



**CITY OF ROWLETT, TEXAS**  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2012

**Prepared by**

Department of Financial Services

Brian Funderburk, Assistant City Manager/Chief Financial Officer  
Alan Guard, Director of Financial Services  
Wendy Badgett, Accounting Manager

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**CITY OF ROWLETT, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2012**

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## **INTRODUCTORY SECTION**

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March 29, 2013

**Mayor**  
Todd Gottel

**Mayor Pro Tem**  
Doug Phillips

**Deputy Mayor**  
**Pro Tem**  
Chris Kilgore

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

**City Manager**  
Lynda K. Humble

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

**Rowlett.com**  
City of Rowlett  
4000 Main Street  
Rowlett, TX 75088

972.463.CITY  
972.412.6118 Fax

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, 2012. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

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

Weaver and Tidwell, L.L.P., have issued an unqualified ("clean") opinion on the City of Rowlett's financial statements for the year ended September 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter and should be read in conjunction with it.

### **Profile of the Government**

The City of Rowlett is located 20 miles northeast of Dallas. Surrounded by more than 30 miles of shoreline on beautiful Lake Ray Hubbard, Rowlett is poised to capitalize from the completion of the President George Bush Turnpike and the arrival of the new Dart Light Rail Station. Once a small farming community, the City has doubled in population over the past sixteen years. It currently occupies 20.2 square miles and serves a population estimated by The North Central Texas Council of Governments of 56,310. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

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

The City Manager is the Chief Executive Officer of city government. Appointed directly by the City Council, the City Manager is in charge of the day-to-day operations of the City. The City Manager is responsible for implementing the policy direction of the City Council in an efficient, effective, responsive, and responsible manner.

The City Council is elected at-large representing all residents within the City Limits. The Mayor and six Council members serve staggered three year terms creating a three-year cycle. The mayor and three Council positions are filled in one cycle, three Council positions are selected in the second cycle, and there is no election in the third cycle.

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

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

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

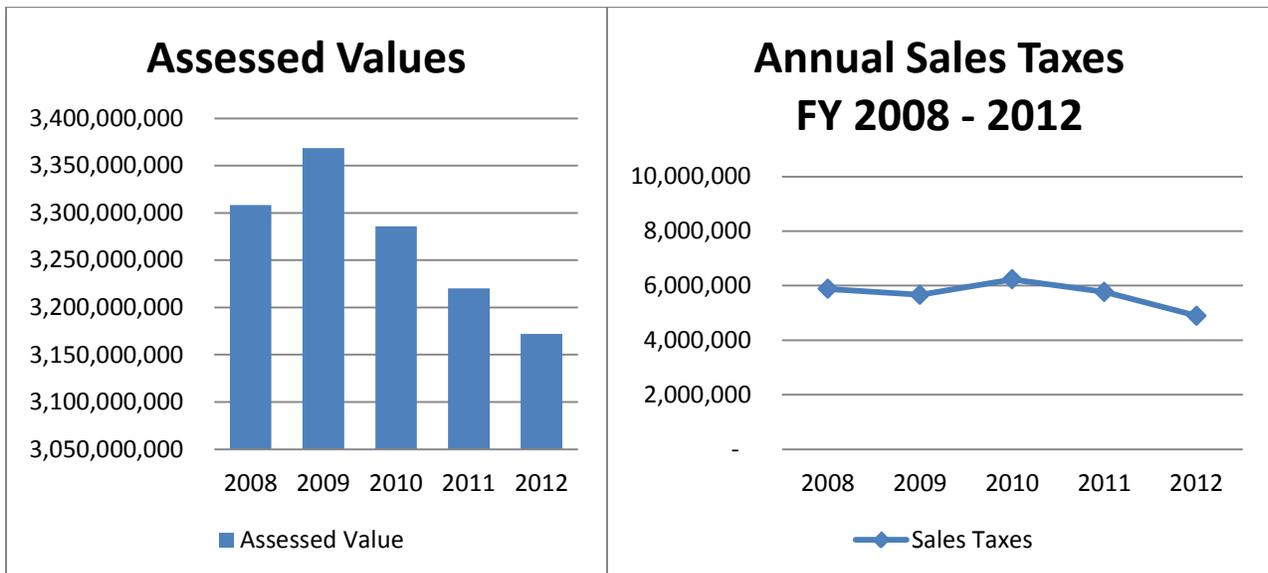
It is possible to amend the budget with City Council action to provide for any emergency items that were unforeseen during the regular budget process. Most unexpended appropriations lapse at year-end; however, the City's financial policies specify that funds budgeted for capital purposes automatically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

## **Local Economy**

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

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

City-wide, our average annual unemployment rate decreased from 7.9% to 7.2% for the year comparing well with the statewide average of 6.6%, the Metroplex average of 6.3%, and the national average of 7.8%. Sales tax collections decreased by 15% over the previous year primarily due to decreased taxable sales for a significant developer in which 90% of the taxes are rebated back to the developer. When taking into account the decrease in the rebates, net sales taxes actually increased 2.9%. New residential building construction in Rowlett increased in the current year from 24 in 2011 to 89 in 2012. Commercial permits also increased, growing from 3 in 2011 to 7 in 2012. The value of this new construction, along with other additions, added an estimated \$12.1 million of new taxable value to our tax rolls for the upcoming year, up 12.0% from the previous year's increased value of \$10.8 million. While there has been some interest on the part of the development community to begin to develop new home subdivisions and additional commercial projects, there has been nothing approved that suggests there will be significant new construction added in 2013. 2012 data from the appraisal districts indicated an overall 1.2% decrease in property value thus decreasing taxable assessed value by \$48.4 million. Preliminary data for 2013 is suggesting a 1.5% reduction in assessed taxable valuation further eroding assessed valuation an additional \$47.1 million. These factors, although not overly positive provide the cornerstone for developing the budget and operating plan for the upcoming year and may be one of the indicators of the "new normal".



To address Rowlett’s future direction and declining taxable home values, the City embarked on the Realize Rowlett 2020 Planning Process, a fast-paced, focused initiative project to create a vision of Rowlett’s future on land use, economic development and public capital investments, and set action items to make that vision a reality. This new strategy will help Rowlett take advantage of opportunities available to the City now and will enhance the attractions that already make this community special and unique. Realize Rowlett 2020 Phase I , the first step in proactive planning of the City’s future, began in April 2011 and concluded with the adoption of the City’s new Comprehensive Plan, a high level overview that establishes the vision and provides implementation strategies that are used to create zoning regulations and boundaries. Phase II began in June 2012 to look at four catalyst areas in detail to identify the framework and regulatory tools needed to achieve the community vision. Four Form Based Code Zoning districts, Woodside Living, Signature Gateway, Healthy Living and Downtown, were adopted in November 2012. The City is committed to continuing this journey in the years to come to protect the community’s vision, provide for a diversity of housing types and ultimately diversify the commercial tax base.

The fiscal year 2013 budget represents the third year of implementation of the Five Year Sustainability Financial Plan. All decisions regarding revenue projections follow the same fiscally conservative approach that began in 2010. Expenditures were evaluated from the perspective of organizational sustainability. For the eighth consecutive year, the property tax rate will be unchanged at \$0.747173 per \$100 of assessed

valuation. Accommodating a flat tax rate was a significant challenge given a 1.5% reduction in taxable property values. As a result, the total fiscal year 2013 adopted budget is \$82.8 million. This is an increase of \$2.5 million, or 3.1%, compared to the 2012 approved budget of \$80.3 million. The main reason for the increase is an addition of \$2.3 million of capital maintenance in the Utility Fund to address serious deficiencies in the City's water and sewer infrastructure; however, \$2 million of this increase is adopted to be passed on to customers. In addition, the cost of water acquisition from North Texas Municipal Water District (NTMWD) will increase 15.1%, or \$0.7 million, due to cost increases passed on by NTMWD as a result of the zebra mussel problem in Lake Lavon. This budget and those that follow will continue to utilize the principles of the Five Year Sustainability Financial Plan and the challenges facing the City during these challenging economic times.

**Relevant Financial Policies**

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

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

The City's ability to maintain adequate reserves is critical in allowing flexibility in budgeting and responsiveness to unforeseen short term economic conditions. The City is proud to report that reserve balance requirements have been met or exceeded in all instances.

**Major Initiatives**

**For the Year.** During fiscal year 2012, the City capitalized \$3.9 million in major construction projects and acquisitions, including golf course drainage improvements, State Highway 66 East sewer line improvements, Hickox Road Phase II improvements, Chaha Road and Katy Park alley reconstructions, Merritt Rd Interconnector and Dart right-of-ways, new "radio-read" water meters, and a new fire truck and ambulance. Much of the City's strategic focus over the past few years has been on road construction and system improvements as we have moved toward the end of construction of the President George Bush Turnpike and Dart Light Rail Station. During this fiscal year, the City also began to focus on addressing replacement of utility and heavy equipment.

**For the Future.** For fiscal year 2013, the City adopted a Two Year Capital Improvements Plan ("CIP") totaling \$24.1 million encompassing a variety of projects in public works, public safety, parks and recreation, water and wastewater and capital equipment. The most significant projects include \$16.0 million for utility improvements that will focus on preventative maintenance programs as well as infrastructure replacement and upgrades, such as \$5.9 million for water and sewer line installations, repair and replacements, \$3.2 million for an elevated water tank, \$3.1 million for pump station improvements, and \$1.1 million for preventative maintenance. Additional major projects include \$3.8 million for asphalt and concrete improvements to roadways and sidewalk improvements and \$1.4 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 \$18.0 million in fiscal years 2012 – 2014 is projected to come from federal/state/local grants. The Two Year CIP, as adopted, contains the following additional fiscal

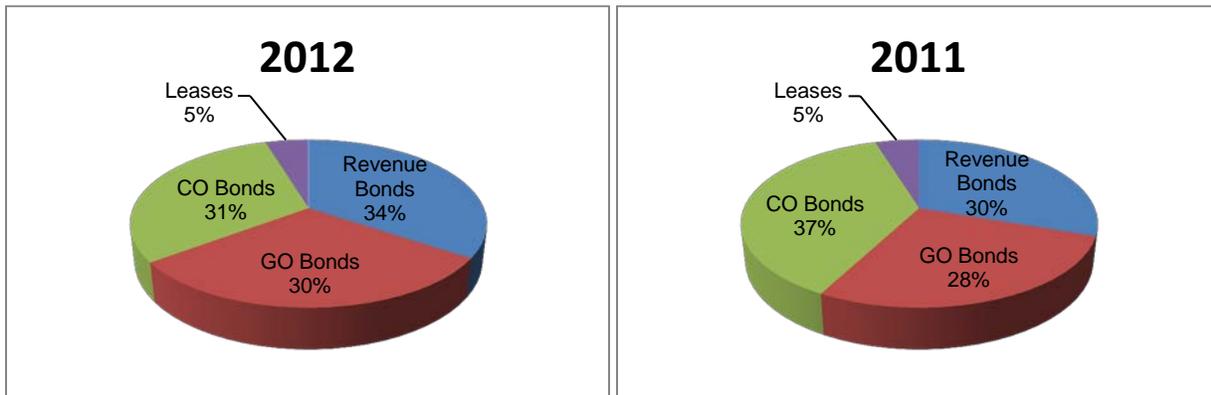
year 2012 benefits to support the significant utility improvements which will address the upper pressure water zone and deferred maintenance of the utility system:

- \$8.5 million added in new Series 2012 revenue bonds for Water and Sewer Fund
- An adopted \$2.8 million to the Utility Fund Cash CIP and \$2.25 million annually for water and sewer maintenance purposes

The refundings that occurred in 2012 were done primarily to reduce interest rates. Evident in the charts below is the change in the mix of debt between GO Bonds and CO Bonds due to the refunding. The property tax rate has remained 0.747173 per \$100 of assessed valuation for the past seven years.

At September 30, 2012, the City had various debt issues outstanding totaling \$124 million exclusive of premiums, discounts or deferred losses. Of this total, \$78 million is supported by a combination of ad valorem taxes, developer contributions and lease payments. Revenues from the enterprise funds support \$46 million.

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



During the year, Standard & Poor's rated the City's 2012 general obligation and revenue bonds at AA-. In addition, Moody's Investors Service rated the City as Aa3 on general obligation and revenue bonds. These ratings are indicative of sound financial principles and practices.

The current budget takes into account the value of every dollar spent and a common theme around city hall is "work smarter, not harder". This phrase emphasizes the desire to get more done with better tools and technology. The focus is on "citizen centered" government and to put the right resources in the right place at the right time.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rowlett for its CAFR for the fiscal year ended 2011.

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

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

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

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

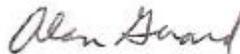
Respectfully submitted,



Lynda Humble  
City Manager

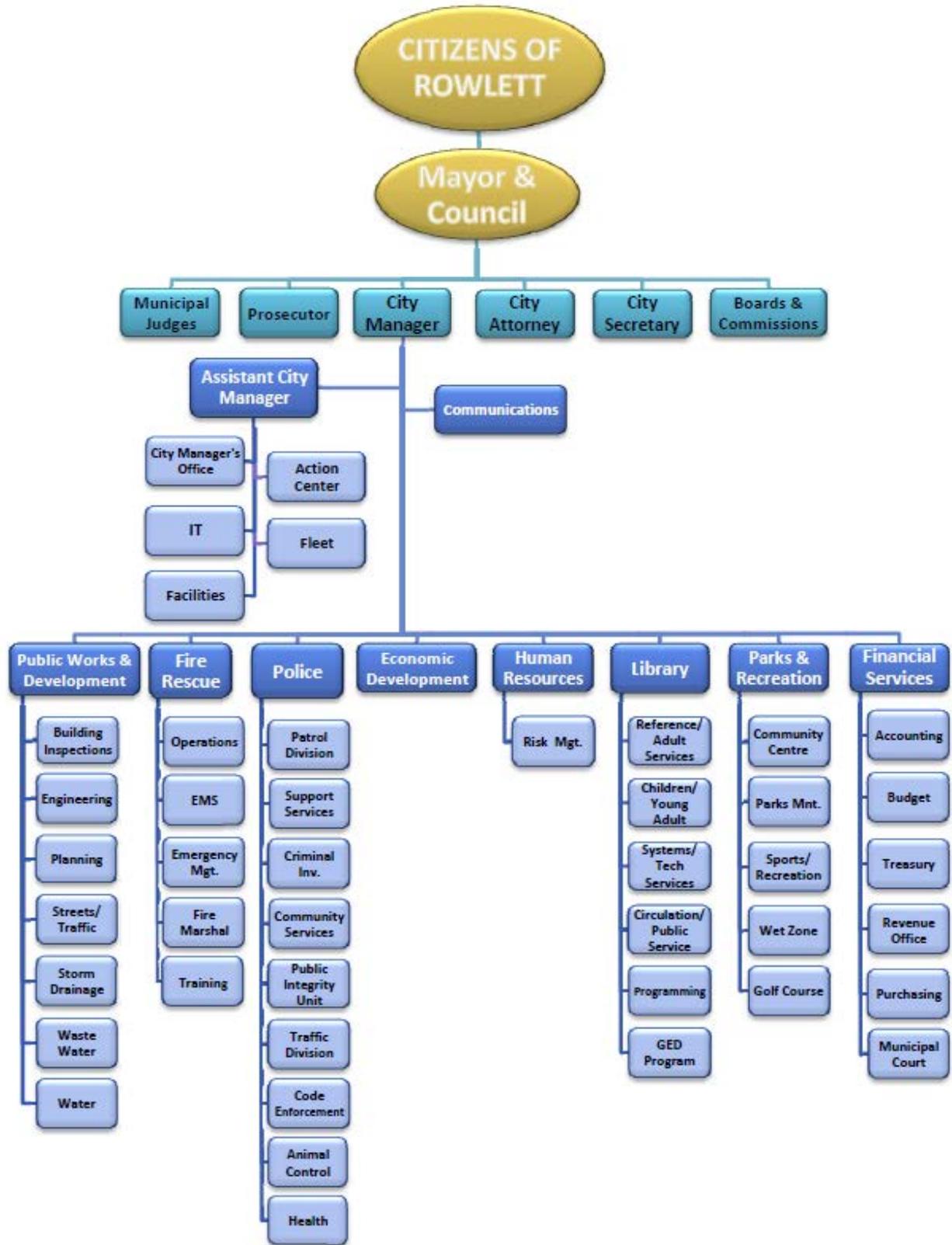


Brian Funderburk  
Assistant City Manager/Chief Financial Officer



Alan Guard  
Director of Financial Services

# ORGANIZATION CHART



# CITY OF ROWLETT

## LIST OF PRINCIPAL OFFICIALS

### CITY COUNCIL

Todd Gottel	Mayor
Doug Phillips	Mayor Pro-tem
Michael Gallops	Deputy Mayor Pro-tem
Donna Davis	Councilmember
Carl Pankratz	Councilmember
Ron Miller	Councilmember
Chris Kilgore	Councilmember

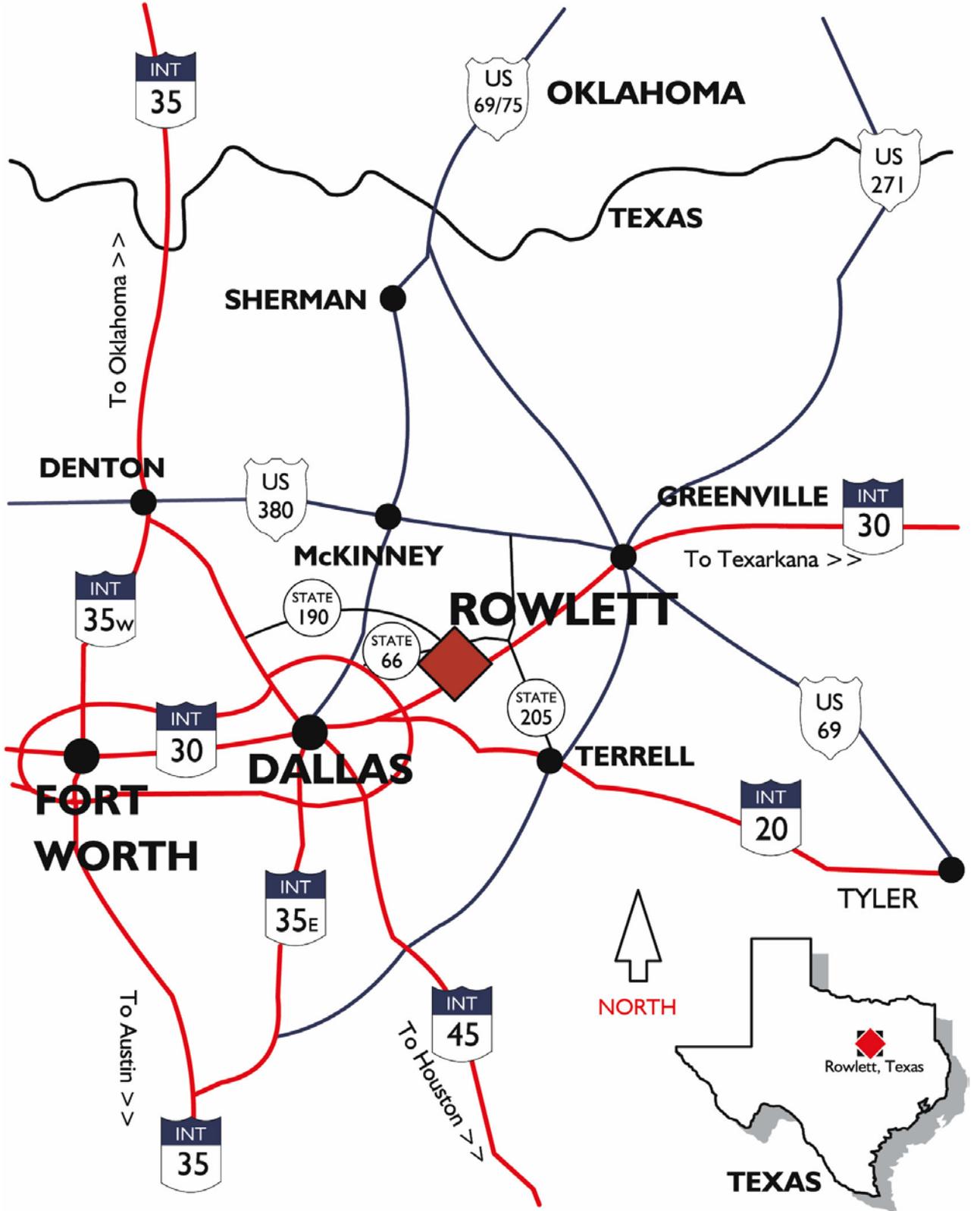
### APPOINTED OFFICIALS

Lynda Humble	City Manager
David Berman	City Attorney
Stacey Chadwick	Acting City Secretary
Owen Lokken	Municipal Judge
Amy Thomas	City Prosecutor

### MANAGEMENT TEAM

Brian Funderburk	Assistant City Manager/CFO
Jim Grabenhorst	Economic Development
Alan Guard	Financial Services
George Harris	Fire Rescue
Jermel Stevenson	Parks and Recreation
Erin Jones	Planning
William Brodnax	Police
Shante' Akafia	Human Resources
Jim Proce	Public Works/Development
Kathy Freiheit	Library

CITY OF ROWLETT  
LOCATION MAP



Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Rowlett  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

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.



*Christopher P. Moivre*

President

*Jeffrey R. Emer*

Executive Director



## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rowlett, Texas (the City) as of and for the year ended September 30, 2012, 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'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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rowlett, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, on our consideration of the City of Rowlett's internal control over financial reporting and 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, 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.

Accounting principles generally accepted in the United States of America require management's discussion and analysis (on pages 3-12) and the budgetary comparison schedule – General Fund (on pages 56-57) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

City of Rowlett, Texas

Page 2

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
March 29, 2013

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**(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, 2012. 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, 2012 by \$119 million (net assets). Of this amount, \$13 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Rowlett's net assets of governmental activities increased by \$3 million or 7% as a result of this year's operations. Program revenues increased \$3 million due to increased capital grants. General revenues decreased \$0.2 million primarily as a result of lower property tax revenue and lower interest income due to spending down bond funds and lower interest rates. Overall operating expenses increased \$1 million, primarily due to public works increasing \$1 million and public safety increasing \$0.4 million, offset by decreases in other functional areas including interest on long term debt.
- Net assets of the City's business type activities decreased by \$1 million or 1%, mainly attributable to water revenues decreasing by \$1 million due to a 10.6% reduction in consumption caused by the stage 3 water drought restrictions beginning in November 2011. Operating expenses increased \$1 million primarily as a result of \$0.6 million in increased water supply and wastewater treatment and \$0.4 million in drainage system improvements.
- As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$17 million, a decrease of \$6 million from the prior year, primarily due to spending down \$14 million in bond construction fund and cash funds for various repairs and capital improvements. Of this amount, \$6 million is unassigned and available for spending subject to the City's reserve policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6 million or approximately 20% percent of total general fund expenditures.
- The City's total bonded debt for governmental activities decreased by \$6 million during the current fiscal year. Total bonded debt for enterprise funds increased by \$4 million during the fiscal year ended September 30, 2012. The City issued General Obligation Refunding Bonds, Series 2011 and Series 2012 in the amount of \$26 million to advance refund previously outstanding bonds and issued Waterworks and Sewer System Revenue Bonds, Series 2012 in the amount of \$9 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**(UNAUDITED)**

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

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

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

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

## **Reporting the City's Most Significant Funds**

### Fund Financial Statements

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

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

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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 internal service fund (the other component of proprietary funds) is utilized to report activities that provide services for the City's other programs such as the City's self-insurance fund. Because these services benefit the governmental functions, they have been included in the governmental activities in the government-wide financial statements.

The City maintains three enterprise funds. The City uses enterprise funds to account for its water and sewer, refuse, and municipal drainage. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, municipal drainage and solid waste functions, all three of which are considered to be major funds of the City.

## **OTHER INFORMATION**

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

### **The City as a Whole – Government-Wide Financial Analysis**

The City's combined net assets were \$119 million as of September 30, 2012. Analyzing the net assets and net expenses of governmental and business-type activities separately, governmental type activities net assets are \$47 million and business type activities net assets are \$72 million. This analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and business-type activities.

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

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 30,437	\$ 39,053	\$ 36,200	\$ 30,310	\$ 66,637	\$ 69,363
Capital assets	106,477	102,560	89,709	91,562	196,186	194,122
Total assets	<u>136,914</u>	<u>141,613</u>	<u>125,909</u>	<u>121,872</u>	<u>262,823</u>	<u>263,485</u>
Current liabilities	11,527	13,202	3,215	2,391	14,742	15,593
Noncurrent liabilities	78,836	84,782	50,328	46,105	129,164	130,887
Total liabilities	<u>90,363</u>	<u>97,984</u>	<u>53,543</u>	<u>48,496</u>	<u>143,906</u>	<u>146,480</u>
Net assets:						
Invested in capital assets, net of related debt	31,917	32,375	62,577	63,268	94,494	95,643
Restricted	9,171	4,747	2,328	3,225	11,499	7,972
Unrestricted	<u>5,463</u>	<u>6,507</u>	<u>7,461</u>	<u>6,883</u>	<u>12,924</u>	<u>13,390</u>
Total net assets	<u>\$ 46,551</u>	<u>\$ 43,629</u>	<u>\$ 72,366</u>	<u>\$ 73,376</u>	<u>\$ 118,917</u>	<u>\$ 117,005</u>

By far, the largest portion of the City's net assets (79%) 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 \$2 million. The key elements of this increase are as shown in Table II on the next page:

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

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 5,103	\$ 5,768	\$ 28,293	\$ 29,352	\$ 33,396	\$ 35,120
Operating grants and contributions	901	963	-	-	901	963
Capital grants and contributions	6,749	2,688	145	560	6,894	3,248
General revenues						
Property taxes	23,805	23,968	-	-	23,805	23,968
Sales taxes	4,894	5,768	-	-	4,894	5,768
Other taxes	48	125	-	-	48	125
Investment income	77	166	54	103	131	269
Other	4,376	3,385	97	-	4,473	3,385
Total revenues	<u>45,953</u>	<u>42,831</u>	<u>28,589</u>	<u>30,015</u>	<u>74,542</u>	<u>72,846</u>
<b>Expenses</b>						
General government	4,275	5,044	-	-	4,275	5,044
Public safety	20,456	20,077	-	-	20,456	20,077
Public works	13,472	12,321	-	-	13,472	12,321
Culture and recreation	4,975	4,796	-	-	4,975	4,796
Development	881	726	-	-	881	726
Interest on long-term debt	2,888	3,445	-	-	2,888	3,445
Water and sewer	-	-	20,275	19,715	20,275	19,715
Refuse	-	-	3,316	3,281	3,316	3,281
Drainage	-	-	2,092	1,670	2,092	1,670
Total expenses	<u>46,947</u>	<u>46,409</u>	<u>25,683</u>	<u>24,666</u>	<u>72,630</u>	<u>71,075</u>
Increase (decrease) in net assets before transfers	(994)	(3,578)	2,906	5,349	1,912	1,771
Transfers	<u>3,916</u>	<u>4,999</u>	<u>(3,916)</u>	<u>(4,999)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	2,922	1,421	(1,010)	350	1,912	1,771
Net assets, beginning	<u>43,629</u>	<u>42,208</u>	<u>73,376</u>	<u>73,026</u>	<u>117,005</u>	<u>115,234</u>
Net assets, ending	<u>\$46,551</u>	<u>\$43,629</u>	<u>\$72,366</u>	<u>\$73,376</u>	<u>\$118,917</u>	<u>\$117,005</u>

**Governmental Activities**

Total revenues for governmental activities, exclusive of transfers, were \$46 million in fiscal year 2012, up 7% from the previous year, primarily in increased capital grants and contributions. There were modest decreases in property taxes and investment income and a decrease in sales tax, which related to the elimination of a rebate agreement with a developer; however, when taking into account the decrease in the rebates, net sales taxes actually increased 2.9%. The most significant revenue source is property tax revenues which represent \$24 million or 52% of the total. The most significant governmental expense for the City was in providing public safety for the community, which incurred expenses of \$20 million, or 44% of total expenses. These expenses were partially offset by revenues collected from a variety of sources, with the largest being from court fines totaling nearly \$1 million. Depreciation for all governmental capital assets totaled \$7 million representing 15% of the total.

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**Business-type Activities**

Revenues of the City's business-type activities were \$29 million for the fiscal year ending September 30, 2012, down 5%. Water and sewer charges account for \$23 million of this amount or 80%. Total operating expenses were \$26 million of which the water and sewer fund accounted for \$20 million or 79%. Total net assets for business-type activities decreased \$1 million attributable primarily to increased operating expenses and decreased capital contributions. Changes in net assets for the Water and Sewer, Drainage, and Refuse were (\$.05 million), (\$.9 million), and (\$.07 million), respectively.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17 million. Approximately 38% of this total amount, \$6 million, constitutes unassigned fund balance. The remainder of the fund balance is restricted to indicate that it is not available to pay for new spending because it has already been committed to pay for capital projects of \$8 million and other items totaling \$1.5 million. The fund balance for all governmental funds decreased \$6 million primarily due to spending bond construction funds for capital improvements.

In the general fund, the original budget projected a decrease in fund balance. The general fund fund balance decreased \$1.4 million this fiscal year primarily as a result of operating revenues declining \$2 million due to decreased property taxes caused by a 1.2% decline in property values, coupled with a decrease in sales tax. These declines were offset by a decrease of \$0.2 million in operating expenditures and \$1 million in nonoperating proceeds from capital leases stemming from the prior year purchase of fire and police software and hardware.

Ultimately, revenues met expectations and expenditures exceeded the final amended budget by \$1.3 million.

Revenues in the debt service fund, exclusive of transfers decreased by \$0.05 million as result of decreased property tax revenue caused by property values declining 1.2% from the prior fiscal year.

The capital projects fund expended \$14 million in fiscal year 2012, an increase from 2011 expenditures of \$6 million primarily due to the completion of several significant projects. Revenues increased by \$4 million primarily due to increased grant income. The City did not issue any new bonds for capital projects in 2012 electing to spend down construction funds accumulated in previous years.

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

The water and sewer, drainage, and refuse enterprises recorded decreases in net assets of \$.05 million, \$.9 million, and \$.07 million respectively. The net assets of the Water and Sewer fund remained relatively flat, with a \$.05 decrease. This decrease is due to a combination of operating and nonoperating activities. Operating income decreased \$1 million due to a 10.6% reduction in water consumption resulting from stage 3 drought water restrictions implemented in November 2011. In addition operating expenses increased \$1 million primarily due to water and wastewater costs. Nonoperating investment income decreased by \$.05 million. These changes from previous year were

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offset by a \$1 million decrease in nonoperating interest and fiscal charges as a result of debt refunding, and a \$1 million increase in transfers from other funds.

The decrease in net assets in the drainage fund is primarily due to a \$0.4 million increase in storm drain system improvements. Additionally, there were no capital contributions in the current year, compared to \$0.2 million in the prior fiscal year. The \$0.07 million decrease in net assets for the refuse fund was primarily due to a slight decrease in charges for services and a relatively small increase in contractual services for consulting and refuse collection.

**CAPITAL ASSETS**

At the end of the fiscal year 2012, the City had \$196 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table III below.) This amount represents a net increase (including additions net of depreciations and disposals) of 1% over the prior fiscal year.

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

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 29,009	\$ 27,437	\$ 792	\$ 742	\$ 29,801	\$ 28,179
Buildings and improvements	44,915	44,776	1,101	1,101	46,016	45,877
Machinery and equipment	13,231	12,870	7,348	7,102	20,579	19,972
Construction in progress	11,531	4,413	8,990	7,214	20,521	11,627
Infrastructure	<u>103,760</u>	<u>103,213</u>	<u>139,909</u>	<u>138,851</u>	<u>243,669</u>	<u>242,064</u>
Total	202,446	192,709	158,140	155,010	360,586	347,719
Accumulated depreciation	( 95,969)	( 90,149)	( 68,431)	( 63,448)	( 164,400)	( 153,597)
Total capital assets	<u>\$ 106,477</u>	<u>\$ 102,560</u>	<u>\$ 89,709</u>	<u>\$ 91,562</u>	<u>\$ 196,186</u>	<u>\$ 194,122</u>

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

Merritt Road Interconnector right-of-way	\$ 1,021
Golf course drainage improvements	700
Dart right-of-way	543
Water meters	400
State Highway 66 East sewer line	362
Hickox Road Ph II	220
Chaha Road reconstructions	215
Fire truck	154
Ambulance	136
Alley by Katy Park	<u>112</u>
Total	<u>\$ 3,863</u>

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

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**DEBT**

At year-end, the City had \$118 million in bonds outstanding as compared to \$120 million at the end of the prior fiscal year, a decrease of 1% – as shown in Table IV.

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

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
General obligation bonds (backed by the City)	\$ 37.7	\$ 34.5	\$ -	\$ -	\$ 37.7	\$ 34.5
Certificates of obligation and tax anticipation notes (backed by the City)	34.0	43.0	3.8	4.0	37.8	47.0
Revenue bonds (backed by fee revenues)	-	-	42.6	38.0	42.6	38.0
<b>Total bonded debt</b>	<b>\$ 71.7</b>	<b>\$ 77.5</b>	<b>\$ 46.4</b>	<b>\$ 42.0</b>	<b>\$ 118.1</b>	<b>\$ 119.5</b>

In the current year, the City issued General Obligation Refunding Bonds, Series 2011 and Series 2012 in the amount of \$26 million to advance refund previously outstanding bonds and issued Waterworks and Sewer System Revenue Bonds, Series 2012 in the amount of \$9 million. The net proceeds from the refunding bonds were used to purchase U.S. Government securities. The securities were deposited in an irrevocable trust to provide for all future debt service payments. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from outstanding debt.

The City's Series 2012 general obligation bonds and utility revenue bonds have been assigned an Aa3 rating from Moody's Investor Service and an AA- rating from Standard & Poor's and the City has never defaulted on a bond. The City's Series 2011 general obligation bonds carry an Aa2 from Moody's and an AA- from Standard & Poor's. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. However, in May 2003, the citizens of Rowlett amended the Charter to limit the amount of taxes that may be levied to \$1.25 per \$100 of assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 2.25 percent.

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

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for the business-type activities. The most important factor is the challenging economic times that Americans and Rowlett citizens are currently facing. No longer are our national, state and local economies growing. Instead, we are faced with declining revenue sources, high unemployment, and limited liquidity in the lending markets. Because this economic condition is likely to last for the next five years at least, it is no longer prudent to make decisions in one-year increments hoping next year gets better. During budget planning a five year financial planning model was used that allows us to see how the decisions we make today will impact our future. In most cases, the model will not change the decisions but will provide important insights

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as to the future impact of today's decisions. In addition to being the most challenging economic times in recent history, the next 5 to 10 years may be some of the most critical times facing Rowlett's future. With the completion of President George Bush Turnpike (PGBT) in December 2011, and the opening of Dallas Area Rapid Transit (DART) Light Rail in December 2012, the final phase of Rowlett's development future prior to build out is here. The decisions made now will set the stage for development choices made in the future. One of the challenges is providing for current citizens while simultaneously funding opportunities for future development to grow and diversify the tax base.

Overwhelmingly, citizens all across the country, whether on a national, state or local level, are demanding accountability from their government as to how money is spent. The City of Rowlett is transparent and responsive to this accountability. However, challenged with shrinking property tax values and a property tax rate that has not increased in eight years, the City has faced \$1.7 million less generation in property tax revenues over the last four years. Knowing that, we must be fiscally accountable to Rowlett citizens, staff has developed a strategy to begin to address that gap from a "sustainability" perspective. Sustainability has been defined as meeting the needs of the present without compromising the future. For the City, sustainability is planning for and providing the appropriate level of service, quality of life, and public safety that can be consistently maintained within the available resources. Because the City's revenues are shrinking and expenditures continue to rise, it is important for the City to find the appropriate balance between services offered and the City's ability to pay for those services in order to achieve sustainability.

Rowlett's current population is approximately 56,310. Rowlett's expected population at build out will be approximately 70,000. Rowlett's greatest economic strength is its location on Lake Ray Hubbard and within the crosshairs of the President George Bush Turnpike and I-30. The three largest job sectors are retail and wholesale trade, services, and manufacturing, but it is anticipated that future growth for the region will focus on health care and small businesses, rather than technology. Nationwide employment statistics show the region as leading the country in employment growth, ahead of much larger metropolitan areas. The reasonable costs of living and homes priced below the national average continue to make Rowlett an attractive area for new business locations and re-locations.

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

Much of Rowlett's financial stability is due to the fact that it is not reliant on any one or two specific industries. In fact, the single largest property taxpayer in the City represents only 1.30% percent of the total assessed valuation and the entire top 10 taxpayers only account for 5.08% 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 2013. The total 2012-13 combined budget appropriation totaled \$82.8 million for all funds. This represents an increase over the previous year adopted budget of \$80.3 million. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the central Appraisal District of Dallas County and the tax rate established by the Rowlett City Council. Due to the fact that until 2010 assessed property values have increased annually since 2001, the City was able to hold the tax rate constant for 10 years. However, operational factors and debt service payments related to needed street and roadways resulted in the City increasing the tax rate from 64.0000 cents per \$100 valuation to 67.6945 cents in the fiscal year ending September 30, 2004, and again to 74.7173 cents for fiscal years ended September 30, 2006 – September 30, 2012. The tax rate once again remains unchanged for fiscal year 2013. According to final figures received from the Central Appraisal District, the total

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assessed property value for 2012-13 of \$3.1 billion is a decrease of 1.5 percent, including new construction. A penny on the tax rate generates approximately \$312,484 annually for the City.

The General Fund's largest revenue source is property tax receipts. Reflective of the decrease in appraisal values and no increase in the tax rate, property tax revenues have decreased from their highest level in 2008. In 2004, Rowlett broke the \$3.0 million barrier for the first time in sales taxes with the addition of Home Depot and the local beer/wine option. In 2006, an economic development incentive package lured the national headquarters of D.R. Horton resulting in an increase in sales taxes of \$3.6 million to \$7.5 million although that economic activity declined during the fiscal years ending 2007 - 2010. The 30-year agreement required rebating 90 percent of the sales taxes paid back to D.R. Horton. Those rebates totaled \$1.3 million in the prior fiscal year that were not collected beginning in September 2011, when the City eliminated the agreement due to a change made by the State Comptroller's Office regarding how they define "place of business." However, taking into account the decrease caused by the rebate, net sales taxes actually increased 2.9%. As a result of the elimination of this agreement, the City continues to budget their revenue projections for FY 2013 accordingly.

As for the City's business-type activities, the City was cautious with its revenue expectations in the Water & Sewer Fund recognizing that weather plays a big role in ultimately determining earnings as well as the economy for outdoor water uses. For example, beginning in 2011, North Texas experienced the most serious drought since the mid-1950's, with stage 3 water restrictions being implemented in November 2011. This drought reduced the City's FY 2012 water sales by over a half a billion gallons. Taking this into consideration, among other factors caused by the drought and the zebra mussel issue in Lake Lavon, the City's 2013 budget included an adopted rate change increase to the average utility bill (assuming 10,000 gallons per month) by \$11.70 or 23.6% per month. This increase passes on a 14.3% increase from NTMWD and what is needed for additional capital maintenance to address serious water and sewer infrastructure issues. Based on this rate increase, water revenues are projected to increase by 24.2% in 2013. Sewer charges are projected to increase on a budgetary basis by approximately 0.5% due to a projected increase in sewer treatment services. The City has adopted a 2.5% 2013 rate increase to pass on only the increase implemented by the City of Garland. FY2013 water and sewer fund expenditures are projected to increase approximately 12.1% based on the anticipated increase from NTMWD for water purchases, anticipated increase from the City of Garland for sewer treatment, and much needed increase for capital maintenance. Revenues in the Drainage fund are projected to remain flat as there is no projected growth and rates will remain the same. Revenues in the Refuse Fund are projected to increase 4.7% due to a change in the solid waste provider, which in turn has projected an increase in cost of the new provider of 4.3%. However, a \$0.2 million transfer reduction to the cash Capital Projects fund has been budgeted for 2013.

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

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF ROWLETT, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 23,834,032	\$ 30,652,148	\$ 54,486,180
Receivables (net of allowance for doubtful accounts)	3,543,235	4,178,995	7,722,230
Due from other governments	1,827,434	26,930	1,854,364
Notes receivable	-	98,434	98,434
Inventories	146,989	378,543	525,532
Prepaid and other items	1,085,417	865,263	1,950,680
Capital assets:			
Nondepreciable	40,539,683	9,781,119	50,320,802
Depreciable (net)	65,937,778	79,928,065	145,865,843
Total assets	<u>136,914,568</u>	<u>125,909,497</u>	<u>262,824,065</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	4,218,784	2,081,713	6,300,497
Accrued interest payable	397,433	211,381	608,814
Retainage payable	717,805	348,682	1,066,487
Customer deposits	-	574,043	574,043
Unearned revenues	6,193,251	-	6,193,251
Noncurrent liabilities:			
Due within one year	6,244,502	4,215,427	10,459,929
Due in more than one year:	72,592,192	46,112,406	118,704,598
Total liabilities	<u>90,363,967</u>	<u>53,543,652</u>	<u>143,907,619</u>
<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	31,916,791	62,576,970	94,493,761
Restricted for:			
Debt service	138,242	2,327,961	2,466,203
Capital projects	7,897,683	-	7,897,683
Public safety	1,058,074	-	1,058,074
Economic development	20,518	-	20,518
Public broadcasting	56,776	-	56,776
Unrestricted	5,462,517	7,460,914	12,923,431
Total net assets	<u>\$ 46,550,601</u>	<u>\$ 72,365,845</u>	<u>\$ 118,916,446</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 4,274,638	\$ 99,370	\$ -	\$ 543,240
Public safety	20,456,358	3,205,317	384,054	189,245
Public works	13,472,469	285,290	517,001	6,016,172
Culture and recreation	4,975,355	871,538	-	-
Development	881,385	641,890	-	-
Interest and fiscal charges	2,888,071	-	-	-
Total governmental activities	<u>46,948,276</u>	<u>5,103,405</u>	<u>901,055</u>	<u>6,748,657</u>
Business-type activities:				
Water and sewer	20,275,313	22,507,769	-	145,204
Refuse	3,316,080	4,484,110	-	-
Drainage	2,091,605	1,300,878	-	-
Total business-type activities	<u>25,682,998</u>	<u>28,292,757</u>	<u>-</u>	<u>145,204</u>
Total primary government	<u>\$ 72,631,274</u>	<u>\$ 33,396,162</u>	<u>\$ 901,055</u>	<u>\$ 6,893,861</u>
		General revenues:		
		Taxes:		
		Property taxes		
		Sales taxes		
		Other		
		Franchise fees		
		Investment earnings		
		Miscellaneous		
		Transfers (net)		
		Total general revenues and transfers		
		Change in net assets		
		Net assets, beginning		
		Net assets, ending		

The accompanying notes are an integral part of this statement.

Net Revenues (Expenses) and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,632,028)	\$ -	\$ (3,632,028)
(16,677,742)	-	(16,677,742)
(6,654,006)	-	(6,654,006)
(4,103,817)	-	(4,103,817)
(239,495)	-	(239,495)
<u>(2,888,071)</u>	<u>-</u>	<u>(2,888,071)</u>
<u>(34,195,159)</u>	<u>-</u>	<u>(34,195,159)</u>
-	2,377,660	2,377,660
-	1,168,030	1,168,030
-	<u>(790,727)</u>	<u>(790,727)</u>
-	<u>2,754,963</u>	<u>2,754,963</u>
<u>\$ (34,195,159)</u>	<u>\$ 2,754,963</u>	<u>\$ (31,440,196)</u>
23,805,465	-	23,805,465
4,894,006	-	4,894,006
48,186	-	48,186
3,127,383	-	3,127,383
76,604	53,767	130,371
1,248,881	97,251	1,346,132
<u>3,916,368</u>	<u>(3,916,368)</u>	<u>-</u>
<u>37,116,893</u>	<u>(3,765,350)</u>	<u>33,351,543</u>
2,921,734	(1,010,387)	1,911,347
<u>43,628,867</u>	<u>73,376,232</u>	<u>117,005,099</u>
<u>\$ 46,550,601</u>	<u>\$ 72,365,845</u>	<u>\$ 118,916,446</u>

**CITY OF ROWLETT, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 7,725,471	\$ 365,353	\$ 13,583,609	\$ 1,713,437	\$ 23,387,870
Receivables (net of allowance for uncollectibles):					
Taxes	1,263,796	172,410	-	4,504	1,440,710
Accounts	804,990	-	-	-	804,990
Accrued interest	9,659	412	23,440	1,300	34,811
Other	1,172,568	-	-	89,531	1,262,099
Due from other governments	-	-	1,727,709	99,725	1,827,434
Inventories	146,989	-	-	-	146,989
Prepaid and other items	15,700	1,562	-	-	17,262
	<u>11,139,173</u>	<u>539,737</u>	<u>15,334,758</u>	<u>1,908,497</u>	<u>28,922,165</u>
<b>LIABILITIES</b>					
Accounts payable	1,067,960	3,500	976,556	247,147	2,295,163
Retainage payable	854	-	-	-	854
Accrued liabilities	1,306,725	-	-	28,200	1,334,925
Deferred revenues	1,281,551	172,410	7,126,421	158,141	8,738,523
Total liabilities	<u>3,657,090</u>	<u>175,910</u>	<u>8,102,977</u>	<u>433,488</u>	<u>12,369,465</u>
<b>FUND BALANCES</b>					
Fund balances:					
Nonspendable:					
Inventories	146,989	-	-	-	146,989
Prepaid items	15,700	1,562	-	-	17,262
Restricted for:					
Debt service	-	362,265	-	1,000	363,265
Capital projects	280,356	-	7,231,781	385,546	7,897,683
Public safety	-	-	-	1,014,867	1,014,867
Economic development	-	-	-	20,518	20,518
Public broadcasting	-	-	-	56,776	56,776
Assigned for:					
Economic development	352,188	-	-	-	352,188
Capital acquisition	381,605	-	-	-	381,605
Unassigned	6,305,245	-	-	(3,698)	6,301,547
Total fund balances	<u>7,482,083</u>	<u>363,827</u>	<u>7,231,781</u>	<u>1,475,009</u>	<u>16,552,700</u>
Total liabilities and fund balances	<u>\$ 11,139,173</u>	<u>\$ 539,737</u>	<u>\$ 15,334,758</u>	<u>\$ 1,908,497</u>	<u>\$ 28,922,165</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012**

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

Total fund balances per balance sheet - governmental funds		\$ 16,552,700
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		106,477,461
Certain receivables are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		2,545,272
Long-term liabilities, including retainage payable, bonds payable, and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:		
General obligation bonds and certificates of obligation payable	(71,666,149)	
Bond premiums	(1,800,637)	
Deferred loss on refunding	2,004,965	
Accrued interest on the bonds	(397,433)	
Capital leases payable	(2,381,898)	
Retainage payable	(716,951)	
Municipal pension obligation	(1,402,958)	
Other postemployment benefits liability	(850,409)	
Compensated absences	(2,739,608)	
	(79,951,078)	(79,951,078)
Unamortized debt issuance costs are not uses of funds and are not reported in the funds.		1,015,755
The internal service fund is used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		(89,509)
Net assets of governmental activities		\$ 46,550,601

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	Governmental Fund Types				Total Governmental Funds
	General	Debt Service	Capital Projects	Other Governmental Funds	
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 15,444,428	\$ 8,048,493	\$ -	\$ 346,350	\$ 23,839,271
Sales taxes	4,894,006	-	-	-	4,894,006
Other	48,186	-	-	-	48,186
Franchise fees	3,000,282	-	-	94,425	3,094,707
License and permits	402,062	-	-	285,290	687,352
Charge for services	2,291,101	-	-	-	2,291,101
Fines and forfeitures	882,377	-	-	1,013,924	1,896,301
Intergovernmental	211,918	-	6,016,172	361,381	6,589,471
Interest	24,535	5,130	42,600	4,339	76,604
Miscellaneous	1,183,382	-	4,487	20,494	1,208,363
Total revenues	<u>28,382,277</u>	<u>8,053,623</u>	<u>6,063,259</u>	<u>2,126,203</u>	<u>44,625,362</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	2,800,377	82,863	-	120,367	3,003,607
Public safety	18,164,372	120,621	-	887,957	19,172,950
Public works	2,829,349	-	4,733,800	22,500	7,585,649
Culture and recreation	4,168,618	-	-	6,840	4,175,458
Development	840,833	-	-	-	840,833
Debt service:					
Principal retirement	478,605	5,730,000	-	-	6,208,605
Interest and fiscal charges	78,342	2,824,764	-	-	2,903,106
Bond issuance costs	-	222,800	-	-	222,800
Capital outlay	1,488,747	-	9,030,174	798,078	11,316,999
Total expenditures	<u>30,849,243</u>	<u>8,981,048</u>	<u>13,763,974</u>	<u>1,835,742</u>	<u>55,430,007</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<u>(2,466,966)</u>	<u>(927,425)</u>	<u>(7,700,715)</u>	<u>290,461</u>	<u>(10,804,645)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunding bonds issued	-	14,131,149	-	-	14,131,149
Payment to refunded bond escrow agent	-	(15,416,504)	-	-	(15,416,504)
Capital lease	351,152	-	-	-	351,152
Premiums on sale of refunding bonds	-	1,383,000	-	-	1,383,000
Transfers from other funds	2,174,712	904,874	2,649,997	-	5,729,583
Transfers to other funds	(1,522,259)	-	-	(290,956)	(1,813,215)
Proceeds from sale of assets	1,500	-	-	-	1,500
Total other financing sources (uses)	<u>1,005,105</u>	<u>1,002,519</u>	<u>2,649,997</u>	<u>(290,956)</u>	<u>4,366,665</u>
<b>NET CHANGE IN FUND BALANCES</b>					
	<u>(1,461,861)</u>	<u>75,094</u>	<u>(5,050,718)</u>	<u>(495)</u>	<u>(6,437,980)</u>
<b>FUND BALANCES, BEGINNING</b>					
	<u>8,943,944</u>	<u>288,733</u>	<u>12,282,499</u>	<u>1,475,504</u>	<u>22,990,680</u>
<b>FUND BALANCES, ENDING</b>					
	<u>\$ 7,482,083</u>	<u>\$ 363,827</u>	<u>\$ 7,231,781</u>	<u>\$ 1,475,009</u>	<u>\$ 16,552,700</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 - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

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

Net change in fund balances - total governmental funds.		\$ (6,437,980)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay, (\$11,316,999), and contributions, (\$543,240), exceed depreciation, (\$7,020,668) and retainage (\$583,182) in the current period.		4,256,389
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.		785,040
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment and refunding reduces long-term liabilities in the statement of net assets.		
Repayments of principal	6,208,605	
Bond and capital lease proceeds	(14,482,301)	
Payment to refunded bond escrow	15,416,504	
Premium on issuance	(1,383,000)	
Deferred loss on refunding (net)	42,887	5,802,695
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This includes the change in accrued interest payable, \$54,738, amortization of bond discounts/premiums and deferred losses, (\$82,590).		(27,852)
Some expenses reported in the funds are capitalized and amortized in the statement of activities. This includes bond issuance costs.		222,800
Some expenses not reported in the statements are required to be expensed in the statement of activities. This includes the loss on disposal of assets, compensated absences, the unfunded pension obligation, and the unfunded OPEB obligation.		(1,158,559)
The internal service fund is used by management to charge the costs for self-insurance to the various funds. The net expenses of certain activities of the internal service fund is reported within the governmental activities.		(520,799)
Change in net assets of governmental activities		\$ 2,921,734

**The accompanying notes are an integral part of this statement.**

**CITY OF ROWLETT, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2012**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
<b>ASSETS</b>					
Current assets:					
Cash, cash equivalents and investments	\$ 3,930,015	\$ 138,818	\$ 1,349,345	\$ 5,418,178	\$ 443,764
Restricted cash, cash equivalents and investments:					
Revenue bond covenant accounts	2,327,961	-	-	2,327,961	-
Medical claims	-	-	-	-	2,398
Receivables (net of allowance for uncollectibles):					
Accounts	3,229,053	594,666	161,269	3,984,988	-
Accrued interest	33,318	238	1,822	35,378	625
Other	157,038	1,591	-	158,629	-
Due from other governments	17,488	7,385	2,057	26,930	-
Inventories	378,543	-	-	378,543	-
Prepaid and other items	817,197	-	48,066	865,263	52,400
Total current assets	<u>10,890,613</u>	<u>742,698</u>	<u>1,562,559</u>	<u>13,195,870</u>	<u>499,187</u>
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue bond construction funds	22,835,994	-	70,015	22,906,009	-
Receivables (net of allowance for uncollectibles):					
Notes receivable	98,434	-	-	98,434	-
Capital assets:					
Land	741,645	-	49,925	791,570	-
Buildings	1,041,640	-	59,178	1,100,818	-
Systems	101,608,745	194,768	38,106,535	139,910,048	-
Machinery and equipment	7,025,299	23,365	298,908	7,347,572	-
Construction in progress	8,766,691	-	222,858	8,989,549	-
Less accumulated depreciation	(55,274,067)	(172,562)	(12,983,744)	(68,430,373)	-
Total capital assets	<u>63,909,953</u>	<u>45,571</u>	<u>25,753,660</u>	<u>89,709,184</u>	<u>-</u>
Total noncurrent assets	<u>86,844,381</u>	<u>45,571</u>	<u>25,823,675</u>	<u>112,713,627</u>	<u>-</u>
Total assets	<u>97,734,994</u>	<u>788,269</u>	<u>27,386,234</u>	<u>125,909,497</u>	<u>499,187</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	883,766	463,683	59,823	1,407,272	588,696
Accrued liabilities	131,892	-	2,776	134,668	-
Accrued interest payable	32,733	-	23,435	56,168	-
Customer deposits	574,043	-	-	574,043	-
Compensated absences	7,453	-	1,120	8,573	-
Capital lease payable	499,754	-	-	499,754	-
Bonds payable	3,507,100	-	200,000	3,707,100	-
Total current liabilities	<u>5,636,741</u>	<u>463,683</u>	<u>287,154</u>	<u>6,387,578</u>	<u>588,696</u>
Current liabilities payable from restricted assets:					
Accounts payable	539,773	-	-	539,773	-
Accrued interest payable	155,213	-	-	155,213	-
Retainage payable	310,365	-	38,317	348,682	-
Total current liabilities payable from restricted assets	<u>1,005,351</u>	<u>-</u>	<u>38,317</u>	<u>1,043,668</u>	<u>-</u>
Total current liabilities	<u>6,642,092</u>	<u>463,683</u>	<u>325,471</u>	<u>7,431,246</u>	<u>588,696</u>

(continued)

**CITY OF ROWLETT, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2012**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
<b>LIABILITIES (Continued)</b>					
Noncurrent liabilities:					
Compensated absences	\$ 68,290	\$ -	\$ 10,265	\$ 78,555	\$ -
Unfunded pension obligation	99,886	-	5,994	105,880	-
Unfunded OPEB obligation	91,416	-	5,186	96,602	-
Capital lease payable	2,959,696	-	-	2,959,696	-
Bonds payable	39,219,862	-	3,651,811	42,871,673	-
Total noncurrent liabilities	<u>42,439,150</u>	<u>-</u>	<u>3,673,256</u>	<u>46,112,406</u>	<u>-</u>
 Total liabilities	<u>49,081,242</u>	<u>463,683</u>	<u>3,998,727</u>	<u>53,543,652</u>	<u>588,696</u>
 <b>NET ASSETS</b>					
Invested in capital assets (net of related debt)	40,559,535	45,571	21,971,864	62,576,970	-
Restricted for:					
Debt service	2,327,961	-	-	2,327,961	-
Unrestricted	5,766,256	279,015	1,415,643	7,460,914	(89,509)
Total net assets	<u>\$ 48,653,752</u>	<u>\$ 324,586</u>	<u>\$ 23,387,507</u>	<u>\$ 72,365,845</u>	<u>\$ (89,509)</u>

The accompanying notes are an integral part of this statement.

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**CITY OF ROWLETT, TEXAS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
<b>OPERATING REVENUES</b>					
Charges for services	\$ 22,507,769	\$ 4,484,110	\$ 1,300,878	\$ 28,292,757	\$ 3,064,337
Miscellaneous	94,953	1,857	-	96,810	-
Total operating revenues	<u>22,602,722</u>	<u>4,485,967</u>	<u>1,300,878</u>	<u>28,389,567</u>	<u>3,064,337</u>
<b>OPERATING EXPENSES</b>					
Personnel services	1,930,875	-	102,181	2,033,056	-
Water supply	4,867,869	-	-	4,867,869	-
Wastewater treatment	3,614,086	-	-	3,614,086	-
Contractual services	391,450	12,000	33,556	437,006	3,519,042
Maintenance, repairs and supplies	806,485	-	75,249	881,734	-
Utilities	424,869	-	-	424,869	-
Legal and professional	52,200	1,824	-	54,024	-
Refuse collection	-	3,050,120	-	3,050,120	-
Depreciation	4,012,839	24,150	987,304	5,024,293	-
Intragovernmental charges	2,036,317	227,521	253,873	2,517,711	-
Miscellaneous	6,315	465	3	6,783	67,379
System improvements	1,138,008	-	453,638	1,591,646	-
Total operating expenses	<u>19,281,313</u>	<u>3,316,080</u>	<u>1,905,804</u>	<u>24,503,197</u>	<u>3,586,421</u>
<b>OPERATING INCOME (LOSS)</b>	<u>3,321,409</u>	<u>1,169,887</u>	<u>(604,926)</u>	<u>3,886,370</u>	<u>(522,084)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	49,737	446	3,584	53,767	1,285
Gain (loss) on disposition of assets	441	-	-	441	-
Interest and fiscal charges	(994,000)	-	(185,801)	(1,179,801)	-
Total nonoperating revenues (expenses)	<u>(943,822)</u>	<u>446</u>	<u>(182,217)</u>	<u>(1,125,593)</u>	<u>1,285</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>2,377,587</u>	<u>1,170,333</u>	<u>(787,143)</u>	<u>2,760,777</u>	<u>(520,799)</u>
Capital contributions	145,204	-	-	145,204	-
Transfers in	1,250,003	-	-	1,250,003	-
Transfers out	<u>(3,824,712)</u>	<u>(1,241,653)</u>	<u>(100,006)</u>	<u>(5,166,371)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>(51,918)</u>	<u>(71,320)</u>	<u>(887,149)</u>	<u>(1,010,387)</u>	<u>(520,799)</u>
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>48,705,670</u>	<u>395,906</u>	<u>24,274,656</u>	<u>73,376,232</u>	<u>431,290</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 48,653,752</u>	<u>\$ 324,586</u>	<u>\$ 23,387,507</u>	<u>\$ 72,365,845</u>	<u>\$ (89,509)</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers and users	\$ 23,369,738	\$ 4,473,102	\$ 1,298,990	\$ 29,141,830	\$ 3,073,867
Cash received from miscellaneous	94,953	1,857	-	96,810	-
Cash paid to employees for services	(1,965,272)	-	(102,586)	(2,067,858)	-
Cash paid for goods and services	(12,891,234)	(3,321,823)	(763,394)	(16,976,451)	(3,288,854)
Net cash provided by operating activities	8,608,185	1,153,136	433,010	10,194,331	(214,987)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	1,250,003	-	-	1,250,003	-
Transfers to other funds	(3,824,712)	(1,241,653)	(100,006)	(5,166,371)	-
Net cash provided (used) by operating activities	(2,574,709)	(1,241,653)	(100,006)	(3,916,368)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on capital debt	(3,480,000)	-	(190,000)	(3,670,000)	-
Interest and fiscal charges paid on capital debt	(1,430,670)	-	(187,438)	(1,618,108)	-
Proceeds from capital debt	8,433,816	-	-	8,433,816	-
Capital contributions	145,204	-	-	145,204	-
Acquisition and construction of capital assets	(2,913,121)	-	(59,565)	(2,972,686)	-
Proceeds from sale of capital assets	441	-	-	441	-
Net cash provided (used) by capital and related financing activities	755,670	-	(437,003)	318,667	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	49,737	446	3,584	53,767	1,285
Net cash provided by investing activities	49,737	446	3,584	53,767	1,285
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,838,883	(88,071)	(100,415)	6,650,397	(213,702)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	22,255,087	226,889	1,519,775	24,001,751	659,864
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 29,093,970</u>	<u>\$ 138,818</u>	<u>\$ 1,419,360</u>	<u>\$ 30,652,148</u>	<u>\$ 446,162</u>
<b>CASH AND CASH EQUIVALENTS</b>	3,930,015	138,818	1,349,345	5,418,178	443,764
<b>RESTRICTED CASH AND CASH EQUIVALENTS</b>	25,163,955	-	70,015	25,233,970	2,398
<b>TOTAL CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 29,093,970</u>	<u>\$ 138,818</u>	<u>\$ 1,419,360</u>	<u>\$ 30,652,148</u>	<u>\$ 446,162</u>

(continued)

**CITY OF ROWLETT, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)</b>					
<b>BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 3,321,409	\$ 1,169,887	\$ (604,926)	\$ 3,886,370	\$ (522,084)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	4,012,839	24,150	987,304	5,024,293	-
Changes in assets and liabilities:					
Accounts receivable	626,496	(5,422)	302	621,376	-
Other receivables	120,182	184	(2,190)	118,176	(345)
Prepaid expenses and other assets	115,291	-	-	115,291	9,875
Due from other funds	-	(5,770)	-	(5,770)	-
Inventory	-	-	-	-	-
Accounts payable and accrued liabilities	410,674	(29,893)	54,606	435,387	337,316
Customer and escrow deposits	6,033	-	-	6,033	-
Accrued compensated absences	(62,507)	-	(1,465)	(63,972)	-
Due to other funds	-	-	-	-	(39,749)
Accrued pension and OPEB obligation	57,768	-	(621)	57,147	-
Total adjustments	<u>5,286,776</u>	<u>(16,751)</u>	<u>1,037,936</u>	<u>6,307,961</u>	<u>307,097</u>
Net cash provided (used) by operating activities	<u>\$ 8,608,185</u>	<u>\$ 1,153,136</u>	<u>\$ 433,010</u>	<u>\$ 10,194,331</u>	<u>\$ (214,987)</u>
<b>NONCASH CAPITAL ACTIVITIES</b>					
Contributions of capital assets from developers	<u>\$ 145,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,204</u>	<u>\$ -</u>
Total noncash capital activities	<u>\$ 145,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,204</u>	<u>\$ -</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 FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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.

**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.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Financial Statement Presentation – Continued**

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

**Government-wide and Fund Financial Statements**

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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Government-wide and Fund Financial Statements – Continued**

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

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

**Measurement Focus/Basis of Accounting**

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

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and retainage payable not due within the operating cycle, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus/Basis of Accounting – Continued**

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.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus/Basis of Accounting – Continued**

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments**

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

Investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers a quoted market price at September 30, 2012 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.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Assets or Equity – Continued**

**Receivables and Payables**

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

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

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

**Inventories and Prepaid Items**

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

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

**Interfund Transactions and Receivables and Payables**

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Assets or Equity – Continued**

**Restricted Assets**

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

In the proprietary funds, restricted assets are segregated to reflect resources accumulated for debt service, construction funds, or other legal requirements. Debt service amounts are restricted for the current year requirements and also for future years' requirements as required by bond covenants. Construction funds represent resources set aside for construction projects of the Water and Sewer and Drainage Funds.

**Capital Assets**

Capital assets, which include property, plant, equipment and public domain (infrastructure) assets (e.g. roads, water and sewer lines, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$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 \$311,303.

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

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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Assets or Equity – Continued**

**Compensated Absences**

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

**Long-Term Obligations**

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

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

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

**Encumbrances**

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Assets or Equity – Continued**

**Fund Balance Classification and Net Assets**

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

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

**Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Fund balances classified as committed can only be used for specific purposes pursuant to Resolution Number RES-011-12 imposed by the City Council, which constitutes the highest level of action and most binding constraint.

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

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Assets or Equity – Continued**

**Fund Balance Classification and Net Assets – Continued**

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

At the government-wide level, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used for the acquisition, construction or improvements of those assets, net of debt related to any unspent proceeds.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED**

**Budgetary Information – Continued**

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

**Excess of Expenditures over Appropriations**

For the year ended September 30, 2012, expenditures exceeded appropriations in the General Fund by \$1,337,112, Police Seizure Fund by \$503,288, Debt Service Fund by \$30,580, and Traffic Safety Fund by \$6,241. The City had funds approved to be spent from the General Fund for Realize Rowlett 2020, a replacement ambulance and fire truck, and a one-time increase in payroll. Resources for the Police Seizure Fund come from federal and state asset forfeitures which govern the purposes for which they may be spent. The Traffic Safety Fund generates fines which, by agreement, are paid to the contractor who manages the red light cameras. Any surpluses are divided between the State of Texas and the City of Rowlett 50/50. The red light camera program was terminated effective March 2013. The budgets were not specifically amended for the fiscal year ended September 30, 2012, to address the over expenditures.

**Deficit Fund Equity/ Net Deficit**

The Grant special revenue fund had a deficit fund balance of \$3,698 as of September 30, 2012. The fund incurred expenditures under a grant that were not reimbursed in a timely manner under the modified accrual basis of accounting to be included in revenue. The internal service fund had a net deficit balance of \$89,509 as of September 30, 2012 as charges for services were less than the contractual services expenses.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 3. DEPOSITS AND INVESTMENTS**

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

State statutes require that all deposits in the financial institutions be fully collateralized by U.S. government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City’s demand deposits were fully collateralized at September 30, 2012 with collateral required by the state statutes. At year-end, the City’s deposit balance was fully covered by collateral held by the City’s depository bank in the City’s name or by FDIC insurance.

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

The City’s investments carried at fair value as of September 30, 2012 are:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Rating</u>
U.S. Agencies	\$12,513,009	0.62	Aaa
U.S. Treasuries	6,287,592	0.77	Aaa
Texas Local Government Investment Pools			
TexPool	<u>31,473,699</u>	<u>0.67</u>	AAAm
	<u>\$50,274,300</u>	<u>2.06</u>	

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED**

*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, 2012, investments in the Texas Local Government Pool ("TexPool") carried a credit rating of AAAM by Standard & Poor's. US Treasuries are backed by the full faith and credit of the US Government.

*Concentration of Credit Risk.* With the exception of U.S. Treasury securities and State and Local Government Pools, the City's investment policy limits the amount that may be invested in any one issuer to 40% of the total investment portfolio. The City's investment policy also has stricter restrictions for commercial paper, CD's, repurchase agreements, mutual funds and other investments. As of September 30, 2012, 37.40% or more of the City's total investments are in the following: Federal Home Loan Banks (16.04%), Fannie Mae (35.53%), Freddie Mac (14.99%), and US Treasury Notes (33.44%) 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 4. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. The property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value and certified by the Board of Equalization. The assessed value for the roll of January 1, 2011, upon which the fiscal year 2012 levy was based, was \$3,171,900,000.

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.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 4. PROPERTY TAXES – CONTINUED**

The tax rate for the year ended September 30, 2012, was \$.747173 per \$100, of which \$0.490833 was allocated for general government and \$0.256340 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, 2012, were 98.86% 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.

**NOTE 5. RECEIVABLES**

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

Receivables	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Water and Sewer	Refuse	Drainage	Internal Service	Total
Interest	\$ 9,659	\$ 412	\$23,440	\$ 1,300	\$ 33,318	\$ 238	\$ 1,822	\$ 625	\$ 70,814
Court	92,095	-	-	1,761	-	-	-	-	93,856
Ambulance	710,924	-	-	-	-	-	-	-	710,924
Lot mowing	491,041	-	-	-	-	-	-	-	491,041
Other	-	-	-	-	-	-	-	-	-
Sales tax	922,322	-	-	-	-	-	-	-	922,322
Hotel/motel tax	-	-	-	4,504	-	-	-	-	4,504
Property tax	387,538	194,288	-	-	-	-	-	-	581,826
Customer accounts	-	-	-	-	3,420,919	634,059	172,129	-	4,227,107
Other accounts	163,984	-	-	-	157,038	1,591	-	-	322,613
Franchise fees	989,401	-	-	23,699	-	-	-	-	1,013,100
911 fees	26,107	-	-	-	-	-	-	-	26,107
Red light camera	-	-	-	182,447	-	-	-	-	182,447
Gross receivables	3,793,071	194,700	23,440	213,711	3,611,275	635,888	173,951	625	8,646,661
Less: allowance for uncollectibles	(542,058)	(21,878)	-	(118,376)	(191,866)	(39,393)	(10,860)	-	(924,431)
Net total receivables	\$ 3,251,013	\$ 172,822	\$23,440	\$ 95,335	\$ 3,419,409	\$596,495	\$ 163,091	\$ 625	\$7,722,230

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 5. RECEIVABLES – CONTINUED**

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

Deferred Revenue	Unavailable	Unearned
Delinquent property tax receivable	\$ 513,884	\$ -
Ambulance	298,030	-
Mowing liens	410,350	-
Adjudicated fines not yet collected	41,446	-
Intergovernmental	993,895	6,154,672
Franchise Fees	168,452	-
Other	119,215	38,579
Total deferred/unearned for governmental funds	<u>\$ 2,545,272</u>	<u>\$ 6,193,251</u>

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 27,436,950	\$ 1,573,721	\$ (1,944)	\$ 29,008,727
Construction in progress	4,412,712	8,550,575	(1,432,331)	11,530,956
Total capital assets; not being depreciated	<u>31,849,662</u>	<u>10,124,296</u>	<u>(1,434,275)</u>	<u>40,539,683</u>
Capital assets being depreciated:				
Buildings	22,883,377	-	-	22,883,377
Improvements other than buildings	21,892,128	139,094	-	22,031,222
Machinery and equipment	12,869,949	1,484,743	(1,123,878)	13,230,814
Infrastructure	103,213,898	546,853	-	103,760,751
Total capital assets being depreciated	<u>160,859,352</u>	<u>2,170,690</u>	<u>(1,123,878)</u>	<u>161,906,164</u>
Less accumulated depreciation:				
Buildings	(6,113,137)	(594,710)	-	(6,707,847)
Improvements other than buildings	(18,714,712)	(507,455)	-	(19,222,167)
Machinery and equipment	(8,307,357)	(930,904)	1,201,395	(8,036,866)
Infrastructure	(57,013,907)	(4,987,599)	-	(62,001,506)
Total accumulated depreciation	<u>(90,149,113)</u>	<u>(7,020,668)</u>	<u>1,201,395</u>	<u>(95,968,386)</u>
Total capital assets being depreciated, net	<u>70,710,239</u>	<u>(4,849,978)</u>	<u>77,517</u>	<u>65,937,778</u>
Governmental activities capital assets, net	<u>\$ 102,559,901</u>	<u>\$ 5,274,318</u>	<u>\$ (1,356,758)</u>	<u>\$ 106,477,461</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 6. CAPITAL ASSETS – CONTINUED**

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 741,645	\$ 49,925	\$ -	\$ 791,570
Construction in progress	7,214,270	3,348,740	(1,573,461)	8,989,549
Total capital assets; not being depreciated	<u>7,955,915</u>	<u>3,398,665</u>	<u>(1,573,461)</u>	<u>9,781,119</u>
Capital assets being depreciated:				
Buildings	1,100,818	-	-	1,100,818
Improvements other than buildings	263,429	27,177	-	290,606
Machinery and equipment	7,102,433	399,680	(154,541)	7,347,572
Infrastructure	138,587,508	1,031,934	-	139,619,442
Total capital assets being depreciated	<u>147,054,188</u>	<u>1,458,791</u>	<u>(154,541)</u>	<u>148,358,438</u>
Less accumulated depreciation:				
Buildings	(371,970)	(28,825)	-	(400,795)
Improvements other than buildings	(198,436)	(21,571)	-	(220,007)
Machinery and equipment	(3,456,103)	(452,691)	42,014	(3,866,780)
Infrastructure	(59,421,585)	(4,521,206)	-	(63,942,791)
Total accumulated depreciation	<u>(63,448,094)</u>	<u>(5,024,293)</u>	<u>42,014</u>	<u>(68,430,373)</u>
Total capital assets being depreciated, net	<u>83,606,094</u>	<u>(3,565,502)</u>	<u>(112,527)</u>	<u>79,928,065</u>
Business-type activities capital assets, net	<u>\$ 91,562,009</u>	<u>\$ (166,837)</u>	<u>\$ (1,685,988)</u>	<u>\$ 89,709,184</u>

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

Governmental activities:	
General government	\$ 240,058
Public safety	791,115
Public works	5,242,596
Culture and recreation	731,836
Development	15,063
Total depreciation expense - governmental activities	<u>\$ 7,020,668</u>
Business-type activities:	
Water and sewer	\$ 4,012,839
Refuse	24,150
Drainage	987,304
Total depreciation expense - business-type activities	<u>\$ 5,024,293</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM**

**Plan Description**

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

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

	Plan year 2011	Plan year 2012
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
	100% repeating	100% repeating
Updated service credit	Transfers	Transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

**Contributions**

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

The City contributes to the TMRS plan at an actuarial determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2010 valuation is effective for rates beginning January 2012).

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED**

**Contributions – Continued**

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

Annual required contribution	\$ 2,793,420
Interest on pension obligation	98,437
Adjustment to the ARC	<u>(84,617)</u>
Annual pension cost	2,807,240
Contributions made	<u>(2,704,642)</u>
Increase in net pension obligation	102,598
Net pension obligation, beginning of year	<u>1,406,240</u>
 Net pension obligation, end of year	 <u><u>\$ 1,508,838</u></u>

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Annual Contribution Made</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2010	\$ 3,176,570	\$2,638,633	83.07%	\$ 939,945
9/30/2011	3,222,730	2,756,434	85.53%	1,406,241
9/30/2012	2,807,240	2,704,642	96.35%	1,508,838

The required contributions rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED**

**Contributions – Continued**

Additional information as of the latest actuarial valuation, December 31, 2011 also follows:

Valuation date	12/31/2009	12/31/2010	12/31/2011
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	28.0 years closed period	27.2 years closed period	25.8 years closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return	7.5%	7.0%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustment	2.1%	2.1%	1.5%

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Actuarial date	12/31/2009	12/31/2010	12/31/2011
Actuarial value of assets	\$ 46,369,748	\$ 61,940,838	\$ 68,481,440
Actuarial accrued liability (AAL)	\$ 64,957,600	\$ 74,692,233	\$ 79,428,640
Funded ratio	71.4%	82.9%	86.2%
Unfunded actuarial accrued liability (UAAL)	\$ 18,587,852	\$ 12,751,395	\$ 10,947,200
Covered payroll	\$ 19,167,685	\$ 18,736,655	\$ 18,682,434
UAAL as a percent of covered payroll	97.0%	68.1%	58.6%

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 8. LONG-TERM DEBT**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2012, is as follows:

	Balance October 1, 2011	Issued Incurred	Retired or Refunded	Balance September 30, 2012	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 34,510,000	\$ 14,131,149	\$ 10,985,000	\$ 37,656,149	\$ 3,297,900
Combined tax and surplus revenue certificates of obligation	43,040,000	-	9,030,000	34,010,000	2,245,000
Capital leases	2,509,351	351,152	478,605	2,381,898	432,029
Bond premiums	625,122	1,383,000	207,485	1,800,637	-
Deferred loss on refundings	(792,697)	(1,386,370)	(174,102)	(2,004,965)	-
Compensated absences	2,783,681	72,463	116,536	2,739,608	269,573
Unfunded pension obligation	1,308,346	94,612	-	1,402,958	-
Unfunded OPEB obligation	664,400	186,009	-	850,409	-
<b>Governmental activities long-term debt</b>	<b><u>\$ 84,648,203</u></b>	<b><u>\$ 14,832,015</u></b>	<b><u>\$ 20,643,524</u></b>	<b><u>\$ 78,836,694</u></b>	<b><u>\$ 6,244,502</u></b>
<b>Business-type activities</b>					
Water and sewer revenue bonds	\$ 37,995,000	\$ 20,548,851	\$ 15,915,000	\$ 42,628,851	\$ 3,507,100
Combination tax and surplus revenue certificates of obligation	4,010,000	-	190,000	3,820,000	200,000
Capital leases	3,548,806	399,680	489,036	3,459,450	499,754
Bond premiums	409,264	1,529,431	274,299	1,664,396	-
Deferred loss on refundings	(332,236)	(1,287,377)	(85,139)	(1,534,474)	-
Compensated absences	151,100	6,062	70,034	87,128	8,573
Unfunded pension obligation	97,894	7,986	-	105,880	-
Unfunded OPEB obligation	75,418	21,184	-	96,602	-
<b>Business-type activities long-term debt</b>	<b><u>\$ 45,955,246</u></b>	<b><u>\$ 21,225,817</u></b>	<b><u>\$ 16,853,230</u></b>	<b><u>\$ 50,327,833</u></b>	<b><u>\$ 4,215,427</u></b>

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

During fiscal year 2012, \$26,155,000 of general obligation refunding bonds were issued to refund outstanding obligations of the City and to finance improvements. The resources were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net assets.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

Long-term debt for governmental activities at September 30, 2012, includes the following individual issues:

	<u>Interest Rate</u> (%)	<u>Maturity</u> Date	<u>Outstanding</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities				
General obligation bonds:				
1997A various purpose	6.36 var	8/15/26	\$ 5,140,000	\$ 230,000
2003 Revenue and improvements	2.15-4.50	2/15/14	770,000	520,000
2003A various purpose	2.25-5.00	2/15/23	375,000	185,000
2004 Revenue and improvements	3.50-4.60	2/15/18	820,000	365,000
2004A various purpose	2.00-4.80	2/15/24	560,000	275,000
2005 Refunding	3.00-4.50	2/15/20	5,155,000	660,000
2010 Refunding	2.00-3.00	2/15/22	9,725,000	945,000
2010A Refunding (taxable)	1.57-5.71	8/15/28	1,055,000	45,000
2011 Refunding	2.00-4.00	2/15/23	7,785,000	40,000
2012 Refunding	2.00-5.00	2/15/29	6,271,149	32,900
			<u>37,656,149</u>	<u>3,297,900</u>
Combination tax and revenue certificates of obligation:				
2003 various purpose	2.00-5.00	2/15/23	685,000	335,000
2004 various purpose	2.00-4.80	2/15/29	345,000	170,000
2005 various purpose	3.00-4.50	2/15/25	16,255,000	965,000
2006 various purpose	4.00-5.125	2/15/31	16,725,000	775,000
			<u>34,010,000</u>	<u>2,245,000</u>
Total governmental activities long-term bonded debt			71,666,149	5,542,900
Less: deferred amounts:				
On refunding			(2,004,965)	-
For issuance premiums and discounts			1,800,637	-
Net government activities long-term bonded debt			<u>\$ 71,461,821</u>	<u>\$ 5,542,900</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

Long-term debt for business activities at September 30, 2012 includes the following individual issues:

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Business-type activities				
Utility sytem revenue bonds:				
2004 Refunding and improvements	2.00-4.50	3/1/2018	\$ 2,350,000	\$ 805,000
2004A various purpose	2.00-5.00	3/1/2024	1,685,000	825,000
2005 Refunding	3.00-5.00	3/1/2020	5,060,000	670,000
2005A various purpose	3.00-4.375	3/1/2025	5,285,000	315,000
2006 various purpose	4.00-4.890	3/1/2026	7,710,000	400,000
2011 Refunding	2.00-4.00	2/15/23	1,130,000	115,000
2012 Refunding	2.00-5.00	2/15/29	10,883,851	57,100
2012 various purpose	2.00-3.50	3/1/32	8,525,000	320,000
			<u>42,628,851</u>	<u>3,507,100</u>
Combination tax and revenue certificates of obligation:				
2006 various purpose	4.00-5.125	2/15/31	3,820,000	200,000
			<u>3,820,000</u>	<u>200,000</u>
Total business-type activities long-term bonded debt			46,448,851	3,707,100
Less: deferred amounts:				
On refunding			(1,534,474)	-
For issuance premiums and discounts			1,664,396	-
Net business-type activities long-term binded debt			<u>\$46,578,773</u>	<u>\$3,707,100</u>

The annual requirements to amortize general and certificates of obligations bonds as of September 30, 2012 are summarized below:

Year Ended September 30,	General and Certificates of Obligation Bonds					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 5,542,900	\$ 2,744,919	\$ 8,287,819	\$ 200,000	\$ 178,901	\$ 378,901
2014	5,464,728	2,540,527	8,005,255	210,000	169,676	379,676
2015	5,430,059	2,350,706	7,780,765	215,000	160,383	375,383
2016	5,661,509	2,162,378	7,823,887	225,000	151,033	376,033
2017	5,867,959	1,951,243	7,819,202	235,000	140,670	375,670
2018-2022	27,244,932	6,427,706	33,672,638	1,370,000	519,127	1,889,127
2023-2027	14,834,921	1,594,874	16,429,795	1,365,000	143,838	1,508,838
2028-2032	1,619,141	166,391	1,785,532	-	-	-
Total	<u>\$71,666,149</u>	<u>\$19,938,744</u>	<u>\$ 91,604,893</u>	<u>\$ 3,820,000</u>	<u>\$ 1,463,628</u>	<u>\$ 5,283,628</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

The annual requirements to amortize water and sewer revenue bonds as of September 30, 2012 are summarized below:

Year Ended September 30,	Water and Sewer Revenue Bonds		
	Principal	Interest	Total
2013	\$ 3,507,100	\$ 1,594,342	\$ 5,101,442
2014	3,655,272	1,448,246	5,103,518
2015	3,049,941	1,329,675	4,379,616
2016	3,158,491	1,225,374	4,383,865
2017	3,277,041	1,105,887	4,382,928
2018-2022	14,350,068	3,786,168	18,136,236
2023-2027	8,995,079	1,114,426	10,109,505
2028-2032	2,635,859	221,623	2,857,482
Total	<u>\$ 42,628,851</u>	<u>\$ 11,825,741</u>	<u>\$ 54,454,592</u>

As of September 30, 2012, 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, 2012, 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, 2012, and for the year then ended, the City was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt.

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

**Conduit Debt**

On August 1, 2006, the City of Rowlett, along with three other cities and Rockwall County, approved an agreement with the Rockwall County Emergency Services Corporation (“RESC”) to construct a firearms training facility in an aggregate principal amount not to exceed \$2,925,000. Under the terms of the agreement, each jurisdiction’s debt service liability, as well as an operations component, would be based proportionately upon the number of Authorized Personnel (i.e. active certified peace officers) as of April 1<sup>st</sup> of the preceding fiscal year. On August 23, 2006, the RESC issued \$2,700,000 in contract revenue bonds with a ten year maturity. Based on Rowlett’s Authorized Personnel count as of April 1, 2006, the City’s initial anticipated annual payments under the agreement ranges from \$104,676 to \$106,272 but may vary from year to year under the terms of the agreement. On June 28, 2011, the RESC refunded the original 2006 bonds and issued additional contract revenue bonds totaling \$415,000 for necessary structural improvements.

During the current year the City’s paid \$120,621 as its annual obligation under this agreement. The City will continue to share in the debt service and operating expenses of the facility based on their authorized personnel count. As of September 30, 2012, the outstanding balance was \$1,750,000. The City has no obligation for this debt beyond the resources provided by this agreement.

**Capital Leases**

On January 6, 2012, the City entered into an agreement with BB&T to purchase a Diesel Chassis. The agreement is for an approximate 57 month term based on delivery of the equipment and expires on October 15, 2016. Payments are \$28,602 annually and carry an effective interest rate of 1.75%.

On May 4, 2012, the City entered into an agreement with BB&T to purchase a 2004 Fire Truck. The agreement is for an approximate 29 month term based on delivery of the equipment and expires on September 30, 2014. Payments are \$52,306 annually and carry an effective interest rate of 1.48%.

On June 29, 2012, the City entered into two agreements with SunTrust Equipment Finance and Leasing Corp. to purchase new water meters and computers. The agreements are 26 month terms based on delivery of the equipment and expire on August 15, 2014. Payments are \$135,322 and \$20,633 annually and carry an effective interest rate of 1.39% and 1.52%, respectively.

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

**Capital Leases – Continued**

The City previously entered into an agreement with BB&T to purchase computers. The agreement is for a two year term based on delivery of the equipment and expires on September 15, 2013. Payments are \$26,605 annually and carry an effective interest rate of 1.65%.

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

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

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

The City previously entered into an agreement with BB&T to purchase computers. The agreement is for a two year term based on delivery of the equipment and expires on November 30, 2012. Payments are \$26,760 annually and carry an effective interest rate of 2.12%.

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

The City previously entered into an agreement with Kansas State Bank totaling \$39,461 to purchase a police recorder system. The agreement is for a five year term based on delivery of the equipment and expires on December 15, 2012. Payments are \$7,496 annually and carry an effective interest rate of 5.79%.

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

**Capital Leases – Continued**

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

The assets acquired through capital leases are as follows:

	<u>Water and Sewer</u>	<u>Governmental Activities</u>	<u>Total</u>
Asset:			
Motor vehicles	\$ -	\$ 1,666,493	\$ 1,666,493
Machinery and equipment	5,362,799	1,477,062	6,839,861
Less: accumulated depreciation	<u>(2,124,148)</u>	<u>(1,241,389)</u>	<u>(3,365,537)</u>
 Total	 <u>\$3,238,651</u>	 <u>\$ 1,902,166</u>	 <u>\$5,140,817</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:

<u>Year Ending September 30,</u>	<u>Water and Sewer</u>	<u>Governmental Activities</u>	<u>Total</u>
2013	\$ 623,884	\$ 499,725	\$ 1,123,609
2014	623,884	438,865	1,062,749
2015	488,562	365,926	854,488
2016	488,562	365,926	854,488
2017	488,562	305,256	793,818
2018-2020	<u>1,286,492</u>	<u>675,591</u>	<u>1,962,083</u>
Total minimum lease payments	3,999,946	2,651,289	6,651,235
Less: amount representing interest	<u>(540,496)</u>	<u>(269,391)</u>	<u>(809,887)</u>
Present value of minimum lease payments	<u>\$3,459,450</u>	<u>\$ 2,381,898</u>	<u>\$5,841,348</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 9. INSURANCE**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2009, the City purchased commercial insurance from Texas Municipal League (“TML”) to cover these general liabilities, including workers’ compensation and medical. TML purchases reinsurance and does not retain the risk of loss. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

**NOTE 10. INTERFUND TRANSFERS**

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

Individual transfers, as reported at the fund statement level, for the year ended September 30, 2012, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities		
General	\$ 2,174,712	\$ 1,522,259
Debt service	904,874	-
Capital projects	2,649,997	-
Nonmajor governmental funds	-	290,956
Internal Service	-	-
Business-type activities		
Water and sewer	1,250,003	3,824,712
Refuse	-	1,241,653
Drainage	-	100,006
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 6,979,586</u>	<u>\$ 6,979,586</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 10. INTERFUND TRANSFERS – CONTINUED**

The detail transfer schedule includes the following:

<u>Transfers from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Reason for Transfer</u>
General	Capital projects	\$ 999,997	Cash fund capital projects
	Debt service	372,262	Debt service payments
	Water and sewer	150,000	Golf course improvements
Nonmajor governmental TIF	Debt service	290,956	Debt service payments
Water and sewer	General	1,200,336	Franchise fee payments
	General	816,156	In-lieu of property taxes
	General	158,220	Economic development payments
	Capital projects	1,650,000	Cash fund capital projects
Drainage	Water and sewer	100,006	Cash fund capital projects
Refuse	Drainage	999,997	Cash fund capital projects
	Debt service	<u>241,656</u>	Debt service payments
		<u>\$6,979,586</u>	

**NOTE 11. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is administered by ICMA Retirement Corporation (“IMCA”) and contributions are voluntary. All amounts of compensation under this plan are placed into investment pools administered by ICMA. The plan, available to all regular employees, permits them to defer until future years up to 100% of compensation, not to exceed \$17,000 (\$22,500 if over age 50) per year. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 12. POSTEMPLOYMENT BENEFITS**

**Post-retirement Health Care Benefits**

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

Retired employees who have satisfied the retirement requirement as defined by the Texas Municipal Retirement System (TMRS) are eligible to participate. The City has elected the retirement requirement as any age with 20 years of service or 5 years of service for age 60 and above. Retirees under 65 retiring under the TMRS system are eligible to receive premium payments of individual (not dependent) health insurance benefits for a period of time equal to one month for every full year of service with the City. Employees are eligible immediately upon retirement and the eligibility only runs from the retirement date. Active employees do not contribute any of their wage toward retiree health care benefits. The City pays the employee-only premium for medical coverage, based on the City's Core Medical Plan Option. Retired employees are required to pay 100% of any additional premium expense for health benefits purchased upon retirement.

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

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City implemented the provisions of GASB 45 for the fiscal year ending September 30, 2012, as required by GASB. The City's annual OPEB cost for the current year and the related information is listed below:

Annual required contribution (ARC)	\$ 379,907
Internet net OPEB obligation	33,292
Adjustment to the ARC	<u>(30,846)</u>
Annual OPEB cost	382,353
Employer contribution	<u>(175,160)</u>
Increase in net OPEB obligation	207,193
Net OPEB obligation, beginning of year	<u>739,818</u>
 Net OPEB obligation, end of year	 <u><u>\$ 947,011</u></u>

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 12. POSTEMPLOYMENT BENEFITS – CONTINUED**

**Annual OPEB Cost and Net OPEB Obligation – Continued**

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

Fiscal Year Ended	OPEB Cost	Employer Contribution	Percentage Contributed	OPEB Obligation
9/30/10	\$ 355,198	\$ 107,666	30.31%	\$ 501,339
9/30/11	366,648	128,169	34.96%	739,818
9/30/12	382,353	175,160	45.81%	947,011

**Funding Status and Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Fiscal Year	Covered Payroll
12/31/09	\$ -	\$3,325,706	\$3,325,706	0%	2010	\$ 18,924,557
12/31/09	-	3,325,706	3,325,706	0%	2011	18,645,541
12/31/11	-	2,820,447	2,820,447	0%	2012	18,883,385

**Actuarial Methods and Assumptions**

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

Actuarial valuation date	December 31, 2010	December 31, 2011
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	28 years; open	27 years; open
Asset valuation method	Market value	Market value
Actuarial assumption:		
Investment rate of return	4.5%	4.5%
Payroll growth rate	3.0%	3.0%
Projected salary increases	3.0%	3.0%
General inflation rate	3.0%	3.0%

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 13. COMMITMENTS AND CONTRACTS**

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

A. North Texas Municipal Water District Water Purchase Agreement – The City has a long-term contract with the North Texas Municipal Water District for the purchase of treated water. The contract for water is dated June 3, 1965, and is for a period of 40 years. Over the years, the contract has been amended to provide for additional services as the City has grown. Currently, the City receives water at three take points. For the year ended September 30, 2012, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 2,562,167,000 gallons.

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

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

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

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

**NOTE 14. SUBSEQUENT EVENTS**

The City has evaluated all events or transactions that occurred after September 30, 2012 up through March 29, 2013, the date the financial statements were issued. During this period there were no subsequent events requiring disclosure.

**REQUIRED  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**CITY OF ROWLETT, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 15,438,596	\$ 15,438,596	\$ 15,444,428	\$ 5,832
Sales	4,357,697	4,357,697	4,894,006	536,309
Other	58,338	58,338	48,186	(10,152)
Franchise fees	3,018,276	3,018,276	3,000,282	(17,994)
Licenses and permits	372,562	372,562	402,062	29,500
Charge for services	2,263,498	2,263,498	2,291,101	27,603
Fines and forfeitures	1,333,688	1,333,688	882,377	(451,311)
Intergovernmental	201,967	201,967	211,918	9,951
Interest	41,667	41,667	24,535	(17,132)
Miscellaneous	1,088,063	1,088,063	1,183,382	95,319
Total revenues	<u>28,174,352</u>	<u>28,174,352</u>	<u>28,382,277</u>	<u>207,925</u>
<b>EXPENDITURES</b>				
Current operating:				
General government	1,746,788	1,999,724	2,800,377	(800,653)
Public safety	18,445,507	18,280,315	18,164,372	115,943
Public works	2,860,637	2,877,629	2,829,349	48,280
Culture and recreation	4,496,041	4,404,210	4,168,618	235,592
Development	876,244	886,822	840,833	45,989
Debt service:				
Principal retirement	494,313	494,313	478,605	15,708
Interest and fiscal charges	-	-	78,342	(78,342)
Capital outlay	303,000	569,118	1,488,747	(919,629)
Total expenditures	<u>29,222,530</u>	<u>29,512,131</u>	<u>30,849,243</u>	<u>(1,337,112)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,048,178)</u>	<u>(1,337,779)</u>	<u>(2,466,966)</u>	<u>(1,129,187)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease	-	-	351,152	351,152
Transfers from other funds	2,174,709	2,174,709	2,174,712	3
Transfers to other funds	(1,555,464)	(1,555,464)	(1,522,259)	33,205
Proceeds from sale of assets	-	-	1,500	1,500
Total other financing sources (uses)	<u>619,245</u>	<u>619,245</u>	<u>1,005,105</u>	<u>385,860</u>
<b>CHANGE IN FUND BALANCE</b>	(428,933)	(718,534)	(1,461,861)	(743,327)
<b>TOTAL FUND BALANCE, BEGINNING</b>	<u>8,943,944</u>	<u>8,943,944</u>	<u>8,943,944</u>	<u>-</u>
<b>TOTAL FUND BALANCE, ENDING</b>	<u>\$ 8,515,011</u>	<u>\$ 8,225,410</u>	<u>\$ 7,482,083</u>	<u>\$ (743,327)</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2012**

**1. BASIS OF BUDGETING**

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

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## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 8,045,463	\$ 8,045,463	\$ 8,048,493	\$ 3,030
Interest	13,293	13,293	5,130	(8,163)
Total revenues	<u>8,058,756</u>	<u>8,058,756</u>	<u>8,053,623</u>	<u>(5,133)</u>
<b>EXPENDITURES</b>				
Current operating:				
General government	109,082	109,082	82,863	26,219
Public safety	106,272	106,272	120,621	(14,349)
Debt service:				
Principal retirement	5,655,000	5,655,000	5,730,000	(75,000)
Interest and fiscal charges	3,080,114	3,080,114	3,047,564	32,550
Total expenditures	<u>8,950,468</u>	<u>8,950,468</u>	<u>8,981,048</u>	<u>(30,580)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(891,712)</u>	<u>(891,712)</u>	<u>(927,425)</u>	<u>(35,713)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	14,131,149	14,131,149
Premiums on sale of bonds	-	-	1,383,000	1,383,000
Payment to refunding bond escrow agent	-	-	(15,416,504)	(15,416,504)
Transfers from other funds	937,965	937,965	904,874	(33,091)
Total other financing sources (uses)	<u>937,965</u>	<u>937,965</u>	<u>1,002,519</u>	<u>64,554</u>
<b>CHANGE IN FUND BALANCES</b>	46,253	46,253	75,094	28,841
<b>FUND BALANCES, BEGINNING</b>	<u>288,733</u>	<u>288,733</u>	<u>288,733</u>	-
<b>FUND BALANCES, ENDING</b>	<u>\$ 334,986</u>	<u>\$ 334,986</u>	<u>\$ 363,827</u>	<u>\$ 28,841</u>

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

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

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

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

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

**Grant Fund** – to account for funds awarded the City by various federal or state agencies. This fund includes funds granted to the City by the U.S. Department of Housing and Urban Development (HUD) under their community development block grant (CDBG) programs, other public safety grants, and library grants.

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

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

**CITY OF ROWLETT, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 523,298	\$ 735,907	\$ 12,774
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accrued interest	647	-	118
Other	-	-	64,071
Due from other governments	-	-	-
	-	-	-
Total assets	\$ 523,945	\$ 735,907	\$ 76,963
<b>LIABILITIES</b>			
Accounts payable	84,190	77,130	29,255
Accrued liabilities	-	19,675	1,833
Deferred revenue	54,209	-	41,446
Total liabilities	138,399	96,805	72,534
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	-	-	-
Capital projects	385,546	-	-
Public safety	-	639,102	4,429
Economic development	-	-	-
Public broadcasting	-	-	-
Unassigned	-	-	-
Total fund balances	385,546	639,102	4,429
Total liabilities and fund balances	\$ 523,945	\$ 735,907	\$ 76,963

Special Revenue				Total
Court Fees	Grant	TIF	Other	Governmental Funds
\$ 373,992	\$ 13,770	\$ 999	\$ 52,697	\$ 1,713,437
-	-	-	4,504	4,504
510	3	1	21	1,300
1,761	-	-	23,699	89,531
-	99,725	-	-	99,725
<u>\$ 376,263</u>	<u>\$ 113,498</u>	<u>\$ 1,000</u>	<u>\$ 80,921</u>	<u>\$ 1,908,497</u>
101	56,471	-	-	247,147
3,065	-	-	3,627	28,200
1,761	60,725	-	-	158,141
4,927	117,196	-	3,627	433,488
-	-	1,000	-	1,000
-	-	-	-	385,546
371,336	-	-	-	1,014,867
-	-	-	20,518	20,518
-	-	-	56,776	56,776
-	(3,698)	-	-	(3,698)
371,336	(3,698)	1,000	77,294	1,475,009
<u>\$ 376,263</u>	<u>\$ 113,498</u>	<u>\$ 1,000</u>	<u>\$ 80,921</u>	<u>\$ 1,908,497</u>

**CITY OF ROWLETT, TEXAS  
COMBINING STATEMENT OF REVEUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ -	\$ -	\$ -
Franchise fees	-	-	-
License and permits	285,290	-	-
Fines and forfeitures	-	653,632	284,162
Intergovernmental	-	-	-
Interest	1,170	2,062	68
Miscellaneous	20,494	-	-
Total revenues	<u>306,954</u>	<u>655,694</u>	<u>284,230</u>
<b>EXPENDITURES</b>			
Current operating:			
General government	-	-	-
Public safety	-	343,260	304,167
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	373,227	318,741	-
Total expenditures	<u>373,227</u>	<u>662,001</u>	<u>304,167</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(66,273)	(6,307)	(19,937)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	(66,273)	(6,307)	(19,937)
<b>FUND BALANCES (DEFICIT), BEGINNING</b>	<u>451,819</u>	<u>645,409</u>	<u>24,366</u>
<b>FUND BALANCES (DEFICIT), ENDING</b>	<u>\$ 385,546</u>	<u>\$ 639,102</u>	<u>\$ 4,429</u>

Special Revenue				Total
Court Fees	Grant	TIF	Other	Governmental Funds
\$ -	\$ -	\$ 290,955	\$ 55,395	\$ 346,350
-	-	-	94,425	94,425
-	-	-	-	285,290
76,130	-	-	-	1,013,924
-	361,381	-	-	361,381
896	60	1	82	4,339
-	-	-	-	20,494
<u>77,026</u>	<u>361,441</u>	<u>290,956</u>	<u>149,902</u>	<u>2,126,203</u>
-	13,920	-	106,447	120,367
114,919	125,611	-	-	887,957
-	22,500	-	-	22,500
-	6,840	-	-	6,840
-	89,982	-	16,128	798,078
<u>114,919</u>	<u>258,853</u>	<u>-</u>	<u>122,575</u>	<u>1,835,742</u>
(37,893)	102,588	290,956	27,327	290,461
-	-	(290,956)	-	(290,956)
(37,893)	102,588	-	27,327	(495)
<u>409,229</u>	<u>(106,286)</u>	<u>1,000</u>	<u>49,967</u>	<u>1,475,504</u>
<u>\$ 371,336</u>	<u>\$ (3,698)</u>	<u>\$ 1,000</u>	<u>\$ 77,294</u>	<u>\$ 1,475,009</u>

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
IMPACT FEES FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
License and permits	\$ 31,000	\$ 31,000	\$ 285,290	\$ 254,290
Interest	13,357	13,357	1,170	(12,187)
Miscellaneous	-	-	20,494	20,494
Total revenues	<u>44,357</u>	<u>44,357</u>	<u>306,954</u>	<u>262,597</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>30,000</u>	<u>531,830</u>	<u>373,227</u>	<u>158,603</u>
Total expenditures	<u>30,000</u>	<u>531,830</u>	<u>373,227</u>	<u>158,603</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	14,357	(487,473)	(66,273)	421,200
<b>FUND BALANCES, BEGINNING</b>	<u>451,819</u>	<u>451,819</u>	<u>451,819</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 466,176</u></u>	<u><u>\$ (35,654)</u></u>	<u><u>\$ 385,546</u></u>	<u><u>\$ 421,200</u></u>

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
POLICE SEIZURE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 653,632	\$ 553,632
Interest	550	550	2,062	1,512
Total revenues	<u>100,550</u>	<u>100,550</u>	<u>655,694</u>	<u>555,144</u>
<b>EXPENDITURES</b>				
Public safety	125,000	158,773	343,260	(184,487)
Capital outlay	-	-	318,741	(318,741)
Total expenditures	<u>125,000</u>	<u>158,773</u>	<u>662,001</u>	<u>(503,228)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(24,450)	(58,223)	(6,307)	51,916
<b>FUND BALANCES, BEGINNING</b>	<u>645,409</u>	<u>645,409</u>	<u>645,409</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 620,959</u>	<u>\$ 587,186</u>	<u>\$ 639,102</u>	<u>\$ 51,916</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC SAFETY FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 297,458	\$ 297,458	\$ 284,162	\$ (13,296)
Interest	468	468	68	(400)
Total revenues	<u>297,926</u>	<u>297,926</u>	<u>284,230</u>	<u>(13,696)</u>
<b>EXPENDITURES</b>				
Public safety	297,926	297,926	304,167	(6,241)
Total expenditures	<u>297,926</u>	<u>297,926</u>	<u>304,167</u>	<u>(6,241)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	-	-	(19,937)	(19,937)
<b>FUND BALANCES, BEGINNING</b>	<u>24,366</u>	<u>24,366</u>	<u>24,366</u>	-
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 24,366</u></u>	<u><u>\$ 24,366</u></u>	<u><u>\$ 4,429</u></u>	<u><u>\$ (19,937)</u></u>

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
COURT FEES FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 100,316	\$ 100,316	\$ 76,130	\$ (24,186)
Interest	-	-	896	896
Total revenues	<u>100,316</u>	<u>100,316</u>	<u>77,026</u>	<u>(23,290)</u>
<b>EXPENDITURES</b>				
Public safety	<u>131,657</u>	<u>148,687</u>	<u>114,919</u>	<u>33,768</u>
Total expenditures	<u>131,657</u>	<u>148,687</u>	<u>114,919</u>	<u>33,768</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(31,341)	(48,371)	(37,893)	10,478
<b>FUND BALANCES, BEGINNING</b>	<u>409,229</u>	<u>409,229</u>	<u>409,229</u>	-
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 377,888</u></u>	<u><u>\$ 360,858</u></u>	<u><u>\$ 371,336</u></u>	<u><u>\$ 10,478</u></u>

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
GRANT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 241,835	\$ 241,835	\$ 361,381	\$ 119,546
Interest	-	-	60	60
Total revenues	<u>241,835</u>	<u>241,835</u>	<u>361,441</u>	<u>119,606</u>
<b>EXPENDITURES</b>				
General government	-	-	13,920	(13,920)
Public safety	24,590	24,590	125,611	(101,021)
Public works	22,000	22,000	22,500	(500)
Culture and recreation	-	-	6,840	(6,840)
Capital outlay	195,245	831,957	89,982	741,975
Total expenditures	<u>241,835</u>	<u>878,547</u>	<u>258,853</u>	<u>619,694</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	(636,712)	102,588	739,300
<b>FUND BALANCES, BEGINNING</b>	<u>(106,286)</u>	<u>(106,286)</u>	<u>(106,286)</u>	-
<b>FUND BALANCES, ENDING</b>	<u>\$ (106,286)</u>	<u>\$ (742,998)</u>	<u>\$ (3,698)</u>	<u>\$ 739,300</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 TAX INCREMENT FINANCING FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 290,845	\$ 290,845	\$ 290,955	\$ 110
Interest	-	-	1	1
Total revenues	<u>290,845</u>	<u>290,845</u>	<u>290,956</u>	<u>111</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	<u>(290,845)</u>	<u>(290,845)</u>	<u>(290,956)</u>	<u>(111)</u>
<b>CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES, BEGINNING</b>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	-
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 1,000</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ -</u></u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 OTHER SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Motel taxes	\$ 47,698	\$ 47,698	\$ 55,395	\$ 7,697
Franchise fees	85,042	85,042	94,425	9,383
Interest	577	577	82	(495)
Total revenues	<u>133,317</u>	<u>133,317</u>	<u>149,902</u>	<u>16,585</u>
<b>EXPENDITURES</b>				
General government	110,528	110,528	106,447	4,081
Capital outlay	-	16,128	16,128	-
Total expenditures	<u>110,528</u>	<u>126,656</u>	<u>122,575</u>	<u>4,081</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	22,789	6,661	27,327	20,666
<b>FUND BALANCES, BEGINNING</b>	<u>49,967</u>	<u>49,967</u>	<u>49,967</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 72,756</u></u>	<u><u>\$ 56,628</u></u>	<u><u>\$ 77,294</u></u>	<u><u>\$ 20,666</u></u>

## **STATISTICAL SECTION**

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**STATISTICAL SECTION  
(UNAUDITED)**

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

**Tables**

**Financial Trends**

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

**Revenue Capacity**

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

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 10-14

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 15-16

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 17-19

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

	Fiscal Year			
	2012	2011	2010	2009
Governmental activities:				
Invested in capital assets, net of related debt	\$ 31,916,791	\$ 32,374,952	\$ 33,070,231	\$ 33,707,411
Restricted	9,171,293	4,746,923	1,148,213	910,428
Unrestricted	5,462,517	6,506,992	7,989,091	7,593,223
Total governmental activities net assets	<u>\$ 46,550,601</u>	<u>\$ 43,628,867</u>	<u>\$ 42,207,535</u>	<u>\$ 42,211,062</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 62,576,970	\$ 63,268,379	\$ 64,417,014	\$ 65,576,708
Restricted	2,327,961	3,225,296	3,156,935	3,136,923
Unrestricted	7,460,914	6,882,557	5,452,189	6,518,292
Total business-type activities net assets	<u>\$ 72,365,845</u>	<u>\$ 73,376,232</u>	<u>\$ 73,026,138</u>	<u>\$ 75,231,923</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 94,493,761	\$ 95,643,331	\$ 97,487,245	\$ 99,284,119
Restricted	11,499,254	7,972,219	4,305,148	4,047,351
Unrestricted	12,923,431	13,389,549	13,441,280	14,111,515
Total primary government net assets	<u>\$ 118,916,446</u>	<u>\$ 117,005,099</u>	<u>\$ 115,233,673</u>	<u>\$ 117,442,985</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

**TABLE 1**

<b>Fiscal Year</b>					
<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 40,312,017	\$ 38,656,284	\$ 42,099,813	\$ 35,082,256	\$ 31,824,439	\$ 26,639,038
1,537,197	1,249,120	1,724,868	1,040,997	2,995,418	3,372,556
5,435,653	4,519,005	4,121,491	4,110,733	1,501,435	2,180,379
<u>\$ 47,284,867</u>	<u>\$ 44,424,409</u>	<u>\$ 47,946,172</u>	<u>\$ 40,233,986</u>	<u>\$ 36,321,292</u>	<u>\$ 32,191,973</u>
\$ 63,829,157	\$ 62,484,938	\$ 61,546,001	\$ 62,588,336	\$ 64,217,338	\$ 63,940,654
2,894,124	2,849,815	2,876,092	3,210,754	1,368,449	3,561,918
5,683,212	3,926,786	5,289,946	6,742,040	6,128,244	2,339,895
<u>\$ 72,406,493</u>	<u>\$ 69,261,539</u>	<u>\$ 69,712,039</u>	<u>\$ 72,541,130</u>	<u>\$ 71,714,031</u>	<u>\$ 69,842,467</u>
\$ 104,141,174	\$ 101,141,222	\$ 103,645,814	\$ 97,670,592	\$ 96,041,777	\$ 90,579,692
4,431,321	4,098,935	4,600,960	4,251,751	4,363,866	6,934,475
11,118,865	8,445,791	9,411,437	10,852,773	7,629,679	4,520,273
<u>\$ 119,691,360</u>	<u>\$ 113,685,948</u>	<u>\$ 117,658,211</u>	<u>\$ 112,775,116</u>	<u>\$ 108,035,322</u>	<u>\$ 102,034,440</u>

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

Expenses	Fiscal Year			
	2012	2011	2010	2009
<b>Governmental activities:</b>				
General government	\$ 4,274,638	\$ 5,043,354	\$ 4,812,456	\$ 5,235,080
Public safety	20,442,914	20,077,172	20,243,476	19,372,690
Public works	13,485,913	12,320,408	12,747,289	12,719,561
Culture and recreation	4,975,355	4,796,472	5,138,905	4,926,422
Development	881,385	726,014	844,980	1,219,772
Interest and fiscal charges	2,888,071	3,445,261	3,562,170	4,088,968
<b>Total governmental activities</b>	<b>46,948,276</b>	<b>46,408,681</b>	<b>47,349,276</b>	<b>47,562,493</b>
<b>Business-type activities:</b>				
Water and sewer	20,275,313	19,715,254	19,292,984	18,502,215
Refuse	3,316,080	3,280,511	2,676,412	1,607,736
Drainage	2,091,605	1,669,999	3,242,101	3,286,924
Wet zone	-	-	-	-
<b>Total business-type activities</b>	<b>25,682,998</b>	<b>24,665,764</b>	<b>25,211,497</b>	<b>23,396,875</b>
<b>Total primary government expenses</b>	<b>\$ 72,631,274</b>	<b>\$ 71,074,445</b>	<b>72,560,773</b>	<b>\$ 70,959,368</b>
<b>Program Revenues</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	\$ 99,370	\$ 617,922	\$ 135,922	\$ 99,906
Public safety	3,205,317	1,808,112	3,959,096	3,466,449
Public works	285,290	116,950	20,962	87,594
Culture and recreation	871,538	2,659,906	1,588,866	1,627,643
Development	641,890	565,001	386,696	504,544
Operating grants and contributions	901,055	963,803	484,634	347,925
Capital grants and contributions	6,748,657	2,687,884	1,532,660	175,032
<b>Total governmental activities program revenues</b>	<b>12,753,117</b>	<b>9,419,578</b>	<b>8,108,836</b>	<b>6,309,093</b>
<b>Business-type activities:</b>				
<b>Charges for services:</b>				
Water and sewer	22,507,769	23,592,840	21,550,266	20,570,813
Refuse	4,484,110	4,457,857	1,361,162	1,276,659
Drainage	1,300,878	1,301,172	4,484,338	4,493,083
Wet zone	-	-	-	-
Capital grants and contributions	145,204	560,473	20,612	63,966
<b>Total business-type activities program revenues</b>	<b>28,437,961</b>	<b>29,912,342</b>	<b>27,416,378</b>	<b>26,404,521</b>
<b>Total primary government revenues</b>	<b>\$ 41,191,078</b>	<b>\$ 39,331,920</b>	<b>35,525,214</b>	<b>\$ 32,713,614</b>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (34,195,159)	\$ (36,989,103)	\$ (39,240,440)	\$ (41,253,400)
Business-type activities	2,754,963	5,246,578	2,204,881	3,007,646
<b>Total primary government net expense</b>	<b>\$ (31,440,196)</b>	<b>(31,742,525)</b>	<b>(37,035,559)</b>	<b>(38,245,754)</b>
<b>General Revenue and Other Changes in Net Assets</b>				
<b>Governmental activities:</b>				
<b>Taxes</b>				
Property taxes	\$ 23,805,465	\$ 23,967,737	\$ 24,649,815	\$ 25,255,663
Sales taxes	4,894,006	5,767,527	6,228,228	5,666,751
Other	48,186	124,748	59,934	110,778
Franchise fees	3,127,383	3,214,049	2,767,064	2,881,223
Investment earnings	76,604	165,926	231,809	702,090
Gain (loss) on sale/retirement of capital assets	-	-	-	-
Miscellaneous	1,248,881	171,306	674,907	633,877
Transfers (net)	3,916,368	4,999,142	4,625,155	929,213
<b>Total governmental activities</b>	<b>37,116,893</b>	<b>38,410,435</b>	<b>39,236,912</b>	<b>36,179,595</b>
<b>Business-type activities:</b>				
Investment earnings	53,767	102,658	214,489	746,997
Gain (loss) on sale/retirement of capital assets	-	-	-	-
Miscellaneous	97,251	-	-	-
Transfers (net)	(3,916,368)	(4,999,142)	(4,625,155)	(929,213)
Special items	-	-	-	-
<b>Total business-type activities</b>	<b>(3,765,350)</b>	<b>(4,896,484)</b>	<b>(4,410,666)</b>	<b>(182,216)</b>
<b>Total primary government</b>	<b>\$ 33,351,543</b>	<b>\$ 33,513,951</b>	<b>\$ 34,826,246</b>	<b>\$ 35,997,379</b>
<b>Changes in Net Assets</b>				
Governmental activities	\$ 2,921,734	\$ 1,421,332	\$ (3,528)	\$ (5,073,805)
Business type activities	(1,010,387)	350,094	(2,205,785)	2,825,430
<b>Total primary government</b>	<b>\$ 1,911,347</b>	<b>\$ 1,771,426</b>	<b>(2,209,313)</b>	<b>(2,248,375)</b>

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 2

		Fiscal Year					
		2008	2007	2006	2005	2004	2003
\$	5,210,003	\$ 6,463,416	\$ 7,547,049	\$ 5,461,721	\$ 5,221,878	\$ 4,762,474	
	19,026,455	19,064,945	17,566,690	15,345,813	14,412,536	13,531,944	
	8,819,541	13,357,060	5,338,600	5,210,406	5,009,553	4,593,744	
	5,388,160	6,102,323	6,202,601	4,353,767	3,828,425	3,579,707	
	1,229,275	1,476,900	1,529,689	1,341,144	1,341,012	1,401,486	
	4,473,104	4,825,639	3,864,246	2,965,565	2,598,852	2,303,626	
	<u>44,146,538</u>	<u>51,290,283</u>	<u>42,048,875</u>	<u>34,678,416</u>	<u>32,412,255</u>	<u>30,172,981</u>	
	19,065,087	19,136,724	19,243,442	15,617,433	13,672,908	13,451,133	
	1,692,004	1,604,017	1,332,109	1,101,040	1,004,201	1,069,723	
	3,251,155	2,940,905	2,627,304	2,244,735	2,205,365	2,358,869	
	-	-	-	729,695	633,912	727,611	
	<u>24,008,246</u>	<u>23,681,646</u>	<u>23,202,855</u>	<u>19,692,903</u>	<u>17,516,386</u>	<u>17,607,336</u>	
\$	<u>68,154,784</u>	<u>74,971,929</u>	<u>65,251,730</u>	<u>54,371,319</u>	<u>49,928,641</u>	<u>47,780,317</u>	
\$	72,486	\$ 67,617	\$ 121,309	\$ 8,092	\$ 4,512	\$ 633	
	3,591,329	3,089,141	2,847,875	1,806,208	1,905,311	1,668,838	
	211,128	265,677	418,169	270,525	87,540	120,004	
	1,115,647	1,185,071	1,280,621	305,672	492,410	255,836	
	567,913	696,991	911,160	992,676	1,020,646	1,060,116	
	518,835	578,571	461,654	543,706	356,981	386,095	
	2,306,004	469,433	2,658,930	3,185,246	5,462,783	963,453	
	<u>8,383,342</u>	<u>6,352,501</u>	<u>8,699,718</u>	<u>7,112,125</u>	<u>9,330,184</u>	<u>4,454,974</u>	
	19,553,413	18,951,024	19,125,037	18,467,908	16,163,854	11,688,693	
	951,715	929,773	485,580	495,255	489,439	438,822	
	4,246,481	4,054,166	3,493,756	3,494,784	3,079,240	2,726,756	
	-	-	-	435,202	337,403	410,288	
	<u>2,359,949</u>	<u>616,691</u>	<u>1,314,213</u>	<u>2,424,461</u>	<u>3,151,578</u>	<u>632,841</u>	
	<u>27,111,558</u>	<u>24,551,654</u>	<u>24,418,586</u>	<u>25,317,610</u>	<u>23,221,514</u>	<u>15,897,400</u>	
\$	<u>35,494,900</u>	<u>30,904,155</u>	<u>33,118,304</u>	<u>32,429,735</u>	<u>32,551,698</u>	<u>20,352,374</u>	
\$	(35,763,196)	\$ (44,937,782)	\$ (33,349,157)	\$ (27,566,291)	\$ (23,082,071)	\$ (25,718,007)	
	3,103,312	870,008	1,215,731	5,624,707	5,705,128	(1,709,936)	
\$	<u>(32,659,884)</u>	<u>(44,067,774)</u>	<u>(32,133,426)</u>	<u>(21,941,584)</u>	<u>(17,376,943)</u>	<u>(27,427,943)</u>	
\$	25,044,496	\$ 23,758,243	\$ 22,472,350	\$ 19,701,994	\$ 17,481,315	\$ 16,343,280	
	5,882,325	6,230,025	7,458,230	3,760,344	3,097,455	2,767,989	
	121,242	120,329	111,619	98,303	87,162	77,481	
	3,014,846	3,393,874	2,850,027	2,418,182	2,587,990	2,233,351	
	1,570,639	3,242,124	2,418,273	878,622	402,908	561,482	
	-	-	(178,719)	(203,409)	(133,488)	(14,179)	
	1,039,438	939,421	956,044	1,247,579	768,839	673,266	
	1,447,292	3,732,003	4,973,519	3,577,370	2,919,208	2,717,928	
	<u>38,120,278</u>	<u>41,416,019</u>	<u>41,061,343</u>	<u>31,478,985</u>	<u>27,211,390</u>	<u>25,360,599</u>	
	1,488,934	2,411,495	1,899,345	660,515	165,376	190,208	
	-	-	(970,648)	(6,855)	(9,462)	-	
	-	-	-	-	-	95,728	
	(1,447,292)	(3,732,003)	(4,973,519)	(3,577,370)	(2,919,208)	(2,717,928)	
	-	-	-	(1,873,898)	-	-	
	<u>41,642</u>	<u>(1,320,508)</u>	<u>(4,044,822)</u>	<u>(4,797,608)</u>	<u>(2,763,294)</u>	<u>(2,431,993)</u>	
\$	<u>38,161,920</u>	<u>40,095,511</u>	<u>37,016,521</u>	<u>26,681,377</u>	<u>24,448,096</u>	<u>22,928,606</u>	
\$	2,357,082	\$ (3,521,763)	\$ 7,712,186	\$ 3,912,694	\$ 4,129,319	\$ (357,408)	
	3,144,954	(450,500)	(2,829,091)	827,099	2,941,834	(4,141,929)	
\$	<u>5,502,036</u>	<u>(3,972,263)</u>	<u>4,883,095</u>	<u>4,739,793</u>	<u>7,071,153</u>	<u>(4,499,337)</u>	

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

	Fiscal Year			
	2012	2011	2010	2009
General fund				
Reserved	\$ -	\$ -	\$ 725,269	\$ 432,360
Unreserved	-	-	6,752,718	4,846,923
Nonspendable:				
Inventories	146,989	86,016	-	-
Prepaid items	15,700	73,555	-	-
Restricted for:				
Capital projects	280,356	716,031	-	-
Assigned for:				
Economic development	352,188	224,092	-	-
Capital acquisition	381,605	1,163,159	-	-
Unassigned	6,305,245	6,681,091	-	-
Total general fund	<u>\$ 7,482,083</u>	<u>\$ 8,943,944</u>	<u>\$ 7,477,987</u>	<u>\$ 5,279,283</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ 16,052,328	\$ 20,479,526
Unreserved, reported in:				
Special revenue funds	-	-	369,311	1,682,678
Capital projects funds	-	-	-	-
Nonspendable:				
Prepaid items	1,562	12,805	-	-
Restricted for:				
Debt service	363,265	281,278	-	-
Capital projects	7,617,327	12,734,318	-	-
Public safety	1,014,867	1,075,494	-	-
Economic development	20,518	17,751	-	-
Public broadcasting	56,776	32,216	-	-
Unassigned	(3,698)	(107,126)	-	-
Total all other governmental funds	<u>\$ 9,070,617</u>	<u>\$ 14,046,736</u>	<u>\$ 16,421,639</u>	<u>\$ 22,162,204</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

**TABLE 3**

<b>Fiscal Year</b>					
<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 186,401	\$ 334,908	\$ 113,638	\$ 474,664	\$ 67,241	\$ 170,263
3,220,176	2,723,433	2,957,331	2,717,632	2,566,930	2,777,063
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,406,577</u>	<u>\$ 3,058,341</u>	<u>\$ 3,070,969</u>	<u>\$ 3,192,296</u>	<u>\$ 2,634,171</u>	<u>\$ 2,947,326</u>
\$ 28,688,462	\$ 38,895,212	\$ 56,450,397	\$ 42,937,142	\$ 19,759,466	\$ 26,854,129
1,561,760	1,432,574	1,248,627	1,153,135	32,072	154,018
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 30,250,222</u>	<u>\$ 40,327,786</u>	<u>\$ 57,699,024</u>	<u>\$ 44,090,277</u>	<u>\$ 19,791,538</u>	<u>\$ 27,008,147</u>

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

	Fiscal Year			
	2012	2011	2010	2009
<b>Revenues</b>				
Taxes	\$ 28,781,463	\$ 30,131,107	\$ 30,966,183	\$ 30,906,010
Franchise fees	3,094,707	3,304,363	3,015,465	2,999,281
Licenses and permits	687,352	438,334	391,228	499,979
Charges for services	2,291,101	2,748,494	2,823,756	2,889,691
Fines and forfeitures	1,896,301	2,304,857	2,820,913	2,339,835
Intergovernmental	6,589,471	2,275,536	1,967,802	381,153
Interest	76,604	165,926	231,809	702,090
Miscellaneous	1,208,363	790,619	674,907	633,877
Total revenues	<u>44,625,362</u>	<u>42,159,236</u>	<u>42,892,063</u>	<u>41,351,916</u>
<b>Expenditures</b>				
General government	3,003,607	4,380,262	4,471,479	4,047,850
Public safety	19,159,506	18,791,928	18,692,849	17,910,586
Public works	7,599,093	7,246,641	5,592,114	7,789,807
Culture and recreation	4,175,458	3,931,809	4,272,737	4,151,303
Development	840,833	672,775	808,218	1,151,720
Debt service:				
Principal	6,208,605	5,940,534	5,432,452	5,551,999
Interest	2,903,106	3,370,147	3,507,444	4,044,879
Other charges	222,800	-	207,999	-
Capital outlay	11,316,999	4,424,499	9,868,151	7,858,484
Total expenditures	<u>55,430,007</u>	<u>48,758,595</u>	<u>52,853,443</u>	<u>52,506,628</u>
Excess of revenues over/(under) expenditures	(10,804,645)	(6,599,359)	(9,961,380)	(11,154,712)
<b>Other Financing Sources/(Uses)</b>				
Proceeds from capital leases	351,152	1,202,602	987,080	152,925
Refunding bonds issued	14,131,149	-	12,000,000	-
Proceeds from sale of bonds	-	-	-	-
Premiums on bonds issued	1,383,000	-	440,175	-
Discounts on bonds issued	-	-	-	-
Payments to refunding bond escrow agent	(15,416,504)	-	(12,455,399)	-
Proceeds from sale of assets	1,500	-	-	-
Transfers in	5,729,583	6,446,101	7,595,086	7,271,747
Transfers out	(1,813,215)	(1,958,290)	(2,147,423)	(2,485,272)
Total other financing sources/(uses)	<u>4,366,665</u>	<u>5,690,413</u>	<u>6,419,519</u>	<u>4,939,400</u>
Net change in fund balances	<u>\$ (6,437,980)</u>	<u>\$ (908,946)</u>	<u>\$ (3,541,861)</u>	<u>\$ (6,215,312)</u>
Debt service as a percentage of noncapital expenditures	21.2%	21.0%	21.3%	21.5%

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 4

		Fiscal Year									
		2008	2007	2006	2005	2004	2003				
\$	31,065,958	\$	30,089,399	\$	29,954,902	\$	23,538,352	\$	20,621,070	\$	19,148,762
	3,018,734		3,393,874		2,850,027		2,418,182		2,587,990		2,233,351
	720,779		778,007		1,288,735		994,556		1,163,776		1,108,478
	2,343,594		2,415,006		2,318,143		1,321,381		1,265,001		1,397,231
	2,465,790		2,191,648		1,728,113		1,005,818		1,017,960		997,664
	1,270,253		892,635		1,753,744		1,711,827		931,636		829,382
	1,556,897		3,211,947		2,400,651		878,622		402,908		561,483
	992,518		937,824		1,134,831		1,072,547		940,014		791,815
	<u>43,434,523</u>		<u>43,910,340</u>		<u>43,429,146</u>		<u>32,941,285</u>		<u>28,930,355</u>		<u>27,068,167</u>
	4,059,446		5,396,190		7,029,763		3,493,066		3,208,460		3,202,704
	18,429,503		18,616,295		17,302,986		14,808,481		13,890,075		12,995,737
	4,775,269		8,834,282		2,360,852		2,413,042		2,415,019		2,052,741
	4,462,616		5,171,047		5,116,947		3,327,315		2,856,944		2,505,666
	1,212,987		1,458,834		1,512,154		1,313,779		1,311,215		1,351,759
	5,991,212		7,285,049		4,890,000		3,985,000		3,080,000		3,215,000
	4,400,172		4,783,411		3,506,208		2,692,355		2,522,751		2,237,253
	-		25,000		315,607		703,265		133,775		353,394
	<u>13,804,949</u>		<u>14,831,198</u>		<u>11,748,134</u>		<u>10,662,429</u>		<u>9,545,691</u>		<u>3,588,238</u>
	<u>57,136,154</u>		<u>66,401,306</u>		<u>53,782,651</u>		<u>43,398,732</u>		<u>38,963,930</u>		<u>31,502,492</u>
	(13,701,631)		(22,490,966)		(10,353,505)		(10,457,447)		(10,033,575)		(4,434,325)
	39,461		-		-		213,956		-		-
	-		-		-		-		-		-
	-		1,690,000		21,465,000		41,285,000		5,544,792		19,078,542
	-		-		291,917		318,843		n/a		n/a
	-		-		(30,614)		(233,114)		n/a		n/a
	-		-		-		(8,723,648)		(4,985,624)		(8,234,543)
	-		-		-		-		-		-
	7,157,912		7,499,125		2,650,984		3,182,730		3,229,170		2,651,916
	<u>(3,225,070)</u>		<u>(4,082,025)</u>		<u>(536,360)</u>		<u>(729,457)</u>		<u>(1,014,528)</u>		<u>(447,531)</u>
	<u>3,972,303</u>		<u>5,107,100</u>		<u>23,840,927</u>		<u>35,314,310</u>		<u>2,773,810</u>		<u>13,048,384</u>
\$	<u>(9,729,328)</u>	\$	<u>(17,383,866)</u>	\$	<u>13,487,422</u>	\$	<u>24,856,863</u>	\$	<u>(7,259,765)</u>	\$	<u>8,614,059</u>
	24.0%		23.5%		20.7%		22.5%		19.5%		20.8%

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

**TABLE 5**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Other</b>	<b>Total</b>
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	3,760,341	98,303	23,538,349
2006	22,385,053	7,458,229	111,619	29,954,901
2007	23,739,045	6,230,024	120,329	30,089,398
2008	25,062,391	5,882,323	121,243	31,065,957
2009	25,027,004	5,666,750	110,779	30,804,533
2010	24,639,903	6,228,228	98,052	30,966,183
2011	24,238,832	5,767,527	124,748	30,131,107
2012	23,839,271	4,894,006	48,186	28,781,463

Source: City of Rowlett - Finance Department

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

**TABLE 6**

<b>Fiscal Year</b>	<b>Estimated Market Value</b>		<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
	<b>Real Property</b>	<b>Personal Property</b>			
2003	2,615,332,420	148,119,230	241,899,279	2,521,552,371	0.64000
2004	2,794,686,350	135,846,450	244,309,008	2,686,223,792	0.64000
2005	3,001,096,970	138,562,630	270,204,525	2,869,455,075	0.67695
2006	3,152,152,570	143,648,500	317,521,416	2,978,279,654	0.74717
2007	3,328,602,160	155,650,970	342,854,454	3,141,398,676	0.74717
2008	3,505,032,790	165,364,960	361,998,133	3,308,399,617	0.74717
2009	3,562,876,777	178,689,105	373,073,104	3,368,492,778	0.74717
2010	3,522,255,306	177,752,490	414,294,585	3,285,713,211	0.74717
2011	3,447,524,437	174,055,050	401,314,296	3,220,265,191	0.74717
2012	3,407,215,429	171,045,280	406,361,093	3,171,899,616	0.74717

Source: Dallas County Tax Office

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

Fiscal Year	City of Rowlett Direct Rates			Overlapping Rates <sup>(1)</sup>				
	General Fund	Debt		Dallas County Properties				Total Direct & Overlapping Rates
		Service Fund	Total City	Dallas County	Dallas County Hospital District	Dallas County Community College District	Garland Independent School District	
2012	0.49083	0.25634	0.74717	0.24310	0.02710	0.09967	1.25330	2.37034
2011	0.49467	0.25250	0.74717	0.24310	0.27100	0.09923	1.25330	2.61380
2010	0.50202	0.24515	0.74717	0.22810	0.27400	0.09490	1.25330	2.59747
2009	0.49467	0.25250	0.74717	0.22810	0.25400	0.08940	1.25330	2.57197
2008	0.46617	0.28100	0.74717	0.22810	0.25400	0.08040	1.25330	2.56297
2007	0.47872	0.26845	0.74717	0.21390	0.25400	0.08100	1.54490	2.84097
2006	0.50178	0.24539	0.74717	0.21390	0.25400	0.08160	1.67010	2.96677
2005	0.47413	0.20281	0.67695	0.20390	0.25400	0.08030	1.62140	2.83655
2004	0.46227	0.17773	0.64000	0.20390	0.25400	0.07780	1.55850	2.73420
2003	0.43313	0.20687	0.64000	0.19600	0.25400	0.06000	1.45800	2.60800

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

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

**TABLE 7**

<b>Rockwall County Properties</b>		
<b>Rockwall County</b>	<b>Rockwall Independent School District</b>	<b>Total Direct &amp; Overlapping Rates</b>
0.386400	1.47000	2.60357
0.386400	1.47000	2.60357
0.375000	1.47000	2.59217
0.375000	1.47000	2.59217
0.350000	1.47000	2.56717
0.350700	1.71000	2.80787
0.350700	1.88000	2.97787
0.350700	1.88000	2.90765
0.350700	1.88000	2.87070
0.350000	1.83720	2.82720

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

**TABLE 8**

<u>Taxpayer</u>	<u>2012</u>		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lake Pointe Medical Center	\$ 41,322,840	1	1.30%
Oncor Electric Delivery	25,206,320	2	0.79%
Wal Mart	20,267,610	3	0.64%
Target Corporation	16,806,880	4	0.53%
Verizon	12,816,740	5	0.40%
NSHE TX Bay City LLX	12,000,000	6	0.38%
ARC LCROWTX001 LLC	9,792,140	7	0.31%
Gemni Rowlett Crossing S	9,316,310	8	0.29%
Lakeview Parkview	6,900,000	9	0.22%
Safeway Inc	6,788,860	10	0.21%
	<u>\$ 161,217,700</u>		<u>5.07%</u>

Source: Dallas County Tax Office

<u>Taxpayer</u>	<u>2003</u>		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Texas Utilities Electric Co.	\$ 27,358,170	1	1.08%
Lake Pointe Medical Center	25,898,620	2	1.03%
Wal Mart	20,568,660	3	0.82%
Verizon	13,124,900	4	0.52%
Albertson's Inc	12,631,650	5	0.50%
Randalls Food & Drug	10,085,660	6	0.40%
Horton DR Texas LTD	9,545,880	7	0.38%
NEC Dalrock & SH66 LTD	7,062,720	8	0.28%
Continental Homes of TX	5,963,740	9	0.24%
Lakeview Parkview	5,760,000	10	0.23%
	<u>\$ 138,000,000</u>		<u>5.48%</u>

Source: City of Rowlett 2003 CAFR

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

**TABLE 9**

<b>Fiscal Year</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2003	16,137,934	15,767,490	97.70%	232,511	16,000,001	99.15%
2004	17,191,832	16,848,678	98.00%	275,787	17,124,465	99.61%
2005	19,424,633	19,018,687	97.91%	261,589	19,280,276	99.26%
2006	22,257,540	21,757,513	97.75%	230,955	21,988,468	98.79%
2007	23,379,880	22,812,468	97.57%	385,491	23,197,959	99.22%
2008	24,582,645	24,129,517	98.16%	432,572	24,562,089	99.92%
2009	25,022,666	24,529,606	98.03%	598,235	25,127,841	100.42%
2010	24,432,408	23,999,869	98.23%	306,764	24,306,633	99.49%
2011	23,945,717	23,651,211	98.77%	305,860	23,957,071	100.05%
2012	23,605,280	23,336,034	98.86%	-	23,336,034	98.86%

Source: City of Rowlett - Finance Department

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Tax Notes</b>	<b>Capital Leases</b>
2003	\$ 42,340,000	\$ 19,090,000	\$ 310,000	\$ -
2004	41,145,000	17,470,000	770,000	-
2005	47,200,000	40,690,000	530,000	174,627
2006	44,325,000	60,350,000	320,000	1,308,775
2007	41,245,000	57,370,000	845,437	1,061,675
2008	38,030,000	55,210,000	260,437	1,086,291
2009	35,175,000	52,975,000	20,000	1,017,655
2010	37,590,000	45,410,000	-	1,797,282
2011	34,510,000	43,040,000	-	2,509,351
2012	37,656,149	34,010,000	-	2,381,898

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

<b>Business-Type Activities</b>					
<b>Revenue Bonds</b>	<b>Certificates of Obligation</b>	<b>Capital Leases</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
22,520,000	\$ -	\$ 179,910	\$ 133,656,793	7.55%	\$ 2,704
21,185,000	-	160,809	169,796,604	8.90%	3,342
45,015,000	-	47,166	160,497,369	7.67%	3,069
54,220,000	4,815,000	4,457,829	150,801,444	6.80%	2,840
51,035,000	4,695,000	4,245,257	141,885,927	6.03%	2,640
47,665,000	4,535,000	4,014,716	133,830,781	5.69%	2,471
44,560,000	4,365,000	3,773,272	125,613,157	5.28%	2,315
41,340,000	4,190,000	3,503,499	123,956,348	5.13%	2,274
37,995,000	4,010,000	3,548,806	125,613,157	5.18%	2,234
42,628,851	3,820,000	3,459,450	123,956,348	4.84%	2,201

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

<b>Fiscal Year</b>	<b>General Obligation Bonds and Certificates of Obligations</b>	<b>Less: Amounts in Debt Service Fund</b>	<b>Net</b>	<b>Percentage Taxable Assessed Value <sup>(1)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
2003	61,740,000	1,608,700	60,131,300	2.38%	1,217
2004	59,385,000	1,304,239	58,080,761	2.16%	1,143
2005	88,420,000	1,172,787	87,247,213	3.04%	1,668
2006	104,995,000	937,316	104,057,684	3.49%	1,960
2007	99,460,437	566,928	98,893,509	3.15%	1,840
2008	93,500,437	436,794	93,063,643	2.81%	1,719
2009	88,170,000	404,059	87,765,941	2.61%	1,618
2010	83,000,000	234,354	82,765,646	2.52%	1,519
2011	77,550,000	288,733	77,261,267	2.40%	1,374
2012	71,666,149	363,827	71,302,322	2.25%	1,266

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

<sup>(1)</sup> See Table 5 for property value data.

<sup>(2)</sup> See Table 15 for population data.

Source: City of Rowlett - Finance Department

**CITY OF ROWLETT, TEXAS**  
**COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)**  
**SEPTEMBER 30, 2012**

**TABLE 12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Dallas County Properties:</u>			
Debt repaid with property taxes:			
Dallas County	\$ 129,817,389	1.50%	\$ 1,947,261
Dallas County Community College District	396,140,000	1.50%	5,942,100
Dallas County Hospital District	690,717,053	1.50%	10,360,756
Garland Independent School District	414,763,834	18.90%	<u>78,390,365</u>
Subtotal, overlapping debt			96,640,482
City of Rowlett, direct debt			<u>74,048,047</u>
Total direct and overlapping debt			<u>\$ 170,688,529</u>
<u>Rockwall County Properties:</u>			
Debt repaid with property taxes:			
Rockwall County	\$ 56,500,000	6.50%	\$ 3,672,500
Rockwall Independent School District	346,468,119	7.50%	<u>25,985,109</u>
Subtotal, overlapping debt			29,657,609
City of Rowlett, direct debt			<u>74,048,047</u>
Total direct and overlapping debt			<u>\$ 103,705,656</u>

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

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

**CITY OF ROWLETT, TEXAS**  
**COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)**  
**SEPTEMBER 30, 2012**

**TABLE 13**

As a home rule city, the City of Rowlett is not limited by law in the amount of debt it may issue. The City's Charter (Section 6.04) states:

The City Council shall have the power to levy, for general purposes, an ad valorem tax on real, personal, and mixed property within the territory of the City, not exempt from taxation by the Texas Constitution and the laws of the state, not to exceed a total of one dollar and twenty-five cents (\$1.25) per one hundred dollars (\$100.00) assessed valuation...

The City Charter (Section 7.01) also states:

The City shall have the right and power to borrow money for public purposes by whatever method it may deem to be in the public interest. The City shall have the right and power to issue tax bonds, revenue bonds, and any other evidences of indebtedness for permanent public improvements or for any other public purpose not prohibited by law or this Charter...

Article 11, Section 5 of the State of Texas Constitution states in part:

. . . but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such City...

The tax rate at September 30, 2012, is \$ 0.747173 per \$100 of assessed valuation, with assessed valuation being 100% of appraised value.

Source: City of Rowlett - Finance Department

**CITY OF ROWLETT, TEXAS  
 PLEDGE-REVENUE COVERAGE  
 WATER AND SEWER FUND (UNAUDITED)  
 LAST TEN FISCAL YEARS**

**TABLE 14**

Fiscal Year	Water and Sewer Charges and Other <sup>(2)</sup>	Less: Operating Expenses <sup>(3)</sup>	Net Available Revenue	Debt Service <sup>(1)</sup>		Coverage
				Principal	Interest	
2003	11,702,149	8,580,944	3,121,205	1,251,111	481,319	1.80
2004	16,163,854	9,514,217	6,649,637	1,246,176	417,569	4.00
2005	18,467,908	10,277,087	8,190,821	1,988,500	854,613	2.88
2006	19,778,203	12,618,049	7,160,154	2,711,000	1,092,634	1.88
2007	19,157,633	11,947,291	7,210,342	2,686,053	1,025,084	1.94
2008	19,754,519	11,762,579	7,991,940	2,648,056	962,571	2.21
2009	20,634,778	11,772,634	8,862,144	2,621,176	899,647	2.52
2010	21,570,878	12,775,053	8,795,825	2,583,750	836,260	2.57
2011	23,579,540	13,423,497	10,156,043	2,713,929	828,115	2.87
2012	22,602,722	15,268,474	7,334,248	1,530,750	421,456	3.76

<sup>(1)</sup> Debt service requirements are the average annual requirements.

<sup>(2)</sup> Total revenues excluding interest income and including capital recovery fees.

<sup>(3)</sup> Total expenses excluding depreciation, interest expense, and fiscal charges.

Source: City of Rowlett - Finance Department

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

**TABLE 15**

<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income <sup>(2)</sup></b>	<b>Per Capita Personal Income <sup>(2)</sup></b>	<b>School Enrollment <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(4)</sup></b>	
					<b>Dallas County</b>	<b>Rowlett</b>
2003	49,423	1,770,183,591	35,817	11,186	7.7%	n/a
2004	50,800	1,908,048,000	37,560	11,371	6.9%	n/a
2005	52,300	2,091,477,000	39,990	10,914	5.9%	5.0%
2006	53,100	2,217,933,900	41,769	10,716	5.6%	4.6%
2007	53,750	2,353,981,250	43,795	11,470	4.6%	3.9%
2008	54,150	2,353,250,700	43,458	11,500	4.8%	4.2%
2009	54,250	2,381,172,465	43,893	11,499	7.4%	7.0%
2010	54,500	2,416,067,066	44,332	11,555	8.7%	8.0%
2011	56,230	2,426,767,748	43,158	11,382	8.8%	7.9%
2012	56,310	2,559,427,140	45,452	11,264	7.6%	7.2%

<sup>(1)</sup> North Central Texas Council of Governments.

<sup>(2)</sup> U.S. Department of Commerce: Bureau of Economic Analysis. Per Capita Personal Income represents Dallas County, TX. 2011 & 2012 are estimated based on prior year changes.

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

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

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

**TABLE 16**

<u>Employer</u>	<u>2012</u>			<u>2003*</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Garland ISD (City schools only)	1,092	1	3.60%	n/a	1	n/a
Lake Pointe Medical Center	686	2	2.26%	n/a	2	n/a
City of Rowlett	371	3	1.22%	n/a	4	n/a
Target Corporation	275	4	0.91%	n/a	5	n/a
Wal-mart Supercenter	250	5	0.82%	n/a	3	n/a
Senior Care at Lake Pointe	190	7	0.63%	n/a	7	n/a
Albertson's, Inc.	120	6	0.40%	n/a	6	n/a
Rowlett Nursing Home	119	8	0.39%	n/a	8	n/a
H & S Manufacturing	82	9	0.27%	n/a	9	n/a
Store Décor	73	10	0.24%	n/a	10	n/a
	<u>3,258</u>		<u>10.74%</u>	\$ -		<u>0.00%</u>

Source: City of Rowlett - Economic Development Department  
\*2003 not available

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

Function/Program	Fiscal Year				
	2012	2011	2010	2009	2008
General government:					
City council	3.50	3.50	3.50	3.50	3.50
City manager	6.50	4.00	4.00	3.00	4.00
City secretary	2.00	3.00	3.00	3.00	3.00
Financial services	20.00	20.00	21.00	21.00	22.00
Information technology	5.00	5.00	5.00	5.00	5.00
Public information office	-	4.00	4.00	5.00	6.00
Human resources	3.00	3.00	3.00	3.00	3.00
Buildings and grounds	7.00	7.00	7.00	6.00	6.00
Public safety:					
Police	110.00	110.50	115.00	115.00	114.00
Fire	78.00	76.00	76.00	76.00	77.00
Municipal court	7.00	7.00	7.00	7.50	8.50
Animal services	5.25	5.00	5.00	5.00	5.00
Environmental services	6.00	6.00	6.00	5.50	5.50
Public works:					
Administration and engineering	11.50	10.50	7.00	9.00	9.00
Streets	14.00	14.00	14.00	14.00	17.00
Fleet services	3.00	3.50	3.50	3.00	3.00
Traffic maintenance	-	-	-	-	-
Water and sewer	19.00	20.00	23.50	23.00	23.00
Drainage	2.00	2.00	2.00	3.00	2.00
Culture and recreation:					
Parks administration	2.00	2.00	2.00	4.00	4.00
Parks operations	12.00	12.00	12.00	11.50	12.00
Community athletics	-	-	-	-	-
Community centre	10.00	10.00	11.00	9.50	9.00
Wet zone	21.00	21.00	21.00	22.00	22.00
Urban forestry	-	-	-	-	-
Library services	17.00	17.00	17.00	16.50	16.00
Development:					
Planning	4.00	3.25	3.25	5.00	5.00
Building inspections	1.00	2.00	2.00	4.00	4.00
GIS	1.00	2.00	2.00	2.00	2.00
Economic development	2.00	2.00	2.00	2.00	2.00
Total	<u>372.75</u>	<u>375.25</u>	<u>381.75</u>	<u>387.00</u>	<u>392.50</u>
Fund					
General	336.25	339.75	346.25	343.00	350.50
Water and sewer	34.50	33.50	33.50	33.00	32.00
Drainage	2.00	2.00	2.00	3.00	2.00
Wet zone	N/A	N/A	N/A	N/A	N/A
Fleet services	N/A	N/A	N/A	3.00	3.00
Information technology	N/A	N/A	N/A	5.00	5.00
Total	<u>372.75</u>	<u>375.25</u>	<u>381.75</u>	<u>387.00</u>	<u>392.50</u>

Source: City of Rowlett - Finance Department

**TABLE 17**

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

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

Function/Program	Fiscal Year				
	2012	2011	2010	2009	2008
Public safety:					
Number of police employees	110	111	115	115	114
Number of citations	10,870	10,675	20,188	22,587	18,507
Number of fire employees	78	76	76	76	77
Number of fire calls	1,245	1,295	1,278	1,160	1,361
Number of EMS calls	2,354	2,384	2,572	2,421	2,496
Fire inspections	1,153	1,450	992	1,166	1,365
Public works:					
Asphalt replaced (tons)	10,504	6,823	5,562	1,457	3,270
Concrete placed (cubic yards)	5,465	7,389	8,862	14,313	3,184
Concrete pavement (sq ft)	223,551	302,292	359,275	495,007	171,989
Culture and recreation:					
Volumes in collection	93,972	75,103	106,436	100,480	93,451
Development:					
Permits issued	87	27	28	52	97
Water and sewer:					
Number of water customers	19,383	19,311	19,227	19,354	19,006
Average daily water consumption	6,959,891	7,227,667	6,196,262	6,363,270	7,422,493
Peak daily water consumption	20,270,000	22,606,000	17,772,000	16,238,000	17,373,000
Number of sewer customers	18,383	18,323	18,304	18,388	18,456
Average daily sewer usage	4,121,000	3,695,811	3,723,123	3,720,899	3,529,445

Source: City of Rowlett Departments

**TABLE 18**

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

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

Function/Program	Fiscal Year				
	2012	2011	2010	2009	2008
Public safety:					
Police stations	1	1	1	1	1
Marked police units	25	25	25	24	21
Fire stations	4	4	4	4	4
Public works:					
Miles of streets	531	530	534	534	534
Miles of alleys	105	105	105	105	105
Culture and recreation:					
Parks acreage - developed	608	608	607	607	607
Parks acreage - undeveloped	377	377	377	377	376
Libraries	1	1	1	1	1
Water and sewer:					
Water mains (miles)	254	255	255	253	253
Fire hydrants	2,093	1,908	1,876	2,012	1,948
Sewer mains (miles)	239	236	236	235	235

Source: City of Rowlett departments

**TABLE 19**

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