



*Downtown Rowlett
Main Street*

Rowlett
TEXAS

City of Rowlett, Texas
Comprehensive Annual Financial Report
For Fiscal Year Ended September 30, 2008

CITY OF ROWLETT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2008



Prepared by

Department of Financial Services

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

**CITY OF ROWLETT, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2008**

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INTRODUCTORY SECTION

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



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

March 17, 2009

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, 2008. 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.

THE REPORT

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

Pattillo, Brown & Hill, L.L.P., have issued an unqualified ("clean") opinion on the City of Rowlett's financial statements for the year ended September 30, 2008. The independent auditors' report is located at the front of the financial section of this report.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board ("GASB"). The report is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, the City's organizational chart, a list of principal officials, and the Government Finance Officers Association of the United States ("GFOA") Certificate of Achievement for Excellence in Financial Reporting for the City's 2007 report. The financial section includes management's discussion and analysis (MD&A), government-wide and fund financial statements, notes to basic financial statements, and required supplemental information, as well as the independent auditors' report on the basic financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. Management's discussion and analysis 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.

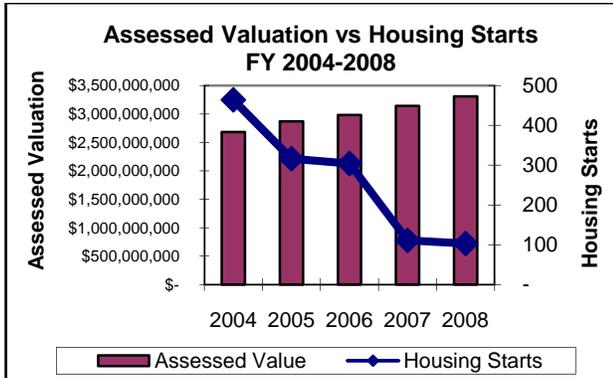
GENERAL INFORMATION

The City of Rowlett is located 20 miles northeast of Dallas on the shores of Lake Ray Hubbard. Once a small farming community, the City has doubled in population over the past ten years. The North Central Texas Council of Governments provided a 2008-estimated population of 54,150. The City is primarily residential but has seen growth in its commercial development over the past few years. The City is actively pursuing all alternatives to realize a continued growth of its commercial tax base.

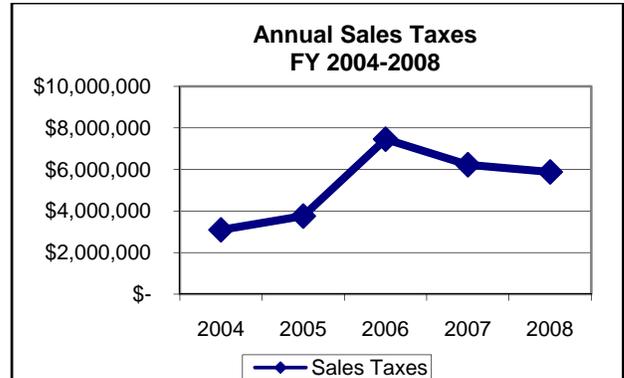
Operating under a Council-City Manager form of government, the City provides a full range of services. These services include police and fire protection; the construction and maintenance of roadways and infrastructure; recreational services; and general administrative services. In addition to general governmental activities, the City provides water and sewer, drainage and sanitation services. Sewage treatment is provided by the City of Garland and IESI Solid Waste Management ("IESI") provides sanitation collection. The North Texas Municipal Water District ("NTMWD") provides water for the City.

ECONOMIC CONDITION AND OUTLOOK

The economy began to experience a slowing in the pace of growth during fiscal year 2007 which continued and even accelerated into 2008. City wide, our average annual unemployment rate increased from 3.9% to 4.2% for the year comparing well with the statewide average of 5.2%, the Dallas County average of 4.8%, and the national average of 6.2%. New residential building construction moderated over a few years ago but since 2007, has declined from 304 to 111 in 2007 and 103 in 2008. Commercial permits decreased slightly from 14 in 2007 to 12 in 2008. The value of this new construction, along with other additions, added an estimated \$39.2 million of new taxable value to our tax rolls for the upcoming year, down 57.5% from the previous year's increased value of \$68.2 million. Sales tax collections decreased by 5.6% over the previous year primarily due to reduced taxable sales for a significant developer in which 90% of the taxes are rebated back to the developer. When taking into account the reduction in the rebates, net sales taxes actually increased 3.4%. Finally, even with mixed results elsewhere, the taxable value of property increased by 0.6% during the year. These factors provide a very positive picture of our community and these trends are expected to continue into the coming year.



Five Year trend of Housing Starts compared to Assessed Valuation



Five Year trend of Sales Tax Collections

The fiscal year 2009 budget was developed anticipating economic growth to decline slightly; however, expenditure growth for items such as fuel, utilities, and employee benefits continue to outpace revenue growth creating a challenge for the City. Budgeted 2009 general fund revenues are \$496,185 lower than in the fiscal year 2008 estimate representing a 1.4% decrease, in part due to decreased revenues associated with charges for services and transfers from other funds net of increases in property taxes and franchise fees. Toward the end of fiscal year 2008, the nation entered a recession exacerbating an already slowing economy and that will most likely continue into 2009 and 2010. For Rowlett, the advent of the President George Bush Turnpike in 2009 and DART light rail in 2010 may mitigate much of the downturn that other communities will feel and, economic growth in Rowlett may even accelerate over the next few years even if it doesn't at the state or national levels.

MAJOR INITIATIVES

For the Year. During fiscal year 2007-2008, the City completed and capitalized \$38.3 million including Miller Road street and utility improvements, the widening of Rowlett Road/Hwy 66/Main, Kenwood Heights Phase I improvements, Hickox Road street and utility improvements, Dalrock (Liberty Grove to Princeton) and Chiesa (Dalrock to Shipp). Much of the City's strategic focus over the past couple of years and moving forward in the next two fiscal years involves preparing for the construction of the President George Bush Turnpike and DART Light Rail Station.

For the Future. For fiscal year 2009, the City adopted a Five Year Capital Improvements Plan ("CIP") totaling \$254.9 million encompassing a wide variety of buildings, equipment and infrastructure construction projects. Significant projects include \$33.0 million for the Merritt Road Interconnector; \$22.1 million for facilities; \$15.9 million for miscellaneous concrete and asphalt improvements for roadways below the pavement condition index of 69; and \$9.5 million for alley improvements. Capital expenditures for the next three fiscal years are based primarily on existing bond construction funds and cash from the operating funds; however, approximately \$28.7 million in fiscal years 2009-2010 and 2010-2011 are projected to come from new bonds and \$39.1 million from federal/state/local grants.

The City also recognizes the need to attract and retain quality employees and that a competitive compensation and benefits package is essential to meet this need. As a result, future plans include a new compensation, benefits and staffing survey to ensure that the City is competitive with its pay and benefits and to identify areas

needing additional employees. The City remains committed to reviewing other benefits, such as insurance, holidays and working conditions to ensure that Rowlett is an attractive place to work.

FINANCIAL INFORMATION

The Management Team of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accounting System and Budgetary Control Budgetary control is maintained with the annual adoption by City Council of an operating budget. The adoption process begins with the staff of each department submitting their revised expenditure estimates for the current year and their estimates for the upcoming year. These expenditure estimates are reviewed and combined with the revenue estimates from the financial staff to present a proposed budget to the governing body. Through subsequent budget meetings and public hearings a final budget is developed and adopted.

The budget is developed on a departmental level and adopted at the fund level. The Department of 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.

The accompanying statements and schedules included in the financial section of this report, demonstrate the City's efforts to continue to meet its responsibility for sound financial management.

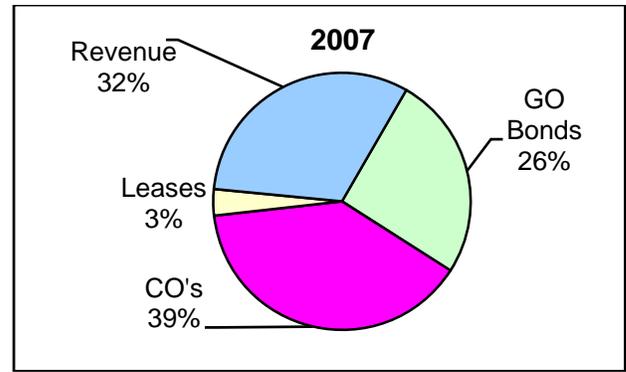
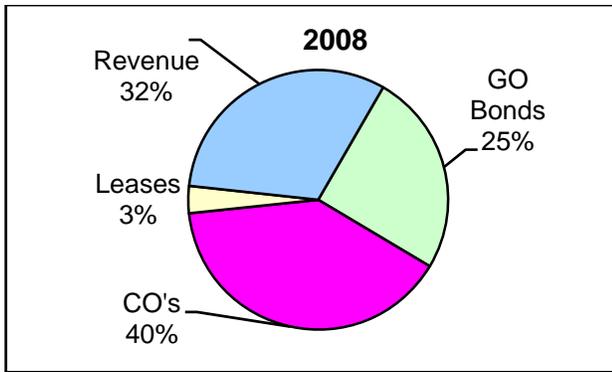
Tax Rates All eligible property within the City is subject to assessment, levy, and collection of an ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of maintenance and operation costs as approved by the City Council.

Under state law, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. However, the Home Rule Charter, as amended in May, 2003, provides a maximum limit of \$1.25 per \$100 assessed valuation. The tax rate adopted by the City Council has historically been substantially lower than the maximum provided by law. Allocations of property tax levy by purpose for fiscal year 2008 and the preceding two years are as follows (amounts per \$100/assessed value):

<u>Purpose</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Maintenance and operations	\$0.466173	\$0.478721	\$0.501779
Debt service	<u>0.281000</u>	<u>0.268452</u>	<u>0.245394</u>
Total tax rate	<u>\$0.747173</u>	<u>\$0.747173</u>	<u>\$0.747173</u>

Based on the final adopted budget for fiscal year 2009, the City maintained the same total rate of \$0.747173 for the fourth straight year. Each cent brings in approximately \$336,779.

Debt Administration At September 30, 2008, the City had various debt issues outstanding totaling \$150.8 million exclusive of premiums, discounts or deferred losses. Of this total, \$98.6 million is supported by a combination of ad valorem taxes, developer contributions and lease payments. Revenues of the Water and Sewer Enterprise Fund support \$47.7 million and the Drainage Fund support the remaining \$4.5 million. A statistical comparison of outstanding debt at the end of the past two fiscal years is as follows:



The City did not issue any new bonds during the year. During the year, Standard & Poor's rated the City's general obligation bonds at A+ and revenue bonds at A. In addition, Moody's Investors Service rated the City as A1 on general obligation bonds and A2 for revenue bonds. On February 9, 2009, Standard & Poor's upgraded its rating of general obligation bonds from A+ to AA- citing a credit profile stronger than indicated by the City's credit ratios.

Employee Retirement System The City is a member of the Texas Municipal Retirement System. All eligible employees are covered by supplemental disability benefits, life benefits, and retirement benefits based upon contributions of the employer and employee plus interest earnings on the individual employee account. This year, employee contributions were 7% of gross salary with a matching rate of 13.39% contributed by the City.

Cash Management The City earned investment income of \$3.1 million on all investments for the year ended September 30, 2008 compared to \$5.7 million in the previous fiscal year. Interest earnings have been decreasing since topping out in fiscal year 2007. Interest earnings in fiscal year 2009 are expected to be even lower as the city spends down its bond construction funds and interest rates decline.

The objectives of the City's investment policy are to minimize credit and market risks while maintaining liquidity and a competitive yield on investments. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City's agent or by a financial institution's trust department in the City's name.

Risk Management All risk coverage is provided by the Texas Municipal League Intergovernmental Risk Pool.

OTHER INFORMATION

Independent Audit The City of Rowlett's financial statements have been audited by Pattillo, Brown & Hill L.L.P. Their responsibility is to express an opinion on the City's financial statements. They conducted the audit in accordance with auditing standards generally accepted in the United States 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 they plan and perform the audit to obtain reasonable assurance that the City's financial statements are free of material misstatements. The independent auditor issued an unqualified opinion concluding that the statements are presented fairly in accordance with generally accepted accounting principles.

Determination of the reporting entity was a consideration in preparing the CAFR. This process includes the identification of any component units for inclusion within the CAFR. No component units were identified for inclusion in the CAFR for which the City was financially accountable or the nature and significance of the relationship between the City and the component unit was such that exclusion would cause the City's financial statements to be misleading or incomplete.

Awards The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rowlett for its CAFR for the Fiscal

Year ended September 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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.

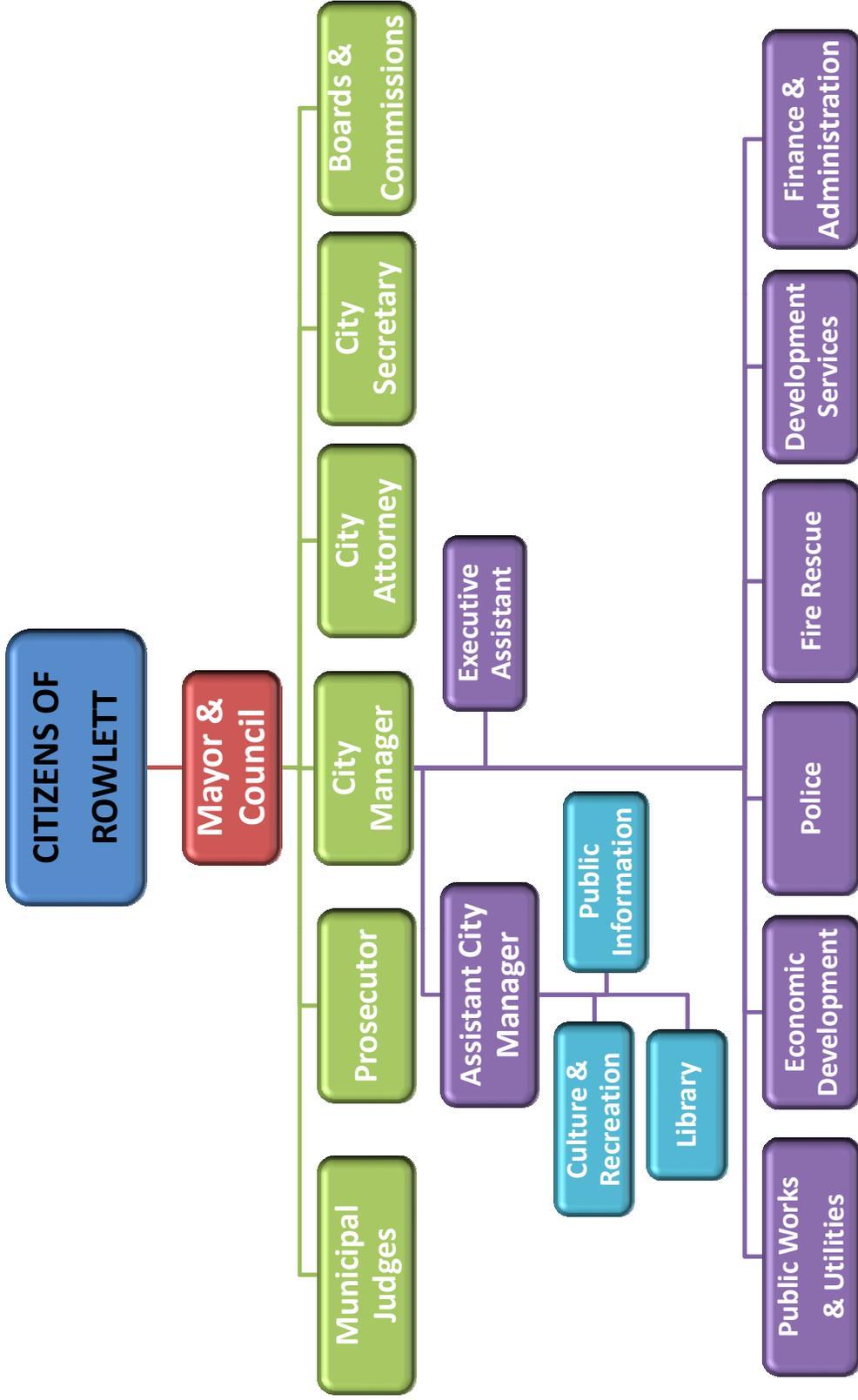
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2007. This prestigious national award represents a significant effort by the City's finance department to meet best practices set by the industry. In order 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 award is valid for a period of one year only. The City has submitted its annual budget beginning October 1, 2008 to GFOA to determine its eligibility for another award.

Acknowledgments The preparation of the Comprehensive Annual Financial Report could not be accomplished without the efficient and dedicated services of the entire staff of the City. I would like to express our appreciation to all staff members who assisted and contributed to its preparation. I would also like to thank the Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Brian Funderburk
Director of Finance and Administration



CITY OF ROWLETT
LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

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

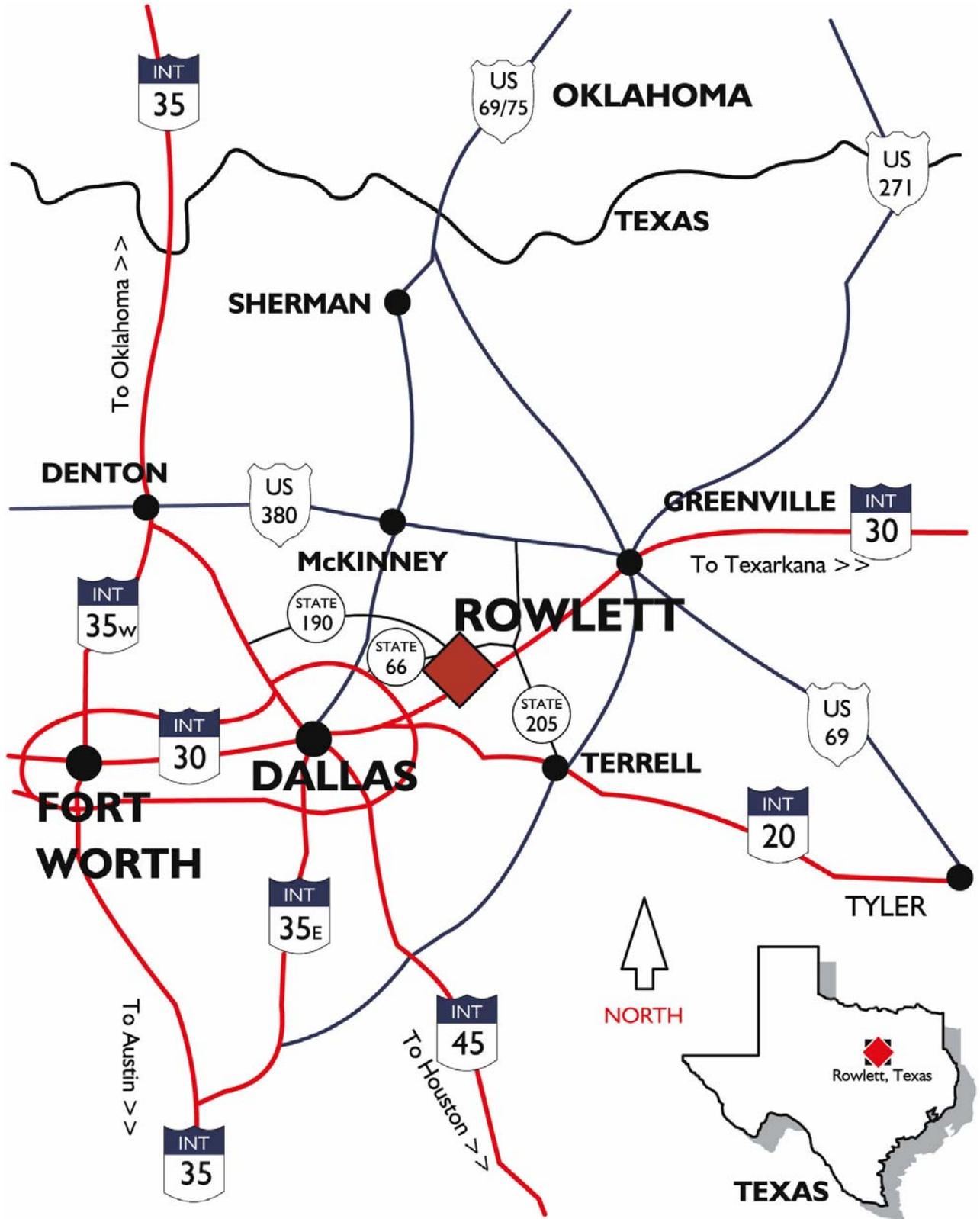
APPOINTED OFFICIALS

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

MANAGEMENT TEAM

Katherine Corder	Assistant City Manager
Brian Funderburk	Director of Finance & Administration
Keri Samford	Director of Development Services
Ben White	Economic Development Director
George Harris	Fire Chief
Matt Walling	Police Chief
Pat Baugh	Public Works/Utilities Director

CITY OF ROWLETT LOCATION MAP



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rowlett
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

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



President

Executive Director

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rowlett, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rowlett's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rowlett, Texas, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 22 and budgetary comparison on pages 66 and 67 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rowlett, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

March 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF ROWLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008
(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, 2008. 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, 2008 by \$119.7 million (net assets). Of this amount, \$11.1 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Rowlett's net assets of governmental activities increased by \$2.9 million or 6.4 percent as a result of this year's operations primarily as a result of lower operating expenses and a prior period adjustment totaling \$503,376 related to the timing of the recognition of gas franchise fees. Net assets of the City's business type activities increased by \$3.1 million or 4.5 percent primarily because of an increase in water sales of 315 million gallons.
- As of September 30, 2008, the City's governmental funds reported combined ending fund balances of \$33.7 million, a decrease of \$9.7 million from the prior year, primarily due to spending down \$15.3 million in bond construction funds for various capital improvements. Of this amount, \$4.4 million is unreserved and available for spending subject to the City's reserve policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3.2 million or approximately 10.7 percent of total general fund expenditures.
- The City's total bonded debt for governmental activities decreased by \$6.0 million during the current fiscal year. Total bonded debt for enterprise funds decreased by \$3.8 million during the fiscal year ended September 30, 2008. No bonds were issued during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but not used vacation leave). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

City of Rowlett, Texas
Management's Discussion and Analysis (continued)
September 30, 2008

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

**City of Rowlett, Texas
Management's Discussion and Analysis (continued)
September 30, 2008**

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees and budgetary comparative information for required funds.

THE CITY AS A WHOLE – Government-Wide Financial Analysis

The City's combined net assets were \$119.7 million as of September 30, 2008. Analyzing the net assets and net expenses of governmental and business-type activities separately, governmental type activities net assets are \$47.3 million and business type activities net assets are \$72.4 million. This analysis focuses on the net assets (table 1) and changes in net assets (table 2) of the City's governmental and business-type activities.

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

	Governmental Activities		Business-type Activities		Total Government	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Current and other assets	\$ 42,665	\$ 51,820	\$ 39,269	\$ 46,986	\$ 81,934	\$ 98,806
Capital assets	107,061	101,318	92,168	84,229	199,229	185,547
Total assets	149,726	153,138	131,437	131,215	281,163	284,353
Current liabilities	11,620	12,430	6,356	5,772	17,976	18,202
Noncurrent liabilities	90,822	96,284	52,674	56,181	143,496	152,465
Total liabilities	102,442	108,714	59,030	61,953	161,472	170,667
Net assets:						
net of related debt	40,312	38,656	63,829	62,485	104,141	101,141
Restricted	1,536	1,249	2,895	2,850	4,431	4,099
Unrestricted	5,436	4,519	5,683	3,927	11,119	8,446
Total net assets	\$ 47,284	\$ 44,424	\$ 72,407	\$ 69,262	\$ 119,691	\$ 113,686

By far, the largest portion of the City's net assets (89.0 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Governmental and Business-type activities increased the City's net assets by \$6.0 million. The key elements of this increase are as shown in Table 2 on the following page:

City of Rowlett, Texas
Management's Discussion and Analysis (continued)
September 30, 2008

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

	Governmental Activities		Business-type Activities		Total Government	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Revenues:						
Program revenues:						
Charges for services	\$ 5,559	\$ 5,305	\$ 24,751	\$ 23,935	\$ 30,310	\$ 29,240
Operating grants and contributions	519	579	-	-	519	579
Capital grants and contributions	2,306	469	2,360	617	4,666	1,086
General revenues:					-	-
Property taxes	25,044	23,758	-	-	25,044	23,758
Sales taxes	5,882	6,230	-	-	5,882	6,230
Other taxes	121	120	-	-	121	120
Investment income	1,571	3,242	1,489	2,412	3,060	5,654
Other	4,054	4,333	-	-	4,054	4,333
Total revenues	<u>45,056</u>	<u>44,036</u>	<u>28,600</u>	<u>26,964</u>	<u>73,656</u>	<u>71,000</u>
Expenses:						
General government	5,210	6,463	-	-	5,210	6,463
Public safety	19,027	19,065	-	-	19,027	19,065
Public works	8,819	13,357	-	-	8,819	13,357
Culture and recreation	5,388	6,102	-	-	5,388	6,102
Development	1,229	1,477	-	-	1,229	1,477
Interest on long-term debt	4,473	4,826	-	-	4,473	4,826
Water and sewer	-	-	19,065	19,137	19,065	19,137
Drainage	-	-	1,692	1,604	1,692	1,604
Refuse	-	-	3,252	2,941	3,252	2,941
Total expenses	<u>44,146</u>	<u>51,290</u>	<u>24,009</u>	<u>23,682</u>	<u>68,155</u>	<u>74,972</u>
Increase/(decrease in net assets)	910	(7,254)	4,591	3,282	5,501	(3,972)
Transfers	1,447	3,732	(1,447)	(3,732)	-	-
net assets	<u>2,357</u>	<u>(3,522)</u>	<u>3,144</u>	<u>(450)</u>	<u>5,501</u>	<u>(3,972)</u>
Net assets, beginning	44,424	47,946	69,262	69,712	113,686	117,658
Prior period adjustment	504	-	-	-	504	-
net assets, beginning as adjusted	<u>44,928</u>	<u>47,946</u>	<u>69,262</u>	<u>69,712</u>	<u>114,190</u>	<u>117,658</u>
Net assets, ending	<u>\$ 47,284</u>	<u>\$ 44,424</u>	<u>\$ 72,407</u>	<u>\$ 69,262</u>	<u>\$ 119,691</u>	<u>\$ 113,686</u>

Governmental Activities

Total revenues for governmental activities, exclusive of transfers, was \$45.1 million in fiscal year 2008, up 2.3 percent from the previous year, primarily in increased property tax revenues and capital grants and contributions, net of other decreases in sales taxes and investment income. Of this total, the most significant revenue source is property tax revenues which represent \$25.0 million or 55.6 percent of the total. The most significant governmental expense for the City was in providing public safety for the community, which incurred expenses of \$19.0 million, or 43.1 percent of total expenses. These expenses were partially offset by revenues collected from a variety of sources, with the largest being from fines and forfeitures totaling \$1.5 million. Depreciation for all governmental expenses totaled \$6.1 million representing 13.9 percent of the total.

**City of Rowlett, Texas
Management's Discussion and Analysis (continued)
September 30, 2008**

Business-type Activities

Revenues of the City's business-type activities were \$28.6 million for the fiscal year ending September 30, 2008, up 6.1 percent. Water and sewer charges account for \$19.6 million of this amount or 68.4 percent. Total operating expenses were \$24.0 million of which the Water and Sewer Enterprise accounted for \$19.1 million or 79.4 percent. The Water and Sewer and Drainage Enterprises reflected increased net assets for the year; however, the Refuse Enterprise reflected a decrease resulting in a net increase in overall net assets for the current year by \$3.1 million. The Water and Sewer Fund and Drainage Enterprises increased net assets by \$2.8 million and \$0.8 million respectively while the Refuse Enterprises experienced a decrease in net assets \$0.1 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33.7 million. Approximately 14.2 percent of this total amount, \$4.8 million, constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available to pay for new spending because it has already been committed to pay for encumbrances of \$7.1 million, capital projects of \$21.0 million, or other items totaling \$0.8 million. The fund balance for all governmental funds decreased by \$9.7 million over the previous fiscal year primarily due to spending bond construction funds for capital improvements.

In the General Fund, the original budget projected a \$413,925 increase in fund balance this fiscal year; however, this was changed to a decrease of \$307,949 with the final amended budget due in part to unexpended capital items carried over from the previous year. Differences between the original and final amended budget were relatively minor with increases in property taxes not quite offsetting the projected decrease in sales taxes and charges for services. On the expenditure side, most functions, except public safety and capital outlay were projected to be lower than originally adopted in the budget process. The environment in which this budget came together was one of declining local and national economic conditions with expectations that the economy would be stable or improve.

Ultimately, revenues did not meet expectations from the final estimate falling short by approximately \$318,172; however, this was mitigated by lower expenditures of \$739,782. As a result, the net increase in the fund balance in the General Fund was \$656,185 better than the decreased projected in the final amended budget of \$307,949.

Revenues in the Debt Service Fund, exclusive of transfers increased by \$0.8 million primarily as a result of higher property tax values and increasing the portion of the tax rate dedicated for debt service by 1.3 cents. This change was necessary to accommodate a \$0.6 million increase in debt service.

The Capital Projects Fund expended \$15.3 million in fiscal year 2008, a decrease from 2007 expenditures of \$19.8 million primarily due to the completion of several significant projects in the prior year. Revenues declined by \$936,733 primarily due to interest income net of increases in grant income. The City did not issue any new bonds for capital projects in 2008 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 3 enterprise funds, including the Water and Sewer Fund, Refuse Fund, Drainage Fund that make up the proprietary funds.

The Water and Sewer and Drainage Enterprises recorded increases in net assets of \$2.8 million and \$0.8 million respectively, and the Refuse Enterprise recorded a decrease in net assets of \$0.1 million. The increase in net assets in the Water and Sewer Fund was due to an increase in revenues of \$0.6 million primarily resulting from increased water sales of nearly 315 million gallons and an increase in capital contributions from developers and other sources of \$3.0 million. The increase in net assets for the Drainage funds was primarily due to an increase

**City of Rowlett, Texas
Management's Discussion and Analysis (continued)
September 30, 2008**

in capital contributions from developers and other sources of \$1.4 million. The decrease in net assets for the Refuse fund was primarily due to increased contract services totaling \$0.3 million primarily as a result of increased fuel prices.

CAPITAL ASSETS

At the end of the fiscal year 2008, the City had \$199.2 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3 below.) This amount represents a net increase (including additions and deductions) of 7.4 percent over the prior fiscal year.

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

	Governmental Activities		Business-type Activities		Total Government	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Land	\$ 25,054	\$ 24,949	\$ 511	\$ 511	\$ 25,565	\$ 25,460
Buildings and improvement	45,035	44,999	832	832	45,867	45,831
Machinery and equipment	12,541	12,238	5,109	5,100	17,650	17,338
Construction in progress	7,452	12,305	3,946	3,081	11,398	15,386
Infrastructure	91,349	74,610	128,824	117,772	220,173	192,382
Total	<u>181,431</u>	<u>169,101</u>	<u>139,222</u>	<u>127,296</u>	<u>320,653</u>	<u>296,397</u>
Accumulated depreciation	<u>(74,369)</u>	<u>(67,784)</u>	<u>(47,054)</u>	<u>(43,067)</u>	<u>(121,423)</u>	<u>(110,851)</u>
Total Capital Assets	<u>\$ 107,062</u>	<u>\$ 101,317</u>	<u>\$ 92,168</u>	<u>\$ 84,229</u>	<u>\$ 199,230</u>	<u>\$ 185,546</u>

This year's major additions included (in thousands):

Miller Road Improvements (Streets & Utilities)	\$ 9,466
Widen Rowlett Rd/66/Main (Streets & Utilities)	4,758
Kenwood Heights Ph I Improvements (Streets & Utilities)	3,888
Hickox Rd Improvements (Streets & Utilities)	3,675
Dalrock (Liberty Grove to Princeton)	1,362
Chiesa (Dalrock to Shipp)	1,118
Martha Lane Elevated Water Storage Tank	911
N. Chiesa	556
Toler (Hickox to Liberty Grove)	397
Dexham (Lakeview to Miller)	385
Liberty Grove (Chiesa to Merritt)	381
Alley Improvements Mark Lane (West)	369
Oversize Water Line Mallard Reserve Addition	321
Schrade (Chiesa to Dalrock)	317
E Garner (Chiesa to Randi)	253
Castle Road	204
Alley Improvements Mariner	196
Vinson (Elm Grove to Stonewall Rd)	186
Big A (Rowlett Rd to Parking Lot)	184
Liberty Grove (Broadmoor to Dalrock)	180
L3 Communication Police Digital Video System	175
Traffic Signal Dalrock/Chiesa	172
Liberty Grove (Dalrock to Riverbend)	163
Waterview Raw Water Waterline	156
Alley Improvements Pebble Beach	152
Fiber Optic Cabling	124
Conversion Unit to arm SWAT Vehicle	117
Total	<u>\$ 30,166</u>

**City of Rowlett, Texas
Management’s Discussion and Analysis (continued)
September 30, 2008**

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

DEBT

At year-end, the City had \$145.7 million in bonds and tax anticipation notes outstanding as compared to \$155.1 at the end of the prior fiscal year, a decrease of 6.1 percent – as shown in Table 4.

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

	Governmental Activities		Business-type Activities		Total Government	
	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2007</u>
General obligations bonds (backed by the City)	\$ 38.0	\$ 41.2	\$ -	\$ -	\$ 38.0	\$ 41.2
Certificates of obligation and tax anticipation notes (backed by the City)	55.5	58.2	4.5	4.7	60.0	62.9
Revenue bonds (backed by fee revenues)	-	-	47.7	51.0	47.7	51.0
Total	<u>\$ 93.5</u>	<u>\$ 99.4</u>	<u>\$ 52.2</u>	<u>\$ 55.7</u>	<u>\$ 145.7</u>	<u>\$ 155.1</u>

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

The City’s general obligation bonds and tax notes have been assigned an A1 rating from Moody’s Investor Service and an A+ rating from Standard & Poors and the City has never defaulted on a bond. On February 9, 2009, Standard & Poors upgraded the City’s general obligation bond rating from A+ to AA- citing a credit profile stronger than indicated by the City’s credit ratios. The City’s utility revenue bonds carry A2. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. However, in May 2003, the citizens of Rowlett amended the Charter to limit the amount of taxes that may be levied to \$1.25 per \$100 of assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 2.81 percent.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The population growth experienced by the City has stimulated local business and development activity, and the community has placed additional demands on the City to maintain or enhance services provided to our citizens. However, the population growth is expected to slow in coming years and the City anticipates relying on more commercial growth to offset that decline. Rowlett’s current population is approximately 54,150. Rowlett’s expected population at build out will be approximately 70,000. Rowlett’s greatest economic strength is its location on Lake Ray Hubbard and within the crosshairs of the President George Bush Turnpike and I-30. The three largest job sectors are retail and wholesale trade, services, and manufacturing but it is anticipated that future growth for the region will focus on healthcare and small businesses, rather than technology. Nationwide employment statistics show the region as leading the country in employment growth, ahead of much larger metropolitan areas. The reasonable costs of living and homes priced below the national average continue to make Rowlett an attractive area for new business locations and re-locations.

**City of Rowlett, Texas
Management's Discussion and Analysis (continued)
September 30, 2008**

Rowlett has had a successful financial year, when considering what the rest of the nation experienced stemming from the beginnings 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 0.9 percent of the total assessed valuation and the entire top ten taxpayers only account for 4.9 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 2009. The total 2008-09 combined budget appropriation totaled \$81.6 million for all funds. This represents no change over the previous year adopted budget of \$81.6 million. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the central Appraisal District of Dallas County and the tax rate established by the Rowlett City Council. Due to the fact that assessed property values have increased annually since 1999, the City was able to hold the tax rate constant for 9 years. However, operational factors and debt service payments related to needed street and roadways resulted in the City increasing the tax rate from 64.0000 cents per \$100 valuation to 67.6945 cents in the fiscal year ending 9-30-04 and again to 74.7173 cents for fiscal years ending 9-30-06, 9-30-07, 9-30-08 and 9-30-09. According to final figures received from the Central Appraisal District, the total assessed property value for 2008-09 of \$3.4 billion is an increase of 1.8 percent, including increased appraisals and new construction. A penny on the tax rate generates approximately \$336,779 annually for the City.

The General Fund's largest revenue source in fiscal year 2006-07 and 2007-08 was property tax receipts. In 2004, Rowlett broke the \$3.0 million barrier for the first time in sales taxes with the addition of Home Depot and the local beer/wine option. In 2006, an economic development incentive package lured the national headquarters of D.R. Horton resulting in an increase in sales taxes of \$3.6 million to \$7.5 million although that economic activity declined during the fiscal years ending 2007 and 2008. The 30 year agreement requires rebating 90 percent of the sales taxes paid back to D.R. Horton. Those rebates totaled \$1.4 million in the current fiscal year, down \$0.5 million from the previous year.

As for the City's business type activities, the City was cautious with its revenue expectations in the water and sewer fund recognizing that weather plays a big role in ultimately determining earnings. For example, the drought in 2006 and 2007, combined with a historic rain event in June 2007 combined to reduce the city's water sales nearly a billion gallons. While the City did not pass on any increases from its water supplier and sewer contractor in the previous fiscal year, it did so for the new budget, adding nearly \$1.0 million in new revenues to the water and sewer fund. The City also increased fees for the drainage fund primarily to cover capital infrastructure needs.

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 Rowlett.com.

BASIC FINANCIAL STATEMENTS

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CITY OF ROWLETT, TEXAS

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Primary Government		Total
	Governmental	Business-type	
	Activities	Activities	
ASSETS			
Cash, cash equivalents and investments accounts)	\$ 36,847,855	\$ 34,755,741	\$ 71,603,596
Due from other governments	3,627,443	3,513,893	7,141,336
Internal balances	315,073	16,812	331,885
Inventories	388,888	(388,888)	-
Prepaid and other items	106,867	476,524	583,391
Capital assets:	1,378,732	894,946	2,273,678
Non-depreciable	25,054,056	510,688	25,564,744
Depreciable (net)	74,555,758	87,711,451	162,267,209
Construction in progress	7,451,885	3,945,759	11,397,644
Total Assets	<u>149,726,557</u>	<u>131,436,926</u>	<u>281,163,483</u>
LIABILITIES			
Accounts payable and accrued liabilities	4,478,977	1,915,118	6,394,095
Retainage payable	881,938	207,290	1,089,228
Accrued interest payable	567,441	210,888	778,329
Customer deposits	-	489,140	489,140
Unearned revenues	29,918	-	29,918
Non-current liabilities			
Due within one-year			
Compensated absences	162,226	11,786	174,012
Capital leases payable	168,540	247,416	415,956
Bonds payable	5,090,000	3,275,000	8,365,000
Tax anticipation notes payable	240,437	-	240,437
Due in more than one-year			
Compensated absences	1,848,482	134,292	1,982,774
Capital leases payable	917,749	3,767,300	4,685,049
Bonds payable	88,035,982	48,772,203	136,808,185
Tax anticipation notes payable	20,000	-	20,000
Total Liabilities	<u>102,441,690</u>	<u>59,030,433</u>	<u>161,472,123</u>
NET ASSETS			
Invested in capital assets (net of related debt)	40,312,017	63,829,157	104,141,174
Restricted for:			
Debt service	73,183	2,894,124	2,967,307
Capital projects	1,010,838	-	1,010,838
Police seizures	453,176	-	453,176
Unrestricted	5,435,653	5,683,212	11,118,865
Total Net Assets	<u>\$ 47,284,867</u>	<u>\$ 72,406,493</u>	<u>\$ 119,691,360</u>

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 5,210,003	\$ 72,486	\$ -	\$ -
Public safety	19,026,455	3,591,329	501,356	-
Public works	8,819,541	211,128	-	2,306,004
Culture and recreation	5,388,160	1,115,647	17,479	-
Development	1,229,275	567,913	-	-
Interest and fiscal charges	4,473,104	-	-	-
Total governmental activities	<u>44,146,538</u>	<u>5,558,503</u>	<u>518,835</u>	<u>2,306,004</u>
Business-type activities:				
Water and sewer	19,065,087	19,553,413	-	1,519,444
Drainage	1,692,004	951,715	-	840,505
Refuse	3,251,155	4,246,481	-	-
Total business-type activities	<u>24,008,246</u>	<u>24,751,609</u>	<u>-</u>	<u>2,359,949</u>
Total primary government	<u>\$ 68,154,784</u>	<u>\$ 30,310,112</u>	<u>\$ 518,835</u>	<u>\$ 4,665,953</u>

General revenues:
Taxes:
Property taxes
Sales taxes
Other
Franchise fees
Investment earnings
Miscellaneous
Transfers (net)
Total general revenues and transfers
Change in net assets

Net assets-beginning
Prior period adjustment
Net assets-beginning as adjusted

Net assets-ending

The accompanying notes are an integral part of this statement.

Net Revenue (Expense) and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (5,137,517)	\$ -	\$ (5,137,517)
(14,933,770)	-	(14,933,770)
(6,302,409)	-	(6,302,409)
(4,255,034)	-	(4,255,034)
(661,362)	-	(661,362)
(4,473,104)	-	(4,473,104)
<u>(35,763,196)</u>	<u>-</u>	<u>(35,763,196)</u>
-	2,007,770	2,007,770
-	100,216	100,216
-	995,326	995,326
<u>-</u>	<u>3,103,312</u>	<u>3,103,312</u>
<u>(35,763,196)</u>	<u>3,103,312</u>	<u>(32,659,884)</u>
25,044,496	-	25,044,496
5,882,325	-	5,882,325
121,242	-	121,242
3,014,846	-	3,014,846
1,570,639	1,488,934	3,059,573
1,039,438	-	1,039,438
1,447,292	(1,447,292)	-
<u>38,120,278</u>	<u>41,642</u>	<u>38,161,920</u>
2,357,082	3,144,954	5,502,036
44,424,409	69,261,539	113,685,948
503,376	-	503,376
<u>44,927,785</u>	<u>69,261,539</u>	<u>114,189,324</u>
<u>\$ 47,284,867</u>	<u>\$ 72,406,493</u>	<u>\$ 119,691,360</u>

CITY OF ROWLETT, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and investments	\$ 3,323,743	\$ 387,581	\$ 29,432,463	\$ 3,169,999	\$ 36,313,786
Receivables (net of allowance for uncollectibles):					
Taxes	1,480,651	226,630		12,097	1,719,378
Accounts	479,513				479,513
Accrued interest	5,635	1,004	75,552	5,944	88,135
Other	1,354,980			73,572	1,428,552
Due from other governments	98,498		147,560	69,015	315,073
Inventories	45,193				45,193
Prepaid and other items	66,590	968	27,204		94,762
Total Assets	\$ 6,854,803	\$ 616,183	\$ 29,682,779	\$ 3,330,627	\$ 40,484,392
LIABILITIES					
Accounts payable	\$ 1,317,171		\$ 1,977,212	\$ 159,899	\$ 3,454,282
Accrued liabilities	868,353			26,962	895,315
Retainage payable			881,938		881,938
Advances					-
Deferred revenues	1,262,705	179,389	135,105	18,862	1,596,061
Total Liabilities	3,448,229	179,389	2,994,255	205,723	6,827,596
FUND BALANCES					
Fund balances:					
Reserved for:					
Encumbrances	74,618		6,723,650	281,143	7,079,411
Debt service		435,826			435,826
Capital projects			19,937,670	1,010,838	20,948,508
Inventories and prepaid items	111,783	968	27,204		139,955
Public safety				271,163	271,163
Unreserved, designated in:					
Special revenue funds				389,613	389,613
Unreserved, reported in:					
General fund	3,220,176				3,220,176
Special revenue funds				1,172,147	1,172,147
Total Fund Balances	3,406,577	436,794	26,688,524	3,124,904	33,656,799
Total Liabilities and Fund Balances	\$ 6,854,806	\$ 616,183	\$ 29,682,779	\$ 3,330,627	\$ 40,484,395

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS OF GOVERNMENTAL FUNDS
TO THE BALANCE SHEET
SEPTEMBER 30, 2008

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

Total fund balances per balance sheet - governmental funds	\$ 33,656,799
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	104,141,811
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	1,566,141
Internal service funds are used by management to charge the costs of fleet services and information technology to individual funds. The assets and liabilities of the internal services funds are included in governmental activities in the statement of net assets.	3,117,741
Long-term liabilities, including bonds payable, and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds.	(96,497,083)
Unamortized bond discounts, premiums and deferred losses are not uses of funds and, therefore, are not reported in the funds.	1,299,458
Net assets of governmental activities	<u>\$ 47,284,867</u>

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR YEAR ENDED SEPTEMBER 30, 2008

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property taxes	\$ 15,500,504	\$ 9,332,207		\$ 229,680	\$ 25,062,391
Sales taxes	5,882,325				5,882,325
Other	54,509			66,733	121,242
Franchise fees	3,018,734				3,018,734
License and permits	509,651			211,128	720,779
Charge for services	2,343,594				2,343,594
Fines and forfeitures	1,577,120			888,670	2,465,790
Intergovernmental	503,994		613,774	152,485	1,270,253
Interest	158,441	86,059	1,210,769	101,628	1,556,897
Miscellaneous	437,199		9,425	545,894	992,518
Total revenues	<u>29,986,071</u>	<u>9,418,266</u>	<u>1,833,968</u>	<u>2,196,218</u>	<u>43,434,523</u>
EXPENDITURES					
Current operating:					
General government	3,857,483	107,031		94,932	4,059,446
Public safety	17,696,123	112,727		620,653	18,429,503
Public works	2,738,208		1,996,098	40,963	4,775,269
Culture and recreation	4,462,616				4,462,616
Development	1,212,987				1,212,987
Debt service:					
Principal retirement	31,212	5,960,000			5,991,212
Interest and fiscal charges	18,450	4,381,722			4,400,172
Capital outlay	145,684		13,309,678	349,587	13,804,949
Total expenditures	<u>30,162,763</u>	<u>10,561,480</u>	<u>15,309,776</u>	<u>1,106,135</u>	<u>57,136,154</u>
Excess (deficiency) of revenues over expenditures	<u>(176,692)</u>	<u>(1,143,214)</u>	<u>(13,471,808)</u>	<u>1,090,083</u>	<u>(13,701,631)</u>
OTHER FINANCING SOURCES (USES)					
Capital lease	39,461				39,461
Transfers from other funds	2,898,931	1,029,229	3,229,752		7,157,912
Transfers to other funds	(2,413,464)	(16,149)		(795,457)	(3,225,070)
Total other financing sources (uses)	<u>524,928</u>	<u>1,013,080</u>	<u>3,229,752</u>	<u>(795,457)</u>	<u>3,972,303</u>
Net change in fund balances	348,236	(130,134)	(10,242,056)	294,626	(9,729,328)
Fund balances, beginning of year	3,058,341	566,928	36,930,580	2,830,278	43,386,127
Fund balances, end of year	<u>\$ 3,406,577</u>	<u>\$ 436,794</u>	<u>\$ 26,688,524</u>	<u>\$ 3,124,904</u>	<u>\$ 33,656,799</u>

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR YEAR ENDED SEPTEMBER 30, 2008

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

Net change in fund balances-total governmental funds	\$ (9,729,328)
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 outlays \$13,893,413 exceeded depreciation (\$6,118,045) and transfers of capital assets (\$2,725,272) in the current period. (Note 2)	5,050,096
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.	156,503
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (Note 2)	5,951,751
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This includes accrued interest payable \$32,535, amortization of bond discounts/premiums and deferred losses (\$105,468).	(72,933)
Some expenses not reported in the statements are required to be expensed in the statement of activities. This includes compensated absences.	107,176
Internal service funds are used by management to charge the costs of fleet services and information technology. The net expenses of certain activities of internal service funds is reported within governmental activities.	(264,944)
Some revenues reported in the statements are required to be eliminated in the statement of activities. This includes the sale and disposition of capital assets.	(242,450)
Some revenues not reported in the statements are required to be reported in the statement of activities. This includes capital contributions from developers.	1,401,211
Change in net assets of governmental activities	<u>\$ 2,357,082</u>

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Refuse	Drainage	Total	
ASSETS					
Current Assets:					
Cash, cash equivalents and investments	\$ 3,355,765	\$ 542,915	\$ 65,552	\$ 3,964,232	\$ 534,069
Restricted cash, cash equivalents and investments:					
Revenue bond covenant accounts	3,068,331			3,068,331	
Receivables (net of allowance for uncollectibles):					
Accounts	2,663,000	527,612	114,028	3,304,640	
Accrued interest	75,370	979	6,185	82,534	1,680
Other	40,579	1,592		42,171	
Due from other governments	11,389	4,845	578	16,812	
Inventories	476,524			476,524	61,674
Prepaid and other items	833,147		61,799	894,946	8,714
Total Current Assets	<u>10,524,105</u>	<u>1,077,943</u>	<u>248,142</u>	<u>11,850,190</u>	<u>606,137</u>
Noncurrent Assets:					
Restricted cash, cash equivalents and investments:					
Revenue bond construction funds	26,896,390		826,788	27,723,178	
Receivables (net of allowance for uncollectibles):					
Notes receivable	84,548			84,548	
Advances				-	
Capital Assets:					
Land	510,688		-	510,688	
Buildings	509,032		59,178	568,210	670,810
System	93,968,271	194,768	34,924,783	129,087,822	209,869
Machinery & equipment	5,109,442		-	5,109,442	9,073,832
Construction in progress	3,302,602	23,364	619,793	3,945,759	-
Less accumulated depreciation	(37,669,711)	(87,646)	(9,296,666)	(47,054,023)	(7,034,624)
Total Capital Assets	<u>65,730,324</u>	<u>130,486</u>	<u>26,307,088</u>	<u>92,167,898</u>	<u>2,919,887</u>
Total Noncurrent Assets	<u>92,711,262</u>	<u>130,486</u>	<u>27,133,876</u>	<u>119,975,624</u>	<u>2,919,887</u>
Total Assets	<u>103,235,367</u>	<u>1,208,429</u>	<u>27,382,018</u>	<u>131,825,814</u>	<u>3,526,024</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	802,675	545,562	7,768	1,356,005	120,155
Accrued liabilities	67,462		2,965	70,427	9,225
Accrued interest payable	9,418		27,263	36,681	25,410
Customer deposits	489,140			489,140	
Compensated absences	11,632		154	11,786	972
Capital lease payable	247,416			247,416	135,984
Bonds payable	3,105,000		170,000	3,275,000	
Total Current Liabilities	<u>4,732,743</u>	<u>545,562</u>	<u>208,150</u>	<u>5,486,455</u>	<u>291,746</u>
Current Liabilities payable from Restricted Assets:					
Accounts payable	479,931		8,755	488,686	
Accrued interest payable	174,207			174,207	
Retainage payable	116,078		91,212	207,290	
Total Current Liabilities payable from Restricted Assets	<u>770,216</u>	<u>-</u>	<u>99,967</u>	<u>870,183</u>	<u>-</u>
Total Current Liabilities	<u>5,502,959</u>	<u>545,562</u>	<u>308,117</u>	<u>6,356,638</u>	<u>291,746</u>
Non-current liabilities					
Compensated absences	132,541		1,751	134,292	11,068
Capital lease payable	3,767,300			3,767,300	494,357
Bonds payable	44,358,167		4,414,036	48,772,203	
Total Non-current Liabilities	<u>48,258,008</u>	<u>-</u>	<u>4,415,787</u>	<u>52,673,795</u>	<u>505,425</u>
Total Liabilities	<u>53,760,967</u>	<u>545,562</u>	<u>4,723,904</u>	<u>59,030,433</u>	<u>797,171</u>
NET ASSETS					
Invested in capital assets (net of related debt)	41,148,831	130,486	22,549,840	63,829,157	2,289,546
Restricted for:					
Debt service	2,894,124	-	-	2,894,124	
Unrestricted	5,431,445	532,381	108,274	6,072,100	439,307
Total Net Assets	<u>\$ 49,474,400</u>	<u>\$ 662,867</u>	<u>\$ 22,658,114</u>	<u>\$ 72,795,381</u>	<u>\$ 2,728,853</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

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

Total net assets of proprietary funds	\$	72,795,381
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Internal service funds are used by management to charge the costs of fleet services and information technology to individual funds.

The net receivable due from activities of the internal service funds which are reported within business-type activities.		(388,888)
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Net assets of business-type activities	\$	<u>72,406,493</u>
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The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Refuse	Drainage	Total	
OPERATING REVENUES					
Charges for sales and services:					
Service charges	\$ 19,002,085	\$ 4,243,085	\$ 951,715	\$ 24,196,885	\$ 2,040,569
Penalties	269,795			269,795	
Taps and meters	35,884			35,884	
Subdivision inspections	20,022			20,022	
Connection fees	150,900			150,900	
Miscellaneous	74,727	3,396		78,123	46,921
Total operating revenues	<u>19,553,413</u>	<u>4,246,481</u>	<u>951,715</u>	<u>24,751,609</u>	<u>2,087,490</u>
OPERATING EXPENSES					
Personal services	1,711,310		92,379	1,803,689	474,954
Water supply	3,309,516			3,309,516	
Wastewater treatment	2,329,361			2,329,361	
Contractual services	296,213		31,123	327,336	463,258
Maintenance, repairs and supplies	724,472		40,795	765,267	1,036,917
Utilities	497,136			497,136	
Legal and professional	48,504	549	28,254	77,307	
Refuse collection		2,992,255		2,992,255	
Depreciation	4,318,206	19,477	853,285	5,190,968	998,590
Intragovernmental charges	2,023,052	231,326	255,136	2,509,514	6,992
Miscellaneous	605,540	7,548	63,879	676,967	1,291
System improvements	217,475			217,475	-
Total operating expenses	<u>16,080,785</u>	<u>3,251,155</u>	<u>1,364,851</u>	<u>20,696,791</u>	<u>2,982,002</u>
Operating income (loss)	<u>3,472,628</u>	<u>995,326</u>	<u>(413,136)</u>	<u>4,054,818</u>	<u>(894,512)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	1,303,771	19,522	165,641	1,488,934	13,742
Gain (loss) on disposition of assets	(568,026)		(79,985)	(648,011)	38,869
Interest and fiscal charges	(2,088,317)		(213,557)	(2,301,874)	(24,335)
Total nonoperating revenues (expenses)	<u>(1,352,572)</u>	<u>19,522</u>	<u>(127,901)</u>	<u>(1,460,951)</u>	<u>28,276</u>
Income (loss) before contributions, transfers and special items	2,120,056	1,014,848	(541,037)	2,593,867	(866,236)
Capital contributions	3,533,944		1,444,293	4,978,237	143,493
Transfers in	-		21,007	21,007	96,229
Transfers out	(2,842,741)	(1,130,722)	(113,124)	(4,086,587)	
Change in net assets	<u>2,811,259</u>	<u>(115,874)</u>	<u>811,139</u>	<u>3,506,524</u>	<u>(626,514)</u>
Total net assets - beginning of year	46,663,141	778,741	21,846,975	69,288,857	3,355,367
Total net assets - end of year	<u>\$ 49,474,400</u>	<u>\$ 662,867</u>	<u>\$ 22,658,114</u>	<u>\$ 72,795,381</u>	<u>\$ 2,728,853</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS OF PROPRIETARY FUNDS
FOR YEAR ENDED SEPTEMBER 30, 2008**

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

Net change in net assets-total proprietary funds \$ 3,506,524

Internal service funds are used by management to charge the costs of fleet services and information technology to individual funds.

The net revenues of certain activities of internal service funds is reported within business-type activities. (361,570)

Change in net assets of business-type activities \$ 3,144,954

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Refuse	Drainage	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 19,911,980	\$ 4,240,883	\$ 960,068	\$ 25,112,931	\$ 2,060,187
Cash received from miscellaneous	74,727	3,396	-	78,123	46,921
Cash paid to employees for services	(1,711,310)	-	(92,379)	(1,803,689)	(474,954)
Cash paid for goods and services	(9,465,596)	(2,953,729)	(447,544)	(12,866,869)	(1,592,004)
Net cash provided (used) by operating activities	8,809,801	1,290,550	420,145	10,520,496	40,150
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer in	-	-	-	-	-
Transfer out	(2,493,882)	(1,130,722)	(113,124)	(3,737,728)	-
Net cash provided (used) by noncapital financing activities	(2,493,882)	(1,130,722)	(113,124)	(3,737,728)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds of capital lease	-	-	-	-	174,896
Principal paid on long-term debt	(3,593,210)	-	(164,729)	(3,757,939)	(158,532)
Interest and fiscal charges paid on long-term debt	(2,088,317)	-	(213,557)	(2,301,874)	(24,335)
Capital contributions	201,106	-	-	201,106	-
Acquisition and construction of capital assets	(5,096,308)	-	(4,037,621)	(9,133,929)	(255,394)
Net cash provided (used) by capital and related financing activities	(10,576,729)	-	(4,415,907)	(14,992,636)	(263,365)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	1,303,771	19,522	165,641	1,488,934	13,742
Net cash provided by (used) for investing activities	1,303,771	19,522	165,641	1,488,934	13,742
Net increase (decrease) in cash and cash equivalents	(2,957,039)	179,350	(3,943,245)	(6,720,934)	(209,473)
Cash and cash equivalents, beginning of year	36,277,525	363,565	4,835,585	41,476,675	743,542
Cash and cash equivalents, end of year	\$ 33,320,486	\$ 542,915	\$ 892,340	\$ 34,755,741	\$ 534,069

The accompanying notes are an integral part of this statement.

(Continued)

**CITY OF ROWLETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Refuse	Drainage	Total	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED) FOR OPERATING ACTIVITIES (continued)					
Operating income (loss)	\$ 3,472,628	\$ 995,326	\$ (413,136)	\$ 4,054,818	\$ (894,512)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	4,318,206	19,477	853,285	5,190,968	998,590
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(24,173)	(1,843)	2,222	(23,794)	
(Increase) decrease in other receivables	284,018	(359)	2,521	286,180	
(Increase) decrease in prepaid expenses & other assets	175,870	-	3,610	179,480	16,442
(Increase) decrease in inventory	(2,421)	-	-	(2,421)	3,176
(Increase) decrease in accounts payable and accrued liabilities	558,960	277,949	(28,238)	808,671	(73,722)
Increase (decrease) in customer/escrow deposits	9,777	-	-	9,777	
Increase (decrease) in accrued comp absences	16,936	-	(119)	16,817	(9,824)
Total adjustments	<u>5,337,173</u>	<u>295,224</u>	<u>833,281</u>	<u>6,465,678</u>	<u>934,662</u>
Net cash provided (used) by operating activities	<u>\$ 8,809,801</u>	<u>\$ 1,290,550</u>	<u>\$ 420,145</u>	<u>\$ 10,520,496</u>	<u>\$ 40,150</u>
NONCASH CAPITAL ACTIVITIES:					
Contributions of capital assets from developers and general government	\$ 3,332,838	\$ -	\$ 1,444,293	\$ 4,777,131	\$ 143,493
Gain (loss) on disposal of capital assets	(568,026)	-	(79,985)	(648,011)	38,869
Cancellation of advance from other fund	(195,114)				
Assets transferred from other funds	-	-	21,007	21,007	96,229
Assets transferred to other funds	(153,745)	-	-	(153,745)	
Total noncash capital activities	<u>\$ 2,415,953</u>	<u>\$ -</u>	<u>\$ 1,385,315</u>	<u>\$ 3,996,382</u>	<u>\$ 278,591</u>

The accompanying notes are an integral part of this statement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below.

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

B. Financial Statement Presentation

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

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

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

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

CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

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

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government wide level. To the extent possible, the cost of these services are reflected in the appropriate functional activity (Police, Fire, Public Works, etc.). The City's Internal Service Funds consist of fleet services and information technology funds.

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

D. Measurement Focus/Basis of Accounting

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

Government fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of

**CITY OF ROWLETT, TEXAS
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the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

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

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

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, refuse, and municipal drainage funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The City reports the following major governmental funds:

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

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

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

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

**CITY OF ROWLETT, TEXAS
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service.

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

Additionally, the City reports the following fund types:

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

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

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

1. Deposits and Investments

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

Investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers a quoted market price at September 30, 2008 to be the fair value of investments.

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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

**CITY OF ROWLETT, TEXAS
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3. Inventories and Prepaid Items

Inventories, which are expended as they are consumed, are recorded using the average cost method and are stated at cost. They are valued at the lower of moving average (i.e., perpetual inventory) cost or market. Unit prices are adjusted as new inventory is added, thus the moving average cost closely represents the cost of goods sold. Other inventories are stated at the lower of cost (first-in, first-out method) or market.

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

4. Interfund transactions and Receivables and Payables

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

5. Restricted Assets

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

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

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

6. Capital Assets

Capital assets, which include property, plant, equipment and public domain (infrastructure) assets (e.g. roads, water and sewer lines, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Public infrastructure is capitalized at \$100,000 and an estimated useful life in excess of five years. Contributed assets are recorded at estimated fair market value at the time received. Assets acquired by lease financing are capitalized over the term of the lease regardless of the cost of individual items. Capital costs that do not materially add to the value of the asset, extend its useful life, or do not otherwise meet the government's capitalization threshold are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total amount of interest capitalized for the current fiscal year was \$306,990.

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

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

7. Compensated Absences

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

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Federal and State Grants

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

10. Encumbrances

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

CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

11. Fund Equity and Net Assets

In the fund financial statements, governmental funds and proprietary funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. At the government-wide level, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used for the acquisition, construction or improvements of those assets, net of debt related to any unspent proceeds.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$95,955,052 difference are as follows:

Bonds and certificates of obligation payable	\$93,240,000
Tax anticipation notes	260,437
Capital leases	455,948
Compensated absences	1,998,667
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets of governmental activities	\$95,955,052

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$5,050,096 difference are as follows:

Capital outlay	\$13,893,413
Depreciation expense	(6,118,045)
Transfers of capital assets	(2,725,272)
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	\$5,050,096

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

**CITY OF ROWLETT, TEXAS
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Debt issued or incurred:	
Capital lease	(\$39,461)
Repayments:	
Principal repayments	
General obligation debt	3,215,000
Certificates of obligation	2,160,000
Notes & capital leases	<u>616,212</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$5,951,751</u></u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Excess of Expenditures over Appropriations:

For the year ended September 30, 2008, expenditures exceeded appropriations in the Police Seizures Fund by \$21,765. Monies for this fund come from federal and state asset forfeitures which govern the

**CITY OF ROWLETT, TEXAS
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purposes for which they may be spent. The budget was not specifically amended for the fiscal year ended September 30, 2008.

NOTE 4. DEPOSITS AND INVESTMENTS

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

State statutes require that all deposits in the financial institutions be fully collateralized by U.S. government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City’s demand deposits were fully collateralized at September 30, 2008 with collateral required by the state statutes. At year-end, the carrying amount of the City’s deposits and cash on hand was \$869,238 and the bank balance was \$821,137. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance Corporation and the remainder by collateral held by the City’s depository bank in the City’s name. The City covers demand payments on a daily basis as needed from its overnight investments.

The City’s investments carried at fair value as of September 30, 2008 are:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (years)*</u>	<u>Rating</u>
U.S. Agencies	\$30,403,581	0.672	AAA/A-1+
U.S. Treasuries	1,037,863	2.640	TSY
Commercial Paper	8,269,537	0.261	A-1+
Texas Local Government Investment Pools:			
Texpool	31,007,460	0.003	AAAm
TexSTAR	15,807	0.003	AAAm
Total	<u>\$70,734,248</u>	<u>0.394</u>	

*Fair Value Basis

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

Credit Risk. The City’s investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City’s investments in U.S. Agency securities (Commercial Paper, FHLB, FNMA, FHLMC, and US TSY) are individually rated by Standard & Poor’s and by Moody’s Investors Service (see table above). As of September 30, 2008, investments in the Texas Local Government Pool (“TexPool”) carried a credit rating of AAAm by Standard & Poor’s and Texas Short Term Asset Reserve Program (“TexSTAR”) carried a credit rating of AAAm by Standard & Poor’s. *US Treasuries are backed by the full faith and credit of the US Government.

**CITY OF ROWLETT, TEXAS
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Concentration of Credit Risk. With the exception of U.S. Treasury securities and State Local Government Pools, the City's investment policy limits the amount that may be invested in any one issuer to 40% of the total investment portfolio. The City's investment policy also has stricter restrictions for commercial paper, CD's, repurchase agreements, mutual funds and other investments. As of September 30, 2008, 56.14% or more of the City's total investments are in the following: Commercial Paper (20.82%), Federal Home Loan Bank bonds (9.33%), Federal National Mortgage Association Notes (12.03%), Federal Home Loan Mortgage Corporation securities (10.43%), Federal Home Loan Mortgage Corporation Discount Notes (6.32%), Federal Home Loan Mortgage Corporation securities (10.24%), and US Treasury Notes (2.61%) on a fair value basis.

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

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

NOTE 5. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. The property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value and certified by the Board of Equalization. The assessed value for the roll of January 1, 2007, upon which the fiscal 2008-year levy was based, was \$3,308,392,647.

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, 2008, was \$.747173 per \$100, of which \$.466173 was allocated for general government and \$.281000 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, 2008, were 99.22% of the tax levy.

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

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

**CITY OF ROWLETT, TEXAS
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NOTE 6. RECEIVABLES

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

Receivables	General	Debt Service	Water & Sewer	Capital Projects	Refuse	Drainage	Nonmajor & Other Funds	Grand Total
Interest	\$5,635	\$1,004	\$75,370	\$75,552	\$980	\$6,185	\$7,625	\$172,351
Court	122,559							122,559
Ambulance	584,063							584,063
Lot mowing	372,789							372,789
Other	81,403		124,278		1,591		2,250	209,522
Sales tax	1,058,625							1,058,625
Other Taxes (Hotel/Motel)							12,097	12,097
Property Taxes	492,946	257,303						750,249
Customer Accounts			2,859,148		556,299	121,049		3,536,496
Other Accounts	1,149		4,000					5,149
Other Governments	88,449		11,389	147,560	4,845	578	69,015	321,836
Franchise Fees	1,260,446							1,260,446
911 Fees	28,490							28,490
Red light Camera							248,510	248,510
Gross Receivables	4,096,554	258,307	3,074,185	223,112	563,715	127,812	339,497	8,683,182
Less: Allowance for uncollectible	(677,277)	(30,673)	(199,299)		(28,687)	(7,021)	(177,189)	(1,120,146)
Net total receivables	\$3,419,277	\$227,634	\$2,874,886	\$223,112	\$535,028	\$120,791	\$162,308	\$7,563,036

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:

CITY OF ROWLETT, TEXAS
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<u>Deferred Revenue</u>	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property tax receivable	\$520,905	
Accounts	310,772	
Adjudicated fines not yet collected	7,093	
Intergovernmental	89,345	\$29,918
Other	638,028	
Total deferred/unearned for governmental funds	<u>\$1,566,143</u>	<u>\$29,918</u>

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

Government Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 24,948,928	\$ 105,128	\$ -	\$ 25,054,056
Construction in progress	12,305,293	5,262,991	(10,116,399)	\$7,451,885
Total capital assets, not being depreciated	<u>37,254,221</u>	<u>5,368,119</u>	<u>(10,116,399)</u>	<u>\$32,505,941</u>
Capital assets being depreciated:				
Buildings	23,651,120	14,070	(246,621)	23,418,569
Improvements other than buildings	21,348,572	325,337	(57,909)	21,616,000
Machinery & equipment	12,238,178	514,757	(211,636)	12,541,299
Infrastructure	74,609,547	19,322,955	(2,583,267)	91,349,235
Total capital assets, being depreciated	<u>131,847,417</u>	<u>20,177,119</u>	<u>(3,099,433)</u>	<u>148,925,103</u>
Less accumulated depreciation:				
Buildings	(4,154,377)	(612,220)	246,621	(4,519,976)
Improvements other than buildings	(14,735,877)	(1,379,988)	23,164	(16,092,701)
Machinery & equipment	(7,484,712)	(1,162,942)	261,694	(8,385,960)
Infrastructure	(41,409,223)	(3,961,485)		(45,370,708)
Total accumulated depreciation	<u>(67,784,189)</u>	<u>(7,116,635)</u>	<u>531,479</u>	<u>(74,369,345)</u>
Total capital assets being depreciated, net	<u>64,063,228</u>	<u>13,060,484</u>	<u>(2,567,954)</u>	<u>74,555,758</u>
Governmental activities capital assets, net	<u>\$ 101,317,449</u>	<u>\$ 18,428,603</u>	<u>\$ (12,684,353)</u>	<u>\$ 107,061,699</u>

CITY OF ROWLETT, TEXAS
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Business-type activities	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 510,688	\$ -	\$ -	\$ 510,688
Construction in progress	3,081,283	2,343,541	(1,479,065)	3,945,759
Total capital assets, not being depreciated	<u>3,591,971</u>	<u>2,343,541</u>	<u>(1,479,065)</u>	<u>4,456,447</u>
Capital assets, being depreciated:				
Buildings	568,211		(1)	568,210
Improvements other than buildings	263,429			263,429
Machinery & equipment	5,099,770	105,899	(96,227)	5,109,442
Infrastructure	117,772,163	10,320,927	731,303	128,824,393
Total capital assets, being depreciated	<u>123,703,573</u>	<u>10,426,826</u>	<u>635,075</u>	<u>134,765,474</u>
Less accumulated depreciation:				
Buildings	(143,042)	(15,389)		(158,431)
Improvements other than buildings	(114,871)	(20,891)		(135,762)
Machinery & equipment	(633,454)	(350,158)		(983,612)
Infrastructure	(42,175,622)	(4,804,530)	1,203,934	(45,776,218)
Total accumulated depreciation	<u>(43,066,989)</u>	<u>(5,190,968)</u>	<u>1,203,934</u>	<u>(47,054,023)</u>
Total capital assets, being depreciated, net	<u>80,636,584</u>	<u>5,235,858</u>	<u>1,839,009</u>	<u>87,711,451</u>
Business-type activities capital assets, net	<u>\$ 84,228,555</u>	<u>\$ 7,579,399</u>	<u>\$ 359,944</u>	<u>\$ 92,167,898</u>

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

Governmental activities		
General government		\$ 865,486
Public safety		341,456
Public works		4,039,537
Culture and recreation		861,487
Development		10,079
Fleet services		690,987
Information technology		307,603
Total depreciation expense - governmental activities		<u>\$ 7,116,635</u>
Business-type activities		
Water & sewer		\$ 4,318,206
Refuse		19,477
Drainage		853,285
Total depreciation expense - business-type activities		<u>\$ 5,190,968</u>

NOTE 8. EMPLOYEE'S RETIREMENT SYSTEM

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. All assumptions for the December 31, 2007 valuation are contained in the 2007 Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan.

Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

As of September 30, 2008, members could retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. On November 6, 2007, the City amended this provision to allow retirement with 20 years of service regardless of age. Members are fully vested after 5 years of service. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes

Contributions

The contribution rate for the employees is 7.0%, and the City's matching ratio is 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The projected unit credit is used for determining the City contribution 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 is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2007 valuation is effective for rates beginning January 2009).

**CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

Assumptions and Schedule of Actuarial Liabilities and Funding Progress

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years - Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation at:	3%
Cost-of-Living Adjustments	2.1% (3.0% CPI)
Payroll Growth Assumptions	3.00%
Withdrawal Rates for Male/Female	Mid/Mid

Actuarial Valuation Date	12/31/07	12/31/06	12/31/05
Actuarial value of assets	\$ 40,286,326	\$ 36,530,164	\$ 31,955,927
Actuarial accrued liability (AAL)	58,073,788	44,738,513	39,011,417
Percent funded	69.4%	81.7%	81.9%
Unfunded (overfunded) actuarial accrued liability (UAAL)	17,787,462	8,208,349	7,055,490
Annual covered payroll	19,189,437	19,258,058	17,036,945
UAAL as a percent of covered payroll	92.7%	42.6%	41.1%
Net pension obligation (NPO)- at beginning of period	-	-	-
Annual pension cost:			
Annual required contribution (ARC)	2,393,015	2,151,314	2,015,761
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
Total annual pension cost	2,393,015	2,151,314	2,015,761
Contributions made (100%)	2,393,015	2,151,314	2,015,761
Increase in NPO	-	-	-
NPO at the end of the period	\$ -	\$ -	\$ -

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception TMRS has used the Unit Credit actuarial funding method. This method accounts for the liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

If the changes in the actuarial funding method and assumptions had not been adopted for the 2007 valuation, the city's unfunded actuarial accrued-liability would have been \$9,893,385 and the funded ratio would have been 80.3%.

In Addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

NOTE 9. LONG-TERM DEBT

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2008, is as follows:

	Balance at October 1, 2007	Issued or Incurred	Retired or Refunded	Balance at September 30, 2008	Due within One year
Governmental Activities:					
General Obligation Bonds	\$ 41,245,000	\$ -	\$ 3,215,000	\$ 38,030,000	\$ 2,855,000
Combination tax and surplus revenue certificates of obligation	57,370,000		2,160,000	55,210,000	2,235,000
Capital leases	1,061,676	214,358	189,743	1,086,291	168,540
Compensated absences	2,127,709	249,685	366,687	2,010,707	162,226
Limited tax anticipation notes	845,437		585,000	260,437	240,437
Governmental activity long-term debt	\$ 102,649,821	\$ 464,043	\$ 6,516,430	\$ 96,597,434	\$ 5,661,203
Business-type activities					
Water and sewer Revenue bonds	\$ 51,035,000	\$ -	\$ 3,370,000	\$ 47,665,000	\$ 3,105,000
Combination tax and surplus revenue certificates of obligation	4,695,000		160,000	4,535,000	170,000
Capital leases	4,245,257		230,541	4,014,716	247,416
Compensated absences	129,261	25,256	8,439	146,078	11,786
Business-type activity long term debt	\$ 60,104,518	\$ 25,256	\$ 3,768,980	\$ 56,360,794	\$ 3,534,202

Long-term debt for governmental activities at September 30, 2008, includes the following individual issues (not including unamortized premiums of \$452,766, unamortized discounts of \$73,267, unamortized bond issuance costs of \$1,185,440 and deferred charges of \$493,517:

CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Governmental Activities				
General obligation bonds:				
1997 Refunding and improvements	4.90-5.75	2/15/2017	\$ 1,235,000	\$ 165,000
1997A Various purpose	6.36 var	8/15/2026	5,895,000	160,000
2000 Various purpose	5.10-6.75	2/15/2020	185,000	185,000
2001 Various purpose	4.00-5.00	2/15/2021	2,080,000	120,000
2002 Various purpose	4.00-5.00	2/15/2022	4,845,000	260,000
2003 Revenue and improvements	2.15-4.50	2/15/2014	4,230,000	825,000
2003A Various purpose	2.25-5.00	2/15/2023	3,230,000	155,000
2004 Revenue and improvements	3.50-4.60	2/15/2018	3,745,000	310,000
2004A Various purpose	2.00-4.80	2/15/2024	5,170,000	235,000
2005 Refunding	3.00-4.50	2/15/2020	7,415,000	440,000
			<u>\$ 38,030,000</u>	<u>\$ 2,855,000</u>
Tax notes:				
2004 Limited tax anticipation notes	3.00-5.00	2/15/2010	65,000	45,000
2007 Limited tax anticipation notes	4.220	2/15/2009	195,437	195,437
			<u>260,437</u>	<u>240,437</u>
Combination tax and revenue certificates of obligation:				
1999A Various purpose	7.25	5/15/2028	1,155,000	30,000
2001 Various purpose	4.00-5.00	2/15/2021	1,105,000	65,000
2002 Various purpose	3.00-5.00	2/15/2022	3,905,000	210,000
2003 Various purpose	2.00-5.00	2/15/2023	5,910,000	290,000
2004 Various purpose	2.00-4.80	2/15/2029	3,845,000	150,000
2005 Various purpose	3.00-4.50	2/15/2025	19,795,000	840,000
2006 Various purpose	4.00-5.125	2/15/2031	19,495,000	650,000
			<u>55,210,000</u>	<u>2,235,000</u>
Total government activities long-term bonded debt			93,500,437	5,330,437
Less deferred amounts:				
On refunding			(493,517)	
For issuance premiums and discounts			379,499	
Net government activities long-term bonded debt			<u>\$ 93,386,419</u>	<u>\$ 5,330,437</u>

Long-term debt for business activities at September 30, 2008, includes the following individual issues (not including unamortized premiums of \$681,635, unamortized discounts of \$132,811, unamortized bond issuance costs of \$945,774 and deferred charges of \$701,620:

CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Business-type activities				
Utility system revenue bonds:				
2000 Various purpose	5.00-6.75	3/1/2020	\$185,000	\$185,000
2001 Various purpose	4.00-5.00	3/1/2021	1,570,000	90,000
2003 Refunding and improvements	4.00-4.30	3/1/2012	370,000	90,000
2004 Refunding and improvements	2.00-4.50	3/1/2018	5,295,000	700,000
2004A Various purpose	2.00-5.00	3/1/2024	15,925,000	705,000
2005 Refunding	3.00-5.00	3/1/2020	7,290,000	385,000
2005A Various purpose	3.00-4.375	3/1/2025	6,425,000	270,000
2006 Various purpose	4.00-4.890	3/1/2026	10,605,000	680,000
			<u>47,665,000</u>	<u>3,105,000</u>
Combination tax and revenue certificates of obligation:				
2006 Various purpose	4.00-5.125	2/15/2031	4,535,000	170,000
Total business-like long-term bonded debt			52,200,000	3,275,000
Less deferred amounts:				
On refunding			(701,620)	
For issuance premiums and discounts			548,823	
Net business-like activities long-term bonded debt			<u>\$52,047,203</u>	<u>\$3,275,000</u>

The annual requirements to amortize outstanding debt and advances from other funds as of September 30, 2008 are summarized below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and have not been included in the following summary:

Year ended September 30,	General obligation and tax anticipation notes			Enterprise revenue bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$5,500,437	\$4,207,378	\$9,707,815	\$3,105,000	\$2,032,278	\$5,137,278
2010	5,375,000	4,003,393	9,378,393	3,220,000	1,913,848	5,133,848
2011	5,550,000	3,791,048	9,341,048	3,345,000	1,786,546	5,131,546
2012	5,770,000	3,563,678	9,333,678	3,470,000	1,647,984	5,117,984
2013	5,615,000	3,327,705	8,942,705	3,125,000	1,513,747	4,638,747
2014-2018	28,960,000	13,020,096	41,980,096	14,450,000	5,677,823	20,127,823
2019-2023	27,845,000	6,483,627	34,328,627	12,435,000	2,521,155	14,956,155
2024-2028	12,115,000	1,317,889	13,432,889	4,515,000	232,897	4,747,897
2029-2032	1,305,000	95,284	1,400,284	-	-	-
Total	<u>\$98,035,437</u>	<u>\$39,810,098</u>	<u>\$137,845,535</u>	<u>\$47,665,000</u>	<u>\$17,326,278</u>	<u>\$64,991,278</u>

Significant restrictions are set forth as follows:

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

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. Beginning in 2003, the City paid required five-year rebates. Future rebates are estimated to be \$12,620 at September 30, 2008.

CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

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

As of September 30, 2008, 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, 2008, 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, 2008, and for the year then ended, the City was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt.

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

On February 15, 2007, the City paid \$104,677 representing its initial scheduled share of 31.56%. As of September 30, 2008, the outstanding balance was \$2,240,000. For fiscal year 2007-2008, the City’s share increased to 33.90% resulting in a scheduled payment for Rowlett of \$112,727. The City has no obligation for this debt beyond the resources provided by this agreement.

Capital Leases – On December 18, 2007, the City entered into an agreement with Baystone Financial Group totaling \$39,461 to purchase a police recorder system. The agreement is for a five year term based on delivery of the equipment and expires on December 15, 2012. Payments are \$7,496 annually and carries an effective interest rate of 5.79%.

On November 6, 2007, the City entered into an agreement with Koch Financial Corporation totaling \$174,897 to purchase a police video system. The agreement is for a four year term based on delivery of the equipment and expires on October 15, 2011. Payments are \$48,456 annually and carry an effective interest rate of 4.36%.

The City previously entered into an agreement with Elterkon Capital totaling \$102,208 to purchase an Asphalt Truck. The agreement is for a two year term based on delivery of the equipment and expires on October 20, 2007. Payments are \$35,540 annually and carry an effective interest rate of 4.28%.

CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

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

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

The City previously entered into an agreement with Baystone Financial Group in 2005 totaling \$99,460 for an ambulance. The agreement is for a three year term based on delivery of the equipment and expiring on October 15, 2007. Each annual payment is \$35,577 and carries an effective interest rate of 4.35%. Assets acquired with capital leases for governmental activities are recorded as assets at the government-wide statements only.

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

The assets acquired through capital leases are as follows:

	Water and Sewer Fund	Internal Services Fund	Governmental Activities	Total
Asset:				
Motor vehicles		\$694,301		\$694,301
Machinery and equipment	\$4,709,381	306,482	\$522,255	5,538,118
Less: Accumulated depreciation	(784,897)	(459,910)	(84,908)	(1,329,715)
Total	<u>\$3,924,484</u>	<u>\$540,873</u>	<u>\$437,347</u>	<u>\$4,902,704</u>

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

Year ending September 30,	Water and Sewer Fund	Internal Services Fund	Governmental Activities
2009	\$407,071	\$162,829	\$50,425
2010	416,117	109,127	51,379
2011	420,640	109,127	51,856
2012	428,831	109,127	52,719
2013	428,831	60,671	52,719
2014-2018	2,144,153	182,012	226,119
2019-2021	857,661	0	90,448
Total minimum lease payments	5,103,304	732,893	575,665
Less: Amount representing interest	(1,088,588)	(102,552)	(119,715)
Present value of minimum lease payments	<u>\$4,014,716</u>	<u>\$630,341</u>	<u>\$455,950</u>

**CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

NOTE 10. INSURANCE

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2008, the City purchased commercial insurance from Texas Municipal League (“TML”) to cover these general liabilities, including workers’ compensation and medical. TML purchases reinsurance and does not retain the risk of loss. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

NOTE 11. INTERFUND TRANSFERS, RECEIVABLE AND PAYABLES

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

Individual transfers, as reported at the fund statement level, for the year ended September 30, 2008, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General Fund	\$2,898,931	\$2,413,464
Debt service fund	1,029,229	16,149
Capital projects fund	3,229,752	
Nonmajor governmental funds	96,229	795,457
Business-type activities		
Water and sewer fund		2,842,741
Refuse fund		1,130,722
Drainage fund	21,007	113,124
Total	<u>\$7,275,148</u>	<u>\$7,311,657</u>

The difference of \$36,509 represents transfers between proprietary type funds and governmental funds. The specific difference of \$36,509 represents the transfer of certain costs of roadway infrastructure improvements associated with water and sewer line improvements and paid for with water and sewer bond construction funds. At the fund statement level, these transfers are treated as transfers in the proprietary funds but the recognition of the transfer to the governmental activities is only recognized on the government-wide statements under Governmental Activities.

CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

The transfers include the following:

Transfer from Fund	Transfer to Fund	Amount
General Fund		
Transfer for Capital Projects	Capital Projects Fund	\$ 2,413,464
Non-Major Governmental Funds		
Grants		
Transfer for Capital Projects	Capital Projects Fund	8,444
TIF		
To pay debt service on TIF improvement bonds	Debt Service Fund	233,309
Golf Fund		
To pay debt service on golf bonds	Debt Service Fund	553,704
Debt Service Fund		
Transfer for capital projects deficit	Capital Projects Fund	16,149
Water and Sewer Fund		
In-Lieu of Property Taxes	General Fund	684,397
Franchise Fees	General Fund	1,054,324
To assist with City's economic development efforts	General Fund	220,096
Transfer of vehicles purchased	ISF-Fleet	96,229
Elimination of debt from the Wet Zone	General Fund	195,114
Transfer for Capital Projects	Capital Projects Fund	535,065
Transfer for Capital Projects	Drainage Fund	21,007
Drainage Fund		
Alley Repairs	General Fund	745,000
Transfer for Capital Projects	Capital Projects Fund	143,506
To pay debt service on Alley Bonds	Debt Service Fund	242,216
Refuse Fund		
Transfer for Capital Projects	Capital Projects Fund	113,124
		<u>\$ 7,275,148</u>

NOTE 12. DEFERRED COMPENSATION PLAN

The City offers its employees a choice of two deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The employees have a choice of participating in the Public Employees Benefit Services Corporation ("PEBSCO") plan and/or the ICMA Retirement Corporation ("IMCA") plan. All amounts of compensation under these plans are placed into investment pools administered by PEBSCO and ICMA, respectively. The plans, available to all regular employees, permit them to defer until future years up to 100% of compensation, not to exceed \$15,500 (\$20,500 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.

**CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

NOTE 13. POSTEMPLOYMENT BENEFITS

The City offers its retired employees health insurance coverage under the same plan as the active employees. The benefit plan was established by the City in 2002 and last amended in 2005. The number of retirees participating in health insurance coverage for 2008 was 14. 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. Retirees over 65 are eligible to receive premium reimbursement for individual (not dependent) medicare supplement for a period of time equal to one month for every full year of service with the City. All other premiums are paid by the retired employees and claims are processed by the City's agent. Expenditures for postretirement health care insurance are recognized on a pay-as-you-go basis. Expenditures for retired employees for 2008 were approximately \$19,990.

In June 2004 the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. This statement requires employer governments to account for and report the annual cost of other postemployment benefits in the same manner as they do pensions. This statement is effective for the City's financial statements for the fiscal year ending September 30, 2009.

The City contracted with an actuarial firm to value the post employment medical benefit. Results of the valuation under a pay-as-you-go funding policy are as follows:

Actuarial Accrued Liability (AAL)	\$2,924,489
Annual Required Contribution (ARC)	\$281,737
Amortization Period	30 years

The ARC is made up of two components, the Normal Cost and the Amortization Amount. The normal cost, which is the present value of benefits deemed to accrue in the plan year, is \$162,482. The amortized amount, which is the present value of the accrued benefit, is \$119,255. The amortized amount is required to fully amortize the unfunded actuarial accrued liability over a 30-year period using a 4.50% discount rate.

The City's annual employer contribution each year will continue to equal the benefits that are paid on behalf of the retirees. The City will fully implement the proper treatment and disclosure of GASB Statement No. 45 beginning with the fiscal year ending September 30, 2009.

NOTE 14. COMMITMENTS AND CONTRACTS

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

A. North Texas Municipal Water District Water Purchase Agreement – The City has a long-term contract with the North Texas Municipal Water District for the purchase of treated water. The contract for water is dated June 3, 1965, and is for a period of 40 years. Over the years, the contract has been amended to provide for additional services as the City has grown. Currently, the City receives water at three take points. For the year ended September 30, 2008, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 2,594,077,000 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 BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

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

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

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

F. The City has several rebate agreements with various developers entered into for economic development purposes. One of these agreements is with D.R. Horton, Inc. This agreement is for a thirty year period and includes required rebates of 90% of the sales taxes paid. During the current fiscal year, the City rebated \$1,401,118 of the \$1,556,798 paid by D.R. Horton all of which was paid by September 30, 2008.

G. The City has contractual commitments of approximately \$6,723,560 in the Capital Projects Funds, \$2,146,049 in the Water and Sewer Fund, and \$1,727,846 in the Drainage Fund. These commitments are for construction of various projects and will be funded primarily from general obligation bond proceeds and certificates of obligations in the Capital Projects Funds, and revenue bond proceeds in the Water and Sewer Fund.

NOTE 15. PRIOR PERIOD ADJUSTMENT

In 2008 the City made a change to net assets – beginning for governmental activities to correct an error in estimate. The City has routinely estimated oil and gas franchise fees which are generally collected outside of the period considered to be available under modified accrual basis of accounting but are considered revenue at the government-wide level. Dramatic increases in oil and gas prices caused the actual 2007 revenue received in 2008 to be \$503,376 higher than estimated. The adjustment represents revenue that should have been recorded in a prior period. The effect of the correction is as follows:

	Governmental Activities	Business Type Activities	Total
Net assets - beginning	\$ 44,424,409	\$ 69,261,539	\$ 113,685,948
Prior period adjustment	503,376		503,376
Net assets - beginning as adjusted	<u>\$ 44,927,785</u>	<u>\$ 69,261,539</u>	<u>\$ 114,189,324</u>

NOTE 16. SUBSEQUENT EVENTS

On November 4, 2008 the citizens of the City passed and important amendment to the City Charter that changes the requirement from a simple majority to an affirmative vote of at least eighty percent of the members of Council to issue bonds and other evidence of indebtedness.

CITY OF ROWLETT, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

In November 2008, the City entered into an electric supply agreement with FPL Energy and Direct Energy beginning January 1, 2009 through December 31, 2013 designed to bring budget stability to cities and to fix the price of the energy portion of the electricity contract.

On February 9, 2009 the City received notice from Standard and Poor's Rating Service that the credit rating on *City of Rowlett, Texas Outstanding General Obligation Bonds, Various Series*, has been upgraded to "AA-" from "A+". This change is based on information supplied by the City. Although this change has no impact on the financial statements being presented for fiscal year 2008 it could favorably affect the City's ability to obtain financing in the future.

NOTE 17. NEW ACCOUNTING PRONOUNCEMENTS

In August 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB No. 45 requires employer governments to account for and report the annual cost of other postemployment benefits in the same manner as they do for pensions. This statement is effective for the City's financial statements for periods beginning after December 15, 2007. The City is in the process of reviewing and evaluating this statement. Therefore, the potential affect of this new accounting pronouncement on the financial statements cannot be determined at this time.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which identifies situations in which a government is required to report obligations relating to pollution remediation, estimate expected outlays for the remediation, and disclose information about pollution obligations associated with clean up efforts. This statement is effective for the City's financial statements for periods beginning after December 15, 2007. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

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

In November 2007, GASB issued Statement No. 52, *Land and other Real Estate Held as Investments by Endowments*, which establishes consistent standards for the reporting of land and other real estate held as investments by essential similar entities. This statement is effective for financial statements for periods beginning after June 15, 2008. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

CITY OF ROWLETT, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR YEAR ENDED SEPTEMBER 30, 2008

	Original Budget	Final Budget	Adjustments- Budgetary Basis	Final Budget as Adjusted	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Property taxes	\$ 15,208,752	\$ 15,512,252	\$	\$ 15,512,252	\$ 15,500,504	\$ (11,748)
Sales taxes	7,042,042	5,890,563		5,890,563	5,882,325	(8,238)
Other	53,916	53,916		53,916	54,509	593
Franchise fees	2,723,619	2,723,619		2,723,619	3,018,734	295,115
License and permits	615,754	615,754		615,754	509,651	(106,103)
Charge for services	2,799,901	2,419,303		2,419,303	2,343,594	(75,709)
Fines and forfeitures	1,919,449	1,935,449		1,935,449	1,577,120	(358,329)
Intergovernmental	260,792	274,036		274,036	503,994	229,958
Intragovernmental	2,345,338	2,345,338	(2,345,338)	-	-	-
Interest	183,033	183,033		183,033	158,441	(24,592)
Miscellaneous	690,193	696,318		696,318	437,199	(259,119)
Total Revenues	<u>33,842,789</u>	<u>32,649,581</u>	<u>(2,345,338)</u>	<u>30,304,243</u>	<u>29,986,071</u>	<u>(318,172)</u>
EXPENDITURES						
Current operating:						
General government	6,976,266	6,185,446	(2,345,338)	3,840,108	3,857,483	(17,375)
Public safety	17,154,366	17,509,255		17,509,255	17,696,123	(186,868)
Public works	2,830,619	2,896,692		2,896,692	2,738,208	158,484
Culture and recreation	5,210,102	5,038,377		5,038,377	4,462,616	575,761
Development	1,547,864	1,505,771		1,505,771	1,212,987	292,784
Debt service:						
Principal retirement				-	31,212	(31,212)
Interest and fiscal charges				-	18,450	(18,450)
Capital outlay		112,342		112,342	145,684	(33,342)
Total Expenditures	<u>33,719,217</u>	<u>33,247,883</u>	<u>(2,345,338)</u>	<u>30,902,545</u>	<u>30,162,763</u>	<u>739,782</u>
Excess (deficiency) of revenues over expenditures	<u>123,572</u>	<u>(598,302)</u>	<u>-</u>	<u>(598,302)</u>	<u>(176,692)</u>	<u>421,610</u>
OTHER FINANCING SOURCES (USES)						
Capital Lease					39,461	39,461
Transfers from other funds	2,703,817	2,703,817		2,703,817	2,898,931	195,114
Transfers to other funds	<u>(2,413,464)</u>	<u>(2,413,464)</u>		<u>(2,413,464)</u>	<u>(2,413,464)</u>	<u>-</u>
Total other financing sources (uses)	<u>290,353</u>	<u>290,353</u>	<u>-</u>	<u>290,353</u>	<u>524,928</u>	<u>234,575</u>
Net change in fund balances	413,925	(307,949)	-	(307,949)	348,236	656,185
Fund balances, beginning of year	3,058,341	3,058,341		3,058,341	3,058,341	-
Fund balances, end of year	<u>\$ 3,472,266</u>	<u>\$ 2,750,392</u>	<u>-</u>	<u>2,750,392</u>	<u>\$ 3,406,577</u>	<u>\$ 656,185</u>

**CITY OF ROWLETT, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1. BASIS OF BUDGETING

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

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

**CITY OF ROWLETT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
ASSETS			
Pooled cash and investments	\$ 2,238,575	\$ 434,306	\$ 124,357
Receivables (net of allowance for uncollectibles):			
Taxes			
Accrued interest	4,861		276
Other		2,250	71,322
Due from other governments			
Total Assets	<u>\$ 2,243,436</u>	<u>\$ 436,556</u>	<u>\$ 195,955</u>
LIABILITIES			
Accounts payable	\$ 3,425	\$ 9,369	\$ 124,297
Accrued liabilities		26,962	
Deferred revenue	155		18,707
Total Liabilities	<u>3,580</u>	<u>36,331</u>	<u>143,004</u>
FUND BALANCES			
Reserved for:			
Encumbrances	57,645	182,013	
Capital projects	1,010,064		
Public safety		218,212	52,951
Unreserved for:			
Designated for capital projects			
Designated for economic dev.			
Unreserved, undesignated	1,172,147		
Total Fund Balances	<u>2,239,856</u>	<u>400,225</u>	<u>52,951</u>
Total Liabilities and Fund Balances	<u>\$ 2,243,436</u>	<u>\$ 436,556</u>	<u>\$ 195,955</u>

Special Revenue					Total
Hotel/Motel Tax	Grant	Golf Fund	TIF Fund		Governmental Funds
\$ 86,862	\$ (4,870)	\$ 290,000	\$ 769	\$	3,169,999
12,097					12,097
172		630	5		5,944
	69,015				73,572
					69,015
<u>\$ 99,131</u>	<u>\$ 64,145</u>	<u>\$ 290,630</u>	<u>\$ 774</u>	<u>\$</u>	<u>3,330,627</u>
\$ 179	\$ 21,124	\$ 1,505	\$	\$	159,899
					26,962
					18,862
<u>179</u>	<u>21,124</u>	<u>1,505</u>	<u>-</u>	<u>\$</u>	<u>205,723</u>
	36,243	5,242			281,143
			774		1,010,838
					271,163
	6,778	283,883			290,661
98,952					98,952
					1,172,147
<u>98,952</u>	<u>43,021</u>	<u>289,125</u>	<u>774</u>	<u>\$</u>	<u>3,124,904</u>
<u>\$ 99,131</u>	<u>\$ 64,145</u>	<u>\$ 290,630</u>	<u>\$ 774</u>	<u>\$</u>	<u>3,330,627</u>

CITY OF ROWLETT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
REVENUES			
Taxes	\$	\$	\$
License and permits	211,128		
Fines and forfeitures		390,043	498,627
Intergovernmental			
Interest	76,460	10,234	3,553
Miscellaneous			
Total revenues	<u>287,588</u>	<u>400,277</u>	<u>502,180</u>
EXPENDITURES			
Current operating:			
General government			
Public safety		115,968	504,685
Public works	40,963		
Capital outlay	267,131	13,942	
Total expenditures	<u>308,094</u>	<u>129,910</u>	<u>504,685</u>
Excess (deficiency) of revenues over expenditures	<u>(20,506)</u>	<u>270,367</u>	<u>(2,505)</u>
OTHER FINANCING USES			
Transfers to other funds			
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(20,506)	270,367	(2,505)
Fund balances, beginning of year	2,260,362	129,858	55,456
Fund balances, end of year	<u>\$ 2,239,856</u>	<u>\$ 400,225</u>	<u>\$ 52,951</u>

Special Revenue				
Hotel/Motel Tax	Grant	Golf Fund	TIF Fund	Total Governmental Funds
\$ 66,733	\$	\$	\$ 229,680	\$ 296,413
				211,128
				888,670
	152,485			152,485
3,236	101	8,018	26	101,628
90		545,804		545,894
<u>70,059</u>	<u>152,586</u>	<u>553,822</u>	<u>229,706</u>	<u>2,196,218</u>
54,432	40,500			94,932
				620,653
				40,963
	68,514			349,587
<u>54,432</u>	<u>109,014</u>	<u>-</u>	<u>-</u>	<u>1,106,135</u>
<u>15,627</u>	<u>43,572</u>	<u>553,822</u>	<u>229,706</u>	<u>1,090,083</u>
	(8,444)	(553,704)	(233,309)	(795,457)
<u>-</u>	<u>(8,444)</u>	<u>(553,704)</u>	<u>(233,309)</u>	<u>(795,457)</u>
15,627	35,128	118	(3,603)	294,626
83,325	7,893	289,007	4,377	2,830,278
<u>\$ 98,952</u>	<u>\$ 43,021</u>	<u>\$ 289,125</u>	<u>\$ 774</u>	<u>\$ 3,124,904</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 9,074,271	\$ 9,074,271	\$ 9,332,207	\$ 257,936
Interest	102,306	102,306	86,059	(16,247)
Total revenues	<u>9,176,577</u>	<u>9,176,577</u>	<u>9,418,266</u>	<u>241,689</u>
EXPENDITURES				
Current operating:				
General government	43,054	43,054	107,031	(63,977)
Public Safety			112,727	(112,727)
Debt service:				
Principal retirement	5,825,000	5,825,000	5,960,000	(135,000)
Interest and fiscal charges	4,717,689	4,717,689	4,381,722	335,967
Total expenditures	<u>10,585,743</u>	<u>10,585,743</u>	<u>10,561,480</u>	<u>24,263</u>
Excess (deficiency) of revenues over expenditures	<u>(1,409,166)</u>	<u>(1,409,166)</u>	<u>(1,143,214)</u>	<u>265,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,409,166	1,409,166	1,029,229	(379,937)
Transfers to other funds			(16,149)	
Total other financing sources (uses)	<u>1,409,166</u>	<u>1,409,166</u>	<u>1,013,080</u>	<u>(379,937)</u>
Deficiency of revenues and other sources over expenditures and other uses	-	-	(130,134)	(130,134)
Fund balances, beginning of year	566,928	566,928	566,928	-
Fund balances, end of year	<u>\$ 566,928</u>	<u>\$ 566,928</u>	<u>\$ 436,794</u>	<u>\$ (130,134)</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 IMPACT FEES FUND
 FOR YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
License and permits	\$ 220,000	\$ 220,000	\$ 211,128	\$ (8,872)
Interest	100,000	100,000	76,460	(23,540)
Total revenues	<u>320,000</u>	<u>320,000</u>	<u>287,588</u>	<u>(32,412)</u>
EXPENDITURES				
Public works	-	-	40,963	(40,963)
Capital outlay	240,000	1,320,120	267,131	1,052,989
Total expenditures	<u>240,000</u>	<u>1,320,120</u>	<u>308,094</u>	<u>1,012,026</u>
Excess (deficiency) of revenues over expenditures	<u>80,000</u>	<u>(1,000,120)</u>	<u>(20,506)</u>	<u>979,614</u>
Fund balances, beginning of year	2,260,362	2,260,362	2,260,362	-
Fund balances, end of year	<u>\$ 2,340,362</u>	<u>\$ 1,260,242</u>	<u>\$ 2,239,856</u>	<u>\$ 979,614</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 POLICE SEIZURE FUND
 FOR YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 90,000	\$ 90,000	\$ 390,043	\$ 300,043
Interest	<u>100,000</u>	<u>10,000</u>	<u>10,234</u>	<u>234</u>
Total revenues	<u>190,000</u>	<u>100,000</u>	<u>400,277</u>	<u>300,277</u>
EXPENDITURES				
Public safety	100,000	108,145	115,968	(7,823)
Capital outlay	<u>-</u>	<u>-</u>	<u>13,942</u>	<u>(13,942)</u>
Total expenditures	<u>100,000</u>	<u>108,145</u>	<u>129,910</u>	<u>(21,765)</u>
Excess of revenues over expenditures	<u>90,000</u>	<u>(8,145)</u>	<u>270,367</u>	<u>278,512</u>
Fund balances, beginning of year	129,858	129,858	129,858	-
Fund balances, end of year	<u>\$ 219,858</u>	<u>\$ 121,713</u>	<u>\$ 400,225</u>	<u>\$ 278,512</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY FUND
 FOR YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Fines & forfeitures	\$ 1,006,050	\$ 656,050	\$ 498,627	\$ (157,423)
Interest	-	-	3,553	3,553
Total revenues	<u>1,006,050</u>	<u>656,050</u>	<u>502,180</u>	<u>(153,870)</u>
EXPENDITURES				
Public safety	<u>1,006,050</u>	<u>656,050</u>	<u>504,685</u>	<u>151,365</u>
Total expenditures	<u>1,006,050</u>	<u>656,050</u>	<u>504,685</u>	<u>151,365</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(2,505)</u>	<u>(2,505)</u>
Fund balances, beginning of year	55,456	55,456	55,456	-
Fund balances, end of year	<u>\$ 55,456</u>	<u>\$ 55,456</u>	<u>\$ 52,951</u>	<u>\$ (2,505)</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 HOTEL/MOTEL FUND
 FOR YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes				
Motel taxes	\$ 56,000	\$ 56,000	\$ 66,733	\$ 10,733
Interest	5,500	5,500	3,236	(2,264)
Miscellaneous	-	-	90	90
Total revenues	<u>61,500</u>	<u>61,500</u>	<u>70,059</u>	<u>8,559</u>
EXPENDITURES				
General government	<u>61,500</u>	<u>61,500</u>	<u>54,432</u>	<u>7,068</u>
Total expenditures	<u>61,500</u>	<u>61,500</u>	<u>54,432</u>	<u>7,068</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>15,627</u>	<u>15,627</u>
Fund balances, beginning of year	83,325	83,325	83,325	-
Fund balances, end of year	<u>\$ 83,325</u>	<u>\$ 83,325</u>	<u>\$ 98,952</u>	<u>\$ 15,627</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 GRANT FUND
 FOR YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 265,000	\$ 265,000	\$ 152,485	\$ (112,515)
Interest	-	-	101	101
Total revenues	<u>265,000</u>	<u>265,000</u>	<u>152,586</u>	<u>(112,414)</u>
EXPENDITURES				
General government	-	-	40,500	(40,500)
Capital outlay	265,000	472,060	68,514	403,546
Total expenditures	<u>265,000</u>	<u>472,060</u>	<u>109,014</u>	<u>363,046</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(207,060)</u>	<u>43,572</u>	<u>250,632</u>
OTHER FINANCING USES				
Transfers to other funds	(8,444)	(8,444)	(8,444)	-
Total other financing uses	<u>(8,444)</u>	<u>(8,444)</u>	<u>(8,444)</u>	<u>-</u>
Deficiency of revenues over expenditures and other uses	(8,444)	(215,504)	35,128	250,632
Fund balances, beginning of year	7,893	7,893	7,893	-
Fund balances, end of year	<u>\$ (551)</u>	<u>\$ (207,611)</u>	<u>\$ 43,021</u>	<u>\$ 250,632</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 GOLF COURSE FUND
 FOR YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest	\$ 11,450	\$ 11,450	\$ 8,018	(3,432)
Rental fees	553,704	553,704	545,804	(7,900)
Total revenues	<u>565,154</u>	<u>565,154</u>	<u>553,822</u>	<u>(11,332)</u>
EXPENDITURES				
Capital Outlay	-	300,000	-	300,000
Total expenditures	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Excess (deficiency) of revenues over expenditures	<u>565,154</u>	<u>265,154</u>	<u>553,822</u>	<u>288,668</u>
OTHER FINANCING USES				
Transfers to other funds	(553,704)	(553,704)	(553,704)	-
Total other financing uses	<u>(553,704)</u>	<u>(553,704)</u>	<u>(553,704)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other uses	11,450	(288,550)	118	288,668
Fund balances, beginning of year	289,007	289,007	289,007	-
Fund balances, end of year	<u>\$ 300,457</u>	<u>\$ 457</u>	<u>\$ 289,125</u>	<u>\$ 288,668</u>

**CITY OF ROWLETT, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 236,702	236,702	229,680	\$ (7,022)
Interest	2,040	2,040	26	(2,014)
Total revenues	<u>238,742</u>	<u>238,742</u>	<u>229,706</u>	<u>(9,036)</u>
OTHER FINANCING USES				
Transfers to other funds	<u>(233,309)</u>	<u>(233,309)</u>	<u>(233,309)</u>	-
Total other financing uses	<u>(233,309)</u>	<u>(233,309)</u>	<u>(233,309)</u>	-
Excess (deficiency) of revenues over other uses	5,433	5,433	(3,603)	(9,036)
Fund balances, beginning of year	4,377	4,377	4,377	-
Fund balances, end of year	<u>\$ 9,810</u>	<u>\$ 9,810</u>	<u>\$ 774</u>	<u>\$ (9,036)</u>

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis. Individual funds maintained are as follows:

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

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

CITY OF ROWLETT, TEXAS
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2008

	Fleet Services	Information Technology	Total
ASSETS			
Current Assets:			
Cash, cash equivalents and investments	\$ 289,007	\$ 245,062	\$ 534,069
Accrued interest receivable	769	911	1,680
Inventories	61,674	-	61,674
Prepaid and other items		8,714	8,714
Total Current Assets	<u>351,450</u>	<u>254,687</u>	<u>606,137</u>
Noncurrent Assets:			
Buildings	532,598	138,212	670,810
System		209,869	209,869
Machinery & equipment	6,847,069	2,226,763	9,073,832
Less accumulated depreciation	<u>(5,225,755)</u>	<u>(1,808,869)</u>	<u>(7,034,624)</u>
Total Noncurrent Assets	<u>2,153,912</u>	<u>765,975</u>	<u>2,919,887</u>
Total Assets	<u>2,505,362</u>	<u>1,020,662</u>	<u>3,526,024</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	28,835	91,320	120,155
Accrued liabilities	5,438	3,787	9,225
Accrued interest payable	16,469	8,941	25,410
Compensated absences	365	607	972
Capital lease payable	43,486	92,498	135,984
Total Current Liabilities	<u>94,593</u>	<u>197,153</u>	<u>291,746</u>
Non-current liabilities			
Compensated absences	4,156	6,912	11,068
Capital lease payable	360,800	133,557	494,357
Total Non-current Liabilities	<u>364,956</u>	<u>140,469</u>	<u>505,425</u>
Total Liabilities	<u>459,549</u>	<u>337,622</u>	<u>797,171</u>
NET ASSETS			
Invested in capital assets (net of related debt)	1,749,626	539,920	2,289,546
Unrestricted	296,187	143,120	439,307
Total Net Assets	<u>\$ 2,045,813</u>	<u>\$ 683,040</u>	<u>\$ 2,728,853</u>

CITY OF ROWLETT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Fleet Services	Information Technology	Total
OPERATING REVENUES			
Charges for sales and services:			
Charges for sales and services	\$ 943,008	\$ 1,097,561	\$ 2,040,569
Miscellaneous	46,692	229	46,921
Total operating revenues	<u>989,700</u>	<u>1,097,790</u>	<u>2,087,490</u>
OPERATING EXPENSES			
Personal services	175,704	299,250	474,954
Contractual services	187,650	275,608	463,258
Maintenance, repairs and supplies	548,383	488,534	1,036,917
Depreciation	690,987	307,603	998,590
Intragovernmental charges	6,992	-	6,992
Miscellaneous	515	776	1,291
Total operating expenses	<u>1,610,231</u>	<u>1,371,771</u>	<u>2,982,002</u>
Operating Loss	<u>(620,531)</u>	<u>(273,981)</u>	<u>(894,512)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	9,376	4,366	13,742
Gain (loss) on disposition of assets	38,869	-	38,869
Interest and fiscal charges	(15,503)	(8,832)	(24,335)
Total nonoperating revenues (expenses)	<u>32,742</u>	<u>(4,466)</u>	<u>28,276</u>
Loss before contributions and transfers	(587,789)	(278,447)	(866,236)
Capital contributions from general government	125,560	17,933	143,493
Transfers in	96,229	-	96,229
Change in net assets	<u>(366,000)</u>	<u>(260,514)</u>	<u>(626,514)</u>
Total Net Assets-Beginning of Year	2,411,813	943,554	3,355,367
Total Net Assets - End of Year	<u>\$ 2,045,813</u>	<u>\$ 683,040</u>	<u>\$ 2,728,853</u>

CITY OF ROWLETT, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Fleet Services	Information Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 936,644	\$ 1,123,543	\$ 2,060,187
Cash received from miscellaneous	46,692	229	46,921
Cash paid to employees for services	(175,704)	(299,250)	(474,954)
Cash paid for goods and services	<u>(751,822)</u>	<u>(840,182)</u>	<u>(1,592,004)</u>
Net cash provided (used) by operating activities	<u>55,810</u>	<u>(15,660)</u>	<u>40,150</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of capital lease		174,896	174,896
Principal paid on long-term debt	(109,795)	(48,737)	(158,532)
Interest and fiscal charges paid on long-term debt	(15,503)	(8,832)	(24,335)
Acquisition and construction of capital assets	<u>(73,303)</u>	<u>(182,091)</u>	<u>(255,394)</u>
Net cash used by capital and related financing activities	<u>(198,601)</u>	<u>(64,764)</u>	<u>(263,365)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>9,376</u>	<u>4,366</u>	<u>13,742</u>
Net cash provided by investing activities	<u>9,376</u>	<u>4,366</u>	<u>13,742</u>
Net decrease in cash and cash equivalents	(133,415)	(76,058)	(209,473)
Cash and cash equivalents, beginning of year	422,422	321,120	743,542
Cash and cash equivalents, end of year	<u>\$ 289,007</u>	<u>\$ 245,062</u>	<u>\$ 534,069</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED) FOR OPERATING ACTIVITIES			
Operating loss	\$ (620,531)	\$ (273,981)	\$ (894,512)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation and amortization	690,987	307,603	998,590
Changes in assets and liabilities:			
(Increase) decrease in prepaid expenses & other assets	1,068	15,374	16,442
(Increase) decrease in inventory	(7,432)	10,608	3,176
(Increase) decrease in accounts payable and accrued liabilities	(9,232)	(64,490)	(73,722)
Increase (decrease) in accrued comp absences	950	(10,774)	(9,824)
Total adjustments	<u>676,341</u>	<u>258,321</u>	<u>934,662</u>
Net cash provided (used) by operating activities	<u>\$ 55,810</u>	<u>\$ (15,660)</u>	<u>\$ 40,150</u>
NONCASH CAPITAL ACTIVITIES:			
Contributions of capital assets from general government	\$ 125,560	\$ 17,933	\$ 143,493
Gain on disposal of capital assets	38,869	-	38,869
Equipment transferred from other funds	96,229	-	96,229
Total noncash capital activities	<u>\$ 260,658</u>	<u>\$ 17,933</u>	<u>\$ 278,591</u>



STATISTICAL SECTION

**STATISTICAL SECTION
(unaudited)**

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

	<u>Pages</u>
<u>Financial Trends</u> – These schedules contain trend information to help The reader understand how financial performance and well-being have Changed over time.	88-93
<u>Revenue Capacity</u> – These schedules contain information to help the Reader assess the City’s most significant local revenue source, the Property tax.	94-101
<u>Debt Capacity</u> – These schedules present information to help the reader Assess the affordability of the City’s current levels of outstanding debt And the City’s ability to issue additional debt in the future.	102-107
<u>Demographic and Economic Information</u> – These schedules offer Demographic and economic indicators to help the reader understand the Environment within which the City’s financial activities take place.	108-109
<u>Operating Information</u> – These schedules contain service and infrastructure Data to help the reader understand how the information in the City’s financial Report relates to the services the City provides and the activities it performs.	110-115

CITY OF ROWLETT, TEXAS

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

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

Information prior to fiscal year 2003 is not available.

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year		
<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 42,099,813	\$ 38,656,284	\$ 40,312,017
1,724,868	1,249,120	1,537,197
4,121,491	4,519,005	5,435,653
<u>\$ 47,946,172</u>	<u>\$ 44,424,409</u>	<u>\$ 47,284,867</u>
\$ 61,546,001	\$ 62,484,938	\$ 63,829,157
2,876,092	2,849,815	2,894,124
5,289,946	3,926,786	5,683,212
<u>\$ 69,712,039</u>	<u>\$ 69,261,539</u>	<u>\$ 72,406,493</u>
\$ 103,645,814	\$ 101,141,222	\$ 104,141,174
4,600,960	4,098,935	4,431,321
9,411,437	8,445,791	11,118,865
<u>\$ 117,658,211</u>	<u>\$ 113,685,948</u>	<u>\$ 119,691,360</u>

CITY OF ROWLETT, TEXAS

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

Expenses	Fiscal Year		
	2003	2004	2005
Governmental activities:			
General government	\$ 4,762,474	\$ 5,221,878	\$ 5,461,721
Public safety	13,531,944	14,412,536	15,345,813
Public works	4,593,744	5,009,553	5,210,406
Culture and recreation	3,579,707	3,828,425	4,353,767
Development	1,401,486	1,341,012	1,341,144
Interest and fiscal charges	2,303,626	2,598,852	2,965,565
Total governmental activities	<u>30,172,981</u>	<u>32,412,255</u>	<u>34,678,416</u>
Business-type activities:			
Water and sewer	13,451,133	13,672,908	15,617,433
Drainage	1,069,723	1,004,201	1,101,040
Refuse	2,358,869	2,205,365	2,244,735
Wet zone	727,611	633,912	729,695
Total business-type activities	<u>17,607,336</u>	<u>17,516,386</u>	<u>19,692,903</u>
Total primary government expenses	<u>\$ 47,780,317</u>	<u>\$ 49,928,641</u>	<u>\$ 54,371,319</u>
Program Revenues			
Governmental Activities:			
Charges for services:			
General government	\$ 633	\$ 4,512	\$ 8,092
Public safety	1,668,838	1,905,311	1,806,208
Public works	120,004	87,540	270,525
Culture and recreation	255,836	492,410	305,672
Development	1,060,116	1,020,646	992,676
Operating grants and contributions	386,095	356,981	543,706
Capital grants and contributions	963,453	5,462,783	3,185,246
Total governmental activities program revenues	<u>4,454,974</u>	<u>9,330,184</u>	<u>7,112,125</u>
Business-type activities:			
Charges for services:			
Water and sewer	11,688,693	16,163,854	18,467,908
Drainage	438,822	489,439	495,255
Refuse	2,726,756	3,079,240	3,494,784
Wet zone	410,288	337,403	435,202
Capital grants and contributions	632,841	3,151,578	2,424,461
Total business-type activities program revenues	<u>15,897,400</u>	<u>23,221,514</u>	<u>25,317,610</u>
Total primary government revenues	<u>\$ 20,352,374</u>	<u>\$ 32,551,698</u>	<u>\$ 32,429,735</u>
Net (expense)/revenue			
Governmental activities	\$ (25,718,007)	\$ (23,082,071)	\$ (27,566,291)
Business-type activities	(1,709,936)	5,705,128	5,624,707
Total primary government net expense	<u>\$ (27,427,943)</u>	<u>\$ (17,376,943)</u>	<u>\$ (21,941,584)</u>
General Revenue and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$ 16,343,280	\$ 17,481,315	\$ 19,701,994
Sales taxes	2,767,989	3,097,455	3,760,344
Other	77,481	87,162	98,303
Franchise fees	2,233,351	2,587,990	2,418,182
Investment earnings	561,482	402,908	878,622
Gain (loss) on sale/retirement of capital assets	(14,179)	(133,488)	(203,409)
Miscellaneous	673,266	768,839	1,247,579
Transfers (net)	2,717,928	2,919,208	3,577,370
Total governmental activities	<u>25,360,599</u>	<u>27,211,390</u>	<u>31,478,985</u>
Business-type activities:			
Investment earnings	190,208	165,376	660,515
Gain (loss) on sale/retirement of capital assets	-	(9,462)	(6,855)
Miscellaneous	95,728	-	-
Transfers (net)	(2,717,928)	(2,919,208)	(3,577,370)
Special items	-	-	(1,873,898)
Total business-type activities	<u>(2,431,993)</u>	<u>(2,763,294)</u>	<u>(4,797,608)</u>
Total primary government	<u>\$ 22,928,606</u>	<u>\$ 24,448,096</u>	<u>\$ 26,681,377</u>
Changes in Net Assets			
Governmental activities	\$ (357,408)	\$ 4,129,319	\$ 3,912,694
Business type activities	(4,141,929)	2,941,834	827,099
Total primary government	<u>\$ (4,499,337)</u>	<u>\$ 7,071,153</u>	<u>\$ 4,739,793</u>

Information prior to fiscal year 2003 is not available.

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year		
2006	2007	2008
\$ 7,547,049	\$ 6,463,416	\$ 5,210,003
17,566,690	19,064,945	19,026,455
5,338,600	13,357,060	8,819,541
6,202,601	6,102,323	5,388,160
1,529,689	1,476,900	1,229,275
3,864,246	4,825,639	4,473,104
<u>42,048,875</u>	<u>51,290,283</u>	<u>44,146,538</u>
19,243,442	19,136,724	19,065,087
1,332,109	1,604,017	1,692,004
2,627,304	2,940,905	3,251,155
-	-	-
<u>23,202,855</u>	<u>23,681,646</u>	<u>24,008,246</u>
<u>\$ 65,251,730</u>	<u>\$ 74,971,929</u>	<u>\$ 68,154,784</u>
\$ 121,309	\$ 67,617	\$ 72,486
2,847,875	3,089,141	3,591,329
418,169	265,677	211,128
1,280,621	1,185,071	1,115,647
911,160	696,991	567,913
461,654	578,571	518,835
2,658,930	469,433	2,306,004
<u>8,699,718</u>	<u>6,352,501</u>	<u>8,383,342</u>
19,125,037	18,951,024	19,553,413
485,580	929,773	951,715
3,493,756	4,054,166	4,246,481
-	-	-
1,314,213	616,691	2,359,949
<u>24,418,586</u>	<u>24,551,654</u>	<u>27,111,558</u>
<u>\$ 33,118,304</u>	<u>\$ 30,904,155</u>	<u>\$ 35,494,900</u>
\$ (33,349,157)	\$ (44,937,782)	\$ (35,763,196)
1,215,731	870,008	3,103,312
<u>\$(32,133,426)</u>	<u>\$(44,067,774)</u>	<u>\$(32,659,884)</u>
\$ 22,472,350	\$ 23,758,243	\$ 25,044,496
7,458,230	6,230,025	5,882,325
111,619	120,329	121,242
2,850,027	3,393,874	3,014,846
2,418,273	3,242,124	1,570,639
(178,719)	-	-
956,044	939,421	1,039,438
4,973,519	3,732,003	1,447,292
<u>41,061,343</u>	<u>41,416,019</u>	<u>38,120,278</u>
1,899,345	2,411,495	1,488,934
(970,648)	-	-
-	-	-
(4,973,519)	(3,732,003)	(1,447,292)
-	-	-
<u>(4,044,822)</u>	<u>(1,320,508)</u>	<u>41,642</u>
<u>\$ 37,016,521</u>	<u>\$ 40,095,511</u>	<u>\$ 38,161,920</u>
\$ 7,712,186	\$ (3,521,763)	\$ 2,357,082
(2,829,091)	(450,500)	3,144,954
<u>\$ 4,883,095</u>	<u>\$(3,972,263)</u>	<u>\$ 5,502,036</u>

CITY OF ROWLETT, TEXAS

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

	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General fund					
Reserved	\$ 8,656	\$ 13,103	\$ 18,823	\$ 1,659,652	\$ 170,263
Unreserved	3,227,962	3,514,073	4,197,461	3,362,536	2,777,063
Total general fund	<u>\$ 3,236,618</u>	<u>\$ 3,527,176</u>	<u>\$ 4,216,284</u>	<u>\$ 5,022,188</u>	<u>\$ 2,947,326</u>
All other governmental funds					
Reserved	\$ 474,001	\$ 1,011,544	\$ 1,175,792	\$ 16,159,882	\$ 26,854,129
Unreserved, reported in:					
Special revenue funds	51,780	44,767	27,264	160,073	154,018
Capital project funds	10,404,421	4,538,696	5,310,696	-	-
Total all other governmental funds	<u>\$ 10,930,202</u>	<u>\$ 5,595,007</u>	<u>\$ 6,513,752</u>	<u>\$ 16,319,955</u>	<u>\$ 27,008,147</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 3

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

CITY OF ROWLETT, TEXAS

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues				
Taxes	\$ 11,317,073	\$ 12,723,048	\$ 14,710,190	\$ 16,642,021
Franchise fees	1,661,325	1,670,983	2,209,372	2,409,889
Licenses and permits	1,336,398	1,111,056	1,299,881	1,042,257
Charges for services	809,859	891,026	1,253,884	901,094
Fines and forfeitures	662,371	683,482	806,023	1,077,686
Intergovernmental	320,219	120,148	216,115	452,819
Intragovernmental	753,559	778,498	836,658	1,083,610
Interest	763,675	962,734	620,152	473,738
Miscellaneous	274,691	720,650	996,273	974,270
Total revenues	<u>17,899,170</u>	<u>19,661,625</u>	<u>22,948,548</u>	<u>25,057,384</u>
Expenditures				
General government	2,688,684	3,038,697	3,296,026	4,401,992
Public safety	7,377,236	8,350,941	10,131,991	11,312,329
Public works	2,803,920	2,875,488	3,778,404	3,878,885
Culture and recreation	n/a	n/a	n/a	n/a
Development	n/a	n/a	n/a	n/a
Debt service:				
Principal	1,527,298	1,949,622	2,045,000	2,405,000
Interest	1,842,084	2,119,626	2,434,983	2,198,881
Other charges	-	-	-	-
Capital outlay	6,991,295	11,646,413	4,239,784	3,269,716
Total expenditures	<u>23,230,517</u>	<u>29,980,787</u>	<u>25,926,188</u>	<u>27,466,803</u>
Excess of revenues over/(under) expenditures	(5,331,347)	(10,319,162)	(2,977,640)	(2,409,419)
Other Financing Sources/(Uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from sale of bonds	7,098,623	4,144,200	4,295,000	11,555,000
Premiums on bonds issued	n/a	n/a	n/a	n/a
Discounts on bonds issued	n/a	n/a	n/a	n/a
Payments to refunding bond escrow agent	-	-	-	-
Transfers in	1,531,932	1,876,160	925,760	1,081,498
Transfers out	(1,314,432)	(745,835)	(848,260)	(879,999)
Total other financing sources/(uses)	<u>7,316,123</u>	<u>5,274,525</u>	<u>4,372,500</u>	<u>11,756,499</u>
Net change in fund balances	<u>\$ 1,984,776</u>	<u>\$ (5,044,637)</u>	<u>\$ 1,394,860</u>	<u>\$ 9,347,080</u>
Debt service as a percentage of noncapital expenditures	14.5%	13.6%	17.3%	16.8%

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 4

		Fiscal Year									
		2003	2004	2005	2006	2007	2008				
\$	19,148,762	\$	20,621,070	\$	23,538,352	\$	29,954,902	\$	30,089,399		31,065,958
	2,233,351		2,587,990		2,418,182		2,850,027		3,393,874		3,018,734
	1,108,478		1,163,776		994,556		1,288,735		778,007		720,779
	1,397,231		1,265,001		1,321,381		2,318,143		2,415,006		2,343,594
	997,664		1,017,960		1,005,818		1,728,113		2,191,648		2,465,790
	829,382		931,636		1,711,827		1,753,744		892,635		1,270,253
	-		-		-		-		-		-
	561,483		402,908		878,622		2,400,651		3,211,947		1,556,897
	791,815		940,014		1,072,547		1,134,831		937,824		992,518
	<u>27,068,167</u>		<u>28,930,355</u>		<u>32,941,285</u>		<u>43,429,146</u>		<u>43,910,340</u>		<u>43,434,523</u>
	3,202,704		3,208,460		3,493,066		7,029,763		5,396,190		4,059,446
	12,995,737		13,890,075		14,808,481		17,302,986		18,616,295		18,429,503
	2,052,741		2,415,019		2,413,042		2,360,852		8,834,282		4,775,269
	2,505,666		2,856,944		3,327,315		5,116,947		5,171,047		4,462,616
	1,351,759		1,311,215		1,313,779		1,512,154		1,458,834		1,212,987
	3,215,000		3,080,000		3,985,000		4,890,000		7,285,049		5,991,212
	2,237,253		2,522,751		2,692,355		3,506,208		4,783,411		4,400,172
	353,394		133,775		703,265		315,607		25,000		-
	3,588,238		9,545,691		10,662,429		11,748,134		14,831,198		13,804,949
	<u>31,502,492</u>		<u>38,963,930</u>		<u>43,398,732</u>		<u>53,782,651</u>		<u>66,401,306</u>		<u>57,136,154</u>
	(4,434,325)		(10,033,575)		(10,457,447)		(10,353,505)		(22,490,966)		(13,701,631)
	-		-		213,956		-		-		39,461
	19,078,542		5,544,792		41,285,000		21,465,000		1,690,000		-
	n/a		n/a		318,843		291,917		-		-
	n/a		n/a		(233,114)		(30,614)		-		-
	(8,234,543)		(4,985,624)		(8,723,648)		-		-		-
	2,651,916		3,229,170		3,182,730		2,650,984		7,499,125		7,157,912
	(447,531)		(1,014,528)		(729,457)		(536,360)		(4,082,025)		(3,225,070)
	<u>13,048,384</u>		<u>2,773,810</u>		<u>35,314,310</u>		<u>23,840,927</u>		<u>5,107,100</u>		<u>3,972,303</u>
\$	<u>8,614,059</u>	\$	<u>(7,259,765)</u>	\$	<u>24,856,863</u>	\$	<u>13,487,422</u>	\$	<u>(17,383,866)</u>		<u>(9,729,328)</u>
	18.4%		14.7%		17.0%		16.2%		18.2%		18.2%

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

Fiscal Year	Property Tax	Sales Tax	Other	Total
1999	\$ 9,548,436	\$ 1,768,637	\$ -	11,317,073
2000	10,653,840	2,069,208	-	12,723,048
2001	12,263,567	2,446,623	-	14,710,190
2002	13,968,939	2,673,082	-	16,642,021
2003	16,303,292	2,767,989	77,481	19,148,762
2004	17,436,453	3,097,455	87,162	20,621,070
2005	19,679,705	3,760,344	98,303	23,538,352
2006	22,385,053	7,458,230	111,619	29,954,902
2007	23,739,045	6,230,025	120,329	30,089,399
2008	25,062,391	5,882,325	121,242	31,065,957

Source: City of Rowlett - Finance Department

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

Fiscal Year	Estimated Market Value		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
1999	\$ 1,547,860,420	\$ 75,203,840	\$ 149,759,312	\$ 1,473,304,948	0.64000
2000	1,723,853,440	93,833,660	159,491,539	1,658,195,561	0.64000
2001	1,992,755,840	94,262,590	186,403,152	1,900,615,278	0.64000
2002	2,256,966,560	123,998,760	216,164,020	2,164,801,300	0.64000
2003	2,615,332,420	148,119,230	241,899,279	2,521,552,371	0.64000
2004	2,794,686,350	135,846,450	244,309,008	2,686,223,792	0.64000
2005	3,001,096,970	138,562,630	270,204,525	2,869,455,075	0.67695
2006	3,152,152,570	143,648,500	317,521,416	2,978,279,654	0.74717
2007	3,328,602,160	155,650,970	342,854,454	3,141,398,676	0.74717
2008	3,505,032,790	165,364,960	361,998,133	3,308,399,617	0.74717

Source: Dallas County Appraisal District

CITY OF ROWLETT, TEXAS

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

Fiscal Year	City of Rowlett Direct Rates			Dallas County Properties				Overlapping Rates ⁽¹⁾
	General Fund	Debt		Dallas County	Dallas County Hospital District	Dallas County Community College District	Garland Independent School District	Total Direct & Overlapping Rates
		Service Fund	Total City					
1999	0.44310	0.19690	0.64000	0.20317	0.17990	0.05000	1.54450	2.61757
2000	0.44373	0.19627	0.64000	0.20170	0.19600	0.05000	1.47840	2.56610
2001	0.44664	0.19336	0.64000	0.20167	0.25400	0.05000	1.40530	2.55097
2002	0.45240	0.18760	0.64000	0.19600	0.25400	0.06000	1.45860	2.60860
2003	0.43313	0.20687	0.64000	0.19600	0.25400	0.06000	1.45800	2.60800
2004	0.46227	0.17773	0.64000	0.20390	0.25400	0.07780	1.55850	2.73420
2005	0.47413	0.20281	0.67695	0.20390	0.25400	0.08030	1.62140	2.83655
2006	0.50178	0.24539	0.747173	0.21390	0.25400	0.08160	1.67010	2.96677
2007	0.47872	0.26845	0.747173	0.21390	0.25400	0.08100	1.54490	2.84097
2008	0.46617	0.28100	0.747173	0.23281	0.25400	0.08040	1.25330	2.56769

(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
0.320200	1.49000	2.45020
0.353600	1.52110	2.51470
0.353600	1.57850	2.57210
0.350000	1.84000	2.83000
0.350000	1.83720	2.82720
0.350700	1.88000	2.87070
0.350700	1.88000	2.90765
0.350700	1.88000	2.97787
0.350700	1.71000	2.80787
0.350000	1.47000	2.56717

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

Taxpayer	2008			Taxpayer	1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lake Pointe Medical Center	\$ 29,582,040	1	0.89%	Texas Utilities	\$ 13,750,290	1	0.93%
Texas Utilities Electric Co	28,637,630	2	0.87%	Albertson Grocery Company	12,373,270	2	0.84%
Verizon	20,204,660	3	0.61%	General Telephone	10,295,520	3	0.70%
Wal Mart	19,904,570	4	0.60%	Lake Pointe Medical Center	7,530,490	4	0.51%
Lake Pointe Partners Limited	13,204,880	5	0.40%	Brookshire Grocery Company	6,919,470	5	0.47%
Home Depot	12,776,090	6	0.39%	Centex	3,856,060	6	0.26%
Randalls Food & Drugs LP	11,530,440	7	0.35%	Highland Homes	3,677,870	7	0.25%
Gemni Rowlett Crossing LP	9,557,570	8	0.29%	Prusak Family Ltd.	3,607,980	8	0.24%
Shafer Plaza LX VII LTD	8,997,170	9	0.27%	HR of Texas, Inc.	3,393,500	9	0.23%
Target Corporation	8,379,720	10	0.25%	Campbell Nursing Home	3,311,690	10	0.22%
	<u>\$ 162,774,770</u>		<u>4.92%</u>		<u>\$ 68,716,140</u>		<u>4.66%</u>

Source: Dallas County Tax Office

Source: City of Rowlett 1999 CAFR

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	9,426,228	9,374,969	99.46%	84,853	9,459,822	100.36%
2000	10,610,760	10,489,090	98.85%	86,942	10,576,032	99.67%
2001	12,232,018	11,981,403	97.95%	176,846	12,158,249	99.40%
2002	13,854,728	13,575,094	97.98%	183,093	13,758,187	99.30%
2003	16,137,934	15,767,490	97.70%	232,511	16,000,001	99.15%
2004	17,191,832	16,848,678	98.00%	383,311	17,231,989	100.23%
2005	19,424,633	19,018,687	97.91%	430,069	19,448,756	100.12%
2006	22,257,540	21,757,513	97.75%	230,955	21,988,468	98.79%
2007	23,379,880	22,812,468	97.57%	385,491	23,197,959	99.22%
2008	24,582,645	24,129,517	98.16%	432,572	24,562,089	99.92%

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
1999	\$ 29,435,000	\$ 10,735,000	\$ 39,622	\$ -
2000	29,820,000	12,585,000	-	-
2001	33,270,000	11,385,000	-	-
2002	38,045,000	15,760,000	-	-
2003	42,340,000	19,090,000	310,000	-
2004	41,145,000	17,470,000	770,000	-
2005	47,200,000	40,690,000	530,000	174,627
2006	44,325,000	60,350,000	320,000	1,308,775
2007	41,245,000	57,370,000	845,437	1,061,675
2008	38,030,000	55,210,000	260,437	1,086,291

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

Source: City of Rowlett - Finance Department

TABLE 10

Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
Revenue Bonds	Certificates of Obligation	Capital Leases			
\$ 21,240,000	\$ -	\$ -	\$ 61,449,622	4.51%	\$ 1,490
24,355,000	-	-	66,760,000	4.15%	1,500
25,295,000	-	-	69,950,000	4.25%	1,532
23,960,000	-	-	77,765,000	4.54%	1,622
22,520,000	-	179,910	84,439,910	4.76%	1,709
21,185,000	-	160,809	80,730,809	4.22%	1,589
45,015,000	-	47,166	133,656,793	6.36%	2,556
54,220,000	4,815,000	4,457,829	169,796,604	7.60%	3,198
51,035,000	4,695,000	4,245,257	160,497,369	6.83%	2,986
47,665,000	4,535,000	4,014,716	150,801,444	6.12%	2,785

**RATIO 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⁾
1999	\$ 40,209,622	\$ 474,001	\$ 39,735,621	2.70%	\$ 963
2000	42,405,000	1,011,544	41,393,456	2.50%	930
2001	44,655,000	1,175,792	43,479,208	2.29%	952
2002	53,805,000	1,295,017	52,509,983	2.43%	1,095
2003	61,740,000	1,608,700	60,131,300	2.38%	1,217
2004	59,385,000	1,304,239	58,080,761	2.16%	1,143
2005	88,420,000	1,172,787	87,247,213	3.04%	1,668
2006	104,995,000	937,316	104,057,684	3.49%	1,960
2007	99,460,437	566,928	98,893,509	3.15%	1,840
2008	93,500,437	436,794	93,063,643	2.81%	1,719

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

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
SEPTEMBER 30, 2008**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<u>Dallas County Properties:</u>			
Debt repaid with property taxes:			
Dallas County	\$ 163,660,552	4.16%	\$ 6,815,257
Dallas County Community College District	86,210,000	4.16%	3,590,012
Dallas County Hospital District	-	4.16%	-
Garland Independent School District	393,222,811	21.66%	85,172,061
Subtotal, overlapping debt			95,577,329
City of Rowlett, direct debt			93,500,437
Total direct and overlapping debt			<u>\$ 189,077,766</u>
<u>Rockwall County Properties:</u>			
Debt repaid with property taxes:			
Rockwall County	\$ 20,045,000	9.43%	\$ 1,890,296
Rockwall Independent School District	358,838,101	14.93%	53,579,014
Subtotal, overlapping debt			55,469,310
City of Rowlett, direct debt			93,500,437
Total direct and overlapping debt			<u>\$ 148,969,747</u>

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

Source: Debt outstanding data provided by each governmental unit.

**COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
SEPTEMBER 30, 2008**

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, 2008, is \$ 0.747173 per \$100 of assessed valuation, with assessed valuation being 100% of appraised value.

Source: City of Rowlett - Finance Department

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

Fiscal Year	Water and Sewer Charges and Other ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue	Debt Service ⁽¹⁾		Coverage
				Principal	Interest	
1999	\$ 9,504,047	\$ 5,655,444	\$ 3,848,603	\$ 1,062,000	\$ 492,983	2.48
2000	10,984,464	6,654,628	4,329,836	1,217,750	583,043	2.40
2001	11,463,057	6,851,824	4,611,233	1,264,750	571,284	2.51
2002	14,088,657	10,878,762	3,209,895	1,261,053	532,964	1.79
2003	11,702,149	8,580,944	3,121,205	1,251,111	481,319	1.80
2004	16,163,854	9,514,217	6,649,637	1,246,176	417,569	4.00
2005	18,467,908	10,277,087	8,190,821	1,988,500	854,613	2.88
2006	19,778,203	12,618,049	7,160,154	2,711,000	1,092,634	1.88
2007	19,157,633	11,947,291	7,210,342	2,686,053	1,025,084	1.94
2008	19,754,519	11,762,579	7,991,940	2,648,056	962,571	2.21

⁽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

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

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	
					Dallas County	Rowlett
1999	41,250	\$ 1,363,972,500	\$ 33,066	10,267	3.5%	n/a
2000	44,503	1,609,985,031	36,177	10,631	4.1%	n/a
2001	45,653	1,647,708,076	36,092	10,924	5.0%	n/a
2002	47,950	1,711,719,100	35,698	11,203	7.3%	n/a
2003	49,423	1,773,939,739	35,893	11,186	7.7%	n/a
2004	50,800	1,913,890,000	37,675	11,371	6.9%	n/a
2005	52,300	2,102,564,600	40,202	10,914	5.9%	5.0%
2006	53,100	2,233,810,800	42,068	10,716	5.6%	4.6%
2007	53,750	2,351,601,200	43,751	11,470	4.6%	3.9%
2008	54,150	2,463,865,548	45,501	11,500	4.8%	4.2%

⁽¹⁾ North Central Texas Council of Governments.

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

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

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

**PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND NINE YEARS AGO
SEPTEMBER 30, 2008**

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Garland ISD (City schools only)	1,076	1	3.79%	n/a	1	n/a
Lake Pointe Medical Center	700	2	2.47%	n/a	2	n/a
Wal-mart Supercenter	500	3	1.76%	n/a	3	n/a
City of Rowlett	393	4	1.39%	n/a	4	n/a
Target Corporation	275	5	0.97%	n/a	5	n/a
Senior Care at Lake Pointe	190	7	0.67%	n/a	7	n/a
Rowlett Nursing Home	152	6	0.54%	n/a	6	n/a
H & S Manufacturing	135	8	0.48%	n/a	8	n/a
Store Décor	126	9	0.44%	n/a	9	n/a
Albertson's, Inc.	125	10	0.44%	n/a	10	n/a
	<u>3,672</u>		<u>12.95%</u>	\$ -		<u>0.00%</u>

Source: City of Rowlett - Economic Development Department
*1999 not available

CITY OF ROWLETT, TEXAS

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Function/Program				
General government				
City council	3.50	3.50	3.50	3.50
City manager	3.63	3.63	3.88	4.00
City secretary	3.00	3.00	3.00	3.00
Financial services	19.00	21.00	23.13	24.25
Information technology	1.00	2.00	2.00	2.00
Public information office	-	-	-	-
Human resources	3.00	3.00	3.00	3.00
Buildings and grounds	2.50	2.50	2.50	3.00
Public safety				
Police	75.00	78.00	83.00	86.00
Fire	60.50	60.75	61.50	64.50
Municipal court	6.00	6.00	6.00	7.00
Animal services	3.00	3.00	3.62	4.00
Environmental services	2.00	2.00	3.00	3.00
Public works				
Administration & engineering	5.00	6.00	7.00	8.00
Streets	9.00	9.00	10.00	10.00
Fleet services	1.00	1.00	1.00	1.00
Traffic maintenance	2.00	2.00	2.00	2.00
Water and sewer	17.00	17.00	19.00	20.00
Drainage	n/a	n/a	n/a	n/a
Culture and recreation				
Parks administration	3.00	2.00	2.00	2.00
Parks operations	9.00	8.00	9.00	9.00
Community athletics	5.50	4.50	4.50	4.50
Community centre	3.00	3.00	3.00	3.00
Wet zone	1.00	1.00	1.00	1.00
Urban Forestry	-	-	-	-
Library services	10.50	10.50	11.50	12.00
Development				
Planning	4.00	4.00	7.00	7.00
Building inspections	4.00	4.00	4.00	4.00
GIS	1.00	1.00	1.00	2.00
Economic development	1.00	1.00	1.00	1.00
Total fte's by Function/Program	<u>258.13</u>	<u>262.38</u>	<u>281.13</u>	<u>293.75</u>
Fund				
General	227.13	229.38	245.13	254.75
Water and sewer	31.00	33.00	36.00	39.00
Drainage	n/a	n/a	n/a	n/a
Wet zone	n/a	n/a	n/a	n/a
Fleet services	n/a	n/a	n/a	n/a
Information technology	n/a	n/a	n/a	n/a
Total fte's by Fund	<u>258.13</u>	<u>262.38</u>	<u>281.13</u>	<u>293.75</u>

Source: City of Rowlett - Finance Department

TABLE 17

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
3.50	3.50	3.50	3.50	3.50	3.50
3.00	5.00	5.00	5.00	5.00	4.00
3.00	3.00	3.00	3.00	3.00	3.00
27.00	28.00	28.00	22.50	22.50	22.00
3.00	5.00	5.00	7.00	7.00	5.00
3.00	2.00	3.00	3.00	4.00	6.00
3.00	3.00	5.00	5.00	5.00	3.00
3.00	6.50	6.50	7.50	7.50	6.00
93.25	98.25	98.75	102.75	114.00	114.00
69.00	75.50	75.50	77.00	77.00	77.00
7.00	7.00	7.00	9.00	9.00	8.50
5.00	5.00	5.00	5.00	5.00	5.00
4.00	5.00	4.00	5.00	5.00	5.50
8.00	7.00	10.00	10.00	11.00	9.00
14.00	17.00	17.00	17.00	19.00	17.00
2.00	2.00	2.00	3.00	3.00	3.00
2.00	2.00	2.00	2.00	-	-
23.00	27.00	27.00	27.00	27.00	23.00
2.00	2.00	2.00	2.00	2.00	2.00
2.00	2.00	2.00	3.00	3.00	4.00
10.00	10.00	10.00	10.00	10.00	12.00
4.00	4.00	4.00	2.00	-	-
7.50	8.00	8.00	9.00	11.00	9.00
19.75	19.75	19.75	22.00	22.00	22.00
1.00	1.00	1.00	3.00	4.00	-
15.00	14.50	14.50	15.00	15.00	16.00
7.00	6.00	7.00	7.00	7.00	5.00
5.00	5.00	5.00	5.00	5.00	4.00
2.00	2.00	2.00	3.00	3.00	2.00
2.00	2.00	2.00	2.00	2.00	2.00
353.00	378.00	384.50	397.25	411.50	392.50
285.25	305.25	308.75	341.25	362.50	350.50
46.00	51.00	54.00	44.00	37.00	32.00
2.00	2.00	2.00	2.00	2.00	2.00
19.75	19.75	19.75	n/a	n/a	n/a
n/a	n/a	n/a	3.00	3.00	3.00
n/a	n/a	n/a	7.00	7.00	5.00
353.00	378.00	384.50	397.25	411.50	392.50

CITY OF ROWLETT, TEXAS

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

Function/Program	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Public Safety				
Number of police employees	75	78	83	86
Number of citations	8,232	11,716	14,421	12,712
Number of fire employees	61	61	62	65
Number of fire calls	1,782	1,484	1,087	1,039
Number of EMS calls	1,666	1,582	1,753	1,949
Fire inspections	634	1,063	840	998
Public Works				
Asphalt replaced (tons)	n/a	n/a	n/a	232
Concrete placed (cubic yards)	n/a	n/a	n/a	201
Concrete pavement (sq ft)	n/a	n/a	n/a	6,490
Culture and recreation				
Volumes in collection	45,482	40,140	52,342	56,785
Development				
Permits issued	817	818	844	703
Water and Sewer				
Number of water customers	15,527	15,324	15,457	17,068
Average daily water consumption	6,577,879	7,392,181	7,302,000	7,076,667
Peak daily water consumption	16,163,000	21,983,000	21,317,000	15,514,000
Number of sewer customers	14,615	14,828	14,756	16,577
Average daily sewer usage	3,134,679	3,158,745	3,155,937	4,117,000

Source: City of Rowlett Departments

TABLE 18

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
93	98	99	103	114	114
11,099	11,360	12,624	10,245	19,430	18,507
69	76	76	77	77	77
1,030	1,075	1,096	1,451	1,403	1,361
1,986	2,014	2,307	2,378	2,305	2,496
873	1,370	1,237	1,232	1,125	1,365
592	2,071	1,210	1,839	3,034	3,270
555	698	443	191	200	3,184
10,679	18,870	18,506	7,296	7,522	171,989
62,424	71,701	74,956	76,237	85,374	93,451
656	473	329	326	125	97
18,001	18,236	18,400	19,270	19,019	19,006
7,641,199	7,321,447	7,908,956	8,272,239	5,660,705	7,422,493
18,390,000	15,473,000	17,806,000	17,221,000	13,257,000	17,373,000
17,483	17,247	17,504	18,199	18,002	18,456
3,471,326	4,304,359	4,792,605	4,798,498	4,005,619	3,529,445

CITY OF ROWLETT, TEXAS

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

Function/Program	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Public Safety				
Police stations	1	1	1	1
Marked Police units	13	13	13	13
Fire stations	3	3	3	3
Public Works				
Miles of streets	419	441	451	462
Miles of alleys	n/a	n/a	n/a	n/a
Culture and recreation				
Parks acreage - developed	260	256	256	256
Parks acreage - undeveloped	269	258	258	258
Libraries	1	1	1	1
Water and Sewer				
Water mains (miles)	175	175	220	240
Fire hydrants	1,325	1,451	1,545	1,564
Sewer mains (miles)	165	165	200	200

Source: City of Rowlett Departments

TABLE 19

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1	1	1	1	1	1
15	15	16	16	16	21
3	3	4	4	4	4
466	472	478	480	551	534
n/a	103	106	151	105	105
256	536	604	607	607	607
258	274	379	376	376	376
1	1	1	1	1	1
240	246	259	236	245	253
1,593	1,604	1,865	1,875	1,911	1,948
200	210	232	226	234	235

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