



CITY OF ROCKWALL, TEXAS

COMPRHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2004

CITY OF ROCKWALL, TEXAS
Comprehensive Annual Financial Report
For the Year Ended September 30, 2004

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CITY OF ROCKWALL

at Rockwall CityPlace

April 5, 2005

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

The comprehensive annual financial report of the City of Rockwall for the fiscal year ended September 30, 2004, is hereby submitted. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Rockwall. Consequently, management assumes full responsibility for both the accuracy of the data, and the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. 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 various funds in the City. All disclosure necessary to enable the reader to gain an understanding of the City's financial activities has been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent

auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Rockwall was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Rockwall's separately issued Single Audit Report.

In fiscal year 2003, the City implemented a dramatic change in governmental financial reporting. We believe this presentation provides valuable information to the readers of our comprehensive annual financial report. The new reporting model, issued by the Governmental Accounting Standards Board, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Rockwall's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Rockwall, Texas, County Seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the east shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth Airport, one of the largest in the world, continues with expansion plans to meet the air transportation needs of the region. Love Field in Dallas and Alliance Airport near Fort Worth provide commuter air service and general aviation facilities for the area. Due to favorable economic conditions, excellent business climate, and desirable living conditions, corporate relocations to the area continue.

The City of Rockwall has operated under a council-manager form of government since 1985. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The Mayor and six Council Members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City currently has a land area of approximately 23.43 square miles and an estimated population of 25,200.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. Accordingly, the Rockwall Economic Development Corporation and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in the note disclosures.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City of Rockwall operates.

Local economy. The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. Rockwall saw a relatively stable economic environment during the recent downturn in the national and regional economies. The City has a varied tax base including a mix of residential, commercial and light industrial properties. Property values have continued to rise at an average 14% per annum. The City's largest taxpayers include a number of commercial developments. The Rockwall Technology Park has welcomed a number of new companies to the City, including Col-Met Spray Booths, Ez-Flo, Inc., Graphic Microsystems, Inc. and Pilgrim's Pride Corporation's data processing center. The Rockwall Economic Development Corporation continues to market the City as an ideal community to locate a business.

Long-term financial planning. The City Council and staff have recognized the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

A number of long-range studies have been completed or updated recently. A Capital Improvement Task Force is meeting to update the City's Capital Improvement Plan which may result in a number of projects for voter consideration in 2005. The City formalized the Old Town Historic District in 2002 and continued our focus, with the support of a committee of area property owners in order to develop the Downtown Plan completed in 2004. City staff expects to complete the development of a Central Business District designation in 2005.

An economic analysis study was completed which correlates the City's operating budgets to daytime and evening populations and projects revenues and expenditures associated with different types of land zoning. The study required twenty years of financial data be accumulated as well as the tax years that each non-residential property was added to the tax rolls. The final report and associated "Development Simulation Model" allowed city officials to gauge the impact on revenues and expenditures for each of the different zoning categories. The City still has several thousand acres of agriculturally zoned land. This model will be a tool in the decision making process when city officials must determine the "highest and best" zoning categories for those acres.

Organizationally, the City is in the process of refining its strategic plan using the Balanced Scorecard Methodology. When the strategy map was completed in 2003, the City's strategic initiatives for the implementation of the City's goals were formalized within the organization. Departmental business plans were developed during 2004 and are being presented to City Council and the public. These business plans develop performance measures for the strategic initiatives for which each department is responsible.

Future Development. The City announced a private public partnership which began development in fiscal year 2004. "The Harbor," to be situated on the shores of Lake Ray Hubbard at I-30, will provide opportunities for new retailers as well as public open space. The largely undeveloped hillside will soon be the home of a twelve-screen Cinemark Theatre, full-service Hilton Hotel and Conference Center and approximately 222,000 sq.ft of retail, restaurant and office space. In conjunction with the private development, the City established a tax increment financing (TIF) zone in an approximately 103 acre area which will allow for the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The public area will include both passive and active event areas, a Harbor/Urban Court, spray plaza and large open areas suitable for a variety of outdoor events. The City has sponsored a very well attended "Concert on the Lake Series" which will use this public space as its venue in the future. The City will be partnering with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF and finance the public projects. This is expected to transform the area and spur development in the entire TIF zone. Construction on the private development has begun and will be followed shortly by public side construction. All phases are expected to take approximately 30 months to complete.

Design is underway on several road and drainage projects approved by voters in 2002. Construction has begun on the extension of Lakeshore Drive and the reconstruction of Clark Street is also underway.

The water and sewer rate study will be updated in 2005, ensuring that the City's goal of providing sufficient water and sewer rates to meet system needs is achieved. Construction work is concluding on the new two-million gallon water tower as well as design of a new pump station and ground storage facility. A number of main extension projects will be undertaken to increase system capacity and provide water and sewer service to outlying areas of the City.

Cash Management:

The City invests cash temporarily idle during the year in money market funds and short-term notes of the U.S. Government and its agencies.

Other cash classified as being not immediately needed is invested in longer-term obligations of the U.S. Government and its agencies. All of these investments are classified as "hold-to-maturity" investments. The City believes that it will not be required to sell these investments prior to maturity, barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no reverse repos nor has any other form of borrowing been used to finance the City's portfolio.

The City's investment policy is to safeguard the City's assets and maintain liquidity while enhancing the yield of its portfolio and ensuring public trust. All securities owned by the City were held in a financial institution trust department acting as an agent of the City, in the City's name.

Risk Management:

In fiscal year 1990, the City established a Self-Insurance and Risk Management Program. Under the terms of this program, the City is permitted by law and its home rule charter to insure itself against the various risks of liability and loss to which it is exposed. This may be done either through an insurance provider or through a defined self-insurance program. Other risks to which the City is exposed are covered by commercial insurance.

Retirement System:

The City of Rockwall provides pension benefits to all full-time employees through a nontraditional, joint contributory defined benefit plan administered by the Texas Municipal Retirement System, an agent multiple-employer public retirement system. Pension expense for the fiscal year ended September 30, 2004 (including prior service costs amortized over 25 years) was \$1,155,024. The City of Rockwall does not provide post employment health and dental benefits for retirees.

Debt Administration:

Outstanding General Obligation Bonds, Certificates of Obligation, and Contractual Obligations at September 30, 2004, totaled \$21,685,000 of which \$271,067 was issued for water and sewer improvements. The Rockwall Economic Development Corporation has outstanding \$4,295,000 in sales tax revenue bonds for development of the Rockwall Technology Park. In addition, the Water and Sewer Fund has outstanding, as of September 30, 2004, \$10,035,000 in revenue bonds. The City has an "A1" rating by Moody's Investor Services, Inc., and "A" by Standard and Poor's Corporation on its outstanding general obligation debt. The City's outstanding revenue bonds have an "A2" rating by Moody's and an "A-" from Standard and Poor's. The City's outstanding sales tax revenue bonds have an "A3" rating by Moody's and an "A-" from Standard and Poor's.

OTHER INFORMATION

Independent Audit:

State statutes require an annual audit by independent certified public accountants. The firm of Fox, Byrd & Company, P.C., was selected by the City Council. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and the related U.S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements and combining and individual funds statements and schedules is included in the financial section of this report. The auditors' report on internal controls and compliance with applicable laws and regulations can be found in a separately issued Single Audit Report.

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This comprehensive annual financial report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last fourteen consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Julie Couch
City Manager



Mary Smith, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

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



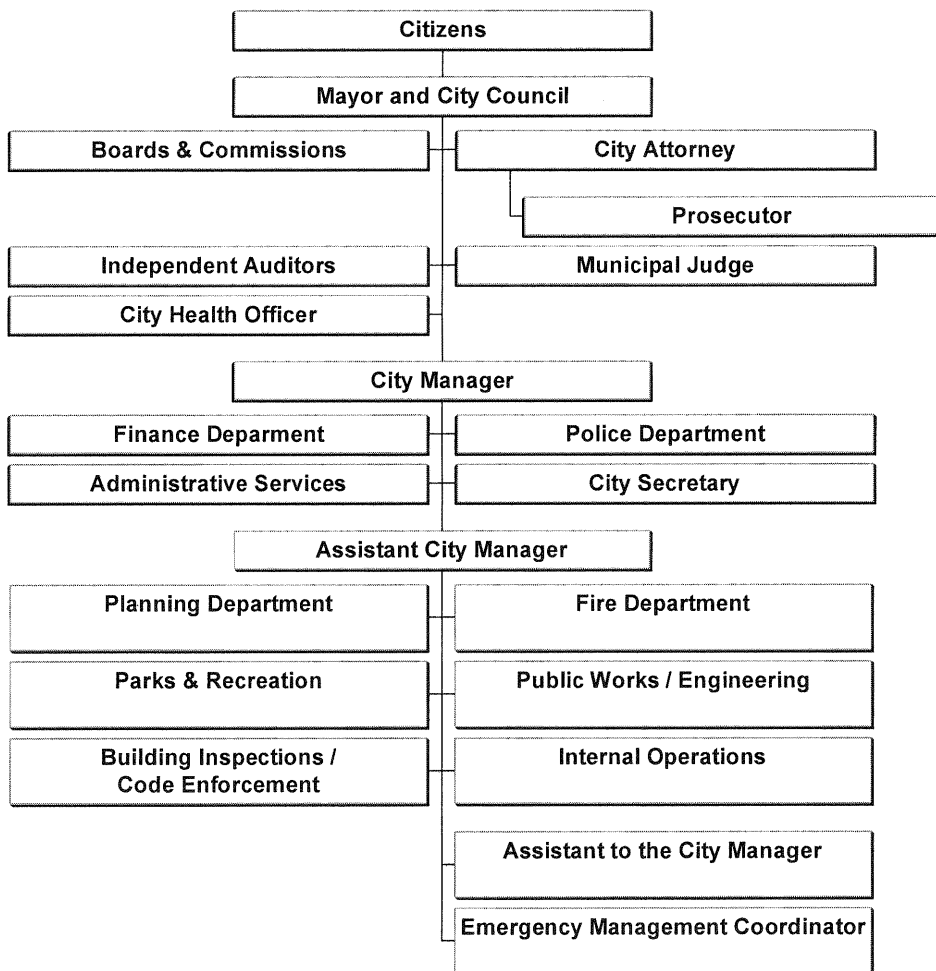
Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2004

City Council

Ken Jones, Mayor
Tim McCallum, Mayor Pro-Tempore
Bill Cecil, Councilmember
Bob Cotti, Councilmember
John King, Councilmember
Terry Raulston, Councilmember
Stephen Straughan, Councilmember

City Staff

Julie Couch, City Manager
Rick Crowley, Assistant City Manager
Mary Smith, Director of Finance
Cheryl Austin, Director of Administrative Services
Mark Moeller, Chief of Police
Mark Poindexter, Fire Chief
Robert LaCroix, Director of Community Development
Chuck Todd, City Engineer/Director of Public Works
Jeffrey Widmer, Director of Building Inspections & Code Enforcement
Brad Griggs, Director of Parks, Recreation and Rights-of-Way

FINANCIAL SECTION



FOX, BYRD & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the City Council
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 10-20 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Fox, Byrd + Company, P.C.

Dallas, Texas
February 11, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2004. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$123,397,695 at September 30, 2004.
- During the year, the City's expenditures were \$2,385,124 less than the \$28,992,382 generated in taxes and other revenues for governmental activities.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2004 by \$63,835,499 (net assets). Of this amount \$10,242,495 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of this fiscal year, unreserved fund balance for the General Fund was \$6,860,155 or approximately 42% of the total General Fund expenditures and transfers out.
- The City issued general obligation refunding bonds during the fiscal year ended September 30, 2004, in order to defease three older debt issues. Total debt was reduced by \$2,587,184 during the fiscal year. More detailed information is given in the notes section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

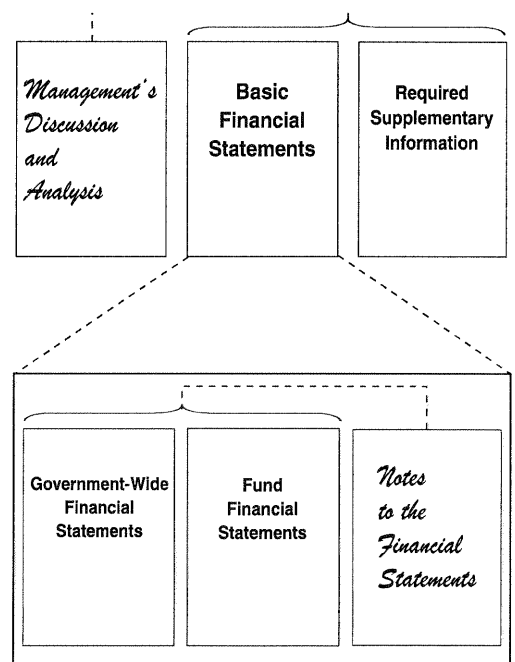
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else's resources
<i>Required financial statements</i>	◆ Statement of net assets	◆ Balance sheet	◆ Statement of net assets	◆ Statement of fiduciary net assets
	◆ Statement of activities	◆ Statement of revenues, expenditures & changes in fund balances	◆ Statement of revenues, expenses and changes in fund net assets	◆ Statement of changes in fiduciary net assets
			◆ Statement of cash flows	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall's finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the City of Rockwall's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. 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, to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

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

Governmental activities – Most of the City's basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services finance most of the activities.

Business-type activities – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

Component Units – The City of Rockwall (the primary government) includes two discretely presented component units: the City's 4A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, the City of Rockwall is financially accountable for these component units.

The government-wide financial statements can be found on pages 21-22 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 21 individual governmental funds. 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, the Debt Service Fund and the G.O. Bonds Capital Projects Fund, all of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statement but provide more detail and additional information such as cash flows for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City's self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private business enterprise.

The City maintains two Internal Service funds to account for funds accumulated to self-insure for health and workers' compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2004, the City's net assets (assets exceeding liabilities) totaled \$123,397,695. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

By far the largest portion of the City's net assets reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), 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.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 18,884,482	\$ 20,933,341	\$ 21,950,625	\$ 20,782,706	\$ 40,835,107	\$ 41,716,047
Capital assets	69,108,976	66,221,967	50,434,407	45,556,562	119,543,383	111,778,529
Total assets	<u>87,993,458</u>	<u>87,155,308</u>	<u>72,385,032</u>	<u>66,339,268</u>	<u>160,378,490</u>	<u>153,494,576</u>
Long-term liabilities	22,188,707	23,938,539	12,068,421	12,106,098	34,257,128	36,044,637
Other liabilities	1,969,252	1,766,394	754,415	2,126,325	2,723,667	3,892,719
Total liabilities	<u>24,157,959</u>	<u>25,704,933</u>	<u>12,822,836</u>	<u>14,232,423</u>	<u>36,980,795</u>	<u>39,937,356</u>
Net assets:						
Invested in capital assets, net of related debt	47,695,043	43,120,444	38,406,139	32,724,578	86,101,182	75,845,022
Restricted for:						
Debt service	626,661	813,707	1,324,515	1,412,341	1,951,176	2,226,048
Capital projects	5,271,300	7,540,907	10,373,646	14,223,400	15,644,946	21,764,307
Unrestricted	10,242,495	9,975,317	9,457,896	3,746,526	19,700,391	13,721,843
Total net assets	<u>\$ 63,835,499</u>	<u>\$ 61,450,375</u>	<u>\$ 59,562,196</u>	<u>\$ 52,106,845</u>	<u>\$ 123,397,695</u>	<u>\$ 113,557,220</u>

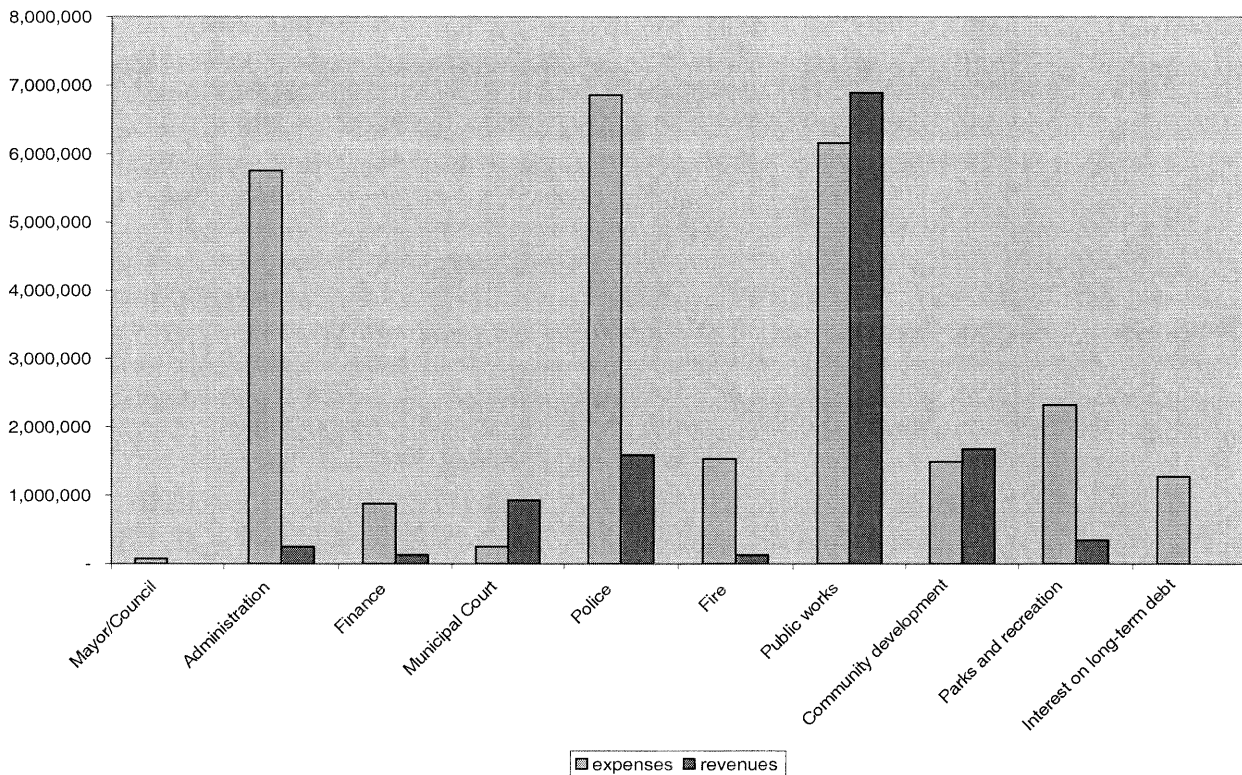
The City's net assets increased by \$9,840,475 during the year. The key elements of this increase are as follows:

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 3,906,111	\$ 2,931,111	\$ 8,287,744	\$ 8,138,036	\$ 12,193,855	\$ 11,069,147
Operating grants and contributions	1,424,824	772,911	-	-	1,424,824	772,911
Capital grants and contributions	6,624,160	181,426	6,576,943	2,906,811	13,201,103	3,088,237
General revenues:						
Property taxes	7,265,947	6,717,883	-	-	7,265,947	6,717,883
Sales taxes	6,736,054	6,277,216	-	-	6,736,054	6,277,216
Franchise taxes	1,776,406	1,567,874	-	-	1,776,406	1,567,874
Other	391,380	276,032	519,436	345,017	910,816	621,049
Total revenues	28,124,882	18,724,453	15,384,123	11,389,864	43,509,005	30,114,317
Expenses:						
Mayor/council	74,416	58,378	-	-	74,416	58,378
Administration	5,757,527	3,583,719	-	-	5,757,527	3,583,719
Finance	877,537	760,436	-	-	877,537	760,436
Municipal court	254,210	236,201	-	-	254,210	236,201
Police	6,862,707	5,446,279	-	-	6,862,707	5,446,279
Fire	1,530,503	966,400	-	-	1,530,503	966,400
Public works	6,155,726	3,961,797	-	-	6,155,726	3,961,797
Community development	1,493,249	442,470	-	-	1,493,249	442,470
Parks and recreation	2,323,558	1,487,036	-	-	2,323,558	1,487,036
Interest on long-term debt	1,277,825	1,244,127	-	-	1,277,825	1,244,127
Water and sewer	-	-	7,061,272	6,436,878	7,061,272	6,436,878
Total expenses	26,607,258	18,186,843	7,061,272	6,436,878	33,668,530	24,623,721
Increase in net assets before transfers	1,517,624	537,610	8,322,851	4,952,986	9,840,475	5,490,596
Transfers	867,500	1,337,963	(867,500)	(1,337,963)	-	-
Increase in net assets	2,385,124	1,875,573	7,455,351	3,615,023	9,840,475	5,490,596
Net assets, October 1	61,450,375	59,574,802	52,106,845	48,491,822	113,557,220	108,066,624
Net assets, September 30	\$ 63,835,499	\$ 61,450,375	\$ 59,562,196	\$ 52,106,845	\$ 123,397,695	\$ 113,557,220

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION

Expenses and Program Revenues – Governmental Activities



Governmental Activities

Total revenues of governmental activities were \$28,124,882. A significant portion, 25.8%, of the City's revenues came from property taxes. Another 24.0% of revenue came from sales taxes. Ad valorem property tax revenues continue to increase each year primarily due to the addition of new property and increased valuation throughout the City. Assessed values of the properties in the City increased by \$159,844,421 or 8.69%. The City has maintained a property tax rate of 36 cents per \$100 of assessed valuation for seven years. Sales tax revenue has remained relatively stable for several years despite the general downturn in the national economy, and increased by more than 7% for fiscal year 2004. This is primarily due to continuing growth in the area's population.

The total cost of all programs and services was \$26,607,258; of these costs \$6,862,707 (25.8%) is for the Police Department. Administration related departments including Administration, Human Resources, and Internal Operations had combined costs of \$5,757,527 (21.6%). Approximately 76% of the City's costs for all programs and services are for payroll and benefits.

The overall economy in the City continues to show improvement in 2005 and beyond. Collection rates for services and property tax remains strong. No major negative events are expected for the next fiscal year. During 2003, Rockwall County, of which the City of Rockwall is the County seat, was named the fourth fastest growing county in America. Residential growth should remain strong. A major lakefront multi-use planned development is underway and is expected to have a positive effect on sales tax and property taxes in the area. A tax increment financing zone was established in 2004 to provide for public improvements in the area.

Business-Type Activities

The City's business-type activities recorded an increase of \$7,455,351 in net assets. Total revenues were \$15,384,123. Sales continue to be strong despite the impact of the implementation of conservation water rates in 2001. The tendency to irrigate despite higher rates is seen as the norm across North Texas. The increase in revenues can largely be attributed to a substantial amount of impact fees collected on new commercial projects.

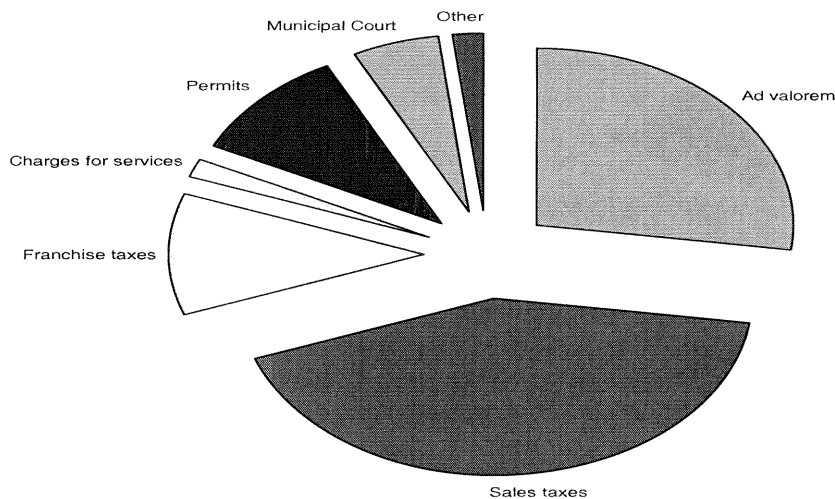
Component Units

The Rockwall Economic Development Corporation (REDC) reported operating revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$2,225,368. Assets managed by the corporation include an inventory of land available for sale to business entities. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

ANALYSIS OF INDIVIDUAL FUNDS

The City's General Fund reported an ending unreserved fund balance of \$6,860,155, a decrease of \$282,742 from the prior year. The main source of General Fund revenue is sales tax, accounting for \$6,593,226 (42.3%) of total General Fund revenue. Ad valorem property taxes account for \$4,247,724 (27.2%) of General Fund revenues. The decrease in fund balance was planned and expended for projects which the City Council and City Administration deemed appropriate for the use of "reserves."

Revenues by Source – General Fund



The City's Debt Service Fund reported an increase in fund balance of \$11,108. Property tax collections for debt service requirements were \$3,022,684.

Water and sewer charges were \$8,287,744. Ending working capital for the water and sewer fund was \$8,199,114. This increase over previously reported levels is due largely to the recognition of reserved funds which no longer needed to be reserved and could be made available for ongoing operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2004, the City Council of the City of Rockwall amended the General Fund budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases in revenues beyond projections. With the adjustments made to the budget, the budgeted expenditures of \$14,544,890 increased to \$14,646,670, while revenues increased from \$14,201,000 to \$15,157,400. The City of Rockwall had originally estimated the ending General Fund balance to be \$6,590,207; however, due to the budget adjustments mentioned above, the fund balance was re-estimated to be \$6,314,027. The actual fund balance was higher due to management's conservative projections of both revenues and expenditures. City staff began incorporating the Balanced Scorecard methodology into the budget this year.

Actual General Fund revenues were \$15,589,465, an increase of \$432,065 over the final budget. Actual General Fund total expenditures were \$195,667 less than the revised budget. Total revenues exceeded total expenditures by \$1,138,462.

No significant budget shortfalls are noted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the City had \$119,543,383 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment, and water and sewer lines.

Table 3
Capital Assets at Year-End (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 2,097,819	\$ 2,017,819	\$ 799,533	\$ 799,533	\$ 2,897,352	\$ 2,817,352
Construction in progress	4,934,650	10,696,999	2,808,383	6,046,709	7,743,033	16,743,708
Buildings	8,619,340	8,788,051	-	-	8,619,340	8,788,051
Improvements other than buildings	1,289,074	242,695	39,141,739	30,893,553	40,430,813	31,136,248
Wastewater treatment facilities	-	-	7,330,776	7,541,186	7,330,776	7,541,186
Machinery and equipment	1,216,858	1,199,202	346,572	395,712	1,563,430	1,594,914
Vehicles	1,142,592	1,158,310	-	-	1,142,592	1,158,310
Furniture and fixtures	1,066,325	1,112,908	7,404	9,521	1,073,729	1,122,429
Infrastructure	48,742,318	41,005,983	-	-	48,742,318	41,005,983
	<u>\$ 69,108,976</u>	<u>\$ 66,221,967</u>	<u>\$ 50,434,407</u>	<u>\$ 45,686,214</u>	<u>\$ 119,543,383</u>	<u>\$ 111,908,181</u>

The City's capital improvement program includes a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects are under design at this time with construction beginning in 2004 on several of the road projects. Bonds will be issued in fiscal year 2005 to fund various voter approved projects. A number of drainage projects will be undertaken during the five-year planned capital improvement period. In addition, the City is completing acquisition of a trunked 700 MHz radio system to be utilized by City departments and an adjoining city. The project completion date is in mid-2005.

Construction in progress at September 30, 2004 for governmental activities included the remodeling of a Community Center and the radio system discussed above.

Notably, the construction in progress at fiscal year end for business-type activities includes the construction of a two-million gallon water tower and several water and sewer main extensions needed to increase system capacity. Several projects are approved in the City's capital improvement plan including participation in the joint construction of an interceptor sewer line, and a shared ground storage facility and pump station.

Additional information on the City of Rockwall's capital assets can be found in note 3C on pages 46-49 of this report.

Debt

At year end, the City had \$33,570,000 in bonds and capitalized leases, as shown in Table 4.

**Table 4
Outstanding Debt at Year-End**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 11,918,933	\$ 12,521,523	\$ 271,067	\$ 288,477	\$ 12,190,000	\$ 12,810,000
Contractual obligations	420,000	690,000	-	-	420,000	690,000
Certificates of obligation	9,075,000	9,890,000	-	-	9,075,000	9,890,000
Tax notes	70,000	70,000	-	-	70,000	70,000
Revenue bonds	-	-	10,035,000	10,555,000	10,035,000	10,555,000
Capitalized lease obligations	-	-	1,780,000	2,150,000	1,780,000	2,150,000
	<u>\$ 21,483,933</u>	<u>\$ 23,171,523</u>	<u>\$ 12,086,067</u>	<u>\$ 12,993,477</u>	<u>\$ 33,570,000</u>	<u>\$ 36,165,000</u>

The City of Rockwall's general obligation bonds carry an "A" rating from Standard & Poor's Corporation and an "A1" rating from Moody's Investor Services, both national rating agencies. The City's water and sewer bonds carry an "A-" rating from Standard & Poor's and an "A2" rating from Moody's. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 1.04% or \$822 per capita.

Additional information on the City of Rockwall's long-term debt can be found in note 3E on pages 50-56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials consider many factors when setting the fiscal year 2005 budget, tax rate and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the growth in our community and its population. The population growth experienced by the City helped to offset declines in spending seen regionally over the last few years. Building permits showed improvement over the prior year, and interviews with local builders project strong home sales continuing for the foreseeable future. The City of Rockwall's citizens enjoy above-average income levels per household. This in combination with the City's proximity to major highways, and the Dallas-Ft. Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and the

"hometown" atmosphere in Rockwall. The Rockwall Economic Development Corporation works diligently to attract businesses with relocation incentives as well as providing business retention incentives such as workforce training opportunities.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2005. The budgeted revenues for fiscal year 2005 total \$16,091,600 for the General Fund. Ad valorem tax revenue is determined by two major factors: (1) the total assessed value established by the Rockwall Central Appraisal District, and (2) the tax rate established by the Rockwall City Council. Due to the fact that property values have continued to rise, the City has been able to maintain the 36 cent tax rate for the next year. Due to a marked improvement in actual sales tax collections in 2004, City officials have projected a conservative 6.25% increase over the prior fiscal year.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. In addition, the policies set minimum, recommended and maximum fund balance levels for the City's fund types. The General Fund minimum fund balance is set at three months recurring operating expenditures. The recommended fund balance is five months of recurring operating expenditures and the maximum fund balance is seven months of recurring operating expenditures. The budget as adopted for fiscal year 2005 projects a fund balance of approximately five months of recurring operating expenditures.

A number of planning initiatives, including the completion of a Compensation Plan review and the implementation of a GIS pilot project, are planned for fiscal year 2005. In addition, the City will undertake a large number of improvements to existing City parks in order to better serve our citizens. The City will continue to offer training opportunities for all employees including Rockwall University, an education initiative for employees across the organization to learn about the work performed by other departments in a university style curriculum. In addition, the City plans to offer a "Citizen's Academy" to offer citizens the opportunity to learn more about city government here in Rockwall.

The water and sewer rates adopted in fiscal year 2002 are being reviewed by our rate consultant with his report to be issued in fiscal year 2005. The rates were designed to be adequate for approximately five years, and are being reviewed to confirm their sufficiency in light of a number of capital projects being studied.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Director of Finance, Mary Smith at (972) 771-7700; Finance Department; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email msmith@rockwall.com.

BASIC FINANCIAL STATEMENTS

CITY OF ROCKWALL, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
ASSETS					
Cash and cash equivalents	\$ 1,021,629	\$ 300	\$ 1,021,929	\$ -	\$ 44,272
Investments	15,905,160	7,524,297	23,429,457	1,244,932	37,332
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	234,960	-	234,960	-	-
Franchise taxes	815,817	-	815,817	-	-
Interest	62,766	22,904	85,670	604	-
Accounts	139,775	964,143	1,103,918	1,213	15,347
Assessments	85,884	-	85,884	-	-
Intergovernmental	1,484,933	114,738	1,599,671	372,577	-
Other	15,659	-	15,659	567,924	-
Internal balances	(1,105,477)	1,105,477	-	-	-
Inventory	16,104	230,454	246,558	5,773,266	-
Restricted assets:					
Cash and cash equivalents	-	1,127,997	1,127,997	-	-
Investments	-	10,643,322	10,643,322	1,133,351	-
Accrued interest	-	31,428	31,428	-	-
Deferred charges	207,272	185,565	392,837	45,140	-
Capital assets (net of accumulated depreciation)	69,108,976	50,434,407	119,543,383	12,189	-
Total assets	<u>87,993,458</u>	<u>72,385,032</u>	<u>160,378,490</u>	<u>9,151,196</u>	<u>96,951</u>
LIABILITIES					
Bank overdraft	5,517	-	5,517	3,729	-
Accounts payable and accrued liabilities	1,592,989	260,642	1,853,631	41,745	21,110
Accrued interest payable	162,344	104,586	266,930	35,792	-
Deferred revenue	65,407	-	65,407	-	-
Due to other governments	142,995	-	142,995	-	-
Customer deposits	-	389,187	389,187	-	-
Noncurrent liabilities:					
Due within one year	1,914,246	986,988	2,901,234	201,899	-
Due in more than one year	20,274,461	11,081,433	31,355,894	4,101,105	-
Total liabilities	<u>24,157,959</u>	<u>12,822,836</u>	<u>36,980,795</u>	<u>4,384,270</u>	<u>21,110</u>
NET ASSETS					
Invested in capital assets, net of related debt	47,695,043	38,406,139	86,101,182	12,189	-
Restricted for:					
Debt service	626,661	1,324,515	1,951,176	484,864	-
Capital projects	5,271,300	10,373,646	15,644,946	612,695	-
Unrestricted	10,242,495	9,457,896	19,700,391	3,657,178	75,841
Total net assets	<u>\$ 63,835,499</u>	<u>\$ 59,562,196</u>	<u>\$ 123,397,695</u>	<u>\$ 4,766,926</u>	<u>\$ 75,841</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT A-2
Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Mayor/council	\$ 74,416	\$ -	\$ -	\$ -
Administration	5,757,527	255,364	-	-
Finance	877,537	8,400	123,000	-
Municipal court	254,210	928,470	-	-
Police	6,862,707	402,980	1,187,565	-
Fire	1,530,503	70,200	8,763	51,537
Public works	6,155,726	320,152	-	6,572,623
Community development	1,493,249	1,680,531	-	-
Parks and recreation	2,323,558	240,014	105,496	-
Interest on long-term debt	1,277,825	-	-	-
Total governmental activities	26,607,258	3,906,111	1,424,824	6,624,160
Business-type activities:				
Water and sewer	7,061,272	8,287,744	-	6,576,943
Total business-type activities	7,061,272	8,287,744	-	6,576,943
Total primary government	\$ 33,668,530	\$ 12,193,855	\$ 1,424,824	\$ 13,201,103
COMPONENT UNITS:				
Rockwall Economic Development Corporation				
Corporation	\$ 1,272,670	\$ -	\$ 1,625	\$ -
Rockwall Technology Park				
Technology Park	108,956	108,705	-	-
Total component units	\$ 1,381,626	\$ 108,705	\$ 1,625	\$ -

General revenues:

- Ad valorem taxes, penalty and interest
- Sales taxes
- Franchise taxes
- Unrestricted investment earnings
- Miscellaneous
- Transfers
- Total general revenues and transfers

Change in net assets

- Net assets at beginning of year
- Net assets at end of year

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
\$ (74,416)		\$ (74,416)		
(5,502,163)		(5,502,163)		
(746,137)		(746,137)		
674,260		674,260		
(5,272,162)		(5,272,162)		
(1,400,003)		(1,400,003)		
737,049		737,049		
187,282		187,282		
(1,978,048)		(1,978,048)		
(1,277,825)		(1,277,825)		
<u>(14,652,163)</u>		<u>(14,652,163)</u>		
	\$ 7,803,415	7,803,415		
	<u>7,803,415</u>	<u>7,803,415</u>		
<u>(14,652,163)</u>	7,803,415	<u>(6,848,748)</u>		
			\$ (1,271,045)	\$ -
			-	(251)
			<u>(1,271,045)</u>	<u>(251)</u>
7,265,947	-	7,265,947	-	-
6,736,054	-	6,736,054	2,174,540	-
1,776,406	-	1,776,406	-	-
156,219	240,542	396,761	29,302	387
235,161	278,894	514,055	19,901	-
867,500	(867,500)	-	-	-
<u>17,037,287</u>	<u>(348,064)</u>	<u>16,689,223</u>	<u>2,223,743</u>	<u>387</u>
2,385,124	7,455,351	9,840,475	952,698	136
61,450,375	52,106,845	113,557,220	3,814,228	75,705
<u>\$ 63,835,499</u>	<u>\$ 59,562,196</u>	<u>\$ 123,397,695</u>	<u>\$ 4,766,926</u>	<u>\$ 75,841</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>G.O. Bonds Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,319	\$ 143,409	\$ 31,187	\$ 568,952	\$ 747,867
Investments	7,017,767	498,249	4,215,075	2,652,448	14,383,539
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	135,325	99,635	-	-	234,960
Interest	49,826	1,689	3,600	2,644	57,759
Accounts	22,127	-	-	48,207	70,334
Assessments	-	-	-	85,884	85,884
Intergovernmental	1,138,298	-	25,000	321,635	1,484,933
Other	14,931	-	-	728	15,659
Due from other funds	561,240	46,023	-	888,875	1,496,138
Inventory	16,104	-	-	-	16,104
 Total assets	 <u>\$ 8,959,937</u>	 <u>\$ 789,005</u>	 <u>\$ 4,274,862</u>	 <u>\$ 4,569,373</u>	 <u>\$ 18,593,177</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 832,752	\$ -	\$ 37,231	\$ 521,127	\$ 1,391,110
Deferred revenue	125,823	94,247	-	151,291	371,361
Due to other governments	142,995	-	-	-	142,995
Due to other funds	982,108	-	-	1,504,929	2,487,037
Total liabilities	<u>2,083,678</u>	<u>94,247</u>	<u>37,231</u>	<u>2,177,347</u>	<u>4,392,503</u>
Fund balances:					
Reserved for:					
Inventory	16,104	-	-	-	16,104
Debt service	-	694,758	-	-	694,758
Unreserved, reported in:					
General fund	6,860,155	-	-	-	6,860,155
Special revenue funds	-	-	-	1,358,357	1,358,357
Capital projects funds	-	-	4,237,631	1,033,669	5,271,300
Total fund balances	<u>6,876,259</u>	<u>694,758</u>	<u>4,237,631</u>	<u>2,392,026</u>	<u>14,200,674</u>
 Total liabilities and fund balances	 <u>\$ 8,959,937</u>	 <u>\$ 789,005</u>	 <u>\$ 4,274,862</u>	 <u>\$ 4,569,373</u>	 <u>\$ 18,593,177</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2004

Total fund balances - governmental funds		\$ 14,200,674
Amounts reported for governmental activities in the statement of net assets are different because:		
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		1,515,285
The following assets are not available to pay for current period expenditures and are deferred in the funds:		
Property taxes receivable		220,070
Assessments receivable		85,884
The following assets are not available to pay for current period expenditures and are not accrued in the funds:		
Franchise taxes receivable		815,817
Court fines receivable		32,572
The following assets are not current financial resources and are not reported in the funds:		
Capital assets used in governmental activities (net of accumulated depreciation of \$31,919,614)		69,108,976
Costs of bonds issued to finance governmental activities		207,272
The following liabilities are not due in the current period and are not reported in the funds:		
Compensated absences		(704,774)
Bonds payable		(21,413,933)
Notes payable		(70,000)
Accrued interest payable		(162,344)
		(162,344)
Net assets of governmental activities		\$ 63,835,499

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes, penalty and interest	\$ 4,247,724	\$ 3,022,684	\$ -	\$ -	\$ 7,270,408
Sales taxes	6,593,226	-	-	142,828	6,736,054
Franchise taxes	1,702,156	-	-	-	1,702,156
Charges for services	266,450	-	-	-	266,450
Permits	1,609,117	-	-	100,715	1,709,832
Municipal court	887,424	-	-	49,740	937,164
Intergovernmental	173,100	-	318,572	1,281,139	1,772,811
Interest income	41,684	12,389	55,882	33,314	143,269
Miscellaneous	68,584	-	20,000	667,149	755,733
Donations	-	-	-	252,037	252,037
Total revenues	<u>15,589,465</u>	<u>3,035,073</u>	<u>394,454</u>	<u>2,526,922</u>	<u>21,545,914</u>
Expenditures:					
Current:					
Mayor/council	74,416	-	-	-	74,416
Administration	2,324,516	-	-	-	2,324,516
Finance	698,680	-	-	139,120	837,800
Municipal court	249,839	-	-	-	249,839
Police	4,968,376	-	-	1,115,300	6,083,676
Fire	940,022	-	-	10,600	950,622
Public works	1,981,880	-	-	23,480	2,005,360
Community development	1,477,483	-	-	-	1,477,483
Parks and recreation	1,528,006	-	-	230,174	1,758,180
Total current	<u>14,243,218</u>	<u>-</u>	<u>-</u>	<u>1,518,674</u>	<u>15,761,892</u>
Capital outlay:					
Administration	165,884	-	89,622	368,020	623,526
Finance	-	-	-	36,746	36,746
Municipal court	3,958	-	-	-	3,958
Police	10,802	-	-	967,377	978,179
Fire	20,184	-	-	505,704	525,888
Public works	3,294	-	388,988	1,275,400	1,667,682
Community development	668	-	-	-	668
Parks and recreation	2,995	-	397,890	199,164	600,049
Total capital outlay	<u>207,785</u>	<u>-</u>	<u>876,500</u>	<u>3,352,411</u>	<u>4,436,696</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT A-5
Page 2 of 2

	General	Debt Service	G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
Debt service:					
Principal	-	2,831,984	-	-	2,831,984
Interest	-	1,032,504	-	-	1,032,504
Bond issuance costs	-	99,311	-	-	99,311
Fiscal charges	-	7,403	-	-	7,403
Total debt service	-	3,971,202	-	-	3,971,202
 Total expenditures	 14,451,003	 3,971,202	 876,500	 4,871,085	 24,169,790
 Excess (deficiency) of revenues over (under) expenditures	 1,138,462	 (936,129)	 (482,046)	 (2,344,163)	 (2,623,876)
 Other financing sources (uses):					
Transfers in	393,000	-	221,800	1,815,109	2,429,909
Transfers out	(1,805,600)	-	(588,000)	(418,809)	(2,812,409)
Proceeds from refunding bonds issued	-	4,067,415	-	-	4,067,415
Payment to refunded bond escrow agent	-	(3,120,178)	-	-	(3,120,178)
Total other financing sources (uses)	(1,412,600)	947,237	(366,200)	1,396,300	564,737
 Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	 (274,138)	 11,108	 (848,246)	 (947,863)	 (2,059,139)
 Fund balances, October 1, as previously reported	 7,243,479	 683,650	 5,119,410	 3,348,004	 16,394,543
 Prior period adjustment	 (93,082)	 -	 (33,533)	 (8,115)	 (134,730)
 Fund balances, October 1, as restated	 7,150,397	 683,650	 5,085,877	 3,339,889	 16,259,813
 Fund balances, September 30	 <u>\$ 6,876,259</u>	 <u>\$ 694,758</u>	 <u>\$ 4,237,631</u>	 <u>\$ 2,392,026</u>	 <u>\$ 14,200,674</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2004

Net change in fund balances - governmental funds	\$ (2,059,139)
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities in the statement of net assets.	(232,925)
Certain assets are not available to pay for current period expenditures and are not reported as revenues in the funds. The following amounts represent the changes in these assets during the year:	
Property taxes receivable	(4,460)
Assessments receivable	(104,133)
Franchise taxes receivable	74,250
Court fines receivable	16,140
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,523,417) and retirements (\$4,125,060) exceeded capital outlays (\$4,281,436) in the current period.	(3,367,041)
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	6,254,050
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount by which debt issuance costs (\$99,311) exceeded amortization (\$69,040) in the current period.	30,271
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds. This is the amount of the change in accrued interest payable during the year.	28,279
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$5,711,984) exceeded proceeds (\$4,024,394) in the current period.	1,687,590
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.	62,242
Change in net assets of governmental activities	\$ <u><u>2,385,124</u></u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 4,163,000	\$ 4,281,000	\$ 4,247,724	\$ (33,276)
Sales taxes	6,064,000	6,473,000	6,593,226	120,226
Franchise taxes	1,528,500	1,699,500	1,702,156	2,656
Charges for services	156,500	242,400	266,450	24,050
Permits	1,154,000	1,373,500	1,609,117	235,617
Municipal court	622,000	757,000	887,424	130,424
Intergovernmental	299,500	162,500	173,100	10,600
Interest income	150,000	125,000	41,684	(83,316)
Miscellaneous	63,500	43,500	68,584	25,084
Total revenues	<u>14,201,000</u>	<u>15,157,400</u>	<u>15,589,465</u>	<u>432,065</u>
Expenditures:				
Current:				
Mayor/council	137,640	135,780	74,416	61,364
Administration	2,304,500	2,414,060	2,324,516	89,544
Finance	699,200	699,320	698,680	640
Municipal court	217,800	235,850	249,839	(13,989)
Police	4,769,850	5,022,300	4,968,376	53,924
Fire	1,016,750	1,006,350	940,022	66,328
Public works	1,977,450	1,966,200	1,981,880	(15,680)
Community development	1,551,850	1,554,110	1,477,483	76,627
Parks and recreation	1,421,300	1,467,900	1,528,006	(60,106)
Total current	<u>14,096,340</u>	<u>14,501,870</u>	<u>14,243,218</u>	<u>258,652</u>
Capital outlay:				
Administration	400,600	98,450	165,884	(67,434)
Municipal court	4,200	4,200	3,958	242
Police	11,350	11,350	10,802	548
Fire	23,000	23,000	20,184	2,816
Public works	4,900	3,300	3,294	6
Community development	1,500	1,500	668	832
Parks and recreation	3,000	3,000	2,995	5
Total capital outlay	<u>448,550</u>	<u>144,800</u>	<u>207,785</u>	<u>(62,985)</u>
Total expenditures	<u>14,544,890</u>	<u>14,646,670</u>	<u>14,451,003</u>	<u>195,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(343,890)</u>	<u>510,730</u>	<u>1,138,462</u>	<u>627,732</u>
Other financing sources (uses):				
Transfers in	390,000	393,000	393,000	-
Transfers out	(606,300)	(1,740,100)	(1,805,600)	(65,500)
Total other financing sources (uses)	<u>(216,300)</u>	<u>(1,347,100)</u>	<u>(1,412,600)</u>	<u>(65,500)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(560,190)</u>	<u>(836,370)</u>	<u>(274,138)</u>	<u>562,232</u>
Fund balances, October 1, as previously reported	7,243,479	7,243,479	7,243,479	-
Prior period adjustment	(93,082)	(93,082)	(93,082)	-
Fund balances, October 1, as restated	<u>7,150,397</u>	<u>7,150,397</u>	<u>7,150,397</u>	<u>-</u>
Fund balances, September 30	<u>\$ 6,590,207</u>	<u>\$ 6,314,027</u>	<u>\$ 6,876,259</u>	<u>\$ 562,232</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and Sewer</u>	<u>Service Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 300	\$ 273,762
Investments	7,524,297	1,521,621
Receivables (net of allowances for uncollectibles):		
Interest	22,904	5,007
Accounts	964,143	36,869
Intergovernmental	114,738	-
Due from other funds	1,151,500	-
Inventory	230,454	-
Restricted assets:		
Cash and cash equivalents	1,127,997	-
Investments	10,643,322	-
Accrued interest	31,428	-
Total current assets	<u>21,811,083</u>	<u>1,837,259</u>
Noncurrent assets:		
Deferred charges	185,565	-
Capital assets (net of accumulated depreciation)	50,434,407	-
Total noncurrent assets	<u>50,619,972</u>	<u>-</u>
Total Assets	<u>72,431,055</u>	<u>1,837,259</u>
LIABILITIES		
Current liabilities:		
Bank overdraft	-	5,517
Accounts payable and accrued liabilities	260,642	201,879
Due to other funds	46,023	114,578
Customer deposits	389,187	-
Liability for compensated absences	40,153	-
General obligation bonds payable - current	23,631	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	550,000	-
Obligations under capital leases - current	395,000	-
Accrued interest payable	104,586	-
Total current liabilities	<u>1,809,222</u>	<u>321,974</u>
Noncurrent liabilities:		
General obligation bonds payable	247,436	-
Revenue bonds payable	9,427,201	-
Obligations under capital leases	1,385,000	-
Total noncurrent liabilities	<u>11,059,637</u>	<u>-</u>
Total Liabilities	<u>12,868,859</u>	<u>321,974</u>
NET ASSETS		
Invested in capital assets, net of related debt	38,406,139	-
Restricted for debt service	1,324,515	-
Restricted for construction	10,373,646	-
Unrestricted	9,457,896	1,515,285
Total Net Assets	<u>\$ 59,562,196</u>	<u>\$ 1,515,285</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-Type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
OPERATING REVENUES:		
Charges for services	\$ 8,287,744	\$ 231,717
Total operating revenues	8,287,744	231,717
OPERATING EXPENSES:		
Personal services	1,157,603	-
Contractual services	3,457,101	1,826,046
Materials and supplies	258,133	-
Operations	96,192	-
Utilities	225,546	-
Depreciation and amortization	1,265,432	-
Total operating expenses	6,460,007	1,826,046
Operating income (loss)	1,827,737	(1,594,329)
NON-OPERATING REVENUES (EXPENSES):		
Capital recovery fees	1,202,156	-
Interest income	240,542	12,951
Miscellaneous income	278,894	98,453
Paying agent fees	(9,723)	-
Interest expense	(591,542)	-
Total non-operating revenues (expenses)	1,120,327	111,404
Income (loss) before transfers and capital contributions	2,948,064	(1,482,925)
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
Capital contributions	5,374,787	-
Transfers in	-	1,250,000
Transfers out	(867,500)	-
Total transfers and capital contributions	4,507,287	1,250,000
Increase (decrease) in net assets	7,455,351	(232,925)
Net assets, October 1, as previously reported	52,236,497	1,766,839
Prior period adjustment	(129,652)	(18,629)
Net assets, October 1, as restated	52,106,845	1,748,210
Net assets, September 30	\$ 59,562,196	\$ 1,515,285

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-Type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 8,683,330	\$ 293,301
Cash paid to employees for services	(1,179,238)	-
Cash paid to suppliers for goods and services	(4,679,282)	(1,836,976)
Net cash provided (used) by operating activities	<u>2,824,810</u>	<u>(1,543,675)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash paid to other funds	(2,019,000)	-
Cash received from other funds	46,023	1,397,439
Net cash provided (used) by non-capital financing activities	<u>(1,972,977)</u>	<u>1,397,439</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition or construction of capital assets	(1,498,146)	-
Proceeds from disposition of capital assets	894,321	-
Capital recovery fees received	1,202,156	-
Bond proceeds received	303,819	-
Bond issuance costs paid	(7,418)	-
Principal paid on capital debt	(1,208,016)	-
Interest and fees paid on capital debt	(607,960)	-
Net cash provided (used) by capital and related financing activities	<u>(921,244)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Purchase of investments	(33,811,351)	(1,806,000)
Proceeds from sales and maturities of investments	33,124,922	2,176,199
Interest and dividends received	470,921	43,314
Net cash provided (used) by investing activities	<u>(215,508)</u>	<u>413,513</u>
Net increase (decrease) in cash and cash equivalents	(284,919)	267,277
Cash and cash equivalents at beginning of year	1,413,216	6,485
Cash and cash equivalents at end of year	<u>\$ 1,128,297</u>	<u>\$ 273,762</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,827,737	\$ (1,594,329)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,265,432	-
Miscellaneous income	278,894	98,453
Decrease (increase) in assets:		
Receivables	74,570	(36,869)
Inventories	(121,547)	-
Increase (decrease) in liabilities:		
Bank overdraft	-	(1,715)
Accounts payable and accrued liabilities	(514,315)	(9,215)
Customer deposits	42,122	-
Compensated absences	(28,083)	-
Net cash provided (used) by operating activities	<u>\$ 2,824,810</u>	<u>\$ (1,543,675)</u>
Non-cash investing and financing activities:		
Capital contributions	<u>\$ 5,374,787</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2004

	Agency Fund
	Special Escrow
	Agency
ASSETS	
Cash and cash equivalents	\$ 210,007
Investments	1,377,508
Accrued interest receivable	3,393
Total assets	1,590,908
LIABILITIES	
Due to developers	1,590,908
Total liabilities	1,590,908
NET ASSETS	\$ -

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a home rule municipality governed by an elected Mayor and six-member City Council who appoint a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

Discretely Presented Component Units

The Rockwall Economic Development Corporation (REDC) is governed by a five-member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities. Stand alone financial statements for REDC as of and for the fiscal year ended September 30, 2004 are not prepared.

The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within the park being developed by REDC. RTP's Board of Directors is composed of representatives of the landowners. At September 30, 2004, REDC owned the majority of the land and the Board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Stand alone financial statements for RTP as of and for the fiscal year ended September 30, 2004 are not prepared.

The funds of both REDC and RTP are composed of governmental fund types.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financial accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial 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.

Governmental fund 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 with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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, are recorded only when payment is due.

Property taxes, franchise taxes, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued

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 *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of general fixed assets.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

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 Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund 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.

Assets, liabilities, and net assets or equity

1. Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and workers' compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City's investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than five (5) years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, liabilities, and net assets or equity – continued

- e. Certificates of deposit issued by a state or national bank domiciled in the State of Texas or a savings bank domiciled in the State of Texas provided that they are:
 - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
 - (2) Secured by obligations outlined in items “a” through “d” above. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
 - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the State of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than “A-1” or “P-1” (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than “A-1” or “P-1” (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net asset value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, liabilities, and net assets or equity – continued

The City holds various mortgage-backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

2. Receivables and payables

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

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

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1st by the City based on the January 1st property values as assessed by the Rockwall County Central Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, liabilities, and net assets or equity – continued

3. Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 City as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives 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.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 30 years
Building improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, liabilities, and net assets or equity – continued

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 1.25 days per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has ten or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

7. Long-term obligations

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

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

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain special revenue funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During the year ended September 30, 2004, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain special revenue funds. The Drug Grant Fund is used to account for revenues and expenditures relating to federal criminal justice and drug abuse resistance education program grants with a fiscal year which does not coincide with that of the City. This makes any comparison of program expenditures to the grant allocations confusing and misleading. A budget was also not adopted for the Emergency Siren Fund, the Kidzone Fund, and the Sesquicentennial Fund.
7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$965,352 in the Debt Service Fund as a result of a bond refunding transaction during the year.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

C. Deficit fund equity

The following funds had deficit fund balances at September 30, 2004:

Capital Projects Funds:	
Equipment Acquisition	\$ 179,386
Harbor/TIF Projects	\$ 593,471
Internal Service Funds:	
Employee Benefits	\$ 79,371

The deficits in the Equipment Acquisition and Harbor/TIF Projects funds were caused by expenditures made in advance of anticipated bond issuances. The deficit in the Employee Benefits fund was caused by unanticipated health care cost increases, and will be covered by additional transfers from the General Fund.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash

At year end, the carrying amount of the City's deposits was \$1,383,848 (including restricted cash of \$166,248) and the bank balance was \$1,568,914. These bank balances were entirely covered by federal depository insurance and collateral pledged by the depository in the City's name and held by the City's agent.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$961,749, which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

At year end, the carrying amounts of deposits for REDC and RTP, discretely presented components units, were \$(3,729) and \$44,272, respectively, and the bank balances were \$3,904 and \$44,223, respectively. The component units' cash balances are covered by the City's depository contract and, therefore, these bank balances were entirely covered by federal depository insurance and collateral pledged by the depository in the City's name and held by the City's agent.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments

The City's investments are categorized into the following three categories of credit risk: (1) insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

At year end, the City's investments were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
Primary Government					
U.S. government securities:					
Agency notes	\$ 19,301,999	\$	\$	\$ 19,301,999	\$ 19,301,999
Treasury bills and notes	2,999,760			2,999,760	2,999,760
	<u>\$ 22,301,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>22,301,759</u>	<u>22,301,759</u>
Investments not subject to categorization:					
Money market funds				13,148,528	13,148,528
Total primary government				<u>35,450,287</u>	<u>35,450,287</u>
Discretely Presented Component Units					
Investments not subject to categorization:					
Rockwall Economic Development Corporation:					
Certificates of deposit				300,000	300,000
Money market funds				2,078,283	2,078,283
Rockwall Technology Park:					
Money market funds				37,332	37,332
Total discretely presented component units				<u>2,415,615</u>	<u>2,415,615</u>
Total reporting entity				<u>\$ 37,865,902</u>	<u>\$ 37,865,902</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

B. Receivables

In the Water and Sewer Fund, accounts receivable and revenues are reported net of uncollectible amounts. For the year ended September 30, 2004, the uncollectible amounts related to accounts receivable totaled \$171,276, and the uncollectible amounts related to revenues of the current period totaled \$43,645.

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General Fund	\$ 125,823	\$ -
Debt Service Fund	94,247	-
Assessments receivable not yet due:		
Street Improvements	85,884	-
Grant drawdowns prior to meeting all eligibility requirements	<u>-</u>	<u>65,407</u>
Total deferred revenue for governmental funds	<u>\$ 305,954</u>	<u>\$ 65,407</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets

Capital asset activity of the primary government for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 2,017,819	\$ 80,000	\$ -	\$ -	\$ 2,097,819
Construction in progress	<u>10,696,999</u>	<u>3,151,612</u>	<u>(4,100,067)</u>	<u>(4,813,894)</u>	<u>4,934,650</u>
Total capital assets not being depreciated	<u>12,714,818</u>	<u>3,231,612</u>	<u>(4,100,067)</u>	<u>(4,813,894)</u>	<u>7,032,469</u>
Capital assets being depreciated:					
Buildings	9,628,068	150,644	-	-	9,778,712
Improvements other than buildings	425,592	154,861	-	934,678	1,515,131
Machinery and equipment	2,054,450	186,000	(12,907)	-	2,227,543
Vehicles	2,976,037	324,428	(194,719)	-	3,105,746
Furniture and fixtures	1,492,375	233,891	(16,400)	-	1,709,866
Infrastructure	<u>65,525,858</u>	<u>6,254,049</u>	<u>-</u>	<u>3,879,216</u>	<u>75,659,123</u>
Total capital assets being depreciated	<u>82,102,380</u>	<u>7,303,873</u>	<u>(224,026)</u>	<u>4,813,894</u>	<u>93,996,121</u>
Less accumulated depreciation for:					
Buildings	(840,017)	(319,355)	-	-	(1,159,372)
Improvements other than buildings	(182,897)	(43,160)	-	-	(226,057)
Machinery and equipment	(855,248)	(167,053)	11,616	-	(1,010,685)
Vehicles	(1,817,727)	(323,244)	177,817	-	(1,963,154)
Furniture and fixtures	(379,467)	(273,674)	9,600	-	(643,541)
Infrastructure	<u>(24,519,875)</u>	<u>(2,396,930)</u>	<u>-</u>	<u>-</u>	<u>(26,916,805)</u>
Total accumulated depreciation	<u>(28,595,231)</u>	<u>(3,523,416)</u>	<u>199,033</u>	<u>-</u>	<u>(31,919,614)</u>
Total capital assets being depreciated, net	<u>53,507,149</u>	<u>3,780,457</u>	<u>(24,993)</u>	<u>4,813,894</u>	<u>62,076,507</u>
Governmental activities capital assets, net	<u>\$ 66,221,967</u>	<u>\$ 7,012,069</u>	<u>\$ (4,125,060)</u>	<u>\$ -</u>	<u>\$ 69,108,976</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 799,533	\$ -	\$ -	\$ -	\$ 799,533
Construction in progress	<u>6,046,709</u>	<u>1,081,429</u>	<u>(619,352)</u>	<u>(3,700,403)</u>	<u>2,808,383</u>
Total capital assets not being depreciated	<u>6,846,242</u>	<u>1,081,429</u>	<u>(619,352)</u>	<u>(3,700,403)</u>	<u>3,607,916</u>
Capital assets being depreciated:					
Buildings	89,421	-	-	-	89,421
Improvements other than buildings	37,911,129	5,668,288	(282,732)	3,700,403	46,997,088
Sewage treatment plants and pump station	10,594,237	-	-	-	10,594,237
Machinery and equipment	3,175,693	123,216	(1,200)	-	3,297,709
Furniture and fixtures	<u>69,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,031</u>
Total capital assets being depreciated	<u>51,839,511</u>	<u>5,791,504</u>	<u>(283,932)</u>	<u>3,700,403</u>	<u>61,047,486</u>
Less accumulated depreciation for:					
Buildings	(89,421)	-	-	-	(89,421)
Improvements other than buildings	(7,017,576)	(846,255)	8,482	-	(7,855,349)
Sewage treatment plants and pump station	(3,053,051)	(210,410)	-	-	(3,263,461)
Machinery and equipment	(2,779,981)	(171,636)	480	-	(2,951,137)
Furniture and fixtures	<u>(59,510)</u>	<u>(2,117)</u>	<u>-</u>	<u>-</u>	<u>(61,627)</u>
Total accumulated depreciation	<u>(12,999,539)</u>	<u>(1,230,418)</u>	<u>8,962</u>	<u>-</u>	<u>(14,220,995)</u>
Total capital assets being depreciated, net	<u>38,839,972</u>	<u>4,561,086</u>	<u>(274,970)</u>	<u>3,700,403</u>	<u>46,826,491</u>
Business-type activities capital assets, net	<u>\$ 45,686,214</u>	<u>\$ 5,642,515</u>	<u>\$ (894,322)</u>	<u>\$ -</u>	<u>\$ 50,434,407</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

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

Governmental activities:	
Administration	\$ 388,289
Police	292,004
Fire	190,510
Public works	2,477,694
Parks and recreation	<u>174,919</u>
Total depreciation expense - governmental activities	<u>\$ 3,523,416</u>
Business-type activities:	
Water and sewer	<u>\$ 1,230,418</u>

Construction commitments

The City has active construction projects as of September 30, 2004. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Community center remodel	\$ 58,950	\$ 61,500
Radio system	<u>1,378,131</u>	<u>986,061</u>
	<u>\$ 1,437,081</u>	<u>\$ 1,047,561</u>

The Community Center remodel is being financed with existing reserves. The radio system is being financed by bond proceeds.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets – continued

Capital asset activity of the Rockwall Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital assets being depreciated:					
Furniture and fixtures	\$ 57,063	\$ 998	\$ -	\$ -	\$ 58,061
Total capital assets being depreciated	<u>57,063</u>	<u>998</u>	<u>-</u>	<u>-</u>	<u>58,061</u>
Less accumulated depreciation for:					
Furniture and fixtures	(38,337)	(7,535)	-	-	(45,872)
Total accumulated depreciation	<u>(38,337)</u>	<u>(7,535)</u>	<u>-</u>	<u>-</u>	<u>(45,872)</u>
REDC capital assets, net	<u>\$ 18,726</u>	<u>\$ (6,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,189</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2004 is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 561,240	\$ 982,108
Debt Service Fund	46,023	-
Nonmajor governmental funds	888,875	1,504,929
Water and Sewer Fund	1,151,500	46,023
Internal service funds	<u>-</u>	<u>114,578</u>
Total interfund balances	<u>\$ 2,647,638</u>	<u>\$ 2,647,638</u>

The composition of interfund transfers for the year ended September 30, 2004 is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 393,000	\$ 1,805,600
G.O. Bonds Capital Projects	221,800	588,000
Nonmajor governmental funds	1,815,109	418,809
Water and Sewer Fund	-	867,500
Internal service funds	<u>1,250,000</u>	<u>-</u>
Total interfund transfers	<u>\$ 3,679,909</u>	<u>\$ 3,679,909</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt

General obligation debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding as of September 30, 2004 is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance 9/30/04</u>
Governmental Activities:					
General obligation bonds:					
Improvements	\$ 4,300,000	1995	2015	5.00%-8.00%	\$ 200,000
Improvements	7,185,000	1999	2014	4.25%-5.25%	6,175,000
Improvements	2,150,000	2000	2020	5.00%-6.00%	1,915,000
Refunding	4,024,394	2004	2015	2.00%-4.00%	3,628,933
Total general obligation bonds					<u>11,918,933</u>
Contractual obligations:					
Equipment purchase	350,000	1996	2005	4.60%-6.60%	45,000
Equipment purchase	1,165,000	1999	2014	4.00%-6.20%	375,000
Total contractual obligations					<u>420,000</u>
Certificates of obligation:					
Improvements	6,500,000	2000	2020	4.75%-5.75%	5,785,000
Improvements	4,295,000	2002	2012	2.80%-3.80%	3,290,000
Total certificates of obligation					<u>9,075,000</u>
Tax note payable	70,000	1999	2006	5.00%	<u>70,000</u>
Total governmental activities general obligation debt					21,483,933
Business-type Activities:					
General obligation bonds:					
Refunding	300,606	2004	2015	2.00%-4.00%	<u>271,067</u>
Total general obligation debt					<u>\$ 21,755,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2005	\$ 1,801,369	\$ 1,134,497	\$ 23,631	\$ 8,303	\$ 2,967,800
2006	1,840,235	897,635	34,765	7,830	2,780,465
2007	1,746,505	833,148	28,495	7,135	2,615,283
2008	1,585,462	768,131	29,538	6,494	2,389,625
2009	1,510,540	705,257	19,460	5,682	2,240,939
2010-2014	6,315,190	2,656,428	109,810	18,147	9,099,575
2015-2019	5,959,632	1,152,505	25,368	1,015	7,138,520
2020	725,000	41,688	-	-	766,688
Total	\$ <u>21,483,933</u>	\$ <u>8,189,289</u>	\$ <u>271,067</u>	\$ <u>54,606</u>	\$ <u>29,998,895</u>

Revenue bonds

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding as of September 30, 2004 are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/04
Improvements	\$ 1,650,000	1994	2014	4.60%-7.50%	\$ 1,075,000
Improvements	3,535,000	1999	2019	4.15%-5.00%	2,685,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	<u>6,275,000</u>
					10,035,000
Less unamortized discount					<u>(57,799)</u>
Total revenue bonds					\$ <u><u>9,977,201</u></u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Water and Sewer Fund		
	Principal	Interest	Total
2005	\$ 550,000	\$ 453,306	\$ 1,003,306
2006	575,000	429,139	1,004,139
2007	590,000	404,073	994,073
2008	625,000	377,979	1,002,979
2009	650,000	350,077	1,000,077
2010-2014	2,900,000	1,338,270	4,238,270
2015-2019	2,685,000	732,360	3,417,360
2020-2022	1,460,000	143,385	1,603,385
	10,035,000	\$ 4,228,589	\$ 14,263,589
Less unamortized discount	(57,799)		
Total revenue bonds	\$ 9,977,201		

Advance and current refundings

In December 2003, the City issued \$4,325,000 of general obligation refunding bonds. A portion of the proceeds was used for a current refunding of \$1,110,000 of general obligation bonds. The remaining proceeds were used to purchase U.S. Government securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$2,880,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the City's statement of net assets. These refundings were undertaken to reduce total debt service payments over the next twelve years by \$225,043 and resulted in an economic gain of \$191,151. At September 30, 2004 the amount outstanding on the defeased bonds was \$2,880,000.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Capitalized lease obligations

The City has entered into a contract with North Texas Municipal Water District (NTMWD), a conservation and reclamation district and political subdivision of the State of Texas, for construction and operation of sewer plants. The contractual obligations have been treated as capitalized lease obligations. Capitalized lease obligations outstanding as of September 30, 2004 are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/04</u>
North Plant Improvements	\$ 1,325,000	1993	2006	Various	\$ 300,000
South Plant Improvements	1,295,000	1993	2005	Various	170,000
South Plant Improvements	1,800,000	1996	2016	Various	<u>1,310,000</u>
Total capitalized lease obligations					<u>\$ 1,780,000</u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2004 are as follows:

<u>Year Ending September 30</u>	<u>Total</u>
2005	\$ 482,825
2006	309,495
2007	143,045
2008	148,795
2009	149,045
2010-2014	749,620
2015-2016	<u>301,965</u>
Total minimum lease payments	2,284,790
Less amount representing interest	<u>(504,790)</u>
Present value of minimum lease payments	<u>\$ 1,780,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity of the primary government for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 12,521,523	\$ 4,024,394	\$ (4,626,984)	\$ 11,918,933	\$ 876,369
Contractual obligations	690,000	-	(270,000)	420,000	75,000
Certificates of obligation	<u>9,890,000</u>	<u>-</u>	<u>(815,000)</u>	<u>9,075,000</u>	<u>850,000</u>
Total bonds payable	23,101,523	4,024,394	(5,711,984)	21,413,933	1,801,369
Notes payable	70,000	-	-	70,000	-
Compensated absences	<u>767,016</u>	<u>222,781</u>	<u>(285,023)</u>	<u>704,774</u>	<u>112,877</u>
Total	<u>\$ 23,938,539</u>	<u>\$ 4,247,175</u>	<u>\$ (5,997,007)</u>	<u>\$ 22,188,707</u>	<u>\$ 1,914,246</u>
Business-type Activities:					
General obligation bonds	\$ 288,477	\$ 300,606	\$ (318,016)	\$ 271,067	\$ 23,631
Revenue bonds	10,555,000	-	(520,000)	10,035,000	550,000
Less unamortized discount	<u>(65,615)</u>	<u>-</u>	<u>7,816</u>	<u>(57,799)</u>	<u>-</u>
Total bonds payable	10,777,862	300,606	(830,200)	10,248,268	573,631
Capitalized lease obligations	2,150,000	-	(370,000)	1,780,000	395,000
Compensated absences	<u>68,236</u>	<u>29,349</u>	<u>(57,432)</u>	<u>40,153</u>	<u>18,357</u>
Total	<u>\$ 12,996,098</u>	<u>\$ 329,955</u>	<u>\$ (1,257,632)</u>	<u>\$ 12,068,421</u>	<u>\$ 986,988</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Conduit debt obligations

Certain revenue bonds have been issued in the past to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2004, there were two series of revenue bonds outstanding. The aggregate principal amount payable for the two issues was \$1,721,574.

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2004:

<u>Year Authorized</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Balance Unissued 9/30/04</u>
General obligation bonds:			
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
1998	10,950,000	(8,335,000)	2,615,000
2001	<u>19,843,100</u>	<u>-</u>	<u>19,843,100</u>
Total general obligation bonds	<u>\$ 36,393,100</u>	<u>\$ (12,535,000)</u>	<u>\$ 23,858,100</u>
Revenue bonds:			
1980	\$ 2,000,000	\$ (1,060,000)	\$ 940,000
1985	<u>1,540,000</u>	<u>-</u>	<u>1,540,000</u>
Total revenue bonds	<u>\$ 3,540,000</u>	<u>\$ (1,060,000)</u>	<u>\$ 2,480,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Discretely presented component units

The Rockwall Economic Development Corporation (REDC), a discretely presented component unit, has the following bonds outstanding as of September 30, 2004:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/04</u>
Sales tax revenue bonds:					
Land improvements	\$ 5,000,000	1999	2019	4.20%-6.20%	\$ <u>4,295,000</u>

Annual debt service requirements to maturity for sales tax revenue bonds are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 200,000	\$ 209,493	\$ 409,493
2006	210,000	197,092	407,092
2007	220,000	184,073	404,073
2008	230,000	172,082	402,082
2009	240,000	162,423	402,423
2010-2014	1,405,000	642,167	2,047,167
2015-2019	1,790,000	274,855	2,064,855
Total	\$ <u>4,295,000</u>	\$ <u>1,842,185</u>	\$ <u>6,137,185</u>

Long-term liability activity of the REDC for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Sales tax revenue bonds	\$ 4,485,000	\$ -	\$ (190,000)	\$ 4,295,000	\$ 200,000
Compensated absences	-	9,261	(1,257)	8,004	1,899
Total	\$ <u>4,485,000</u>	\$ <u>9,261</u>	\$ <u>(191,257)</u>	\$ <u>4,303,004</u>	\$ <u>201,899</u>

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4: OTHER INFORMATION

A. Risk management

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; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding \$35,000 per covered individual, or approximately \$1,003,217 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2004.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a cap of \$600,000 per year.

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Employee Benefits</u>		<u>Workers' Compensation</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Claims payable, beginning of the year	\$ 193,309	\$ 139,415	\$ 15,554	\$ 21,334
Claims incurred	1,232,390	870,879	131,433	187,474
Claims paid	<u>(1,260,778)</u>	<u>(816,985)</u>	<u>(133,062)</u>	<u>(193,254)</u>
Claims payable, end of the year	<u>\$ 164,921</u>	<u>\$ 193,309</u>	<u>\$ 13,925</u>	<u>\$ 15,554</u>

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4: OTHER INFORMATION – continued

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2004, is \$1,780,000. See Note 3E for the annual requirements to amortize the bonds as of September 30, 2004.

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4: OTHER INFORMATION – continued

C. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 3 above, the general revenues of the City are contingently liable in the amount of \$271,067 for general obligation bonds which are currently outstanding and recorded as obligations of the Water and Sewer Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2004, these commitments totaled \$919,300.

D. Employee retirement systems and pension plans

Texas Municipal Retirement System

Plan Description – The City provides pension benefits for all of its full-time employees (except firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 794 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 794 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2003 valuations are contained in the 2003 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas, 78714-9153.

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

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4: OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

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

Deposit rate: 7%

Matching Ratio (City to Employee): 2 to 1

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Contributions – Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2003 valuation is effective for rates beginning January 2005.

A schedule of funding progress as of the three most recent actuarial valuation dates is as follows:

	Actuarial Valuation Date		
	12/31/03	12/31/02	12/31/01
Actuarial value of assets (a)	\$ 14,356,528	\$ 11,949,020	\$ 10,215,762
Actuarial accrued liability (AAL) - unit credit (b)	19,724,820	15,905,584	13,833,397
Unfunded (over-funded) AAL (UAAL) (b-a)	5,368,292	3,956,564	3,617,635
Funded ratio (a/b)	72.8%	75.1%	73.8%
Annual covered payroll (c)	8,808,639	7,833,164	6,830,978
UAAL as a percentage of covered payroll ((b-a)/c)	60.9%	50.5%	53.0%

CITY OF ROCKWALL, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4: OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

A summary of the City’s net pension obligation (NPO) and annual required contributions for the last three fiscal years is as follows:

	Fiscal Year Ended September 30		
	2004	2003	2002
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	1,155,023	1,023,494	890,635
Contributions made (100%)	<u>(1,155,023)</u>	<u>(1,023,494)</u>	<u>(890,635)</u>
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of the actuarial assumptions used is as follows:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	None
Cost-of-Living Adjustments	None

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the “Fund”) which is a component unit of the State of Texas. The City reimbursed the Fund \$48,774 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 35 active participants currently covered by the Fund and payments are being made to eight retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, Texas 78711.

E. Prior period adjustment

In the City’s financial statements for the year ended September 30, 2003, accrued interest receivable and interest revenue were overstated. The correction of this error decreased accrued interest receivable and fund balance by \$283,011.

***COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES
AS SUPPLEMENTARY INFORMATION***

CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2004

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-3)</u>
ASSETS			
Cash and cash equivalents	\$ 269,755	\$ 299,197	\$ 568,952
Investments	944,117	1,708,331	2,652,448
Receivables (net of allowances for uncollectibles):			
Interest	1,126	1,518	2,644
Accounts	35,594	12,613	48,207
Assessments	85,884	-	85,884
Intergovernmental	204,964	116,671	321,635
Other	728	-	728
Due from other funds	<u>75</u>	<u>888,800</u>	<u>888,875</u>
 Total assets	 <u>\$ 1,542,243</u>	 <u>\$ 3,027,130</u>	 <u>\$ 4,569,373</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 32,595	\$ 488,532	\$ 521,127
Deferred revenue	151,291	-	151,291
Due to other funds	-	1,504,929	1,504,929
Total liabilities	<u>183,886</u>	<u>1,993,461</u>	<u>2,177,347</u>
 Fund balances:			
Unreserved, undesignated	<u>1,358,357</u>	<u>1,033,669</u>	<u>2,392,026</u>
Total fund balances	<u>1,358,357</u>	<u>1,033,669</u>	<u>2,392,026</u>
 Total liabilities and fund balances	 <u>\$ 1,542,243</u>	 <u>\$ 3,027,130</u>	 <u>\$ 4,569,373</u>

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Sales taxes	\$ 142,828	\$ -	\$ 142,828
Permits	100,715	-	100,715
Municipal court	49,740	-	49,740
Intergovernmental	1,229,602	51,537	1,281,139
Interest income	8,108	25,206	33,314
Miscellaneous	659,809	7,340	667,149
Donations	252,037	-	252,037
Total revenues	2,442,839	84,083	2,526,922
Expenditures:			
Current:			
Finance	139,120	-	139,120
Police	1,115,300	-	1,115,300
Fire	10,600	-	10,600
Public works	23,480	-	23,480
Parks and recreation	230,174	-	230,174
Total current	1,518,674	-	1,518,674
Capital outlay:			
Administration	-	368,020	368,020
Finance	-	36,746	36,746
Police	11,673	955,704	967,377
Fire	88,100	417,604	505,704
Public works	4,078	1,271,322	1,275,400
Parks and recreation	199,164	-	199,164
Total capital outlay	303,015	3,049,396	3,352,411
Total expenditures	1,821,689	3,049,396	4,871,085
Excess (deficiency) of revenues over (under) expenditures	621,150	(2,965,313)	(2,344,163)
Other financing sources (uses):			
Transfers in	229,509	1,585,600	1,815,109
Transfers out	(418,809)	-	(418,809)
Total other financing sources (uses)	(189,300)	1,585,600	1,396,300
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	431,850	(1,379,713)	(947,863)
Fund balances, October 1, as previously reported	926,507	2,421,497	3,348,004
Prior period adjustment	-	(8,115)	(8,115)
Fund balances, October 1, as restated	926,507	2,413,382	3,339,889
Fund balances, September 30	\$ 1,358,357	\$ 1,033,669	\$ 2,392,026

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation – established to account for donations, court security fees, and forfeitures.

Recreational Development – established to account for the annual lease income from marinas and golf course.

PID Special Revenue – established to account for the receipt and disposition of all revenues received from assessments levied for the Heritage Heights Public Improvement District.

Street Improvements – established to account for the proceeds of street improvement assessments.

Hotel Motel Tax – established to account for the annual income from hotel/motel taxes.

Fire Equipment – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation – established to account for funds received from airport operations and related expenses.

Recycling – established to account for funds to be used for the City's recycling program.

Emergency Siren – established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Kidzone – established to account for revenues and expenditures related to a joint project with the Rockwall Breakfast Rotary and Kiwanis clubs to construct a playground.

Drug Grant – established to account for revenues and expenditures related to a multi-jurisdictional drug task force.

Sesquicentennial – established to account for revenues and expenditures related to the one-day event celebrating Rockwall's Sesquicentennial.

CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2004

	Cemetery	Police Investigation	Recreational Development	PID Special Revenue
ASSETS				
Cash and cash equivalents	\$ 10,572	\$ 5,936	\$ 16,381	\$ -
Investments	186,337	91,257	28,746	-
Receivables (net of allowances for uncollectibles):				
Interest	-	-	-	-
Accounts	-	-	-	-
Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
	-	-	-	-
Total assets	\$ 196,909	\$ 97,193	\$ 45,127	\$ -
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 6,436	\$ -
Deferred revenue	-	-	-	-
Total liabilities	-	-	6,436	-
 Fund balances:				
Unreserved, undesignated	196,909	97,193	38,691	-
Total fund balances	196,909	97,193	38,691	-
Total liabilities and fund balances	\$ 196,909	\$ 97,193	\$ 45,127	\$ -

CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2004

<u>Street Improvements</u>	<u>Hotel Motel Tax</u>	<u>Fire Equipment</u>	<u>Aviation</u>	<u>Recycling</u>	<u>Emergency Siren</u>
\$ 14,520	\$ 12,670	\$ 302	\$ 329	\$ 9,156	\$ 367
440,796	34,040	101,784	45,099	7,783	8,275
1,126	-	-	-	-	-
-	35,594	-	-	-	-
85,884	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	728	-
-	-	-	-	-	-
<u>\$ 542,326</u>	<u>\$ 82,304</u>	<u>\$ 102,086</u>	<u>\$ 45,428</u>	<u>\$ 17,667</u>	<u>\$ 8,642</u>
\$ -	\$ 2,978	\$ -	\$ 5,490	\$ -	\$ -
85,884	-	-	-	-	-
<u>85,884</u>	<u>2,978</u>	<u>-</u>	<u>5,490</u>	<u>-</u>	<u>-</u>
<u>456,442</u>	<u>79,326</u>	<u>102,086</u>	<u>39,938</u>	<u>17,667</u>	<u>8,642</u>
<u>456,442</u>	<u>79,326</u>	<u>102,086</u>	<u>39,938</u>	<u>17,667</u>	<u>8,642</u>
<u>\$ 542,326</u>	<u>\$ 82,304</u>	<u>\$ 102,086</u>	<u>\$ 45,428</u>	<u>\$ 17,667</u>	<u>\$ 8,642</u>

CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2004

EXHIBIT C-1
 Page 3 of 3

	Kids Zone	Drug Grant	Sesquicentennial	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
ASSETS				
Cash and cash equivalents	\$ 7,670	\$ 191,852	\$ -	\$ 269,755
Investments	-	-	-	944,117
Receivables (net of allowances for uncollectibles):				
Interest	-	-	-	1,126
Accounts	-	-	-	35,594
Assessments	-	-	-	85,884
Intergovernmental	-	204,964	-	204,964
Other	-	-	-	728
Due from other funds	-	75	-	75
	<u>7,670</u>	<u>191,852</u>	<u>-</u>	<u>269,755</u>
Total assets	<u>\$ 7,670</u>	<u>\$ 396,891</u>	<u>\$ -</u>	<u>\$ 1,542,243</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 17,691	\$ -	\$ 32,595
Deferred revenue	-	65,407	-	151,291
Total liabilities	<u>-</u>	<u>83,098</u>	<u>-</u>	<u>183,886</u>
Fund balances:				
Unreserved, undesignated	7,670	313,793	-	1,358,357
Total fund balances	<u>7,670</u>	<u>313,793</u>	<u>-</u>	<u>1,358,357</u>
Total liabilities and fund balances	<u>\$ 7,670</u>	<u>\$ 396,891</u>	<u>\$ -</u>	<u>\$ 1,542,243</u>

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Cemetery	Police Investigation	Recreational Development	PID Special Revenue
Revenues:				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Permits	600	-	100,115	-
Municipal court	-	49,740	-	-
Intergovernmental	-	-	-	-
Interest income	559	499	968	-
Miscellaneous	7,800	-	115,061	54,596
Donations	123,000	22,963	-	-
Total revenues	131,959	73,202	216,144	54,596
Expenditures:				
Current:				
Finance	-	-	-	-
Police	-	9,735	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	97,782	-
Total current	-	9,735	97,782	-
Capital outlay:				
Police	-	11,673	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	91,757	-
Total capital outlay	-	11,673	91,757	-
Total expenditures	-	21,408	189,539	-
Excess (deficiency) of revenues over (under) expenditures	131,959	51,794	26,605	54,596
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(3,000)	(316,800)	(99,009)
Total other financing sources (uses)	-	(3,000)	(316,800)	(99,009)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	131,959	48,794	(290,195)	(44,413)
Fund balances, October 1	64,950	48,399	328,886	44,413
Fund balances, September 30	\$ 196,909	\$ 97,193	\$ 38,691	\$ -

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Street Improvements</u>	<u>Hotel Motel Tax</u>	<u>Fire Equipment</u>	<u>Aviation</u>	<u>Recycling</u>	<u>Emergency Siren</u>
\$ -	\$ 142,828	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	65,000	-	-	-
2,980	625	1,451	469	91	91
171,122	-	-	10,052	8,662	4,423
-	-	578	-	-	-
<u>174,102</u>	<u>143,453</u>	<u>67,029</u>	<u>10,521</u>	<u>8,753</u>	<u>4,514</u>
-	139,120	-	-	-	-
-	-	-	-	-	-
-	-	10,600	-	-	-
-	-	-	20,966	2,514	-
-	-	-	-	-	-
<u>-</u>	<u>139,120</u>	<u>10,600</u>	<u>20,966</u>	<u>2,514</u>	<u>-</u>
-	-	-	-	-	-
-	-	88,100	-	-	-
-	-	-	-	-	4,078
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>88,100</u>	<u>-</u>	<u>-</u>	<u>4,078</u>
<u>-</u>	<u>139,120</u>	<u>98,700</u>	<u>20,966</u>	<u>2,514</u>	<u>4,078</u>
<u>174,102</u>	<u>4,333</u>	<u>(31,671)</u>	<u>(10,445)</u>	<u>6,239</u>	<u>436</u>
99,009	-	-	5,000	-	-
-	-	-	-	-	-
<u>99,009</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
273,111	4,333	(31,671)	(5,445)	6,239	436
<u>183,331</u>	<u>74,993</u>	<u>133,757</u>	<u>45,383</u>	<u>11,428</u>	<u>8,206</u>
<u>\$ 456,442</u>	<u>\$ 79,326</u>	<u>\$ 102,086</u>	<u>\$ 39,938</u>	<u>\$ 17,667</u>	<u>\$ 8,642</u>

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Kidzone	Drug Grant	Sesquicentennial	Total Nonmajor Special Revenue Funds (See Exhibit B-2)
Revenues:				
Sales taxes	\$ -	\$ -	\$ -	\$ 142,828
Permits	-	-	-	100,715
Municipal court	-	-	-	49,740
Intergovernmental	-	1,164,602	-	1,229,602
Interest income	-	375	-	8,108
Miscellaneous	-	271,620	16,473	659,809
Donations	94,920	-	10,576	252,037
Total revenues	94,920	1,436,597	27,049	2,442,839
Expenditures:				
Current:				
Finance	-	-	-	139,120
Police	-	1,105,565	-	1,115,300
Fire	-	-	-	10,600
Public works	-	-	-	23,480
Parks and recreation	39,843	-	92,549	230,174
Total current	39,843	1,105,565	92,549	1,518,674
Capital outlay:				
Police	-	-	-	11,673
Fire	-	-	-	88,100
Public works	-	-	-	4,078
Parks and recreation	107,407	-	-	199,164
Total capital outlay	107,407	-	-	303,015
Total expenditures	147,250	1,105,565	92,549	1,821,689
Excess (deficiency) of revenues over (under) expenditures	(52,330)	331,032	(65,500)	621,150
Other financing sources (uses):				
Transfers in	60,000	-	65,500	229,509
Transfers out	-	-	-	(418,809)
Total other financing sources (uses)	60,000	-	65,500	(189,300)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,670	331,032	-	431,850
Fund balances, October 1	-	(17,239)	-	926,507
Fund balances, September 30	7,670	\$ 313,793	\$ -	\$ 1,358,357

CITY OF ROCKWALL, TEXAS
CEMETERY FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 800	\$ 800	\$ 600	\$ (200)
Interest income	750	750	559	(191)
Miscellaneous	2,000	5,800	7,800	2,000
Donations	75,000	123,000	123,000	-
Total revenues	<u>78,550</u>	<u>130,350</u>	<u>131,959</u>	<u>1,609</u>
Expenditures:				
Current:				
Administration	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Excess (deficiency) of revenues over (under) expenditures	76,550	128,350	131,959	3,609
Fund balances, October 1	<u>64,950</u>	<u>64,950</u>	<u>64,950</u>	<u>-</u>
Fund balances, September 30	<u>\$ 141,500</u>	<u>\$ 193,300</u>	<u>\$ 196,909</u>	<u>\$ 3,609</u>

CITY OF ROCKWALL, TEXAS
POLICE INVESTIGATION FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal court	\$ 39,000	\$ 47,500	\$ 49,740	\$ 2,240
Interest income	500	500	499	(1)
Donations	4,000	19,750	22,963	3,213
Total revenues	<u>43,500</u>	<u>67,750</u>	<u>73,202</u>	<u>5,452</u>
Expenditures:				
Current:				
Police	10,200	11,000	9,735	1,265
Total current	<u>10,200</u>	<u>11,000</u>	<u>9,735</u>	<u>1,265</u>
Capital outlay:				
Police	7,100	11,700	11,673	27
Total capital outlay	<u>7,100</u>	<u>11,700</u>	<u>11,673</u>	<u>27</u>
Total expenditures	<u>17,300</u>	<u>22,700</u>	<u>21,408</u>	<u>1,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,200</u>	<u>45,050</u>	<u>51,794</u>	<u>6,744</u>
Other financing sources (uses):				
Transfers out	-	(3,000)	(3,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	26,200	42,050	48,794	6,744
Fund balances, October 1	<u>48,399</u>	<u>48,399</u>	<u>48,399</u>	<u>-</u>
Fund balances, September 30	<u>\$ 74,599</u>	<u>\$ 90,449</u>	<u>\$ 97,193</u>	<u>\$ 6,744</u>

CITY OF ROCKWALL, TEXAS
RECREATIONAL DEVELOPMENT FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 70,500	\$ 100,500	\$ 100,115	\$ (385)
Interest income	3,000	3,000	968	(2,032)
Miscellaneous	100,000	112,000	115,061	3,061
Donations	103,000	103,000	-	(103,000)
Total revenues	<u>276,500</u>	<u>318,500</u>	<u>216,144</u>	<u>(102,356)</u>
Expenditures:				
Current:				
Parks and recreation	269,800	249,300	97,782	151,518
Total current	<u>269,800</u>	<u>249,300</u>	<u>97,782</u>	<u>151,518</u>
Capital outlay:				
Parks and recreation	175,000	235,000	91,757	143,243
Total capital outlay	<u>175,000</u>	<u>235,000</u>	<u>91,757</u>	<u>143,243</u>
Total expenditures	<u>444,800</u>	<u>484,300</u>	<u>189,539</u>	<u>294,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,300)</u>	<u>(165,800)</u>	<u>26,605</u>	<u>192,405</u>
Other financing sources (uses):				
Transfers in	32,000	32,000	-	(32,000)
Transfers out	(35,000)	(95,000)	(316,800)	(221,800)
Total other financing sources (uses)	<u>(3,000)</u>	<u>(63,000)</u>	<u>(316,800)</u>	<u>(253,800)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(171,300)</u>	<u>(228,800)</u>	<u>(290,195)</u>	<u>(61,395)</u>
Fund balances, October 1	<u>328,886</u>	<u>328,886</u>	<u>328,886</u>	<u>-</u>
Fund balances, September 30	<u>\$ 157,586</u>	<u>\$ 100,086</u>	<u>\$ 38,691</u>	<u>\$ (61,395)</u>

CITY OF ROCKWALL, TEXAS
 PID SPECIAL REVENUE FUND
 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 500	\$ 500	\$ -	\$ (500)
Miscellaneous	19,000	19,000	54,596	35,596
Total revenues	<u>19,500</u>	<u>19,500</u>	<u>54,596</u>	<u>35,096</u>
Other financing sources (uses):				
Transfers out	-	-	(99,009)	(99,009)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(99,009)</u>	<u>(99,009)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	19,500	19,500	(44,413)	(63,913)
Fund balances, October 1	<u>44,413</u>	<u>44,413</u>	<u>44,413</u>	<u>-</u>
Fund balances, September 30	<u>\$ 63,913</u>	<u>\$ 63,913</u>	<u>\$ -</u>	<u>\$ (63,913)</u>

CITY OF ROCKWALL, TEXAS
STREET IMPROVEMENTS FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,600	\$ 1,600	\$ 2,980	\$ 1,380
Miscellaneous	4,250	332,250	171,122	(161,128)
Total revenues	<u>5,850</u>	<u>333,850</u>	<u>174,102</u>	<u>(159,748)</u>
Other financing sources (uses):				
Transfers in	-	-	99,009	99,009
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>99,009</u>	<u>99,009</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	5,850	333,850	273,111	(60,739)
Fund balances, October 1	<u>183,331</u>	<u>183,331</u>	<u>183,331</u>	<u>-</u>
Fund balances, September 30	<u>\$ 189,181</u>	<u>\$ 517,181</u>	<u>\$ 456,442</u>	<u>\$ (60,739)</u>

CITY OF ROCKWALL, TEXAS
HOTEL MOTEL TAX
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 140,000	\$ 146,000	\$ 142,828	\$ (3,172)
Interest income	1,000	500	625	125
Total revenues	<u>141,000</u>	<u>146,500</u>	<u>143,453</u>	<u>(3,047)</u>
Expenditures:				
Current:				
Finance	140,850	140,350	139,120	1,230
Total expenditures	<u>140,850</u>	<u>140,350</u>	<u>139,120</u>	<u>1,230</u>
Excess (deficiency) of revenues over (under) expenditures	150	6,150	4,333	(1,817)
Fund balances, October 1	<u>74,993</u>	<u>74,993</u>	<u>74,993</u>	<u>-</u>
Fund balances, September 30	<u>\$ 75,143</u>	<u>\$ 81,143</u>	<u>\$ 79,326</u>	<u>\$ (1,817)</u>

CITY OF ROCKWALL, TEXAS
 FIRE EQUIPMENT FUND
 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Interest income	1,000	1,000	1,451	451
Donations	-	550	578	28
Total revenues	<u>66,000</u>	<u>66,550</u>	<u>67,029</u>	<u>479</u>
Expenditures:				
Current:				
Fire	10,000	10,000	10,600	(600)
Total current	<u>10,000</u>	<u>10,000</u>	<u>10,600</u>	<u>(600)</u>
Capital outlay:				
Fire	51,900	91,900	88,100	3,800
Total capital outlay	<u>51,900</u>	<u>91,900</u>	<u>88,100</u>	<u>3,800</u>
Total expenditures	<u>61,900</u>	<u>101,900</u>	<u>98,700</u>	<u>3,200</u>
Excess (deficiency) of revenues over (under) expenditures	4,100	(35,350)	(31,671)	3,679
Fund balances, October 1	<u>133,757</u>	<u>133,757</u>	<u>133,757</u>	<u>-</u>
Fund balances, September 30	<u>\$ 137,857</u>	<u>\$ 98,407</u>	<u>\$ 102,086</u>	<u>\$ 3,679</u>

CITY OF ROCKWALL, TEXAS
 AVIATION FUND
 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 500	\$ 500	\$ 469	\$ (31)
Miscellaneous	8,500	8,500	10,052	1,552
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>10,521</u>	<u>1,521</u>
Expenditures:				
Current:				
Public works	24,250	29,600	20,966	8,634
Total expenditures	<u>24,250</u>	<u>29,600</u>	<u>20,966</u>	<u>8,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,250)</u>	<u>(20,600)</u>	<u>(10,445)</u>	<u>10,155</u>
Other financing sources (uses):				
Transfers in	5,000	5,000	5,000	-
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(10,250)	(15,600)	(5,445)	10,155
Fund balances, October 1	<u>45,383</u>	<u>45,383</u>	<u>45,383</u>	<u>-</u>
Fund balances, September 30	<u>\$ 35,133</u>	<u>\$ 29,783</u>	<u>\$ 39,938</u>	<u>\$ 10,155</u>

CITY OF ROCKWALL, TEXAS
 RECYCLING FUND
 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 150	\$ 150	\$ 91	\$ (59)
Miscellaneous	8,000	8,000	8,662	662
Total revenues	<u>8,150</u>	<u>8,150</u>	<u>8,753</u>	<u>603</u>
Expenditures:				
Current:				
Public works	8,000	7,550	2,514	5,036
Total expenditures	<u>8,000</u>	<u>7,550</u>	<u>2,514</u>	<u>5,036</u>
Excess (deficiency) of revenues over (under) expenditures	150	600	6,239	5,639
Fund balances, October 1	<u>11,428</u>	<u>11,428</u>	<u>11,428</u>	<u>-</u>
Fund balances, September 30	<u>\$ 11,578</u>	<u>\$ 12,028</u>	<u>\$ 17,667</u>	<u>\$ 5,639</u>

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DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

CITY OF ROCKWALL, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 2,971,000	\$ 3,012,000	\$ 3,022,684	\$ 10,684
Interest income	15,000	15,000	12,389	(2,611)
Total revenues	<u>2,986,000</u>	<u>3,027,000</u>	<u>3,035,073</u>	<u>8,073</u>
Expenditures:				
Debt service:				
Principal	1,825,900	1,825,900	2,831,984	(1,006,084)
Interest	1,169,250	1,169,250	1,032,504	136,746
Bond issuance costs	-	-	99,311	(99,311)
Fiscal charges	10,700	10,700	7,403	3,297
Total expenditures	<u>3,005,850</u>	<u>3,005,850</u>	<u>3,971,202</u>	<u>(965,352)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,850)</u>	<u>21,150</u>	<u>(936,129)</u>	<u>(957,279)</u>
Other financing sources (uses):				
Proceeds from refunding bonds issued	-	-	4,067,415	4,067,415
Payment to refunded bond escrow agent	-	-	(3,120,178)	(3,120,178)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>947,237</u>	<u>947,237</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(19,850)</u>	<u>21,150</u>	<u>11,108</u>	<u>(10,042)</u>
Fund balances, October 1	<u>683,650</u>	<u>683,650</u>	<u>683,650</u>	<u>-</u>
Fund balances, September 30	<u>\$ 663,800</u>	<u>\$ 704,800</u>	<u>\$ 694,758</u>	<u>\$ (10,042)</u>

CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2004

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Harbor/TIF Projects</u>	<u>Ralph Hall Parkway Capital Improvements</u>	<u>1995 G.O. Bonds Capital Improvements</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit B-1)</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 305	\$ 298,892	\$ 299,197
Investments	1,442,410	205,195	-	-	60,726	1,708,331
Receivables (net of allowances for uncollectibles):						
Interest	759	759	-	-	-	1,518
Accounts	-	12,613	-	-	-	12,613
Intergovernmental	-	51,537	-	-	65,134	116,671
Due from other funds	<u>502,100</u>	<u>386,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888,800</u>
 Total assets	 <u>\$ 1,945,269</u>	 <u>\$ 656,804</u>	 <u>\$ -</u>	 <u>\$ 305</u>	 <u>\$ 424,752</u>	 <u>\$ 3,027,130</u>
 LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 9,360	\$ 97,600	\$ 89,981	\$ -	\$ 291,591	\$ 488,532
Due to other funds	<u>262,849</u>	<u>738,590</u>	<u>503,490</u>	<u>-</u>	<u>-</u>	<u>1,504,929</u>
Total liabilities	<u>272,209</u>	<u>836,190</u>	<u>593,471</u>	<u>-</u>	<u>291,591</u>	<u>1,993,461</u>
Fund balances:						
Unreserved, undesignated	<u>1,673,060</u>	<u>(179,386)</u>	<u>(593,471)</u>	<u>305</u>	<u>133,161</u>	<u>1,033,669</u>
Total fund balances	<u>1,673,060</u>	<u>(179,386)</u>	<u>(593,471)</u>	<u>305</u>	<u>133,161</u>	<u>1,033,669</u>
 Total liabilities and fund balances	 <u>\$ 1,945,269</u>	 <u>\$ 656,804</u>	 <u>\$ -</u>	 <u>\$ 305</u>	 <u>\$ 424,752</u>	 <u>\$ 3,027,130</u>

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CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects – established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund.

Equipment Acquisition – established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

Harbor/TIF Projects – established to account for revenues and expenditures related to the Tax Increment Financing District and the associated public improvements within the Harbor development.

G.O. Bonds Capital Projects – established to account for equipment acquisition and street and drainage projects using proceeds from the issuance of bonds.

Ralph Hall Parkway Capital Improvements – established to account for the construction of the new Ralph M. Hall Parkway currently in progress.

1995 G.O. Bonds Capital Improvements – established to account for street and drainage improvements, road improvements, and expansion of the City's service center using proceeds of the 1995 General Obligation Bond Issue.

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Harbor/TIF Projects</u>	<u>Ralph Hall Parkway Capital Improvements</u>	<u>1995 G.O. Bonds Capital Improvements</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit B-2)</u>
Revenues:						
Intergovernmental	\$ -	\$ 51,537	\$ -	\$ -	\$ -	\$ 51,537
Interest income	7,711	7,711	-	-	9,784	25,206
Miscellaneous	-	7,000	-	340	-	7,340
Total revenues	<u>7,711</u>	<u>66,248</u>	<u>-</u>	<u>340</u>	<u>9,784</u>	<u>84,083</u>
Expenditures:						
Capital outlay:						
Administration	177,177	190,843	-	-	-	368,020
Finance	-	36,746	-	-	-	36,746
Police	-	955,704	-	-	-	955,704
Fire	28,851	388,753	-	-	-	417,604
Public works	5,295	104,188	593,471	89,084	479,284	1,271,322
Total expenditures	<u>211,323</u>	<u>1,676,234</u>	<u>593,471</u>	<u>89,084</u>	<u>479,284</u>	<u>3,049,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(203,612)</u>	<u>(1,609,986)</u>	<u>(593,471)</u>	<u>(88,744)</u>	<u>(469,500)</u>	<u>(2,965,313)</u>
Other financing sources (uses):						
Transfers in	502,100	995,500	-	88,000	-	1,585,600
Total other financing sources (uses)	<u>502,100</u>	<u>995,500</u>	<u>-</u>	<u>88,000</u>	<u>-</u>	<u>1,585,600</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>298,488</u>	<u>(614,486)</u>	<u>(593,471)</u>	<u>(744)</u>	<u>(469,500)</u>	<u>(1,379,713)</u>
Fund balances, October 1, as previously reported	1,374,572	435,100	-	1,049	610,776	2,421,497
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,115)</u>	<u>(8,115)</u>
Fund balances, October 1, as restated	<u>1,374,572</u>	<u>435,100</u>	<u>-</u>	<u>1,049</u>	<u>602,661</u>	<u>2,413,382</u>
Fund balances, September 30	<u>\$ 1,673,060</u>	<u>\$ (179,386)</u>	<u>\$ (593,471)</u>	<u>\$ 305</u>	<u>\$ 133,161</u>	<u>\$ 1,033,669</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund – established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City’s employees and their covered dependents.

Workers' Compensation Fund – established to account for the costs of the workers' compensation self-insurance program for the City.

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2004

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 38,294	\$ 235,468	\$ 273,762
Investments	152,950	1,368,671	1,521,621
Receivables (net of allowances for uncollectibles):			
Interest	-	5,007	5,007
Accounts	36,869	-	36,869
Total current assets	<u>228,113</u>	<u>1,609,146</u>	<u>1,837,259</u>
LIABILITIES			
Current liabilities:			
Bank overdraft	5,517	-	5,517
Accounts payable and accrued liabilities	187,389	14,490	201,879
Due to other funds	114,578	-	114,578
Total current liabilities	<u>307,484</u>	<u>14,490</u>	<u>321,974</u>
NET ASSETS			
Unrestricted	<u>(79,371)</u>	<u>1,594,656</u>	<u>1,515,285</u>
Total Net Assets	<u>\$ (79,371)</u>	<u>\$ 1,594,656</u>	<u>\$ 1,515,285</u>

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
OPERATING REVENUES:			
Charges for services	\$ 231,717	\$ -	\$ 231,717
Total operating revenues	<u>231,717</u>	<u>-</u>	<u>231,717</u>
OPERATING EXPENSES:			
Contractual services	1,581,941	244,105	1,826,046
Total operating expenses	<u>1,581,941</u>	<u>244,105</u>	<u>1,826,046</u>
Operating income (loss)	<u>(1,350,224)</u>	<u>(244,105)</u>	<u>(1,594,329)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	3,012	9,939	12,951
Miscellaneous income	74,812	23,641	98,453
Total non-operating revenues (expenses)	<u>77,824</u>	<u>33,580</u>	<u>111,404</u>
Income (loss) before transfers and capital contributions	<u>(1,272,400)</u>	<u>(210,525)</u>	<u>(1,482,925)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Transfers in	1,220,000	30,000	1,250,000
Total transfers and capital contributions	<u>1,220,000</u>	<u>30,000</u>	<u>1,250,000</u>
Increase (decrease) in net assets	<u>(52,400)</u>	<u>(180,525)</u>	<u>(232,925)</u>
Net assets, October 1, as previously reported	(26,971)	1,793,810	1,766,839
Prior period adjustment	<u>-</u>	<u>(18,629)</u>	<u>(18,629)</u>
Net assets, October 1, as restated	<u>(26,971)</u>	<u>1,775,181</u>	<u>1,748,210</u>
Net assets, September 30	<u>\$ (79,371)</u>	<u>\$ 1,594,656</u>	<u>\$ 1,515,285</u>

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	Total Internal Service Funds (See Exhibit A-10)
Cash Flows from Operating Activities:			
Cash received from customers	\$ 269,660	\$ 23,641	\$ 293,301
Cash paid to suppliers for goods and services	<u>(1,591,807)</u>	<u>(245,169)</u>	<u>(1,836,976)</u>
Net cash provided (used) by operating activities	<u>(1,322,147)</u>	<u>(221,528)</u>	<u>(1,543,675)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash received from other funds	<u>1,356,149</u>	<u>41,290</u>	<u>1,397,439</u>
Net cash provided (used) by non-capital financing activities	<u>1,356,149</u>	<u>41,290</u>	<u>1,397,439</u>
Cash Flows from Investing Activities:			
Purchase of investments	(852,000)	(954,000)	(1,806,000)
Proceeds from sales and maturities of investments	856,199	1,320,000	2,176,199
Interest and dividends received	<u>93</u>	<u>43,221</u>	<u>43,314</u>
Net cash provided (used) by investing activities	<u>4,292</u>	<u>409,221</u>	<u>413,513</u>
Net increase (decrease) in cash and cash equivalents	38,294	228,983	267,277
Cash and cash equivalents at beginning of year	<u>-</u>	<u>6,485</u>	<u>6,485</u>
Cash and cash equivalents at end of year	<u>\$ 38,294</u>	<u>\$ 235,468</u>	<u>\$ 273,762</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,350,224)	\$ (244,105)	\$ (1,594,329)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Miscellaneous income	74,812	23,641	98,453
Decrease (increase) in assets:			
Receivables	(36,869)	-	(36,869)
Increase (decrease) in liabilities:			
Bank overdraft	(1,715)	-	(1,715)
Accounts payable and accrued liabilities	<u>(8,151)</u>	<u>(1,064)</u>	<u>(9,215)</u>
Net cash provided (used) by operating activities	<u>\$ (1,322,147)</u>	<u>\$ (221,528)</u>	<u>\$ (1,543,675)</u>

AGENCY FUND

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Special Escrow Agency Fund – established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

CITY OF ROCKWALL, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SPECIAL ESCROW AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
ASSETS				
Cash and cash equivalents	\$ 4,778	\$ 1,157,066	\$ 951,837	\$ 210,007
Investments	1,383,754	1,880,138	1,886,384	1,377,508
Accrued interest receivable	10,724	2,074	9,405	3,393
	<u>1,399,256</u>	<u>3,039,278</u>	<u>2,847,626</u>	<u>1,590,908</u>
Total assets	\$ <u>1,399,256</u>	\$ <u>3,039,278</u>	\$ <u>2,847,626</u>	\$ <u>1,590,908</u>
LIABILITIES				
Due to developers	\$ <u>1,399,256</u>	\$ <u>842,792</u>	\$ <u>651,140</u>	\$ <u>1,590,908</u>
Total liabilities	\$ <u>1,399,256</u>	\$ <u>842,792</u>	\$ <u>651,140</u>	\$ <u>1,590,908</u>

DISCRETELY PRESENTED COMPONENT UNITS

The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within Phase I of the park developed by REDC.

CITY OF ROCKWALL, TEXAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2004

	Rockwall Economic Development Corporation	Rockwall Technology Park
ASSETS		
Cash and cash equivalents	\$ -	\$ 44,272
Investments	2,378,283	37,332
Receivables (net of allowances for uncollectibles):		
Interest	604	-
Accounts	1,213	15,347
Intergovernmental	372,577	-
Other	567,924	-
Inventory	<u>5,773,266</u>	<u>-</u>
Total assets	<u>\$ 9,093,867</u>	<u>\$ 96,951</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Bank overdraft	\$ 3,729	\$ -
Accounts payable and accrued liabilities	<u>41,745</u>	<u>21,110</u>
Total liabilities	<u>45,474</u>	<u>21,110</u>
Fund balances:		
Reserved for inventory	5,773,266	-
Unreserved, undesignated	<u>3,275,127</u>	<u>75,841</u>
Total fund balances	<u>9,048,393</u>	<u>75,841</u>
Total liabilities and fund balances	<u>\$ 9,093,867</u>	<u>\$ 96,951</u>

CITY OF ROCKWALL, TEXAS
 RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2004

	Rockwall Economic Development Corporation	Rockwall Technology Park
Total fund balances - discretely presented component units	\$ 9,048,393	\$ 75,841
Amounts reported for discretely presented component units in the statement of net assets are different because:		
The following assets are not current financial resources and are not reported in the component units balance sheet:		
Capital assets used by component units (net of accumulated depreciation of \$45,872)	12,189	-
Costs of bonds issued to finance component units	45,140	-
The following liabilities are not due in the current period and are not reported in the component units balance sheet:		
Compensated absences	(8,004)	-
Bonds payable	(4,295,000)	-
Accrued interest payable	<u>(35,792)</u>	<u>-</u>
Net assets of discretely presented component units	\$ <u><u>4,766,926</u></u>	\$ <u><u>75,841</u></u>

CITY OF ROCKWALL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Rockwall Economic Development Corporation	Rockwall Technology Park
Revenues:		
Sales taxes	\$ 2,174,540	\$ -
Charges for services	-	108,705
Intergovernmental	1,625	-
Interest income	29,302	387
Miscellaneous	19,901	-
Total revenues	<u>2,225,368</u>	<u>109,092</u>
Expenditures:		
Current:		
Administration	1,030,265	108,956
Total current	<u>1,030,265</u>	<u>108,956</u>
Capital outlay:		
Administration	998	-
Total capital outlay	<u>998</u>	<u>-</u>
Debt service:		
Principal	190,000	-
Interest	221,273	-
Fiscal charges	3,321	-
Total debt service	<u>414,594</u>	<u>-</u>
Total expenditures	<u>1,445,857</u>	<u>108,956</u>
Excess (deficiency) of revenues over (under) expenditures	779,511	136
Fund balances, October 1	<u>8,268,882</u>	<u>75,705</u>
Fund balances, September 30	<u>\$ 9,048,393</u>	<u>\$ 75,841</u>

CITY OF ROCKWALL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Net change in fund balances - discretely presented component units	\$ 779,511	\$ 136
Amounts reported for discretely presented component units in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$7,535) exceeded capital outlays (\$998) in the current period.	(6,537)	-
Governmental funds report debt issuance costs as expenditures.		
However, in the statement of activities these costs are allocated over the term of the underlying debt and reported as amortization expense. This is the amount of amortization expense in the current period.	(3,043)	-
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds.		
This is the amount of the change in accrued interest payable during the year.	771	-
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal repayments during the year.		
	190,000	-
Compensated absences payable do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences during the year.		
	<u>(8,004)</u>	<u>-</u>
Change in net assets of discretely presented component units	<u>\$ 952,698</u>	<u>\$ 136</u>

CITY OF ROCKWALL, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 ROCKWALL ECONOMIC DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 2,000,000	\$ 2,133,000	\$ 2,174,540	\$ 41,540
Intergovernmental	-	-	1,625	1,625
Interest income	20,000	25,500	29,302	3,802
Miscellaneous	160,000	19,905	19,901	(4)
Total revenues	<u>2,180,000</u>	<u>2,178,405</u>	<u>2,225,368</u>	<u>46,963</u>
Expenditures:				
Current:				
Administration	2,314,900	1,245,723	1,030,265	215,458
Total current	<u>2,314,900</u>	<u>1,245,723</u>	<u>1,030,265</u>	<u>215,458</u>
Capital outlay:				
Administration	6,500	1,000	998	2
Total capital outlay	<u>6,500</u>	<u>1,000</u>	<u>998</u>	<u>2</u>
Debt service:				
Principal	190,000	190,000	190,000	-
Interest	221,500	221,500	221,273	227
Fiscal charges	3,500	3,500	3,321	179
Total debt service	<u>415,000</u>	<u>415,000</u>	<u>414,594</u>	<u>406</u>
Total expenditures	<u>2,736,400</u>	<u>1,661,723</u>	<u>1,445,857</u>	<u>215,866</u>
Excess (deficiency) of revenues over (under) expenditures	(556,400)	516,682	779,511	262,829
Fund balances, October 1	<u>8,268,882</u>	<u>8,268,882</u>	<u>8,268,882</u>	-
Fund balances, September 30	<u>\$ 7,712,482</u>	<u>\$ 8,785,564</u>	<u>\$ 9,048,393</u>	<u>\$ 262,829</u>

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF ROCKWALL, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 SEPTEMBER 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Governmental funds capital assets:		
Land	\$ 2,097,819	\$ 2,017,819
Buildings	9,778,712	9,628,068
Improvements other than buildings	1,515,131	425,592
Machinery and equipment	2,227,543	2,054,450
Vehicles	3,105,746	2,976,037
Furniture and fixtures	1,709,866	1,492,375
Infrastructure	75,659,123	65,525,858
Construction in progress	<u>4,934,650</u>	<u>10,696,999</u>
Total governmental funds capital assets	<u>\$ 101,028,590</u>	<u>\$ 94,817,198</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 21,331,096	\$ 23,986,295
General government	25,801,728	23,244,178
Grants and entitlements	1,115,710	1,060,717
Developer contributions	<u>52,780,056</u>	<u>46,526,008</u>
Total investments in governmental funds capital assets	<u>\$ 101,028,590</u>	<u>\$ 94,817,198</u>

CITY OF ROCKWALL, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2004

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>
General government	\$ 1,225,684	\$ 3,575,450	\$ 137,719	\$ 90,516
Public works	273,803	171,724	-	499,161
Public safety	81,713	2,229,723	12,802	297,647
Recreation/development	516,619	1,844,404	1,364,610	794,751
Fire equipment	-	1,957,411	-	545,468
Total governmental funds capital assets	<u>\$ 2,097,819</u>	<u>\$ 9,778,712</u>	<u>\$ 1,515,131</u>	<u>\$ 2,227,543</u>

CITY OF ROCKWALL, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2004

<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 336,726	\$ 1,401,596	\$ -	\$ 4,934,650	\$ 11,702,341
445,096	15,370	75,659,123	-	77,064,277
1,081,596	253,339	-	-	3,956,820
249,695	29,073	-	-	4,799,152
<u>992,633</u>	<u>10,488</u>	<u>-</u>	<u>-</u>	<u>3,506,000</u>
<u>\$ 3,105,746</u>	<u>\$ 1,709,866</u>	<u>\$ 75,659,123</u>	<u>\$ 4,934,650</u>	<u>\$ 101,028,590</u>

CITY OF ROCKWALL, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Function and Activity</u>	<u>Balance 10/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/04</u>
General government	\$ 17,205,351	\$ 3,505,778	\$ (4,194,893)	\$ (4,813,895)	\$ 11,702,341
Public works	66,978,818	6,254,049	(47,807)	3,879,217	77,064,277
Public safety	3,607,723	411,793	(62,696)	-	3,956,820
Recreation/development	3,667,309	215,863	(18,698)	934,678	4,799,152
Fire equipment	<u>3,357,997</u>	<u>148,003</u>	<u>-</u>	<u>-</u>	<u>3,506,000</u>
Total governmental funds capital assets	<u>\$ 94,817,198</u>	<u>\$ 10,535,486</u>	<u>\$ (4,324,094)</u>	<u>\$ -</u>	<u>\$ 101,028,590</u>

STATISTICAL SECTION

CITY OF ROCKWALL, TEXAS
 GOVERNMENT-WIDE EXPENSES BY FUNCTION (1)
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE 1

Fiscal Year	General (2) Government	Public (3) Safety	Public Works	Other (4)	Interest on Long-term Debt	Water and Sewer	Total
1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-
2003	4,638,734	6,412,679	3,961,797	1,929,506	1,244,127	6,436,878	24,623,721
2004	6,963,690	8,393,210	6,155,726	3,816,807	1,277,825	7,061,272	33,668,530

Notes:

- (1) The City converted to the GASB 34 reporting model in the fiscal year ended September 30, 2003.
- (2) General government includes Mayor/Council, Administration, Finance, and Municipal Court.
- (3) Public safety includes Police and Fire.
- (4) Other includes Community Development and Parks and Recreation.

CITY OF ROCKWALL, TEXAS
 GOVERNMENT-WIDE REVENUES (1)
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE 2

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Ad Valorem Taxes, Penalty and Interest	Sales Taxes	Franchise Taxes	Unrestricted Investment Earnings	Miscellaneous	
1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-
2003	11,069,147	772,911	3,088,237	6,717,883	6,277,216	1,567,874	673,344	278,899	30,445,511
2004	12,193,855	1,424,824	13,201,103	7,265,947	6,736,054	1,776,406	396,761	514,055	43,509,005

Notes:

(1) The City converted to the GASB 34 reporting model in the fiscal year ended September 30, 2003.

CITY OF ROCKWALL, TEXAS
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 3

Fiscal Year	Current				Capital Outlay	Debt Service	Total
	General (2) Government	Public (3) Safety	Public Works	Other (4)			
1995	\$ 1,609,019	\$ 1,663,366	\$ 971,827	\$ 572,238	\$ 275,891	\$ 584,716	\$ 5,677,057
1996	1,855,807	1,947,205	1,151,886	579,183	180,905	1,068,714	6,783,700
1997	2,077,959	2,100,142	1,144,165	649,635	658,773	1,077,177	7,707,851
1998	2,149,010	2,306,993	1,272,114	673,077	809,082	1,191,647	8,401,923
1999	1,955,615	3,482,260	1,553,908	659,184	1,186,425	1,151,189	9,988,581
2000	2,181,663	4,037,580	1,577,427	862,235	1,073,459	1,727,290	11,459,654
2001	2,692,893	4,598,463	1,785,812	1,030,236	820,434	2,512,422	13,440,260
2002	3,382,575	5,397,287	1,950,755	1,322,614	977,659	2,802,645	15,833,535
2003	4,073,871	5,929,129	1,781,760	1,810,467	1,168,987	2,862,206	17,626,420
2004	3,486,571	7,034,298	2,005,360	3,235,663	510,800	3,971,202	20,243,894

Notes:

- (1) Includes General, Special Revenue, and Debt Service Funds.
- (2) General government includes Mayor/Council, Administration, Finance, and Municipal Court.
- (3) Public safety includes Police and Fire.
- (4) Other includes Community Development and Parks and Recreation.

CITY OF ROCKWALL, TEXAS
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 4

Fiscal Year	Property and Sales Taxes	Franchise Fees & Permits	Inter- Governmental	Charges for Services	Municipal Court	Investment Income	Miscellaneous & Donations	Total
1995	\$ 3,747,128	\$ 977,279	\$ 496,765	\$ 138,628	\$ 390,796	\$ 170,237	\$ 232,485	\$ 6,153,318
1996	4,938,184	1,114,811	569,264	265,657	384,735	154,956	275,692	7,703,299
1997	5,460,773	1,129,758	695,528	67,254	428,541	(180,194)	430,790	8,032,450
1998	6,723,952	1,318,724	658,736	64,636	571,367	223,556	469,071	10,030,042
1999	7,999,250	1,518,247	778,868	89,450	504,015	218,223	771,521	11,879,574
2000	9,906,885	1,605,592	985,446	108,441	472,921	550,171	568,073	14,197,529
2001	11,142,348	1,897,076	856,375	135,417	509,645	402,000	341,260	15,284,121
2002	11,951,460	2,974,707	1,037,633	159,451	584,171	382,799	366,548	17,456,769
2003	12,955,382	3,069,518	919,534	263,349	734,500	161,639	475,832	18,579,754
2004	14,006,462	3,411,988	1,402,702	266,450	937,164	62,181	980,430	21,067,377

Notes:

(1) Includes General, Special Revenue, and Debt Service Funds.

CITY OF ROCKWALL
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 5

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1995	1994	\$2,367,127	\$ 2,312,378	97.69%	\$ 79,158	\$2,391,536	101.03%	\$ 221,525	9.36%
1996	1995	3,053,400	3,004,285	98.39%	65,607	3,069,892	100.54%	210,886	6.91%
1997	1996	2,735,700	2,679,180	97.93%	61,003	2,740,183	100.16%	222,352	8.13%
1998	1997	3,038,767	2,986,332	98.27%	89,084	3,075,416	101.21%	89,081	2.93%
1999	1998	3,403,144	3,314,812	97.40%	90,041	3,404,853	100.05%	152,968	4.49%
2000	1999	4,054,089	3,937,051	97.11%	90,041	4,027,092	98.57%	195,547	4.82%
2001	2000	4,915,155	4,864,930	98.98%	110,627	4,975,557	101.23%	169,192	3.44%
2002	2001	5,696,005	5,605,385	98.41%	55,841	5,661,226	99.39%	200,439	3.52%
2003	2002	6,619,325	6,487,602	98.01%	77,090	6,564,692	99.17%	254,405	3.84%
2004	2003	7,194,520	7,145,433	99.32%	176,253	7,321,686	101.77%	234,960	3.27%

CITY OF ROCKWALL, TEXAS
 ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE 6

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Assessed Value</u>	<u>Total Estimated Actual Value</u>	<u>Ratio of Assessed Value to Total Estimated Actual Value</u>
1995	1994	\$ 605,755,297	\$ 605,755,297	100.00%
1996	1995	660,645,203	660,645,203	100.00%
1997	1996	719,921,004	719,921,004	100.00%
1998	1997	834,932,223	834,932,223	100.00%
1999	1998	945,317,622	945,317,622	100.00%
2000	1999	1,125,145,000	1,125,145,000	100.00%
2001	2000	1,365,273,846	1,365,273,846	100.00%
2002	2001	1,582,093,220	1,582,093,220	100.00%
2003	2002	1,838,618,028	1,838,618,028	100.00%
2004	2003	1,998,462,449	1,998,462,449	100.00%

CITY OF ROCKWALL, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 7

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>County</u>	<u>State</u>	<u>Total</u>
1995	0.3900	1.4055	0.2820	--	2.0775
1996	0.4600	1.4900	0.3050	--	2.2550
1997	0.3800	1.4900	0.3050	--	2.1750
1998	0.3600	1.4900	0.3202	--	2.1702
1999	0.3600	1.4900	0.3202	--	2.1702
2000	0.3600	1.5780	0.3536	--	2.2916
2001	0.3600	1.8400	0.3534	--	2.5534
2002	0.3600	1.8372	0.3534	--	2.5506
2003	0.3600	1.8800	0.3534	--	2.5934
2004	0.3600	1.8800	0.3507	--	2.5907

CITY OF ROCKWALL, TEXAS
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE 8

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (1)</u>	<u>Debt Service Fund Balance</u>	<u>Net Bonded Debt</u>	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	12,200	\$ 605,755,297	\$ 992,000	\$ 117,506	\$ 874,494	0.14%	\$ 67
1996	13,800	660,645,203	9,324,999	141,636	9,183,363	1.39%	665
1997	14,500	719,921,004	8,589,999	182,083	8,407,916	1.17%	580
1998	15,300	834,932,223	7,476,173	228,315	7,247,858	0.87%	474
1999	16,100	945,317,622	15,085,161	284,139	14,801,022	1.57%	919
2000	17,050	1,125,145,000	23,034,550	386,149	22,648,401	2.01%	1,328
2001	18,934	1,365,273,846	21,838,229	509,255	21,328,974	1.56%	1,126
2002	20,967	1,582,093,220	24,725,337	551,753	24,173,584	1.53%	1,153
2003	22,850	1,838,618,028	23,101,523	683,650	22,417,873	1.22%	981
2004	25,200	1,998,462,449	21,413,933	694,758	20,719,175	1.04%	822

Notes:

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government only

CITY OF ROCKWALL, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2004
(Unaudited)

TABLE 9

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the year ended September 30, 2004 was:

Maximum rate per \$100 valuation	\$2.50
City of Rockwall 2003-2004 tax rate	<u>0.36</u>
Margin	<u><u>\$2.14</u></u>

CITY OF ROCKWALL, TEXAS
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 GENERAL OBLIGATION BONDS
 SEPTEMBER 30, 2004
 (Unaudited)

Table 10

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding (1)</u>	<u>Percentage Applicable to the City of Rockwall</u>	<u>Amounts Applicable to the City of Rockwall</u>
Direct:			
City of Rockwall	<u>\$ 20,719,175</u>	100.00%	<u>\$ 20,719,175</u>
Indirect:			
Rockwall Independent School District	392,639,979	57.31%	225,021,972
Rockwall County	<u>12,895,000</u>	50.61%	6,526,160
Total Indirect	<u>405,534,979</u>		<u>231,548,131</u>
Total Direct and Overlapping Bonded Debt	<u><u>\$ 426,254,154</u></u>		<u><u>\$ 252,267,306</u></u>
Average debt per capita			<u><u>\$ 6,761</u></u>

Notes

(1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation of the primary government.

CITY OF ROCKWALL, TEXAS
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 11

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures (3)	Ratio of Total Debt Service to General Governmental Expenditures
1995	\$ 345,986	\$ 238,730	\$ 584,716	\$ 5,677,057	10.30%
1996	423,631	645,083	1,068,714	6,783,700	15.75%
1997	585,875	491,302	1,077,177	7,979,939	13.50%
1998	682,915	508,733	1,191,648	9,561,795	12.46%
1999	741,443	409,747	1,151,190	9,988,581	11.53%
2000	700,636	1,026,654	1,727,290	11,459,654	15.07%
2001	1,196,321	1,305,721	2,502,042	13,440,260	18.62%
2002	1,590,000	1,198,065	2,788,065	15,833,535	17.61%
2003	1,623,841	1,238,365	2,862,206	17,626,420	16.24%
2004	2,831,984	1,039,907	3,871,891	20,243,894	19.13%

Notes:

- (1) Includes all general obligation debt serviced by the Debt Service Fund.
- (2) Excludes bond issuance costs.
- (3) Includes General, Debt Service, and Special Revenue Funds.

CITY OF ROCKWALL, TEXAS
REVENUE BOND COVERAGE
WATER AND WASTEWATER BONDS
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 12

<u>Fiscal Year</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirements for Revenue Bonds</u>	<u>Coverage</u>
1995	\$ 2,227,935	\$ 474,814	4.69
1996	1,821,101	479,685	3.80
1997	2,360,759	479,510	4.92
1998	3,419,166	477,888	7.15
1999	3,746,920	513,787	7.29
2000	5,351,052	499,195	10.72
2001	5,980,011	488,680	12.24
2002	3,155,073	494,080	6.39
2003	4,138,792	1,004,605	4.12
2004	4,338,561	996,108	4.36

Notes:

- (1) Net revenue available for debt service is calculated as total operating and non-operating revenues less total operating expenses (not including depreciation) less contractual interest and principal payments to the North Texas Municipal Water District.

CITY OF ROCKWALL, TEXAS
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE 13

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate % (3)</u>
1995	13,000	\$ 21,000	33.9	6,088	3.2
1996	13,800	22,000	33.1	5,900	2.9
1997	14,500	24,900	35.0	6,443	2.4
1998	15,300	30,201	38.1	6,898	2.3
1999	16,100	32,731	39.5	7,335	2.7
2000	17,050	32,731	34.9	8,435	3
2001	18,934	28,482	33.5	8,898	5.5
2002	20,967	28,162	32.2	9,617	7.1
2003	22,850	28,195	33.7	10,077	6.7
2004	25,200	32,637	36.3	10,527	5.1

Source:

- (1) Rockwall Economic Development Corporation
- (2) Rockwall Independent School District. No private schools included.
- (3) Texas Workforce Commission.

CITY OF ROCKWALL, TEXAS
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 14

Fiscal Year	New Commercial Construction (1)		New Residential Construction (1)		Total	Total Assessed Property Value
	Number of Units	Value	Number of Units	Value		
1995	43	\$ 6,252,665	172	\$27,108,258	\$ 33,360,923	\$ 60,575,297
1996	49	8,897,140	267	38,520,610	47,417,750	660,645,203
1997	56	26,589,846	278	41,659,665	68,249,511	719,921,004
1998	44	21,562,833	504	73,552,939	95,115,772	834,932,223
1999	36	18,810,452	488	72,960,161	91,770,613	945,317,622
2000	26	12,444,115	655	94,343,746	106,787,861	1,125,145,000
2001	13	16,001,068	767	119,521,248	135,522,316	1,365,273,846
2002	22	41,967,125	945	144,002,845	185,969,970	1,582,093,220
2003	27	40,304,701	755	117,512,216	157,816,917	1,838,618,028
2004	18	29,067,960	885	135,501,919	164,569,879	1,998,462,449

Notes:

(1) Source: City issued building permits

CITY OF ROCKWALL, TEXAS
 PRINCIPAL TAXPAYERS
 SEPTEMBER 30, 2004
 (Unaudited)

TABLE 15

Name	Type of Business	2004 Assessed Valuations	Percentage of Total Assessed Valuation
Continental Petroleum Technology	Container Manufacturer	\$ 35,129,020	1.76%
Wal-Mart Stores, Inc.	Retail Store	22,744,747	1.14%
SPM/WRI Rockwall, L.P.	Developer	17,559,561	0.88%
Oncor Electric Delivery Co	Electric Utility	14,626,950	0.73%
Rockwall I-30 Limited	Commercial Shopping Center	12,899,820	0.65%
Lowes Home Improvement	Home Improvement Store	12,641,842	0.63%
Steger Towne Crossing Ltd.	Commercial Shopping Center	9,768,360	0.49%
Bent Tree Realty Co.	Commercial Shopping Center	9,702,200	0.49%
Southwestern Bell Telephone	Utility	9,278,400	0.46%
Kohl's Department Store	Retail Store	<u>8,919,017</u>	<u>0.45%</u>
	Subtotal	153,269,917	7.67%
Remaining Roll	Total roll	<u>2,084,307,665</u> <u>1,998,462,449</u>	<u>7.67%</u>

CITY OF ROCKWALL, TEXAS
TOP TEN EMPLOYERS IN ROCKWALL AREA
SEPTEMBER 30, 2004
(Unaudited)

TABLE 16

<u>Employer</u>	<u>Number of Employees</u>
Rockwall Independent School District	1,350
Wal-Mart Superstore	450
Texas Star Express	400
County of Rockwall	250
City of Rockwall	200
James Helwig & Son	200
Special Products & Manufacturing	200
GE PMI Services	200
Target	170
Rockwall Nursing Home	150

CITY OF ROCKWALL, TEXAS
SCHEDULE OF INSURANCE IN FORCE
SEPTEMBER 30, 2004
(Unaudited)

TABLE 17

<u>Description of Coverage</u>	<u>Insurer</u>	<u>Date Expires</u>	<u>Liability Limits</u>
General Liability, Auto	Texas Municipal League Joint Self - Insurance	10/1/2004	\$5,000,000 - bodily injury and property damage
Liability and Property Coverage	Texas Municipal League Joint Self - Insurance	10/1/2004	\$16,870,300 municipal property
Comprehensive Law Enforcement Liability	Texas Municipal League Joint Self - Insurance	10/1/2004	\$5,000,000
Public Officials and Employee Legal Liability	Texas Municipal League Joint Self - Insurance	10/1/2004	\$5,000,000
Airport Liability	Texas Municipal League Joint Self - Insurance	10/1/2004	\$1,000,000
Airport Property	Texas Municipal League Joint Self - Insurance	10/1/2004	\$1,000,000

CITY OF ROCKWALL, TEXAS
PROPERTY TAX EXEMPTIONS
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 18

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
1995	\$16,423,440	\$ 138,000	\$14,730,750	\$ 7,446,302	\$ -
1996	17,526,920	139,500	14,105,490	1,949,502	-
1997	18,890,430	572,540	14,427,950	5,465,975	-
1998	21,247,629	569,970	20,550,470	1,634,676	3,676
1999	24,255,378	733,000	29,972,670	6,844,740	57,091
2000	27,511,159	759,504	34,508,640	7,041,464	26,250
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	-
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011

CITY OF ROCKWALL, TEXAS
 SALES TAX COLLECTIONS
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE 19

<u>Fiscal Year</u>	<u>Total Sales Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
1995	\$ 1,306,639	55.20%	0.22
1996	1,806,727	59.17%	0.27
1997	2,683,477	130.00%	0.49
1998	3,577,892	156.20%	0.51
1999	4,548,948	133.67%	0.48
2000	5,834,244	143.91%	0.52
2001	6,109,463	124.62%	0.45
2002	6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34

CITY OF ROCKWALL, TEXAS
TOP TEN WATER CUSTOMERS
SEPTEMBER 30, 2004
(Unaudited)

TABLE 20

Name	Fiscal 2004 Water Usage	Percentage of Total Water Usage
Rockwall Independent School District	44,920,100	2.84%
City of Rockwall	29,407,300	1.86%
Legends on the Lake	18,031,100	1.14%
D.W.C. - Highlife Properties	15,824,100	1.00%
Walden Residential Properties	14,958,600	0.95%
Sabre Realty Management Company	13,629,600	0.86%
Caruth Ridge Estates	11,716,600	0.74%
Steger Towne Crossing	9,776,500	0.62%
Lake Pointe Baptist Church	9,543,600	0.60%
Rockwall Travel Center	9,080,800	0.57%
Subtotal	<u>176,888,300</u>	<u>11.18%</u>
Remaining water usage	<u>1,402,683,700</u>	<u>88.82%</u>
Total water usage	<u><u>1,579,572,000</u></u>	<u><u>100.00%</u></u>

CITY OF ROCKWALL, TEXAS
WATER AND SEWER RATES
LAST TEN FISCAL YEARS
(Unaudited)

Table 21

Fiscal Year	Water		Sewer			
	Minimum (1)	Per M Over Minimum	Residence Base	Per M Over Base	Commercial Base	Per M Over Base
1995	\$ 7.40	\$ 2.65	\$ 7.40	\$ 0.77	\$ 11.10	\$ 0.77
1996	7.40	2.65	7.40	1.20	11.15	1.20
1997	7.40	2.65	7.40	1.20	11.15	1.20
1998	7.40	2.65	7.40	1.20	11.15	1.20
1999	7.40	2.65	7.40	1.20	11.15	1.20
2000	7.40	2.65	7.40	1.20	11.15	1.20
2001	7.40	2.65	7.40	1.20	11.15	1.20
2002 (1)	7.40	1.96	7.40	1.40	7.40	1.40
2003	7.40	1.96	7.40	1.40	7.40	1.40
2004	7.40	1.96	7.40	1.40	7.40	1.40

Notes:

(1) Rates for 2002 and 2003 reflect base rates for residential meters size 5/8" only up to 12,000 gallons.

CITY OF ROCKWALL, TEXAS
 MISCELLANEOUS STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE 22

Date of Incorporation	1,874	
Form of government	Council-Manager	
Estimated Population	25,200	
 Miles of Streets:		
Public Streets - City maintained	127.66	
Private Streets - privately maintained	13.60	
State highways - excluding interstates	22.67	
Interstate highways - I-30	4.61	
 Area in square miles	 23.43	
 Fire Protection:		
Number of stations	2	
Number of employees	8	
Number of volunteer fire personnel	36	
 Recreation and Culture:		
Number of picnic areas	26	
Number of swimming pools	2	
Number of playgrounds	12	
Number of golf courses	--	
 Police Protection:		
Number of stations	1	
Number of uniformed officers	51	
Number of civilian personnel	17	
Number of animal control officers	5	
 Library - County operated		
Number of volumes	38,934	
Circulation	137,210	
Education:	Number of	Number of Teachers
	<u>Students</u>	<u>Number of Teachers</u>
Elementary schools (10)	5,732	453
Middle schools (2)	1,597	117
Freshman Center (1)	875	60
High school (1)	2,237	147
Alternative education (1)	86	8
 Municipal Water and Sewer System:		
Number of water customers	10,497	
Average daily consumption	4,327,595	
Total annual consumption	1,579,572,000	
Peak daily consumption	12,206,000	
 Storage		
Elevated (3)	3,500,000	
Below ground (2)	4,000,000	
Number of sewer customers	9,282	

CITY OF ROCKWALL, TEXAS
HISTORICAL GROWTH - WATER AND SEWER CONNECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 23

Fiscal Year	Water		Sewer	
	Number of Meters	Percent of Increase	Number of Connections	Percent of Increase
1995	4,966	6.11%	4,467	4.52%
1996	5,223	5.18%	4,785	7.12%
1997	5,551	6.28%	4,993	4.35%
1998	6,124	10.32%	4,340	6.95%
1999	6,615	8.02%	5,749	7.66%
2000	7,035	6.34%	6,310	17.06%
2001	7,875	11.94%	7,026	11.34%
2002	8,827	12.09%	7,781	10.75%
2003	9,440	6.94%	8,510	9.37%
2004	10,497	11.20%	9,282	9.07%

CITY OF ROCKWALL, TEXAS
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 24

Fiscal Year	Assessments Levied	Assessments Collected	Assessments Receivable
1994	\$ 107,183	\$ 162,867	\$ 628,453
1995	40,083	43,469	628,067
1996	23,549	143,644	507,972
1997	95,465	34,140	569,297
1998	157,688	80,810	646,175
1999	40,861	315,749	371,287
2000	-	77,364	293,923
2001	-	23,823	270,100
2002	-	35,685	234,415
2003	-	44,399	190,016
2004	-	104,132	85,884