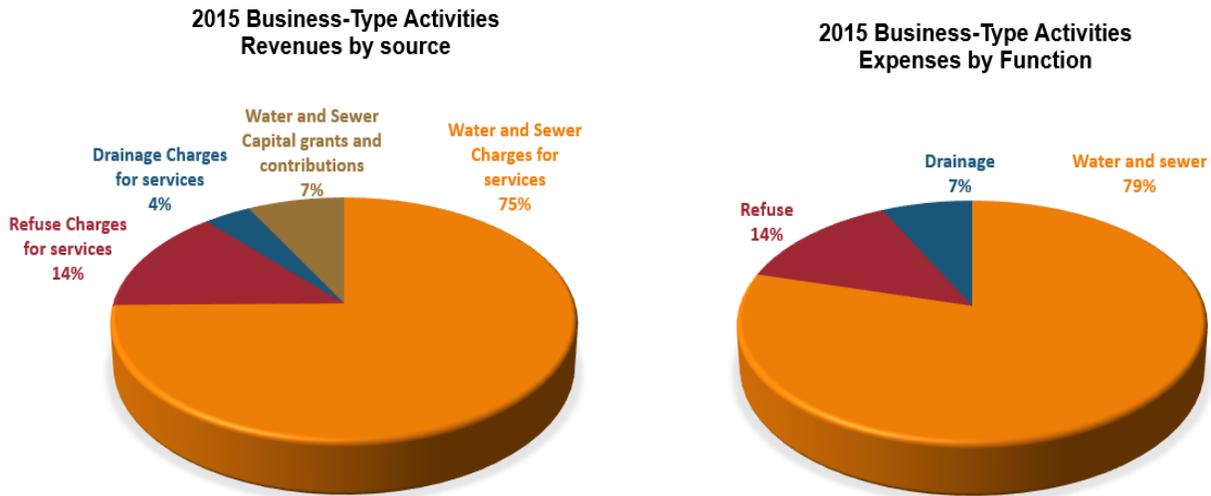
- General revenues increased \$3.3 million due to higher assessed property values and an increased tax rate, as well as increasing sales tax collections.
- Charges for services increased \$1.1 million due to increased impact fee collections resulting from city-wide growth and development.
- These increases were partially offset by a \$2.2 million decrease in capital grants and contributions. This decrease is due to a prior year debt service contribution to restructure the golf course debt.

Total expenses for governmental activities were \$47 million in fiscal year 2015, up \$0.5 million from the previous year. The most significant governmental expense for the City is providing public safety for the community, which incurred expenses of \$21.7 million, or 46% of total expenses. Public safety expenses are partially offset by revenues collected from a variety of sources, with the largest being from court fines totaling \$1 million. Depreciation for all governmental capital assets totaled \$7.4 million representing 15.7% of the total.

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

Business-type Activities

Business-type activities increased the City's net position by \$2.9 million. Business type activities net investment in capital assets increased by \$0.9 million. Restricted net position increased by \$0.3 million, attributed to a new restricted capital lease escrow funds, and unrestricted net position increased by \$1.4 million primarily due to an increase in impact fee revenues.



Revenues of the City's business-type activities were \$35.5 million for the fiscal year ending September 30, 2015, up \$3.5 million from the prior year. Total operating expenses for the City's business-type activities were \$28.2 million, down \$1 million when compared to the prior year. The breakdown of these fluctuations are as follows:

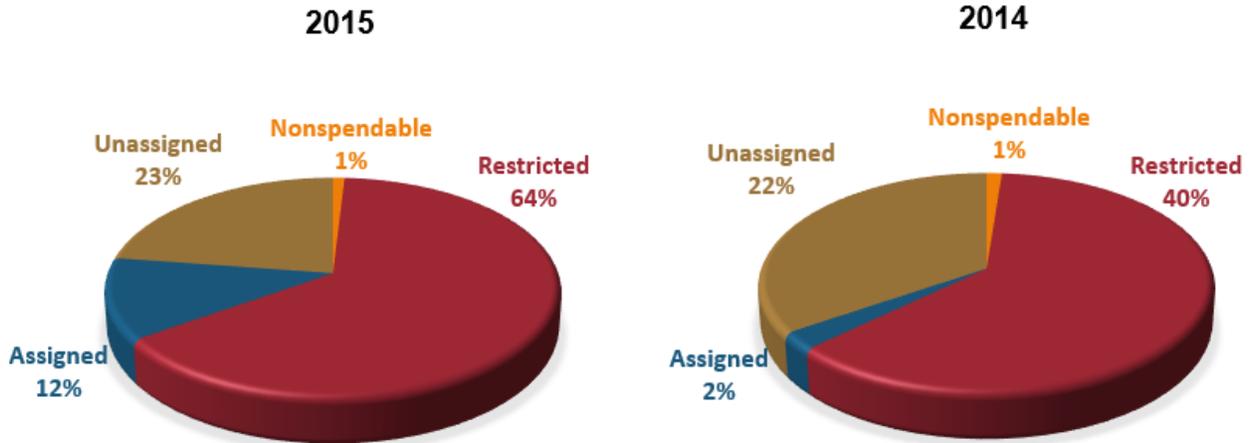
- The water and sewer system accounts for 82% of the business-type program revenues and 79% of the business-type expenses. The water and sewer system recorded charges for services of \$26.6 million, an increase of \$1.9 million or 7.9%. This increase is primarily attributable to less stringent water restrictions in the current year. Additionally, capital contributions increased \$2.1 million, attributable to a \$1 million increase in developers' contributions, and a \$1.1 million increase in impact fees. The water and sewer system expenses decreased \$0.8 million because of lower maintenance, repairs and supply costs and a focus on capital projects in the current year.
- The City's refuse activity operated with charges for services exceeding expenses by \$1.1 million, consistent with prior year activity.
- The City's drainage activity operated with expenses exceeding charges for services by \$0.5 million, consistent with the prior year. At 55.7% of expenses, the largest cost to the drainage activity is depreciation, at \$1 million for the current year.

**CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)**

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24.8 million. Within this total, \$0.2 million is non-spendable for prepaid and inventories. Another \$15.9 million is restricted by specific legal requirements, such as by debt covenants, capital projects and specific purposes, and \$3 million has been committed and assigned to specific types of expenditures. The remainder of the fund balance, \$5.6 million, or 23%, constitutes unassigned fund balance in the general fund and can be used for any lawful purpose. The fund balance for all governmental funds increased \$8.9 million primarily due to the issuance of capital project bonds during the year. The chart below depicts the fund balance for governmental funds for FY2014 and FY2015.



The general fund is the chief operating fund of the City. The net change in fund balance for the general fund was a decrease of \$0.6 million for the current year. Key factors in this decrease are as follows:

- Expenditures increased \$4.8 million as a result of \$3 million in capital outlay for the purchase of new fire equipment apparatuses, golf course improvements, and the City's new ERP financial system. Additionally, public safety expenditures increased substantially due to the implementation of a new step pay plan and the purchase of non-capital safety equipment.
- Revenues increased \$2.9 million primarily as a result of increased property taxes based on higher assessed property values in addition to a total tax rate increase of \$0.040000 per \$100 and a reallocation of \$0.004997 to maintenance and operations.
- Other financing sources increased \$0.7 million due to a gain on the sale of land to TxDOT for Right-of-Way during the year.

The debt service fund has a total fund balance of \$1 million, all of which is legally restricted for the payment of debt service. The fund balance increased over prior year by \$0.5 million primarily due to the City's refunding of tax backed General Obligation and Certificates of Obligation debt during the year.

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

The capital projects fund has a total fund balance of \$13.9 million, of which \$11.8 million is restricted for the acquisition or construction of capital facilities and assets and \$2 million is assigned for capital acquisition. The remaining \$84 thousand represents inventories and is non-spendable. Fund balance increased \$8.2 million over the prior year primarily due to a successful May 2015 bond election that yielded \$10.1 million in bond proceeds. The capital projects fund expended \$8.5 million in fiscal year 2015, an increase of \$2.6 million from 2014 expenditures as several significant projects were completed in 2015. Revenues also increased slightly by \$0.2 million.

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

- Net position of the City's Water and Sewer fund is \$52.7 million, of which \$44.9 million is net investment in capital assets, \$2.4 million is restricted for debt service, and \$5.4 million is unrestricted. Net position increased \$3.5 million for the Water and Sewer fund.
- Net position of the City's Refuse fund is \$0.5 million, of which \$16 thousand is net investment in capital assets and the remaining \$0.5 million is unrestricted. Change in net position for the Refuse fund was an increase of \$83 thousand.
- Net position of the City's Drainage fund is \$21.4 million, of which \$20.5 million is net investment in capital assets and \$0.9 million is unrestricted. Net position for the Drainage fund decreased \$0.6 million.

General Fund Budgetary Highlights: The adopted general fund budget was amended by Council to reflect increased revenues as a result of Right-of-Way property sales to TxDOT. Actual revenues were \$33.4 million compared to the original and final budget of \$33 million as a result of sales tax and development related license and permit revenues exceeding expectations. Actual expenditures for FY2015 were \$37.4 million compared to the final budget amount of \$33.8 million and original budget amount of \$33.7 million. The budget was exceeded primarily due to \$3.3 million in unbudgeted capital outlay expenditures. Fund balance at year end was \$7.1 million, \$1.1 million less than budgeted as a result of the aforementioned capital outlay.

CAPITAL ASSETS

At the end of fiscal year 2015, the City has \$209 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 III below.) This amount represents a net increase (including additions net of depreciations and disposals) of 5% over the prior fiscal year.

Table III
City of Rowlett, Texas- Capital Assets at Year End
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 29,128	\$ 29,173	\$ 933	\$ 859	\$ 30,061	\$ 30,032
Buildings and improvements	49,215	45,580	1,101	1,101	50,316	46,681
Machinery and equipment	15,065	13,914	9,005	8,424	24,070	22,338
Construction in progress	7,471	14,676	15,673	9,953	23,144	24,629
Infrastructure	<u>122,005</u>	<u>109,684</u>	<u>159,874</u>	<u>154,334</u>	<u>281,879</u>	<u>264,018</u>
Total	222,884	213,027	186,586	174,671	409,470	387,698
Accumulated depreciation	<u>(116,185)</u>	<u>(109,299)</u>	<u>(84,175)</u>	<u>(79,149)</u>	<u>(200,360)</u>	<u>(188,448)</u>
Total capital assets	<u>\$ 106,699</u>	<u>\$ 103,728</u>	<u>\$ 102,411</u>	<u>\$ 95,522</u>	<u>\$ 209,110</u>	<u>\$ 199,250</u>

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

This year's major construction projects completed and capital acquisitions included:

ECW Public Safety System	\$	158,646
2 Ambulances		361,942
Dump Truck		129,811
Vacuum Truck		316,243
Waterview Golf Course Retaining Wall		150,801
Traffic Signals - Princeton/Liberty Grove		147,000
Water Line - Miller to RHS WA2101		217,620
Waterview Golf Course Club House Improvements		305,242
Library Building - 5702 Rowlett Road		804,846
Downtown TOD Projects SP2087		2,091,039
Merrit Road Widening ST2074		11,526,667
Eastside Lift Station SS11159		1,873,420
Merrit Road Sewer Line SS2093		1,020,121
24" Force Main & Inspection SS2104		578,833
24" Water Line Lower Pressure Plain WA2108		1,397,651
IT Equipment Lease - 2013 Capital Lease		536,931
	<u>\$</u>	<u>21,616,813</u>

For more information related to capital assets, see Note 6 on pages 46-47.

DEBT

At year-end, the City had \$101 million in bonds outstanding as compared to \$102 million at the end of the prior fiscal year, a decrease of \$1 million over the prior fiscal year. See Table IV below.

Table IV
City of Rowlett, Texas- Outstanding Debt at Year End
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
General obligation bonds (backed by the City)	\$ 59.6	\$ 36.6	\$ 13.9	\$ 12.2	\$ 73.5	\$ 48.8
Certificates of obligation and tax anticipation notes (backed by the City)	2.1	22.0	0.2	3.4	2.3	25.4
Revenue bonds (backed by fee revenues)	<u>-</u>	<u>-</u>	<u>25.4</u>	<u>28.1</u>	<u>25.4</u>	<u>28.1</u>
Total bonded debt	<u>\$ 61.7</u>	<u>\$ 58.6</u>	<u>\$ 39.5</u>	<u>\$ 43.7</u>	<u>\$ 101.2</u>	<u>\$ 102.3</u>

During the current fiscal year, the City issued \$10.3 million in new general obligation bonds and tax notes and refunded \$23.2 million of tax backed general obligations and certificates of obligation. The City also refunded \$12.3 million in waterworks and sewer system bonds.

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 debt. 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 1.87 percent.

As a result of water losses from the drought, the City's bond rating was reduced to A+ from AA- from Standards and Poor's. The City has pledged to rebuild reserves over the next two years.

Additional information on the City's long-term bonded debt may be found in Note 8 to the basic financial statements.

**CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget. Utilizing the Five Year Financial Strategy Plan and Five Year Capital Improvement Plan allows officials to plan the timing of projects so as to minimize the effects on the budget, tax rates, and fees that will be charged for the governmental and business-type activities. The FY2016 adopted budget addresses the need for increased service levels due to growth and development. The budget also provides essential capital investments in infrastructure and other public improvements, as well as additional public safety resources.

Revenue Projection Highlights

The total FY2016 combined budget revenue projections total \$94 million.

- Property tax revenue is projected to reach \$28.2 million, compared to FY2015's actual amount of \$25.6 million. The adopted property tax rate is unchanged from FY2015, set at \$0.787173 per one hundred dollars of taxable valuation, however this rate has been reallocated to increase maintenance and operations and reduce interest and sinking by \$0.028149. Certified property valuations increased by \$313.4 million or 9.6% for FY2016. This increase is a result of improvements in appraised values and new construction.
- Sales tax revenue is projected to reach \$6.2 million, compared to FY2015's actual amount of \$6.0 million. Growth in new businesses and a general increase in existing retail sales are expected to continue through FY2016.
- General fund licenses and permits are projected at \$1 million, an increase of \$300 thousand or 41.6% when compared to the FY2015 adopted budget as a result of anticipated building permits due to growth and development throughout the City.
- Enterprise fund charges for services are projected to reach \$34.9 million, compared to FY2015's actual amount of \$32.8 million. This represents a \$2.1 million increase expected in water and sewer revenue as drought restrictions continue to be eased. The FY2016 enterprise rate changes are as follows:

Water Residential Customers Only	Adopted FY2015	Adopted FY2016
Beginning Base Rate	\$22.30	\$22.30
Increase in Base Rate from NTMWD	\$5.66	\$8.96
Temporary Surcharge	\$6.97	n/a
New Base Rate	\$34.93	\$31.26
Volume Rate	\$4.07	\$4.07
Total Monthly Fee @ 10,000 gallons per month	\$75.63	\$71.96
Dollar change	n/a	(\$3.67)
Percent change	n/a	-4.9%

Sewer Residential Customers Only	Adopted FY2015	Adopted FY2016
Beginning Base Rate	\$16.42	\$16.42
Increase in Base Rate from City of Garland	\$0.63	\$1.41
New Base Rate	\$17.05	\$17.83
Volume Rate	\$4.39	\$4.39
Total Monthly Fee @ 10,000 gallons per month	\$60.95	\$61.73
Dollar change	n/a	\$0.78
Percent change	n/a	1.3%

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

Appropriation Budget Highlights

The total FY2016 combined budget appropriations total \$92.7 million.

- Expenses in the general fund are projected to be \$40.2 million in FY2016. This is a projected increase of \$3.2 million or 8.7% when compared to the adopted FY2015 budget of \$37 million. These changes are summarized below:

General Fund Expenses	Adopted FY2015	Adopted FY2016	\$ Change	% Change
Personnel Services	\$24,775,943	\$27,015,168	\$2,239,225	9.0%
Supplies	1,706,902	1,891,950	185,048	10.8%
Purchase Services	8,068,640	8,248,977	180,377	2.2%
Capital Equipment	903,599	1,121,425	217,826	24.1%
Transfers to Cash CIP and Economic Development	1,565,976	1,963,901	397,925	25.4%
Total	\$37,021,061	\$40,241,421	\$3,220,361	8.7%

- The FY2016 utility fund budget totals \$27.2 million, which represents a decrease of \$0.9 million or 3.1% from the FY2015 adopted budget of \$28.1 million. This decrease is a result of the City's strategy to rebuild fund balance decreases resulting from continued drought conditions. A breakdown of changes by category are below:

Utility Fund Expenses	Adopted FY2015	Adopted FY2016	\$ Change	% Change
Personnel Costs	\$2,184,764	\$2,209,592	\$24,828	1.1%
Water/Sewer Contract Services	10,137,480	11,131,599	994,119	9.8%
Other Purchase Services and Supplies	2,750,611	2,340,070	(410,541)	-14.9%
Debt Service	4,712,956	4,721,571	8,615	0.2%
Capital Improvements	2,800,000	1,300,000	(1,500,000)	-53.6%
Transfers to Other Funds	5,476,331	5,476,331	-	0.0%
Total	\$28,062,142	\$27,179,163	(\$882,979)	-3.1%

- In the Self Insurance Fund, health insurance expenditures include a 10% increase to fund the rising cost of health care, Other Post-Employment Benefits (OPEB) contributions of \$102,654, and increases in the reserve to insulate the fund from unforeseen medical events.

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.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, cash equivalents and investments	\$ 26,084,591	\$ 13,804,871	\$ 39,889,462
Receivables (net of allowance for doubtful accounts)	3,301,638	5,741,086	9,042,724
Due from other governments	122,350	35,048	157,398
Inventories	171,571	758,411	929,982
Prepaid and other items	156,456	18,380	174,836
Capital assets:			
Nondepreciable	36,599,493	16,605,994	53,205,487
Depreciable (net)	70,099,190	85,804,594	155,903,784
Total assets	<u>136,535,289</u>	<u>122,818,978</u>	<u>259,354,267</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	2,179,069	1,993,741	4,172,810
Deferred outflow of resources - TMRS	2,749,590	255,377	3,004,967
Total deferred outflows of resources	<u>4,928,659</u>	<u>2,249,118</u>	<u>7,177,777</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,848,587	2,317,958	5,166,545
Accrued interest payable	382,228	222,968	605,196
Retainage payable	134,510	855,727	990,237
Customer deposits	-	628,771	628,771
Unearned revenues	248,206	-	248,206
Noncurrent liabilities:			
Due within one year	7,335,465	4,310,281	11,645,746
Due in more than one year:	75,510,510	42,058,510	117,569,020
Total liabilities	<u>86,459,506</u>	<u>50,394,215</u>	<u>136,853,721</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources - TMRS	798,429	74,156	872,585
Total deferred outflows of resources	<u>798,429</u>	<u>74,156</u>	<u>872,585</u>
NET POSITION			
Net investment in capital assets	49,251,730	65,405,576	114,657,306
Restricted for:			
Debt service	768,718	2,392,009	3,160,727
Capital projects	1,735,894	-	1,735,894
Public safety	664,421	-	664,421
Economic development	12,012	-	12,012
Public broadcasting	246,895	-	246,895
Unrestricted	1,526,343	6,802,140	8,328,483
Total net position	<u>\$ 54,206,013</u>	<u>\$ 74,599,725</u>	<u>\$ 128,805,738</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 3,812,283	\$ 36,452	\$ -	\$ -
Public safety	21,682,963	2,736,415	520,843	-
Public works	12,001,156	1,520,964	-	1,715,530
Culture and recreation	5,210,607	948,832	-	-
Development	1,586,203	1,229,248	-	-
Interest and fiscal charges	2,731,650	-	-	-
Total governmental activities	<u>47,024,862</u>	<u>6,471,911</u>	<u>520,843</u>	<u>1,715,530</u>
Business-type activities:				
Water and sewer	22,361,784	26,596,651	-	2,723,019
Refuse	3,782,412	4,903,537	-	-
Drainage	2,008,406	1,337,982	-	-
Total business-type activities	<u>28,152,602</u>	<u>32,838,170</u>	<u>-</u>	<u>2,723,019</u>
Total primary government	<u>\$ 75,177,464</u>	<u>\$ 39,310,081</u>	<u>\$ 520,843</u>	<u>\$ 4,438,549</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Other

Franchise fees

Investment earnings

Gain on sale of assets

Miscellaneous

Transfers (net)

Total general revenues and transfers

Change in net position

Net position, beginning as restated

Net position, ending

The accompanying notes are an integral part of this statement.

Net Revenues (Expenses) and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,775,831)	\$ -	\$ (3,775,831)
(18,425,705)	-	(18,425,705)
(8,764,662)	-	(8,764,662)
(4,261,775)	-	(4,261,775)
(356,955)	-	(356,955)
<u>(2,731,650)</u>	<u>-</u>	<u>(2,731,650)</u>
<u>(38,316,578)</u>	<u>-</u>	<u>(38,316,578)</u>
-	6,957,886	6,957,886
-	1,121,125	1,121,125
-	(670,424)	(670,424)
<u>-</u>	<u>7,408,587</u>	<u>7,408,587</u>
<u>\$ (38,316,578)</u>	<u>\$ 7,408,587</u>	<u>\$ (30,907,991)</u>
25,608,764	-	25,608,764
5,995,488	-	5,995,488
146,741	-	146,741
3,344,410	-	3,344,410
66,264	71,562	137,826
779,237	-	779,237
1,229,112	(114,908)	1,114,204
4,441,008	(4,441,008)	-
<u>41,611,024</u>	<u>(4,484,354)</u>	<u>37,126,670</u>
3,294,446	2,924,233	6,218,679
<u>50,911,567</u>	<u>71,675,492</u>	<u>122,587,059</u>
<u>\$ 54,206,013</u>	<u>\$ 74,599,725</u>	<u>\$ 128,805,738</u>

**CITY OF ROWLETT, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and investments	\$ 7,147,700	\$ 989,358	\$ 14,328,478	\$ 2,882,814	\$ 25,348,350
Receivables (net of allowance for uncollectibles):					
Taxes	1,435,200	160,125	-	6,152	1,601,477
Accounts	568,917	-	-	-	568,917
Accrued interest	4,040	455	6,177	1,097	11,769
Other	1,072,909	-	-	46,467	1,119,376
Due from other governments	-	-	-	122,350	122,350
Due from other funds	43,107	-	-	-	43,107
Inventories	87,466	-	84,105	-	171,571
Prepaid and other items	50,394	2,300	-	7,249	59,943
	<u>10,409,733</u>	<u>1,152,238</u>	<u>14,418,760</u>	<u>3,066,129</u>	<u>29,046,860</u>
Total assets	\$ 10,409,733	\$ 1,152,238	\$ 14,418,760	\$ 3,066,129	\$ 29,046,860
LIABILITIES					
Accounts payable	\$ 1,155,194	\$ -	\$ 197,118	\$ 185,573	\$ 1,537,885
Retainage payable	854	-	133,656	-	134,510
Accrued liabilities	1,002,582	-	-	17,439	1,020,021
Unearned revenue	1,030	-	219,667	27,509	248,206
Due to other funds	-	-	-	43,107	43,107
Total liabilities	2,159,660	-	550,441	273,628	2,983,729
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	335,648	160,125	-	-	495,773
Unavailable revenue - ambulance fees	192,885	-	-	-	192,885
Unavailable revenue - mowing liens	376,032	-	-	-	376,032
Unavailable revenue - franchise fees	180,110	-	-	-	180,110
Unavailable revenue - grants	-	-	-	35,681	35,681
Unavailable revenue - other	17,516	-	-	863	18,379
Total deferred inflows of resources	1,102,191	160,125	-	36,544	1,298,860
FUND BALANCES					
Fund balances:					
Nonspendable:					
Inventories	87,466	-	84,105	-	171,571
Prepaid items	50,394	2,300	-	7,249	59,943
Restricted for:					
Debt service	-	989,813	-	1,008	990,821
Capital projects	419,332	-	11,774,423	1,860,916	14,054,671
Public safety	-	-	-	627,877	627,877
Economic development	-	-	-	12,012	12,012
Public broadcasting	-	-	-	246,895	246,895
Emergency communications	-	-	-	-	-
Committed	-	-	-	-	-
Assigned for:					
Economic development	877,378	-	-	-	877,378
Capital acquisition	88,910	-	2,009,791	-	2,098,701
Unassigned	5,624,402	-	-	-	5,624,402
Total fund balances	7,147,882	992,113	13,868,319	2,755,957	24,764,271
	<u>7,147,882</u>	<u>992,113</u>	<u>13,868,319</u>	<u>2,755,957</u>	<u>24,764,271</u>
Total liabilities and fund balances	\$ 10,409,733	\$ 1,152,238	\$ 14,418,760	\$ 3,066,129	\$ 29,046,860
	<u>\$ 10,409,733</u>	<u>\$ 1,152,238</u>	<u>\$ 14,418,760</u>	<u>\$ 3,066,129</u>	<u>\$ 29,046,860</u>

The accompanying notes are an integral part of this statement.

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

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

Total fund balances per balance sheet - governmental funds		\$ 24,764,271
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		106,698,683
Certain revenues are not available soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources.		1,298,860
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:		
General obligation bonds and certificates of obligation payable	(61,728,462)	
Bond premiums	(4,917,122)	
Deferred loss on refunding	2,179,069	
Accrued interest on the bonds	(382,228)	
Capital leases payable	(5,299,216)	
Municipal pension obligation	(6,505,713)	
Other post-employment benefits liability	(1,394,418)	
Compensated absences	<u>(3,001,044)</u>	
		(81,049,134)
Deferred outflows of resources and deferred inflows of resources related to pensions and the implementation of GASB Statement No. 68 are not reported in the fund financial statements.		1,951,161
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 position.		<u>542,172</u>
Net position of governmental activities		<u><u>\$ 54,206,013</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
YEAR ENDED SEPTEMBER 30, 2015

	Governmental Fund Types				Total Governmental Funds
	General	Debt Service	Capital Projects	Other Governmental Funds	
REVENUES					
Taxes:					
Property taxes	\$ 17,898,766	\$ 7,744,468	\$ -	\$ -	\$ 25,643,234
Sales taxes	5,995,488	-	-	-	5,995,488
Other	69,230	-	-	77,511	146,741
Franchise fees	3,169,838	-	-	182,674	3,352,512
License and permits	946,609	-	-	1,520,964	2,467,573
Charge for services	2,784,430	-	-	-	2,784,430
Fines and forfeitures	989,676	-	-	182,822	1,172,498
Intergovernmental	224,099	-	1,929,119	516,985	2,670,203
Interest	33,035	7,503	18,699	7,027	66,264
Miscellaneous	1,253,851	-	2,791	-	1,256,642
Total revenues	<u>33,365,022</u>	<u>7,751,971</u>	<u>1,950,609</u>	<u>2,487,983</u>	<u>45,555,585</u>
EXPENDITURES					
Current operating:					
General government	3,259,924	79,990	-	241,774	3,581,688
Public safety	20,231,667	120,744	-	812,532	21,164,943
Public works	2,624,902	-	3,907,811	-	6,532,713
Culture and recreation	4,498,803	-	-	120,483	4,619,286
Development	1,584,360	-	-	-	1,584,360
Debt service:					
Principal retirement	905,802	5,210,059	-	-	6,115,861
Interest and fiscal charges	77,123	2,323,721	-	-	2,400,844
Bond issuance costs	-	232,193	144,550	-	376,743
Capital outlay	4,171,831	-	4,421,823	513,403	9,107,057
Total expenditures	<u>37,354,412</u>	<u>7,966,707</u>	<u>8,474,184</u>	<u>1,688,192</u>	<u>55,483,495</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,989,390)</u>	<u>(214,736)</u>	<u>(6,523,575)</u>	<u>799,791</u>	<u>(9,927,910)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of bonds	-	-	11,302,050	-	11,302,050
Refunding bonds issued	-	19,392,950	-	-	19,392,950
Payment to refunded bond escrow agent	-	(22,661,960)	-	-	(22,661,960)
Capital lease	2,141,763	-	-	-	2,141,763
Premiums on sale of refunding bonds	-	3,506,264	-	-	3,506,264
Transfers in	2,200,608	483,647	3,409,260	-	6,093,515
Transfers out	(1,652,507)	-	-	-	(1,652,507)
Proceeds from sale of assets	669,600	-	-	-	669,600
Total other financing sources (uses)	<u>3,359,464</u>	<u>720,901</u>	<u>14,711,310</u>	<u>-</u>	<u>18,791,675</u>
NET CHANGE IN FUND BALANCES	(629,926)	506,165	8,187,735	799,791	8,863,765
FUND BALANCES, BEGINNING	<u>7,777,808</u>	<u>485,948</u>	<u>5,680,584</u>	<u>1,956,166</u>	<u>15,900,506</u>
FUND BALANCES, ENDING	<u>\$ 7,147,882</u>	<u>\$ 992,113</u>	<u>\$ 13,868,319</u>	<u>\$ 2,755,957</u>	<u>\$ 24,764,271</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 TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

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

Net change in fund balances - total governmental funds		\$ 8,863,765
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$9,107,057), gain on sale of assets (\$109,637) and developer contributions (\$1,130,516) exceed depreciation (\$7,376,039) in the current period.		2,971,171
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 inflows of resources.		(1,587,038)
Capital lease and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayments of principal	6,115,861	
Bond and capital lease proceeds	(32,836,763)	
Payment to refunded bond escrow	22,661,960	
Premium on issuance	(3,506,264)	
Deferred loss on refunding (net)	(1,797)	
		(7,567,003)
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 the change in accrued interest payable (\$10,393) and amortization of bond discounts/premiums and deferred losses (\$58,127).		47,734
Some expenses not reported in the statements are required to be expensed in the statement of activities. This includes compensated absences, pension costs, and the unfunded OPEB obligation.		227,729
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.		338,088
Change in net position of governmental activities		\$ 3,294,446

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 3,968,540	\$ 90,413	\$ 886,306	\$ 4,945,259	\$ 736,241
Restricted cash, cash equivalents and investments:					
Revenue bond covenant accounts	2,392,009	-	-	2,392,009	-
Medical claims	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Accounts	4,778,060	741,999	196,653	5,716,712	-
Accrued interest	10,513	129	564	11,206	99
Other	11,577	1,591	-	13,168	-
Due from other governments	22,830	9,653	2,565	35,048	-
Inventories	758,411	-	-	758,411	-
Prepaid and other items	18,365	-	15	18,380	96,513
Total current assets	<u>11,960,305</u>	<u>843,785</u>	<u>1,086,103</u>	<u>13,890,193</u>	<u>832,853</u>
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue bond construction funds	6,447,281	-	20,322	6,467,603	-
Receivables (net of allowance for uncollectibles):					
Notes receivable	50,594	-	-	50,594	-
Capital assets:					
Land	883,040	-	49,925	932,965	-
Buildings	1,041,641	-	59,178	1,100,819	-
Systems	120,922,008	194,768	38,757,088	159,873,864	-
Machinery and equipment	8,667,655	38,758	298,907	9,005,320	-
Construction in progress	15,538,186	-	134,843	15,673,029	-
Less accumulated depreciation	(68,366,487)	(217,336)	(15,591,586)	(84,175,409)	-
Total capital assets	<u>78,686,043</u>	<u>16,190</u>	<u>23,708,355</u>	<u>102,410,588</u>	<u>-</u>
Total noncurrent assets	<u>85,183,918</u>	<u>16,190</u>	<u>23,728,677</u>	<u>108,928,785</u>	<u>-</u>
Total assets	<u>97,144,223</u>	<u>859,975</u>	<u>24,814,780</u>	<u>122,818,978</u>	<u>832,853</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,795,174	-	198,567	1,993,741	-
Deferred outflows of resources - TMRS	244,468	-	10,909	255,377	-
Total deferred outflows of resources	<u>2,039,642</u>	<u>-</u>	<u>209,476</u>	<u>2,249,118</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,493,643	343,313	71,981	1,908,937	287,522
Accrued liabilities	99,639	-	840	100,479	3,159
Accrued interest payable	78,278	-	18,204	96,482	-
Retainage payable	486,409	-	-	486,409	-
Customer deposits	628,771	-	-	628,771	-
Compensated absences	15,254	-	203	15,457	-
Capital lease payable	721,333	-	-	721,333	-
Bonds payable	3,348,491	-	225,000	3,573,491	-
Total current liabilities	<u>6,871,818</u>	<u>343,313</u>	<u>316,228</u>	<u>7,531,359</u>	<u>290,681</u>
Current liabilities payable from restricted assets:					
Accounts payable	304,449	-	-	304,449	-
Accrued liabilities	4,093	-	-	4,093	-
Accrued interest payable	126,486	-	-	126,486	-
Retainage payable	305,325	-	63,993	369,318	-
Total current liabilities payable from restricted assets	<u>740,353</u>	<u>-</u>	<u>63,993</u>	<u>804,346</u>	<u>-</u>
Total current liabilities	<u>7,612,171</u>	<u>343,313</u>	<u>380,221</u>	<u>8,335,705</u>	<u>290,681</u>

(continued)

**CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
LIABILITIES (Continued)					
Noncurrent liabilities:					
Compensated absences	\$ 112,045	\$ -	\$ 1,492	\$ 113,537	\$ -
Net pension liability	578,428	-	25,811	604,239	-
Unfunded OPEB obligation	160,204	-	8,998	169,202	-
Capital lease payable	2,697,944	-	-	2,697,944	-
Bonds payable	35,272,348	-	3,201,240	38,473,588	-
Total noncurrent liabilities	<u>38,820,969</u>	<u>-</u>	<u>3,237,541</u>	<u>42,058,510</u>	<u>-</u>
Total liabilities	46,433,140	343,313	3,617,762	50,394,215	290,681
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - TMRS	70,989		3,167	74,156	-
Total deferred inflows of resources	<u>70,989</u>	<u>-</u>	<u>3,167</u>	<u>74,156</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	44,888,382	16,190	20,501,004	65,405,576	-
Restricted for:					
Debt service	2,392,009	-	-	2,392,009	-
Unrestricted	5,399,345	500,472	902,323	6,802,140	542,172
Total net position	<u>\$ 52,679,736</u>	<u>\$ 516,662</u>	<u>\$ 21,403,327</u>	<u>\$ 74,599,725</u>	<u>\$ 542,172</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2015**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
OPERATING REVENUES					
Charges for sales and services:					
Charges for services	\$ 26,596,651	\$ 4,903,537	\$ 1,337,982	\$ 32,838,170	\$ 4,159,155
Miscellaneous	11,532	1,962	-	13,494	10,160
Total operating revenues	<u>26,608,183</u>	<u>4,905,499</u>	<u>1,337,982</u>	<u>32,851,664</u>	<u>4,169,315</u>
OPERATING EXPENSES					
Personnel services	2,395,282	-	113,027	2,508,309	75,735
Water supply	6,219,454	-	-	6,219,454	-
Wastewater treatment	3,978,299	-	-	3,978,299	-
Contractual services	450,866	-	28,544	479,410	3,688,192
Maintenance, repairs and supplies	1,479,305	-	420,195	1,899,500	-
Utilities	439,342	-	-	439,342	-
Legal and professional	9,998	2,167	-	12,165	-
Refuse collection	-	3,545,373	-	3,545,373	-
Depreciation	4,621,585	6,212	1,026,949	5,654,746	-
Intragovernmental charges	2,036,316	227,520	253,872	2,517,708	-
Miscellaneous	117,620	1,140	-	118,760	67,771
Total operating expenses	<u>21,748,067</u>	<u>3,782,412</u>	<u>1,842,587</u>	<u>27,373,066</u>	<u>3,831,698</u>
OPERATING INCOME (LOSS)	<u>4,860,116</u>	<u>1,123,087</u>	<u>(504,605)</u>	<u>5,478,598</u>	<u>337,617</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	67,193	682	3,687	71,562	471
Gain (loss) on disposition of assets	4,800	-	(133,202)	(128,402)	-
Interest and fiscal charges	(613,717)	-	(165,819)	(779,536)	-
Total nonoperating revenues (expenses)	<u>(541,724)</u>	<u>682</u>	<u>(295,334)</u>	<u>(836,376)</u>	<u>471</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
	4,318,392	1,123,769	(799,939)	4,642,222	338,088
Capital contributions	2,437,563	-	285,456	2,723,019	-
Transfers out	(3,300,612)	(1,040,400)	(99,996)	(4,441,008)	-
CHANGE IN NET POSITION	<u>3,455,343</u>	<u>83,369</u>	<u>(614,479)</u>	<u>2,924,233</u>	<u>338,088</u>
TOTAL NET POSITION, BEGINNING AS RESTATED	<u>49,224,393</u>	<u>433,293</u>	<u>22,017,806</u>	<u>71,675,492</u>	<u>204,084</u>
TOTAL NET POSITION, ENDING	<u>\$ 52,679,736</u>	<u>\$ 516,662</u>	<u>\$ 21,403,327</u>	<u>\$ 74,599,725</u>	<u>\$ 542,172</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2015**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 25,753,562	\$ 4,854,562	\$ 1,317,517	\$ 31,925,641	\$ 4,159,157
Cash received from miscellaneous	11,532	1,962	-	13,494	10,160
Cash paid to employees for services	(2,400,033)	-	(115,514)	(2,515,547)	(75,735)
Cash paid for goods and services	(15,228,560)	(4,035,863)	(699,468)	(19,963,891)	(3,808,906)
Net cash provided by operating activities	8,136,501	820,661	502,535	9,459,697	284,676
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(3,300,612)	(1,040,400)	(99,996)	(4,441,008)	-
Net cash used in operating activities	(3,300,612)	(1,040,400)	(99,996)	(4,441,008)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(16,937,082)	-	(3,185,000)	(20,122,082)	-
Interest and fiscal charges paid on ca	(402,021)	-	29,650	(372,371)	-
Proceeds from capital debt	13,330,162	-	2,780,000	16,110,162	-
Capital contributions	2,437,563	-	285,456	2,723,019	-
Acquisition and construction of capital assets	(11,959,326)	(15,392)	(322,822)	(12,297,540)	-
Net cash used in capital and related financing activities	(13,530,704)	(15,392)	(412,716)	(13,958,812)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	67,193	682	3,687	71,562	471
Net cash provided by investing activities	67,193	682	3,687	71,562	471
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,627,622)	(234,449)	(6,490)	(8,868,561)	285,147
CASH AND CASH EQUIVALENTS, BEGINNING	21,435,452	324,862	913,118	22,673,432	451,094
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 12,807,830</u>	<u>\$ 90,413</u>	<u>\$ 906,628</u>	<u>\$ 13,804,871</u>	<u>\$ 736,241</u>
CASH AND CASH EQUIVALENTS	3,968,540	90,413	886,306	4,945,259	736,241.00
RESTRICTED CASH AND CASH EQUIVALENTS	8,839,290	-	20,322	8,859,612	-
TOTAL CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 12,807,830</u>	<u>\$ 90,413</u>	<u>\$ 906,628</u>	<u>\$ 13,804,871</u>	<u>\$ 736,241</u>

(continued)

**CITY OF ROWLETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2015**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 4,860,116	\$ 1,123,087	\$ (504,605)	\$ 5,478,598	\$ 337,617
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	4,621,585	6,212	1,026,949	5,654,746	-
Changes in assets and liabilities:					
Accounts receivable	(889,609)	(48,803)	(20,454)	(958,866)	-
Other receivables	412,976	(172)	(11)	412,793	2
Prepaid expenses and other assets	3,590	-	-	3,590	(43,518)
Inventory	(370,046)	-	-	(370,046)	-
Accounts payable and accrued liabilities	(415,296)	(259,663)	8,429	(666,530)	(9,425)
Customer and escrow deposits	12,403	-	-	12,403	-
Accrued compensated absences	20,363	-	(1,545)	18,818	-
Net pension liability and OPEB obligation	(119,581)	-	(6,228)	(125,809)	-
Total adjustments	3,276,385	(302,426)	1,007,140	3,981,099	(52,941)
Net cash provided by operating activities	<u>\$ 8,136,501</u>	<u>\$ 820,661</u>	<u>\$ 502,535</u>	<u>\$ 9,459,697</u>	<u>\$ 284,676</u>
NONCASH FINANCING AND INVESTING ACTIVITIES:					
Capital lease	<u>\$ 431,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,904</u>	<u>\$ -</u>
Total noncash financing and investing activities	<u>\$ 431,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,904</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015**

	Other Post Employment Benefits Trust Fund
ASSETS	
Cash	\$ 2,972
Investments:	
Equity mutual funds	60,994
Fixed income mutual funds	38,510
Total investments:	102,476
Total assets:	\$ 102,476
NET POSITION	
Held in trust for other post employment benefits and other purposes	\$ 102,476
Total net position	\$ 102,476

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Other Post Employment Benefits Trust Fund
ADDITIONS	
Employer contributions	\$ 102,654
Total additions:	102,654
 DEDUCTIONS	
Administrative expenses	178
Total deductions:	178
Change in net position	102,476
Net position, beginning of year	-
Net position, end of year	\$ 102,476

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 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.

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 and business-type activities on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's fixed assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which 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 capital assets, including infrastructure.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 position and the statement of activities) report information of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

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

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

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus/Basis of Accounting

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

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments not due within the operating cycle, 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 position.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus/Basis of Accounting – Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, refuse, and municipal drainage funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus/Basis of Accounting – Continued

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, such as impact fees, police seizure, court fees, grants, etc.

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.

The **Fiduciary Fund** is used to hold assets for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government. These funds are not incorporated into the government-wide financial statements.

Assets, Liabilities, and Net Position or Equity

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, 2015 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.

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."

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Receivables and Payables – Continued

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

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

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 and inventories 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.

Interfund Transactions and Receivables and Payables

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

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

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 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.

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 \$10,000 and an estimated useful life in excess of three years. Public infrastructure is capitalized at \$100,000 and an estimated useful life in excess of five years. Contributed assets are recorded at estimated fair market value at the time received. Assets acquired by lease financing are capitalized over the term of the lease regardless of the cost of individual items. Capital costs that do not materially add to the value of the asset, extend its useful life, or do not otherwise meet the government's capitalization threshold are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total amount of interest capitalized for the current fiscal year was \$615,843.

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

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only two types of items. The first arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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.

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 net pension liability and the other post-employment benefits (OPEB) obligation are liquidated with expendable resources in the General Fund.

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.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Fund Balance Classification and Net Position

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. Fund balances classified as committed can only be used for specific purposes pursuant to Resolution Number

RES-011-12 imposed by the City Council, which constitutes the highest level of action and most binding constraint.

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. The City Council has by resolution authorized the City Manager and/or the Director of Financial Services to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Fund Balance Classification and Net Position – Continued

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 position represents the difference between assets and liabilities. Net investment in capital assets 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.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. Budget adjustments are transfers of approved funds from one line-item within a department or from one department to another within a fund. Budget adjustments within the same department under \$10,000 may be approved by the Director and Director of Financial Services with notification to the City Manager. Budget adjustments exceeding \$10,000 or between departments within the same fund shall be made at the discretion and approval of the City Manager. Budget amendments, which increase or decrease the total appropriation of a given fund shall be approved by the City Council at a regularly scheduled City Council meeting.

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 supplemental information. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in a Five Year Capital Improvements Plan.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

Excess of Expenditures over Appropriations

For the year ended September 30, 2015, expenditures exceeded appropriations in the General Fund by \$3,603,934. The City had \$3.3 million in unbudgeted funds approved to be spent from the General Fund for equipment replacement and system upgrades funded by capital lease proceeds, as well as golf course improvements.

The Police Seizure Fund expenditures exceeded appropriations by \$426,410, the Traffic Safety Fund by \$750, the Court Fees Fund by \$63,954 and the Grant Fund by \$245,425. Resources for the Police Seizure Fund come from federal and state asset forfeitures which govern the purposes for which they may be spent. The City had traffic safety special revenue funds approved to be spent on unexpected operating costs and court fees special revenue funds approved to be spent for upgrades to court technology and court security. The City had CDBG project funds approved to be spent from the Grant special revenue fund that were reimbursed in fiscal year 2016. The City also had PEG funds approved to be spent from Other Special Revenue funds for improvements to the City's live television channel RTN16. The budgets were not specifically amended for the fiscal year ended September 30, 2015 to address the over expenditures.

NOTE 3. 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, 2015 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.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

The City invests in Texas Local Government Investment Pool (TexPool), an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. The fair value of the City's position in the pool is the same as the value of pool shares.

The City's investments carried at fair value as of September 30, 2015 are:

Investment Type	Fair Value	Maturity (Years)	Rating
Commercial Paper	\$ 2,197,621	0.39	P-1
U.S. Agencies	6,506,172	0.66	Aaa
U.S. Treasuries	7,124,617	0.88	Aaa
Texas Local Government Investment Pools			
TexPool	<u>19,751,579</u>	<u>0.03</u>	AAAm
	<u>\$ 35,579,989</u>	<u>1.96</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 maturity 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, FHLMC, and US TSY) are individually rated by Standard & Poor's and by Moody's Investors Service (see table above). As of September 30, 2015, 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, 2015, 44.49% of the City's total investments are in the following: Federal Home Loan Banks (5.62%), Federal Home Loan Mortgage Corporation (12.67%), US Treasury Notes (20.02%), and Commercial paper (6.18%) on a fair value basis. The remaining 55.51% is in TexPool.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

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

Custodial Credit Risk – Investments. For investments, custodial credit risk is the risk that in the event of the failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all investments held by outside parties for safekeeping be held in the name of the City. The City was not exposed to any custodial credit risk at year-end.

NOTE 4. 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. Taxes are due October 1 and become delinquent after the following January 31. Penalty and interest is charged at 7% on delinquent taxes beginning February 1 and increases each month to a maximum of 18% on July 1. 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, 2014, upon which the fiscal year 2015 levy was based, was \$3,274,028,998.

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, 2015 was \$.787173 per \$100, of which \$0.549770 was allocated for general government and \$0.237403 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, 2015, were 99.25% 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.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4. PROPERTY TAXES – CONTINUED

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

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

NOTE 5. RECEIVABLES

Receivables as of the year end for the City's individual major 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	\$ 4,040	\$ 455	\$ 6,177	\$ 1,097	\$ 10,513	\$ 129	\$ 564	\$ 99	\$ 23,074
Court	-	-	-	863	-	-	-	-	863
Ambulance	442,026	-	-	-	-	-	-	-	442,026
Lot mowing	439,007	-	-	-	-	-	-	-	439,007
Sales tax	1,099,552	-	-	-	-	-	-	-	1,099,552
Hotel/motel tax	-	-	-	6,152	-	-	-	-	6,152
Property tax	379,513	180,174	-	-	-	-	-	-	559,687
Customer accounts	-	-	-	-	4,930,805	770,155	204,846	-	5,905,806
Other accounts	80,275	-	-	-	11,577	1,591	-	-	93,443
Franchise fees	973,217	-	-	45,604	-	-	-	-	1,018,821
911 fees	36,054	-	-	-	-	-	-	-	36,054
Gross receivables	3,453,684	180,629	6,177	53,716	4,952,895	771,875	205,410	99	9,624,485
Less: allowance for uncollectibles	(372,618)	(20,049)	-	-	(152,745)	(28,156)	(8,193)	-	(581,761)
Net total receivables	\$ 3,081,066	\$ 160,580	\$ 6,177	\$ 53,716	\$ 4,800,150	\$ 743,719	\$ 197,217	\$ 99	\$ 9,042,724

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6. CAPITAL ASSETS

Capital asset activity as of September 30, 2015 was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,173,128	\$ -	\$ (44,680)	\$ 29,128,448
Construction in progress	14,676,366	6,544,303	(13,749,624)	7,471,045
Total capital assets not being depreciated	<u>43,849,494</u>	<u>6,544,303</u>	<u>(13,794,304)</u>	<u>36,599,493</u>
Capital assets being depreciated:				
Buildings	23,159,692	1,254,531	-	24,414,223
Improvements other than buildings	22,418,906	300,931	2,079,566	24,799,403
Machinery and equipment	13,914,349	1,486,643	(335,853)	15,065,139
Infrastructure	109,684,016	919,501	11,401,722	122,005,239
Total capital assets being depreciated	<u>169,176,963</u>	<u>3,961,606</u>	<u>13,145,435</u>	<u>186,284,004</u>
Less accumulated depreciation:				
Buildings	(7,907,036)	(618,808)	-	(8,525,844)
Improvements other than buildings	(19,777,028)	(432,615)	1,680	(20,207,963)
Machinery and equipment	(9,336,289)	(1,185,024)	488,490	(10,032,823)
Infrastructure	(72,278,592)	(5,139,592)	-	(77,418,184)
Total accumulated depreciation	<u>(109,298,945)</u>	<u>(7,376,039)</u>	<u>490,170</u>	<u>(116,184,814)</u>
Total capital assets being depreciated, net	<u>59,878,018</u>	<u>(3,414,433)</u>	<u>13,635,605</u>	<u>70,099,190</u>
Governmental activities capital assets, net	<u>\$ 103,727,512</u>	<u>\$ 3,129,870</u>	<u>\$ (158,699)</u>	<u>\$ 106,698,683</u>
	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 858,672	\$ 74,293	\$ -	\$ 932,965
Construction in progress	9,952,878	8,777,775	(3,057,624)	15,673,029
Total capital assets not being depreciated	<u>10,811,550</u>	<u>8,852,068</u>	<u>(3,057,624)</u>	<u>16,605,994</u>
Capital assets being depreciated:				
Buildings	1,100,819	-	-	1,100,819
Improvements other than buildings	290,606	-	-	290,606
Machinery and equipment	8,423,687	581,633	-	9,005,320
Infrastructure	154,044,632	3,242,842	2,295,784	159,583,258
Total capital assets being depreciated	<u>163,859,744</u>	<u>3,824,475</u>	<u>2,295,784</u>	<u>169,980,003</u>
Less accumulated depreciation:				
Buildings	(458,445)	(28,825)	-	(487,270)
Improvements other than buildings	(254,769)	(2,773)	-	(257,542)
Machinery and equipment	(4,750,326)	(607,848)	-	(5,358,174)
Infrastructure	(73,685,760)	(5,015,300)	628,637	(78,072,423)
Total accumulated depreciation	<u>(79,149,300)</u>	<u>(5,654,746)</u>	<u>628,637</u>	<u>(84,175,409)</u>
Total capital assets being depreciated, net	<u>84,710,444</u>	<u>(1,830,271)</u>	<u>2,924,421</u>	<u>85,804,594</u>
Business-type activities capital assets, net	<u>\$ 95,521,994</u>	<u>\$ 7,021,797</u>	<u>\$ (133,203)</u>	<u>\$ 102,410,588</u>

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6. CAPITAL ASSETS – CONTINUED

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

Governmental activities:	
General government	\$ 308,988
Public safety	887,221
Public works	5,513,978
Culture and recreation	643,478
Development	<u>22,374</u>
Total depreciation expense - governmental activities	<u>\$ 7,376,039</u>
Business-type activities:	
Water and sewer	\$ 4,621,585
Refuse	6,212
Drainage	<u>1,026,949</u>
Total depreciation expense - business-type activities	<u>\$ 5,654,746</u>

NOTE 7. EMPLOYEE’S RETIREMENT SYSTEM

Plan Description

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

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

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7. EMPLOYEE’S RETIREMENT SYSTEM – CONTINUED

Benefits Provided

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

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

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to 100% of what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee’s accumulated contributions.

The City can grant, as often as annually, another type of monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, the City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
	20 years at any age, 5 years at age 60 and above
Service retirement eligibility	
Updated service credit	100% repeating
Annuity increase (to retirees)	50% of CPI repeating

The City does not participate in Social Security.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7. EMPLOYEE’S RETIREMENT SYSTEM – CONTINUED

Employees Covered by Benefit Terms

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

Retirees or beneficiaries currently receiving benefits	158
Inactive employees entitled to but not yet receiving benefits	217
Active employees	354
	729

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.43% and 13.06% in calendar years 2014 and 2015, respectively. The City’s contributions to TMRS for fiscal year 2015 were \$2,852,497, and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions –

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

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7. EMPLOYEE’S RETIREMENT SYSTEM – CONTINUED

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

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

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

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

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

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 94,388,644	\$ 86,881,077	\$ 7,507,567
Changes for the year:			
Service cost	3,106,700	-	3,106,700
Interest	6,620,134	-	6,620,134
Difference between expected and actual experience	(1,127,265)	-	(1,127,265)
Contributions - employer	-	2,683,946	(2,683,946)
Contributions - employee	-	1,398,930	(1,398,930)
Net investment income	-	4,970,464	(4,970,464)
Benefit payments, including refunds of employee contributions	(2,737,302)	(2,737,302)	-
Administrative expense	-	(51,890)	51,890
Other changes	-	(4,266)	4,266
Net changes	<u>5,862,267</u>	<u>6,259,882</u>	<u>(397,615)</u>
Balance at 12/31/2014	<u>\$ 100,250,911</u>	<u>\$ 93,140,959</u>	<u>\$ 7,109,952</u>

Sensitivity of the net pension liability to changes in the discount rate –

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

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
	City's net pension liability	\$ 22,742,853	\$ 7,109,952

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7. EMPLOYEE’S RETIREMENT SYSTEM – CONTINUED

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$2,269,947.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (872,585)
Difference between projected and actual investment earnings	888,969	-
Contributions subsequent to the measurement date	2,115,998	-
Total	<u>\$ 3,004,967</u>	<u>\$ (872,585)</u>

\$2,115,998 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the City’s financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement year ended December 31:	
2015	\$ (32,438)
2016	(32,438)
2017	(32,438)
2018	113,698
2019	-
Total	<u>\$ 16,384</u>

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8. LONG-TERM DEBT

A summary of long-term debt transactions, including the current portion, as of September 30, 2015, was as follows:

	Balance October 1, 2014	Issued Incurred	Retired or Refunded	Balance September 30, 2015	Due Within One Year
Governmental activities					
General obligation bonds	\$ 36,573,521	\$ 29,460,000	\$ 6,420,059	\$ 59,613,462	\$ 4,851,509
Combined tax and surplus revenue certificates of obligation	22,095,000	-	21,215,000	880,000	880,000
Note payable	-	1,235,000	-	1,235,000	165,000
Capital leases	4,063,254	2,141,763	905,802	5,299,215	1,079,642
Bond premiums	1,797,719	3,506,264	386,861	4,917,122	-
Compensated absences	2,870,809	155,878	25,642	3,001,045	359,314
Unfunded pension obligation	1,423,714	-	1,423,714	-	-
Net pension liability	-	6,505,713	-	6,505,713	-
Unfunded OPEB obligation	1,218,588	175,830	-	1,394,418	-
Governmental activities long-term debt	<u>\$ 70,042,605</u>	<u>\$ 43,180,448</u>	<u>\$ 30,377,078</u>	<u>\$ 82,845,975</u>	<u>\$ 7,335,465</u>
Business-type activities					
Water and sewer revenue bonds	\$ 28,080,000	\$ 12,330,000	\$ 15,080,000	\$ 25,330,000	\$ 2,115,000
General obligation bonds	12,186,479	2,780,000	1,039,941	13,926,538	1,233,491
Certificates of obligation	3,410,000	-	3,185,000	225,000	225,000
Capital leases	3,236,256	1,000,162	817,141	3,419,277	721,333
Bond premiums	1,494,713	1,329,933	259,105	2,565,541	-
Compensated absences	110,175	19,050	231	128,994	15,457
Unfunded pension obligation	107,677	-	107,677	-	-
Net pension liability	-	604,239	-	604,239	-
Unfunded OPEB obligation	145,680	23,522	-	169,202	-
Business-type activities long-term debt	<u>\$ 48,770,980</u>	<u>\$ 18,086,906</u>	<u>\$ 20,489,095</u>	<u>\$ 46,368,791</u>	<u>\$ 4,310,281</u>

For the governmental activities, the net pension liability and the other post-employment benefit obligation are generally liquidated by the General Fund.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8. LONG-TERM DEBT – CONTINUED

Long-term debt for governmental activities at September 30, 2015 includes the following individual issues:

	<u>Original Issue Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Outstanding</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds:					
2010 Refunding	10,825,000	2.00-3.00	2/15/22	\$ 6,820,000	\$ 1,025,000
2011 Refunding	7,860,000	2.00-4.00	2/15/23	6,785,000	1,035,000
2012 Refunding	6,271,149	2.00-5.00	2/15/29	5,673,462	546,509
2013 Refunding	7,385,000	2.50-5.00	2/15/25	7,220,000	-
2014 Refunding	3,750,000	3.00-4.40	8/15/39	3,655,000	100,000
2015 Refunding	29,460,000	3.00-5.00	2/15/35	<u>29,460,000</u>	<u>2,145,000</u>
				<u>59,613,462</u>	<u>4,851,509</u>
Combination tax and revenue certificates of obligation:					
2006 Various purpose	21,465,000	4.00-5.125	2/15/31	<u>880,000</u>	<u>880,000</u>
				<u>880,000</u>	<u>880,000</u>
Tax notes					
2015 Tax note	1,235,000	0.63 - 2.02	2/15/22	<u>1,235,000</u>	<u>165,000</u>
Total governmental activities long-term bonded debt				61,728,462	5,896,509
Plus:					
Premiums and discounts				<u>4,917,122</u>	<u>-</u>
Net government activities long-term bonded debt				<u>\$ 66,645,584</u>	<u>\$ 5,896,509</u>

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8. LONG-TERM DEBT – CONTINUED

Long-term debt for business activities at September 30, 2015 includes the following individual issues:

	Original Issue Amount	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Business-type activities					
Utility system revenue bonds:					
2005A Various purpose	7,180,000	3.00-4.38	3/1/25	\$ 355,000	\$ 355,000
2006 Various purpose	11,775,000	4.00-4.89	3/1/26	460,000	460,000
2012 Various purpose	8,525,000	2.00-3.50	3/1/32	7,520,000	350,000
2014 Various purpose	4,825,000	1.00-4.00	3/1/34	4,665,000	175,000
2015 Refunding	12,330,000	1.50-5.00	3/1/26	12,330,000	775,000
				<u>25,330,000</u>	<u>2,115,000</u>
General obligation bonds:					
2015 Refunding	1,140,000	3.00-5.00	2/15/26	2,780,000	-
2013 Refunding	10,883,851	3.00-3.00	2/15/18	515,000	165,000
2012 Refunding	525,000	2.00-5.00	2/15/29	9,846,538	948,491
2011 Refunding	2,780,000	2.00-4.00	2/15/23	785,000	120,000
				<u>13,926,538</u>	<u>1,233,491</u>
Combination tax and revenue certificates of obligation:					
2006 various purpose	4,815,000	4.00-5.13	2/15/31	225,000	225,000
				<u>225,000</u>	<u>225,000</u>
Total business-type activities long-term bonded debt				39,481,538	3,573,491
Plus:					
Premiums and discounts				2,565,541	-
Net business-type activities long-term bonded debt				<u>\$ 42,047,079</u>	<u>\$ 3,573,491</u>

The annual requirements to amortize general and certificates of obligations bonds as of September 30, 2015 are summarized below:

Year Ended September 30,	General and Certificates of Obligation Bonds					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 5,896,509	\$ 2,466,061	\$ 8,362,570	\$ 1,458,491	\$ 545,083	\$ 2,003,574
2017	6,077,959	2,272,323	8,350,282	1,502,041	500,017	2,002,058
2018	5,948,065	2,033,942	7,982,007	1,561,934	449,833	2,011,767
2019	5,599,515	1,784,284	7,383,799	1,430,485	398,646	1,829,131
2020	5,484,138	1,544,551	7,028,689	1,475,862	348,426	1,824,288
2021-2025	22,542,170	4,451,260	26,993,430	6,347,831	767,500	7,115,331
2026-2030	5,210,106	1,682,640	6,892,746	374,894	10,717	385,611
2031-2035	4,090,000	699,900	4,789,900	-	-	-
2036-2039	880,000	98,048	978,048	-	-	-
Total	<u>\$ 61,728,462</u>	<u>\$ 17,033,009</u>	<u>\$ 78,761,471</u>	<u>\$ 14,151,538</u>	<u>\$ 3,020,222</u>	<u>\$ 17,171,760</u>

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8. LONG-TERM DEBT – CONTINUED

The annual requirements to amortize water and sewer revenue bonds as of September 30, 2015 are summarized below:

Year Ended September 30,	Water and Sewer Revenue Bonds		
	Principal	Interest	Total
2016	\$ 2,115,000	\$ 854,905	\$ 2,969,905
2017	2,185,000	780,325	2,965,325
2018	1,975,000	712,650	2,687,650
2019	2,050,000	639,175	2,689,175
2020	1,845,000	577,463	2,422,463
2021-2025	8,345,000	2,113,047	10,458,047
2026-2030	4,430,000	807,328	5,237,328
2031-2034	2,385,000	144,350	2,529,350
Total	<u>\$ 25,330,000</u>	<u>\$ 6,629,243</u>	<u>\$ 31,959,243</u>

As of September 30, 2015, the City had authorized, but unissued general obligation bonds outstanding as follows:

Date	Purpose	Amount Authorized	Previously Issued	Unissued Balance
1/18/1997	Streets	\$ 15,000,000	\$ 11,040,000	\$ 3,960,000
5/19/2015	Streets	18,932,340	7,015,000	11,917,340
5/19/2015	Parks and recreation	4,206,110	1,957,500	2,248,610
5/19/2015	Public safety	2,631,050	985,000	1,646,050
		<u>\$40,769,500</u>	<u>\$20,997,500</u>	<u>\$19,772,000</u>

Advance Refundings

During fiscal year 2015, general obligation refunding bonds were issued to refund outstanding obligations of the City and to finance improvements. The resources were placed in an irrevocable trust for purposes of generating resources for all future debt service payments. As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$450,571. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$3,143,527 and resulted in an economic gain of \$2,504,788.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8. LONG-TERM DEBT – CONTINUED

Advance Refundings – Continued

During fiscal year 2015, water and sewer revenue refunding bonds were issued to refund outstanding obligations of the City and to finance improvements. The resources were placed in an irrevocable trust for purposes of generating resources for all future debt service payments. As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$727,715. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$1,217,997 and resulted in an economic gain of \$1,056,714.

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, 2015, 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, 2015, 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 ten year maturity. Based on Rowlett's Authorized Personnel count as of April 1, 2006, the City's initial anticipated annual payments under the agreement ranges from \$104,676 to \$106,272 but may vary from year to year under the terms of the agreement. On June 28, 2011, the RESC refunded the original 2006 bonds and issued additional contract revenue bonds totaling \$415,000 for necessary structural improvements.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8. LONG-TERM DEBT – CONTINUED

Conduit Debt – Continued

During the current year the City paid \$120,744 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, 2015, the outstanding balance was \$400,000. The City has no obligation for this debt beyond the resources provided by this agreement.

Capital Leases

In April of 2015, the City entered into an agreement with US Bancorp Government Leasing and Financing, Inc. to purchase fire trucks. The agreement is for ten annual payments and expires on November 1, 2024. Payments are \$198,831 annually and carry an effective interest rate of 2.01%.

In May of 2015, the City entered into an agreement with Clayton Holdings, L.L.C. to purchase fire protective clothing and bunker gear. The agreement is for five annual payments and expires on July 10, 2019. Payments are \$49,706 annually and carry an effective interest rate of 1.57%.

In May of 2015, the City entered into an agreement with Clayton Holdings, L.L.C. to purchase a fuel management system. The agreement is for seven annual payments and expires on July 10, 2021. Payments are \$15,339 annually and carry an effective interest rate of 1.79%.

In May of 2015, the City entered into an agreement with Clayton Holdings, L.L.C. to purchase water meters. The agreement is for five annual payments and expires on July 10, 2019. Payments are \$54,670 annually and carry an effective interest rate of 1.56%.

In June of 2015, the City entered into an agreement with Whitney Bank to purchase three maintenance trucks. The agreement is for seven annual payments and expires on August 22, 2021. Payments are \$110,546 annually and carry an effective interest rate of 1.632%.

The City previously entered into an agreement with SunTrust Leasing Corporation to purchase an enterprise resource planning system. The agreement is for an approximate 75 month term based on delivery of the equipment and expires on August 15, 2020. Payments are \$126,327 annually and carry an effective interest rate of 1.82%.

The City previously entered into an agreement with Pinnacle Public Finance Inc. to purchase a self-contained breathing apparatus. The agreement is for an approximate 108 month term based on delivery of the equipment and expires on October 31, 2023. Payments are \$44,683 annually and carry an effective interest rate of 2.63%.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8. LONG-TERM DEBT – CONTINUED

Capital Leases – Continued

The City previously entered into an agreement with Pinnacle Public Finance Inc. to purchase two ambulances and a payroll system. Both agreements are for approximate 48 month terms based on delivery of the equipment and both expire on October 31, 2018. Payments are \$75,430 and \$76,350, respectively, annually and carry an effective interest rate of 2.00%.

The City previously entered into an agreement with SunTrust Leasing Corporation to purchase water meters. The agreement is for an approximate 50 month term based on delivery of the equipment and expires on October 15, 2018. Payments are \$89,035 annually and carry an effective interest rate of 1.38%.

The City previously entered into an agreement with Clayton Holdings to purchase a diesel chassis with crane. The agreement is for an approximate 72 month term based on delivery of the equipment and expires on December 17, 2018. Payments are \$22,824 annually and carry an effective interest rate of 1.61%.

The City previously entered into an agreement with US Bancorp to purchase pipe bursting equipment. The agreement is for an approximate 48 month term based on delivery of the equipment and expires on August 22, 2017. Payments are \$52,893 annually and carry an effective interest rate of 1.51%.

The City previously entered into an agreement with Key Government Finance to purchase IT equipment. The agreement is for an approximate 48 month term based on delivery of the equipment and expires on July 1, 2017. Payments are \$127,039 annually and carry an effective interest rate of 0%.

The City previously entered into an agreement with BB&T to purchase servers, software, and equipment. The agreement is for an approximate 48 month term based on delivery of the equipment and expires on September 15, 2017. Payments are \$102,124 annually and carry an effective interest rate of 1.46%.

The City previously entered into an agreement with BB&T to purchase a diesel chassis. The agreement is for an approximate 57 month term based on delivery of the equipment and expires on October 15, 2016. Payments are \$28,602 annually and carry an effective interest rate of 1.75%.

The City previously entered into an agreement with Capital One to purchase police and fire software. The agreement is for a nine year term based on delivery of the equipment and expires on September 30, 2020. Payments are \$80,085 annually and carry an effective interest rate of 2.58%.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8. LONG-TERM DEBT – CONTINUED

Capital Leases – Continued

The City previously entered into an agreement with BB&T to purchase a jet truck. The agreement is for a six year term based on delivery of the equipment and expires on November 30, 2016. Payments are \$38,227 annually and carry an effective interest rate of 2.34%.

The City previously entered into an agreement with BB&T to purchase 911 police equipment. The agreement is for a six and a half year term based on delivery of the equipment and expires on August 31, 2017. Payments are \$29,952 annually and carry an effective interest rate of 2.93%.

The City previously entered into an agreement with BB&T to purchase roller, loader, dump trucks. The agreement is for a six year term based on delivery of the equipment and expires on November 30, 2016. Payments are \$43,009 annually and carry an effective interest rate of 2.34%.

The City previously 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%.

The City previously entered into an agreement with SunTrust Equipment Finance & Leasing Corp. totaling \$494,515 to purchase a fire rescue engine. The agreement is for a nine year term based on delivery of the equipment and expires on October 15, 2015. Payments are \$60,671 annually and carry an effective interest rate of 4.17%.

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

The assets acquired through capital leases are as follows:

	Water and Sewer	Governmental Activities	Total
Asset:			
Motor vehicles	\$ 598,427	\$ 1,874,435	\$ 2,472,862
Machinery and equipment	5,918,421	1,945,199	7,863,620
Less: accumulated depreciation	(3,467,376)	(1,988,520)	(5,455,896)
Total	\$ 3,049,472	\$ 1,831,114	\$ 4,880,586

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8. 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:

Year Ending September 30,	Water and Sewer	Governmental Activities	Total
2016	\$ 818,531	\$ 1,181,755	\$ 2,000,286
2017	818,531	1,121,085	1,939,616
2018	705,907	811,863	1,517,770
2019	705,907	811,079	1,516,986
2020	539,377	610,377	1,149,754
2021-2025	<u>110,546</u>	<u>1,188,227</u>	<u>1,298,773</u>
Total minimum lease payments	3,698,799	5,724,386	9,423,185
Less: amount representing interest	<u>(279,522)</u>	<u>(425,171)</u>	<u>(704,693)</u>
Present value of minimum lease payments	<u>\$ 3,419,277</u>	<u>\$ 5,299,215</u>	<u>\$ 8,718,492</u>

NOTE 9. 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 2015, the City purchased commercial insurance from Texas Municipal League (TML), a public entity risk pool, to cover these general liabilities, including worker's compensation. Both TML and the City purchased reinsurance and do not retain the entire risk of loss.

Policy	Retention	Limits of Liability
General Liability	\$2,500 per occurrence	\$2,000,000 per occurrence and \$4,000,000 policy aggregate
Law Enforcement Liability & Errors and Omissions	\$10,000 per occurrence	\$3,000,000 per occurrence and \$6,000,000 policy aggregate
Worker's Compensation	\$0 per occurrence	Statutory
Property Loss	\$1,000 per occurrence	\$89,445,024
Automobile Liability	\$2,500 per occurrence	\$1,000,000 per occurrence and \$25,000 each person
Automobile Physical Damage	\$10,000 per occurrence \$500 each vehicle	Agreed value as scheduled

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9. INSURANCE – CONTINUED

The City maintains a self-insurance program for health insurance. Group medical benefits are paid from the Self-Insurance Fund (Internal Service Fund), which has an annually negotiated stop loss provision through Aetna. Revenues are recognized from payroll deductions from employee dependent coverage and from City contributions for employee coverage. The liabilities for insurance claims reported in the City's Self-Insurance Fund is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported (IBNR) claims. Change in the fund's claim liability in fiscal year 2015 and 2014 is as follows:

Fund	Liability, Beginning of year	Current year Claims and Changes in Estimates	Claim Payments	Liability, End of year
Self-Insurance 2015	\$272,040	\$2,757,624	\$2,745,192	\$284,472
Self-Insurance 2014	\$489,435	\$2,745,496	\$2,962,891	\$272,040

For all insurance categories, there were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

NOTE 10. INTERFUND TRANSACTIONS

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

A transfer from the Water and Sewer Fund to the General Fund is made for 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.

Due to and due from other funds at the fund level, as of September 30, 2015, were for a cash deficit of \$43,107 between the General Fund and Nonmajor Governmental Funds.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 10. INTERFUND TRANSACTIONS – CONTINUED

The detail transfer schedule for the year ended September 30, 2015 was as follows:

Transfers from	Transfer to	Amount	Reason for Transfer
General	Capital projects	\$ 1,409,256	Cash fund capital projects
	Debt service	243,251	Debt service payments
Water and sewer	General	1,218,072	Franchise fee payments
	General	824,316	In-lieu of property taxes
	General	158,220	Economic development payments
	Capital projects	1,100,004	Cash fund capital projects
Drainage	Capital projects	99,996	Cash fund capital projects
Refuse	Capital projects	800,004	Cash fund capital projects
	Debt service	240,396	Debt service payments
		<u>\$ 6,093,515</u>	

NOTE 11. 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 (IMCA) 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 \$17,000 (\$22,500 if over age 50) per year. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

NOTE 12. POST-EMPLOYMENT BENEFITS

Post-retirement Health Care Benefits

The City offers its retired employees health insurance benefits through a single-employer defined benefit OPEB plan, under City policy. The benefit plan was established by the City in 2002 and last amended in 2005. No separate pension plan report is issued. This plan is administered by the City and no separate audited financial statements are available.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 12. POST-EMPLOYMENT 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 wage toward retiree health care benefits. The City pays the employee-only premium for medical coverage, based on the City's Core Medical Plan Option. Retired employees are required to pay 100% of any additional premium expense for health benefits purchased upon retirement.

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City implemented the provisions of GASB 45 for the fiscal year ending September 30, 2009, as required by GASB. The City's annual OPEB cost for the current year and the related information is listed below:

Annual required contribution (ARC)	\$ 414,569
Interest net OPEB obligation	61,392
Adjustment to the ARC	<u>(56,879)</u>
Annual OPEB cost	419,082
Employer contribution	<u>(219,730)</u>
Increase in net OPEB obligation	199,352
Net OPEB obligation, beginning of year	<u>1,364,268</u>
 Net OPEB obligation, end of year	 <u>\$ 1,563,620</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:

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 12. POST-EMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

Fiscal Year Ended	OPEB Cost	Employer Contribution	Percentage Contributed	OPEB Obligation
9/30/13	\$ 394,436	\$ 217,602	55.17%	1,123,845
9/30/14	406,212	165,789	40.81%	1,364,268
9/30/15	419,082	219,730	52.43%	1,563,620

Funding Status and Funding Progress

Actuarial Valuation Date	Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Fiscal Year	Covered Payroll
12/31/11	2,820,447	2,820,447	0%	2013	18,821,603
12/31/13	3,432,848	3,432,848	0%	2014	19,564,830
12/31/13	3,432,848	3,432,848	0%	2015	21,685,946

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, 2011	December 31, 2013
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	30 years; open
Asset valuation method	Market value	Market value
Actuarial assumption:		
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%

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 13. COMMITMENTS AND CONTRACTS

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

A. North Texas Municipal Water District Water Purchase Agreement – The City has a long-term contract with the North Texas Municipal Water District for the purchase of treated water. The original contract for water is dated June 3, 1965, and is for a period of 40 years. An amendatory contract was approved May 3, 1994 to extend the contract for a period of 30 years from the date of this amendment. 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, 2015, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 2,159,205,000 gallons.

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

C. Solid Waste Disposal Contract – In May 2012, the City contracted with Waste Management 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, 2012, and shall automatically extend for one successive five-year term unless either party terminates the contract in writing. Collection rates may be adjusted yearly based upon the terms of the contract. An administrative fee assessed by the City is retained in the Enterprise Fund as a charge for service.

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

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

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibility funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018. Statement No. 77, "Tax Abatement Disclosures" – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the City in fiscal year 2017.

NOTE 15. RESTATEMENT

In 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68". The implementation of Statement Nos. 68 and 71 resulted in a restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below:

	Government-wide Level		Fund Level	
	Statement of Activities		Statement of Revenues, Expenses and Changes in Net Position	
	Governmental Activities	Business-type Activities	Water and Sewer	Drainage
Net position at September 30, 2014 as previously reported	\$ 54,754,020	\$ 72,040,411	\$ 49,575,206	\$ 22,031,912
Elimination of net pension obligation as of September 30, 2014	1,423,714	107,677	101,596	6,081
Recording of net pension liability as of September 30, 2014	(6,869,537)	(638,030)	(610,776)	(27,254)
Deferral for pension contributions made after the measurement date	1,603,370	165,434	158,367	7,067
Net position at September 30, 2014 as restated	<u>\$ 50,911,567</u>	<u>\$ 71,675,492</u>	<u>\$ 49,224,393</u>	<u>\$ 22,017,806</u>

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 16. SUBSEQUENT EVENTS

In December 2015, the City issued \$2,885,000 in Certificates of Obligation bonds to provide the funding necessary for upgrading the public radio system utilized by the City and hosted by the City of Garland. In January of 2016, City Council approved the financing of a capital lease in the amount of \$1,402,545 for rolling stock and equipment for Water, Wastewater, Streets and Drainage divisions along with the purchase of capital equipment that includes a haul truck, trailer, patch truck, and back hoe. The lease is broken into both a five year and seven year lease, of \$638,253 and \$764,292, respectively. The interest rate received was 1.64% and 1.90% for the five and seven year leases. The total cost to finance is \$78,636. The first lease payment for both the five year and seven year lease will be due July 15, 2016.

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**REQUIRED
SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 18,489,122	\$ 18,489,122	\$ 17,898,766	\$ (590,356)
Sales	5,631,653	5,631,653	5,995,488	363,835
Other	58,921	58,921	69,230	10,309
Franchise fees	3,077,968	3,077,968	3,169,838	91,870
Licenses and permits	660,308	660,308	946,609	286,301
Charge for services	2,792,859	2,792,859	2,784,430	(8,429)
Fines and forfeitures	1,035,356	1,035,356	989,676	(45,680)
Intergovernmental	221,897	221,897	224,099	2,202
Interest	52,255	52,255	33,035	(19,220)
Miscellaneous	944,665	944,665	1,253,851	309,186
Total revenues	<u>32,965,004</u>	<u>32,965,004</u>	<u>33,365,022</u>	<u>400,018</u>
EXPENDITURES				
Current operating:				
General government	2,791,190	3,207,690	3,259,924	(52,234)
Public safety	19,722,673	19,437,073	20,231,667	(794,594)
Public works	2,671,775	2,619,279	2,624,902	(5,623)
Culture and recreation	4,780,002	4,763,113	4,498,803	264,310
Development	1,701,547	1,679,747	1,584,360	95,387
Debt service:				
Principal retirement	1,154,088	1,154,088	905,802	248,286
Interest and fiscal charges	-	-	77,123	(77,123)
Capital outlay	903,599	889,488	4,171,831	(3,282,343)
Total expenditures	<u>33,724,874</u>	<u>33,750,478</u>	<u>37,354,412</u>	<u>(3,603,934)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(759,870)</u>	<u>(785,474)</u>	<u>(3,989,390)</u>	<u>(3,203,916)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	2,141,763	2,141,763
Transfers from other funds	2,200,612	2,200,612	2,200,608	(4)
Transfers to other funds	(1,663,813)	(1,663,813)	(1,652,507)	11,306
Proceeds from sale of assets	-	667,000	669,600	2,600
Total other financing sources (uses)	<u>536,799</u>	<u>1,203,799</u>	<u>3,359,464</u>	<u>2,155,665</u>
CHANGE IN FUND BALANCE	(223,071)	418,325	(629,926)	(1,048,251)
TOTAL FUND BALANCE, BEGINNING	<u>7,777,808</u>	<u>7,777,808</u>	<u>7,777,808</u>	<u>-</u>
TOTAL FUND BALANCE, ENDING	<u>\$ 7,554,737</u>	<u>\$ 8,196,133</u>	<u>\$ 7,147,882</u>	<u>\$ (1,048,251)</u>

See accompanying notes to required supplementary information.

**CITY OF ROWLETT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	2014*
Total pension liability	
Service cost	\$ 3,106,700
Interest (on the total pension liability)	6,620,134
Changes in benefit terms	-
Difference in expected and actual experience	(1,127,265)
Change in assumptions	-
Benefit payments, including refunds of employee contributions	(2,737,302)
Net change in total pension liability	5,862,267
Total pension liability, beginning of year	94,388,644
Total pension liability, ending of year	\$ 100,250,911
 Plan fiduciary net position	
Contributions -employer	\$ 2,683,946
Contributions -employee	1,398,930
Net investment income	4,970,464
Benefit payments, including refunds of employee contributions	(2,737,302)
Administrative expense	(51,890)
Other	(4,266)
Net change in plan fiduciary net position	6,259,882
Plan fiduciary net position - beginning	86,881,077
Plan fiduciary net position - ending	\$ 93,140,959
 Net pension liability - ending	 \$ 7,109,952
 Plan fiduciary net position as a % of total pension liability	 92.91%
 Covered employee payroll	 \$ 19,984,712
 Net pension liability as a % of covered employee payroll	 35.58%

* The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF ROWLETT, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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.

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OTHER SUPPLEMENTARY INFORMATION

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 7,283,150	\$ 7,283,150	\$ 7,744,468	\$ 461,318
Interest	5,130	5,130	7,503	2,373
Total revenues	<u>7,288,280</u>	<u>7,288,280</u>	<u>7,751,971</u>	<u>463,691</u>
EXPENDITURES				
Current operating:				
General government	111,293	111,293	79,990	31,303
Public safety	120,744	120,744	120,744	-
Debt service:				
Principal retirement	5,369,618	5,369,618	5,210,059	159,559
Interest and fiscal charges	2,181,577	2,181,577	2,323,721	(142,144)
Bond issuance costs	-	-	232,193	(232,193)
Total expenditures	<u>7,783,232</u>	<u>7,783,232</u>	<u>7,966,707</u>	<u>(183,475)</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>(494,952)</u>	<u>(494,952)</u>	<u>(214,736)</u>	<u>280,216</u>
OTHER FINANCING SOURCES				
Refunding bonds issued	-	-	19,392,950	19,392,950
Premiums on sale of bonds	-	-	3,506,264	3,506,264
Payment to refunding bond escrow agent	-	-	(22,661,960)	(22,661,960)
Transfers from other funds	254,559	254,559	483,647	229,088
Total other financing sources	<u>254,559</u>	<u>254,559</u>	<u>720,901</u>	<u>466,342</u>
CHANGE IN FUND BALANCES				
	(240,393)	(240,393)	506,165	746,558
FUND BALANCES, BEGINNING				
	<u>485,948</u>	<u>485,948</u>	<u>485,948</u>	<u>-</u>
FUND BALANCES, ENDING				
	<u>\$ 245,555</u>	<u>\$ 245,555</u>	<u>\$ 992,113</u>	<u>\$ 746,558</u>

**CITY OF ROWLETT, TEXAS
DESCRIPTION OF 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 to the City by various federal or state agencies. This fund includes funds granted to the City by the U.S. Department of Housing and Urban Development (HUD) under their community development block grant (CDBG) programs, other public safety grants, 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 (PEG fees). 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, 2015**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
ASSETS			
Cash, cash equivalents and investments	\$ 1,987,493	\$ 472,803	\$ 45,030
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accrued interest	822	-	28
Other	-	-	-
Due from other governments	-	-	-
Prepaid and other items	-	7,021	-
	<u>\$ 1,988,315</u>	<u>\$ 479,824</u>	<u>\$ 45,058</u>
LIABILITIES			
Accounts payable	127,244	38,939	19,300
Accrued liabilities	-	16,714	-
Unearned revenue	155	-	-
Due to other funds	-	-	-
Total liabilities	<u>127,399</u>	<u>55,653</u>	<u>19,300</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - grants	-	-	-
Unavailable revenue - other (court fines)	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable - Prepaid items	-	7,021	-
Restricted for:			
Debt service	-	-	-
Capital projects	1,860,916	-	-
Public safety	-	417,150	25,758
Economic development	-	-	-
Public broadcasting	-	-	-
Total fund balances	<u>1,860,916</u>	<u>424,171</u>	<u>25,758</u>
	<u>\$ 1,988,315</u>	<u>\$ 479,824</u>	<u>\$ 45,058</u>
Total liabilities and fund balances	<u>\$ 1,988,315</u>	<u>\$ 479,824</u>	<u>\$ 45,058</u>

Special Revenue				Total
Court Fees	Grant	TIF	Other	Governmental Funds
\$ 169,421	\$ -	\$ 1,007	\$ 207,060	\$ 2,882,814
-	-	-	6,152	6,152
147	8	1	91	1,097
863	-	-	45,604	46,467
-	122,350	-	-	122,350
-	30	-	198	7,249
<u>\$ 170,431</u>	<u>\$ 122,388</u>	<u>\$ 1,008</u>	<u>\$ 259,105</u>	<u>\$ 3,066,129</u>
90	-	-	-	185,573
725	-	-	-	17,439
-	27,354	-	-	27,509
-	43,107	-	-	43,107
815	70,461	-	-	273,628
-	35,681	-	-	35,681
863	-	-	-	863
863	35,681	-	-	36,544
-	30	-	198	7,249
-	-	1,008	-	1,008
-	-	-	-	1,860,916
168,753	16,216	-	-	627,877
-	-	-	12,012	12,012
-	-	-	246,895	246,895
168,753	16,246	1,008	259,105	2,755,957
<u>\$ 170,431</u>	<u>\$ 122,388</u>	<u>\$ 1,008</u>	<u>\$ 259,105</u>	<u>\$ 3,066,129</u>

**CITY OF ROWLETT, TEXAS
COMBINING STATEMENT OF REVEUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
REVENUES			
Taxes:			
Other	\$ -	\$ -	\$ -
Franchise fees	-	-	-
License and permits	1,520,964	-	-
Fines and forfeitures	-	100,033	198
Intergovernmental	-	-	-
Interest	5,385	-	177
Total revenues	1,526,349	100,033	375
EXPENDITURES			
Current operating:			
General government	127,244	-	-
Public safety	-	351,899	750
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	200,190	175,061	-
Total expenditures	327,434	526,960	750
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,198,915	(426,927)	(375)
FUND BALANCES, BEGINNING	662,001	851,098	26,133
FUND BALANCES, ENDING	\$1,860,916	\$ 424,171	\$ 25,758

Special Revenue				Total
Court Fees	Grant	TIF	Other	Governmental Funds
\$ -	\$ -	\$ -	\$ 77,511	\$ 77,511
-	-	-	182,674	182,674
-	-	-	-	1,520,964
82,591	-	-	-	182,822
-	516,985	-	-	516,985
837	64	4	560	7,027
<u>83,428</u>	<u>517,049</u>	<u>4</u>	<u>260,745</u>	<u>2,487,983</u>
-	-	-	114,530	241,774
137,817	322,066	-	-	812,532
-	-	-	-	-
-	120,483	-	-	120,483
59,277	60,519	-	18,356	513,403
<u>197,094</u>	<u>503,068</u>	<u>-</u>	<u>132,886</u>	<u>1,688,192</u>
(113,666)	13,981	4	127,859	799,791
<u>282,419</u>	<u>2,265</u>	<u>1,004</u>	<u>131,246</u>	<u>1,956,166</u>
<u>\$ 168,753</u>	<u>\$ 16,246</u>	<u>\$ 1,008</u>	<u>\$ 259,105</u>	<u>\$ 2,755,957</u>

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
License and permits	\$ 31,000	\$ 31,000	\$ 1,520,964	\$ 1,489,964
Interest	13,357	13,357	5,385	(7,972)
Total revenues	<u>44,357</u>	<u>44,357</u>	<u>1,526,349</u>	<u>1,481,992</u>
EXPENDITURES				
General government	-	-	127,244	(127,244)
Capital outlay	916,238	916,238	200,190	716,048
Total expenditures	<u>916,238</u>	<u>916,238</u>	<u>327,434</u>	<u>588,804</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(871,881)	(871,881)	1,198,915	2,070,796
FUND BALANCES, BEGINNING	<u>662,001</u>	<u>662,001</u>	<u>662,001</u>	-
FUND BALANCES, ENDING	<u>\$ (209,880)</u>	<u>\$ (209,880)</u>	<u>\$ 1,860,916</u>	<u>\$ 2,070,796</u>

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
POLICE SEIZURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 100,033	\$ 33
Interest	550	550	-	(550)
Total revenues	<u>100,550</u>	<u>100,550</u>	<u>100,033</u>	<u>(517)</u>
EXPENDITURES				
Public safety	100,550	100,550	351,899	(251,349)
Capital outlay	-	-	175,061	(175,061)
Total expenditures	<u>100,550</u>	<u>100,550</u>	<u>526,960</u>	<u>(426,410)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	-	(426,927)	(426,927)
FUND BALANCES, BEGINNING	<u>851,098</u>	<u>851,098</u>	<u>851,098</u>	-
FUND BALANCES, ENDING	<u>\$ 851,098</u>	<u>\$ 851,098</u>	<u>\$ 424,171</u>	<u>\$ (426,927)</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 198	\$ 198
Interest	-	-	177	177
Total revenues	<u>-</u>	<u>-</u>	<u>375</u>	<u>375</u>
EXPENDITURES				
Public safety	-	-	750	(750)
Total expenditures	<u>-</u>	<u>-</u>	<u>750</u>	<u>(750)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	-	(375)	(375)
FUND BALANCES, BEGINNING	<u>26,133</u>	<u>26,133</u>	<u>26,133</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 26,133</u>	<u>\$ 26,133</u>	<u>\$ 25,758</u>	<u>\$ (375)</u>

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
COURT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 80,252	\$ 80,252	\$ 82,591	\$ 2,339
Interest	-	-	837	837
Total revenues	<u>80,252</u>	<u>80,252</u>	<u>83,428</u>	<u>3,176</u>
EXPENDITURES				
Public safety	84,135	84,135	137,817	(53,682)
Capital outlay	-	49,005	59,277	(10,272)
Total expenditures	<u>84,135</u>	<u>133,140</u>	<u>197,094</u>	<u>(63,954)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,883)	(52,888)	(113,666)	(60,778)
FUND BALANCES, BEGINNING	<u>282,419</u>	<u>282,419</u>	<u>282,419</u>	<u>-</u>
FUND BALANCES, ENDING	<u><u>\$ 278,536</u></u>	<u><u>\$ 229,531</u></u>	<u><u>\$ 168,753</u></u>	<u><u>\$ (60,778)</u></u>

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 228,047	\$ 228,047	\$ 516,985	\$ 288,938
Charges for services	31,954	31,954	-	(31,954)
Interest	-	-	64	64
Total revenues	<u>260,001</u>	<u>260,001</u>	<u>517,049</u>	<u>257,048</u>
EXPENDITURES				
Public safety	71,434	71,434	322,066	(250,632)
Public works	186,209	186,209	-	186,209
Culture and recreation	-	-	120,483	(120,483)
Capital outlay	-	-	60,519	(60,519)
Total expenditures	<u>257,643</u>	<u>257,643</u>	<u>503,068</u>	<u>(245,425)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,358</u>	<u>2,358</u>	<u>13,981</u>	<u>11,623</u>
FUND BALANCE, BEGINNING	<u>2,265</u>	<u>2,265</u>	<u>2,265</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 4,623</u>	<u>\$ 4,623</u>	<u>\$ 16,246</u>	<u>\$ 11,623</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 TAX INCREMENT FINANCING FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 4	\$ 4
Total revenues	-	-	4	4
CHANGE IN FUND BALANCES	-	-	4	4
FUND BALANCES, BEGINNING	1,004	1,004	1,004	-
FUND BALANCES, ENDING	\$ 1,004	\$ 1,004	\$ 1,008	\$ 4

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Other taxes	\$ 47,175	\$ 47,175	\$ 77,511	\$ 30,336
Franchise fees	85,042	85,042	182,674	97,632
Interest	577	577	560	(17)
Total revenues	<u>132,794</u>	<u>132,794</u>	<u>260,745</u>	<u>127,951</u>
EXPENDITURES				
General government	115,891	115,891	114,530	1,361
Capital outlay	-	-	18,356	(18,356)
Total expenditures	<u>115,891</u>	<u>115,891</u>	<u>132,886</u>	<u>(16,995)</u>
EXCESS OF REVENUES OVER EXPENDITURES	16,903	16,903	127,859	110,956
FUND BALANCES, BEGINNING	<u>131,246</u>	<u>131,246</u>	<u>131,246</u>	<u>-</u>
FUND BALANCES, ENDING	<u><u>\$ 148,149</u></u>	<u><u>\$ 148,149</u></u>	<u><u>\$ 259,105</u></u>	<u><u>\$ 110,956</u></u>

**STATISTICAL SECTION
(UNAUDITED)**

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**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.

Tables

Financial Trends

These schedules contain trend information to help the reader understand how financial performance and well-being have changed over time. 1-4

Revenue Capacity

These schedules contain trend information to help the reader access the City's most significant local revenue source, the property tax. 5-9

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. 10-14

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. 15-16

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. 17-19

**CITY OF ROWLETT, TEXAS
NET POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year			
	2015	2014	2013	2012
Governmental activities:				
Net investment in capital assets	\$ 49,251,730	\$ 47,572,344	\$ 38,863,695	\$ 31,916,791
Restricted	3,427,940	3,385,346	9,137,747	9,171,293
Unrestricted	1,526,343	3,796,330	5,469,081	5,462,517
Total governmental activities net position	<u>\$ 54,206,013</u>	<u>\$ 54,754,020</u>	<u>\$ 53,470,523</u>	<u>\$ 46,550,601</u>
Business-type activities:				
Net investment in capital assets	\$ 65,405,576	\$ 64,531,695	\$ 63,171,705	\$ 62,576,970
Restricted	2,392,009	2,093,242	2,197,202	2,327,961
Unrestricted	6,802,140	5,415,474	8,162,875	7,460,914
Total business-type activities net position	<u>\$ 74,599,725</u>	<u>\$ 72,040,411</u>	<u>\$ 73,531,782</u>	<u>\$ 72,365,845</u>
Primary government:				
Net investment in capital assets	\$ 114,657,306	\$ 112,104,039	\$ 102,035,400	\$ 94,493,761
Restricted	5,819,949	5,478,588	11,334,949	11,499,254
Unrestricted	8,328,483	9,211,804	13,631,956	12,923,431
Total primary government net position	<u>\$ 128,805,738</u>	<u>\$ 126,794,431</u>	<u>\$ 127,002,305</u>	<u>\$ 118,916,446</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 32,374,952	\$ 33,070,231	\$ 33,707,411	\$ 40,312,017	\$ 38,656,284	\$ 42,099,813
4,746,923	1,148,213	910,428	1,537,197	1,249,120	1,724,868
6,506,992	7,989,091	7,593,223	5,435,653	4,519,005	4,121,491
<u>\$ 43,628,867</u>	<u>\$ 42,207,535</u>	<u>\$ 42,211,062</u>	<u>\$ 47,284,867</u>	<u>\$ 44,424,409</u>	<u>\$ 47,946,172</u>
\$ 63,268,379	\$ 64,417,014	\$ 65,576,708	\$ 63,829,157	\$ 62,484,938	\$ 61,546,001
3,225,296	3,156,935	3,136,923	2,894,124	2,849,815	2,876,092
6,882,557	5,452,189	6,518,292	5,683,212	3,926,786	5,289,946
<u>\$ 73,376,232</u>	<u>\$ 73,026,138</u>	<u>\$ 75,231,923</u>	<u>\$ 72,406,493</u>	<u>\$ 69,261,539</u>	<u>\$ 69,712,039</u>
\$ 95,643,331	\$ 97,487,245	\$ 99,284,119	\$ 104,141,174	\$ 101,141,222	\$ 103,645,814
7,972,219	4,305,148	4,047,351	4,431,321	4,098,935	4,600,960
13,389,549	13,441,280	14,111,515	11,118,865	8,445,791	9,411,437
<u>\$ 117,005,099</u>	<u>\$ 115,233,673</u>	<u>\$ 117,442,985</u>	<u>\$ 119,691,360</u>	<u>\$ 113,685,948</u>	<u>\$ 117,658,211</u>

**CITY OF ROWLETT, TEXAS
CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

Expenses	Fiscal Year			
	2015	2014	2013	2012
Governmental activities:				
General government	\$ 3,812,283	\$ 3,743,246	\$ 3,079,438	\$ 4,274,638
Public safety	21,682,963	20,994,087	19,791,298	20,456,358
Public works	12,001,156	12,040,271	11,690,444	13,472,469
Culture and recreation	5,210,607	5,152,775	5,100,405	4,975,355
Development	1,586,203	1,230,969	1,183,670	881,385
Interest and fiscal charges	2,731,650	3,407,157	2,848,832	2,888,071
Total governmental activities	<u>47,024,862</u>	<u>46,568,505</u>	<u>43,694,087</u>	<u>46,948,276</u>
Business-type activities:				
Water and sewer	22,361,784	23,176,635	21,215,288	20,275,313
Refuse	3,782,412	3,986,352	3,640,452	3,316,080
Drainage	2,008,406	1,980,987	1,865,797	2,091,605
Wet zone	-	-	-	-
Total business-type activities	<u>28,152,602</u>	<u>29,143,974</u>	<u>26,721,537</u>	<u>25,682,998</u>
Total primary government expenses	<u>\$ 75,177,464</u>	<u>\$ 75,712,479</u>	<u>\$ 70,415,624</u>	<u>\$ 72,631,274</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 36,452	\$ 56,240	\$ 90,267	\$ 99,370
Public safety	2,736,415	2,887,395	3,058,323	3,205,317
Public works	1,520,964	495,015	341,707	285,290
Culture and recreation	948,832	915,945	958,111	871,538
Development	1,229,248	977,198	860,925	641,890
Operating grants and contributions	520,843	418,983	817,022	901,055
Capital grants and contributions	1,715,530	3,878,487	6,735,636	6,748,657
Total governmental activities program revenues	<u>8,708,284</u>	<u>9,629,263</u>	<u>12,861,991</u>	<u>12,753,117</u>
Business-type activities:				
Charges for services:				
Water and sewer	26,596,651	24,659,862	25,341,837	22,507,769
Refuse	4,903,537	5,081,709	4,681,715	4,484,110
Drainage	1,337,982	1,331,572	1,328,989	1,300,878
Capital grants and contributions	2,723,019	621,061	938,393	145,204
Total business-type activities program revenues	<u>35,561,189</u>	<u>31,694,204</u>	<u>32,290,934</u>	<u>28,437,961</u>
Total primary government revenues	<u>\$ 44,269,473</u>	<u>\$ 41,323,467</u>	<u>\$ 45,152,925</u>	<u>\$ 41,191,078</u>
Net (expense)/revenue				
Governmental activities	\$ (38,316,578)	\$ (36,939,242)	\$ (30,832,096)	\$ (34,195,159)
Business-type activities	7,408,587	2,550,230	5,569,397	2,754,963
Total primary government net expense	<u>\$ (30,907,991)</u>	<u>\$ (34,389,012)</u>	<u>\$ (25,262,699)</u>	<u>\$ (31,440,196)</u>
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 25,608,764	\$ 23,307,395	\$ 23,290,763	\$ 23,805,465
Sales taxes	5,995,488	5,652,848	5,386,679	4,894,006
Other	146,741	130,138	112,300	48,186
Franchise fees	3,344,410	3,126,943	3,010,969	3,127,383
Investment earnings	66,264	57,205	44,492	76,604
Gain (loss) on sale/retirement of capital assets	779,237	-	-	-
Miscellaneous	1,229,112	1,582,041	1,458,515	1,248,881
Transfers (net)	4,441,008	4,366,169	4,448,300	3,916,368
Total governmental activities	<u>41,611,024</u>	<u>38,222,739</u>	<u>37,752,018</u>	<u>37,116,893</u>
Business-type activities:				
Investment earnings	71,562	61,476	24,148	53,767
Gain (loss) on sale/retirement of capital assets	-	-	-	-
Miscellaneous	(114,908)	263,092	20,692	97,251
Transfers (net)	(4,441,008)	(4,366,169)	(4,448,300)	(3,916,368)
Total business-type activities	<u>(4,484,354)</u>	<u>(4,041,601)</u>	<u>(4,403,460)</u>	<u>(3,765,350)</u>
Total primary government	<u>\$ 37,126,670</u>	<u>\$ 34,181,138</u>	<u>\$ 33,348,558</u>	<u>\$ 33,351,543</u>
Changes in Net Position				
Governmental activities	\$ 3,294,446	\$ 1,283,497	\$ 6,919,922	\$ 2,921,734
Business-type activities	2,924,233	(1,491,371)	1,165,937	(1,010,387)
Total primary government	<u>\$ 6,218,679</u>	<u>\$ (207,874)</u>	<u>\$ 8,085,859</u>	<u>\$ 1,911,347</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 2

		Fiscal Year									
		2011	2010	2009	2008	2007	2006				
\$	5,043,354	\$	4,812,456	\$	5,235,080	\$	5,210,003	\$	6,463,416	\$	7,547,049
	20,077,172		20,243,476		19,372,690		19,026,455		19,064,945		17,566,690
	12,320,408		12,747,289		12,719,561		8,819,541		13,357,060		5,338,600
	4,796,472		5,138,905		4,926,422		5,388,160		6,102,323		6,202,601
	726,014		844,980		1,219,772		1,229,275		1,476,900		1,529,689
	3,445,261		3,562,170		4,088,968		4,473,104		4,825,639		3,864,246
	<u>46,408,681</u>		<u>47,349,276</u>		<u>47,562,493</u>		<u>44,146,538</u>		<u>51,290,283</u>		<u>42,048,875</u>
	19,715,254		19,292,984		18,502,215		19,065,087		19,136,724		19,243,442
	3,280,511		2,676,412		1,607,736		1,692,004		1,604,017		1,332,109
	1,669,999		3,242,101		3,286,924		3,251,155		2,940,905		2,627,304
	-		-		-		-		-		-
	<u>24,665,764</u>		<u>25,211,497</u>		<u>23,396,875</u>		<u>24,008,246</u>		<u>23,681,646</u>		<u>23,202,855</u>
\$	<u>71,074,445</u>	\$	<u>72,560,773</u>	\$	<u>70,959,368</u>	\$	<u>68,154,784</u>	\$	<u>74,971,929</u>	\$	<u>65,251,730</u>
\$	617,922	\$	135,922	\$	99,906	\$	72,486	\$	67,617	\$	121,309
	1,808,112		3,959,096		3,466,449		3,591,329		3,089,141		2,847,875
	116,950		20,962		87,594		211,128		265,677		418,169
	2,659,906		1,588,866		1,627,643		1,115,647		1,185,071		1,280,621
	565,001		386,696		504,544		567,913		696,991		911,160
	963,803		484,634		347,925		518,835		578,571		461,654
	2,687,884		1,532,660		175,032		2,306,004		469,433		2,658,930
	<u>9,419,578</u>		<u>8,108,836</u>		<u>6,309,093</u>		<u>8,383,342</u>		<u>6,352,501</u>		<u>8,699,718</u>
	23,592,840		21,550,266		20,570,813		19,553,413		18,951,024		19,125,037
	4,457,857		1,361,162		1,276,659		951,715		929,773		485,580
	1,301,172		4,484,338		4,493,083		4,246,481		4,054,166		3,493,756
	560,473		20,612		63,966		2,359,949		616,691		1,314,213
	<u>29,912,342</u>		<u>27,416,378</u>		<u>26,404,521</u>		<u>27,111,558</u>		<u>24,551,654</u>		<u>24,418,586</u>
\$	<u>39,331,920</u>	\$	<u>35,525,214</u>	\$	<u>32,713,614</u>	\$	<u>35,494,900</u>	\$	<u>30,904,155</u>	\$	<u>33,118,304</u>
\$	(36,989,103)	\$	(39,240,440)	\$	(41,253,400)	\$	(35,763,196)	\$	(44,937,782)	\$	(33,349,157)
	5,246,578		2,204,881		3,007,646		3,103,312		870,008		1,215,731
\$	<u>(31,742,525)</u>	\$	<u>(37,035,559)</u>	\$	<u>(38,245,754)</u>	\$	<u>(32,659,884)</u>	\$	<u>(44,067,774)</u>	\$	<u>(32,133,426)</u>
\$	23,967,737	\$	24,649,815	\$	25,255,663	\$	25,044,496	\$	23,758,243	\$	22,472,350
	5,767,527		6,228,228		5,666,751		5,882,325		6,230,025		7,458,230
	124,748		59,934		110,778		121,242		120,329		111,619
	3,214,049		2,767,064		2,881,223		3,014,846		3,393,874		2,850,027
	165,926		231,809		702,090		1,570,639		3,242,124		2,418,273
	-		-		-		-		-		(178,719)
	171,306		674,907		633,877		1,039,438		939,421		956,044
	4,999,142		4,625,155		929,213		1,447,292		3,732,003		4,973,519
	<u>38,410,435</u>		<u>39,236,912</u>		<u>36,179,595</u>		<u>38,120,278</u>		<u>41,416,019</u>		<u>41,061,343</u>
	102,658		214,489		746,997		1,488,934		2,411,495		1,899,345
	-		-		-		-		-		(970,648)
	-		-		-		-		-		-
	<u>(4,999,142)</u>		<u>(4,625,155)</u>		<u>(929,213)</u>		<u>(1,447,292)</u>		<u>(3,732,003)</u>		<u>(4,973,519)</u>
	<u>(4,896,484)</u>		<u>(4,410,666)</u>		<u>(182,216)</u>		<u>41,642</u>		<u>(1,320,508)</u>		<u>(4,044,822)</u>
\$	<u>33,513,951</u>	\$	<u>34,826,246</u>	\$	<u>35,997,379</u>	\$	<u>38,161,920</u>	\$	<u>40,095,511</u>	\$	<u>37,016,521</u>
\$	1,421,332	\$	(3,528)	\$	(5,073,805)	\$	2,357,082	\$	(3,521,763)	\$	7,712,186
	350,094		(2,205,785)		2,825,430		3,144,954		(450,500)		(2,829,091)
\$	<u>1,771,426</u>	\$	<u>(2,209,313)</u>	\$	<u>(2,248,375)</u>	\$	<u>5,502,036</u>	\$	<u>(3,972,263)</u>	\$	<u>4,883,095</u>

CITY OF ROWLETT, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2015	2014	2013	2012
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Inventories	87,466	47,986	54,199	146,989
Prepaid items	50,394	55,242	64,737	15,700
Restricted for:				
Capital projects	419,332	1,791,258	321,096	280,356
Assigned for:				
Economic development	877,378	302,712	305,589	352,188
Capital acquisition	88,910	107,488	364,692	381,605
Unassigned	5,624,402	5,473,122	6,065,516	6,305,245
Total general fund	<u>\$ 7,147,882</u>	<u>\$ 7,777,808</u>	<u>\$ 7,175,829</u>	<u>\$ 7,482,083</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable:				
Inventories	84,105	79,515	64,582	-
Prepaid items	9,549	14,336	10,775	1,562
Restricted for:				
Debt service	990,821	478,102	443,330	363,265
Capital projects	13,635,339	6,782,080	5,493,204	1,729,546
Public safety	627,877	1,156,528	1,551,418	1,014,867
Economic development	12,012	6,934	6,934	20,518
Public broadcasting	246,895	124,213	70,402	56,776
Assigned for:				
Capital acquisition	2,009,791	-	1,443,519	5,887,781
Unassigned	-	(519,010)	(115,543)	(3,698)
Total all other governmental funds	<u>\$ 17,616,389</u>	<u>\$ 8,122,698</u>	<u>\$ 8,968,621</u>	<u>\$ 9,069,617</u>

Note: The City adopted GASB Statement No. 54 which changed the classification of governmental fund balances to nonspendable, restricted, committed, assigned, and unassigned.

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 3

2011	2010	2009	2008	2007	2006
- \$	725,269 \$	432,360 \$	186,401 \$	334,908 \$	113,638
-	6,752,718	4,846,923	3,220,176	2,723,433	2,957,331
86,016	-	-	-	-	-
73,555	-	-	-	-	-
716,031	-	-	-	-	-
224,092	-	-	-	-	-
1,163,159	-	-	-	-	-
6,681,091	-	-	-	-	-
<u>8,943,944</u> \$	<u>7,477,987</u> \$	<u>5,279,283</u> \$	<u>3,406,577</u> \$	<u>3,058,341</u> \$	<u>3,070,969</u>
- \$	16,052,328 \$	20,479,526 \$	28,688,462 \$	38,895,212 \$	56,450,397
-	369,311	1,682,678	1,561,760	1,432,574	1,248,627
-	-	-	-	-	-
-	-	-	-	-	-
12,805	-	-	-	-	-
281,278	-	-	-	-	-
80,317	-	-	-	-	-
1,075,494	-	-	-	-	-
17,751	-	-	-	-	-
32,216	-	-	-	-	-
12,654,001	-	-	-	-	-
(107,126)	-	-	-	-	-
<u>14,046,736</u> \$	<u>16,421,639</u> \$	<u>22,162,204</u> \$	<u>30,250,222</u> \$	<u>40,327,786</u> \$	<u>57,699,024</u>

CITY OF ROWLETT, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2015	2014	2013	2012
Revenues				
Taxes	\$ 31,785,463	\$ 29,122,683	\$ 28,773,383	\$ 28,781,463
Franchise fees	3,352,512	3,131,069	2,991,209	3,094,707
Licenses and permits	2,467,573	1,144,653	807,860	687,352
Charges for services	2,784,430	2,612,512	2,644,415	2,291,101
Contributions	-	2,112,775	-	-
Fines and forfeitures	1,172,498	1,514,717	2,158,683	1,896,301
Intergovernmental	2,670,203	2,059,376	6,929,459	6,589,471
Interest	66,264	57,205	44,492	76,604
Miscellaneous	1,256,642	1,591,500	1,423,074	1,208,363
Total revenues	<u>45,555,585</u>	<u>43,346,490</u>	<u>45,772,575</u>	<u>44,625,362</u>
Expenditures				
General government	3,581,688	3,420,425	2,641,269	3,003,607
Public safety	21,164,943	19,719,083	18,619,438	19,159,506
Public works	6,532,713	6,652,769	5,936,101	7,599,093
Culture and recreation	4,619,286	4,413,902	4,282,981	4,175,458
Development	1,584,360	1,227,382	1,128,814	840,833
Debt service:				
Principal	6,115,861	6,048,669	6,202,352	6,208,605
Interest	2,400,844	2,408,591	2,834,256	2,903,106
Other charges	376,743	231,474	-	222,800
Capital outlay	9,107,057	3,573,867	9,552,274	11,316,999
Total expenditures	<u>55,483,495</u>	<u>47,696,162</u>	<u>51,197,485</u>	<u>55,430,007</u>
Excess (deficiency) of revenues over (under) expenditures	(9,927,910)	(4,349,672)	(5,424,910)	(10,804,645)
Other Financing Sources/(Uses)				
Capital leases	2,141,763	1,959,204	1,130,985	351,152
Refunding bonds issued	19,392,950	11,135,000	-	14,131,149
Proceeds from sale of bonds	11,302,050	-	-	-
Premiums on bonds issued	3,506,264	592,013	-	1,383,000
Discounts on bonds issued	-	-	-	-
Payments to refunding bond escrow agent	(22,661,960)	(13,946,658)	-	(15,416,504)
Proceeds from sale of assets	669,600	-	-	1,500
Transfers in	6,093,515	6,302,791	5,895,107	5,729,583
Transfers out	(1,652,507)	(1,936,622)	(2,009,432)	(1,813,215)
Total other financing sources/(uses)	<u>18,791,675</u>	<u>4,105,728</u>	<u>5,016,660</u>	<u>4,366,665</u>
Net change in fund balances	<u>\$ 8,863,765</u>	<u>\$ (243,944)</u>	<u>\$ (408,250)</u>	<u>\$ (6,437,980)</u>
Debt service as a percentage of noncapital expenditures	20.1%	19.2%	21.7%	21.7%

TABLE 4

		Fiscal Year					
		2011	2010	2009	2008	2007	2006
\$	30,131,107	\$ 30,966,183	\$ 30,906,010	\$ 31,065,958	\$ 30,089,399	\$ 29,954,902	
	3,304,363	3,015,465	2,999,281	3,018,734	3,393,874	2,850,027	
	438,334	391,228	499,979	720,779	778,007	1,288,735	
	2,748,494	2,823,756	2,889,691	2,343,594	2,415,006	2,318,143	
	-	-	-	-	-	-	
	2,304,857	2,820,913	2,339,835	2,465,790	2,191,648	1,728,113	
	2,275,536	1,967,802	381,153	1,270,253	892,635	1,753,744	
	165,926	231,809	702,090	1,556,897	3,211,947	2,400,651	
	790,619	674,907	633,877	992,518	937,824	1,134,831	
	<u>42,159,236</u>	<u>42,892,063</u>	<u>41,351,916</u>	<u>43,434,523</u>	<u>43,910,340</u>	<u>43,429,146</u>	
	4,380,262	4,471,479	4,047,850	4,059,446	5,396,190	7,029,763	
	18,791,928	18,692,849	17,910,586	18,429,503	18,616,295	17,302,986	
	7,246,641	5,592,114	7,789,807	4,775,269	8,834,282	2,360,852	
	3,931,809	4,272,737	4,151,303	4,462,616	5,171,047	5,116,947	
	672,775	808,218	1,151,720	1,212,987	1,458,834	1,512,154	
	5,940,534	5,432,452	5,551,999	5,991,212	7,285,049	4,890,000	
	3,370,147	3,507,444	4,044,879	4,400,172	4,783,411	3,506,208	
	-	207,999	-	-	25,000	315,607	
	4,424,499	9,868,151	7,858,484	13,804,949	14,831,198	11,748,134	
	<u>48,758,595</u>	<u>52,853,443</u>	<u>52,506,628</u>	<u>57,136,154</u>	<u>66,401,306</u>	<u>53,782,651</u>	
	(6,599,359)	(9,961,380)	(11,154,712)	(13,701,631)	(22,490,966)	(10,353,505)	
	1,202,602	987,080	152,925	39,461	-	-	
	-	12,000,000	-	-	-	-	
	-	-	-	-	1,690,000	21,465,000	
	-	440,175	-	-	-	291,917	
	-	-	-	-	-	(30,614)	
	-	(12,455,399)	-	-	-	-	
	-	-	-	-	-	-	
	6,446,101	7,595,086	7,271,747	7,157,912	7,499,125	2,650,984	
	<u>(1,958,290)</u>	<u>(2,147,423)</u>	<u>(2,485,272)</u>	<u>(3,225,070)</u>	<u>(4,082,025)</u>	<u>(536,360)</u>	
	<u>5,690,413</u>	<u>6,419,519</u>	<u>4,939,400</u>	<u>3,972,303</u>	<u>5,107,100</u>	<u>23,840,927</u>	
\$	<u>(908,946)</u>	<u>(3,541,861)</u>	<u>(6,215,312)</u>	<u>(9,729,328)</u>	<u>(17,383,866)</u>	<u>13,487,422</u>	
	21.0%	20.8%	21.5%	24.0%	23.4%	20.0%	

CITY OF ROWLETT, TEXAS
GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE (UNAUDITED)
LAST TEN FISCAL YEARS
(modified accrual basis)

TABLE 5

Fiscal Year	Property Tax	Sales Tax	Other	Total
2006	22,385,053	7,458,229	111,619	29,954,901
2007	23,739,045	6,230,024	120,330	30,089,399
2008	25,062,391	5,882,323	121,243	31,065,957
2009	25,027,004	5,666,750	110,779	30,804,533
2010	24,639,903	6,228,228	98,052	30,966,183
2011	24,238,832	5,767,527	124,749	30,131,108
2012	23,492,921	4,894,006	103,581	28,490,508
2013	23,274,404	5,386,680	112,300	28,773,384
2014	23,339,695	5,652,848	130,138	29,122,681
2015	25,643,234	5,995,488	146,739	31,785,461

Source: City of Rowlett - Finance Department

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

TABLE 6

Fiscal Year	Estimated Market Value		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2006	3,152,152,570	143,648,500	317,521,416	2,978,279,654	0.74717
2007	3,328,602,160	155,650,970	342,854,454	3,141,398,676	0.74717
2008	3,505,032,790	165,364,960	361,998,133	3,308,399,617	0.74717
2009	3,562,876,777	178,689,105	373,073,104	3,368,492,778	0.74717
2010	3,522,255,306	177,752,490	414,294,585	3,285,713,211	0.74717
2011	3,447,524,437	174,055,050	401,314,296	3,220,265,191	0.74717
2012	3,407,215,429	171,045,280	406,361,093	3,171,899,616	0.74717
2013	3,373,736,207	176,427,230	425,321,487	3,124,841,950	0.74717
2014	3,383,659,486	176,507,810	443,668,413	3,116,498,883	0.74717
2015	3,565,803,997	185,318,990	465,920,605	3,285,202,382	0.78717

Source: Dallas Central Appraisal District certified totals and Rockwall Central Appraisal District

**CITY OF ROWLETT, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	City of Rowlett Direct Rates			Dallas County Properties				Overlapping Rates ⁽¹⁾
	General Fund	Debt Service Fund	Total City	Dallas County	Dallas County Hospital District	Dallas County Community College District	Garland Independent School District	Total Direct & Overlapping Rates
2015	0.54977	0.23740	0.78717	0.25310	0.28600	0.12478	1.25330	2.70435
2014	0.50477	0.24240	0.74717	0.25310	0.27600	0.12470	1.25330	2.65427
2013	0.49267	0.25450	0.74717	0.25304	0.27100	0.11938	1.25330	2.64389
2012	0.49083	0.25634	0.74717	0.24310	0.02710	0.09967	1.25330	2.37034
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

(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 / Dallas Central Appraisal District certified totals and Rockwall Central Appraisal D Tax rates are applied on each \$100 of assessed value and are levied on 100% of assessed value.

TABLE 7

Rockwall County Properties		
Rockwall County	Rockwall Independent School District	Total Direct & Overlapping Rates
0.395900	1.46000	2.64307
0.395900	1.46000	2.60307
0.386400	1.47000	2.60357
0.386400	1.47000	2.60357
0.386400	1.47000	2.60357
0.375000	1.47000	2.59217
0.375000	1.47000	2.59217
0.350000	1.47000	2.56717
0.350700	1.71000	2.80787
0.350700	1.88000	2.97787

**CITY OF ROWLETT, TEXAS
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
CURRENT YEAR AND NINE YEARS AGO**

TABLE 8

<u>Taxpayer</u>	<u>2015</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Lake Pointe Medical Center	\$ 35,982,070	1	1.00%
Oncor Electric Delivery	27,054,640	2	0.75%
Wal Mart Stores Inc.	24,189,480	3	0.67%
Verizon	17,875,370	4	0.50%
Target Corporation	14,126,820	5	0.39%
NSHE TX Bay City LLC	10,850,000	6	0.30%
Gemini Rowlett Crossing	10,769,920	7	0.30%
Home Depot USA Inc.	10,561,720	8	0.29%
Safeway, Inc.	10,437,420	9	0.29%
Horton D R Texas LTD	9,143,390	10	0.25%
	<u>\$ 170,990,830</u>		<u>4.74%</u>

Source: Dallas County Tax Office

<u>Taxpayer</u>	<u>2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Lake Pointe Medical Center	\$ 28,851,120	1	0.97%
Texas Utilities Electric Co.	27,784,650	2	0.93%
Wal Mart	19,197,590	3	0.64%
Verizon	14,442,180	4	0.48%
Randalls Food & Drug	14,031,000	5	0.47%
Albertson's Inc.	12,272,880	6	0.41%
NEC Dalrock & SH66 LTD	8,765,210	7	0.29%
Lake Pointe Partners Limited	8,451,920	8	0.28%
Lakeview Parkview	6,650,000	9	0.22%
Snapdragon Properties	5,800,420	10	0.19%
	<u>\$ 146,246,970</u>		<u>4.88%</u>

**CITY OF ROWLETT, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS**

TABLE 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
		Amount	Percentage of Levy		Total Tax Collections	Accumulated Delinquent Taxes	Percentage of Levy
2006	22,257,540	21,757,513	97.75%	485,851	22,243,364	14,176	99.94%
2007	23,379,880	22,812,468	97.57%	550,306	23,362,774	17,106	99.93%
2008	24,582,645	24,116,451	98.10%	434,786	24,551,237	31,408	99.87%
2009	25,022,666	24,529,136	98.03%	464,413	24,719,342	29,117	98.79%
2010	24,432,408	23,999,437	98.23%	382,353	24,381,790	50,618	99.79%
2011	23,945,717	23,650,873	98.77%	244,036	23,894,909	50,808	99.79%
2012	23,605,280	23,335,522	98.86%	212,759	23,548,281	56,999	99.76%
2013	23,111,624	22,902,665	99.10%	126,890	23,029,555	82,069	99.64%
2014	23,072,444	22,904,595	99.27%	-	22,904,595	167,849	99.27%
2015	25,318,845	25,128,168	99.25%	-	25,128,168	190,017	99.25%

Source: Dallas County Tax Office - jurisdiction reports

**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
2006	44,325,000	60,350,000	320,000	1,308,775
2007	41,245,000	57,370,000	845,437	1,061,675
2008	38,030,000	55,210,000	260,437	1,086,291
2009	35,175,000	52,975,000	20,000	1,017,655
2010	37,590,000	45,410,000	-	1,797,282
2011	33,370,000	43,040,000	-	2,509,351
2012	25,642,298	34,010,000	-	2,381,898
2013	22,516,497	31,765,000	-	2,817,990
2014	24,387,041	22,095,000	-	4,063,254
2015	59,613,462	880,000	1,235,000	5,299,215

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	General Obligation Bonds	Certificates of Obligation	Capital Leases			
54,220,000	-	4,815,000	4,457,829	169,796,604	7.44%	3,133
51,035,000	-	4,695,000	4,245,257	160,497,369	6.69%	2,912
47,665,000	-	4,535,000	4,014,716	150,801,444	5.92%	2,704
44,560,000	-	4,365,000	3,773,272	141,885,927	5.96%	2,502
41,340,000	-	4,190,000	3,503,499	133,830,781	5.53%	2,375
37,995,000	1,140,000	4,010,000	3,548,806	125,613,157	4.75%	2,203
42,628,851	12,013,851	3,820,000	3,459,450	123,956,348	4.47%	2,147
39,121,751	11,841,752	3,620,000	3,487,159	115,170,149	3.99%	1,984
40,266,479	12,186,480	3,410,000	3,236,256	109,644,510	3.76%	1,875
25,330,000	13,926,538	225,000	3,419,277	109,928,492	3.59%	1,832

CITY OF ROWLETT, TEXAS **TABLE 11**
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds and Certificates of Obligations	Less: Amounts in Debt Service Fund	Net	Percentage Taxable Assessed Value ⁽¹⁾	Per Capita ⁽²⁾
2006	109,490,000	937,316	108,552,684	3.64%	2,003
2007	103,310,000	566,928	102,743,072	3.27%	1,864
2008	97,775,000	436,794	97,338,206	2.94%	1,745
2009	92,515,000	404,059	92,110,941	2.73%	1,624
2010	87,190,000	234,354	86,955,646	2.65%	1,543
2011	81,560,000	288,733	81,271,267	2.52%	1,425
2012	75,486,149	363,827	75,122,322	2.37%	1,301
2013	69,743,249	452,569	69,290,680	2.22%	1,194
2014	62,078,521	485,948	61,592,573	1.98%	1,053
2015	74,645,000	992,113	73,652,887	2.24%	1,228

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, 2015

TABLE 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Dallas County Properties:</u>			
Debt repaid with property taxes:			
Dallas County	\$ 84,725,000	1.39%	\$ 1,177,678
Dallas County Community College District	321,510,000	1.39%	4,468,989
Dallas County Hospital District	728,005,000	1.39%	10,119,270
Dallas County Schools	60,215,000	1.39%	836,989
Garland Independent School District	501,756,118	18.84%	94,530,853
Subtotal, overlapping debt			111,133,779
City of Rowlett, direct debt			65,792,677
Total direct and overlapping debt			<u>\$ 176,926,456</u>
<u>Rockwall County Properties:</u>			
Debt repaid with property taxes:			
Rockwall County	\$ 100,580,960	6.00%	\$ 6,034,858
Rockwall Independent School District	326,241,461	7.12%	23,228,392
Subtotal, overlapping debt			29,263,250
City of Rowlett, direct debt			65,792,677
Total direct and overlapping debt			<u>\$ 95,055,927</u>

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

Source: Debt outstanding and estimated percentage applicable for taxing entities other than the City was obtained from the Municipal Advisory Council of Texas.

CITY OF ROWLETT, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
SEPTEMBER 30, 2015

TABLE 13

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, 2015, is \$ 0.787173 per \$100 of assessed valuation, with assessed valuation being 100% of appraised value.

Source: City of Rowlett - Finance Department

**CITY OF ROWLETT, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE –
WATER & SEWER BONDS (UNAUDITED)
LAST TEN FISCAL YEARS**

TABLE 14

Fiscal Year	Water and Sewer Charges and Other ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue	Debt Service ⁽¹⁾		Coverage
				Principal	Interest	
2006	19,778,203	12,618,049	7,160,154	2,711,000	1,092,634	1.88
2007	19,157,633	11,947,291	7,210,342	2,686,053	1,025,084	1.94
2008	19,754,519	11,762,579	7,991,940	2,648,056	962,571	2.21
2009	20,634,778	11,772,634	8,862,144	2,621,176	899,647	2.52
2010	21,570,878	12,775,053	8,795,825	2,583,750	836,260	2.57
2011	23,579,540	13,423,497	10,156,043	2,713,929	828,115	2.87
2012	22,602,722	15,268,474	7,334,248	1,530,750	421,456	3.76
2013	25,357,867	15,469,264	9,888,603	1,435,789	382,656	5.44
2014	24,921,020	16,921,253	7,999,767	1,404,000	416,408	4.39
2015	26,608,183	17,126,482	9,481,701	1,333,158	348,908	5.64

⁽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**

TABLE 15

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	
					Dallas County	Rowlett
2006	54,189	2,281,952,979	42,111	10,716	5.6%	4.6%
2007	55,123	2,397,574,885	43,495	11,470	4.6%	3.9%
2008	55,770	2,545,733,190	45,647	11,500	4.8%	4.2%
2009	56,716	2,382,525,728	42,008	11,499	7.4%	7.0%
2010	56,354	2,418,319,202	42,913	11,555	8.7%	8.0%
2011	57,015	2,646,237,195	46,413	11,382	8.8%	7.9%
2012	57,727	2,774,879,163	48,069	11,215	7.6%	7.2%
2013	58,043	2,889,612,712	49,784	11,065	6.7%	6.1%
2014	58,476	2,917,250,688	49,888	11,050	5.7%	5.5%
2015	60,002	3,063,162,102	51,051	11,101	4.4%	4.0%

⁽¹⁾ US Census

⁽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 changes in State of Texas personal income.

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

⁽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**

TABLE 16

Employer	2015			Employer	2006		
	Employees	Rank	Percentage of Total City Employment		Employees	Rank	Percentage of Total City Employment
Garland ISD	1,092	1	3.49%	Garland ISD	1,076	1	18.56%
Lake Pointe Medical Center	750	2	2.39%	Lake Pointe Medical Center	700	2	12.07%
Wal-mart Supercenter	420	3	1.34%	Wal-mart Supercenter	500	3	8.62%
City of Rowlett	362	4	1.16%	City of Rowlett	397	4	6.85%
DR Horton	300	5	0.96%	Albertsons	245	5	4.23%
Target Corporation	180	6	0.57%	Randalls Food and Drug	200	6	3.45%
Senior Care at Lake Pointe	135	7	0.43%	Store Décor	126	7	2.17%
Rowlett Nursing Home	119	8	0.38%	Senior Care at Lake Pointe	190	8	3.28%
Walmart Neighborhood Market	90	9	0.29%	Rowlett Nursing Home	152	9	2.62%
H & S Manufacturing	73	10	0.23%	Home Depot	106	10	1.83%
	<u>3,521</u>		<u>11.24%</u> \$		<u>\$ 3,692</u>		<u>63.68%</u>

Source: City of Rowlett - Economic Development Department and 2006 CAFR

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

Function/Program	Fiscal Year				
	2015	2014	2013	2012	2011
General government:					
City council	3.50	3.50	3.50	3.50	3.50
City manager	7.00	5.00	5.00	6.50	4.00
City secretary	3.50	3.50	3.50	2.00	3.00
Financial services	22.50	22.00	20.00	20.00	20.00
Information technology	7.00	5.00	5.00	5.00	5.00
Public information office	-	-	-	-	4.00
Human resources	5.50	5.00	3.00	3.00	3.00
Buildings and grounds	7.00	7.00	7.00	7.00	7.00
Public safety:					
Police	114.25	110.00	110.00	110.00	110.50
Fire	78.50	77.00	77.00	78.00	76.00
Municipal court	6.50	7.00	7.00	7.00	7.00
Animal services	5.50	6.00	5.25	5.25	5.00
Environmental services	6.00	6.00	6.00	6.00	6.00
Public works:					
Administration and engineering	11.00	12.25	11.50	11.50	10.50
Streets	13.00	13.00	14.00	14.00	14.00
Fleet services	3.00	3.00	3.00	3.00	3.50
Traffic maintenance	-	-	-	-	-
Water and sewer	20.00	20.00	19.00	19.00	20.00
Drainage	2.00	2.00	2.00	2.00	2.00
Refuse	0.50	-	-	-	-
Culture and recreation:					
Parks administration	3.00	2.00	2.00	2.00	2.00
Parks operations	16.00	12.00	12.00	12.00	12.00
Community athletics	-	-	-	-	-
Community centre	11.05	10.30	10.30	10.00	10.00
Wet zone	20.70	20.70	20.70	21.00	21.00
Urban forestry	-	-	-	-	-
Library services	16.00	16.00	17.00	17.00	17.00
Development:					
Planning	9.00	4.25	4.00	4.00	3.25
Building inspections	9.00	2.50	1.00	1.00	2.00
GIS	1.00	1.00	1.00	1.00	2.00
Economic development	2.00	2.00	2.00	2.00	2.00
Total	<u>404.00</u>	<u>378.00</u>	<u>371.75</u>	<u>372.75</u>	<u>375.25</u>
Fund					
General	367.00	341.50	335.25	336.25	339.75
Water and sewer	35.00	34.50	34.50	34.50	33.50
Drainage	2.00	2.00	2.00	2.00	2.00
Wet zone	n/a	n/a	n/a	n/a	n/a
Fleet services	n/a	n/a	n/a	n/a	n/a
Information technology	n/a	n/a	n/a	n/a	n/a
Total	<u>404.00</u>	<u>378.00</u>	<u>371.75</u>	<u>372.75</u>	<u>375.25</u>

Source: City of Rowlett - Finance Department Budget Book

TABLE 17

Fiscal Year				
2010	2009	2008	2007	2006
3.50	3.50	3.50	3.50	3.50
4.00	3.00	4.00	5.00	5.00
3.00	3.00	3.00	3.00	3.00
21.00	21.00	22.00	22.50	22.50
5.00	5.00	5.00	7.00	7.00
4.00	5.00	6.00	4.00	3.00
3.00	3.00	3.00	5.00	5.00
7.00	6.00	6.00	7.50	7.50
115.00	115.00	114.00	114.00	102.75
76.00	76.00	77.00	77.00	77.00
7.00	7.50	8.50	9.00	9.00
5.00	5.00	5.00	5.00	5.00
6.00	5.50	5.50	5.00	5.00
7.00	9.00	9.00	11.00	10.00
14.00	14.00	17.00	19.00	17.00
3.50	3.00	3.00	3.00	3.00
-	-	-	-	2.00
23.50	23.00	23.00	27.00	27.00
2.00	3.00	2.00	2.00	2.00
-	-	-	-	-
2.00	4.00	4.00	3.00	3.00
12.00	11.50	12.00	10.00	10.00
-	-	-	-	2.00
11.00	9.50	9.00	11.00	9.00
21.00	22.00	22.00	22.00	22.00
-	-	-	4.00	3.00
17.00	16.50	16.00	15.00	15.00
3.25	5.00	5.00	7.00	7.00
2.00	4.00	4.00	5.00	5.00
2.00	2.00	2.00	3.00	3.00
<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
<u>381.75</u>	<u>387.00</u>	<u>392.50</u>	<u>411.50</u>	<u>397.25</u>
346.25	343.00	350.50	362.50	341.25
33.50	33.00	32.00	37.00	44.00
2.00	3.00	2.00	2.00	2.00
n/a	n/a	n/a	n/a	n/a
n/a	3.00	3.00	3.00	3
<u>n/a</u>	<u>5.00</u>	<u>5.00</u>	<u>7.00</u>	<u>7</u>
<u>381.75</u>	<u>387.00</u>	<u>392.50</u>	<u>411.50</u>	<u>397.25</u>

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

Function/Program	Fiscal Year				
	2015	2014	2013	2012	2011
Public safety:					
Number of police employees	111.25	116	110	110	111
Number of citations	11,684	12,657	10,241	10,870	10,675
Number of fire employees	79	78	77	78	76
Number of fire calls	2,520	1,603	1,316	1,245	1,295
Number of EMS calls	3,046	2,900	2,758	2,354	2,384
Fire inspections	916	1,586	622	1,153	1,450
Public works:					
Asphalt replaced (tons)	1,437	11,335	5,136	10,504	6,823
Concrete placed (cubic yards)	926	3,688	387	5,465	7,389
Concrete pavement (sq ft)	857	150,888	141,049	223,551	302,292
Culture and recreation:					
Volumes in collection	88,774	93,061	99,945	93,972	75,103
Development:					
Permits issued	183	119	78	87	27
Water and sewer:					
Number of water customers	19,786	19,201	20,178	19,383	19,311
Average daily water consumption	6,409,000	8,444,000	6,505,457	6,959,891	7,227,667
Peak daily water consumption	22,907,000	12,396,000	15,803,000	20,270,000	22,606,000
Number of sewer customers	18,734	18,657	18,469	18,383	18,323
Average daily sewer usage	4,216,000	3,893,000	3,664,614	4,121,000	3,695,811

Source: City of Rowlett Departments

TABLE 18

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

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Public safety:					
Police stations	1	1	1	1	1
Marked police units	23	22	24	25	25
Fire stations	4	4	4	4	4
Public works:					
Miles of streets	378	466	466	531	530
Miles of alleys	105	105	105	105	105
Culture and recreation:					
Parks acreage - developed	608	608	620	608	608
Parks acreage - undeveloped	376	376	364	377	377
Libraries	1	1	1	1	1
Water and sewer:					
Water mains (miles)	259	256	225	254	255
Fire hydrants	3,003	3,003	2,097	2,093	1,908
Sewer mains (miles)	244	241	240	239	236

Source: City of Rowlett departments

TABLE 19

Fiscal Year				
2010	2009	2008	2007	2006
1	1	1	1	1
25	24	21	16	16
4	4	4	4	4
534	534	534	551	480
105	105	105	105	151
607	607	607	607	607
377	377	376	376	376
1	1	1	1	1
255	253	253	245	236
1,876	2,012	1,948	1,911	1,875
236	235	235	234	226

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SINGLE AUDIT REPORTS

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

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

Members of the Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rowlett (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

City of Rowlett, Texas

Page 2

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 29, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Rowlett's (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 29, 2016

**CITY OF ROWLETT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Texas Division of Emergency Management 2014 Homeland Security Grant Program	97.067	EMW-2014-SS-00029	\$ 1,465
Total U.S. Department of Homeland Security			<u>1,465</u>
<u>U.S. Department of Justice</u>			
Federal Seizure Forfeitures	16.000	N/A	506,065
2014 Bureau of Justice Assistance Bulletproof Vest Partnership Total Direct Programs	16.607	N/A	<u>896</u> 506,961
Passed through the City of Dallas Edward Byrne Memorial Justice Assistance Grant	16.738	DJ-11-A10-26573-01	<u>79,901</u>
Total U.S. Department of Justice			<u>586,862</u>
<u>U.S. Department of Transportation</u>			
Passed through the Texas Department of Transportation 2014 Traffic Safety Equipment and/or Training	20.600	2014-Rowlet P-S-1YG-0018	<u>21,019</u>
Total U.S. Department of Transportation			<u>21,019</u>
<u>U.S.</u>			
Passed through Dallas County 2014 Community Development Block Grant	14.218	B-14-MC-48-0047	<u>178,873</u>
Total U.S. Department of Housing and Urban Development			<u>178,873</u>
Total Expenditures of Federal Awards			<u><u>\$ 788,219</u></u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ROWLETT, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. GENERAL

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

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

3. PASS-THROUGH EXPENDITURES

Of the federal expenditures presented in the schedule, the City provided \$27,931 of Community Development Block Grant (CFDA 14.218) awards to subrecipients.

**CITY OF ROWLETT, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

None

III. Findings and Question Costs for Federal Awards

None

IV. Summary of Prior Year Findings

None