

# CITY OF ROWLETT, TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT

*Rowlett*  
TEXAS

Fiscal Year Ended September 30, 2014



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**CITY OF ROWLETT, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2014**

**Prepared by**

Department of Financial Services

Alan Guard, Chief Financial Officer  
Wendy Badgett, Assistant Director of Finance

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**CITY OF ROWLETT, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2014**

**TABLE OF CONTENTS**

	<u>Page</u>
<b><u>INTRODUCTORY SECTION (Unaudited)</u></b>	
Letter of Transmittal	i
Organization Chart	viii
List of Principal Officials	ix
Location Map	x
Certificate of Achievement for Excellence in Financial Reporting	xi
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	22
Statement of Cash Flows	23
Notes to the Basic Financial Statements	25
Required Supplementary Information (Unaudited)	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund	60
Notes to Required Supplementary Information	61
Other Supplementary Information	
Budgetary Comparison Schedule – Debt Service Fund	62
Nonmajor Governmental Funds	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66
Budgetary Comparison Schedules	
Impact Fees Fund	68
Police Seizure Fund	69
Traffic Safety Fund	70
Court Fees Fund	71
Grant Fund	72
Tax Increment Financing Fund	73
Other Special Revenue Fund	74

**CITY OF ROWLETT, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2014**

**TABLE OF CONTENTS - (continued)**

	<u>Page</u>
<b><u>STATISTICAL SECTION (Unaudited)</u></b>	
Net Position – Table 1	76
Changes in Net Position – Table 2	78
Fund Balances, Governmental Funds – Table 3	80
Changes in Fund Balances, Governmental Funds – Table 4	82
Tax Revenue by Source – Table 5	84
Assessed Value and Estimated Actual Value of Taxable Property – Table 6	85
Property Tax Rates/Assessment Ratios – All Direct and Overlapping Governments – Table 7	86
Principal Taxpayers – Table 8	88
Property Tax levies and Collections – Table 9	89
Ratio of Outstanding Debt by Type – Table 10	90
Ratio of General Bonded Debt Outstanding – Table 11	92
Computation of Direct and Overlapping Debt – Table 12	93
Computation of Legal Debt Margin – Table 13	94
Schedule of Revenue Bond Coverage – Water & Sewer Bonds – Table 14	95
Demographic and Economic Statistics – Table 15	96
Principal Employers – Table 16	97
Full-Time Equivalent Employees by Function/Fund – Table 17	98
Operating Indicators by Function / Program – Table 18	100
Capital Asset Statistics by Function / Program – Table 19	102
 <b><u>SINGLE AUDIT REPORTS</u></b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	104
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	106
Schedule of Expenditures of Federal Awards	108
Notes to Schedule of Expenditures of Federal Awards	109
Summary of Findings and Questioned Costs	110

# **INTRODUCTORY SECTION**

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

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

*City Manager* ~ Brian Funderburk



February 17, 2015

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, 2014. 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 unmodified ("clean") opinion on the City of Rowlett's financial statements for the year ended September 30, 2014. 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 Dart Light Rail Station. Once a small farming community, the City has doubled in population over the past twenty years. It currently occupies 20.2 square miles and serves a fiscal year 2014 population estimated by the US Census of 58,476. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

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

The City Manager is the Chief Executive Officer of city government. Appointed directly by the City Council, the City Manager is in charge of the day-to-day operations of the City. The City Manager is responsible for implementing the policy direction of the City Council in an efficient, effective, responsive, and responsible manner. The City Council is elected at-large representing all residents within the City Limits. The Mayor and six Council members serve staggered three year terms creating a three-year cycle. The mayor and three Council positions are filled in one cycle, three Council positions are selected in the second cycle, and there is no election in the third cycle.

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

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

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

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

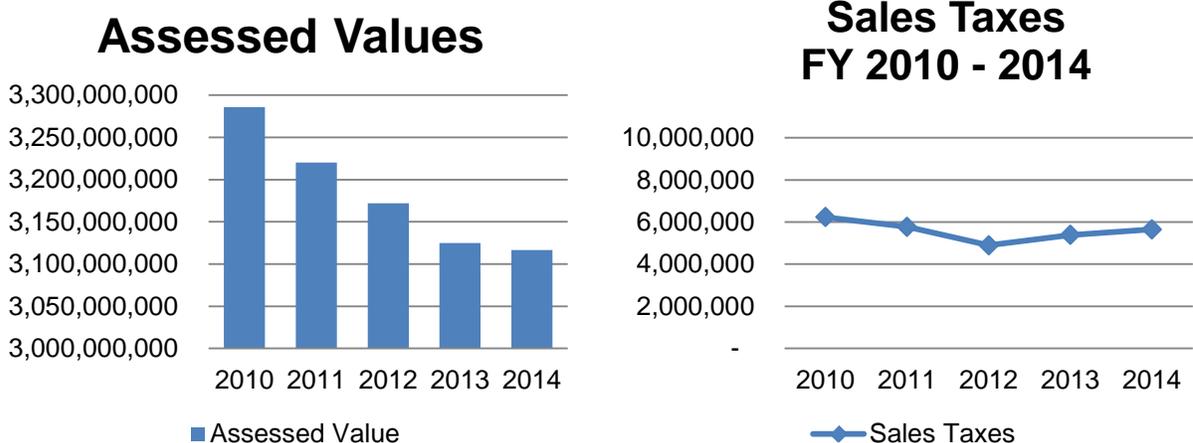
## **Local Economy**

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

Like many other communities, the economic decline experienced during the Great Recession placed a heavy burden on Rowlett. Although we are seeing improvement and new growth, economists still suggest that the "new normal" and our current economic challenges are here to stay for several years, and revenue from new growth will not help the City's budget until two to three years from now. Because of these economic conditions, it is not prudent to make economic decisions in one-year increments hoping next year gets better. As a result, staff continues to approach the budgeting process from a much different and more strategic perspective going forward than in the past. Shrinking revenues create a gap between what the City can afford to pay and what the 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 6.1% to 5.5% for the year compared to the statewide average of 5.0%, the Metroplex average of 5.0%, and the national average of 5.7%. Sales tax collections increased by 5.0% over the previous year primarily due to a continued rise in activity since the opening of the President George Bush Turnpike. New residential building construction in Rowlett increased in the current year from 74 in 2013 to 112 in 2014. Commercial permits also increased, rising from 4 in 2013 to 7 in 2014. The value of this new construction, along with other additions, added an estimated \$24.8 million of new taxable value to our tax rolls for the upcoming year, up 42.5% from the previous year's increased value of \$17.4 million. The prior year 2014 data from the appraisal districts indicated an overall 0.3% slight decrease in property value, thus decreasing taxable assessed value by \$8.3 million. After five straight years of declining property values, the City is beginning to see the onset of an improved housing market and the promise of new growth, as the final certified values for 2015 are suggesting an increase of \$157.5 million, or 5.1%, in assessed taxable valuation. While the increase in taxable assessed value provides some breathing room for the City, it takes about three years for a city to see property tax revenues from new development. Therefore, even with a welcome increase in taxable assessed value, revenue from new growth will be limited through FY2017, as our very exciting economic development projects (i.e. The Homestead at Liberty Grove, Terra Lago, Huffines, etc.) are just now beginning to get started.



To address Rowlett's future direction and declining taxable home values, the City embarked on the Realize Rowlett 2020 Planning Process, a fast-paced, focused initiative project to create a vision of Rowlett's future on land use, economic development and public capital investments, and set action items to make that vision a reality. This new strategy will help Rowlett take advantage of opportunities available to the City now and will enhance the attractions that already make this community special and unique. Realize Rowlett 2020 Phase I, the first step in proactive planning of the City's future, began in April 2011 and concluded with the adoption of the City's new Comprehensive Plan in September 2011, a high level overview that establishes the vision and provides implementation strategies that are used to create zoning regulations and boundaries. Phase II began in June 2012 to look at four catalyst areas in detail to identify the framework and regulatory tools needed to achieve the community vision. To date, seven key areas in the City, Woodside Living, Healthy Living, Signature Gateway, Downtown, Center for Commerce and Industry, North Shore (North) and North Shore (South), have been rezoned to Form Based Districts and are governed by the Form Based Code.

By adopting Form Based Codes, sustainability can be achieved through quality development that offers flexibility in uses as the market evolves over time. In addition, it provides housing diversification that stems declining property values over time as new housing choices are constructed. As reflected in our final certified tax values for 2015, we can begin to look into the benefits that will accumulate from our comprehensive Realize Rowlett 2020 plan in the upcoming fiscal year.

The fiscal year 2015 budget represents the fifth 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. After nine straight years with the same tax rate, the City has increased the tax rate by four cents, from \$0.747173 to \$0.787173 per \$100 of assessed valuation for fiscal year 2015. The combination of improved tax values, new growth, and additional tax dollars will finally provide an opportunity for the City to fix structural weaknesses in our budget, address years of deferred maintenance, mitigate difficult challenges, and enhance our parks and amenities. The time has come for the City to put the past behind us and look forward to the future. As a result, the total fiscal year 2015 adopted budget is \$89.4 million. This is an increase of \$3.8 million, or 4.3%, compared to the 2014 approved budget of \$85.7 million. There are six primary factors for the increase as follows:

- Personnel Costs will increase \$1.1 million as a result of the implementation of the new pay plan effective April 1, 2015 and due to an 8.5% increase in health insurance rates effective October 1, 2014
- Funding to enhance park maintenance standards, including ball fields, parks, shade structures for playgrounds and additional irrigation to improve field conditions in the amount of \$0.2 million, which is based on three-fourths of once cent increase to the property tax rate
- Funding to enhance community amenities in the City, including screening walls, entrance features and median improvements in the amount of \$0.2 million, which is based on three-fourths of one cent increase to the property tax rate
- An allocation of \$0.8 million for the first-year transition of the Library relocation and the relocation of the Chamber building to make way for the downtown Village of Rowlett development.
- The cost of water acquisition from NTMWD will increase 10%, or \$0.6 million due to planned cost increases for their capital reinvestment
- A net increase of 4.5 full-time equivalent positions across all funds

This budget and those that follow will continue to utilize the principles of the Five Year Sustainability Financial Plan to model the effects of significant changes over time.

### 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 the General, Golf, Drainage and Refuse funds. The City's Water and Sewer fund fell just short, with 19% reserves.

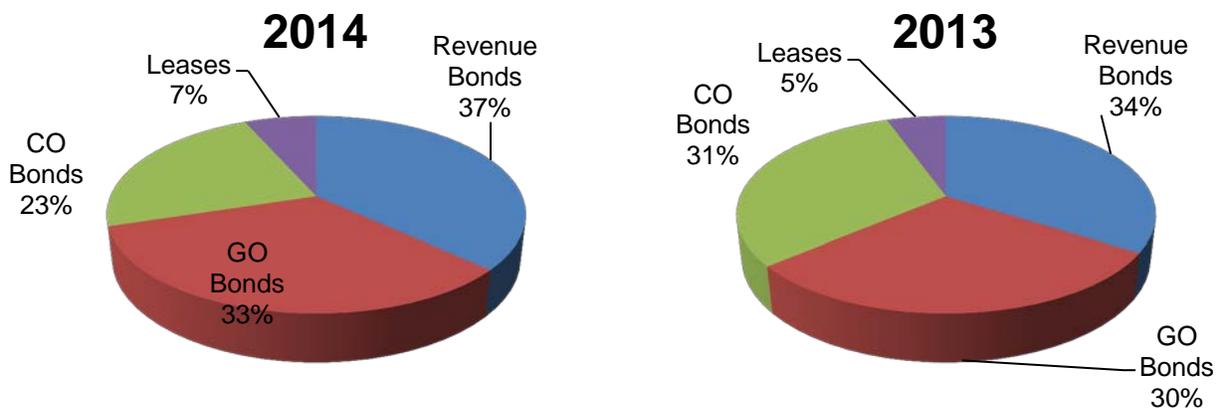
## Major Initiatives

**For the Year.** During fiscal year 2014, the City capitalized major construction projects and acquisitions, including \$3.5 million for the PGBT utility reimbursement project, \$0.7 million for the Schrade lift station, \$0.4 million for water meters, and \$0.1 million for the water tank refurbishing. Much of the City's strategic focus over the past five years has been on street and alley improvements and capital maintenance, but so much more needs to be done to protect the investment this community has made in major initiatives such as the President George Bush Turnpike and the Dart Light Rail System.

**For the Future.** For fiscal year 2015, the City adopted a Three Year Capital Improvements Plan ("CIP") totaling \$30.5 million encompassing a variety of projects in public works, public safety, parks and recreation, water and wastewater and capital equipment. With not experiencing a decline in our property tax values for the first time in five straight years, and the first tax rate increase in nine years, the FY2015 budget makes a significant departure from those adopted over the past seven years, as the City will finally have the capacity to address structural imbalances and deferred maintenance. The most significant projects include \$10.9 million for utility improvements that will address issues with the upper pressure plane, major transmission water line projects, and SH-66 force main improvements, \$9.0 million in governmental purpose improvements such as street, alley, and sidewalk repairs and replacements, library improvements, and the Chamber building relocation, and \$8.4 million in utility capital maintenance that will focus on preventative initiatives as well as infrastructure replacement and upgrades, including a major line replacement program. Additional major projects, at the request of City Council, include \$0.7 million for community enhancements and amenities focusing on screening walls, median and landscaping improvements, streetscaping, signing, monuments and neighborhood entry features. Capital expenditures for the next three fiscal years are based primarily on new bond construction funds and cash from the operating funds.

Evident in the charts below is the change in the mix of debt during 2014, reflecting the refundings that occurred primarily to reduce interest rates, a defeasance as an initiative to restructure the golf course debt, and the issuance of Utility Revenue bonds. Utility Revenue bond payments will decline in FY2015 to sufficiently provide the capacity for the \$5.0 million that was issued in late fiscal year 2014 for FY2015 project initiatives, and to issue another \$5.0 million in water and sewer bonds during the upcoming year. Staff has worked with its consultants to develop a plan for these funds with the primary focus being on the upper pressure plane and to start the engineering for the SH-66 force main rehabilitation.

At September 30, 2014, the City had various debt issues outstanding totaling \$110 million exclusive of premiums, discounts or deferred losses. Of this total, \$66 million is supported by a combination of ad valorem taxes, developer contributions and lease payments. Revenues from the enterprise funds support \$44 million. The breakdown of outstanding debt by type at the end of the fiscal year is as follows:



During FY2014, Standard & Poor's rated the City's 2013 and 2014 general obligation bonds at AA and the City's revenue bonds at AA-. In addition, Moody's Investors Service rated the City as Aa2 on both general obligation bonds and Aa3 on the revenue bonds. In FY2014, Standard & Poor's and Moody's Investors Service both raised their ratings to AA and Aa2, respectively, on the City's 2013 general obligation refunding bonds. The rating agencies look at a number of factors when establishing a rating for municipalities, including financial management, economic conditions and development activity, and overall trends such as changes in the tax base and fund reserves. In raising the City's rating, S&P noted the broad and diverse DFW economy in which we participate, strong financial management which relies on long-term financial forecasting, and the City's rapid amortization schedule. S&P Credit Analyst Edward McGlade added, "The stable outlook reflects our view of Rowlett's consistent financial performance and economy, which is supported by strong financial management". This is an affirmation of the City Council's vision and sound financial leadership.

After many years of make-do budgets and developing two-year bridges, we have reached a stage where all of that hard work will pay off. While the past five years have been difficult, we have not lost sight of our true purpose, which is to serve our citizens. Even in the midst of falling revenues, we believe we have provided a higher level of service while ensuring that the bulk of the budgetary reductions would not impact our customers. This achievement is a testament to the outstanding employees in the City of Rowlett who truly make a difference every day in the lives of those we serve, and the level of financial stewardship provided by the Mayor and City Council. While the upcoming year will continue to take into account the value of every dollar spent, the time has come for the City to put the past behind us and look forward to the future. As stated previously, the upcoming FY2015 budget makes a significant departure from the past seven years, finally allowing the City to address previously deferred initiatives, including implementing a compensation study to bring employee salaries, wages and benefits more in line with other comparable cities, and increasing the tax rate by four cents to fix structural imbalances in the budget and enhance parks and community amenities. The focus is on "citizen centered" government and to put the right resources in the right place at the right time. However, while the focus now turns to FY2015, we are also devoted to year two, or FY2016, to develop and manage an ongoing financial strategy to model the effects of significant changes over time, in order to achieve financial sustainability and capitalize on the vision this community has for itself given the extraordinary commitment 46 years in the making to see the completion of PGBT and the 28 year wait for the arrival of the DART "Blue Line" Light-Rail.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rowlett for its CAFR for the fiscal year ended 2013.

This is the tenth 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, 2013. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

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

Respectfully submitted,

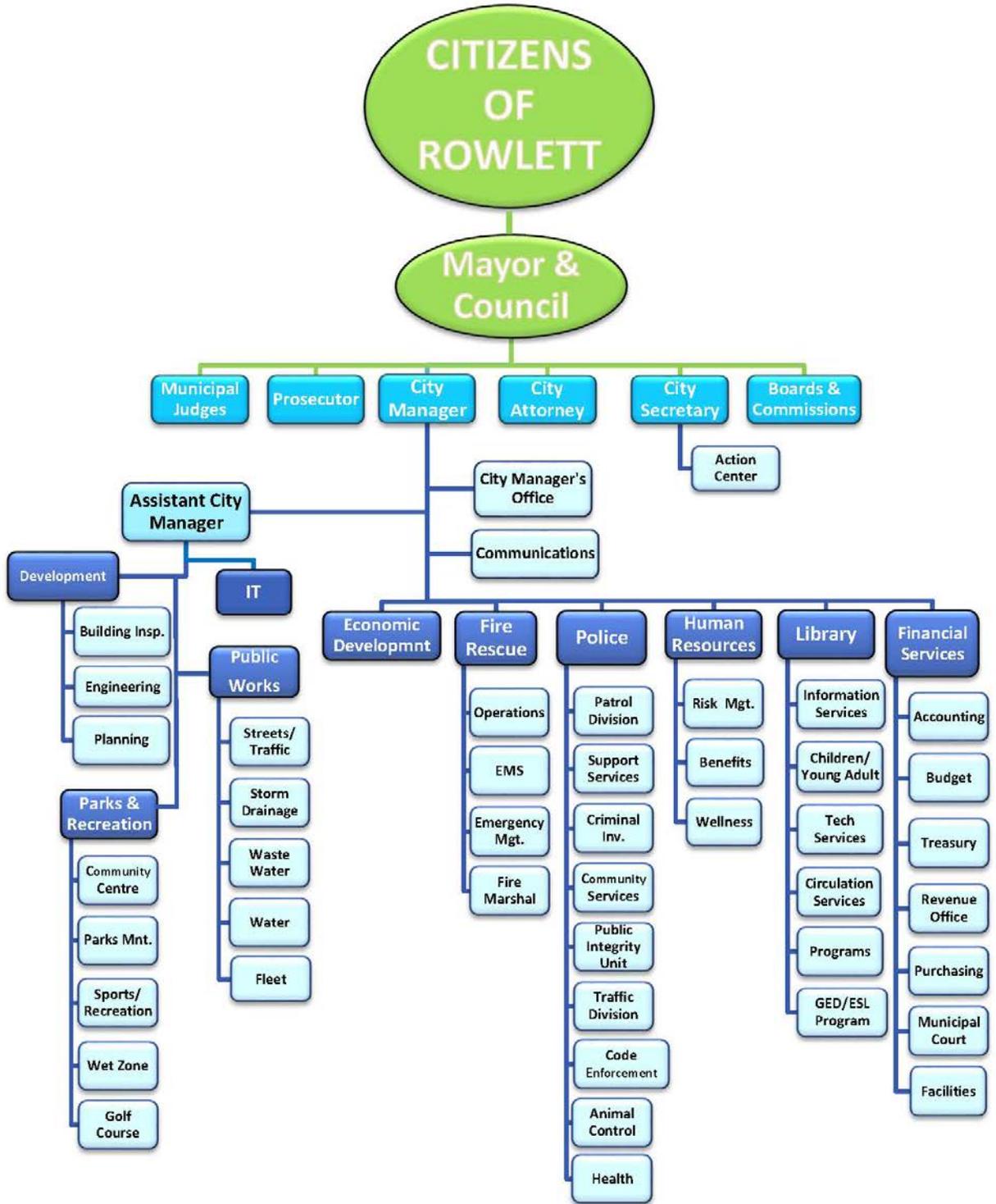


Brian Funderburk  
City Manager



Alan Guard  
Chief Financial Officer

# ORGANIZATION CHART



# CITY OF ROWLETT

## LIST OF PRINCIPAL OFFICIALS

### CITY COUNCIL

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

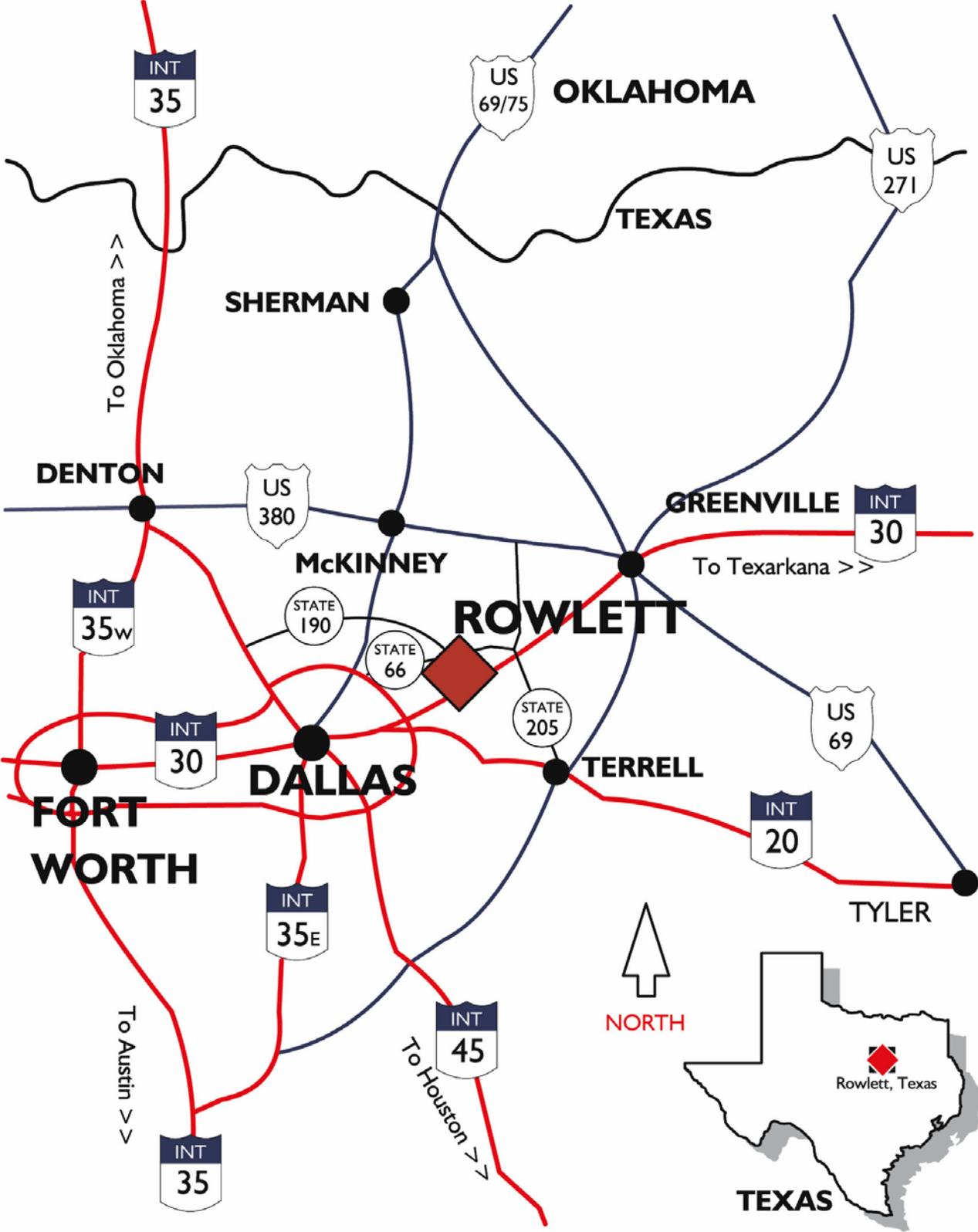
### APPOINTED OFFICIALS

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

### MANAGEMENT TEAM

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

CITY OF ROWLETT  
LOCATION MAP





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Rowlett  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO

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# **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rowlett, Texas (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4-12) and budgetary comparison schedule – General Fund (on page 60) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

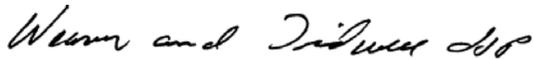
The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 17, 2015

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**(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, 2014. 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, 2014 by \$127 million (net position). Of this amount, \$9 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Rowlett's net position of governmental activities increased by \$1 million or 2% as a result of this year's operations. Program revenues decreased \$3.2 million mostly due to a decrease in capital grant contributions. General revenues increased \$0.6 million primarily as a result of higher sales tax revenue and miscellaneous cell tower revenue. Overall operating expenses increased \$3 million, primarily as a result of increased public safety and general government costs as well as interest and fiscal charges.
- Net position of the City's business type activities decreased by \$1.5 million or 2%, mainly attributable to water and wastewater expenses increasing by \$2 million due to \$0.5 million increased water supply costs, \$0.5 million in maintenance, repairs and supplies as a result of multiple sewer line and lift station repairs, and \$0.4 million in increased personnel costs.
- As of September 30, 2014, the City's governmental funds reported combined ending fund balances of \$16 million, a decrease of \$0.2 million from the prior year, primarily due to spending down \$0.5 million in bond construction fund and cash funds for various repairs and capital improvements. Of this amount, \$5 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 \$5 million or approximately 17% percent of total general fund expenditures.
- The City's total bonded debt for governmental activities decreased by \$7 million during the current fiscal year. Total bonded debt for enterprise funds increased by \$1 million during the fiscal year ended September 30, 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**(UNAUDITED)**

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

In the statement of net position and the statement of activities, the City is divided into two kinds of activities:

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

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

#### Fund Financial Statements

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

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

**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**(UNAUDITED)**

- **Proprietary funds** – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The internal service fund (the other component of proprietary funds) is utilized to report activities that provide services for the City's other programs such as the City's self-insurance fund. Because these services benefit the governmental functions, they have been included in the governmental activities in the government-wide financial statements.

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

**OTHER INFORMATION**

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

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

The City's combined net position was \$127 million as of September 30, 2014. Analyzing the net position and net expenses of governmental and business-type activities separately, governmental type activities net position is \$55 million and business type activities net position is \$72 million. This analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

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

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 23,237	\$ 25,092	\$ 28,364	\$ 33,564	\$ 51,601	\$ 58,656
Capital assets	103,728	107,526	95,522	89,715	199,250	197,241
Total assets	<u>126,965</u>	<u>132,618</u>	<u>123,886</u>	<u>123,279</u>	<u>250,851</u>	<u>255,897</u>
Deferred charges on refunding	2,273	-	1,301	-	3,574	-
Total deferred outflow s	<u>2,273</u>	<u>-</u>	<u>1,301</u>	<u>-</u>	<u>3,574</u>	<u>-</u>
Current liabilities	4,442	5,534	4,376	3,222	8,818	8,756
Noncurrent liabilities	70,042	73,613	48,771	46,525	118,813	120,138
Total liabilities	<u>74,484</u>	<u>79,147</u>	<u>53,147</u>	<u>49,747</u>	<u>127,631</u>	<u>128,894</u>
Net position:						
Net investment in capital assets	41,471	38,864	64,532	63,172	106,003	102,036
Restricted	9,487	9,138	2,093	2,197	11,580	11,335
Unrestricted	3,796	5,469	5,415	8,163	9,211	13,632
Total net position	<u>\$ 54,754</u>	<u>\$ 53,471</u>	<u>\$ 72,040</u>	<u>\$ 73,532</u>	<u>\$ 126,794</u>	<u>\$ 127,003</u>

**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**(UNAUDITED)**

By far, the largest portion of the City's net position (84%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that 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 decreased the City's net position by \$209 thousand. The key elements of this decrease are as shown in Table II:

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

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 5,332	\$ 5,309	\$ 31,073	\$ 31,353	\$ 36,405	\$ 36,662
Operating grants and contributions	419	817	-	-	419	817
Capital grants and contributions	3,878	6,736	621	938	4,499	7,674
General revenues						
Property taxes	23,307	23,291	-	-	23,307	23,291
Sales taxes	5,653	5,387	-	-	5,653	5,387
Other taxes	130	112	-	-	130	112
Investment income	57	44	61	24	118	68
Other	4,709	4,469	263	21	4,972	4,490
Total revenues	<u>43,485</u>	<u>46,165</u>	<u>32,018</u>	<u>32,336</u>	<u>75,503</u>	<u>78,501</u>
<b>Expenses</b>						
General government	3,744	3,079	-	-	3,744	3,079
Public safety	20,993	19,791	-	-	20,993	19,791
Public works	12,040	11,690	-	-	12,040	11,690
Culture and recreation	5,153	5,100	-	-	5,153	5,100
Development	1,231	1,184	-	-	1,231	1,184
Interest on long-term debt	3,407	2,849	-	-	3,407	2,849
Water and sewer	-	-	23,177	21,215	23,177	21,215
Refuse	-	-	3,986	3,641	3,986	3,641
Drainage	-	-	1,981	1,866	1,981	1,866
Total expenses	<u>46,568</u>	<u>43,693</u>	<u>29,144</u>	<u>26,722</u>	<u>75,712</u>	<u>70,415</u>
Increase (decrease) in net assets before transfers	(3,083)	2,472	2,874	5,614	(209)	8,086
Transfers	4,366	4,448	(4,366)	(4,448)	-	-
Increase (decrease) in net position	1,283	6,920	(1,492)	1,166	(209)	8,086
Net position, beginning	<u>53,471</u>	<u>46,551</u>	<u>73,532</u>	<u>72,366</u>	<u>127,003</u>	<u>118,917</u>
Net position, ending	<u>\$ 54,754</u>	<u>\$ 53,471</u>	<u>\$ 72,040</u>	<u>\$ 73,532</u>	<u>\$ 126,794</u>	<u>\$ 127,003</u>

**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**(UNAUDITED)**

**Governmental Activities**

Total revenues for governmental activities, exclusive of transfers, were \$43 million in fiscal year 2014, down 5.8% from the previous year, primarily in decreased capital and operating grants and contributions. This decrease was offset by modest increases in sales tax, miscellaneous cell tower revenue, and franchise fees. The most significant revenue source is property tax revenues which represent \$23 million or 54% of the total. The most significant governmental expense for the City was in providing public safety for the community, which incurred expenses of \$21 million, or 45% of total expenses. These expenses were partially offset by revenues collected from a variety of sources, with the largest being from court fines totaling \$1.1 million. Depreciation for all governmental capital assets totaled \$7 million representing 17% of the total.

**Business-type Activities**

Revenues of the City's business-type activities were \$32 million for the fiscal year ending September 30, 2014, down 1%, or relatively flat from the prior year. Water and sewer charges account for \$25 million of this amount or 77%. Total operating expenses were \$29 million of which the water and sewer fund accounted for \$23 million or 80%. Total net position for business-type activities decreased \$1.5 million attributable primarily to increased water supply costs, increased maintenance, repairs and supplies as a result of multiple sewer line and lift station repairs, and increased personnel costs. Changes in net position for the water and sewer fund, refuse fund, and drainage fund were (\$867 thousand), \$108 thousand, and (\$732 thousand), respectively.

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16 million. Approximately 34% of this total amount, \$5 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 \$3 million. The fund balance for all governmental funds decreased \$0.2 million primarily due to spending bond construction funds for capital improvements.

In the general fund, the original budget projected a \$1.6 million decrease in fund balance, however, the fund balance actually increased \$0.6 million this fiscal year primarily as a result of \$2.0 million in unbudgeted capital lease proceeds. Operating revenues increased \$1.1 million primarily due to a 3% increase in property tax revenue, 5% increase in sales tax revenue and a 39% increase in license and permits as a result of new development during the year. Operating expenses increased \$1.6 million compared to the prior year, primarily in public safety and general government due to a 3% across the board personnel pay increase effective April 2013 and capital lease payments, respectively. Nonoperating proceeds from capital leases stemming from the purchase of an ERP/HRIS system and public safety equipment increased \$0.8 million.

Ultimately, revenues and expenditures exceeded expectations and outperformed the final amended budget by \$0.3 million.

Revenues in the debt service fund, exclusive of transfers decreased slightly by \$0.03 million as result of decreased property tax revenue caused by a \$0.0121, or 4.75% shift in the interest and sinking allocation of the fiscal year 2014 property tax rate from the prior fiscal year.

**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**(UNAUDITED)**

The capital projects fund expended \$6 million in fiscal year 2014, a decrease of \$4 million from 2013 expenditures primarily due to the completion of several significant projects in 2013. Revenues decreased \$5 million, mostly due to \$4.5 million received in the prior year for a major street project. With freed up debt capacity scheduled for fiscal year 2015, the City issued \$4.8 million in Waterworks and Sewer System Revenue Bonds in 2014 to continue supporting the Two-Year Capital Improvements Plan addressing water pressure issues in the upper pressure zone and sewer system improvements.

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, refuse, and drainage enterprise funds recorded changes in net position of (\$867 thousand), \$108 thousand, and (\$732 thousand), respectively. The decrease in net position of the Water and Sewer fund is primarily attributable to a 37% decrease in operating income. The water and sewer fund experienced \$0.5 million in increased water supply costs, \$0.5 million in maintenance, repairs and supplies as a result of multiple sewer line and lift station repairs, and \$0.4 million in increased personnel costs during the year. Additionally, charges for services decreased \$0.7 million due to continuing water restrictions mandated by North Texas Municipal Water District (NTMWD). With Nonoperating activity yielding a \$0.4 million increase in interest and fiscal charges as a result of implementing the GASB 65 requirement to fully expense issuance costs, coupled with a \$0.3 million decrease in capital contributions from developers, the fund ended with a \$0.9 decrease in net assets.

The \$0.1 million increase in net position for the refuse fund was primarily due to a \$0.4 million increase in charges for services, offset by the costs related to the December 2013 ice storm clean up. The decrease in net assets in the drainage fund is primarily due to relatively flat revenue and continued storm drain system improvements.

**CAPITAL ASSETS**

At the end of fiscal year 2014, the City had \$199 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table III below.) This amount represents a net increase (including additions net of depreciations and disposals) of 1% over the prior fiscal year.

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

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 29,173	\$ 29,163	\$ 859	\$ 792	\$ 30,032	\$ 29,955
Buildings and improvements	45,580	45,360	1,101	1,101	46,681	46,461
Machinery and equipment	13,914	14,165	8,424	7,944	22,338	22,109
Construction in progress Infrastructure	14,676	12,027	9,953	3,473	24,629	15,500
	<u>109,684</u>	<u>109,583</u>	<u>154,334</u>	<u>150,113</u>	<u>264,018</u>	<u>259,696</u>
Total	213,027	210,298	174,671	163,423	387,698	373,721
Accumulated depreciation	( 109,299)	( 102,772)	( 79,149)	( 73,708)	( 188,448)	( 176,480)
Total capital assets	<u>\$ 103,728</u>	<u>\$ 107,526</u>	<u>\$ 95,522</u>	<u>\$ 89,715</u>	<u>\$ 199,250</u>	<u>\$ 197,241</u>

**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**(UNAUDITED)**

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

Schrade Lift Station	\$ 738,304
Water Tank Refurbishing	105,073
PGBT Utility Project Reimb	3,487,754
Water Meters	<u>431,904</u>
 Total	 <u><u>\$ 4,763,035</u></u>

For more information related to capital assets, see Note 6 on pages 41-42.

**DEBT**

At year-end, the City had \$102 million in bonds outstanding as compared to \$109 million at the end of the prior fiscal year, a decrease of 6% – 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds (backed by the City)	\$ 36.6	\$ 34.3	\$ -	\$ -	\$ 36.6	\$ 34.3
Certificates of obligation and tax anticipation notes (backed by the City)	22.0	31.7	3.4	3.6	25.4	35.3
Revenue bonds (backed by fee revenues)	<u>-</u>	<u>-</u>	<u>40.3</u>	<u>39.1</u>	<u>40.3</u>	<u>39.1</u>
Total bonded debt	<u>\$ 58.6</u>	<u>\$ 66.0</u>	<u>\$ 43.7</u>	<u>\$ 42.7</u>	<u>\$ 102.3</u>	<u>\$ 108.7</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. However, in May 2003, the citizens of Rowlett amended the Charter to limit the amount of taxes that may be levied to \$1.25 per \$100 of assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 1.87 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 2015 budget, tax rates, and fees that will be charged for the business-type activities. After five years of decline in the property tax base, the City is beginning to see the onset of an improved housing market and the promise of new growth. During budget planning a five year financial planning model was used that allows us to see how the decisions we make today will impact our future. In most cases, the model will not change the decisions but will provide important insights as to the future impact of today's decisions. The combination of improved tax values, new growth, and additional tax dollars from a tax

**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**(UNAUDITED)**

increase will provide new opportunities. With the completion of the 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. 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. Even as the City's revenues begin to rise again, expenditures also continue to rise; it is important for the City to find the appropriate balance between services offered and the City's ability to pay for those services in order to achieve sustainability.

Rowlett's current population is approximately 58,400, and 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 relocations.

Rowlett has had a successful financial year. 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 1.29% of the total assessed valuation and the entire top 10 taxpayers only account for 5.38% 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 years.

These indicators were taken into account when adopting the budget for fiscal year 2015. The total 2014-15 combined budget appropriation totaled \$89.4 million for all funds. This represents an increase over the previous year adopted budget of \$85.7 million. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the Central Appraisal District of Dallas and Rockwall Counties and the tax rate established by the Rowlett City Council. Property tax values increased each year from 2001 to 2010. From 1999 to 2004, the City was able to hold the tax rate constant at 0.64000 per \$100 valuation. However, operational factors and debt service payments related to needed street and roadways resulted in the City increasing the tax rate to 67.6945 cents in the fiscal year ending September 30, 2004, and again to 74.7173 cents for fiscal year ended September 30, 2006. The tax rate once again remained unchanged for fiscal years 2006 to 2014. To address Rowlett's now aging infrastructure and needs for significant repair, the FY2015 tax rate has been increased to 78.7173 cents. According to final figures received from the Central Appraisal District, the total assessed property value for 2014-15 of \$3.3 billion is an increase of

**CITY OF ROWLETT, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**(UNAUDITED)**

5.1 percent, including new construction. A penny on the tax rate generates approximately \$327,403 annually for the City.

The General Fund's largest revenue source is property tax receipts. For the first time in five straight years, the City will not experience a decrease in property tax values. As a result of the increase in appraised value and the increase in the property tax rate, General Fund property tax revenues will increase 17.1% in FY2015. Sales tax revenues are projected to increase by 4%, or \$0.2 million, from 2014 to 2015, to total \$5.6 million. Much of this growth can be attributed to the opening of the PGBT and the improving economy in Rowlett.

As for the City's business-type activities, the City is cautious with its revenue expectations in the Water & Sewer Fund. Beginning in 2011, North Texas experienced the most serious drought since the mid-1950s, with stage 3 water restrictions being implemented in November 2011. Stage 3 water restrictions from the NTMWD will continue through at least March 31, 2015 with a 10% reduction goal. The adopted FY2014 budget, which was planned at the very beginning of Stage 3 restrictions, was built on a projected usage of 2.53 billion gallons of water. As a direct result of the implementation of Stage 3 water restrictions, however, the actual usage at the end of FY2014 was 1.93 billion gallons, 596 million gallons less than expected. Taking this reduced usage into consideration, the City's 2015 budget included an adopted rate increase to the average utility bill (assuming 10,000 gallons per month) by \$10.84 or 16.7% per month. The 2015 increase passed on the increase from NTMWD and includes a temporary surcharge of \$6.97 per month in order to recoup revenue lost due to the Stage 3 water restrictions. Sewer charges are projected to increase by approximately 4% due to a projected increase in sewer treatment services passed on by the City of Garland. FY2015 water and sewer fund expenditures are projected to increase approximately 2.4% based on the anticipated increase from NTMWD for water purchases and anticipated increase from the City of Garland for sewer treatment. Revenues in the Drainage fund are projected to remain flat as there is no projected growth and rates will remain the same. Revenues in the Refuse Fund are projected to increase 1.0% due to increases tied to CPI as provided in the contract with the City's solid waste provider.

The City is committed to taking a cautious approach, analyzing revenues, cutting expenses and judiciously using excess reserves to maintain a financially sustainable budget in the long term.

**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).

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# **BASIC FINANCIAL STATEMENTS**

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**CITY OF ROWLETT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 16,958,167	\$ 22,673,432	\$ 39,631,599
Receivables (net of allowance for doubtful accounts)	3,194,928	5,187,541	8,382,469
Due from other governments	2,833,967	33,206	2,867,173
Notes receivable	-	63,498	63,498
Inventories	127,501	388,365	515,866
Prepaid and other items	122,573	17,832	140,405
Capital assets:			
Nondepreciable	43,849,494	10,811,550	54,661,044
Depreciable (net)	59,878,018	84,710,444	144,588,462
Total assets	<u>126,964,648</u>	<u>123,885,868</u>	<u>250,850,516</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	2,272,640	1,301,103	3,573,743
Total deferred outflows of resources	<u>2,272,640</u>	<u>1,301,103</u>	<u>3,573,743</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,458,312	3,084,241	6,542,553
Accrued interest payable	334,294	193,446	527,740
Retainage payable	285,868	481,525	767,393
Customer deposits	-	616,368	616,368
Unearned revenues	362,189	-	362,189
Noncurrent liabilities:			
Due within one year	6,436,782	4,094,081	10,530,863
Due in more than one year:	63,605,823	44,676,899	108,282,722
Total liabilities	<u>74,483,268</u>	<u>53,146,560</u>	<u>127,629,828</u>
<b>NET POSITION</b>			
Net investment in capital assets	41,470,659	64,531,695	106,002,354
Restricted for:			
Debt service	143,808	2,093,242	2,237,050
Capital projects	8,054,328	-	8,054,328
Public safety	1,157,748	-	1,157,748
Economic development	25,466	-	25,466
Public broadcasting	105,681	-	105,681
Unrestricted	3,796,330	5,415,474	9,211,804
Total net position	<u>\$ 54,754,020</u>	<u>\$ 72,040,411</u>	<u>\$ 126,794,431</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 3,743,246	\$ 56,240	\$ -	\$ -
Public safety	20,994,087	2,887,395	293,664	256,692
Public works	12,040,271	495,015	125,319	1,509,020
Culture and recreation	5,152,775	915,945	-	2,112,775
Development	1,230,969	977,198	-	-
Interest and fiscal charges	3,407,157	-	-	-
Total governmental activities	<u>46,568,505</u>	<u>5,331,793</u>	<u>418,983</u>	<u>3,878,487</u>
Business-type activities:				
Water and sewer	23,176,635	24,659,862	-	621,061
Refuse	3,986,352	5,081,709	-	-
Drainage	1,980,987	1,331,572	-	-
Total business-type activities	<u>29,143,974</u>	<u>31,073,143</u>	<u>-</u>	<u>621,061</u>
Total primary government	<u>\$ 75,712,479</u>	<u>\$ 36,404,936</u>	<u>\$ 418,983</u>	<u>\$ 4,499,548</u>

General revenues:

Taxes:

    Property taxes

    Sales taxes

    Other

Franchise fees

Investment earnings

Miscellaneous

Transfers (net)

    Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of this statement.

Net Revenues (Expenses) and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,687,006)	\$ -	\$ (3,687,006)
(17,556,336)	-	(17,556,336)
(9,910,917)	-	(9,910,917)
(2,124,055)	-	(2,124,055)
(253,771)	-	(253,771)
(3,407,157)	-	(3,407,157)
<u>(36,939,242)</u>	<u>-</u>	<u>(36,939,242)</u>
-	2,104,288	2,104,288
-	1,095,357	1,095,357
-	(649,415)	(649,415)
<u>-</u>	<u>2,550,230</u>	<u>2,550,230</u>
<u>\$ (36,939,242)</u>	<u>\$ 2,550,230</u>	<u>\$ (34,389,012)</u>
23,307,395	-	23,307,395
5,652,848	-	5,652,848
130,138	-	130,138
3,126,943	-	3,126,943
57,205	61,476	118,681
1,582,041	263,092	1,845,133
4,366,169	(4,366,169)	-
<u>38,222,739</u>	<u>(4,041,601)</u>	<u>34,181,138</u>
1,283,497	(1,491,371)	( 207,874)
53,470,523	73,531,782	127,002,305
<u>\$ 54,754,020</u>	<u>\$ 72,040,411</u>	<u>\$ 126,794,431</u>

**CITY OF ROWLETT, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 8,422,834	\$ 476,795	\$ 5,582,676	\$ 2,024,768	\$ 16,507,073
Receivables (net of allowance for uncollectibles):					
Taxes	1,347,728	165,118	-	4,775	1,517,621
Accounts	591,652	-	-	-	591,652
Accrued interest	4,447	303	4,307	750	9,807
Other	1,029,781	-	-	45,966	1,075,747
Due from other governments	-	-	2,748,262	85,705	2,833,967
Inventories	47,986	-	79,515	-	127,501
Prepaid and other items	55,242	8,850	-	5,486	69,578
	<u>\$ 11,499,670</u>	<u>\$ 651,066</u>	<u>\$ 8,414,760</u>	<u>\$ 2,167,450</u>	<u>\$ 22,732,946</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,259,484	\$ -	\$ 437,267	\$ 109,651	\$ 1,806,402
Retainage payable	854	-	285,014	-	285,868
Accrued liabilities	1,326,997	-	-	25,743	1,352,740
Unearned revenue	970	-	339,334	21,885	362,189
Total liabilities	<u>2,588,305</u>	<u>-</u>	<u>1,061,615</u>	<u>157,279</u>	<u>3,807,199</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	332,823	165,118	-	-	497,941
Unavailable revenue - ambulance fees	175,398	-	-	-	175,398
Unavailable revenue - mowing liens	390,620	-	-	-	390,620
Unavailable revenue - franchise fees	184,086	-	-	-	184,086
Unavailable revenue - grants	-	-	1,672,561	52,785	1,725,346
Unavailable revenue - other	50,630	-	-	1,220	51,850
Total deferred inflows of resources	<u>1,133,557</u>	<u>165,118</u>	<u>1,672,561</u>	<u>54,005</u>	<u>3,025,241</u>
<b>FUND BALANCES</b>					
Fund balances:					
Nonspendable:					
Inventories	47,986	-	79,515	-	127,501
Prepaid items	55,242	8,850	-	5,486	69,578
Restricted for:					
Debt service	-	477,098	-	1,004	478,102
Capital projects	1,791,258	-	5,601,069	662,001	8,054,328
Public safety	-	-	-	1,156,528	1,156,528
Economic development	-	-	-	25,466	25,466
Public broadcasting	-	-	-	105,681	105,681
Assigned for:					
Economic development	302,712	-	-	-	302,712
Capital acquisition	107,488	-	-	-	107,488
Unassigned	5,473,122	-	-	-	5,473,122
Total fund balances	<u>7,777,808</u>	<u>485,948</u>	<u>5,680,584</u>	<u>1,956,166</u>	<u>15,900,506</u>
Total liabilities and fund balances	<u>\$ 11,499,670</u>	<u>\$ 651,066</u>	<u>\$ 8,414,760</u>	<u>\$ 2,167,450</u>	<u>\$ 22,732,946</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

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

Total fund balances per balance sheet - governmental funds	\$ 15,900,506
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	103,727,512
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Certain revenues are not available soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources.	3,025,241
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:

General obligation bonds and certificates of obligation payable	(58,668,521)	
Bond premiums	(1,797,719)	
Deferred loss on refunding	2,272,640	
Accrued interest on the bonds	(334,294)	
Capital leases payable	(4,063,254)	
Municipal pension obligation	(1,423,685)	
Other post-employment benefits liability	(1,217,848)	
Compensated absences	(2,870,642)	(68,103,323)

The internal service fund is used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	204,084
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Net position of governmental activities	\$ 54,754,020
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**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, 2014**

	Governmental Fund Types				Total Governmental Funds
	General	Debt Service	Capital Projects	Other Governmental Funds	
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 15,763,186	\$ 7,576,511	\$ -	\$ -	\$ 23,339,697
Sales taxes	5,652,848	-	-	-	5,652,848
Other	65,009	-	-	65,129	130,138
Franchise fees	3,017,032	-	-	114,037	3,131,069
License and permits	649,638	-	-	495,015	1,144,653
Charge for services	2,612,512	-	-	-	2,612,512
Contributions	-	2,112,775	-	-	2,112,775
Fines and forfeitures	1,097,151	-	-	417,566	1,514,717
Intergovernmental	220,129	-	1,509,020	330,227	2,059,376
Interest	28,761	2,675	22,186	3,583	57,205
Miscellaneous	1,338,761	13,532	238,512	695	1,591,500
Total revenues	<u>30,445,027</u>	<u>9,705,493</u>	<u>1,769,718</u>	<u>1,426,252</u>	<u>43,346,490</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	3,203,660	68,801	-	147,964	3,420,425
Public safety	18,884,392	119,017	-	715,674	19,719,083
Public works	2,895,087	-	3,757,682	-	6,652,769
Culture and recreation	4,332,503	-	-	81,399	4,413,902
Development	1,227,382	-	-	-	1,227,382
Debt service:					
Principal retirement	713,941	5,334,728	-	-	6,048,669
Interest and fiscal charges	80,413	2,328,178	-	-	2,408,591
Bond issuance costs	-	231,474	-	-	231,474
Capital outlay	1,174,975	-	2,147,365	251,527	3,573,867
Total expenditures	<u>32,512,353</u>	<u>8,082,198</u>	<u>5,905,047</u>	<u>1,196,564</u>	<u>47,696,162</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,067,326)</u>	<u>1,623,295</u>	<u>(4,135,329)</u>	<u>229,688</u>	<u>(4,349,672)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunding bonds issued	-	11,135,000	-	-	11,135,000
Payment to refunded bond escrow agent	-	(13,946,658)	-	-	(13,946,658)
Capital lease	1,959,204	-	-	-	1,959,204
Premiums on sale of refunding bonds	-	592,013	-	-	592,013
Transfers from other funds	2,200,608	629,729	3,472,454	-	6,302,791
Transfers to other funds	(1,490,507)	-	-	(446,115)	(1,936,622)
Total other financing sources (uses)	<u>2,669,305</u>	<u>(1,589,916)</u>	<u>3,472,454</u>	<u>(446,115)</u>	<u>4,105,728</u>
<b>NET CHANGE IN FUND BALANCES</b>	601,979	33,379	(662,875)	(216,427)	(243,944)
<b>FUND BALANCES, BEGINNING</b>	<u>7,175,829</u>	<u>452,569</u>	<u>6,343,459</u>	<u>2,172,593</u>	<u>16,144,450</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 7,777,808</u>	<u>\$ 485,948</u>	<u>\$ 5,680,584</u>	<u>\$ 1,956,166</u>	<u>\$ 15,900,506</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2014**

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

Net change in fund balances - total governmental funds \$ (243,944)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$7,281,997) exceeds capital outlay (\$3,527,275) in the current period. (3,754,722)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the governmental financial statements, these revenues are referred to as deferred inflows of resources. 139,343

Capital lease and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayments of principal	6,048,669	
Bond and Capital lease proceeds	(13,094,204)	
Payment to refunded bond escrow	13,946,658	
Premium on issuance	(592,013)	
Deferred loss on refunding (net)	36,857	
		6,345,967

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 (\$37,541), amortization of bond discounts/premiums and deferred losses (\$59,041), and writeoff of bond issuance costs (\$900,531). (803,949)

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. (603,282)

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. 204,084

Change in net position of governmental activities \$ 1,283,497

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

**CITY OF ROWLETT, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
<b>ASSETS</b>					
Current assets:					
Cash, cash equivalents and investments	\$ 3,249,402	\$ 324,862	\$ 889,881	\$ 4,464,145	\$ -
Restricted cash, cash equivalents and investments:					
Revenue bond covenant accounts	2,093,242	-	-	2,093,242	-
Medical claims	-	-	-	-	451,094
Receivables (net of allowance for uncollectibles):					
Accounts	3,892,740	693,196	176,199	4,762,135	-
Accrued interest	14,103	107	561	14,771	101
Other	409,044	1,591	-	410,635	-
Due from other governments	21,146	9,503	2,557	33,206	-
Inventories	388,365	-	-	388,365	-
Prepaid and other items	17,832	-	-	17,832	52,995
Total current assets	<u>10,085,874</u>	<u>1,029,259</u>	<u>1,069,198</u>	<u>12,184,331</u>	<u>504,190</u>
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue bond construction funds	16,092,808	-	23,237	16,116,045	-
Receivables (net of allowance for uncollectibles):					
Notes receivable	63,498	-	-	63,498	-
Capital assets:					
Land	808,747	-	49,925	858,672	-
Buildings	1,041,641	-	59,178	1,100,819	-
Systems	115,033,021	194,768	39,107,449	154,335,238	-
Machinery and equipment	8,101,414	23,365	298,908	8,423,687	-
Construction in progress	9,952,072	-	806	9,952,878	-
Less accumulated depreciation	(63,914,734)	(211,123)	(15,023,443)	(79,149,300)	-
Total capital assets	<u>71,022,161</u>	<u>7,010</u>	<u>24,492,823</u>	<u>95,521,994</u>	<u>-</u>
Total noncurrent assets	<u>87,178,467</u>	<u>7,010</u>	<u>24,516,060</u>	<u>111,701,537</u>	<u>-</u>
Total assets	<u>97,264,341</u>	<u>1,036,269</u>	<u>25,585,258</u>	<u>123,885,868</u>	<u>504,190</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	1,301,103	-	-	1,301,103	-
Total deferred outflows of resources	<u>1,301,103</u>	<u>-</u>	<u>-</u>	<u>1,301,103</u>	<u>-</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	1,423,475	602,976	60,557	2,087,008	293,777
Accrued liabilities	182,510	-	6,126	188,636	5,393
Accrued interest payable	27,124	-	21,077	48,201	-
Retainage payable	155,281	-	-	155,281	-
Customer deposits	616,368	-	-	616,368	-
Compensated absences	14,334	-	434	14,768	167
Capital lease payable	654,372	-	-	654,372	-
Bonds payable	3,209,941	-	215,000	3,424,941	-
Total current liabilities	<u>6,283,405</u>	<u>602,976</u>	<u>303,194</u>	<u>7,189,575</u>	<u>299,337</u>
Current liabilities payable from restricted assets:					
Accounts payable	789,913	-	2,995	792,908	-
Accrued liabilities	15,689	-	-	15,689	-
Accrued interest payable	145,245	-	-	145,245	-
Retainage payable	315,112	-	11,132	326,244	-
Total current liabilities payable from restricted assets	<u>1,265,959</u>	<u>-</u>	<u>14,127</u>	<u>1,280,086</u>	<u>-</u>
Total current liabilities	<u>7,549,364</u>	<u>602,976</u>	<u>317,321</u>	<u>8,469,661</u>	<u>299,337</u>

(continued)

**CITY OF ROWLETT, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
<b>LIABILITIES (Continued)</b>					
Noncurrent liabilities:					
Compensated absences	\$ 92,602	\$ -	\$ 2,806	\$ 95,408	\$ -
Unfunded pension obligation	101,596	-	6,081	107,677	29
Unfunded OPEB obligation	137,858	-	7,822	145,680	740
Capital lease payable	2,581,884	-	-	2,581,884	-
Bonds payable	38,526,934	-	3,219,316	41,746,250	-
Total noncurrent liabilities	<u>41,440,874</u>	<u>-</u>	<u>3,236,025</u>	<u>44,676,899</u>	<u>769</u>
Total liabilities	<u>48,990,238</u>	<u>602,976</u>	<u>3,553,346</u>	<u>53,146,560</u>	<u>300,106</u>
<b>NET POSITION</b>					
Net investment in capital assets	43,442,941	7,010	21,081,744	64,531,695	-
Restricted for:					
Debt service	2,093,242	-	-	2,093,242	-
Unrestricted	<u>4,039,023</u>	<u>426,283</u>	<u>950,168</u>	<u>5,415,474</u>	<u>204,084</u>
Total net position	<u>\$ 49,575,206</u>	<u>\$ 433,293</u>	<u>\$ 22,031,912</u>	<u>\$ 72,040,411</u>	<u>\$ 204,084</u>

The accompanying notes are an integral part of this statement.

**CITY OF ROWLETT, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2014**

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
<b>OPERATING REVENUES</b>					
Charges for services	\$ 24,659,862	\$ 5,081,709	\$ 1,331,572	\$ 31,073,143	\$ 3,831,280
Miscellaneous	261,158	1,934	-	263,092	3,971
Total operating revenues	<u>24,921,020</u>	<u>5,083,643</u>	<u>1,331,572</u>	<u>31,336,235</u>	<u>3,835,251</u>
<b>OPERATING EXPENSES</b>					
Personnel services	2,420,064	7,424	108,224	2,535,712	74,148
Water supply	5,944,587	-	-	5,944,587	-
Wastewater treatment	3,500,769	-	-	3,500,769	-
Contractual services	481,134	-	26,234	507,368	3,488,397
Maintenance, repairs and supplies	2,149,100	-	362,155	2,511,255	-
Utilities	370,647	-	-	370,647	-
Legal and professional	14,884	2,147	350	17,381	-
Refuse collection	-	3,449,212	-	3,449,212	-
Depreciation	4,484,219	14,411	1,020,699	5,519,329	-
Intragovernmental charges	2,036,317	227,520	253,870	2,517,707	-
Miscellaneous	3,751	285,638	-	289,389	68,624
Total operating expenses	<u>21,405,472</u>	<u>3,986,352</u>	<u>1,771,532</u>	<u>27,163,356</u>	<u>3,631,169</u>
<b>OPERATING INCOME (LOSS)</b>	<u>3,515,548</u>	<u>1,097,291</u>	<u>(439,960)</u>	<u>4,172,879</u>	<u>204,082</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	58,971	112	2,393	61,476	2
Interest and fiscal charges	(1,771,163)	-	(209,455)	(1,980,618)	-
Total nonoperating revenues (expenses)	<u>(1,712,192)</u>	<u>112</u>	<u>(207,062)</u>	<u>(1,919,142)</u>	<u>2</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,803,356	1,097,403	(647,022)	2,253,737	204,084
Capital contributions	606,435	-	14,626	621,061	-
Transfers in	23,662	-	-	23,662	-
Transfers out	(3,300,612)	(989,223)	(99,996)	(4,389,831)	-
<b>CHANGE IN NET POSITION</b>	(867,159)	108,180	(732,392)	(1,491,371)	204,084
<b>TOTAL NET POSITION, BEGINNING</b>	<u>50,442,365</u>	<u>325,113</u>	<u>22,764,304</u>	<u>73,531,782</u>	<u>-</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 49,575,206</u>	<u>\$ 433,293</u>	<u>\$ 22,031,912</u>	<u>\$ 72,040,411</u>	<u>\$ 204,084</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, 2014**

	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	\$ 24,629,923	\$ 5,041,186	\$ 1,330,789	\$ 31,001,898	\$ 3,831,179
Cash received from miscellaneous	261,158	1,934	-	263,092	3,971
Cash paid to employees for services	(2,360,359)	(7,424)	(104,884)	(2,472,667)	(73,212)
Cash paid for goods and services	(13,885,846)	(3,721,723)	(646,813)	(18,254,382)	(3,768,416)
Net cash provided by (used in) operating activities	8,644,876	1,313,973	579,092	10,537,941	(6,478)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	23,662	-	-	23,662	-
Transfers to other funds	(3,300,612)	(989,223)	(99,996)	(4,389,831)	-
Net cash used in operating activities	(3,276,950)	(989,223)	(99,996)	(4,366,169)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on capital debt	(4,888,079)	-	(210,000)	(5,098,079)	-
Interest and fiscal charges paid on capital debt	(848,328)	-	(169,677)	(1,018,005)	-
Proceeds from capital debt	5,781,904	-	-	5,781,904	-
Capital contributions	606,435	-	14,626	621,061	-
Acquisition and construction of capital assets	(11,076,876)	-	2,919	(11,073,957)	-
Net cash provided by capital and related financing activities	(10,424,944)	-	(362,132)	(10,787,076)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	58,971	112	2,393	61,476	2
Net cash provided by investing activities	58,971	112	2,393	61,476	2
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(4,998,047)	324,862	119,357	(4,553,828)	(6,476)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	26,433,499	-	793,761	27,227,260	457,570
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 21,435,452</u>	<u>\$ 324,862</u>	<u>\$ 913,118</u>	<u>\$ 22,673,432</u>	<u>\$ 451,094</u>
<b>CASH AND CASH EQUIVALENTS</b>	3,249,402	324,862	889,881	4,464,145	-
<b>RESTRICTED CASH AND CASH EQUIVALENTS</b>	18,186,050	-	23,237	18,209,287	451,094
<b>TOTAL CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 21,435,452</u>	<u>\$ 324,862</u>	<u>\$ 913,118</u>	<u>\$ 22,673,432</u>	<u>\$ 451,094</u>

(continued)

**CITY OF ROWLETT, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2014**

	Enterprise			Total	Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage		Self-insurance
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 3,515,548	\$ 1,097,291	\$ (439,960)	\$ 4,172,879	\$ 204,082
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	4,484,219	14,411	1,020,699	5,519,329	-
Changes in assets and liabilities:					
Accounts receivable	276,774	(41,191)	(612)	234,971	-
Other receivables	(376,972)	668	(171)	(376,475)	(101)
Prepaid expenses and other assets	(898)	-	-	(898)	(595)
Due from other funds	47,732	(47,732)	-	-	-
Inventory	23,425	-	-	23,425	-
Accounts payable and accrued liabilities	564,713	290,526	(4,616)	850,623	(210,800)
Customer and escrow deposits	17,505	-	-	17,505	-
Accrued compensated absences	31,515	-	1,823	33,338	167
Accrued pension and OPEB obligation	61,315	-	1,929	63,244	769
Total adjustments	<u>5,129,328</u>	<u>216,682</u>	<u>1,019,052</u>	<u>6,365,062</u>	<u>(210,560)</u>
Net cash provided by (used in) operating activities	<u>\$ 8,644,876</u>	<u>\$ 1,313,973</u>	<u>\$ 579,092</u>	<u>\$ 10,537,941</u>	<u>\$ (6,478)</u>
<b>NONCASH FINANCING AND INVESTING ACTIVITIES:</b>					
Capital lease	<u>\$ 431,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,904</u>	<u>\$ -</u>
Total noncash financing and investing activities	<u>\$ 431,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,904</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

# **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Reporting Entity**

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

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

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

**Financial Statement Presentation**

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

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the government funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. GASB Statement No. 34 also requires supplementary information such as Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the adopted and modified General Fund budget with actual results capital assets, including

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

**Financial Statement Presentation – Continued**

infrastructure. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the financial statements.

**Government-wide and Fund Financial Statements**

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

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

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

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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

**Measurement Focus/Basis of Accounting**

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

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

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

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

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

Additionally, the City reports the following fund types:

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

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

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

**Deposits and Investments**

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

Investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers a quoted market price at September 30, 2014 to be the fair value of investments.

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

**Receivables and Payables**

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

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

**Receivables and Payables – Continued**

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

**Inventories and Prepaid Items**

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

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

**Interfund Transactions and Receivables and Payables**

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

**Restricted Assets**

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

**Restricted Assets – Continued**

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

**Capital Assets**

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total amount of interest capitalized for the current fiscal year was \$430,004.

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, 2014**

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Compensated Absences**

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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

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

**Long-Term Obligations**

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

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

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

**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, 2014**

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

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

**Fund Balance Classification and Net Position**

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

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

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

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

**Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council has by resolution authorized the City Manager and/or the Director of Financial Services to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

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

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

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

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

**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.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Budgetary Information – Continued**

- Annual budgets are legally adopted for the General, Special Revenue, Debt Service and Enterprise Funds. Budgets are prepared on a modified accrual basis for the General, Special Revenue, and Debt Service Funds. Enterprise and Internal Service Fund budgets are prepared on an accrual basis, except that capital outlays (exclusive of water and sewer capital projects) and principal payments on debt are budgeted as expenses and depreciation expense is not budgeted. Budgets for the Capital Projects Funds are normally established pursuant to the term of the related bond indentures, that is, on a project basis.
- The level of control is at the fund level. Budget adjustments are transfers of approved funds from one line-item within a department or from one department to another within a fund. Budget adjustments within the same department under \$10,000 may be approved by the Director and Director of Financial Services with notification to the City Manager. Budget adjustments exceeding \$10,000 or between departments within the same fund shall be made at the discretion and approval of the City Manager. Budget amendments, which increase or decrease the total appropriation of a given fund shall be approved by the City Council at a regularly scheduled City Council meeting.

The Budgetary Comparison Schedule, included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund in which an annual operating budget was legally adopted. This schedule utilizes the same basis of accounting for both budgetary purposes and actual results. Budgetary data for the Capital Projects Funds have not been presented in the accompanying supplemental information. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in a Five Year Capital Improvements Plan.

**Excess of Expenditures over Appropriations**

For the year ended September 30, 2014, expenditures exceeded appropriations in the General Fund by \$125,424, Impact Fees Fund by \$16,862, Police Seizure Fund by \$541,784, Court Fees Fund by \$81,969, and Other Special Revenue Fund by \$11,180. The City had funds approved to be spent from the General Fund for unexpected equipment replacement and system upgrades. Impact fees were used to fund an allowable project.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Excess of Expenditures over Appropriations – Continued**

Resources for the Police Seizure Fund come from federal and state asset forfeitures which govern the purposes for which they may be spent. The City had court fees special revenue funds approved to be spent for upgrades to court technology and court security. The City had Hotel/Motel funds approved to be spent from the Other Special Revenue funds for the City's Downtown Events Series. In fiscal year 2015, additional funding for special events has been included in the General Fund to cover expenses. In addition, the City had PEG funds approved to be spent from the Other Special Revenue funds for improvements to the City's live television channel RTN16. The budgets were not specifically amended for the fiscal year ended September 30, 2014, to address the over expenditures.

**NOTE 3. DEPOSITS AND INVESTMENTS**

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

State statutes require that all deposits in the financial institutions be fully collateralized by U.S. government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's demand deposits were fully collateralized at September 30, 2014 with collateral required by the state statutes. At year-end, the City's deposit balance was fully covered by collateral held by the City's depository bank in the City's name or by FDIC insurance.

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

The City's investments carried at fair value as of September 30, 2014 are:

Investment Type	Fair Value	Maturity (Years)	Rating
Commercial Paper	\$ 5,897,589	0.25	P-1
U.S. Agencies	9,007,717	0.59	Aaa
U.S. Treasuries	4,609,959	0.83	Aaa
Texas Local Government Investment Pools			
TexPool	<u>12,847,287</u>	<u>0.03</u>	AAAm
	<u>\$ 32,362,552</u>	<u>1.70</u>	

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

*Credit Risk.* The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities (Commercial Paper, FHLB, FNMA, FHLMC, and US TSY) are individually rated by Standard & Poor's and by Moody's Investors Service (see table above). As of September 30, 2014, investments in the Texas Local Government Pool ("TexPool") carried a credit rating of AAAm by Standard & Poor's. US Treasuries are backed by the full faith and credit of the US Government.

*Concentration of Credit Risk.* With the exception of U.S. Treasury securities and State Local Government Pools, the City's investment policy limits the amount that may be invested in any one issuer to 40% of the total investment portfolio. The City's investment policy also has stricter restrictions for commercial paper, CD's, repurchase agreements, mutual funds and other investments. As of September 30, 2014, 60.30% of the City's total investments are in the following: Federal Home Loan Banks (6.17%), Federal Home Loan Mortgage Corporation (6.21%), Fannie Mae (9.28%), Freddie Mac (6.18%), US Treasury Notes (14.24%), and Commercial paper (18.22%) on a fair value basis. The remaining 39.70% is in TexPool.

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

**NOTE 4. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. The property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value and certified by the Board of Equalization. The assessed value for the roll of January 1, 2013, upon which the fiscal year 2014 levy was based, was \$3,116,498,883.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. However, on May 3, 2003, the citizens of Rowlett approved modifications to the City's Home Rule Charter, including a provision to cap the levy of property taxes at \$1.25 per \$100 of assessed valuation.

The tax rate for the year ended September 30, 2014, was \$.747173 per \$100, of which \$0.504773 was allocated for general government and \$0.242400 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, 2014, were 99.27% of the tax levy.

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 4. PROPERTY TAXES – CONTINUED**

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

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

**NOTE 5. RECEIVABLES**

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

Receivables	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Water and Sewer	Refuse	Drainage	Internal Service	Total
Interest	\$ 4,447	\$ 303	\$ 4,307	\$ 750	\$ 14,103	\$ 107	\$ 561	\$ 101	\$ 24,679
Court	86,662	-	-	1,220	-	-	-	-	87,882
Ambulance	482,073	-	-	-	-	-	-	-	482,073
Lot mowing	451,265	-	-	-	-	-	-	-	451,265
Sales tax	1,014,905	-	-	-	-	-	-	-	1,014,905
Hotel/motel tax	-	-	-	4,775	-	-	-	-	4,775
Property tax	377,427	186,152	-	-	-	-	-	-	563,579
Customer accounts	-	-	-	-	4,077,002	726,442	185,262	-	4,988,706
Other accounts	69,298	-	-	-	409,044	1,591	-	-	479,933
Franchise fees	938,409	-	-	44,746	-	-	-	-	983,155
911 fees	35,820	-	-	-	-	-	-	-	35,820
Gross receivables	<u>3,460,306</u>	<u>186,455</u>	<u>4,307</u>	<u>51,491</u>	<u>4,500,149</u>	<u>728,140</u>	<u>185,823</u>	<u>101</u>	<u>9,116,772</u>
Less: allowance for uncollectibles	<u>(486,698)</u>	<u>(21,034)</u>	<u>-</u>	<u>-</u>	<u>(184,262)</u>	<u>(33,246)</u>	<u>(9,063)</u>	<u>-</u>	<u>(734,303)</u>
Net total receivables	<u>\$ 2,973,608</u>	<u>\$ 165,421</u>	<u>\$ 4,307</u>	<u>\$ 51,491</u>	<u>\$ 4,315,887</u>	<u>\$ 694,894</u>	<u>\$ 176,760</u>	<u>\$ 101</u>	<u>\$ 8,382,469</u>

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 29,162,628	\$ 10,500	\$ -	\$ 29,173,128
Construction in progress	12,027,230	2,649,136	-	14,676,366
Total capital assets not being depreciated	<u>41,189,858</u>	<u>2,659,636</u>	<u>-</u>	<u>43,849,494</u>
Capital assets being depreciated:				
Buildings	23,159,692	-	-	23,159,692
Improvements other than buildings	22,199,742	219,164	-	22,418,906
Machinery and equipment	14,164,768	547,356	(797,775)	13,914,349
Infrastructure	109,582,897	101,119	-	109,684,016
Total capital assets being depreciated	<u>169,107,099</u>	<u>867,639</u>	<u>(797,775)</u>	<u>169,176,963</u>
Less accumulated depreciation:				
Buildings	(7,303,910)	(603,126)	-	(7,907,036)
Improvements other than buildings	(19,333,722)	(443,306)	-	(19,777,028)
Machinery and equipment	(8,946,669)	(1,144,073)	754,453	(9,336,289)
Infrastructure	(67,187,100)	(5,091,492)	-	(72,278,592)
Total accumulated depreciation	<u>(102,771,401)</u>	<u>(7,281,997)</u>	<u>754,453</u>	<u>(109,298,945)</u>
Total capital assets being depreciated, net	<u>66,335,698</u>	<u>(6,414,358)</u>	<u>(43,322)</u>	<u>59,878,018</u>
Governmental activities capital assets, net	<u>\$ 107,525,556</u>	<u>\$ (3,754,722)</u>	<u>\$ (43,322)</u>	<u>\$ 103,727,512</u>

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 791,570	\$ 67,102	\$ -	\$ 858,672
Construction in progress	3,472,858	6,480,616	(596)	9,952,878
Total capital assets not being depreciated	<u>4,264,428</u>	<u>6,547,718</u>	<u>(596)</u>	<u>10,811,550</u>
Capital assets being depreciated:				
Buildings	1,100,819	-	-	1,100,819
Improvements other than buildings	290,606	-	-	290,606
Machinery and equipment	7,943,836	557,721	(77,870)	8,423,687
Infrastructure	149,823,542	4,221,090	-	154,044,632
Total capital assets being depreciated	<u>159,158,803</u>	<u>4,778,811</u>	<u>(77,870)</u>	<u>163,859,744</u>
Less accumulated depreciation:				
Buildings	(429,620)	(28,825)	-	(458,445)
Improvements other than buildings	(242,258)	(12,511)	-	(254,769)
Machinery and equipment	(4,275,334)	(552,862)	77,870	(4,750,326)
Infrastructure	(68,760,629)	(4,925,131)	-	(73,685,760)
Total accumulated depreciation	<u>(73,707,841)</u>	<u>(5,519,329)</u>	<u>77,870</u>	<u>(79,149,300)</u>
Total capital assets being depreciated, net	<u>85,450,962</u>	<u>(740,518)</u>	<u>-</u>	<u>84,710,444</u>
Business-type activities capital assets, net	<u>\$ 89,715,390</u>	<u>\$ 5,807,200</u>	<u>\$ (596)</u>	<u>\$ 95,521,994</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 6. CAPITAL ASSETS – CONTINUED**

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

Governmental activities:	
General government	\$ 264,113
Public safety	920,632
Public works	5,370,789
Culture and recreation	707,757
Development	<u>18,706</u>
Total depreciation expense - governmental activities	<u>\$ 7,281,997</u>
Business-type activities:	
Water and sewer	\$ 4,484,219
Refuse	14,411
Drainage	<u>1,020,699</u>
Total depreciation expense - business-type activities	<u>\$ 5,519,329</u>

**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).

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Plan Description – Continued**

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

	<u>Plan year 2013</u>	<u>Plan year 2014</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	50% of CPI repeating	50% of CPI repeating

**Contributions**

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

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, 2012 valuation is effective for rates beginning January 2014).

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Contributions – Continued**

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

Annual required contribution	\$ 2,658,882
Interest on pension obligation	106,446
Adjustment to the ARC	<u>(95,717)</u>
Annual pension cost	2,669,611
Contributions made	<u>(2,658,883)</u>
Increase in net pension obligation	10,728
Net pension obligation, beginning of year	<u>1,520,663</u>
 Net pension obligation, end of year	 <u><u>\$ 1,531,391</u></u>

Fiscal Year Ending	Annual Pension Cost (APC)	Annual Contribution Made	% of APC Contributed	Net Pension Obligation
9/30/2012	2,807,240	2,704,642	96.35%	\$ 1,508,838
9/30/2013	2,648,693	2,636,868	99.55%	1,520,663
9/30/2014	2,669,611	2,658,883	99.60%	1,531,391

The required contributions rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Contributions – Continued**

Additional information as of the latest actuarial valuation, December 31, 2013 also follows:

Valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	25.8 years closed period	25.2 years closed period	27.0 years closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustment	1.5%	1.5%	1.5%

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial date	12/31/2011	12/31/2012	12/31/2013
Actuarial value of assets	\$ 68,481,440	\$ 75,124,003	\$ 81,968,291
Actuarial accrued liability (AAL)	\$ 79,428,640	\$ 84,408,558	\$ 94,388,644
Funded ratio	86.2%	89.0%	86.8%
Unfunded actuarial accrued liability (UAAL)	\$ 10,947,200	\$ 9,284,555	\$ 12,420,353
Covered payroll	\$ 18,682,434	\$ 18,881,691	\$ 18,851,637
UAAL as a percent of covered payroll	58.6%	49.2%	65.9%

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 8. LONG-TERM DEBT**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014, is as follows:

	Balance October 1, 2013	Issued Incurred	Retired or Refunded	Balance September 30, 2014	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 34,358,249	\$ 11,135,000	\$ 8,919,728	\$ 36,573,521	\$3,325,059
Combined tax and surplus revenue certificates of obligation	31,765,000	-	9,670,000	22,095,000	1,885,000
Capital leases	2,817,990	1,959,204	713,940	4,063,254	841,766
Bond premiums	1,524,918	592,013	319,212	1,797,719	-
Compensated absences	2,531,358	405,890	66,439	2,870,809	384,957
Unfunded pension obligation	1,413,842	9,872	-	1,423,714	-
Unfunded OPEB obligation	1,007,016	211,572	-	1,218,588	-
<b>Governmental activities long-term debt</b>	<b><u>\$ 75,418,373</u></b>	<b><u>\$ 14,313,551</u></b>	<b><u>\$ 19,689,319</u></b>	<b><u>\$ 70,042,605</u></b>	<b><u>\$ 6,436,782</u></b>
<b>Business-type activities</b>					
Water and sewer revenue bonds	\$ 39,121,751	\$ 5,350,000	\$ 4,205,272	\$ 40,266,479	\$3,209,941
Combination tax and surplus revenue certificates of obligation	3,620,000	-	210,000	3,410,000	215,000
Capital leases	3,487,159	431,904	682,807	3,236,256	654,372
Bond premiums	1,413,348	337,372	256,007	1,494,713	-
Compensated absences	76,838	41,419	8,082	110,175	14,768
Unfunded pension obligation	106,821	856	-	107,677	-
Unfunded OPEB obligation	116,829	28,851	-	145,680	-
<b>Business-type activities long-term debt</b>	<b><u>\$ 47,942,746</u></b>	<b><u>\$ 6,190,402</u></b>	<b><u>\$ 5,362,168</u></b>	<b><u>\$ 48,770,980</u></b>	<b><u>\$ 4,094,081</u></b>

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

Long-term debt for governmental activities at September 30, 2014, 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:				
2004 Revenue and improvements	3.50-4.60	2/15/18	\$ 80,000	\$ 80,000
2005 Refunding	3.00-4.50	2/15/20	3,810,000	715,000
2010 Refunding	2.00-3.00	2/15/22	7,810,000	990,000
2011 Refunding	2.00-4.00	2/15/23	7,700,000	915,000
2012 Refunding	2.00-5.00	2/15/29	6,203,521	530,059
2013 Refunding	2.50-5.00	2/15/23	7,220,000	-
2014 Refunding	3.00-4.40	8/15/39	3,750,000	95,000
			<u>36,573,521</u>	<u>3,325,059</u>
Combination tax and revenue certificates of obligation:				
2005 various purpose	3.00-4.50	2/15/25	6,950,000	1,045,000
2006 various purpose	4.00-5.125	2/15/31	15,145,000	840,000
			<u>22,095,000</u>	<u>1,885,000</u>
Total governmental activities long-term bonded debt			58,668,521	5,210,059
Less:				
Premiums and discounts			<u>1,797,719</u>	<u>-</u>
Net government activities long-term bonded debt			<u>\$ 60,466,240</u>	<u>\$ 5,210,059</u>

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

Long-term debt for business activities at September 30, 2014 includes the following individual issues:

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Business-type activities				
Utility system revenue bonds:				
2004 Refunding and improvements	2.00-4.50	3/1/2018	\$ 165,000	\$ 165,000
2005 Refunding	3.00-5.00	3/1/2020	3,690,000	720,000
2005A Various purpose	3.00-4.375	3/1/2025	4,645,000	340,000
2006 Various purpose	4.00-4.890	3/1/2026	6,890,000	440,000
2011 Refunding	2.00-4.00	2/15/2023	905,000	120,000
2012 Refunding	2.00-5.00	2/15/2029	10,766,479	919,941
2012 Various purpose	2.00-3.50	3/1/2032	7,865,000	345,000
2013 Refunding	3.00-3.00	2/15/2018	515,000	-
2014 Various purpose	1.00-4.00	3/1/2034	4,825,000	160,000
			<u>40,266,479</u>	<u>3,209,941</u>
Combination tax and revenue certificates of obligation:				
2006 various purpose	4.00-5.125	2/15/2031	3,410,000	215,000
			<u>3,410,000</u>	<u>215,000</u>
Total business-type activities long-term bonded debt			43,676,479	3,424,941
Less:				
Premiums and discounts			1,494,713	-
Net business-type activities long-term bonded debt			<u>\$45,171,192</u>	<u>\$3,424,941</u>

The annual requirements to amortize general and certificates of obligations bonds as of September 30, 2014 are summarized below:

Year Ended September 30,	General and Certificates of Obligation Bonds					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 5,210,059	\$ 2,309,684	\$ 7,519,743	\$ 215,000	\$ 160,383	\$ 375,383
2016	5,421,510	2,123,112	7,544,622	225,000	151,033	376,033
2017	5,607,960	1,914,870	7,522,830	235,000	140,670	375,670
2018	5,488,065	1,693,273	7,181,338	250,000	129,214	379,214
2019	5,234,515	1,473,530	6,708,045	260,000	117,229	377,229
2020-2024	22,850,823	4,227,235	27,078,058	1,505,000	379,109	1,884,109
2025-2029	6,110,589	1,072,750	7,183,339	720,000	37,413	757,413
2030-2034	1,670,000	387,513	2,057,513	-	-	-
2034-2039	1,075,000	144,424	1,219,424	-	-	-
Total	<u>\$ 58,668,521</u>	<u>\$ 15,346,391</u>	<u>\$ 74,014,912</u>	<u>\$ 3,410,000</u>	<u>\$ 1,115,051</u>	<u>\$ 4,525,051</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

The annual requirements to amortize water and sewer revenue bonds as of September 30, 2014 are summarized below:

Year Ended September 30,	Water and Sewer Revenue Bonds		
	Principal	Interest	Total
2015	\$ 3,209,941	\$ 1,495,924	\$ 4,705,865
2016	3,328,491	1,393,080	4,721,571
2017	3,447,040	1,271,012	4,718,052
2018	3,296,935	1,145,034	4,441,969
2019	3,240,485	1,022,847	4,263,332
2020-2024	14,864,177	3,323,136	18,187,313
2025-2029	5,679,410	1,004,839	6,684,249
2030-2034	3,200,000	248,581	3,448,581
Total	<u>\$ 40,266,479</u>	<u>\$ 10,904,453</u>	<u>\$ 51,170,932</u>

As of September 30, 2014, 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, 2014, 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, 2014, 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, 2014**

**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 \$119,017 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, 2014, the outstanding balance was \$795,000. The City has no obligation for this debt beyond the resources provided by this agreement.

**Capital Leases**

On April 25, 2014, the City entered into an agreement with SunTrust Leasing Corporation to purchase an enterprise resource planning system. The agreement is for an approximate 75 month term based on delivery of the equipment and expires on August 15, 2020. Payments are \$126,327 annually and carry an effective interest rate of 1.82%.

On September 26, 2014, the City entered into an agreement with Pinnacle Public Finance Inc. to purchase a self-contained breathing apparatus. The agreement is for an approximate 108 month term based on delivery of the equipment and expires on October 31, 2023. Payments are \$44,683 annually and carry an effective interest rate of 2.63%.

On September 26, 2014, the City entered into an agreement with Pinnacle Public Finance Inc. to purchase two ambulances and a payroll system. Both agreements are for approximate 48 month terms based on delivery of the equipment and both expire on October 31, 2018. Payments are \$75,430 and \$76,350, respectively, annually and carry an effective interest rate of 2.00%.

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

**Capital Leases – Continued**

On July 31, 2014, the City entered into an agreement with SunTrust Leasing Corporation to purchase water meters. The agreement is for an approximate 50 month term based on delivery of the equipment and expires on October 15, 2018. Payments are \$89,035 annually and carry an effective interest rate of 1.38%.

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

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

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

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

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

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

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Capital Leases – Continued**

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

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

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

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

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

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

The assets acquired through capital leases are as follows:

	Water and Sewer	Governmental Activities	Total
Asset:			
Motor vehicles	\$ 139,675	\$ 917,254	\$ 1,056,929
Machinery and equipment	3,333,397	1,086,726	4,420,123
Less: accumulated depreciation	(3,060,879)	(1,724,270)	(4,785,149)
Total	\$ 412,193	\$ 279,710	\$ 691,903

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Capital Leases – Continued**

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

<u>Year Ending September 30,</u>	<u>Water and Sewer</u>	<u>Governmental Activities</u>	<u>Total</u>
2015	\$ 752,371	\$ 917,879	\$ 1,670,250
2016	653,314	917,879	1,571,193
2017	653,314	857,208	1,510,522
2018	540,690	547,987	1,088,677
2019	540,690	547,203	1,087,893
2020-2024	<u>428,831</u>	<u>574,941</u>	<u>1,003,772</u>
Total minimum lease payments	3,569,210	4,363,097	7,932,307
Less: amount representing interest	<u>(332,954)</u>	<u>(299,843)</u>	<u>(632,797)</u>
Present value of minimum lease payments	<u>\$ 3,236,256</u>	<u>\$ 4,063,254</u>	<u>\$ 7,299,510</u>

**NOTE 9. INSURANCE**

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

**NOTE 10. INTERFUND TRANSACTIONS**

The City makes transfers between its funds for several reasons. General and administrative (indirect) costs are allocated between operating funds, such as the General Fund and Water and Sewer Fund, to recover overhead and administrative cost of service performed by one fund for the benefit of another. The amounts transferred represent the net balance due between the funds based on the services provided. Payments in lieu of property taxes are paid by the Water and Sewer Fund to the General Fund. This fee is calculated at the same rate as the City's approved property tax rate per \$100 of assessed valuation based on the Water and Sewer Fund's capital assets.

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 10. INTERFUND TRANSACTIONS – CONTINUED**

And 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, 2014, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities		
General	\$ 2,200,608	\$ 1,490,507
Debt service	629,729	-
Capital projects	3,472,454	-
Nonmajor governmental funds	-	446,115
Business-type activities		
Water and sewer	23,662	3,300,612
Refuse	-	989,223
Drainage	-	99,996
Total	<u>\$ 6,326,453</u>	<u>\$ 6,326,453</u>

The detail transfer schedule includes the following:

<u>Transfers from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Reason for Transfer</u>
General	Capital projects	\$ 1,099,998	Cash fund capital projects
	Debt service	390,509	Debt service payments
Nonmajor governmental			
Impact fee fund	Water and sewer	23,662	Reclass eligible costs
Impact fee fund	Capital projects	422,453	Reclass eligible costs
Water and sewer			
	General	1,218,072	Franchise fee payments
	General	824,316	In-lieu of property taxes
	General	158,220	Economic development payments
	Capital projects	1,100,004	Cash fund capital projects
Drainage	Capital projects	99,996	Cash fund capital projects
Refuse	Capital projects	750,003	Cash fund capital projects
	Debt service	239,220	Debt service payments
		<u>\$ 6,326,453</u>	

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 11. DEFERRED COMPENSATION PLAN**

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

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

**NOTE 12. POST-EMPLOYMENT BENEFITS**

**Post-retirement Health Care Benefits**

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

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

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

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 12. POSTEMPLOYMENT BENEFITS – CONTINUED**

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution (ARC)	\$ 402,494
Interest net OPEB obligation	50,573
Adjustment to the ARC	<u>(46,855)</u>
Annual OPEB cost	406,212
Employer contribution	<u>(165,789)</u>
Increase in net OPEB obligation	240,423
Net OPEB obligation, beginning of year	<u>1,123,845</u>
Net OPEB obligation, end of year	<u><u>\$ 1,364,268</u></u>

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

Fiscal Year Ended	OPEB Cost	Employer Contribution	Percentage Contributed	OPEB Obligation
9/30/12	\$ 382,353	\$ 175,160	45.81%	947,011
9/30/13	394,436	217,602	55.17%	1,123,845
9/30/14	406,212	165,789	40.81%	1,364,268

**Funding Status and Funding Progress**

Actuarial Valuation Date	Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Fiscal Year	Covered Payroll
12/31/11	2,820,447	2,820,447	0%	2012	18,883,385
12/31/11	2,820,447	2,820,447	0%	2013	18,821,603
12/31/13	3,432,848	3,432,848	0%	2014	19,564,830

**CITY OF ROWLETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 12. POSTEMPLOYMENT BENEFITS – CONTINUED**

**Actuarial Methods and Assumptions**

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

Actuarial valuation date	December 31, 2011	December 31, 2013
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	30 years; open	30 years; open
Asset valuation method	Market value	Market value
Actuarial assumption:		
Investment rate of return	4.5%	4.5%
Payroll growth rate	3.0%	3.0%
Projected salary increases	3.0%	3.0%
General inflation rate	3.0%	3.0%

**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, 2014, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 2,195,453,000 gallons.

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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 13. COMMITMENTS AND CONTRACTS – CONTINUED**

C. Solid Waste Disposal Contract – In May 2012, the City contracted with Waste Management to provide collection of refuse and recyclable materials within the corporate limits of the City. The initial contract is for a period of five years beginning October 1, 2012, and shall automatically extend for one successive five-year term unless either party terminates the contract in writing. Collection rates may be adjusted yearly based upon the terms of the contract. An administrative fee assessed by the City is retained in the Enterprise Fund as a charge for service.

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

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

**NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*, was effective for the City in the fiscal year ending September 30, 2014. This statement reclassified certain items that were previously reported as assets and liabilities, as deferred outflows or inflows of resources, and will recognize these items as outflows or inflows of resources. Changes according to this pronouncement have been reflected in the government wide statements, fund financials and schedules, related disclosures in footnote 1 and the applicable tables of the statistical section.

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

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

**CITY OF ROWLETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED**

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

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68, which will be effective for fiscal year 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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**REQUIRED  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**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, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 15,787,177	15,787,177	\$ 15,763,186	\$ (23,991)
Sales	5,413,175	5,413,175	5,652,848	239,673
Other	58,338	58,338	65,009	6,671
Franchise fees	3,010,000	3,010,000	3,017,032	7,032
Licenses and permits	443,849	559,849	649,638	89,789
Charge for services	2,616,298	2,616,298	2,612,512	(3,786)
Fines and forfeitures	1,035,089	1,035,089	1,097,151	62,062
Intergovernmental	2,733,156	215,434	220,129	4,695
Interest	22,255	22,255	28,761	6,506
Miscellaneous	1,282,856	1,308,252	1,338,761	30,509
Total revenues	<u>32,402,193</u>	<u>30,025,867</u>	<u>30,445,027</u>	<u>419,160</u>
<b>EXPENDITURES</b>				
Current operating:				
General government	4,845,394	3,094,568	3,203,660	(109,092)
Public safety	19,356,334	18,818,334	18,884,392	(66,058)
Public works	2,983,155	2,895,655	2,895,087	568
Culture and recreation	4,596,810	4,514,810	4,332,503	182,307
Development	998,380	1,080,380	1,227,382	(147,002)
Debt service:				
Principal retirement	1,118,621	1,118,621	713,941	404,680
Interest and fiscal charges	-	-	80,413	(80,413)
Capital outlay	864,561	864,561	1,174,975	(310,414)
Total expenditures	<u>34,763,255</u>	<u>32,386,929</u>	<u>32,512,353</u>	<u>(125,424)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(2,361,062)</u>	<u>(2,361,062)</u>	<u>(2,067,326)</u>	<u>293,736</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	-	-	1,959,204	1,959,204
Transfers from other funds	2,200,614	2,200,614	2,200,608	(6)
Transfers to other funds	(1,409,169)	(1,509,169)	(1,490,507)	18,662
Total other financing sources (uses)	<u>791,445</u>	<u>691,445</u>	<u>2,669,305</u>	<u>1,977,860</u>
<b>CHANGE IN FUND BALANCE</b>	(1,569,617)	(1,669,617)	601,979	2,271,596
<b>TOTAL FUND BALANCE, BEGINNING</b>	<u>7,175,829</u>	<u>7,175,829</u>	<u>7,175,829</u>	<u>-</u>
<b>TOTAL FUND BALANCE, ENDING</b>	<u>\$ 5,606,212</u>	<u>\$ 5,506,212</u>	<u>\$ 7,777,808</u>	<u>\$ 2,271,596</u>

**CITY OF ROWLETT, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**1. BASIS OF BUDGETING**

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

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 7,593,147	\$ 7,593,147	\$ 7,576,511	\$ (16,636)
Interest	5,130	5,130	2,675	(2,455)
Contributions	-	-	2,112,775	2,112,775
Miscellaneous	-	-	13,532	13,532
Total revenues	<u>7,598,277</u>	<u>7,598,277</u>	<u>9,705,493</u>	<u>2,107,216</u>
<b>EXPENDITURES</b>				
Current operating:				
General government	102,807	102,807	68,801	34,006
Public safety	115,205	115,205	119,017	(3,812)
Debt service:				
Principal retirement	5,464,728	5,464,728	5,334,728	130,000
Interest and fiscal charges	<u>2,563,922</u>	<u>2,563,922</u>	<u>2,559,652</u>	<u>4,270</u>
Total expenditures	<u>8,246,662</u>	<u>8,246,662</u>	<u>8,082,198</u>	<u>164,464</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(648,385)</u>	<u>(648,385)</u>	<u>1,623,295</u>	<u>2,271,680</u>
<b>OTHER FINANCING SOURCES</b>				
Refunding bonds issued	-	-	11,135,000	11,135,000
Premiums on sale of bonds	-	-	592,013	592,013
Payment to refunding bond escrow agent	-	-	(13,946,658)	(13,946,658)
Transfers from other funds	<u>648,385</u>	<u>648,385</u>	<u>629,729</u>	<u>(18,656)</u>
Total other financing sources	<u>648,385</u>	<u>648,385</u>	<u>(1,589,916)</u>	<u>(2,238,301)</u>
<b>CHANGE IN FUND BALANCES</b>	-	-	33,379	33,379
<b>FUND BALANCES, BEGINNING</b>	<u>452,569</u>	<u>452,569</u>	<u>452,569</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 452,569</u>	<u>\$ 452,569</u>	<u>\$ 485,948</u>	<u>\$ 33,379</u>

**CITY OF ROWLETT, TEXAS  
DESCRIPTION OF SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

**CITY OF ROWLETT, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 661,566	\$ 886,569	\$ 45,395
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accrued interest	435	-	38
Other	-	-	-
Due from other governments	-	-	-
Prepaid and other items	-	4,987	-
Total assets	\$ 662,001	\$ 891,556	\$ 45,433
<b>LIABILITIES</b>			
Accounts payable	-	23,744	19,300
Accrued liabilities	-	16,714	-
Unearned revenue	-	-	-
Total liabilities	-	40,458	19,300
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - grants	-	-	-
Unavailable revenue - other (court fines)	-	-	-
Total deferred inflows of resources	-	-	-
<b>FUND BALANCES</b>			
Nonspendable - Prepaid items	-	4,987	-
Restricted for:			
Debt service	-	-	-
Capital projects	662,001	-	-
Public safety	-	846,111	26,133
Economic development	-	-	-
Public broadcasting	-	-	-
Unassigned	-	-	-
Total fund balances	662,001	851,098	26,133
Total liabilities and fund balances	\$ 662,001	\$ 891,556	\$ 45,433

Special Revenue				Total
Court Fees	Grant	TIF	Other	Governmental Funds
\$ 303,908	\$ 38,903	\$ 1,003	\$ 87,424	\$ 2,024,768
-	-	-	4,775	4,775
218	12	1	46	750
1,220	-	-	44,746	45,966
-	85,705	-	-	85,705
-	400	-	99	5,486
<u>\$ 305,346</u>	<u>\$ 125,020</u>	<u>\$ 1,004</u>	<u>\$ 137,090</u>	<u>\$ 2,167,450</u>
18,410	47,535	-	662	109,651
3,297	550	-	5,182	25,743
-	21,885	-	-	21,885
<u>21,707</u>	<u>69,970</u>	<u>-</u>	<u>5,844</u>	<u>157,279</u>
-	52,785	-	-	52,785
1,220	-	-	-	1,220
<u>1,220</u>	<u>52,785</u>	<u>-</u>	<u>-</u>	<u>54,005</u>
-	400	-	99	5,486
-	-	1,004	-	1,004
-	-	-	-	662,001
282,419	1,865	-	-	1,156,528
-	-	-	25,466	25,466
-	-	-	105,681	105,681
-	-	-	-	-
<u>282,419</u>	<u>2,265</u>	<u>1,004</u>	<u>131,246</u>	<u>1,956,166</u>
<u>\$ 305,346</u>	<u>\$ 125,020</u>	<u>\$ 1,004</u>	<u>\$ 137,090</u>	<u>\$ 2,167,450</u>

**CITY OF ROWLETT, TEXAS  
COMBINING STATEMENT OF REVEUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
<b>REVENUES</b>			
Taxes:			
Other	\$ -	\$ -	\$ -
Franchise fees	-	-	-
License and permits	495,015	-	-
Fines and forfeitures	-	321,620	-
Intergovernmental	-	-	-
Interest	2,117	-	155
Miscellaneous	-	-	-
Total revenues	<u>497,132</u>	<u>321,620</u>	<u>155</u>
<b>EXPENDITURES</b>			
Current operating:			
General government	22,224	-	-
Public safety	-	415,445	-
Culture and recreation	-	-	-
Capital outlay	24,638	226,889	-
Total expenditures	<u>46,862</u>	<u>642,334</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	450,270	(320,714)	155
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(446,115)	-	-
<b>NET CHANGE IN FUND BALANCES</b>	4,155	(320,714)	155
<b>FUND BALANCES (DEFICIT), BEGINNING</b>	<u>657,846</u>	<u>1,171,812</u>	<u>25,978</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 662,001</u>	<u>\$ 851,098</u>	<u>\$ 26,133</u>

Special Revenue				Total
Court Fees	Grant	TIF	Other	Governmental Funds
\$ -	\$ -	\$ -	\$ 65,129	\$ 65,129
-	-	-	114,037	114,037
-	-	-	-	495,015
95,946	-	-	-	417,566
-	330,227	-	-	330,227
986	88	3	234	3,583
-	695	-	-	695
<u>96,932</u>	<u>331,010</u>	<u>3</u>	<u>179,400</u>	<u>1,426,252</u>
-	-	-	125,740	147,964
168,426	131,803	-	-	715,674
-	81,399	-	-	81,399
-	-	-	-	251,527
<u>168,426</u>	<u>213,202</u>	<u>-</u>	<u>125,740</u>	<u>1,196,564</u>
(71,494)	117,808	3	53,660	229,688
-	-	-	-	(446,115)
(71,494)	117,808	3	53,660	(216,427)
<u>353,913</u>	<u>(115,543)</u>	<u>1,001</u>	<u>77,586</u>	<u>2,172,593</u>
<u>\$ 282,419</u>	<u>\$ 2,265</u>	<u>\$ 1,004</u>	<u>\$ 131,246</u>	<u>\$ 1,956,166</u>

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
IMPACT FEES FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
License and permits	\$ 31,000	\$ 31,000	\$ 495,015	\$ 464,015
Interest	13,357	13,357	2,117	(11,240)
Total revenues	<u>44,357</u>	<u>44,357</u>	<u>497,132</u>	<u>452,775</u>
<b>EXPENDITURES</b>				
General government	-	-	22,224	(22,224)
Capital outlay	30,000	30,000	24,638	5,362
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>46,862</u>	<u>(16,862)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	14,357	14,357	450,270	435,913
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	(446,115)	(446,115)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(446,115)</u>	<u>(446,115)</u>
<b>CHANGE IN FUND BALANCES</b>	14,357	14,357	4,155	(10,202)
<b>FUND BALANCES, BEGINNING</b>	<u>657,846</u>	<u>657,846</u>	<u>657,846</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 672,203</u>	<u>\$ 672,203</u>	<u>\$ 662,001</u>	<u>\$ (10,202)</u>

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
POLICE SEIZURE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 321,620	\$ 221,620
Interest	550	550	-	(550)
Total revenues	<u>100,550</u>	<u>100,550</u>	<u>321,620</u>	<u>221,070</u>
<b>EXPENDITURES</b>				
Public safety	100,550	100,550	415,445	(314,895)
Capital outlay	-	-	226,889	(226,889)
Total expenditures	<u>100,550</u>	<u>100,550</u>	<u>642,334</u>	<u>(541,784)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	(320,714)	(320,714)
<b>FUND BALANCES, BEGINNING</b>	<u>1,171,812</u>	<u>1,171,812</u>	<u>1,171,812</u>	-
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 1,171,812</u></u>	<u><u>\$ 1,171,812</u></u>	<u><u>\$ 851,098</u></u>	<u><u>\$ (320,714)</u></u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC SAFETY FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 155	\$ 155
Total revenues	<u>-</u>	<u>-</u>	<u>155</u>	<u>155</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	155	155
<b>FUND BALANCES, BEGINNING</b>	<u>25,978</u>	<u>25,978</u>	<u>25,978</u>	-
<b>FUND BALANCES, ENDING</b>	<u>\$ 25,978</u>	<u>\$ 25,978</u>	<u>\$ 26,133</u>	<u>\$ 155</u>

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
COURT FEES FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 80,252	\$ 80,252	\$ 95,946	\$ 15,694
Interest	-	-	986	986
Total revenues	<u>80,252</u>	<u>80,252</u>	<u>96,932</u>	<u>16,680</u>
<b>EXPENDITURES</b>				
Public safety	<u>86,457</u>	<u>86,457</u>	<u>168,426</u>	<u>(81,969)</u>
Total expenditures	<u>86,457</u>	<u>86,457</u>	<u>168,426</u>	<u>(81,969)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(6,205)	(6,205)	(71,494)	(65,289)
<b>FUND BALANCES, BEGINNING</b>	<u>353,913</u>	<u>353,913</u>	<u>353,913</u>	-
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 347,708</u></u>	<u><u>\$ 347,708</u></u>	<u><u>\$ 282,419</u></u>	<u><u>\$ (65,289)</u></u>

**CITY OF ROWLETT, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
GRANT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 233,092	\$ 233,092	\$ 330,227	\$ 97,135
Interest	-	-	88	88
Miscellaneous	-	-	695	695
Total revenues	<u>233,092</u>	<u>233,092</u>	<u>331,010</u>	<u>97,918</u>
<b>EXPENDITURES</b>				
Public safety	41,838	41,838	131,803	(89,965)
Public works	38,250	38,250	-	38,250
Culture and recreation	-	-	81,399	(81,399)
Capital outlay	153,004	153,004	-	153,004
Total expenditures	<u>233,092</u>	<u>233,092</u>	<u>213,202</u>	<u>19,890</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	117,808	117,808
<b>FUND BALANCE, BEGINNING</b>	<u>(115,543)</u>	<u>(115,543)</u>	<u>(115,543)</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ (115,543)</u>	<u>\$ (115,543)</u>	<u>\$ 2,265</u>	<u>\$ 117,808</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 TAX INCREMENT FINANCING FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 3	\$ 3
Total revenues	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
<b>CHANGE IN FUND BALANCES</b>	-	-	3	3
<b>FUND BALANCES, BEGINNING</b>	<u>1,000</u>	<u>1,000</u>	<u>1,001</u>	-
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,004</u>	<u>\$ 3</u>

**CITY OF ROWLETT, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 OTHER SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Other taxes	\$ 47,175	\$ 47,175	\$ 65,129	\$ 17,954
Franchise fees	85,042	85,042	114,037	28,995
Interest	577	577	234	(343)
Total revenues	<u>132,794</u>	<u>132,794</u>	<u>179,400</u>	<u>46,606</u>
<b>EXPENDITURES</b>				
General government	114,560	114,560	125,740	(11,180)
Total expenditures	<u>114,560</u>	<u>114,560</u>	<u>125,740</u>	<u>(11,180)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	18,234	18,234	53,660	35,426
<b>FUND BALANCES, BEGINNING</b>	<u>77,586</u>	<u>77,586</u>	<u>77,586</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 95,820</u></u>	<u><u>\$ 95,820</u></u>	<u><u>\$ 131,246</u></u>	<u><u>\$ 35,426</u></u>

**STATISTICAL SECTION  
(UNAUDITED)**

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**STATISTICAL SECTION  
(UNAUDITED)**

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

**Tables**

**Financial Trends**

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

**Revenue Capacity**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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

	Fiscal Year			
	2014	2013	2012	2011
Governmental activities:				
Net investment in capital assets	\$ 41,470,659	\$ 38,863,695	\$ 31,916,791	\$ 32,374,952
Restricted	9,487,031	9,137,747	9,171,293	4,746,923
Unrestricted	3,796,330	5,469,081	5,462,517	6,506,992
Total governmental activities net position	<u>\$ 54,754,020</u>	<u>\$ 53,470,523</u>	<u>\$ 46,550,601</u>	<u>\$ 43,628,867</u>
Business-type activities:				
Net investment in capital assets	\$ 64,531,695	\$ 63,171,705	\$ 62,576,970	\$ 63,268,379
Restricted	2,093,242	2,197,202	2,327,961	3,225,296
Unrestricted	5,415,474	8,162,875	7,460,914	6,882,557
Total business-type activities net position	<u>\$ 72,040,411</u>	<u>\$ 73,531,782</u>	<u>\$ 72,365,845</u>	<u>\$ 73,376,232</u>
Primary government:				
Net investment in capital assets	\$ 106,002,354	\$ 102,035,400	\$ 94,493,761	\$ 95,643,331
Restricted	11,580,273	11,334,949	11,499,254	7,972,219
Unrestricted	9,211,804	13,631,956	12,923,431	13,389,549
Total primary government net position	<u>\$ 126,794,431</u>	<u>\$ 127,002,305</u>	<u>\$ 118,916,446</u>	<u>\$ 117,005,099</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 33,070,231	\$ 33,707,411	\$ 40,312,017	\$ 38,656,284	\$ 42,099,813	\$ 35,082,256
1,148,213	910,428	1,537,197	1,249,120	1,724,868	1,040,997
7,989,091	7,593,223	5,435,653	4,519,005	4,121,491	4,110,733
<u>\$ 42,207,535</u>	<u>\$ 42,211,062</u>	<u>\$ 47,284,867</u>	<u>\$ 44,424,409</u>	<u>\$ 47,946,172</u>	<u>\$ 40,233,986</u>
\$ 64,417,014	\$ 65,576,708	\$ 63,829,157	\$ 62,484,938	\$ 61,546,001	\$ 62,588,336
3,156,935	3,136,923	2,894,124	2,849,815	2,876,092	3,210,754
5,452,189	6,518,292	5,683,212	3,926,786	5,289,946	6,742,040
<u>\$ 73,026,138</u>	<u>\$ 75,231,923</u>	<u>\$ 72,406,493</u>	<u>\$ 69,261,539</u>	<u>\$ 69,712,039</u>	<u>\$ 72,541,130</u>
\$ 97,487,245	\$ 99,284,119	\$ 104,141,174	\$ 101,141,222	\$ 103,645,814	\$ 97,670,592
4,305,148	4,047,351	4,431,321	4,098,935	4,600,960	4,251,751
13,441,280	14,111,515	11,118,865	8,445,791	9,411,437	10,852,773
<u>\$ 115,233,673</u>	<u>\$ 117,442,985</u>	<u>\$ 119,691,360</u>	<u>\$ 113,685,948</u>	<u>\$ 117,658,211</u>	<u>\$ 112,775,116</u>

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

Expenses	Fiscal Year			
	2014	2013	2012	2011
Governmental activities:				
General government	\$ 3,743,246	\$ 3,079,438	\$ 4,274,638	\$ 5,043,354
Public safety	20,994,087	19,791,298	20,456,358	20,077,172
Public works	12,040,271	11,690,444	13,472,469	12,320,408
Culture and recreation	5,152,775	5,100,405	4,975,355	4,796,472
Development	1,230,969	1,183,670	881,385	726,014
Interest and fiscal charges	3,407,157	2,848,832	2,888,071	3,445,261
Total governmental activities	<u>46,568,505</u>	<u>43,694,087</u>	<u>46,948,276</u>	<u>46,408,681</u>
Business-type activities:				
Water and sewer	23,176,635	21,215,288	20,275,313	19,715,254
Refuse	3,986,352	3,640,452	3,316,080	3,280,511
Drainage	1,980,987	1,865,797	2,091,605	1,669,999
Wet zone	-	-	-	-
Total business-type activities	<u>29,143,974</u>	<u>26,721,537</u>	<u>25,682,998</u>	<u>24,665,764</u>
Total primary government expenses	<u>\$ 75,712,479</u>	<u>\$ 70,415,624</u>	<u>\$ 72,631,274</u>	<u>\$ 71,074,445</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 56,240	\$ 90,267	\$ 99,370	\$ 617,922
Public safety	2,887,395	3,058,323	3,205,317	1,808,112
Public works	495,015	341,707	285,290	116,950
Culture and recreation	915,945	958,111	871,538	2,659,906
Development	977,198	860,925	641,890	565,001
Operating grants and contributions	418,983	817,022	901,055	963,803
Capital grants and contributions	3,878,487	6,735,636	6,748,657	2,687,884
Total governmental activities program revenues	<u>9,629,263</u>	<u>12,861,991</u>	<u>12,753,117</u>	<u>9,419,578</u>
Business-type activities:				
Charges for services:				
Water and sewer	24,659,862	25,341,837	22,507,769	23,592,840
Refuse	5,081,709	4,681,715	4,484,110	4,457,857
Drainage	1,331,572	1,328,989	1,300,878	1,301,172
Wet zone	-	-	-	-
Capital grants and contributions	621,061	938,393	145,204	560,473
Total business-type activities program revenues	<u>31,694,204</u>	<u>32,290,934</u>	<u>28,437,961</u>	<u>29,912,342</u>
Total primary government revenues	<u>\$ 41,323,467</u>	<u>\$ 45,152,925</u>	<u>\$ 41,191,078</u>	<u>\$ 39,331,920</u>
Net (expense)/revenue				
Governmental activities	\$ (36,939,242)	\$ (30,832,096)	\$ (34,195,159)	\$ (36,989,103)
Business-type activities	2,550,230	5,569,397	2,754,963	5,246,578
Total primary government net expense	<u>\$ (34,389,012)</u>	<u>\$ (25,262,699)</u>	<u>\$ (31,440,196)</u>	<u>\$ (31,742,525)</u>
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 23,307,395	\$ 23,290,763	\$ 23,805,465	\$ 23,967,737
Sales taxes	5,652,848	5,386,679	4,894,006	5,767,527
Other	130,138	112,300	48,186	124,748
Franchise fees	3,126,943	3,010,969	3,127,383	3,214,049
Investment earnings	57,205	44,492	76,604	165,926
Gain (loss) on sale/retirement of capital assets	-	-	-	-
Miscellaneous	1,582,041	1,458,515	1,248,881	171,306
Transfers (net)	4,366,169	4,448,300	3,916,368	4,999,142
Total governmental activities	<u>38,222,739</u>	<u>37,752,018</u>	<u>37,116,893</u>	<u>38,410,435</u>
Business-type activities:				
Investment earnings	61,476	24,148	53,767	102,658
Gain (loss) on sale/retirement of capital assets	-	-	-	-
Miscellaneous	263,092	20,692	97,251	-
Transfers (net)	(4,366,169)	(4,448,300)	(3,916,368)	(4,999,142)
Special items	-	-	-	-
Total business-type activities	<u>(4,041,601)</u>	<u>(4,403,460)</u>	<u>(3,765,350)</u>	<u>(4,896,484)</u>
Total primary government	<u>\$ 34,181,138</u>	<u>\$ 33,348,558</u>	<u>\$ 33,351,543</u>	<u>\$ 33,513,951</u>
<b>Changes in Net Position</b>				
Governmental activities	\$ 1,283,497	\$ 6,919,922	\$ 2,921,734	\$ 1,421,332
Business-type activities	(1,491,371)	1,165,937	(1,010,387)	350,094
Total primary government	<u>\$ (207,874)</u>	<u>\$ 8,085,859</u>	<u>\$ 1,911,347</u>	<u>\$ 1,771,426</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 2

		Fiscal Year					
		2010	2009	2008	2007	2006	2005
\$	4,812,456	5,235,080	\$ 5,210,003	\$ 6,463,416	\$ 7,547,049	\$ 5,461,721	
	20,243,476	19,372,690	19,026,455	19,064,945	17,566,690	15,345,813	
	12,747,289	12,719,561	8,819,541	13,357,060	5,338,600	5,210,406	
	5,138,905	4,926,422	5,388,160	6,102,323	6,202,601	4,353,767	
	844,980	1,219,772	1,229,275	1,476,900	1,529,689	1,341,144	
	3,562,170	4,088,968	4,473,104	4,825,639	3,864,246	2,965,565	
	<u>47,349,276</u>	<u>47,562,493</u>	<u>44,146,538</u>	<u>51,290,283</u>	<u>42,048,875</u>	<u>34,678,416</u>	
	19,292,984	18,502,215	19,065,087	19,136,724	19,243,442	15,617,433	
	2,676,412	1,607,736	1,692,004	1,604,017	1,332,109	1,101,040	
	3,242,101	3,286,924	3,251,155	2,940,905	2,627,304	2,244,735	
	-	-	-	-	-	729,695	
	<u>25,211,497</u>	<u>23,396,875</u>	<u>24,008,246</u>	<u>23,681,646</u>	<u>23,202,855</u>	<u>19,692,903</u>	
\$	<u>72,560,773</u>	<u>70,959,368</u>	<u>\$ 68,154,784</u>	<u>\$ 74,971,929</u>	<u>\$ 65,251,730</u>	<u>\$ 54,371,319</u>	
\$	135,922	99,906	\$ 72,486	\$ 67,617	\$ 121,309	\$ 8,092	
	3,959,096	3,466,449	3,591,329	3,089,141	2,847,875	1,806,208	
	20,962	87,594	211,128	265,677	418,169	270,525	
	1,588,866	1,627,643	1,115,647	1,185,071	1,280,621	305,672	
	386,696	504,544	567,913	696,991	911,160	992,676	
	484,634	347,925	518,835	578,571	461,654	543,706	
	1,532,660	175,032	2,306,004	469,433	2,658,930	3,185,246	
	<u>8,108,836</u>	<u>6,309,093</u>	<u>8,383,342</u>	<u>6,352,501</u>	<u>8,699,718</u>	<u>7,112,125</u>	
	21,550,266	20,570,813	19,553,413	18,951,024	19,125,037	18,467,908	
	1,361,162	1,276,659	951,715	929,773	485,580	495,255	
	4,484,338	4,493,083	4,246,481	4,054,166	3,493,756	3,494,784	
	-	-	-	-	-	435,202	
	<u>20,612</u>	<u>63,966</u>	<u>2,359,949</u>	<u>616,691</u>	<u>1,314,213</u>	<u>2,424,461</u>	
	<u>27,416,378</u>	<u>26,404,521</u>	<u>27,111,558</u>	<u>24,551,654</u>	<u>24,418,586</u>	<u>25,317,610</u>	
\$	<u>35,525,214</u>	<u>32,713,614</u>	<u>\$ 35,494,900</u>	<u>\$ 30,904,155</u>	<u>\$ 33,118,304</u>	<u>\$ 32,429,735</u>	
\$	(39,240,440)	(41,253,400)	\$ (35,763,196)	\$ (44,937,782)	\$ (33,349,157)	\$ (27,566,291)	
	2,204,881	3,007,646	3,103,312	870,008	1,215,731	5,624,707	
\$	<u>(37,035,559)</u>	<u>(38,245,754)</u>	<u>(32,659,884)</u>	<u>(44,067,774)</u>	<u>(32,133,426)</u>	<u>(21,941,584)</u>	
\$	24,649,815	25,255,663	\$ 25,044,496	\$ 23,758,243	\$ 22,472,350	\$ 19,701,994	
	6,228,228	5,666,751	5,882,325	6,230,025	7,458,230	3,760,344	
	59,934	110,778	121,242	120,329	111,619	98,303	
	2,767,064	2,881,223	3,014,846	3,393,874	2,850,027	2,418,182	
	231,809	702,090	1,570,639	3,242,124	2,418,273	878,622	
	-	-	-	-	(178,719)	(203,409)	
	674,907	633,877	1,039,438	939,421	956,044	1,247,579	
	4,625,155	929,213	1,447,292	3,732,003	4,973,519	3,577,370	
	<u>39,236,912</u>	<u>36,179,595</u>	<u>38,120,278</u>	<u>41,416,019</u>	<u>41,061,343</u>	<u>31,478,985</u>	
	214,489	746,997	1,488,934	2,411,495	1,899,345	660,515	
	-	-	-	-	(970,648)	(6,855)	
	-	-	-	-	-	-	
	(4,625,155)	(929,213)	(1,447,292)	(3,732,003)	(4,973,519)	(3,577,370)	
	-	-	-	-	-	(1,873,898)	
	<u>(4,410,666)</u>	<u>(182,216)</u>	<u>41,642</u>	<u>(1,320,508)</u>	<u>(4,044,822)</u>	<u>(4,797,608)</u>	
\$	<u>34,826,246</u>	<u>35,997,379</u>	<u>\$ 38,161,920</u>	<u>\$ 40,095,511</u>	<u>\$ 37,016,521</u>	<u>\$ 26,681,377</u>	
\$	(3,528)	(5,073,805)	\$ 2,357,082	\$ (3,521,763)	\$ 7,712,186	\$ 3,912,694	
	(2,205,785)	2,825,430	3,144,954	(450,500)	(2,829,091)	827,099	
\$	<u>(2,209,313)</u>	<u>(2,248,375)</u>	<u>\$ 5,502,036</u>	<u>(3,972,263)</u>	<u>\$ 4,883,095</u>	<u>\$ 4,739,793</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			
	2014	2013	2012	2011
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Inventories	47,986	54,199	146,989	86,016
Prepaid items	55,242	64,737	15,700	73,555
Restricted for:				
Capital projects	1,791,258	321,096	280,356	716,031
Assigned for:				
Economic development	302,712	305,589	352,188	224,092
Capital acquisition	107,488	364,692	381,605	1,163,159
Unassigned	5,473,122	6,065,516	6,305,245	6,681,091
Total general fund	<u>\$ 7,777,808</u>	<u>\$ 7,175,829</u>	<u>\$ 7,482,083</u>	<u>\$ 8,943,944</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable:				
Inventories	79,515	64,582	-	-
Prepaid items	14,336	10,775	1,562	12,805
Restricted for:				
Debt service	478,102	443,330	362,265	281,278
Capital projects	6,263,070	6,936,723	7,617,327	12,734,318
Public safety	1,156,528	1,551,418	1,014,867	1,075,494
Economic development	6,934	6,934	20,518	17,751
Public broadcasting	124,213	70,402	56,776	32,216
Unassigned	-	(115,543)	(3,698)	(107,126)
Total all other governmental funds	<u>\$ 8,122,698</u>	<u>\$ 8,968,621</u>	<u>\$ 9,069,617</u>	<u>\$ 14,046,736</u>

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

Source: City of Rowlett - Comprehensive Annual Financial Reports

**TABLE 3**

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
725,269 \$	432,360 \$	186,401 \$	334,908 \$	113,638 \$	474,664
6,752,718	4,846,923	3,220,176	2,723,433	2,957,331	2,717,632
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,477,987 \$</u>	<u>5,279,283 \$</u>	<u>3,406,577 \$</u>	<u>3,058,341 \$</u>	<u>3,070,969 \$</u>	<u>3,192,296</u>
16,052,328 \$	20,479,526 \$	28,688,462 \$	38,895,212 \$	56,450,397 \$	42,937,142
369,311	1,682,678	1,561,760	1,432,574	1,248,627	1,153,135
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>16,421,639 \$</u>	<u>22,162,204 \$</u>	<u>30,250,222 \$</u>	<u>40,327,786 \$</u>	<u>57,699,024 \$</u>	<u>44,090,277</u>

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

	Fiscal Year			
	2014	2013	2012	2011
<b>Revenues</b>				
Taxes	\$ 29,122,683	\$ 28,773,383	\$ 28,781,463	\$ 30,131,107
Franchise fees	3,131,069	2,991,209	3,094,707	3,304,363
Licenses and permits	1,144,653	807,860	687,352	438,334
Charges for services	2,612,512	2,644,415	2,291,101	2,748,494
Contributions	2,112,775	-	-	-
Fines and forfeitures	1,514,717	2,158,683	1,896,301	2,304,857
Intergovernmental	2,059,376	6,929,459	6,589,471	2,275,536
Interest	57,205	44,492	76,604	165,926
Miscellaneous	1,591,500	1,423,074	1,208,363	790,619
Total revenues	<u>43,346,490</u>	<u>45,772,575</u>	<u>44,625,362</u>	<u>42,159,236</u>
<b>Expenditures</b>				
General government	3,420,425	2,641,269	3,003,607	4,380,262
Public safety	19,719,083	18,619,438	19,159,506	18,791,928
Public works	6,652,769	5,936,101	7,599,093	7,246,641
Culture and recreation	4,413,902	4,282,981	4,175,458	3,931,809
Development	1,227,382	1,128,814	840,833	672,775
Debt service:				
Principal	6,048,669	6,202,352	6,208,605	5,940,534
Interest	2,408,591	2,834,256	2,903,106	3,370,147
Other charges	231,474	-	222,800	-
Capital outlay	3,573,867	9,552,274	11,316,999	4,424,499
Total expenditures	<u>47,696,162</u>	<u>51,197,485</u>	<u>55,430,007</u>	<u>48,758,595</u>
Excess (deficiency) of revenues over (under) expenditures	(4,349,672)	(5,424,910)	(10,804,645)	(6,599,359)
<b>Other Financing Sources/(Uses)</b>				
Proceeds from capital leases	1,959,204	1,130,985	351,152	1,202,602
Refunding bonds issued	11,135,000	-	14,131,149	-
Proceeds from sale of bonds	-	-	-	-
Premiums on bonds issued	592,013	-	1,383,000	-
Discounts on bonds issued	-	-	-	-
Payments to refunding bond escrow agent	(13,946,658)	-	(15,416,504)	-
Proceeds from sale of assets	-	-	1,500	-
Transfers in	6,302,791	5,895,107	5,729,583	6,446,101
Transfers out	(1,936,622)	(2,009,432)	(1,813,215)	(1,958,290)
Total other financing sources/(uses)	<u>4,105,728</u>	<u>5,016,660</u>	<u>4,366,665</u>	<u>5,690,413</u>
Net change in fund balances	<u>\$ (243,944)</u>	<u>\$ (408,250)</u>	<u>\$ (6,437,980)</u>	<u>\$ (908,946)</u>
Debt service as a percentage of noncapital expenditures	19.7%	21.7%	21.2%	21.0%

TABLE 4

		Fiscal Year									
		2010	2009	2008	2007	2006	2005				
\$	30,966,183	\$	30,906,010	\$	31,065,958	\$	30,089,399	\$	29,954,902	\$	23,538,352
	3,015,465		2,999,281		3,018,734		3,393,874		2,850,027		2,418,182
	391,228		499,979		720,779		778,007		1,288,735		994,556
	2,823,756		2,889,691		2,343,594		2,415,006		2,318,143		1,321,381
	-		-		-		-		-		-
	2,820,913		2,339,835		2,465,790		2,191,648		1,728,113		1,005,818
	1,967,802		381,153		1,270,253		892,635		1,753,744		1,711,827
	231,809		702,090		1,556,897		3,211,947		2,400,651		878,622
	674,907		633,877		992,518		937,824		1,134,831		1,072,547
	<u>42,892,063</u>		<u>41,351,916</u>		<u>43,434,523</u>		<u>43,910,340</u>		<u>43,429,146</u>		<u>32,941,285</u>
	4,471,479		4,047,850		4,059,446		5,396,190		7,029,763		3,493,066
	18,692,849		17,910,586		18,429,503		18,616,295		17,302,986		14,808,481
	5,592,114		7,789,807		4,775,269		8,834,282		2,360,852		2,413,042
	4,272,737		4,151,303		4,462,616		5,171,047		5,116,947		3,327,315
	808,218		1,151,720		1,212,987		1,458,834		1,512,154		1,313,779
	5,432,452		5,551,999		5,991,212		7,285,049		4,890,000		3,985,000
	3,507,444		4,044,879		4,400,172		4,783,411		3,506,208		2,692,355
	207,999		-		-		25,000		315,607		703,265
	9,868,151		7,858,484		13,804,949		14,831,198		11,748,134		10,662,429
	<u>52,853,443</u>		<u>52,506,628</u>		<u>57,136,154</u>		<u>66,401,306</u>		<u>53,782,651</u>		<u>43,398,732</u>
	(9,961,380)		(11,154,712)		(13,701,631)		(22,490,966)		(10,353,505)		(10,457,447)
	987,080		152,925		39,461		-		-		213,956
	12,000,000		-		-		-		-		-
	-		-		-		1,690,000		21,465,000		41,285,000
	440,175		-		-		-		291,917		318,843
	-		-		-		-		(30,614)		(233,114)
	(12,455,399)		-		-		-		-		(8,723,648)
	-		-		-		-		-		-
	7,595,086		7,271,747		7,157,912		7,499,125		2,650,984		3,182,730
	<u>(2,147,423)</u>		<u>(2,485,272)</u>		<u>(3,225,070)</u>		<u>(4,082,025)</u>		<u>(536,360)</u>		<u>(729,457)</u>
	<u>6,419,519</u>		<u>4,939,400</u>		<u>3,972,303</u>		<u>5,107,100</u>		<u>23,840,927</u>		<u>35,314,310</u>
\$	<u>(3,541,861)</u>	\$	<u>(6,215,312)</u>	\$	<u>(9,729,328)</u>	\$	<u>(17,383,866)</u>	\$	<u>13,487,422</u>	\$	<u>24,856,863</u>
	21.3%		21.5%		24.0%		23.5%		20.7%		22.5%

**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>
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	120,330	30,089,399
2008	25,062,391	5,882,323	121,243	31,065,957
2009	25,027,004	5,666,750	110,779	30,804,533
2010	24,639,903	6,228,228	98,052	30,966,183
2011	24,238,832	5,767,527	124,749	30,131,108
2012	23,492,921	4,894,006	103,581	28,490,508
2013	23,274,404	5,386,680	112,300	28,773,384
2014	23,339,695	5,652,848	130,138	29,122,681

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>			
2005	3,001,096,970	138,562,630	270,204,525	2,869,455,075	0.67695
2006	3,152,152,570	143,648,500	317,521,416	2,978,279,654	0.74717
2007	3,328,602,160	155,650,970	342,854,454	3,141,398,676	0.74717
2008	3,505,032,790	165,364,960	361,998,133	3,308,399,617	0.74717
2009	3,562,876,777	178,689,105	373,073,104	3,368,492,778	0.74717
2010	3,522,255,306	177,752,490	414,294,585	3,285,713,211	0.74717
2011	3,447,524,437	174,055,050	401,314,296	3,220,265,191	0.74717
2012	3,407,215,429	171,045,280	406,361,093	3,171,899,616	0.74717
2013	3,373,736,207	176,427,230	425,321,487	3,124,841,950	0.74717
2014	3,383,659,486	176,507,810	443,668,413	3,116,498,883	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 Service Fund	Total City	Dallas County Properties				Total Direct & Overlapping Rates
				Dallas County	Dallas County Hospital District	Dallas County Community College District	Garland Independent School District	
2014	0.50477	0.24240	0.74717	0.25310	0.27600	0.12470	1.25330	2.65427
2013	0.49267	0.25450	0.74717	0.25304	0.27100	0.11938	1.25330	2.64389
2012	0.49083	0.25634	0.74717	0.24310	0.02710	0.09967	1.25330	2.37034
2011	0.49467	0.25250	0.74717	0.24310	0.27100	0.09923	1.25330	2.61380
2010	0.50202	0.24515	0.74717	0.22810	0.27400	0.09490	1.25330	2.59747
2009	0.49467	0.25250	0.74717	0.22810	0.25400	0.08940	1.25330	2.57197
2008	0.46617	0.28100	0.74717	0.22810	0.25400	0.08040	1.25330	2.56297
2007	0.47872	0.26845	0.74717	0.21390	0.25400	0.08100	1.54490	2.84097
2006	0.50178	0.24539	0.74717	0.21390	0.25400	0.08160	1.67010	2.96677
2005	0.47413	0.20281	0.67695	0.20390	0.25400	0.08030	1.62140	2.83655

(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>
0.395900	1.46000	2.60307
0.386400	1.47000	2.60357
0.386400	1.47000	2.60357
0.386400	1.47000	2.60357
0.375000	1.47000	2.59217
0.375000	1.47000	2.59217
0.350000	1.47000	2.56717
0.350700	1.71000	2.80787
0.350700	1.88000	2.97787
0.350700	1.88000	2.90765

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

**TABLE 8**

<u>Taxpayer</u>	<u>2014</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Tenet Health Care Systems	\$ 40,331,310	1	1.29%
Oncor Electric Delivery	26,551,630	2	0.85%
Wal Mart Stores Inc	20,291,260	3	0.65%
Target Corporation	16,342,210	4	0.52%
Verizon	16,242,850	5	0.52%
ARC LCROWTX001 LLC	11,405,490	6	0.36%
Safeway, Inc	10,445,230	7	0.33%
HSHE TX Bay City LLC	10,000,000	8	0.32%
Lakeview Parkview	8,750,000	9	0.28%
Lake Pointe NH Realty	7,609,520	10	0.24%
	<u>\$ 167,969,500</u>		<u>5.38%</u>

Source: Dallas County Tax Office

<u>Taxpayer</u>	<u>2005</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Lake Pointe Medical Center	\$ 28,851,120	1	1.01%
Texas Utilities Electric Co.	27,784,650	2	0.97%
Wal Mart	19,197,590	3	0.67%
Verizon	14,442,180	4	0.50%
Randalls Food & Drug	14,031,000	5	0.49%
Albertson's Inc	12,272,880	6	0.43%
NEC Dalrock & SH66 LTD	8,765,210	7	0.31%
Lake Pointe Partners Limited	8,451,920	8	0.29%
Lakeview Parkview	6,650,000	9	0.23%
Snapdragon Properties	5,800,420	10	0.20%
	<u>\$ 146,246,970</u>		<u>5.10%</u>

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

**TABLE 9**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
		Amount	Percentage of Levy		Total Tax Collections	Accumulated Delinquent Taxes	Percentage of Levy
2005	19,424,633	19,018,687	97.91%	392,840	19,280,276	13,106	99.26%
2006	22,257,540	21,757,513	97.75%	485,851	22,243,364	14,176	99.94%
2007	23,379,880	22,812,468	97.57%	550,306	23,362,774	17,106	99.93%
2008	24,582,645	24,116,451	98.10%	434,786	24,551,237	31,408	99.87%
2009	25,022,666	24,529,136	98.03%	464,413	24,719,342	29,117	98.79%
2010	24,432,408	23,999,437	98.23%	382,353	24,381,790	50,618	99.79%
2011	23,945,717	23,650,873	98.77%	244,036	23,894,909	50,808	99.79%
2012	23,605,280	23,335,522	98.86%	212,759	23,548,281	56,999	99.76%
2013	23,111,624	22,902,665	99.10%	126,890	23,029,555	82,069	99.64%
2014	23,072,444	22,904,595	99.27%	-	22,904,595	167,849	99.27%

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>
2005	47,200,000	40,690,000	530,000	174,627
2006	44,325,000	60,350,000	320,000	1,308,775
2007	41,245,000	57,370,000	845,437	1,061,675
2008	38,030,000	55,210,000	260,437	1,086,291
2009	35,175,000	52,975,000	20,000	1,017,655
2010	37,590,000	45,410,000	-	1,797,282
2011	34,510,000	43,040,000	-	2,509,351
2012	37,656,149	34,010,000	-	2,381,898
2013	34,358,249	31,765,000	-	2,817,990
2014	36,573,521	22,095,000	-	4,063,254

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>
45,015,000	-	47,166	133,656,793	6.39%	2,534
54,220,000	4,815,000	4,457,829	169,796,604	7.44%	3,133
51,035,000	4,695,000	4,245,257	160,497,369	6.69%	2,912
47,665,000	4,535,000	4,014,716	150,801,444	5.92%	2,704
44,560,000	4,365,000	3,773,272	141,885,927	5.96%	2,502
41,340,000	4,190,000	3,503,499	133,830,781	5.53%	2,375
37,995,000	4,010,000	3,548,806	125,613,157	4.75%	2,203
42,628,851	3,820,000	3,459,450	123,956,348	4.47%	2,147
39,121,751	3,620,000	3,487,159	115,170,149	3.99%	1,984
40,266,479	3,410,000	3,236,256	109,644,510	3.76%	1,875

**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>
2005	88,420,000	1,172,787	87,247,213	3.04%	1,654
2006	104,995,000	937,316	104,057,684	3.49%	1,920
2007	99,460,437	566,928	98,893,509	3.15%	1,794
2008	93,500,437	436,794	93,063,643	2.81%	1,669
2009	88,170,000	404,059	87,765,941	2.61%	1,547
2010	83,000,000	234,354	82,765,646	2.52%	1,469
2011	77,550,000	288,733	77,261,267	2.40%	1,355
2012	71,666,149	363,827	71,302,322	2.25%	1,235
2013	66,123,249	452,569	65,670,680	2.10%	1,131
2014	58,668,521	485,948	58,182,573	1.87%	995

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 DIRECT AND OVERLAPPING DEBT (UNAUDITED)**  
**SEPTEMBER 30, 2014**

**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	\$ 111,350,000	1.41%	\$ 1,570,035
Dallas County Community College District	339,035,000	1.41%	4,780,394
Dallas County Hospital District	736,235,000	1.41%	10,380,913
Dallas County Schools	67,265,000	1.41%	948,437
Garland Independent School District	346,746,128	19.21%	<u>66,609,931</u>
Subtotal, overlapping debt			84,289,710
City of Rowlett, direct debt			<u>62,731,775</u>
Total direct and overlapping debt			\$ <u><u>147,021,485</u></u>
<u>Rockwall County Properties:</u>			
Debt repaid with property taxes:			
Rockwall County	\$ 103,989,525	6.37%	\$ 6,624,133
Rockwall Independent School District	337,278,257	7.45%	<u>25,127,230</u>
Subtotal, overlapping debt			31,751,363
City of Rowlett, direct debt			<u>62,731,775</u>
Total direct and overlapping debt			\$ <u><u>94,483,138</u></u>

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

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

**CITY OF ROWLETT, TEXAS**  
**COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)**  
**SEPTEMBER 30, 2014**

**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, 2014, 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  
SCHEDULE OF REVENUE BOND COVERAGE –  
WATER & SEWER BONDS (UNAUDITED)  
LAST TEN FISCAL YEARS**

**TABLE 14**

<b>Fiscal Year</b>	<b>Water and Sewer Charges and Other <sup>(2)</sup></b>	<b>Less: Operating Expenses <sup>(3)</sup></b>	<b>Net Available Revenue</b>	<b>Debt Service <sup>(1)</sup></b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2005	18,467,908	10,277,087	8,190,821	1,988,500	854,613	2.88
2006	19,778,203	12,618,049	7,160,154	2,711,000	1,092,634	1.88
2007	19,157,633	11,947,291	7,210,342	2,686,053	1,025,084	1.94
2008	19,754,519	11,762,579	7,991,940	2,648,056	962,571	2.21
2009	20,634,778	11,772,634	8,862,144	2,621,176	899,647	2.52
2010	21,570,878	12,775,053	8,795,825	2,583,750	836,260	2.57
2011	23,579,540	13,423,497	10,156,043	2,713,929	828,115	2.87
2012	22,602,722	15,268,474	7,334,248	1,530,750	421,456	3.76
2013	25,357,867	15,469,264	9,888,603	1,435,789	382,656	5.44
2014	24,921,020	16,921,253	7,999,767	1,404,000	416,408	4.39

<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>
2005	52,748	2,090,614,232	39,634	10,914	5.9%	5.0%
2006	54,189	2,281,952,979	42,111	10,716	5.6%	4.6%
2007	55,123	2,397,574,885	43,495	11,470	4.6%	3.9%
2008	55,770	2,545,733,190	45,647	11,500	4.8%	4.2%
2009	56,716	2,382,525,728	42,008	11,499	7.4%	7.0%
2010	56,354	2,418,319,202	42,913	11,555	8.7%	8.0%
2011	57,015	2,646,237,195	46,413	11,382	8.8%	7.9%
2012	57,727	2,774,879,163	48,069	11,215	7.6%	7.2%
2013	58,043	2,889,612,712	49,784	11,065	6.7%	6.1%
2014	58,476	2,917,250,688	49,888	11,050	5.7%	5.5%

<sup>(1)</sup> US Census

<sup>(2)</sup> U.S. Department of Commerce: Bureau of Economic Analysis. Per Capita Personal Income represents the Dallas-Plano-Irving, TX Metropolitan Division. 2007 & 2008 are estimated based on changes in State of Texas personal income.

<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>2014</u>			<u>2005*</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Garland ISD (City schools only)	1,092	1	3.53%	n/a	1	n/a
Lake Pointe Medical Center	686	2	2.22%	n/a	2	n/a
City of Rowlett	375	3	1.21%	n/a	3	n/a
Target Corporation	275	4	0.89%	n/a	4	n/a
Wal-mart Supercenter	250	5	0.81%	n/a	5	n/a
Senior Care at Lake Pointe	190	6	0.61%	n/a	6	n/a
DR Horton	165	7	0.53%	n/a	7	n/a
Albertson's, Inc.	120	8	0.39%	n/a	8	n/a
Rowlett Nursing Home	119	9	0.39%	n/a	9	n/a
H & S Manufacturing	82	10	0.27%	n/a	10	n/a
	<u>3,354</u>		<u>10.85%</u>	<u>\$ -</u>		<u>0.00%</u>

Source: City of Rowlett - Economic Development Department  
\*2005 not available

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General government:					
City council	3.50	3.50	3.50	3.50	3.50
City manager	5.00	5.00	6.50	4.00	4.00
City secretary	3.50	3.50	2.00	3.00	3.00
Financial services	22.00	20.00	20.00	20.00	21.00
Information technology	5.00	5.00	5.00	5.00	5.00
Public information office	-	-	-	4.00	4.00
Human resources	5.00	3.00	3.00	3.00	3.00
Buildings and grounds	7.00	7.00	7.00	7.00	7.00
Public safety:					
Police	110.00	110.00	110.00	110.50	115.00
Fire	77.00	77.00	78.00	76.00	76.00
Municipal court	7.00	7.00	7.00	7.00	7.00
Animal services	6.00	5.25	5.25	5.00	5.00
Environmental services	6.00	6.00	6.00	6.00	6.00
Public works:					
Administration and engineering	12.25	11.50	11.50	10.50	7.00
Streets	13.00	14.00	14.00	14.00	14.00
Fleet services	3.00	3.00	3.00	3.50	3.50
Traffic maintenance	-	-	-	-	-
Water and sewer	20.00	19.00	19.00	20.00	23.50
Drainage	2.00	2.00	2.00	2.00	2.00
Culture and recreation:					
Parks administration	2.00	2.00	2.00	2.00	2.00
Parks operations	12.00	12.00	12.00	12.00	12.00
Community athletics	-	-	-	-	-
Community centre	10.30	10.30	10.00	10.00	11.00
Wet zone	20.70	20.70	21.00	21.00	21.00
Urban forestry	-	-	-	-	-
Library services	16.00	17.00	17.00	17.00	17.00
Development:					
Planning	4.25	4.00	4.00	3.25	3.25
Building inspections	2.50	1.00	1.00	2.00	2.00
GIS	1.00	1.00	1.00	2.00	2.00
Economic development	2.00	2.00	2.00	2.00	2.00
Total	<u>378.00</u>	<u>371.75</u>	<u>372.75</u>	<u>375.25</u>	<u>381.75</u>
Fund					
General	341.50	335.25	336.25	339.75	346.25
Water and sewer	34.50	34.50	34.50	33.50	33.50
Drainage	2.00	2.00	2.00	2.00	2.00
Wet zone	n/a	n/a	n/a	n/a	n/a
Fleet services	n/a	n/a	n/a	n/a	n/a
Information technology	n/a	n/a	n/a	n/a	n/a
Total	<u>378.00</u>	<u>371.75</u>	<u>372.75</u>	<u>375.25</u>	<u>381.75</u>

Source: City of Rowlett - Finance Department

**TABLE 17**

Fiscal Year				
2009	2008	2007	2006	2005
3.50	3.50	3.50	3.50	3.50
3.00	4.00	5.00	5.00	5.00
3.00	3.00	3.00	3.00	3.00
21.00	22.00	22.50	22.50	28.00
5.00	5.00	7.00	7.00	5.00
5.00	6.00	4.00	3.00	3.00
3.00	3.00	5.00	5.00	5.00
6.00	6.00	7.50	7.50	6.50
115.00	114.00	114.00	102.75	98.75
76.00	77.00	77.00	77.00	75.50
7.50	8.50	9.00	9.00	7.00
5.00	5.00	5.00	5.00	5.00
5.50	5.50	5.00	5.00	4.00
9.00	9.00	11.00	10.00	10.00
14.00	17.00	19.00	17.00	17.00
3.00	3.00	3.00	3.00	2.00
-	-	-	2.00	2.00
23.00	23.00	27.00	27.00	27.00
3.00	2.00	2.00	2.00	2.00
4.00	4.00	3.00	3.00	2.00
11.50	12.00	10.00	10.00	10.00
-	-	-	2.00	4.00
9.50	9.00	11.00	9.00	8.00
22.00	22.00	22.00	22.00	19.75
-	-	4.00	3.00	1.00
16.50	16.00	15.00	15.00	14.50
5.00	5.00	7.00	7.00	7.00
4.00	4.00	5.00	5.00	5.00
2.00	2.00	3.00	3.00	2.00
<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
<u>387.00</u>	<u>392.50</u>	<u>411.50</u>	<u>397.25</u>	<u>384.50</u>
343.00	350.50	362.50	341.25	308.75
33.00	32.00	37.00	44.00	54.00
3.00	2.00	2.00	2.00	2.00
n/a	n/a	n/a	n/a	19.75
3.00	3.00	3.00	3.00	n/a
<u>5.00</u>	<u>5.00</u>	<u>7.00</u>	<u>7.00</u>	<u>n/a</u>
<u>387.00</u>	<u>392.50</u>	<u>411.50</u>	<u>397.25</u>	<u>384.50</u>

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

Function/Program	Fiscal Year				
	2014	2013	2012	2011	2010
Public safety:					
Number of police employees	116	110	110	111	115
Number of citations	12,657	10,241	10,870	10,675	20,188
Number of fire employees	78	77	78	76	76
Number of fire calls	1,603	1,316	1,245	1,295	1,278
Number of EMS calls	2,900	2,758	2,354	2,384	2,572
Fire inspections	1,586	622	1,153	1,450	992
Public works:					
Asphalt replaced (tons)	11,335	5,136	10,504	6,823	5,562
Concrete placed (cubic yards)	3,688	387	5,465	7,389	8,862
Concrete pavement (sq ft)	150,888	141,049	223,551	302,292	359,275
Culture and recreation:					
Volumes in collection	93,061	99,945	93,972	75,103	106,436
Development:					
Permits issued	119	78	87	27	28
Water and sewer:					
Number of water customers	19,201	20,178	19,383	19,311	19,227
Average daily water consumption	8,444,000	6,505,457	6,959,891	7,227,667	6,196,262
Peak daily water consumption	12,396,000	15,803,000	20,270,000	22,606,000	17,772,000
Number of sewer customers	18,657	18,469	18,383	18,323	18,304
Average daily sewer usage	3,893,000	3,664,614	4,121,000	3,695,811	3,723,123

Source: City of Rowlett Departments

**TABLE 18**

Fiscal Year				
2009	2008	2007	2006	2005
115	114	114	103	99
22,587	18,507	19,430	10,245	12,624
76	77	77	77	76
1,160	1,361	1,403	1,451	1,096
2,421	2,496	2,305	2,378	2,307
1,166	1,365	1,125	1,232	1,237
1,457	3,270	3,034	1,839	1,210
14,313	3,184	200	191	443
495,007	171,989	7,522	7,296	18,506
100,480	93,451	85,374	76,237	74,956
52	97	125	326	329
19,354	19,006	19,019	19,270	18,400
6,363,270	7,422,493	5,660,705	8,272,239	7,908,956
16,238,000	17,373,000	13,257,000	17,221,000	17,806,000
18,388	18,456	18,002	18,199	17,504
3,720,899	3,529,445	4,005,619	4,798,498	4,792,605

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Public safety:					
Police stations	1	1	1	1	1
Marked police units	22	24	25	25	25
Fire stations	4	4	4	4	4
Public works:					
Miles of streets	466	466	531	530	534
Miles of alleys	105	105	105	105	105
Culture and recreation:					
Parks acreage - developed	608	620	608	608	607
Parks acreage - undeveloped	376	364	377	377	377
Libraries	1	1	1	1	1
Water and sewer:					
Water mains (miles)	256	225	254	255	255
Fire hydrants	3,003	2,097	2,093	1,908	1,876
Sewer mains (miles)	241	240	239	236	236

Source: City of Rowlett departments

**TABLE 19**

Fiscal Year				
2009	2008	2007	2006	2005
1	1	1	1	1
24	21	16	16	16
4	4	4	4	4
534	534	551	480	478
105	105	105	151	106
607	607	607	607	604
377	376	376	376	379
1	1	1	1	1
253	253	245	236	259
2,012	1,948	1,911	1,875	1,865
235	235	234	226	232

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# **SINGLE AUDIT REPORTS**

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

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

Members of the Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rowlett (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2015.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

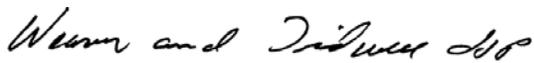
City of Rowlett, Texas

Page 2

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

### **Purpose of this Report**

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



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 17, 2015



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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Rowlett's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

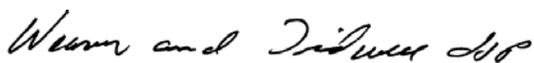
## Report on Internal Control over Compliance

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

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

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

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



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 17, 2015

**CITY OF ROWLETT, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through the Texas Division of Emergency Management			
2012 Homeland Security Grant Program	97.073	EMW-2012-SS-00018-S01	\$ 1,269
2013 Homeland Security Grant Program	97.067	EMW-2013-SS-00045	<u>3,500</u>
Total U.S. Department of Homeland Security			<u>4,769</u>
<b><u>U.S. Department of Justice</u></b>			
Federal Seizure Forfeitures	16.000	N/A	618,213
2012 Bureau of Justice Assistance Bulletproof Vest Partnership	16.607	N/A	2,716
2013 Bureau of Justice Assistance Bulletproof Vest Partnership	16.607	N/A	<u>4,923</u>
Total Direct Programs			625,852
Passed through the City of Dallas			
Edward Byrne Memorial Justice Assistance Grant	16.738	DJ-11-A10-26573-01	<u>76,958</u>
Total U.S. Department of Justice			<u>702,810</u>
<b><u>U.S. Department of Transportation</u></b>			
Passed through the Texas Department of Transportation			
2014 Traffic Safety Equipment and/or Training	20.600	2014-Rowlet P-S-1YG-0018	<u>21,095</u>
Total U.S. Department of Transportation			<u>21,095</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through Dallas County			
2012 Community Development Block Grant	14.218	B-12-MC-48-0047	47,000
2013 Community Development Block Grant	14.218	B-13-MC-48-0047	<u>29,907</u>
Total U.S. Department of Housing and Urban Development			<u>76,907</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 805,581</u></u>

**CITY OF ROWLETT, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**1. GENERAL**

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

**2. BASIS OF ACCOUNTING**

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

**CITY OF ROWLETT, TEXAS  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2014**

**I. Summary of the Auditor's Results:**

Financial Statements

a. An unmodified opinion was issued on the financial statements.

b. Internal control over financial reporting:

Material weakness(es) identified?                     Yes     No

Significant deficiency(ies) identified that are not  
considered a material weakness?                     Yes     None reported

c. Noncompliance material to financial  
statements noted     Yes     No

Major Programs

d. Internal control over major programs:

Material weakness(es) identified?                     Yes     No

Significant deficiency (ies) identified that are not  
Considered a material weakness?                     Yes     None reported

e. An unmodified opinion was issued on compliance for major programs.

f. Any audit findings disclosed that were required to be  
reported under Section 510(a) or OMB Circular  
A-133.     Yes     No

g. Identification of major programs:

16.000                    Federal Seizure Forfeitures

h. The dollar threshold used to distinguish between Type  
A and Type B programs.    \$300,000

i. Auditee qualified as a low risk auditee?                     Yes     No

**CITY OF ROWLETT, TEXAS  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

None

**III. Findings and Question Costs for Federal Awards**

None

**IV. Summary of Prior Year Findings**

None