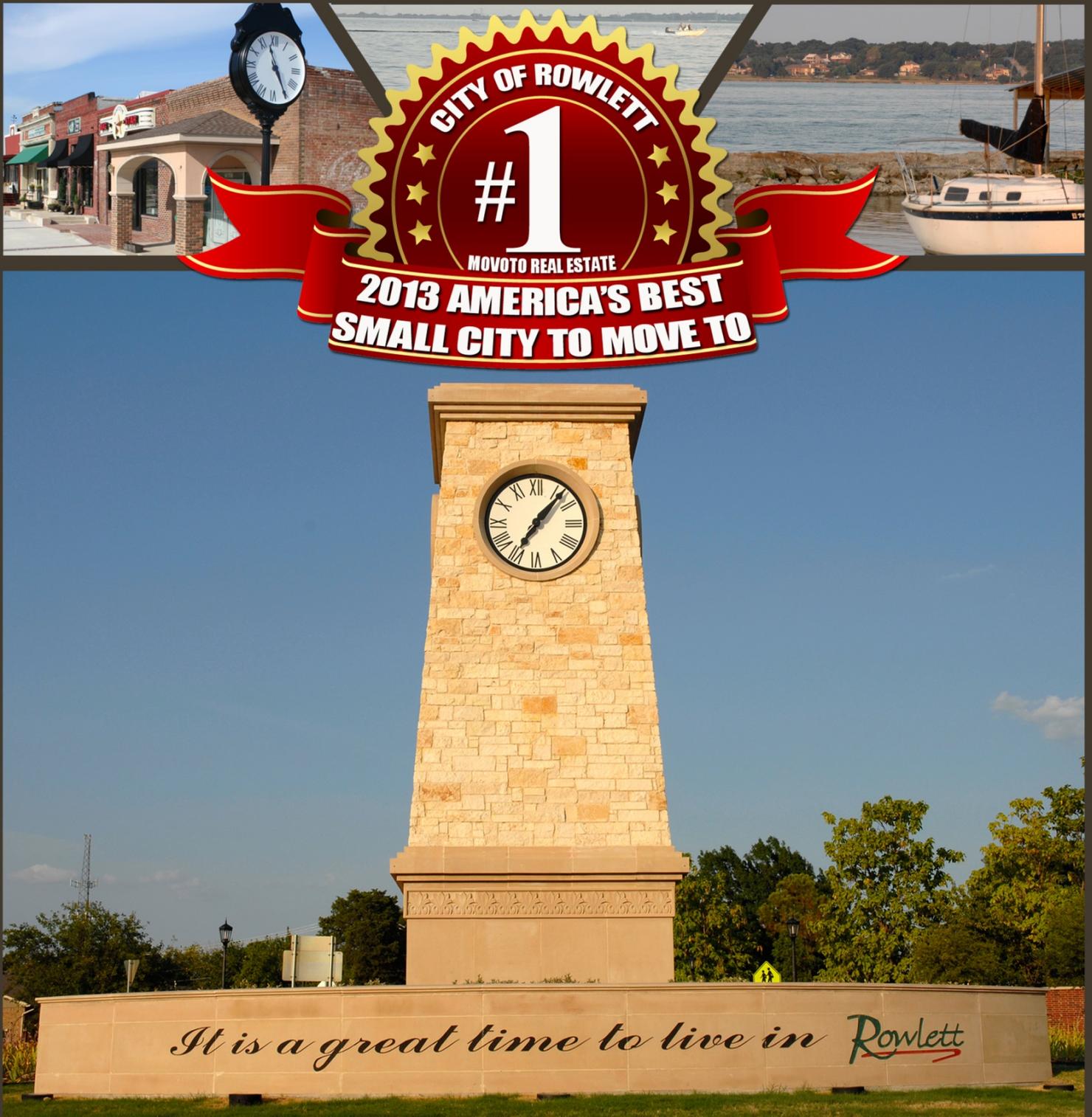


City of Rowlett, Texas Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2013



Rowlett on the Move

THIS PAGE INTENTIONALLY LEFT BLANK



CITY OF ROWLETT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013

Prepared by

Department of Financial Services

Alan Guard, Director of Financial Services and Information Technology
Wendy Badgett, Accounting Manager

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF ROWLETT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2013**

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>	
Letter of Transmittal	i
Organization Chart	vii
List of Principal Officials	viii
Location Map	ix
Certificate of Achievement for Excellence in Financial Reporting	x
<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	14
Statement of Activities	15
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	23
Statement of Cash Flows	24
Notes to the Basic Financial Statements	26
Required Supplementary Information (Unaudited)	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund	61
Notes to Required Supplementary Information	62
Other Supplementary Information	
Budgetary Comparison Schedule – Debt Service Fund	63
Nonmajor Governmental Funds	
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	67
Budgetary Comparison Schedules	
Impact Fee Fund	69
Police Seizure Fund	70
Traffic Safety Fund	71
Court Fees Fund	72
Grant Fund	73
Tax Increment Financing Fund	74
Other Special Revenue Fund	75

**CITY OF ROWLETT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2013**

TABLE OF CONTENTS - (continued)

	<u>Page</u>
<u>STATISTICAL SECTION (Unaudited)</u>	
Net Position – Table 1	77
Changes in Net Position – Table 2	79
Fund Balances, Governmental Funds – Table 3	81
Changes in Fund Balances, Governmental Funds – Table 4	83
Tax Revenue by Source – Table 5	85
Assessed Value and Estimated Actual Value of Taxable Property – Table 6	86
Property Tax Rates/Assessment Ratios – All Direct and Overlapping Governments – Table 7	87
Principal Taxpayers – Table 8	89
Property Tax levies and Collections – Table 9	90
Ratio of Outstanding Debt by Type – Table 10	91
Ratio of General Bonded Debt Outstanding – Table 11	93
Computation of Direct and Overlapping Debt – Table 12	94
Computation of Legal Debt Margin – Table 13	95
Schedule of Revenue Bond Coverage – Water & Sewer Bonds – Table 14	96
Demographic and Economic Statistics – Table 15	97
Principal Employers – Table 16	98
Full-Time Equivalent City Government Employees by Function – Table 17	99
Operating Indicators by Function / Program – Table 18	101
Capital Asset Statistics by Function / Program – Table 19	103
 <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	105
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	107
Schedule of Expenditures of Federal Awards	109
Notes to Schedule of Expenditures of Federal Awards	110
Summary of Findings and Questioned Costs	111

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

Mayor ~ Todd Gottel
Mayor Pro Tem ~ Chris Kilgore
Deputy Mayor Pro Tem ~ Michael Gallops

City Council ~
Doug Phillips
Tammy Dana-Bashian
Carl Pankratz
Debby Bobbitt

City Manager ~ Brian Funderburk



February 4, 2014

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

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the City of Rowlett, Texas for the year ended September 30, 2013. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Weaver and Tidwell, L.L.P., have issued an unqualified ("clean") opinion on the City of Rowlett's financial statements for the year ended September 30, 2013. 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. MD&A complements this letter and should be read in conjunction with it.

Profile of the Government

The City of Rowlett is located 20 miles northeast of Dallas. Surrounded by more than 30 miles of shoreline on beautiful Lake Ray Hubbard, Rowlett is poised to capitalize from the completion of the President George Bush Turnpike and the arrival of the new Dart Light Rail Station. Once a small farming community, the City has doubled in population over the past twenty years. It currently occupies 20.2 square miles and serves a population estimated by the US Census of 58,476. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

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

The City Manager is the Chief Executive Officer of city government. Appointed directly by the City Council, the City Manager is in charge of the day-to-day operations of the City. The City Manager is

responsible for implementing the policy direction of the City Council in an efficient, effective, responsive, and responsible manner. The City Council is elected at-large representing all residents within the City Limits. The Mayor and six Council members serve staggered three year terms creating a three-year cycle. The Mayor and three Council positions are filled in one cycle, three Council positions are selected in the second cycle, and there is no election in the third cycle.

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

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

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

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

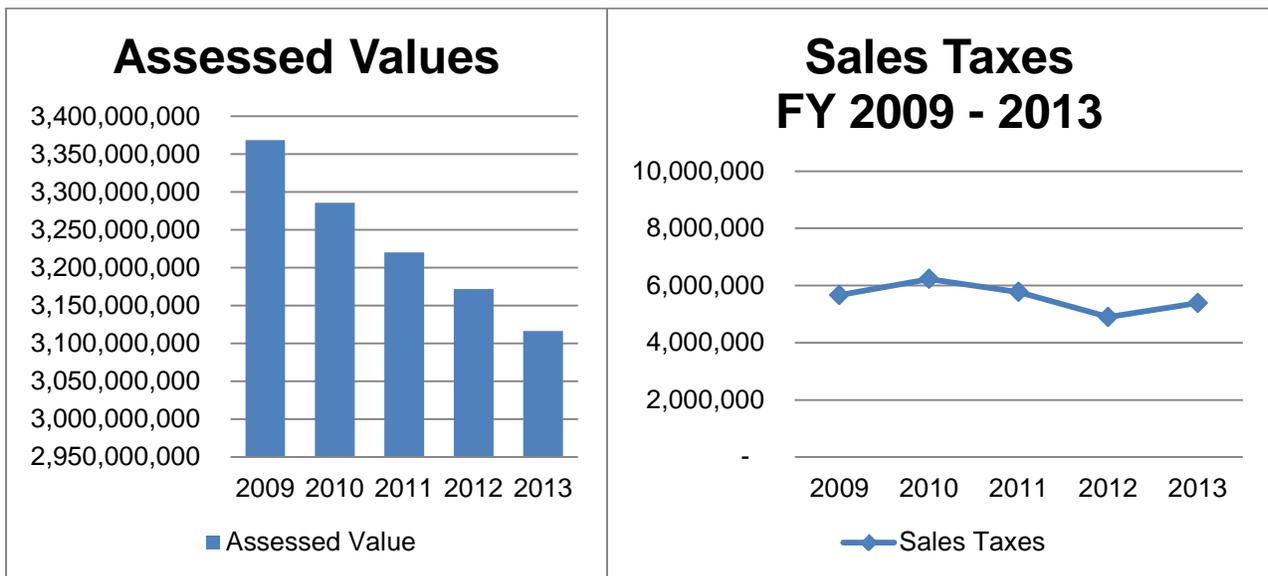
Local Economy

The City of Rowlett can best be described as a bedroom community, on the-outer ring of the Dallas Metroplex against the backdrop of Lake Ray Hubbard. Major industries located within the government's boundaries include large retail stores and specialty medical care facilities. Major access to the community is provided by IH-30. Construction on the President George Bush Turnpike (PGBT) Eastern Extension to complete the PGBT from SH78 to IH-30 was completed December 2011 and has provided much improved access into and out of the City. The majority of the new turnpike traverses Rowlett and provides an economic engine for the City's development and growth. In addition, the Dart Rail Blue Line Extension to link the downtowns of Rowlett and Garland and bring the first light rail station into the City was opened in December 2012.

The economic slowdown that began in 2007 and accelerated in 2008-2010 has finally started to improve. Our current economic challenges are here to stay for several years. Because this economic condition is likely to last for the next couple of years at least, it is no longer prudent to make economic decisions in one-year increments hoping next year gets better. As a result, staff continues to approach the budgeting process from a much different and more strategic perspective going forward than in the past. Shrinking revenues create a gap between what the City can afford to pay and what the citizens expect to receive. The main focus has become sustainability, which is defined as planning for and providing the appropriate level of service, quality of life, and public safety that can be consistently maintained within the available resources. The gap between available revenues and expected services needs to be addressed in every aspect of how the City does business and will be the challenge for future decisions and budgets. Beginning with the 2011

budget process, the City has embarked on a five year financial planning model that allows us to see how the decisions we make today will impact our future.

City-wide, our average annual unemployment rate decreased from 7.2% to 6.1% for the year comparing well with the statewide average of 6.3%, the Metroplex average of 6.1%, and the national average of 7.4%. Sales tax collections increased by 10% over the previous year primarily due to a continued rise in activity since the opening of the President George Bush Turnpike. New residential building construction in Rowlett decreased slightly in the current year from 80 in 2012 to 74 in 2013. Commercial permits also decreased, declining from 7 in 2012 to 4 in 2013. The value of this new construction, along with other additions, added an estimated \$17.4 million of new taxable value to our tax rolls for the upcoming year, up 43.8% from the previous year's increased value of \$12.1 million. 2013 data from the appraisal districts indicated an overall 1.5% decrease in property value thus decreasing taxable assessed value by \$47.1 million. Final certified values for 2014 is suggesting a slight 0.3% reduction in assessed taxable valuation, further declining assessed valuation an additional \$8.3 million. These factors although not overly positive, show that we may have finally reached the bottom for market values, and provided the cornerstone for developing the budget and operating plan for the 2014 year. Taxable values are expected to remain challenged in future years due to the aging population.



To address Rowlett's future direction and declining taxable home values, the City embarked on the Realize Rowlett 2020 Planning Process, a fast-paced, focused initiative project to create a vision of Rowlett's future on land use, economic development and public capital investments, and set action items to make that vision a reality. This new strategy will help Rowlett take advantage of opportunities available to the City now and will enhance the attractions that already make this community special and unique. Realize Rowlett 2020 Phase I, the first step in proactive planning of the City's future, began in April 2011 and concluded with the adoption of the City's new Comprehensive Plan in September 2011, a high level overview that establishes the vision and provides implementation strategies that are used to create zoning regulations and boundaries. Phase II began in June 2012 to look at four catalyst areas in detail to identify the framework and regulatory tools needed to achieve the community vision. Four Form Based Code Zoning districts, Woodside Living, Signature Gateway, Healthy Living and Downtown, were adopted in November 2012. By adopting Form Based codes, sustainability can be achieved through quality development that offers flexibility in uses as the market evolves over time. In addition, it will provide much needed housing diversification that should stem declining property values over time as new housing choices are constructed. Even with some very exciting economic development projects on the horizon, it takes about three years for a city to see property tax revenues from new development.

The fiscal year 2014 budget represents the fourth year of implementation of the Five Year Sustainability Financial Plan. All decisions regarding revenue projections follow the same fiscally conservative approach that began in 2010. Expenditures were evaluated from the perspective of organizational sustainability. For the ninth consecutive year, the property tax rate will be unchanged at \$0.747173 per \$100 of assessed valuation. Accommodating a flat tax rate was a significant challenge given an additional 0.3% reduction in taxable property values, which came on the heels of a 2.5% reduction in FY2010, a 2.0% reduction in FY2011, a 1.5% reduction in FY2012 and a 1.5% reduction in 2013. As a result, the total fiscal year 2014 adopted budget is \$85.7 million. This is an increase of \$2.9 million, or 3.5%, compared to the 2013 approved budget of \$82.8 million. The main reason for the increase is a \$1.1 million rise in personnel costs due to an 11.0% increase in health insurance effective October 1, 2013 and a 3% salary increase for city employees effective April 1, 2014. The previous raise given on April 1, 2013 will have a full year impact in FY2014 as well. The City has also budgeted to fund technology infrastructure in the amount of \$0.6 million to continue the rebuild of the network infrastructure (including switches and routers), and \$0.2 to lease-purchase new financial software. In addition, the cost of water acquisition from North Texas Municipal Water District (NTMWD) will increase 9.2%, or \$0.5 million, due to cost increases passed on by NTMWD and \$0.3 million has been added to the budget to replace 7 pieces of non public safety vehicles and equipment purchased in 2001-2003 and a replacement generator for the police building. This budget and those that follow will continue to utilize the principles of the Five Year Sustainability Financial Plan and the challenges facing the City during these challenging economic times.

Relevant Financial Policies

The City has established reserve policies for its' operating funds. The established reserve policies are as follows:

Fund Type	Reserve Balance Requirement
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 in allowing flexibility in budgeting and responsiveness to unforeseen short term economic conditions. The City is proud to report that reserve balance requirements have been met or exceeded in all instances.

Major Initiatives

For the Year. During fiscal year 2013, the City capitalized \$17.6 million in major construction projects and acquisitions, including \$4.1 million for Rowlett Road Reconstruction Phase II, \$4.3 million in lift stations, \$3.5 million in water lines, \$2.0 million in street improvements, \$1.1 million in drainage improvements, \$0.5 million in sewer lines, \$0.5 million for Katy Park improvements, \$0.2 million for Merritt Rd Interconnector right-of-ways, \$0.3 million for Coyle House renovations, \$0.6 million for IT infrastructure equipment, \$0.3 million for pipe bursting equipment, and \$0.2 million for a crane truck. Much of the City's strategic focus over the past few years has been on road construction and system improvements as we have moved toward the end of construction of the President George Bush Turnpike and Dart Light Rail Station. During this fiscal year, the City began to focus on addressing replacement of IT infrastructure, utility and heavy equipment.

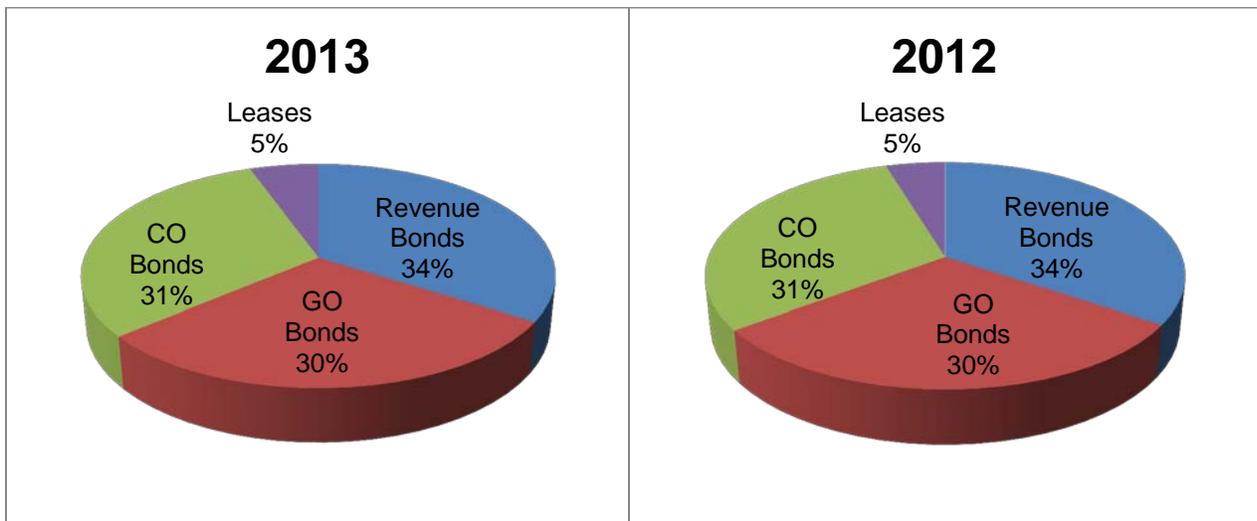
For the Future. For fiscal year 2014, the City adopted a Two Year Capital Improvements Plan (“CIP”) totaling \$22.7 million encompassing a variety of projects in public works, public safety, parks and recreation, water and wastewater and capital equipment. The most significant projects include \$16.1 million for utility improvements that will focus on preventative maintenance programs as well as infrastructure replacement and upgrades, such as \$12.0 million for water and sewer line installations, repair and replacements, \$1.3 million for pump station improvements, and \$0.7 million for preventative maintenance. Additional major projects include \$3.7 million for asphalt and concrete improvements to roadways and sidewalk improvements and \$1.5 million for alley improvements. Capital expenditures for the next three fiscal years are based primarily on new bond construction funds and cash from the operating funds. The Two Year CIP, as adopted, contains the following additional fiscal year 2014 benefits to support the significant utility improvements which will address the upper pressure water zone and deferred maintenance of the utility system:

- \$10.5 million in new revenue bonds for the Water & Sewer Fund from freed up bond capacity, primarily to address issues with the upper pressure water zone
- Continues annual funding for Cash CIP

The refundings that occurred in 2012 were done primarily to reduce interest rates. Evident in the charts below is the change in the mix of debt between GO Bonds and CO Bonds due to the refunding. In addition, at the beginning of FY2014, an additional refunding occurred, primarily to reduce interest rates. Utility Revenue bond payments will decline in FY2015 sufficient to issue another \$10.0 million in water and sewer bonds in FY2015. Staff has worked with its consultants to develop a plan for these funds with the primary focus being on the upper pressure water zone. The property tax rate will remain 0.747173 per \$100 of assessed valuation for the ninth straight year.

At September 30, 2013, the City had various debt issues outstanding totaling \$115 million exclusive of premiums, discounts or deferred losses. Of this total, \$72 million is supported by a combination of ad valorem taxes, developer contributions and lease payments. Revenues from the enterprise funds support \$43 million.

The breakdown of outstanding debt by type at the end of the fiscal year is as follows:



During FY21012, Standard & Poor’s rated the City’s 2012 general obligation and revenue bonds at AA-. In addition, Moody’s Investors Service rated the City as Aa3 on general obligation and revenue bonds. In FY2014, Standard & Poor’s and Moody’s Investors Service both raised their ratings to AA and Aa2,

respectively, on the City's 2013 general obligation refunding bonds. The rating agencies look at a number of factors when establishing a rating for municipalities, including financial management, economic conditions and development activity, and overall trends such as changes in the tax base and fund reserves. In raising the City's rating, S&P noted the broad and diverse DFW economy in which we participate, strong financial management which relies on long-term financial forecasting, and the City's rapid amortization schedule. S&P Credit Analyst Edward McGlade added, "The stable outlook reflects our view of Rowlett's consistent financial performance and economy, which is supported by strong financial management". This is an affirmation of the City Council's vision and sound financial leadership.

The current budget continues to take into account the value of every dollar spent and a common theme around city hall is "work smarter, not harder". This phrase emphasizes the desire to get more done with better tools and technology. The focus is on "citizen centered" government and to put the right resources in the right place at the right time. However, while the focus of the current budget is on FY2014, it is also devoted to year two, or FY2015, to develop and manage an ongoing financial strategy to address the "Great Recession of 2007 – 2012" and our "fork in the road" decision point for the community of Rowlett in order to achieve financial sustainability and capitalize on the vision this community has for itself given the extraordinary commitment 45 years in the making to see the completion of PGBT and the 27 year wait for the arrival of the DART "Blue Line" Light-Rail.

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 2012.

This is the ninth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

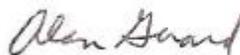
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2011. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

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

Respectfully submitted,

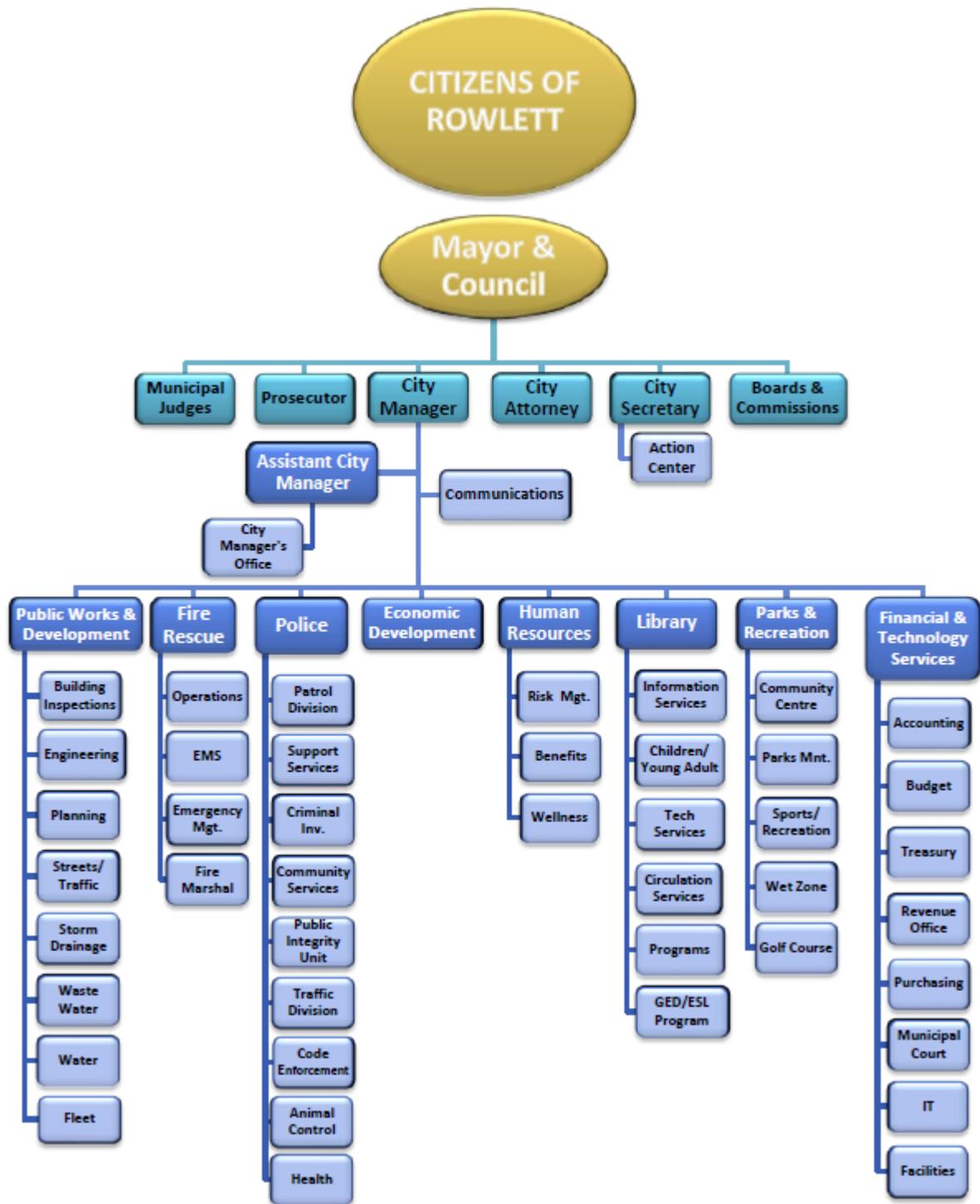


Brian Funderburk
City Manager



Alan Guard
Director of Financial Services and Information Technology

ORGANIZATION CHART



CITY OF ROWLETT

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

Todd Gottel	Mayor
Doug Phillips	Mayor Pro-tem
Michael Gallops	Deputy Mayor Pro-tem
Tammy Dana-Bashian	Councilmember
Carl Pankratz	Councilmember
Debby Bobbit	Councilmember
Chris Kilgore	Councilmember

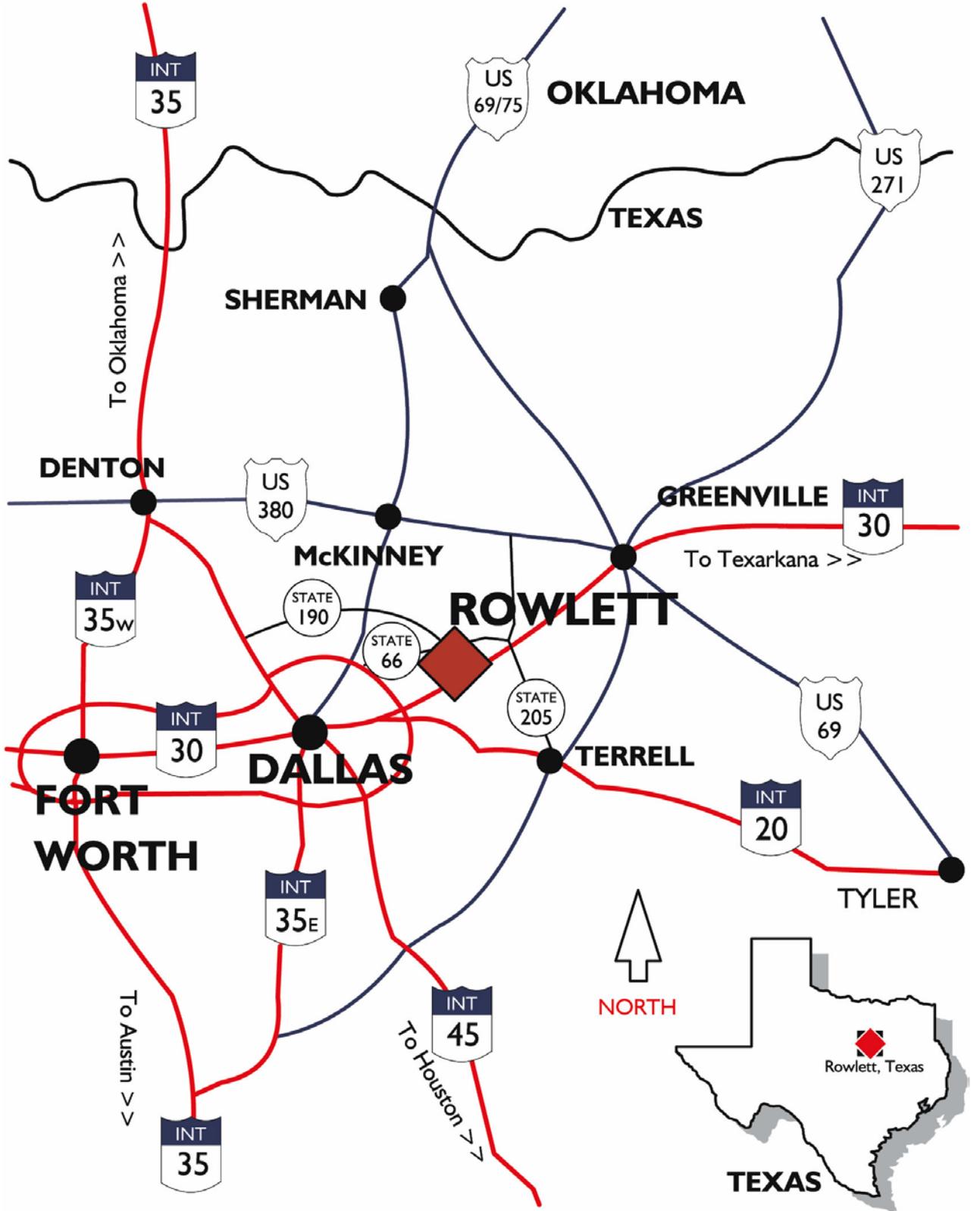
APPOINTED OFFICIALS

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

MANAGEMENT TEAM

Jim Grabenhorst	Economic Development
Alan Guard	Financial Services and IT
Don Poovey	Interim Fire Rescue
Jermel Stevenson	Parks and Recreation
Erin Jones	Planning
William Brodnax	Police
John Murray	Human Resources
Jim Proce	Public Works/Development
Kathy Freiheit	Library

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, 2012

Executive Director/CEO

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 4-13) and budgetary comparison schedule – General Fund (on pages 61–62) 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 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.

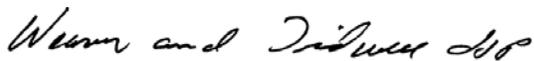
The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information

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 January 31, 2014, 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, L.L.P.

Dallas, Texas
January 31, 2014

THIS PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(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, 2013. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of September 30, 2013 by \$127 million (net position). Of this amount, \$14 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Rowlett's net position of governmental activities increased by \$7 million or 15% as a result of this year's operations. Program revenues increased \$0.1 million due to increased charges for services. General revenues increased \$0.1 million primarily as a result of higher sales tax revenue and slightly higher miscellaneous cell tower revenue. Overall operating expenses decreased \$3 million, with nearly every category experiencing declines, including interest on long term debt, with the most notable decreases in public works and general government.
- Net position of the City's business type activities increased by \$1 million or 2%, mainly attributable to water and wastewater revenues increasing by \$3 million due to a 23.6% rate increase implemented during the year. Of this 23.6% rate increase, 14.3% was a pass through to consumers as a result of increased water costs from North Texas Municipal Water District (NTMWD). Operating expenses increased \$1 million primarily as a result of \$0.6 million in increased water supply and \$0.3 million in depreciation as a result of multiple water and sewer project completions placed into service.
- As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$16 million, a decrease of \$0.4 million from the prior year, primarily due to spending down \$10 million in bond construction fund and cash funds for various repairs and capital improvements. Of this amount, \$6 million is unassigned and available for spending subject to the City's reserve policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6 million or approximately 20% percent of total general fund expenditures.
- The City's total bonded debt for governmental activities decreased by \$6 million during the current fiscal year. Total bonded debt for enterprise funds decreased by \$4 million during the fiscal year ended September 30, 2013.

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, 2013
(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 liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Rowlett is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. 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 kinds of activities:

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

- **Governmental funds** – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the statement of net

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

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

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

- **Proprietary funds** – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net 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. 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.

OTHER INFORMATION

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

The City as a Whole – Government-Wide Financial Analysis

The City's combined net position was \$127 million as of September 30, 2013. Analyzing the net position and net expenses of governmental and business-type activities separately, governmental type activities net position is \$53 million and business type activities net position is \$74 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.

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

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

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 25,092	\$ 30,437	\$ 33,564	\$ 36,200	\$ 58,656	\$ 66,637
Capital assets	<u>107,526</u>	<u>106,477</u>	<u>89,715</u>	<u>89,709</u>	<u>197,241</u>	<u>196,186</u>
Total assets	<u>132,618</u>	<u>136,914</u>	<u>123,279</u>	<u>125,909</u>	<u>255,897</u>	<u>262,823</u>
Current liabilities	5,534	11,527	3,222	3,215	8,756	14,742
Noncurrent liabilities	<u>73,613</u>	<u>78,836</u>	<u>46,525</u>	<u>50,328</u>	<u>120,138</u>	<u>129,164</u>
Total liabilities	<u>79,147</u>	<u>90,363</u>	<u>49,747</u>	<u>53,543</u>	<u>128,894</u>	<u>143,906</u>
Net position:						
Net investment in capital assets	38,864	31,917	63,172	62,577	102,036	94,494
Restricted	9,138	9,171	2,197	2,328	11,335	11,499
Unrestricted	<u>5,469</u>	<u>5,463</u>	<u>8,163</u>	<u>7,461</u>	<u>13,632</u>	<u>12,924</u>
Total net position	<u>\$ 53,471</u>	<u>\$ 46,551</u>	<u>\$ 73,532</u>	<u>\$ 72,366</u>	<u>\$ 127,003</u>	<u>\$ 118,917</u>

By far, the largest portion of the City's net position (80%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Governmental and business-type activities increased the City's net position by \$8 million. The key elements of this increase are as shown in Table II on the next page:

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

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

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 5,309	\$ 5,103	\$ 31,353	\$ 28,293	\$ 36,662	\$ 33,396
Operating grants and contributions	817	901	-	-	817	901
Capital grants and contributions	6,736	6,749	938	145	7,674	6,894
General revenues						
Property taxes	23,291	23,805	-	-	23,291	23,805
Sales taxes	5,387	4,894	-	-	5,387	4,894
Other taxes	112	48	-	-	112	48
Investment income	44	77	24	54	68	131
Other	4,469	4,376	21	97	4,490	4,473
Total revenues	<u>46,165</u>	<u>45,953</u>	<u>32,336</u>	<u>28,589</u>	<u>78,501</u>	<u>74,542</u>
Expenses						
General government	3,079	4,275	-	-	3,079	4,275
Public safety	19,791	20,456	-	-	19,791	20,456
Public works	11,690	13,472	-	-	11,690	13,472
Culture and recreation	5,100	4,975	-	-	5,100	4,975
Development	1,184	881	-	-	1,184	881
Interest on long-term debt	2,849	2,888	-	-	2,849	2,888
Water and sewer	-	-	21,215	20,275	21,215	20,275
Refuse	-	-	3,641	3,316	3,641	3,316
Drainage	-	-	1,866	2,092	1,866	2,092
Total expenses	<u>43,693</u>	<u>46,947</u>	<u>26,722</u>	<u>25,683</u>	<u>70,415</u>	<u>72,630</u>
Increase (decrease) in net assets before transfers	2,472	(994)	5,614	2,906	8,086	1,912
Transfers	<u>4,448</u>	<u>3,916</u>	<u>(4,448)</u>	<u>(3,916)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	6,920	2,922	1,166	(1,010)	8,086	1,912
Net position, beginning	<u>46,551</u>	<u>43,629</u>	<u>72,366</u>	<u>73,376</u>	<u>118,917</u>	<u>117,005</u>
Net position, ending	<u>\$ 53,471</u>	<u>\$ 46,551</u>	<u>\$ 73,532</u>	<u>\$ 72,366</u>	<u>\$ 127,003</u>	<u>\$ 118,917</u>

Governmental Activities

Total revenues for governmental activities, exclusive of transfers, were \$46 million in fiscal year 2013, up 0.5% from the previous year, primarily in increased sales tax. There were modest decreases in property taxes and investment income and an increase in miscellaneous cell tower revenue. The most significant revenue source is property tax revenues which represent \$23 million or 50% of the total. The most significant governmental expense for the City was in providing public safety for the community, which incurred expenses of \$20 million, or 45% of total expenses. These expenses were partially offset by revenues collected from a variety of sources, with the largest being from court fines totaling nearly \$1 million. Depreciation for all governmental capital assets totaled \$8 million representing 17% of the total.

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

Business-type Activities

Revenues of the City's business-type activities were \$32 million for the fiscal year ending September 30, 2013, up 13%. Water and sewer charges account for \$25 million of this amount or 78%. Total operating expenses were \$27 million of which the water and sewer fund accounted for \$21 million or 79%. Total net position for business-type activities increased \$1 million attributable primarily to increased charges for services revenue. Changes in net position for the water and sewer fund, drainage fund, and refuse fund were \$2 million, \$527, and (\$0.6 million), respectively.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds. The focus of the City of Rowlett's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$16 million. Approximately 37% of this total amount, \$6 million, constitutes unassigned fund balance. The remainder of the fund balance is restricted to indicate that it is not available to pay for new spending because it has already been committed to pay for capital projects of \$7 million and other items totaling \$2 million. The fund balance for all governmental funds decreased \$.4 million primarily due to spending bond construction funds for capital improvements.

In the general fund, the original budget projected a slight increase in fund balance. The general fund balance decreased \$0.3 million this fiscal year primarily as a result of a \$0.5 million increase in transfers to cover the FY2013 deficit of the City's Health Insurance fund. Operating revenues increased \$0.9 million primarily due to a 10% increase in sales tax revenue coupled with a 15% increase in charges for services as a result of a rise in inspection fee activity due to new development of large subdivisions during the year. Operating expenses remained flat compared to the prior year; while nonoperating proceeds from capital leases stemming from the purchase of IT equipment (network refresh and new servers) increased \$0.8 million.

Ultimately, revenues met expectations and expenditures exceeded the final amended budget by \$0.8 million.

Revenues in the debt service fund, exclusive of transfers decreased slightly by \$0.01 million as result of decreased property tax revenue caused by property values declining 1.5% from the prior fiscal year.

The capital projects fund expended \$10 million in fiscal year 2013, a decrease from 2012 expenditures of \$14 million primarily due to the completion of several significant projects in 2012. Revenues remained relatively flat at \$6 million, with a \$0.2 million increase in grant income. The City did not issue any new bonds for capital projects in 2013 electing to spend down construction funds accumulated in previous years.

Proprietary Funds. The City's proprietary fund statements provide detail on the City's individual business-like activities. The City maintains three enterprise funds, including the water and sewer fund, refuse fund, and drainage fund that make up the proprietary funds.

The water and sewer, drainage, and refuse enterprise funds recorded changes in net position of \$2 million, \$527, and (\$0.6 million), respectively. The increase in net position of the Water and Sewer fund is primarily attributable to a \$2.8 million increase in water and wastewater revenue based on a rate increase during the year. The 23.6% rise in the water rate included 14.3% to cover the increase charged to the City from NTMWD. Operating expenses increased \$0.5 million primarily due to the \$0.6 million rise of

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

water supply costs. The operating activity was offset by a \$0.4 million increase in nonoperating interest and fiscal charges as a result of the 2012 water & sewer debt issuance and a \$0.8 million increase in capital contributions from developers. In addition transfers in from other funds decreased \$1.3 million and transfers out decreased \$0.5 million.

The decrease in net assets in the drainage fund is primarily due to relatively flat revenue and continued storm drain system improvements. The \$527 increase in net position for the refuse fund was primarily due to a slight increase in charges for services, a relatively small increase in contractual services for refuse collection, and a slight decrease in transfers to the CIP fund.

CAPITAL ASSETS

At the end of the fiscal year 2013, the City had \$197 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 1% 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 29,163	\$ 29,009	\$ 792	\$ 792	\$ 29,955	\$ 29,801
Buildings and improvements	45,360	44,915	1,101	1,101	46,461	46,016
Machinery and equipment	14,165	13,231	7,944	7,348	22,109	20,579
Construction in progress	12,027	11,531	3,473	8,990	15,500	20,521
Infrastructure	<u>109,583</u>	<u>103,760</u>	<u>150,113</u>	<u>139,909</u>	<u>259,696</u>	<u>243,669</u>
Total	210,298	202,446	163,423	158,140	373,721	360,586
Accumulated depreciation	<u>(102,772)</u>	<u>(95,969)</u>	<u>(73,708)</u>	<u>(68,431)</u>	<u>(176,480)</u>	<u>(164,400)</u>
Total capital assets	<u>\$ 107,526</u>	<u>\$ 106,477</u>	<u>\$ 89,715</u>	<u>\$ 89,709</u>	<u>\$ 197,241</u>	<u>\$ 196,186</u>

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

Rowlett Road Reconstruction Ph II	\$ 4,095
Merritt Road Water Lines	2,875
Main Street Lift Station	2,259
Rowlett Road Lift Station	2,082
Martin/Freedom Drive Extension	1,223
Larry Street Improvements	809
Kyle Road Drainage	790
IT Infrastructure Equipment	635
Castle Hills 12" Water Line	592
Katy Park Improvements	534
Pendridge and Chiesa Drainage	332
Schrade Manhole and Sewer Line	290
Coyle House Renovations	281
Pipe Bursting Equipment	255
Force Main Pipe SH66 and Main	195
Merritt Road Interconnector Right of Way	154
Crane Truck	<u>152</u>
Total	<u>\$ 17,553</u>

**CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)**

For more information related to capital assets, see Note 6 on pages 39-40.

DEBT

At year-end, the City had \$109 million in bonds outstanding as compared to \$118 million at the end of the prior fiscal year, a decrease of 8% – as shown in Table IV.

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

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
General obligation bonds (backed by the City)	\$ 34.3	\$ 37.7	\$ -	\$ -	\$ 34.3	\$ 37.7
Certificates of obligation and tax anticipation notes (backed by the City)	31.7	34.0	3.6	3.8	35.3	37.8
Revenue bonds (backed by fee revenues)	-	-	39.1	42.6	39.1	42.6
Total bonded debt	<u>\$ 66.0</u>	<u>\$ 71.7</u>	<u>\$ 42.7</u>	<u>\$ 46.4</u>	<u>\$ 108.7</u>	<u>\$ 118.1</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. However, in May 2003, the citizens of Rowlett amended the Charter to limit the amount of taxes that may be levied to \$1.25 per \$100 of assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 2.25 percent.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for the business-type activities. The most important factor continues to be the challenging economic times that Americans and the citizens of Rowlett are currently facing. While national, state and local economies are no longer declining, growth is slow and inconsistent. Revenue sources are no longer shrinking but are at best flat, and unemployment and limited liquidity in the lending markets continue to be a drag on the economic recovery. Because this economic condition is likely to last for the next couple of years at least, it is no longer prudent to make decisions in one-year increments hoping next year gets better. During budget planning a five year financial planning model was used that allows us to see how the decisions we make today will impact our future. In most cases, the model will not change the decisions but will provide important insights as to the future impact of today's decisions. In addition to being the most challenging economic times in recent history, the next 5 to 10 years may be some of the most critical times facing Rowlett's future. With the completion of President George Bush Turnpike (PGBT) in December 2011, and the opening of Dallas Area Rapid Transit (DART) Light Rail in December 2012, the final phase of Rowlett's development future prior to build out is here. The decisions made now will set the stage for development

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

choices made in the future. One of the challenges is providing for current citizens while simultaneously funding opportunities for future development to grow and diversify the tax base.

Overwhelmingly, citizens all across the country, whether on a national, state or local level, are demanding accountability from their government as to how money is spent. The City of Rowlett is transparent and responsive to this accountability. However, challenged with shrinking property tax values and a property tax rate that has not increased in nine years, the City has faced \$2.0 million less generation in property tax revenues over the last four years. Knowing that we must be fiscally accountable to Rowlett citizens, staff has developed a strategy to begin to address that gap from a "sustainability" perspective. Sustainability has been defined as meeting the needs of the present without compromising the future. For the City, sustainability is planning for and providing the appropriate level of service, quality of life, and public safety that can be consistently maintained within the available resources. Because the City's revenues are shrinking and expenditures continue to rise, it is important for the City to find the appropriate balance between services offered and the City's ability to pay for those services in order to achieve sustainability.

Rowlett's current population is approximately 58,476. Rowlett's expected population at build out will be approximately 70,000. Rowlett's greatest economic strength is its location on Lake Ray Hubbard and within the crosshairs of the President George Bush Turnpike and I-30. The three largest job sectors are retail and wholesale trade, services, and manufacturing, but it is anticipated that future growth for the region will focus on health care and small businesses, rather than technology. Nationwide employment statistics show the region as leading the country in employment growth, ahead of much larger metropolitan areas. The reasonable costs of living and homes priced below the national average continue to make Rowlett an attractive area for new business locations and re-locations.

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

Much of Rowlett's financial stability is due to the fact that it is not reliant on any one or two specific industries. In fact, the single largest property taxpayer in the City represents only 1.32% percent of the total assessed valuation and the entire top 10 taxpayers only account for 5.16% percent of the total assessed valuation – a positive factor to bond rating agencies. This may be the most significant factor explaining why Rowlett has financially performed so well over the past five years.

These indicators were taken into account when adopting the budget for fiscal year 2014. The total 2013-14 combined budget appropriation totaled \$85.7 million for all funds. This represents an increase over the previous year adopted budget of \$82.8 million. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the central Appraisal District of Dallas County and the tax rate established by the Rowlett City Council. Due to the fact that until 2010 assessed property values have increased annually since 2001, the City was able to hold the tax rate constant for 10 years. However, operational factors and debt service payments related to needed street and roadways resulted in the City increasing the tax rate from 64.0000 cents per \$100 valuation to 67.6945 cents in the fiscal year ending September 30, 2004, and again to 74.7173 cents for fiscal years ended September 30, 2006 – September 30, 2013. The tax rate once again remains unchanged for fiscal year 2014. According to final figures received from the Central Appraisal District, the total assessed property value for 2013-14 of \$3.1 billion is a decrease of 0.3 percent, including new construction. A penny on the tax rate generates approximately \$311,649 annually for the City.

CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

The General Fund's largest revenue source is property tax receipts. Reflective of the decrease in appraisal values and no increase in the tax rate, property tax revenues have decreased from their highest level in 2008. In 2004, Rowlett broke the \$3.0 million barrier for the first time in sales taxes with the addition of Home Depot and the local beer/wine option. Since then sales tax revenues have been up and down, primarily due to a rebate agreement with homebuilder DR Horton. That agreement ended in 2011, so figures for FY2012 and FY2013 are comparable. Sales tax revenues increased by 10%, or \$0.5 million, from 2012 to 2013, to total \$5.4 million. Much of this growth can be attributed to the opening of the PGBT and the completion of several significant roadway projects in Rowlett. Given the current economic conditions, the FY2014 budget projects only a slight increase of 0.5% to remain consistent at \$5.4 million.

As for the City's business-type activities, the City was cautious with its revenue expectations in the Water & Sewer Fund recognizing that weather plays a big role in ultimately determining earnings as well as the economy for outdoor water uses. For example, beginning in 2011, North Texas experienced the most serious drought since the mid-1950's, with stage 3 water restrictions being implemented in November 2011. This drought reduced the City's FY 2012 water sales by over a half a billion gallons and was further reduced in FY 2013 by 144 million gallons. Taking this into consideration, among other factors caused by the drought and the zebra mussel issue in Lake Lavon, the City's 2013 budget included an adopted rate change increase to the average utility bill (assuming 10,000 gallons per month) by \$11.70 or 23.6% per month. The 2013 increase passed on a 14.3% increase from NTMWD and what was needed for additional capital maintenance to address serious water and sewer infrastructure issues. The 2014 budget includes a pass through increase from the NTMWD of \$3.49 to the monthly base rate. Assuming 10,000 gallons per month of usage, this equates to a 5.7% increase. Based on this rate increase, water revenues are projected to increase by 3.3% in 2014. Sewer charges are projected to increase on a budgetary basis by approximately 2.3% due to a projected increase in sewer treatment services. The City has adopted a 0.6% 2014 rate increase to pass on only the increase implemented by the City of Garland. FY2014 water and sewer fund expenditures are projected to increase approximately 2.6% based on the anticipated increase from NTMWD for water purchases and anticipated increase from the City of Garland for sewer treatment. Revenues in the Drainage fund are projected to remain flat as there is no projected growth and rates will remain the same. Revenues in the Refuse Fund are projected to increase 2.1% due to increases tied to CPI as provided in the contract with the City's solid waste provider.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, cash equivalents and investments	\$ 19,179,453	\$ 27,227,260	\$ 46,406,713
Receivables (net of allowance for doubtful accounts)	3,157,103	5,028,670	8,185,773
Due from other governments	1,608,373	31,441	1,639,814
Notes receivable	-	81,732	81,732
Inventories	118,781	411,790	530,571
Prepaid and other items	1,028,443	782,492	1,810,935
Capital assets:			
Nondepreciable	41,189,858	4,264,428	45,454,286
Depreciable (net)	66,335,698	85,450,961	151,786,659
Total assets	<u>132,617,709</u>	<u>123,278,774</u>	<u>255,896,483</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,606,307	2,200,081	5,806,388
Accrued interest payable	371,835	193,627	565,462
Retainage payable	771,042	229,548	1,000,590
Customer deposits	-	598,863	598,863
Unearned revenues	783,925	-	783,925
Noncurrent liabilities:			
Due within one year	6,410,822	4,558,819	10,969,641
Due in more than one year:	67,203,255	41,966,054	109,169,309
Total liabilities	<u>79,147,186</u>	<u>49,746,992</u>	<u>128,894,178</u>
NET POSITION			
Net investment in capital assets	38,863,695	63,171,705	102,035,400
Restricted for:			
Debt service	249,778	2,197,202	2,446,980
Capital projects	7,257,819	-	7,257,819
Public safety	1,552,814	-	1,552,814
Economic development	6,934	-	6,934
Public broadcasting	70,402	-	70,402
Unrestricted	5,469,081	8,162,875	13,631,956
Total net position	<u>\$ 53,470,523</u>	<u>\$ 73,531,782</u>	<u>\$ 127,002,305</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 3,079,438	\$ 90,267	\$ -	\$ 17,067
Public safety	19,791,298	3,058,323	210,890	503,755
Public works	11,690,444	341,707	606,132	6,214,814
Culture and recreation	5,100,405	958,111	-	-
Development	1,183,670	860,925	-	-
Interest and fiscal charges	2,848,832	-	-	-
Total governmental activities	<u>43,694,087</u>	<u>5,309,333</u>	<u>817,022</u>	<u>6,735,636</u>
Business-type activities:				
Water and sewer	21,215,288	25,341,837	-	938,393
Refuse	3,640,452	4,681,715	-	-
Drainage	1,865,797	1,328,989	-	-
Total business-type activities	<u>26,721,537</u>	<u>31,352,541</u>	<u>-</u>	<u>938,393</u>
 Total primary government	 <u>\$ 70,415,624</u>	 <u>\$ 36,661,874</u>	 <u>\$ 817,022</u>	 <u>\$ 7,674,029</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Other

Franchise fees

Investment earnings

Miscellaneous

Transfers (net)

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of this statement.

Net Revenues (Expenses) and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,972,104)	\$ -	\$ (2,972,104)
(16,018,330)	-	(16,018,330)
(4,527,791)	-	(4,527,791)
(4,142,294)	-	(4,142,294)
(322,745)	-	(322,745)
(2,848,832)	-	(2,848,832)
<u>(30,832,096)</u>	<u>-</u>	<u>(30,832,096)</u>
-	5,064,942	5,064,942
-	1,041,263	1,041,263
-	(536,808)	(536,808)
<u>-</u>	<u>5,569,397</u>	<u>5,569,397</u>
<u>\$ (30,832,096)</u>	<u>\$ 5,569,397</u>	<u>\$ (25,262,699)</u>
23,290,763	-	23,290,763
5,386,679	-	5,386,679
112,300	-	112,300
3,010,969	-	3,010,969
44,492	24,148	68,640
1,458,515	20,692	1,479,207
4,448,300	(4,448,300)	-
<u>37,752,018</u>	<u>(4,403,460)</u>	<u>33,348,558</u>
6,919,922	1,165,937	8,085,859
<u>46,550,601</u>	<u>72,365,845</u>	<u>118,916,446</u>
<u>\$ 53,470,523</u>	<u>\$ 73,531,782</u>	<u>\$ 127,002,305</u>

**CITY OF ROWLETT, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and investments	\$ 7,493,613	\$ 442,136	\$ 8,432,054	\$ 2,354,080	\$ 18,721,883
Receivables (net of allowance for uncollectibles):					
Taxes	1,311,002	178,283	-	4,033	1,493,318
Accounts	521,846	-	-	-	521,846
Accrued interest	3,625	193	5,069	509	9,396
Other	1,107,354	-	-	25,189	1,132,543
Due from other governments	-	-	1,433,915	174,458	1,608,373
Due from other funds	59,104	-	-	-	59,104
Inventories	54,199	-	64,582	-	118,781
Prepaid and other items	64,737	10,240	-	535	75,512
	<u>10,615,480</u>	<u>630,852</u>	<u>9,935,620</u>	<u>2,558,804</u>	<u>23,740,756</u>
Total assets	<u>\$ 10,615,480</u>	<u>\$ 630,852</u>	<u>\$ 9,935,620</u>	<u>\$ 2,558,804</u>	<u>\$ 23,740,756</u>
LIABILITIES					
Accounts payable	\$ 1,212,135	\$ -	\$ 615,406	\$ 121,107	\$ 1,948,648
Retainage payable	854	-	770,188	-	771,042
Accrued liabilities	1,120,625	-	-	27,064	1,147,689
Deferred revenues	1,106,037	178,283	2,206,567	178,936	3,669,823
Due to other funds	-	-	-	59,104	59,104
Total liabilities	<u>3,439,651</u>	<u>178,283</u>	<u>3,592,161</u>	<u>386,211</u>	<u>7,596,306</u>
FUND BALANCES					
Fund balances:					
Nonspendable:					
Inventories	54,199	-	64,582	-	118,781
Prepaid items	64,737	10,240	-	535	75,512
Restricted for:					
Debt service	-	442,329	-	1,001	443,330
Capital projects	321,096	-	6,278,877	657,846	7,257,819
Public safety	-	-	-	1,551,418	1,551,418
Economic development	-	-	-	6,934	6,934
Public broadcasting	-	-	-	70,402	70,402
Assigned for:					
Economic development	305,589	-	-	-	305,589
Capital acquisition	364,692	-	-	-	364,692
Unassigned	6,065,516	-	-	(115,543)	5,949,973
Total fund balances	<u>7,175,829</u>	<u>452,569</u>	<u>6,343,459</u>	<u>2,172,593</u>	<u>16,144,450</u>
Total liabilities and fund balances	<u>\$ 10,615,480</u>	<u>\$ 630,852</u>	<u>\$ 9,935,620</u>	<u>\$ 2,558,804</u>	<u>\$ 23,740,756</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, 2013**

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

Total fund balances per balance sheet - governmental funds		\$ 16,144,450
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		107,525,556
Certain revenues are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		2,885,898
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	(66,123,249)	
Bond premiums	(1,524,918)	
Deferred loss on refunding	1,804,296	
Accrued interest on the bonds	(371,835)	
Capital leases payable	(2,817,990)	
Municipal pension obligation	(1,413,842)	
Other post-employment benefits liability	(1,007,016)	
Compensated absences	(2,531,358)	
		(73,985,912)
Unamortized debt issuance costs are not uses of funds and are not reported in the funds.		900,531
Net position of governmental activities		\$ 53,470,523

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, 2013**

	Governmental Fund Types				Total Governmental Funds
	General	Debt Service	Capital Projects	Other Governmental Funds	
REVENUES					
Taxes:					
Property taxes	\$ 15,348,420	\$ 7,925,984	\$ -	\$ -	\$ 23,274,404
Sales taxes	5,386,679	-	-	-	5,386,679
Other	57,273	-	-	55,027	112,300
Franchise fees	2,895,572	-	-	95,637	2,991,209
License and permits	466,153	-	-	341,707	807,860
Charge for services	2,644,415	-	-	-	2,644,415
Fines and forfeitures	963,059	-	-	1,195,624	2,158,683
Intergovernmental	205,579	-	6,214,814	509,066	6,929,459
Interest	20,058	4,100	18,626	1,708	44,492
Miscellaneous	1,324,679	397	40,156	57,842	1,423,074
Total revenues	<u>29,311,887</u>	<u>7,930,481</u>	<u>6,273,596</u>	<u>2,256,611</u>	<u>45,772,575</u>
EXPENDITURES					
Current operating:					
General government	2,448,346	54,986	-	137,937	2,641,269
Public safety	17,902,071	115,649	-	601,718	18,619,438
Public works	2,874,972	-	3,061,129	-	5,936,101
Culture and recreation	4,282,981	-	-	-	4,282,981
Development	1,128,814	-	-	-	1,128,814
Debt service:					
Principal retirement	659,452	5,542,900	-	-	6,202,352
Interest and fiscal charges	69,436	2,764,820	-	-	2,834,256
Capital outlay	1,575,953	-	7,158,672	817,649	9,552,274
Total expenditures	<u>30,942,025</u>	<u>8,478,355</u>	<u>10,219,801</u>	<u>1,557,304</u>	<u>51,197,485</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,630,138)</u>	<u>(547,874)</u>	<u>(3,946,205)</u>	<u>699,307</u>	<u>(5,424,910)</u>
OTHER FINANCING SOURCES (USES)					
Capital lease	1,130,985	-	-	-	1,130,985
Transfers from other funds	2,200,608	636,616	3,057,883	-	5,895,107
Transfers to other funds	(2,007,709)	-	-	(1,723)	(2,009,432)
Total other financing sources (uses)	<u>1,323,884</u>	<u>636,616</u>	<u>3,057,883</u>	<u>(1,723)</u>	<u>5,016,660</u>
NET CHANGE IN FUND BALANCES	<u>(306,254)</u>	<u>88,742</u>	<u>(888,322)</u>	<u>697,584</u>	<u>(408,250)</u>
FUND BALANCES, BEGINNING	<u>7,482,083</u>	<u>363,827</u>	<u>7,231,781</u>	<u>1,475,009</u>	<u>16,552,700</u>
FUND BALANCES, ENDING	<u>\$ 7,175,829</u>	<u>\$ 452,569</u>	<u>\$ 6,343,459</u>	<u>\$ 2,172,593</u>	<u>\$ 16,144,450</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, 2013**

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

Net change in fund balances - total governmental funds	\$	(408,250)
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 (\$8,606,549) and contributions (\$17,067) exceed depreciation (\$7,533,744) in the current period.		1,089,872
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the governmental financial statements, these revenues are referred to as deferred revenues.		376,067
Capital lease 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	6,202,352	
Change in long-term retainage payable	716,951	
Capital lease proceeds	<u>(1,130,985)</u>	
		5,788,318
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 \$25,598 and amortization of bond discounts/premiums, issuance costs and deferred losses (\$40,174).		(14,576)
Some expenses not reported in the statements are required to be expensed in the statement of activities. This includes the loss on disposal of assets, compensated absences, the unfunded pension obligation, and the unfunded OPEB obligation.		(1,018)
The internal service fund is used by management to charge the costs for self-insurance to the various funds. The net expenses of certain activities of the internal service fund is reported within the governmental activities.		<u>89,509</u>
Change in net position of governmental activities	\$	<u><u>6,919,922</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 4,575,719	\$ -	\$ 773,638	\$ 5,349,357	\$ 200,256
Restricted cash, cash equivalents and investments:					
Revenue bond covenant accounts	2,197,202	-	-	2,197,202	-
Medical claims	-	-	-	-	257,314
Receivables (net of allowance for uncollectibles):					
Accounts	4,169,514	652,005	175,587	4,997,106	-
Accrued interest	13,205	-	541	13,746	-
Other	14,106	3,712	-	17,818	-
Due from other governments	20,878	8,157	2,406	31,441	-
Due from other funds	47,732	-	-	47,732	-
Inventories	411,790	-	-	411,790	-
Prepaid and other items	737,859	-	44,633	782,492	52,400
Total current assets	<u>12,188,005</u>	<u>663,874</u>	<u>996,805</u>	<u>13,848,684</u>	<u>509,970</u>
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue bond construction funds	19,660,578	-	20,123	19,680,701	-
Receivables (net of allowance for uncollectibles):					
Notes receivable	81,732	-	-	81,732	-
Capital assets:					
Land	741,645	-	49,925	791,570	-
Buildings	1,041,641	-	59,178	1,100,819	-
Systems	110,811,931	194,768	39,107,449	150,114,148	-
Machinery and equipment	7,621,563	23,365	298,908	7,943,836	-
Construction in progress	3,472,325	-	533	3,472,858	-
Less accumulated depreciation	(59,508,386)	(196,712)	(14,002,744)	(73,707,842)	-
Total capital assets	<u>64,180,719</u>	<u>21,421</u>	<u>25,513,249</u>	<u>89,715,389</u>	<u>-</u>
Total noncurrent assets	<u>83,923,029</u>	<u>21,421</u>	<u>25,533,372</u>	<u>109,477,822</u>	<u>-</u>
Total assets	<u>96,111,034</u>	<u>685,295</u>	<u>26,530,177</u>	<u>123,326,506</u>	<u>509,970</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,320,798	312,450	68,168	1,701,416	509,970
Accrued liabilities	165,074	-	5,714	170,788	-
Due to other funds	-	47,732	-	47,732	-
Accrued interest payable	28,541	-	22,285	50,826	-
Customer deposits	598,863	-	-	598,863	-
Compensated absences	10,542	-	198	10,740	-
Capital lease payable	682,807	-	-	682,807	-
Bonds payable	3,655,272	-	210,000	3,865,272	-
Total current liabilities	<u>6,461,897</u>	<u>360,182</u>	<u>306,365</u>	<u>7,128,444</u>	<u>509,970</u>
Current liabilities payable from restricted assets:					
Accounts payable	327,877	-	-	327,877	-
Accrued interest payable	142,801	-	-	142,801	-
Retainage payable	221,608	-	7,940	229,548	-
Total current liabilities payable from restricted assets	<u>692,286</u>	<u>-</u>	<u>7,940</u>	<u>700,226</u>	<u>-</u>
Total current liabilities	<u>7,154,183</u>	<u>360,182</u>	<u>314,305</u>	<u>7,828,670</u>	<u>509,970</u>

(continued)

**CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
LIABILITIES (Continued)					
Noncurrent liabilities:					
Compensated absences	\$ 64,879	\$ -	\$ 1,219	\$ 66,098	\$ -
Unfunded pension obligation	100,777	-	6,044	106,821	-
Unfunded OPEB obligation	110,487	-	6,342	116,829	-
Capital lease payable	2,804,352	-	-	2,804,352	-
Bonds payable	35,433,991	-	3,437,963	38,871,954	-
Total noncurrent liabilities	<u>38,514,486</u>	<u>-</u>	<u>3,451,568</u>	<u>41,966,054</u>	<u>-</u>
 Total liabilities	<u>45,668,669</u>	<u>360,182</u>	<u>3,765,873</u>	<u>49,794,724</u>	<u>509,970</u>
 NET POSITION					
Net investment in capital assets	41,264,875	21,421	21,885,409	63,171,705	-
Restricted for:					
Debt service	2,197,202	-	-	2,197,202	-
Unrestricted	6,980,288	303,692	878,895	8,162,875	-
Total net position	<u>\$ 50,442,365</u>	<u>\$ 325,113</u>	<u>\$ 22,764,304</u>	<u>\$ 73,531,782</u>	<u>\$ -</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, 2013**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
OPERATING REVENUES					
Charges for services	\$ 25,341,837	\$ 4,681,715	\$ 1,328,989	\$ 31,352,541	\$ 3,295,432
Miscellaneous	16,032	1,727	-	17,759	1,524
Total operating revenues	<u>25,357,869</u>	<u>4,683,442</u>	<u>1,328,989</u>	<u>31,370,300</u>	<u>3,296,956</u>
OPERATING EXPENSES					
Personnel services	2,031,503	8,187	105,267	2,144,957	-
Water supply	5,476,896	-	-	5,476,896	-
Wastewater treatment	3,339,684	-	-	3,339,684	-
Contractual services	459,233	-	28,823	488,056	3,621,680
Maintenance, repairs and supplies	1,600,930	-	281,499	1,882,429	-
Utilities	407,255	-	-	407,255	-
Legal and professional	113,370	2,032	-	115,402	-
Refuse collection	-	3,378,035	-	3,378,035	-
Depreciation	4,351,848	24,150	1,018,999	5,394,997	-
Intragovernmental charges	2,036,316	227,520	253,872	2,517,708	-
Miscellaneous	4,084	528	-	4,612	149,361
Total operating expenses	<u>19,821,119</u>	<u>3,640,452</u>	<u>1,688,460</u>	<u>25,150,031</u>	<u>3,771,041</u>
OPERATING INCOME (LOSS)	<u>5,536,750</u>	<u>1,042,990</u>	<u>(359,471)</u>	<u>6,220,269</u>	<u>(474,085)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	21,871	589	1,688	24,148	969
Gain on disposition of assets	2,933	-	-	2,933	-
Interest and fiscal charges	(1,394,169)	-	(177,337)	(1,571,506)	-
Total nonoperating revenues (expenses)	<u>(1,369,365)</u>	<u>589</u>	<u>(175,649)</u>	<u>(1,544,425)</u>	<u>969</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>4,167,385</u>	<u>1,043,579</u>	<u>(535,120)</u>	<u>4,675,844</u>	<u>(473,116)</u>
Capital contributions	923,033	-	15,360	938,393	-
Transfers in	-	-	-	-	562,625
Transfers out	(3,301,805)	(1,043,052)	(103,443)	(4,448,300)	-
CHANGE IN NET POSITION	<u>1,788,613</u>	<u>527</u>	<u>(623,203)</u>	<u>1,165,937</u>	<u>89,509</u>
TOTAL NET POSITION, BEGINNING	<u>48,653,752</u>	<u>324,586</u>	<u>23,387,507</u>	<u>72,365,845</u>	<u>(89,509)</u>
TOTAL NET POSITION, ENDING	<u>\$ 50,442,365</u>	<u>\$ 325,113</u>	<u>\$ 22,764,304</u>	<u>\$ 73,531,782</u>	<u>\$ -</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, 2013**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 24,496,754	\$ 4,621,721	\$ 1,315,603	\$ 30,434,078	\$ 3,296,057
Cash received from miscellaneous	16,032	1,727	-	17,759	1,524
Cash paid to employees for services	(2,011,863)	(8,187)	(114,029)	(2,134,079)	-
Cash paid for goods and services	(13,154,630)	(3,711,616)	(552,911)	(17,419,157)	(3,849,767)
Net cash provided by (used in) operating activities	<u>9,346,293</u>	<u>903,645</u>	<u>648,663</u>	<u>10,898,601</u>	<u>(552,186)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	-	-	562,625
Transfers to other funds	(3,301,805)	(1,043,052)	(103,443)	(4,448,300)	-
Net cash used in operating activities	<u>(3,301,805)</u>	<u>(1,043,052)</u>	<u>(103,443)</u>	<u>(4,448,300)</u>	<u>562,625</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(3,507,100)	-	(203,848)	(3,710,948)	-
Interest and fiscal charges paid on capital debt	(1,434,325)	-	(175,054)	(1,609,379)	-
Capital contributions	923,033	-	15,360	938,393	-
Acquisition and construction of capital assets	(4,711,371)	-	(808,965)	(5,520,336)	-
Proceeds from sale of capital assets	2,933	-	-	2,933	-
Net cash provided by (used in) capital and related financing activities	<u>(8,726,830)</u>	<u>-</u>	<u>(1,172,507)</u>	<u>(9,899,337)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	21,871	589	1,688	24,148	969
Net cash provided by investing activities	<u>21,871</u>	<u>589</u>	<u>1,688</u>	<u>24,148</u>	<u>969</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,660,471)</u>	<u>(138,818)</u>	<u>(625,599)</u>	<u>(3,424,888)</u>	<u>11,408</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>29,093,970</u>	<u>138,818</u>	<u>1,419,360</u>	<u>30,652,148</u>	<u>446,162</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 26,433,499</u>	<u>\$ -</u>	<u>\$ 793,761</u>	<u>\$ 27,227,260</u>	<u>\$ 457,570</u>
CASH AND CASH EQUIVALENTS	4,575,719	-	773,638	5,349,357	200,256
RESTRICTED CASH AND CASH EQUIVALENTS	<u>21,857,780</u>	<u>-</u>	<u>20,123</u>	<u>21,877,903</u>	<u>257,314</u>
TOTAL CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 26,433,499</u>	<u>\$ -</u>	<u>\$ 793,761</u>	<u>\$ 27,227,260</u>	<u>\$ 457,570</u>

(continued)

**CITY OF ROWLETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 5,536,750	\$ 1,042,990	\$ (359,471)	\$ 6,220,269	\$ (474,085)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	4,351,848	24,150	1,018,999	5,394,997	-
Changes in assets and liabilities:					
Accounts receivable	(940,461)	(57,339)	(14,318)	(1,012,118)	-
Other receivables	156,244	(2,655)	932	154,521	625
Prepaid expenses and other assets	20,113	-	-	20,113	-
Due from other funds	(47,732)	47,732	-	-	-
Inventory	(33,247)	-	-	(33,247)	-
Accounts payable and accrued liabilities	225,136	(151,233)	8,345	82,248	(78,726)
Customer and escrow deposits	24,820	-	-	24,820	-
Accrued compensated absences	(322)	-	(9,968)	(10,290)	-
Due to other funds	-	-	-	-	-
Accrued pension and OPEB obligation	53,144	-	4,144	57,288	-
Total adjustments	<u>3,809,543</u>	<u>(139,345)</u>	<u>1,008,134</u>	<u>4,678,332</u>	<u>(78,101)</u>
Net cash provided by (used in) operating activities	<u>\$ 9,346,293</u>	<u>\$ 903,645</u>	<u>\$ 648,663</u>	<u>\$ 10,898,601</u>	<u>\$ (552,186)</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation – Continued

infrastructure. 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. 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, 2013

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, 2013**

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, 2013**

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.

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.

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, 2013 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."

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.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Receivables and Payables – Continued

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

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.

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.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Restricted Assets – Continued

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 \$5,000 and an estimated useful life in excess of three years. Public infrastructure is capitalized at \$100,000 and an estimated useful life in excess of five years. Contributed assets are recorded at estimated fair market value at the time received. Assets acquired by lease financing are capitalized over the term of the lease regardless of the cost of individual items. Capital costs that do not materially add to the value of the asset, extend its useful life, or do not otherwise meet the government's capitalization threshold are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total amount of interest capitalized for the current fiscal year was \$251,621.

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, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

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.

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. Bond issuance costs are reported as prepaid and other items and amortized over the term of the related debt.

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

Long-term obligations such as the unfunded net pension obligation and the unfunded net Other Post-Employment Benefits (OPEB) obligation are liquidated with expendable resources in the General Fund.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

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.

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.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Fund Balance Classification and Net Position – Continued

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent has been delegated to the City Manager and/or the Director of Financial Services.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

At the government-wide level, net 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.

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.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

Budgetary Information – Continued

- 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.

Excess of Expenditures over Appropriations

For the year ended September 30, 2013, expenditures exceeded appropriations in the General Fund by \$758,637, Police Seizure Fund by \$321,536, Grant Fund by \$376,938, and Other Special Revenue Fund by \$36,114. The City had funds approved to be spent from the General Fund for IT equipment, police and fire software, and a one-time increase in payroll.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

Excess of Expenditures over Appropriations – Continued

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 CDBG project funds approved to be spent from the Grant special revenue fund, expected to be reimbursed in fiscal year 2014. The City had Hotel/Motel funds approved to be spent from the Other Special Revenue funds for the City's Downtown Events Series. In fiscal year 2014, additional funding for special events has been included in the General Fund to cover expenses. The budgets were not specifically amended for the fiscal year ended September 30, 2013, to address the over expenditures.

Deficit Fund Equity/ Net Deficit

The Grant special revenue fund had a deficit fund balance of \$115,543 as of September 30, 2013. The fund incurred expenditures under a grant that were not reimbursed until January 2014. Under the City's revenue recognition policy, these revenues were not considered available at year end and were deferred.

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, 2013 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.

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.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

The City's investments carried at fair value as of September 30, 2013 are:

Investment Type	Fair Value	Maturity (Years)	Rating
Commercial Paper	\$ 11,995,815	0.24	P-1
U.S. Agencies	12,992,892	0.49	Aaa
U.S. Treasuries	5,641,642	0.76	Aaa
Texas Local Government Investment Pools TexPool	<u>9,138,113</u>	<u>0.04</u>	AAAm
	<u>\$ 39,768,462</u>	<u>1.53</u>	

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

Credit Risk. The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities (Commercial Paper, FHLB, FNMA, FHLMC, and US TSY) are individually rated by Standard & Poor's and by Moody's Investors Service (see table above). As of September 30, 2013, 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 and 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, 2013, 77.02% or more of the City's total investments are in the following: Federal Home Loan Banks (5.00%), Fannie Mae (17.62%), Freddie Mac (10.05%), US Treasury Notes (14.19%), and Commercial Paper (30.16%) on a fair value basis.

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

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

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. 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, 2012, upon which the fiscal year 2013 levy was based, was \$3,124,841,950.

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, 2013, was \$.747173 per \$100, of which \$0.492673 was allocated for general government and \$0.254500 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, 2013, were 99.10% of the tax levy.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every four years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4. PROPERTY TAXES – CONTINUED

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	Total
Interest	\$ 3,625	\$ 193	\$ 5,069	\$ 509	\$ 13,205	\$ -	\$ 541	\$ 23,142
Court	74,973	-	-	1,396	-	-	-	76,369
Ambulance	246,039	-	-	-	-	-	-	246,039
Lot mowing	476,783	-	-	-	-	-	-	476,783
Sales tax	959,042	-	-	-	-	-	-	959,042
Hotel/motel tax	-	-	-	4,033	-	-	-	4,033
Property tax	398,295	200,645	-	-	-	-	-	598,940
Customer accounts	-	-	-	-	4,335,447	681,813	184,363	5,201,623
Other accounts	105,658	-	-	-	14,106	3,712	-	123,476
Franchise fees	982,750	-	-	23,793	-	-	-	1,006,543
911 fees	27,223	-	-	-	-	-	-	27,223
Red light camera	-	-	-	-	-	-	-	-
Gross receivables	<u>3,274,388</u>	<u>200,838</u>	<u>5,069</u>	<u>29,731</u>	<u>4,362,758</u>	<u>685,525</u>	<u>184,904</u>	<u>8,743,213</u>
Less: allowance for uncollectibles	<u>(330,561)</u>	<u>(22,362)</u>	<u>-</u>	<u>-</u>	<u>(165,933)</u>	<u>(29,808)</u>	<u>(8,776)</u>	<u>(557,440)</u>
Net total receivables	<u>\$ 2,943,827</u>	<u>\$ 178,476</u>	<u>\$ 5,069</u>	<u>\$ 29,731</u>	<u>\$ 4,196,825</u>	<u>\$ 655,717</u>	<u>\$ 176,128</u>	<u>\$ 8,185,773</u>

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5. RECEIVABLES – CONTINUED

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Deferred Revenue	Unavailable	Unearned
Delinquent property tax receivable	\$ 530,243	\$ -
Ambulance	103,211	-
Mowing liens	410,705	-
Intergovernmental	1,600,027	783,925
Franchise Fees	188,212	-
Other	53,500	-
Total deferred/unearned for governmental funds	<u>\$ 2,885,898</u>	<u>\$ 783,925</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Adjustments/ Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 29,008,727	\$ 153,901	\$ -	\$ -	\$ 29,162,628
Construction in progress	11,530,956	6,311,629	-	(5,815,355)	12,027,230
Total capital assets; not being depreciated	<u>40,539,683</u>	<u>6,465,530</u>	<u>-</u>	<u>(5,815,355)</u>	<u>41,189,858</u>
Capital assets being depreciated:					
Buildings	22,883,377	38,530	(5,001)	242,786	23,159,692
Improvements other than buildings	22,031,222	110,382	(396,739)	454,877	22,199,742
Machinery and equipment	13,230,814	1,304,720	(332,744)	(38,022)	14,164,768
Infrastructure	103,760,751	704,454	-	5,117,692	109,582,897
Total capital assets being depreciated	<u>161,906,164</u>	<u>2,158,086</u>	<u>(734,484)</u>	<u>5,777,333</u>	<u>169,107,099</u>
Less accumulated depreciation:					
Buildings	(6,707,847)	(599,722)	3,659	-	(7,303,910)
Improvements other than buildings	(19,222,167)	(505,881)	394,326	-	(19,333,722)
Machinery and equipment	(8,036,866)	(1,242,547)	332,744	-	(8,946,669)
Infrastructure	(62,001,506)	(5,185,594)	-	-	(67,187,100)
Total accumulated depreciation	<u>(95,968,386)</u>	<u>(7,533,744)</u>	<u>730,729</u>	<u>-</u>	<u>(102,771,401)</u>
Total capital assets being depreciated, net	<u>65,937,778</u>	<u>(5,375,658)</u>	<u>(3,755)</u>	<u>5,777,333</u>	<u>66,335,698</u>
Governmental activities capital assets, net	<u>\$ 106,477,461</u>	<u>\$ 1,089,872</u>	<u>\$ (3,755)</u>	<u>\$ (38,022)</u>	<u>\$ 107,525,556</u>

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 6. CAPITAL ASSETS – CONTINUED

	Beginning Balance	Additions	Retirements/ Adjustments/ Transfers	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 791,570	\$ -	\$ -	\$ 791,570
Construction in progress	8,989,549	1,481,400	(6,998,091)	3,472,858
Total capital assets; not being depreciated	<u>9,781,119</u>	<u>1,481,400</u>	<u>(6,998,091)</u>	<u>4,264,428</u>
Capital assets being depreciated:				
Buildings	1,100,818	-	-	1,100,818
Improvements other than buildings	290,606	-	-	290,606
Machinery and equipment	7,347,572	675,771	(79,507)	7,943,836
Infrastructure	139,619,442	3,206,009	6,998,091	149,823,542
Total capital assets being depreciated	<u>148,358,438</u>	<u>3,881,780</u>	<u>6,918,584</u>	<u>159,158,802</u>
Less accumulated depreciation:				
Buildings	(400,795)	(28,825)	-	(429,620)
Improvements other than buildings	(220,007)	(22,251)	-	(242,258)
Machinery and equipment	(3,866,780)	(526,083)	117,529	(4,275,334)
Infrastructure	(63,942,791)	(4,817,838)	-	(68,760,629)
Total accumulated depreciation	<u>(68,430,373)</u>	<u>(5,394,997)</u>	<u>117,529</u>	<u>(73,707,841)</u>
Total capital assets being depreciated, net	<u>79,928,065</u>	<u>(1,513,217)</u>	<u>7,036,113</u>	<u>85,450,961</u>
Business-type activities capital assets, net	<u>\$ 89,709,184</u>	<u>\$ (31,817)</u>	<u>\$ 38,022</u>	<u>\$ 89,715,389</u>

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

Governmental activities:	
General government	\$ 291,442
Public safety	1,008,180
Public works	5,459,833
Culture and recreation	755,584
Development	18,705
Total depreciation expense - governmental activities	<u>\$ 7,533,744</u>
Business-type activities:	
Water and sewer	\$ 4,351,848
Refuse	24,150
Drainage	1,018,999
Total depreciation expense - business-type activities	<u>\$ 5,394,997</u>

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	<u>Plan year 2012</u>	<u>Plan year 2013</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
	100% repeating	100% repeating
Updated service credit	Transfers	Transfers
Annuity increase (to retirees)	50% of CPI repeating	50% of CPI repeating

Contributions

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

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED

Contributions – Continued

The City contributes to the TMRS plan at an actuarial determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2011 valuation is effective for rates beginning January 2013).

The annual pension cost and the net pension obligation are as follows:

Annual required contribution	\$ 2,635,868
Interest on pension obligation	105,619
Adjustment to the ARC	<u>(92,794)</u>
Annual pension cost	2,648,693
Contributions made	<u>(2,636,868)</u>
Increase in net pension obligation	11,825
Net pension obligation, beginning of year	<u>1,508,838</u>
 Net pension obligation, end of year	 <u><u>\$ 1,520,663</u></u>

Fiscal Year Ending	Annual Pension Cost (APC)	Annual Contribution Made	% of APC Contributed	Net Pension Obligation
9/30/2011	\$ 3,222,730	\$2,756,434	85.53%	\$1,406,241
9/30/2012	2,807,240	2,704,642	96.35%	1,508,838
9/30/2013	2,648,693	2,636,868	99.55%	1,520,663

The required contributions rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED

Contributions – Continued

Additional information as of the latest actuarial valuation, December 31, 2012 also follows:

Valuation date	12/31/2010	12/31/2011	12/31/2012
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	27.2 years closed period	25.8 years closed period	25.2 years closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustment	2.1%	1.5%	1.5%

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial date	12/31/2010	12/31/2011	12/31/2012
Actuarial value of assets	\$ 61,940,838	\$ 68,481,440	\$ 75,124,003
Actuarial accrued liability (AAL)	\$ 74,692,233	\$ 79,428,640	\$ 84,408,558
Funded ratio	82.9%	86.2%	89.0%
Unfunded actuarial accrued liability (UAAL)	\$ 12,751,395	\$ 10,947,200	\$ 9,284,555
Covered payroll	\$ 18,736,655	\$ 18,682,434	\$ 18,881,691
UAAL as a percent of covered payroll	68.1%	58.6%	49.2%

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2013, is as follows:

	Balance October 1, 2012	Issued Incurred	Retired or Refunded	Balance September 30, 2013	Due Within One Year
Governmental activities					
General obligation bonds	\$ 37,656,149	\$ -	\$ 3,297,900	\$ 34,358,249	\$ 3,129,728
Combined tax and surplus revenue certificates of obligation	34,010,000	-	2,245,000	31,765,000	2,335,000
Capital leases	2,381,898	1,095,544	659,452	2,817,990	592,257
Bond premiums	1,800,637	-	275,719	1,524,918	-
Deferred loss on refundings	(2,004,965)	-	(200,669)	(1,804,296)	-
Compensated absences	2,739,608	107,644	315,894	2,531,358	353,837
Unfunded pension obligation	1,402,958	10,884	-	1,413,842	-
Unfunded OPEB obligation	850,409	156,607	-	1,007,016	-
Governmental activities long-term debt	<u>\$ 78,836,694</u>	<u>\$ 1,370,679</u>	<u>\$ 6,593,296</u>	<u>\$ 73,614,077</u>	<u>\$ 6,410,822</u>
Business-type activities					
Water and sewer revenue bonds	\$ 42,628,851	\$ -	\$ 3,507,100	\$ 39,121,751	\$ 3,655,272
Combination tax and surplus revenue certificates of obligation	3,820,000	-	200,000	3,620,000	210,000
Capital leases	3,459,450	675,771	648,062	3,487,159	682,807
Bond premiums	1,664,396	-	251,048	1,413,348	-
Deferred loss on refundings	(1,534,474)	-	(116,601)	(1,417,873)	-
Compensated absences	87,128	21,837	32,127	76,838	10,740
Unfunded pension obligation	105,880	941	-	106,821	-
Unfunded OPEB obligation	96,602	20,227	-	116,829	-
Business-type activities long-term debt	<u>\$ 50,327,833</u>	<u>\$ 718,776</u>	<u>\$ 4,521,736</u>	<u>\$ 46,524,873</u>	<u>\$ 4,558,819</u>

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

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT – CONTINUED

Long-term debt for governmental activities at September 30, 2013, includes the following individual issues:

	<u>Interest Rate</u> (%)	<u>Maturity</u> Date	<u>Outstanding</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities				
General obligation bonds:				
1997A various purpose	6.36 var	8/15/26	\$ 4,910,000	\$ 245,000
2003 Revenue and improvements	2.15-4.50	2/15/14	250,000	250,000
2003A various purpose	2.25-5.00	2/15/23	190,000	190,000
2004 Revenue and improvements	3.50-4.60	2/15/18	455,000	375,000
2004A various purpose	2.00-4.80	2/15/24	285,000	285,000
2005 Refunding	3.00-4.50	2/15/20	4,495,000	685,000
2010 Refunding	2.00-3.00	2/15/22	8,780,000	970,000
2010A Refunding (taxable)	1.57-5.71	8/15/28	1,010,000	50,000
2011 Refunding	2.00-4.00	2/15/23	7,745,000	45,000
2012 Refunding	2.00-5.00	2/15/29	<u>6,238,249</u>	<u>34,728</u>
			<u>34,358,249</u>	<u>3,129,728</u>
Combination tax and revenue certificates of obligation:				
2003 various purpose	2.00-5.00	2/15/23	350,000	350,000
2004 various purpose	2.00-4.80	2/15/29	175,000	175,000
2005 various purpose	3.00-4.50	2/15/25	15,290,000	1,005,000
2006 various purpose	4.00-5.125	2/15/31	<u>15,950,000</u>	<u>805,000</u>
			<u>31,765,000</u>	<u>2,335,000</u>
Total governmental activities long-term bonded debt			66,123,249	5,464,728
Less: deferred amounts:				
On refunding			(1,804,296)	-
For issuance premiums and discounts			<u>1,524,918</u>	<u>-</u>
Net government activities long-term bonded debt			<u>\$ 65,843,871</u>	<u>\$ 5,464,728</u>

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT – CONTINUED

Long-term debt for business activities at September 30, 2013 includes the following individual issues:

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Business-type activities				
Utility sytem revenue bonds:				
2004 Refunding and improvements	2.00-4.50	3/1/2018	\$ 1,545,000	\$ 840,000
2004A various purpose	2.00-5.00	3/1/2024	860,000	860,000
2005 Refunding	3.00-5.00	3/1/2020	4,390,000	700,000
2005A various purpose	3.00-4.375	3/1/2025	4,970,000	325,000
2006 various purpose	4.00-4.890	3/1/2026	7,310,000	420,000
2011 Refunding	2.00-4.00	2/15/23	1,015,000	110,000
2012 Refunding	2.00-5.00	2/15/29	10,826,751	60,272
2012 various purpose	2.00-3.50	3/1/32	8,205,000	340,000
			<u>39,121,751</u>	<u>3,655,272</u>
Combination tax and revenue certificates of obligation:				
2006 various purpose	4.00-5.125	2/15/31	3,620,000	210,000
			<u>3,620,000</u>	<u>210,000</u>
Total business-type activities long-term bonded debt			42,741,751	3,865,272
Less: deferred amounts:				
On refunding			(1,417,873)	-
For issuance premiums and discounts			1,413,348	-
Net business-type activities long-term binded debt			<u>\$42,737,226</u>	<u>\$3,865,272</u>

The annual requirements to amortize general and certificates of obligations bonds as of September 30, 2013 are summarized below:

Year Ended September 30,	General and Certificates of Obligation Bonds					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 5,464,728	\$ 2,521,869	\$ 7,986,597	\$ 210,000	\$ 169,676	\$ 379,676
2015	5,430,059	2,332,979	7,763,038	215,000	160,383	375,383
2016	5,661,509	2,145,658	7,807,167	225,000	151,033	376,033
2017	5,867,959	1,935,606	7,803,565	235,000	140,670	375,670
2018	5,763,065	1,712,003	7,475,068	250,000	129,214	379,214
2019-2023	26,156,911	5,279,723	31,436,634	1,435,000	451,188	1,886,188
2024-2028	10,603,533	1,026,521	11,630,054	1,050,000	82,563	1,132,563
2029-2031	1,175,485	92,083	1,267,568	-	-	-
Total	<u>\$ 66,123,249</u>	<u>\$ 17,046,442</u>	<u>\$ 83,169,691</u>	<u>\$ 3,620,000</u>	<u>\$ 1,284,727</u>	<u>\$ 4,904,727</u>

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT – CONTINUED

The annual requirements to amortize water and sewer revenue bonds as of September 30, 2013 are summarized below:

Year Ended September 30,	Water and Sewer Revenue Bonds		
	Principal	Interest	Total
2014	\$ 3,655,272	\$ 1,448,247	\$ 5,103,519
2015	3,049,941	1,329,676	4,379,617
2016	3,158,491	1,225,374	4,383,865
2017	3,277,041	1,105,887	4,382,928
2018	3,121,935	982,308	4,104,243
2019-2023	13,973,089	3,219,016	17,192,105
2024-2028	6,746,467	779,621	7,526,088
2029-2032	2,139,515	149,805	2,289,320
Total	<u>\$ 39,121,751</u>	<u>\$ 10,239,934</u>	<u>\$ 49,361,685</u>

As of September 30, 2013, the City had authorized, but unissued general obligation bonds outstanding as follows:

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

Revenue Bonds

The ordinance authorizing the water and sewer revenue bonds stipulate that the City will deposit, in addition to principal and interest requirements, certain amounts in a reserve fund. Amounts in the reserve fund are to be used to pay principal and interest on outstanding bonds at any time sufficient funds are not available in the Bond Interest and Sinking Fund. Amounts in the interest and sinking, and reserve funds, reported as restricted assets in the accompanying combined financial statements at September 30, 2013, 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, 2013, and for the year then ended, the City was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8. LONG-TERM DEBT – CONTINUED

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.

During the current year the City's paid \$115,649 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, 2013, the outstanding balance was \$1,180,000. The City has no obligation for this debt beyond the resources provided by this agreement.

Capital Leases

On December 17, 2012, the City 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%.

On December 21, 2012, the City entered into an agreement with US Bancorp to purchase water meters. The agreement is for an approximate 36 month term based on delivery of the equipment and expires on December 21, 2014. Payments are \$74,200 the first year, and \$99,057 for the remaining two years, and carry an effective interest rate of 1.36%.

On March 22, 2013, the City 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%.

On June 1, 2013, the City 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%.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8. LONG-TERM DEBT – CONTINUED

Capital Leases – Continued

On August 9, 2013, the City 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 BB&T to purchase a 2004 fire truck. The agreement is for an approximate 29 month term based on delivery of the equipment and expires on September 30, 2014. Payments are \$52,306 annually and carry an effective interest rate of 1.48%.

The City previously entered into two agreements with SunTrust Equipment Finance and Leasing Corp. to purchase new water meters and computers. The agreements are 26 month terms based on delivery of the equipment and expire on August 15, 2014. Payments are \$135,322 and \$20,633 annually and carry an effective interest rate of 1.39% and 1.52%, respectively.

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%.

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%.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8. LONG-TERM DEBT – CONTINUED

Capital Leases – Continued

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	\$ -	\$ 1,101,384	\$ 1,101,384
Machinery and equipment	3,238,651	761,873	4,000,524
Less: accumulated depreciation	(2,565,498)	(1,414,221)	(3,979,719)
Total	\$ 673,153	\$ 449,036	\$ 1,122,189

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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:

<u>Year Ending September 30,</u>	<u>Water and Sewer</u>	<u>Governmental Activities</u>	<u>Total</u>
2014	\$ 798,659	\$ 668,027	\$ 1,466,686
2015	663,336	595,089	1,258,425
2016	564,279	595,089	1,159,368
2017	564,279	534,418	1,098,697
2018	451,655	225,197	676,852
2019-2021	<u>880,485</u>	<u>450,394</u>	<u>1,330,879</u>
Total minimum lease payments	3,922,693	3,068,214	6,990,907
Less: amount representing interest	<u>(435,534)</u>	<u>(250,224)</u>	<u>(685,758)</u>
Present value of minimum lease payments	<u>\$ 3,487,159</u>	<u>\$ 2,817,990</u>	<u>\$ 6,305,149</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 2009, the City purchased commercial insurance from Texas Municipal League (“TML”) to cover these general liabilities, including workers’ compensation and medical. TML purchases reinsurance and does not retain the risk of loss. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2013 is as follows:

	Due to		Total
	Nonmajor Governmental Funds	Refuse Fund	
<u>Due from</u>			
General Fund	\$ 59,104	\$ -	\$ 59,104
Water and Sewer Fund	-	47,732	47,732
	<u>\$ 59,104</u>	<u>\$ 47,732</u>	<u>\$ 106,836</u>

Due to and due from entries are primarily used to account for cash owed between funds that are expected to be repaid within one year or less.

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

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 10. INTERFUND TRANSACTIONS – CONTINUED

Individual transfers, as reported at the fund statement level, for the year ended September 30, 2013, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities		
General	\$ 2,200,608	\$ 2,007,709
Debt service	636,616	-
Capital projects	3,057,883	-
Nonmajor governmental funds	-	1,723
Internal Service	562,625	-
Business-type activities		
Water and sewer	-	3,301,805
Refuse	-	1,043,052
Drainage	-	103,443
	<u> </u>	<u> </u>
Total	<u>\$ 6,457,732</u>	<u>\$ 6,457,732</u>

The detail transfer schedule includes the following:

<u>Transfers from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Reason for Transfer</u>
General	Capital projects	\$ 999,996	Cash fund capital projects
	Capital projects	57,883	Move street sign inventory
	Debt service	393,568	Debt service payments
	Internal service	556,262	Cover self insurance deficit
Nonmajor governmental Other	Internal service	1,723	Cover self insurance deficit
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
	Internal service	1,193	Cover self insurance deficit
Drainage	Capital projects	99,996	Cash fund capital projects
	Internal service	3,447	Cover self insurance deficit
Refuse	Capital projects	800,004	Cash fund capital projects
	Debt service	243,048	Debt service payments
		<u>\$6,457,732</u>	

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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.

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.

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 12. POSTEMPLOYMENT BENEFITS – CONTINUED

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)	\$ 391,304
Internet net OPEB obligation	42,615
Adjustment to the ARC	<u>(39,483)</u>
Annual OPEB cost	394,436
Employer contribution	<u>(217,602)</u>
Increase in net OPEB obligation	176,834
Net OPEB obligation, beginning of year	<u>947,011</u>
 Net OPEB obligation, end of year	 <u><u>\$ 1,123,845</u></u>

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

Fiscal Year Ended	OPEB Cost	Employer Contribution	Percentage Contributed	OPEB Obligation
9/30/11	\$ 366,648	\$ 128,169	34.96%	739,818
9/30/12	382,353	175,160	45.81%	947,011
9/30/13	394,436	217,602	55.17%	1,123,845

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Fiscal Year	Covered Payroll
12/31/09	\$ -	\$ 3,325,706	\$ 3,325,706	0%	2011	18,645,541
12/31/11	-	2,820,447	2,820,447	0%	2012	18,883,385
12/31/11	-	2,820,447	2,820,447	0%	2013	18,821,603

**CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 12. POSTEMPLOYMENT BENEFITS – CONTINUED

Actuarial Methods and Assumptions

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

Actuarial valuation date	December 31, 2009	December 31, 2011
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%

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 contract for water is dated June 3, 1965, and is for a period of 40 years. Over the years, the contract has been amended to provide for additional services as the City has grown. Currently, the City receives water at three take points. For the year ended September 30, 2013, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 2,418,015,000 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.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 13. COMMITMENTS AND CONTRACTS – CONTINUED

C. Solid Waste Disposal Contract – In May 2002, 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, 2002, and shall automatically extend for one successive five-year term unless either party terminates the contract in writing. Collection rates may be adjusted yearly based upon the terms of the contract. An administrative fee assessed by the City is retained in the Enterprise Fund as a charge for service.

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

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

NOTE 14. SUBSEQUENT EVENTS

In December 2013, the City issued \$7,940,000 in General Obligation refunding bonds, with interest rates ranging from 2.5% to 5.0%. The debt represents refunding a portion of the Series 2004 Waterworks and Sewer Revenue refunding bonds totaling \$540,000, carrying interest rates ranging from 4.375% to 4.5% with maturity dates from 2016 to 2018. The debt also represents refunding a portion of the Series 2005 Combination Tax and Limited Surplus Revenue Certificates of Obligation totaling \$7,335,000, carrying interest rates ranging from 4.25% to 5.0% with maturity dates from 2021 to 2025. The aggregate difference between the refunding debt and the refunded debt resulted in a savings of \$945,231. As a result of the refunding, the City obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$809,985.

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was effective for the City in the fiscal year ending September 30, 2013. This statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. Changes according to this pronouncement have been reflected in the government wide statements, fund financials and schedules, related disclosures in footnote 1 and the applicable tables of the statistical section.

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED

The following statements are effective for future fiscal year endings. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassify certain items that were previously reported as assets and liabilities, as deferred outflows or inflows of resources, and will recognize these items as outflows or inflows of resources. This statement applies to all state and local governmental entities. This Statement will become effective for the City in fiscal year 2014.

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which will be effective for periods beginning after June 15, 2013. The objective of this statement is to improve financial reporting of state and local governmental pension plans with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement applies to all state and local governmental entities and amends Statements 25 and 50.

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for periods beginning after June 15, 2014, or fiscal year 2015. The objective of this statement is to improve accounting and financial reporting of state and local governmental pension plans. This statement applies to all state and local governmental entities and replaces Statements 27 and 50.

The GASB issued Statement No. 69, *Governmental Combinations and Disposals of Government Operations*, which will be effective for periods beginning after December 15, 2013, or fiscal year 2015. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations.

The GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which will be effective for periods beginning after June 15, 2013, or fiscal year 2014. The objective of this statement is to require a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement.

THIS PAGE INTENTIONALLY LEFT BLANK

**REQUIRED
SUPPLEMENTARY INFORMATION
(UNAUDITED)**

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2013

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 15,458,911	15,458,911	\$ 15,348,420	\$ (110,491)
Sales	4,771,990	5,051,990	5,386,679	334,689
Other	58,338	58,338	57,273	(1,065)
Franchise fees	3,058,509	3,058,509	2,895,572	(162,937)
Licenses and permits	380,733	380,733	466,153	85,420
Charge for services	2,354,176	2,354,176	2,644,415	290,239
Fines and forfeitures	1,183,688	1,183,688	963,059	(220,629)
Intergovernmental	206,006	206,006	205,579	(427)
Interest	42,061	42,061	20,058	(22,003)
Miscellaneous	1,134,844	1,134,844	1,324,679	189,835
Total revenues	<u>28,649,256</u>	<u>28,929,256</u>	<u>29,311,887</u>	<u>382,631</u>
EXPENDITURES				
Current operating:				
General government	1,272,390	2,447,021	2,448,346	(1,325)
Public safety	18,828,678	18,111,790	17,902,071	209,719
Public works	2,890,354	2,876,000	2,874,972	1,028
Culture and recreation	4,511,830	4,516,663	4,282,981	233,682
Development	907,807	908,523	1,128,814	(220,291)
Debt service:				
Principal retirement	624,660	833,499	659,452	174,047
Interest and fiscal charges	-	-	69,436	(69,436)
Capital outlay	372,000	489,892	1,575,953	(1,086,061)
Total expenditures	<u>29,407,719</u>	<u>30,183,388</u>	<u>30,942,025</u>	<u>(758,637)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(758,463)</u>	<u>(1,254,132)</u>	<u>(1,630,138)</u>	<u>(376,006)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	1,130,985	1,130,985
Transfers from other funds	2,142,731	2,142,731	2,200,608	57,877
Transfers to other funds	(1,321,295)	(1,408,716)	(2,007,709)	(598,993)
Total other financing sources (uses)	<u>821,436</u>	<u>734,015</u>	<u>1,323,884</u>	<u>589,869</u>
CHANGE IN FUND BALANCE	62,973	(520,117)	(306,254)	213,863
TOTAL FUND BALANCE, BEGINNING	<u>7,482,083</u>	<u>7,482,083</u>	<u>7,482,083</u>	<u>-</u>
TOTAL FUND BALANCE, ENDING	<u>\$ 7,545,056</u>	<u>\$ 6,961,966</u>	<u>\$ 7,175,829</u>	<u>\$ 213,863</u>

**CITY OF ROWLETT, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2013**

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.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 7,984,520	\$ 7,984,520	\$ 7,925,984	\$ (58,536)
Interest	6,000	6,000	4,100	(1,900)
Miscellaneous	-	-	397	397
Total revenues	<u>7,990,520</u>	<u>7,990,520</u>	<u>7,930,481</u>	<u>(60,039)</u>
EXPENDITURES				
Current operating:				
General government	106,817	106,817	54,986	51,831
Public safety	119,821	119,821	115,649	4,172
Debt service:				
Principal retirement	5,625,122	5,625,122	5,542,900	82,222
Interest and fiscal charges	<u>2,760,979</u>	<u>2,760,979</u>	<u>2,764,820</u>	<u>(3,841)</u>
Total expenditures	<u>8,612,739</u>	<u>8,612,739</u>	<u>8,478,355</u>	<u>134,384</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(622,219)</u>	<u>(622,219)</u>	<u>(547,874)</u>	<u>74,345</u>
OTHER FINANCING SOURCES				
Transfers from other funds	<u>622,219</u>	<u>622,219</u>	<u>636,616</u>	<u>14,397</u>
Total other financing sources	<u>622,219</u>	<u>622,219</u>	<u>636,616</u>	<u>14,397</u>
CHANGE IN FUND BALANCES	-	-	88,742	88,742
FUND BALANCES, BEGINNING	<u>363,827</u>	<u>363,827</u>	<u>363,827</u>	-
FUND BALANCES, ENDING	<u>\$ 363,827</u>	<u>\$ 363,827</u>	<u>\$ 452,569</u>	<u>\$ 88,742</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 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, 2013**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
ASSETS			
Cash, cash equivalents and investments	\$ 657,713	\$1,212,997	\$ 69,154
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accrued interest	288	-	20
Other	-	-	-
Due from other governments	-	-	-
Prepaid and other items	-	285	-
Total assets	\$ 658,001	\$1,213,282	\$ 69,174
LIABILITIES			
Accounts payable	-	22,380	43,196
Accrued liabilities	-	19,090	-
Deferred revenue	155	-	-
Due to other funds	-	-	-
Total liabilities	155	41,470	43,196
FUND BALANCES			
Nonspendable - Prepaid items	-	285	-
Restricted for:			
Debt service	-	-	-
Capital projects	657,846	-	-
Public safety	-	1,171,527	25,978
Economic development	-	-	-
Public broadcasting	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	657,846	1,171,812	25,978
Total liabilities and fund balances	\$ 658,001	\$1,213,282	\$ 69,174

Special Revenue				Total
Court Fees	Grant	TIF	Other	Governmental Funds
\$ 358,867	\$ -	\$ 1,001	\$ 54,348	\$ 2,354,080
-	-	-	4,033	4,033
175	-	-	26	509
1,396	-	-	23,793	25,189
-	174,458	-	-	174,458
-	-	-	250	535
<u>\$ 360,438</u>	<u>\$ 174,458</u>	<u>\$ 1,001</u>	<u>\$ 82,450</u>	<u>\$ 2,558,804</u>
1,138	53,512	-	881	121,107
3,991	-	-	3,983	27,064
1,396	177,385	-	-	178,936
-	59,104	-	-	59,104
<u>6,525</u>	<u>290,001</u>	<u>-</u>	<u>4,864</u>	<u>386,211</u>
-	-	-	250	535
-	-	1,001	-	1,001
-	-	-	-	657,846
353,913	-	-	-	1,551,418
-	-	-	6,934	6,934
-	-	-	70,402	70,402
-	(115,543)	-	-	(115,543)
<u>353,913</u>	<u>(115,543)</u>	<u>1,001</u>	<u>77,586</u>	<u>2,172,593</u>
<u>\$ 360,438</u>	<u>\$ 174,458</u>	<u>\$ 1,001</u>	<u>\$ 82,450</u>	<u>\$ 2,558,804</u>

**CITY OF ROWLETT, TEXAS
COMBINING STATEMENT OF REVEUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
REVENUES			
Taxes:			
Other	\$ -	\$ -	\$ -
Franchise fees	-	-	-
License and permits	341,707	-	-
Fines and forfeitures	-	1,011,482	96,963
Intergovernmental	-	-	-
Interest	513	571	40
Miscellaneous	-	32,075	25,767
Total revenues	<u>342,220</u>	<u>1,044,128</u>	<u>122,770</u>
EXPENDITURES			
Current operating:			
General government	-	-	-
Public safety	-	325,635	101,221
Capital outlay	69,920	185,783	-
Total expenditures	<u>69,920</u>	<u>511,418</u>	<u>101,221</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	272,300	532,710	21,549
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	-	-	-
NET CHANGE IN FUND BALANCES	272,300	532,710	21,549
FUND BALANCES (DEFICIT), BEGINNING	<u>385,546</u>	<u>639,102</u>	<u>4,429</u>
FUND BALANCES (DEFICIT), ENDING	<u>\$ 657,846</u>	<u>\$ 1,171,812</u>	<u>\$ 25,978</u>

Special Revenue				Total
Court Fees	Grant	TIF	Other	Governmental Funds
\$ -	\$ -	\$ -	\$ 55,027	\$ 55,027
-	-	-	95,637	95,637
-	-	-	-	341,707
87,179	-	-	-	1,195,624
-	509,066	-	-	509,066
417	107	1	59	1,708
-	-	-	-	57,842
<u>87,596</u>	<u>509,173</u>	<u>1</u>	<u>150,723</u>	<u>2,256,611</u>
-	-	-	137,937	137,937
105,019	69,843	-	-	601,718
-	551,175	-	10,771	817,649
<u>105,019</u>	<u>621,018</u>	<u>-</u>	<u>148,708</u>	<u>1,557,304</u>
(17,423)	(111,845)	1	2,015	699,307
-	-	-	(1,723)	(1,723)
(17,423)	(111,845)	1	292	697,584
371,336	(3,698)	1,000	77,294	1,475,009
<u>\$ 353,913</u>	<u>\$(115,543)</u>	<u>\$ 1,001</u>	<u>\$ 77,586</u>	<u>\$ 2,172,593</u>

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
License and permits	\$ 31,000	\$ 31,000	\$ 341,707	\$ 310,707
Interest	13,357	13,357	513	(12,844)
Total revenues	<u>44,357</u>	<u>44,357</u>	<u>342,220</u>	<u>297,863</u>
EXPENDITURES				
Capital outlay	30,000	128,285	69,920	58,365
Total expenditures	<u>30,000</u>	<u>128,285</u>	<u>69,920</u>	<u>58,365</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,357	(83,928)	272,300	356,228
FUND BALANCES, BEGINNING	<u>385,546</u>	<u>385,546</u>	<u>385,546</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 399,903</u>	<u>\$ 301,618</u>	<u>\$ 657,846</u>	<u>\$ 356,228</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 POLICE SEIZURE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 1,011,482	\$ 911,482
Interest	550	550	571	21
Miscellaneous	-	-	32,075	32,075
Total revenues	<u>100,550</u>	<u>100,550</u>	<u>1,044,128</u>	<u>943,578</u>
EXPENDITURES				
Public safety	100,550	139,070	325,635	(186,565)
Capital outlay	-	50,812	185,783	(134,971)
Total expenditures	<u>100,550</u>	<u>189,882</u>	<u>511,418</u>	<u>(321,536)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(89,332)	532,710	622,042
FUND BALANCES, BEGINNING	<u>639,102</u>	<u>639,102</u>	<u>639,102</u>	-
FUND BALANCES, ENDING	<u>\$ 639,102</u>	<u>\$ 549,770</u>	<u>\$ 1,171,812</u>	<u>\$ 622,042</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 297,458	\$ 297,458	\$ 96,963	\$ (200,495)
Interest	468	468	40	(428)
Miscellaneous			25,767	25,767
Total revenues	<u>297,926</u>	<u>297,926</u>	<u>122,770</u>	<u>(175,156)</u>
EXPENDITURES				
Public safety	297,926	297,926	101,221	196,705
Total expenditures	<u>297,926</u>	<u>297,926</u>	<u>101,221</u>	<u>196,705</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	21,549	21,549
FUND BALANCES, BEGINNING	<u>4,429</u>	<u>4,429</u>	<u>4,429</u>	-
FUND BALANCES, ENDING	<u>\$ 4,429</u>	<u>\$ 4,429</u>	<u>\$ 25,978</u>	<u>\$ 21,549</u>

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
COURT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 80,252	\$ 80,252	\$ 87,179	\$ 6,927
Interest	-	-	417	417
Total revenues	<u>80,252</u>	<u>80,252</u>	<u>87,596</u>	<u>7,344</u>
EXPENDITURES				
Public safety	<u>261,564</u>	<u>261,564</u>	<u>105,019</u>	<u>156,545</u>
Total expenditures	<u>261,564</u>	<u>261,564</u>	<u>105,019</u>	<u>156,545</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(181,312)	(181,312)	(17,423)	163,889
FUND BALANCES, BEGINNING	<u>371,336</u>	<u>371,336</u>	<u>371,336</u>	<u>-</u>
FUND BALANCES, ENDING	<u><u>\$ 190,024</u></u>	<u><u>\$ 190,024</u></u>	<u><u>\$ 353,913</u></u>	<u><u>\$ 163,889</u></u>

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 252,771	\$ 252,771	\$ 509,066	\$ 256,295
Interest	-	-	107	107
Total revenues	<u>252,771</u>	<u>252,771</u>	<u>509,173</u>	<u>256,402</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	24,590	25,285	69,843	(44,558)
Public works	24,000	24,000	-	24,000
Capital outlay	180,181	194,795	551,175	(356,380)
Total expenditures	<u>228,771</u>	<u>244,080</u>	<u>621,018</u>	<u>(376,938)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,000	8,691	(111,845)	(120,536)
FUND DEFICIT, BEGINNING	<u>(3,698)</u>	<u>(3,698)</u>	<u>(3,698)</u>	-
FUND DEFICIT, ENDING	<u>\$ 20,302</u>	<u>\$ 4,993</u>	<u>\$ (115,543)</u>	<u>\$ (120,536)</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 TAX INCREMENT FINANCING FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 1	\$ 1
Total revenues	-	-	1	1
CHANGE IN FUND BALANCES	-	-	1	1
FUND BALANCES, BEGINNING	1,000	1,000	1,000	-
FUND BALANCES, ENDING	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,001</u>	<u>\$ 1</u>

**CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Other taxes	\$ 41,175	\$ 47,175	\$ 55,027	\$ 7,852
Franchise fees	85,042	85,042	95,637	10,595
Interest	577	577	59	(518)
Total revenues	<u>126,794</u>	<u>132,794</u>	<u>150,723</u>	<u>17,929</u>
EXPENDITURES				
General government	112,296	112,594	137,937	(25,343)
Capital outlay	-	-	10,771	(10,771)
Total expenditures	<u>112,296</u>	<u>112,594</u>	<u>148,708</u>	<u>(36,114)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,498	20,200	2,015	(18,185)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	-	(1,723)	(1,723)
CHANGE IN FUND BALANCES	14,498	20,200	292	(19,908)
FUND BALANCES, BEGINNING	<u>77,294</u>	<u>77,294</u>	<u>77,294</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 91,792</u>	<u>\$ 97,494</u>	<u>\$ 77,586</u>	<u>\$ (19,908)</u>

STATISTICAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

**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			
	2013	2012	2011	2010
Governmental activities:				
Net investment in capital assets	\$ 38,863,695	\$ 31,916,791	\$ 32,374,952	\$ 33,070,231
Restricted	9,137,747	9,171,293	4,746,923	1,148,213
Unrestricted	5,469,081	5,462,517	6,506,992	7,989,091
Total governmental activities net position	<u>\$ 53,470,523</u>	<u>\$ 46,550,601</u>	<u>\$ 43,628,867</u>	<u>\$ 42,207,535</u>
Business-type activities:				
Net investment in capital assets	\$ 63,171,705	\$ 62,576,970	\$ 63,268,379	\$ 64,417,014
Restricted	2,197,202	2,327,961	3,225,296	3,156,935
Unrestricted	8,162,875	7,460,914	6,882,557	5,452,189
Total business-type activities net position	<u>\$ 73,531,782</u>	<u>\$ 72,365,845</u>	<u>\$ 73,376,232</u>	<u>\$ 73,026,138</u>
Primary government:				
Net investment in capital assets	\$ 102,035,400	\$ 94,493,761	\$ 95,643,331	\$ 97,487,245
Restricted	11,334,949	11,499,254	7,972,219	4,305,148
Unrestricted	13,631,956	12,923,431	13,389,549	13,441,280
Total primary government net position	<u>\$ 127,002,305</u>	<u>\$ 118,916,446</u>	<u>\$ 117,005,099</u>	<u>\$ 115,233,673</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 33,707,411	\$ 40,312,017	\$ 38,656,284	\$ 42,099,813	\$ 35,082,256	\$ 31,824,439
910,428	1,537,197	1,249,120	1,724,868	1,040,997	2,995,418
7,593,223	5,435,653	4,519,005	4,121,491	4,110,733	1,501,435
<u>\$ 42,211,062</u>	<u>\$ 47,284,867</u>	<u>\$ 44,424,409</u>	<u>\$ 47,946,172</u>	<u>\$ 40,233,986</u>	<u>\$ 36,321,292</u>
\$ 65,576,708	\$ 63,829,157	\$ 62,484,938	\$ 61,546,001	\$ 62,588,336	\$ 64,217,338
3,136,923	2,894,124	2,849,815	2,876,092	3,210,754	1,368,449
6,518,292	5,683,212	3,926,786	5,289,946	6,742,040	6,128,244
<u>\$ 75,231,923</u>	<u>\$ 72,406,493</u>	<u>\$ 69,261,539</u>	<u>\$ 69,712,039</u>	<u>\$ 72,541,130</u>	<u>\$ 71,714,031</u>
\$ 99,284,119	\$ 104,141,174	\$ 101,141,222	\$ 103,645,814	\$ 97,670,592	\$ 96,041,777
4,047,351	4,431,321	4,098,935	4,600,960	4,251,751	4,363,867
14,111,515	11,118,865	8,445,791	9,411,437	10,852,773	7,629,679
<u>\$ 117,442,985</u>	<u>\$ 119,691,360</u>	<u>\$ 113,685,948</u>	<u>\$ 117,658,211</u>	<u>\$ 112,775,116</u>	<u>\$ 108,035,323</u>

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

Expenses	Fiscal Year			
	2013	2012	2011	2010
Governmental activities:				
General government	\$ 3,108,816	\$ 4,274,638	\$ 5,043,354	\$ 4,812,456
Public safety	19,761,920	20,456,358	20,077,172	20,243,476
Public works	11,690,444	13,472,469	12,320,408	12,747,289
Culture and recreation	5,100,405	4,975,355	4,796,472	5,138,905
Development	1,183,670	881,385	726,014	844,980
Interest and fiscal charges	2,848,832	2,888,071	3,445,261	3,562,170
Total governmental activities	<u>43,694,087</u>	<u>46,948,276</u>	<u>46,408,681</u>	<u>47,349,276</u>
Business-type activities:				
Water and sewer	21,215,288	20,275,313	19,715,254	19,292,984
Refuse	3,640,452	3,316,080	3,280,511	2,676,412
Drainage	1,865,797	2,091,605	1,669,999	3,242,101
Wet zone	-	-	-	-
Total business-type activities	<u>26,721,537</u>	<u>25,682,998</u>	<u>24,665,764</u>	<u>25,211,497</u>
Total primary government expenses	<u>\$ 70,415,624</u>	<u>\$ 72,631,274</u>	<u>\$ 71,074,445</u>	<u>\$ 72,560,773</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 90,267	\$ 99,370	\$ 617,922	\$ 135,922
Public safety	3,058,323	3,205,317	1,808,112	3,959,096
Public works	341,707	285,290	116,950	20,962
Culture and recreation	958,111	871,538	2,659,906	1,588,866
Development	860,925	641,890	565,001	386,696
Operating grants and contributions	817,022	901,055	963,803	484,634
Capital grants and contributions	6,735,636	6,748,657	2,687,884	1,532,660
Total governmental activities program revenues	<u>12,861,991</u>	<u>12,753,117</u>	<u>9,419,578</u>	<u>8,108,836</u>
Business-type activities:				
Charges for services:				
Water and sewer	25,341,837	22,507,769	23,592,840	21,550,266
Refuse	4,681,715	4,484,110	4,457,857	1,361,162
Drainage	1,328,989	1,300,878	1,301,172	4,484,338
Wet zone	-	-	-	-
Capital grants and contributions	938,393	145,204	560,473	20,612
Total business-type activities program revenues	<u>32,290,934</u>	<u>28,437,961</u>	<u>29,912,342</u>	<u>27,416,378</u>
Total primary government revenues	<u>\$ 45,152,925</u>	<u>\$ 41,191,078</u>	<u>\$ 39,331,920</u>	<u>\$ 35,525,214</u>
Net (expense)/revenue				
Governmental activities	\$ (30,832,096)	\$ (34,195,159)	\$ (36,989,103)	\$ (39,240,440)
Business-type activities	5,569,397	2,754,963	5,246,578	2,204,881
Total primary government net expense	<u>\$ (25,262,699)</u>	<u>\$ (31,440,196)</u>	<u>\$ (31,742,525)</u>	<u>\$ (37,035,559)</u>
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 23,290,763	\$ 23,805,465	\$ 23,967,737	\$ 24,649,815
Sales taxes	5,386,679	4,894,006	5,767,527	6,228,228
Other	112,300	48,186	124,748	59,934
Franchise fees	3,010,969	3,127,383	3,214,049	2,767,064
Investment earnings	44,492	76,604	165,926	231,809
Gain (loss) on sale/retirement of capital assets	-	-	-	-
Miscellaneous	1,458,515	1,248,881	171,306	674,907
Transfers (net)	4,448,300	3,916,368	4,999,142	4,625,155
Total governmental activities	<u>37,752,018</u>	<u>37,116,893</u>	<u>38,410,435</u>	<u>39,236,912</u>
Business-type activities:				
Investment earnings	24,148	53,767	102,658	214,489
Gain (loss) on sale/retirement of capital assets	-	-	-	-
Miscellaneous	20,692	97,251	-	-
Transfers (net)	(4,448,300)	(3,916,368)	(4,999,142)	(4,625,155)
Special items	-	-	-	-
Total business-type activities	<u>(4,403,460)</u>	<u>(3,765,350)</u>	<u>(4,896,484)</u>	<u>(4,410,666)</u>
Total primary government	<u>\$ 33,348,558</u>	<u>\$ 33,351,543</u>	<u>\$ 33,513,951</u>	<u>\$ 34,826,246</u>
Changes in Net Position				
Governmental activities	\$ 6,919,922	\$ 2,921,734	\$ 1,421,332	\$ (3,528)
Business-type activities	1,165,937	(1,010,387)	350,094	(2,205,785)
Total primary government	<u>\$ 8,085,859</u>	<u>\$ 1,911,347</u>	<u>\$ 1,771,426</u>	<u>\$ (2,209,313)</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 2

		Fiscal Year					
		2009	2008	2007	2006	2005	2004
\$	5,235,080	\$ 5,210,003	\$ 6,463,416	\$ 7,547,049	\$ 5,461,721	\$ 5,221,878	
	19,372,690	19,026,455	19,064,945	17,566,690	15,345,813	14,412,536	
	12,719,561	8,819,541	13,357,060	5,338,600	5,210,406	5,009,553	
	4,926,422	5,388,160	6,102,323	6,202,601	4,353,767	3,828,425	
	1,219,772	1,229,275	1,476,900	1,529,689	1,341,144	1,341,012	
	4,088,968	4,473,104	4,825,639	3,864,246	2,965,565	2,598,852	
	<u>47,562,493</u>	<u>44,146,538</u>	<u>51,290,283</u>	<u>42,048,875</u>	<u>34,678,416</u>	<u>32,412,256</u>	
	18,502,215	19,065,087	19,136,724	19,243,442	15,617,433	13,672,908	
	1,607,736	1,692,004	1,604,017	1,332,109	1,101,040	1,004,201	
	3,286,924	3,251,155	2,940,905	2,627,304	2,244,735	2,205,365	
	-	-	-	-	729,695	633,912	
	<u>23,396,875</u>	<u>24,008,246</u>	<u>23,681,646</u>	<u>23,202,855</u>	<u>19,692,903</u>	<u>17,516,386</u>	
\$	<u>70,959,368</u>	<u>68,154,784</u>	<u>74,971,929</u>	<u>65,251,730</u>	<u>54,371,319</u>	<u>49,928,642</u>	
\$	99,906	\$ 72,486	\$ 67,617	\$ 121,309	\$ 8,092	\$ 4,512	
	3,466,449	3,591,329	3,089,141	2,847,875	1,806,208	1,905,311	
	87,594	211,128	265,677	418,169	270,525	87,540	
	1,627,643	1,115,647	1,185,071	1,280,621	305,672	492,410	
	504,544	567,913	696,991	911,160	992,676	1,020,646	
	347,925	518,835	578,571	461,654	543,706	356,981	
	175,032	2,306,004	469,433	2,658,930	3,185,246	5,462,783	
	<u>6,309,093</u>	<u>8,383,342</u>	<u>6,352,501</u>	<u>8,699,718</u>	<u>7,112,125</u>	<u>9,330,183</u>	
	20,570,813	19,553,413	18,951,024	19,125,037	18,467,908	16,163,854	
	1,276,659	951,715	929,773	485,580	495,255	489,439	
	4,493,083	4,246,481	4,054,166	3,493,756	3,494,784	3,079,240	
	-	-	-	-	435,202	337,403	
	<u>63,966</u>	<u>2,359,949</u>	<u>616,691</u>	<u>1,314,213</u>	<u>2,424,461</u>	<u>3,151,578</u>	
	<u>26,404,521</u>	<u>27,111,558</u>	<u>24,551,654</u>	<u>24,418,586</u>	<u>25,317,610</u>	<u>23,221,514</u>	
\$	<u>32,713,614</u>	<u>35,494,900</u>	<u>30,904,155</u>	<u>33,118,304</u>	<u>32,429,735</u>	<u>32,551,697</u>	
\$	(41,253,400)	\$ (35,763,196)	\$ (44,937,782)	\$ (33,349,157)	\$ (27,566,291)	\$ (23,082,073)	
	3,007,646	3,103,312	870,008	1,215,731	5,624,707	5,705,128	
\$	<u>(38,245,754)</u>	<u>(32,659,884)</u>	<u>(44,067,774)</u>	<u>(32,133,426)</u>	<u>(21,941,584)</u>	<u>(17,376,945)</u>	
\$	25,255,663	\$ 25,044,496	\$ 23,758,243	\$ 22,472,350	\$ 19,701,994	\$ 17,481,315	
	5,666,751	5,882,325	6,230,025	7,458,230	3,760,344	3,097,455	
	110,778	121,242	120,329	111,619	98,303	87,162	
	2,881,223	3,014,846	3,393,874	2,850,027	2,418,182	2,587,990	
	702,090	1,570,639	3,242,124	2,418,273	878,622	402,908	
	-	-	-	(178,719)	(203,409)	(133,488)	
	633,877	1,039,438	939,421	956,044	1,247,579	768,839	
	929,213	1,447,292	3,732,003	4,973,519	3,577,370	2,919,208	
	<u>36,179,595</u>	<u>38,120,278</u>	<u>41,416,019</u>	<u>41,061,343</u>	<u>31,478,985</u>	<u>27,211,389</u>	
	746,997	1,488,934	2,411,495	1,899,345	660,515	165,376	
	-	-	-	(970,648)	(6,855)	(9,462)	
	-	-	-	-	-	-	
	(929,213)	(1,447,292)	(3,732,003)	(4,973,519)	(3,577,370)	(2,919,208)	
	-	-	-	-	(1,873,898)	-	
	<u>(182,216)</u>	<u>41,642</u>	<u>(1,320,508)</u>	<u>(4,044,822)</u>	<u>(4,797,608)</u>	<u>(2,763,294)</u>	
\$	<u>35,997,379</u>	<u>38,161,920</u>	<u>40,095,511</u>	<u>37,016,521</u>	<u>26,681,377</u>	<u>24,448,095</u>	
\$	(5,073,805)	\$ 2,357,082	\$ (3,521,763)	\$ 7,712,186	\$ 3,912,694	\$ 4,129,316	
	2,825,430	3,144,954	(450,500)	(2,829,091)	827,099	2,941,834	
\$	<u>(2,248,375)</u>	<u>5,502,036</u>	<u>(3,972,263)</u>	<u>4,883,095</u>	<u>4,739,793</u>	<u>7,071,150</u>	

CITY OF ROWLETT, TEXAS
GENERAL GOVERNMENTAL EXPENDITURES BY DEPARTMENT (UNAUDITED)
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
General fund				
Reserved	\$ -	\$ -	\$ -	\$ 725,269
Unreserved	-	-	-	6,752,718
Nonspendable:				
Inventories	54,199	146,989	86,016	-
Prepaid items	64,737	15,700	73,555	-
Restricted for:				
Capital projects	321,096	280,356	716,031	-
Assigned for:				
Economic development	305,589	352,188	224,092	-
Capital acquisition	364,692	381,605	1,163,159	-
Unassigned	6,065,516	6,305,245	6,681,091	-
Total general fund	<u>\$ 7,175,829</u>	<u>\$ 7,482,083</u>	<u>\$ 8,943,944</u>	<u>\$ 7,477,987</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ 16,052,328
Unreserved, reported in:				
Special revenue funds		-	-	369,311
Capital projects funds		-	-	-
Nonspendable:				
Inventories	64,582	-	-	-
Prepaid items	10,775	1,562	12,805	-
Restricted for:				
Debt service	443,330	362,265	281,278	-
Capital projects	6,936,723	7,617,327	12,734,318	-
Public safety	1,551,418	1,014,867	1,075,494	-
Economic development	6,934	20,518	17,751	-
Public broadcasting	70,402	56,776	32,216	-
Unassigned	(115,543)	(3,698)	(107,126)	-
Total all other governmental funds	<u>\$ 8,968,621</u>	<u>\$ 9,069,617</u>	<u>\$ 14,046,736</u>	<u>\$ 16,421,639</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 3

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

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

	Fiscal Year			
	2013	2012	2011	2010
Revenues				
Taxes	\$ 28,773,383	\$ 28,781,463	\$ 30,131,107	\$ 30,966,183
Franchise fees	2,991,209	3,094,707	3,304,363	3,015,465
Licenses and permits	807,860	687,352	438,334	391,228
Charges for services	2,644,415	2,291,101	2,748,494	2,823,756
Fines and forfeitures	2,158,683	1,896,301	2,304,857	2,820,913
Intergovernmental	6,929,459	6,589,471	2,275,536	1,967,802
Interest	44,492	76,604	165,926	231,809
Miscellaneous	1,423,074	1,208,363	790,619	674,907
Total revenues	<u>45,772,575</u>	<u>44,625,362</u>	<u>42,159,236</u>	<u>42,892,063</u>
Expenditures				
General government	2,670,647	3,003,607	4,380,262	4,471,479
Public safety	18,590,060	19,159,506	18,791,928	18,692,849
Public works	5,936,101	7,599,093	7,246,641	5,592,114
Culture and recreation	4,282,981	4,175,458	3,931,809	4,272,737
Development	1,128,814	840,833	672,775	808,218
Debt service:				
Principal	6,202,352	6,208,605	5,940,534	5,432,452
Interest	2,834,256	2,903,106	3,370,147	3,507,444
Other charges	-	222,800	-	207,999
Capital outlay	9,552,274	11,316,999	4,424,499	9,868,151
Total expenditures	<u>51,197,485</u>	<u>55,430,007</u>	<u>48,758,595</u>	<u>52,853,443</u>
Excess (deficiency) of revenues over (under) expenditures	(5,424,910)	(10,804,645)	(6,599,359)	(9,961,380)
Other Financing Sources/(Uses)				
Proceeds from capital leases	1,130,985	351,152	1,202,602	987,080
Refunding bonds issued	-	14,131,149	-	12,000,000
Proceeds from sale of bonds	-	-	-	-
Premiums on bonds issued	-	1,383,000	-	440,175
Discounts on bonds issued	-	-	-	-
Payments to refunding bond escrow agent	-	(15,416,504)	-	(12,455,399)
Proceeds from sale of assets	-	1,500	-	-
Transfers in	5,895,107	5,729,583	6,446,101	7,595,086
Transfers out	(2,009,432)	(1,813,215)	(1,958,290)	(2,147,423)
Total other financing sources/(uses)	<u>5,016,660</u>	<u>4,366,665</u>	<u>5,690,413</u>	<u>6,419,519</u>
Net change in fund balances	<u>\$ (408,250)</u>	<u>\$ (6,437,980)</u>	<u>\$ (908,946)</u>	<u>\$ (3,541,861)</u>
Debt service as a percentage of noncapital expenditures	21.7%	21.2%	21.0%	21.3%

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 4

		Fiscal Year									
		2009	2008	2007	2006	2005	2004				
\$	30,906,010	\$	31,065,958	\$	30,089,399	\$	29,954,902	\$	23,538,352	\$	20,621,070
	2,999,281		3,018,734		3,393,874		2,850,027		2,418,182		2,587,990
	499,979		720,779		778,007		1,288,735		994,556		1,163,776
	2,889,691		2,343,594		2,415,006		2,318,143		1,321,381		1,265,001
	2,339,835		2,465,790		2,191,648		1,728,113		1,005,818		1,017,960
	381,153		1,270,253		892,635		1,753,744		1,711,827		931,636
	702,090		1,556,897		3,211,947		2,400,651		878,622		402,908
	633,877		992,518		937,824		1,134,831		1,072,547		940,014
	<u>41,351,916</u>		<u>43,434,523</u>		<u>43,910,340</u>		<u>43,429,146</u>		<u>32,941,285</u>		<u>28,930,355</u>
	4,047,850		4,059,446		5,396,190		7,029,763		3,493,066		3,208,460
	17,910,586		18,429,503		18,616,295		17,302,986		14,808,481		13,890,075
	7,789,807		4,775,269		8,834,282		2,360,852		2,413,042		2,415,019
	4,151,303		4,462,616		5,171,047		5,116,947		3,327,315		2,856,944
	1,151,720		1,212,987		1,458,834		1,512,154		1,313,779		1,311,215
	5,551,999		5,991,212		7,285,049		4,890,000		3,985,000		3,080,000
	4,044,879		4,400,172		4,783,411		3,506,208		2,692,355		2,522,751
	-		-		25,000		315,607		703,265		133,775
	7,858,484		13,804,949		14,831,198		11,748,134		10,662,429		9,545,691
	<u>52,506,628</u>		<u>57,136,154</u>		<u>66,401,306</u>		<u>53,782,651</u>		<u>43,398,732</u>		<u>38,963,930</u>
	(11,154,712)		(13,701,631)		(22,490,966)		(10,353,505)		(10,457,447)		(10,033,575)
	152,925		39,461		-		-		213,956		-
	-		-		-		-		-		-
	-		-		1,690,000		21,465,000		41,285,000		5,544,792
	-		-		-		291,917		318,843		-
	-		-		-		(30,614)		(233,114)		-
	-		-		-		-		(8,723,648)		(4,985,624)
	-		-		-		-		-		-
	7,271,747		7,157,912		7,499,125		2,650,984		3,182,730		3,229,170
	(2,485,272)		(3,225,070)		(4,082,025)		(536,360)		(729,457)		(1,014,528)
	<u>4,939,400</u>		<u>3,972,303</u>		<u>5,107,100</u>		<u>23,840,927</u>		<u>35,314,310</u>		<u>2,773,810</u>
\$	<u>(6,215,312)</u>	\$	<u>(9,729,328)</u>	\$	<u>(17,383,866)</u>	\$	<u>13,487,422</u>	\$	<u>24,856,863</u>	\$	<u>(7,259,765)</u>
	21.5%		24.0%		23.5%		20.7%		22.5%		19.5%

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
2004	17,436,453	3,097,455	87,162	20,621,070
2005	19,679,705	3,760,341	98,303	23,538,349
2006	22,385,053	7,458,229	111,619	29,954,901
2007	23,739,045	6,230,024	120,329	30,089,398
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	124,748	30,131,107
2012	23,492,921	4,894,006	103,581	28,490,508
2013	23,274,404	5,386,679	112,300	28,773,383

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			
2004	2,794,686,350	135,846,450	244,309,008	2,686,223,792	0.64000
2005	3,001,096,970	138,562,630	270,204,525	2,869,455,075	0.67695
2006	3,152,152,570	143,648,500	317,521,416	2,978,279,654	0.74717
2007	3,328,602,160	155,650,970	342,854,454	3,141,398,676	0.74717
2008	3,505,032,790	165,364,960	361,998,133	3,308,399,617	0.74717
2009	3,562,876,777	178,689,105	373,073,104	3,368,492,778	0.74717
2010	3,522,255,306	177,752,490	414,294,585	3,285,713,211	0.74717
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

Source: Dallas County Tax Office

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

Fiscal Year	City of Rowlett			Overlapping Rates ⁽¹⁾				
	Direct Rates			Dallas County Properties				
	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
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
2005	0.47413	0.20281	0.67694	0.20390	0.25400	0.08030	1.62140	2.83654
2004	0.46227	0.17773	0.64000	0.20390	0.25400	0.07780	1.55850	2.73420

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

Source: City of Rowlett - Finance Department
Tax rates are applied on each \$100 of assessed value and are levied on 100% of assessed value.

TABLE 7

Rockwall County Properties		
Rockwall County	Rockwall Independent School District	Total Direct & Overlapping Rates
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
0.350700	1.88000	2.90764
0.350700	1.88000	2.87070

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

TABLE 8

<u>Taxpayer</u>	<u>2013</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Lake Pointe Medical Center	\$ 41,322,840	1	1.32%
Oncor Electric Delivery	25,206,320	2	0.81%
Wal Mart	20,267,610	3	0.65%
Target Corporation	16,806,880	4	0.54%
Verizon	12,816,740	5	0.41%
NSHE TX Bay City LLX	12,000,000	6	0.38%
ARC LCROWTX001 LLC	9,792,140	7	0.31%
Gemni Rowlett Crossing S	9,316,310	8	0.30%
Lakeview Parkview	6,900,000	9	0.22%
Safeway Inc	6,788,860	10	0.22%
	<u>\$ 161,217,700</u>		<u>5.16%</u>

Source: Dallas County Tax Office

<u>Taxpayer</u>	<u>2004</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Texas Utilities Electric Co.	\$ 27,358,170	1	1.02%
Lake Pointe Medical Center	25,898,620	2	0.96%
Wal Mart	20,568,660	3	0.77%
Verizon	13,124,900	4	0.49%
Albertson's Inc	12,631,650	5	0.47%
Randalls Food & Drug	10,085,660	6	0.38%
Horton DR Texas LTD	9,545,880	7	0.36%
NEC Dalrock & SH66 LTD	7,062,720	8	0.26%
Continental Homes of TX	5,963,740	9	0.22%
Lakeview Parkview	5,760,000	10	0.21%
	<u>\$ 138,000,000</u>		<u>5.14%</u>

Source: City of Rowlett 2003 CAFR

**CITY OF ROWLETT
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
2004	17,191,832	16,848,678	98.00%	333,417	17,124,465	9,737	99.61%
2005	19,424,633	19,018,687	97.91%	391,833	19,280,276	14,113	99.26%
2006	22,257,540	21,757,513	97.75%	484,777	22,242,290	15,250	99.93%
2007	23,379,880	22,812,468	97.57%	547,503	23,359,971	19,909	99.91%
2008	24,582,645	24,116,451	98.10%	426,498	24,542,949	39,696	99.84%
2009	25,022,666	24,529,136	98.03%	457,573	24,719,342	35,957	98.79%
2010	24,432,408	23,999,437	98.23%	372,559	24,371,996	60,412	99.75%
2011	23,945,717	23,650,873	98.77%	231,480	23,882,353	63,364	99.74%
2012	23,605,280	23,335,522	98.86%	188,635	23,524,157	81,123	99.66%
2013	23,111,624	22,902,665	99.10%	-	22,902,665	208,959	99.10%

Source: City of Rowlett - Finance Department

**CITY OF ROWLETT, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Capital Leases
2004	41,145,000	17,470,000	770,000	-
2005	47,200,000	40,690,000	530,000	174,627
2006	44,325,000	60,350,000	320,000	1,308,775
2007	41,245,000	57,370,000	845,437	1,061,675
2008	38,030,000	55,210,000	260,437	1,086,291
2009	35,175,000	52,975,000	20,000	1,017,655
2010	37,590,000	45,410,000	-	1,797,282
2011	34,510,000	43,040,000	-	2,509,351
2012	37,656,149	34,010,000	-	2,381,898
2013	34,358,249	31,765,000	-	2,817,990

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					
Revenue Bonds	Certificates of Obligation	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
21,185,000	-	160,809	80,730,809	4.08%	1,556
45,015,000	-	47,166	133,656,793	6.26%	2,534
54,220,000	4,815,000	4,457,829	169,796,604	7.34%	3,133
51,035,000	4,695,000	4,245,257	160,497,369	6.54%	2,912
47,665,000	4,535,000	4,014,716	150,801,444	5.87%	2,704
44,560,000	4,365,000	3,773,272	141,885,927	5.95%	2,502
41,340,000	4,190,000	3,503,499	133,830,781	5.45%	2,377
37,995,000	4,010,000	3,548,806	125,613,157	4.86%	2,206
42,628,851	3,820,000	3,459,450	123,956,348	4.59%	2,148
39,121,751	3,620,000	3,487,159	115,170,149	4.09%	1,970

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⁾
2004	59,385,000	1,304,239	58,080,761	2.16%	1,120
2005	88,420,000	1,172,787	87,247,213	3.04%	1,654
2006	104,995,000	937,316	104,057,684	3.49%	1,920
2007	99,460,437	566,928	98,893,509	3.15%	1,794
2008	93,500,437	436,794	93,063,643	2.81%	1,669
2009	88,170,000	404,059	87,765,941	2.61%	1,547
2010	83,000,000	234,354	82,765,646	2.52%	1,470
2011	77,550,000	288,733	77,261,267	2.40%	1,357
2012	71,666,149	363,827	71,302,322	2.25%	1,236
2013	66,123,249	452,569	65,670,680	2.10%	1,123

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 LEGAL DEBT MARGIN (UNAUDITED)
SEPTEMBER 30, 2013**

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	\$ 136,430,000	1.50%	\$ 2,046,450
Dallas County Community College District	355,880,000	1.50%	5,338,200
Dallas County Hospital District	705,000,000	1.50%	10,575,000
Dallas County Schools	67,675,000	1.50%	1,015,125
Garland Independent School District	372,319,346	18.90%	<u>70,368,356</u>
Subtotal, overlapping debt			89,343,131
City of Rowlett, direct debt			<u>68,941,239</u>
Total direct and overlapping debt			\$ <u><u>158,284,370</u></u>
<u>Rockwall County Properties:</u>			
Debt repaid with property taxes:			
Rockwall County	\$ 106,761,802	6.37%	\$ 6,800,727
Rockwall Independent School District	347,903,257	7.45%	<u>25,918,793</u>
Subtotal, overlapping debt			32,719,519
City of Rowlett, direct debt			<u>68,941,239</u>
Total direct and overlapping debt			\$ <u><u>101,660,758</u></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, 2013

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, 2013, is \$ 0.747173 per \$100 of assessed valuation, with assessed valuation being 100% of appraised value.

Source: City of Rowlett - Finance Department

**CITY OF ROWLETT, TEXAS
 PLEDGE-REVENUE COVERAGE
 WATER AND SEWER FUND (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	
2004	16,163,854	9,514,217	6,649,637	1,246,176	417,569	4.00
2005	18,467,908	10,277,087	8,190,821	1,988,500	854,613	2.88
2006	19,778,203	12,618,049	7,160,154	2,711,000	1,092,634	1.88
2007	19,157,633	11,947,291	7,210,342	2,686,053	1,025,084	1.94
2008	19,754,519	11,762,579	7,991,940	2,648,056	962,571	2.21
2009	20,634,778	11,772,634	8,862,144	2,621,176	899,647	2.52
2010	21,570,878	12,775,053	8,795,825	2,583,750	836,260	2.57
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

⁽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
2004	51,868	1,979,490,352	38,164	11,371	6.9%	n/a
2005	52,748	2,136,346,748	40,501	10,914	5.9%	5.0%
2006	54,189	2,312,353,008	42,672	10,716	5.6%	4.6%
2007	55,123	2,453,910,591	44,517	11,470	4.6%	3.9%
2008	55,770	2,570,160,450	46,085	11,500	4.8%	4.2%
2009	56,716	2,384,737,652	42,047	11,499	7.4%	7.0%
2010	56,306	2,456,630,780	43,630	11,555	8.7%	8.0%
2011	56,940	2,585,303,760	45,404	11,382	8.8%	7.9%
2012	57,703	2,698,538,498	46,766	11,264	7.6%	7.2%
2013	58,476	2,816,730,444	48,169	11,215	6.7%	6.1%

⁽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

<u>Employer</u>	<u>2012</u>			<u>2004*</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Garland ISD (City schools only)	1,092	1	3.53%	n/a	1	n/a
Lake Pointe Medical Center	686	2	2.22%	n/a	2	n/a
City of Rowlett	372	3	1.20%	n/a	4	n/a
Target Corporation	275	4	0.89%	n/a	5	n/a
Wal-mart Supercenter	250	5	0.81%	n/a	3	n/a
Senior Care at Lake Pointe	190	6	0.61%	n/a	7	n/a
DR Horton	165	7	0.53%	n/a	6	n/a
Albertson's, Inc.	120	8	0.39%	n/a	8	n/a
Rowlett Nursing Home	119	9	0.39%	n/a	9	n/a
H & S Manufacturing	82	10	0.27%	n/a	10	n/a
	<u>3,351</u>		<u>10.84%</u>	<u>\$ -</u>		<u>0.00%</u>

Source: City of Rowlett - Economic Development Department

*2004 not available

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

Function/Program	Fiscal Year				
	2013	2012	2011	2010	2009
General government:					
City council	3.50	3.50	3.50	3.50	3.50
City manager	5.00	6.50	4.00	4.00	3.00
City secretary	3.50	2.00	3.00	3.00	3.00
Financial services	20.00	20.00	20.00	21.00	21.00
Information technology	5.00	5.00	5.00	5.00	5.00
Public information office	-	-	4.00	4.00	5.00
Human resources	3.00	3.00	3.00	3.00	3.00
Buildings and grounds	7.00	7.00	7.00	7.00	6.00
Public safety:					
Police	110.00	110.00	110.50	115.00	115.00
Fire	77.00	78.00	76.00	76.00	76.00
Municipal court	7.00	7.00	7.00	7.00	7.50
Animal services	5.25	5.25	5.00	5.00	5.00
Environmental services	6.00	6.00	6.00	6.00	5.50
Public works:					
Administration and engineering	11.50	11.50	10.50	7.00	9.00
Streets	14.00	14.00	14.00	14.00	14.00
Fleet services	3.00	3.00	3.50	3.50	3.00
Traffic maintenance	-	-	-	-	-
Water and sewer	19.00	19.00	20.00	23.50	23.00
Drainage	2.00	2.00	2.00	2.00	3.00
Culture and recreation:					
Parks administration	2.00	2.00	2.00	2.00	4.00
Parks operations	12.00	12.00	12.00	12.00	11.50
Community athletics	-	-	-	-	-
Community centre	10.30	10.00	10.00	11.00	9.50
Wet zone	20.70	21.00	21.00	21.00	22.00
Urban forestry	-	-	-	-	-
Library services	17.00	17.00	17.00	17.00	16.50
Development:					
Planning	4.00	4.00	3.25	3.25	5.00
Building inspections	1.00	1.00	2.00	2.00	4.00
GIS	1.00	1.00	2.00	2.00	2.00
Economic development	2.00	2.00	2.00	2.00	2.00
Total	<u>371.75</u>	<u>372.75</u>	<u>375.25</u>	<u>381.75</u>	<u>387.00</u>
Fund					
General	335.25	336.25	339.75	346.25	343.00
Water and sewer	34.50	34.50	33.50	33.50	33.00
Drainage	2.00	2.00	2.00	2.00	3.00
Wet zone	n/a	n/a	n/a	n/a	n/a
Fleet services	n/a	n/a	n/a	n/a	3.00
Information technology	n/a	n/a	n/a	n/a	5.00
Total	<u>371.75</u>	<u>372.75</u>	<u>375.25</u>	<u>381.75</u>	<u>387.00</u>

Source: City of Rowlett - Finance Department

TABLE 17

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

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

Function/Program	Fiscal Year				
	2013	2012	2011	2010	2009
Public safety:					
Number of police employees	110	110	111	115	115
Number of citations	10,241	10,870	10,675	20,188	22,587
Number of fire employees	77	78	76	76	76
Number of fire calls	1,316	1,245	1,295	1,278	1,160
Number of EMS calls	2,758	2,354	2,384	2,572	2,421
Fire inspections	622	1,153	1,450	992	1,166
Public works:					
Asphalt replaced (tons)	5,136	10,504	6,823	5,562	1,457
Concrete placed (cubic yards)	387	5,465	7,389	8,862	14,313
Concrete pavement (sq ft)	141,049	223,551	302,292	359,275	495,007
Culture and recreation:					
Volumes in collection	99,945	93,972	75,103	106,436	100,480
Development:					
Permits issued	78	87	27	28	52
Water and sewer:					
Number of water customers	20,178	19,383	19,311	19,227	19,354
Average daily water consumption	6,505,457	6,959,891	7,227,667	6,196,262	6,363,270
Peak daily water consumption	15,803,000	20,270,000	22,606,000	17,772,000	16,238,000
Number of sewer customers	18,469	18,383	18,323	18,304	18,388
Average daily sewer usage	3,664,614	4,121,000	3,695,811	3,723,123	3,720,899

Source: City of Rowlett Departments

TABLE 18

Fiscal Year				
2008	2007	2006	2005	2004
114	114	103	99	98
18,507	19,430	10,245	12,624	11,360
77	77	77	76	76
1,361	1,403	1,451	1,096	1,075
2,496	2,305	2,378	2,307	2,014
1,365	1,125	1,232	1,237	1,370
3,270	3,034	1,839	1,210	2,071
3,184	200	191	443	698
171,989	7,522	7,296	18,506	18,870
93,451	85,374	76,237	74,956	71,701
97	125	326	329	473
19,006	19,019	19,270	18,400	18,236
7,422,493	5,660,705	8,272,239	7,908,956	7,321,447
17,373,000	13,257,000	17,221,000	17,806,000	15,473,000
18,456	18,002	18,199	17,504	17,247
3,529,445	4,005,619	4,798,498	4,792,605	4,304,359

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

Function/Program	Fiscal Year				
	2013	2012	2011	2010	2009
Public safety:					
Police stations	1	1	1	1	1
Marked police units	24	25	25	25	24
Fire stations	4	4	4	4	4
Public works:					
Miles of streets	466	531	530	534	534
Miles of alleys	105	105	105	105	105
Culture and recreation:					
Parks acreage - developed	620	608	608	607	607
Parks acreage - undeveloped	364	377	377	377	377
Libraries	1	1	1	1	1
Water and sewer:					
Water mains (miles)	225	254	255	255	253
Fire hydrants	2,097	2,093	1,908	1,876	2,012
Sewer mains (miles)	240	239	236	236	235

Source: City of Rowlett departments

TABLE 19

Fiscal Year				
2008	2007	2006	2005	2004
1	1	1	1	1
21	16	16	16	15
4	4	4	4	3
534	551	480	478	472
105	105	151	106	103
607	607	607	604	536
376	376	376	379	274
1	1	1	1	1
253	245	236	259	246
1,948	1,911	1,875	1,865	1,604
235	234	226	232	210

THIS PAGE INTENTIONALLY LEFT BLANK

SINGLE AUDIT REPORTS

THIS PAGE INTENTIONALLY LEFT BLANK



**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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2014.

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. However,

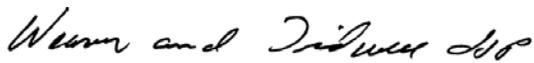
City of Rowlett, Texas

Page 2

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, L.L.P.

Dallas, Texas
January 31, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY 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 *OMB Circular A-133 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, 2013. 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, 2013.

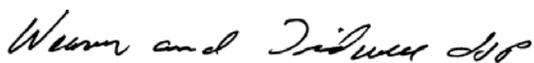
Report on Internal Control over Compliance

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, L.L.P.

Dallas, Texas
January 31, 2014

**CITY OF ROWLETT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<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			
2011 Homeland Security Grant Program	97.067	EMW-2011-SS-00019	\$ 3,086
2012 Homeland Security Grant Program	97.073	EMW-2012-SS-00018-S01	5,535
Total U.S. Department of Homeland Security			<u>8,621</u>
<u>U.S. Department of Justice</u>			
Federal Seizure Forfeitures	16.000	N/A	528,891
2012 Bureau of Justice Assistance Bulletproof Vest Partnership	16.607	N/A	6,266
Total U.S. Department of Justice			<u>535,157</u>
<u>U.S. Department of Transportation</u>			
Passed through the Texas Department of Transportation			
2013 Traffic Safety Equipment and/or Training	20.600	2013-Rowlet P-S-1YG-0094	22,461
Total U.S. Department of Transportation			<u>22,461</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Dallas County			
2010 Community Development Block Grant	14.218	B-10-MC-48-0047	176,251
2011 Community Development Block Grant	14.218	B-10-MC-48-0047	197,107
2012 Community Development Block Grant	14.218	B-10-MC-48-0047	177,817
Total U.S. Department of Housing and Urban Development			<u>551,175</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,117,414</u></u>

**CITY OF ROWLETT, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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.

**CITY OF ROWLETT, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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