

CITY OF ROCKWALL, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, Director of Finance

CITY OF ROCKWALL, TEXAS
Comprehensive Annual Financial Report
For the Year Ended September 30, 2008

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INTRODUCTORY SECTION



City of Rockwall

The New Horizon

March 9, 2009

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

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2008, 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 disclosures 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, CPA 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, 2008, 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 auditor 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, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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 eastern 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 International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 25.43 square miles and an estimated population of 31,748.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments have been adopted as recently as 2005. 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 of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and 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. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when 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 enjoys a favorable economic environment and local indicators point to continued stability. In 2008 commercial development slowed as the national economy did. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Property values rose modestly. The most recent five-year average is 8.39% per annum. The City's largest taxpayers include a number of commercial developments. Table 12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to assist companies looking to locate their business in the City. The year's highlights included:

- Completion by Whittle Development of the full service Hilton Hotel and Conference Center which complements Phase I of their Bella Harbor, lakefront development. The development includes approximately 90,000 square feet of retail and restaurant space which provided premier entertainment opportunities for the area during the year.
- Belk's Department Store, Best Buy and Dick's Sporting Goods opened in time for the 2007 Holiday shopping season with Staples, Ulta and JC Penney following shortly after the holidays. These stores are featured in the Plaza Development.
- Sports Authority opened a 53,600 square foot store in the Steger Towne Development.
- Costco Corporation began construction on a Costco Wholesale store location in Rockwall. The 149,000 square foot store will enhance Rockwall's role as a regional shopping destination.
- Presbyterian Hospital of Rockwall opened their acute care facility in December 2008 and began construction of approximately 40,000 square feet of medical office space in the immediate area.
- Shenaniganz, calling itself an "eater-tainment destination will open late in 2008 and will include bowling, laser tag, an arcade, rock climbing, go carts and restaurant areas.
- Downtown Rockwall will benefit from the attention that will be garnered as Rockwall was named a Texas Main Street City in October 2008. The program will officially kick off with a visit by the First Lady of Texas in spring 2009.
- SPR Packaging, LLC completed development of a major rail-served industrial location on the new Justin Road and Industrial Boulevard extensions. SPR is expected to build, phased-development in excess of 150,000 square feet, adding significant value to the property tax base.

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. Our Parks consultant completed development of concept plans for several future parks projects, while the City is moving forward with the acquisition of land for another regional park project. This land will allow the City to develop a 50-acre park in the southern area of the City. The City Council also has reviewed the consultant's report on long range planning of space needs for the next 20 years.

The Planning and Zoning department worked to expand the city's use of GIS technology by coordinating training and information gathering across departments. The City Council has identified the downtown area as a critical component of our long range plan. The City working with business and community leaders coordinated an effort to be named a Texas Main Street City and will be pursuing the planning and design opportunities this program provides. An update of the Central Business District zoning was completed in 2008 as well as the full documentation of the historic business buildings in the downtown area with the assistance of a Historic Preservationist.

The city initiated a street condition study to evaluate the priorities for street repairs needed. The study results will be employed as the City develops future maintenance budgets and capital improvement programs.

The City hired a consulting firm to expand the Harbor development concept by looking at the development potential of the adjacent 60 acres of undeveloped land. A concept plan for Planned Development 32 (PD 32) is being completed and will include expanding the mixed-use concept and will include retail, restaurants, office and residential spaces.

The City completed the study and implementation of a roadway impact fee as well as updates to the water and sewer impact fees. A water and sewer rate study will be completed in late 2008.

The Rockwall Economic Development Corporation furthered their planning efforts by finalizing their Destination 2020 plan in 2008. This comprehensive document includes demographics, target industries, marketing strategies, competition, site selection criteria, and alliances among its parameters. The REDC is establishing a marketing manager position to better position them to attract and retain industry in Rockwall.

Organizationally, the City began 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 and are updated as progress is made and priorities change. These business plans develop performance measures for the strategic initiatives for which each department is responsible. During 2006, the City began a process to implement the Customer Centered Culture methodology (C3) into the organization.

C3 encourages cross department teams to follow a proven course of data compilation and actions that allow the teams to develop product improvements. C3 recognizes that the services we provide are ultimately comprised of a number of products and processes and those must be

designed to meet our customer's needs, not what we perceive are their needs. Training was conducted with more than 40 employees to develop meeting facilitation skills in order to further this effort. Four project teams presented their reports to Council in 2008 and many of their suggested improvements have been implemented. Their efforts were used to build the framework by which the City moves forward integrating C3 organizationally with new teams established as projects become known.

In addition, the City refined its "Rockwall University" program to cover a broader range of training programs. Courses initially allowed employees to understand the workings of departments other than their own. The course offerings will also be used to complement the city's succession planning program. Mid level managers and first line supervisors have and will continue to participate in workshops to develop their management skills and prepare our next generation of organization leaders. This group will collaborate on projects to build cross department alliances and understanding of the resources available to our managers.

Future Development

Transportation

The City continued progress on the multi-phased construction of the 205 Bypass roadway project approved by voters in late 2005. The roadway was officially named "John King Boulevard" in honor of our late council member. This roadway, on the eastern edge of the City is expected to provide traffic relief through the City's center and will be completed in December 2008. The Texas Department of Transportation is expected to begin construction on a new overpass which will allow an additional means of crossing I-30 on the new roadway. TxDot continued work on the widening of SH205 (Goliad Street) through the City in 2008, a project which will take up to 4 years to complete. City projects under construction in 2009 will include the reconstruction of Airport Road, a much traveled east-west roadway.

The City is a member of a County-wide Consortium which allows the County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, most of which involves partial or complete state participation. The County presented a bond initiative to voters which met with positive approval and will provide advance planning and design funds for 4 major roadway projects. This will allow those projects to be ready to commence as soon as state funding is allocated for construction.

Medical Services

Recent developments in the Horizon Road area have focused on medical services. With the opening of Presbyterian Hospital of Rockwall in 2008, acute care is now available in the City. Expansion of the facility is being studied now. Several new medical buildings with Doctor's suites joined state of the art out-patient diagnostic imaging facilities in the past two years. Ancillary medical office buildings and long term care facilities are planned for near term development. The medical corridor is quickly developing into a regional medical destination.

Retail / Entertainment

"The Harbor" public improvements, situated on the shores of Lake Ray Hubbard at I-30, were completed early in fiscal year 2008. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space. The largely undeveloped

hillside now includes a full-service Hilton Hotel and Conference Center. The City and Chamber of Commerce are working to attract events to the Conference Center formally open in spring 2008. The development has become a regional entertainment destination.

In conjunction with the private development, the City established a tax increment financing (TIF) zone in an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects.

Recreation

The City completed construction on neighborhood parks in the Emerald Bay and Hickory Ridge subdivisions in 2008. Planning for the third major park included a C3 project by the City to determine customer's desires for the park and its amenities. The City Council reviewed concept plans for the remaining regional parks projects. Trail development has long been a priority for the City and construction of trail connections will continue in 2009 with voter approved bond proceeds.

The City's popular Concert on the Lake series continues to draw thousands of residents and visitors each week. Founder's Day on the Downtown Square draws visitors to shop merchant's wares, see artist's exhibits, learn about city departments and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend.

Facilities

Design of Fire Stations 3 and 4, approved by voters in 2005, has been completed and construction is underway. The stations should be open in summer 2009.

The new Rockwall Animal Adoption Center opened its doors in 2008, the culmination of many years of planning and funding efforts. The new facility allows staff to care for animals until they are reunited with their family and provide opportunities for the public to find their new pet.

The Rockwall Police Department began training in their new Firearms Training Facility in 2008. A joint effort between the county and four area cities allows each entity to provide a training facility which should meet their department's needs for many years at a reasonable cost to the taxpayers. The joint project was the first capital improvement project financed by the Emergency Services Corporation, a local government corporation established by Rockwall County and its seven cities to promote regional cooperation on emergency services projects.

Utilities

The water and sewer rates last increased in 2006 are being reviewed and staff will be recommending a rate increase in early 2009. The City purchases treated water as a founding member city of the North Texas Municipal Water District. The City completed construction on a new two-million gallon water tower in the northern area of the City and construction is ongoing Squabble Creek sewer system which will connect to the regional sewer interceptor system. A number of main extension projects are being undertaken to provide water and sewer service to annexed areas of the City.

The City's water system was recognized with the Texas Commission on Environmental Quality's "Superior" rating in 2008.

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. 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. The City's program includes employee health insurance and workers' compensation. 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 (TMRS), an agent multiple-employer public retirement system. Pension expense for the calendar year ended December 31, 2008 (including prior service costs amortized over 25 years) was \$1,561,437. The City is aware of changes in the actuarial methodology TMRS will be employing and is incorporating those changes into our operating budget as needed. The City of Rockwall does not provide post employment health and dental benefits for retirees.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-08(net of Debt Service)	\$93,145,159
Estimated Population	31,748
G.O. Debt Per Capita	\$2,934
Net G.O. Debt per Assessed Value	3.32%

The City received a bond ratings upgrade in September 2008 from Standard & Poor's Ratings Group and the current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	AA-	A-	A-
Moody's Investor Service Inc.	A1	A2	A3

AWARDS AND ACKNOWLEDGEMENTS

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, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

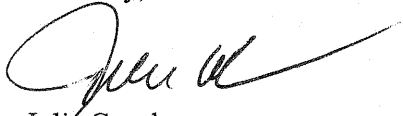
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last eighteen consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting 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, 2007

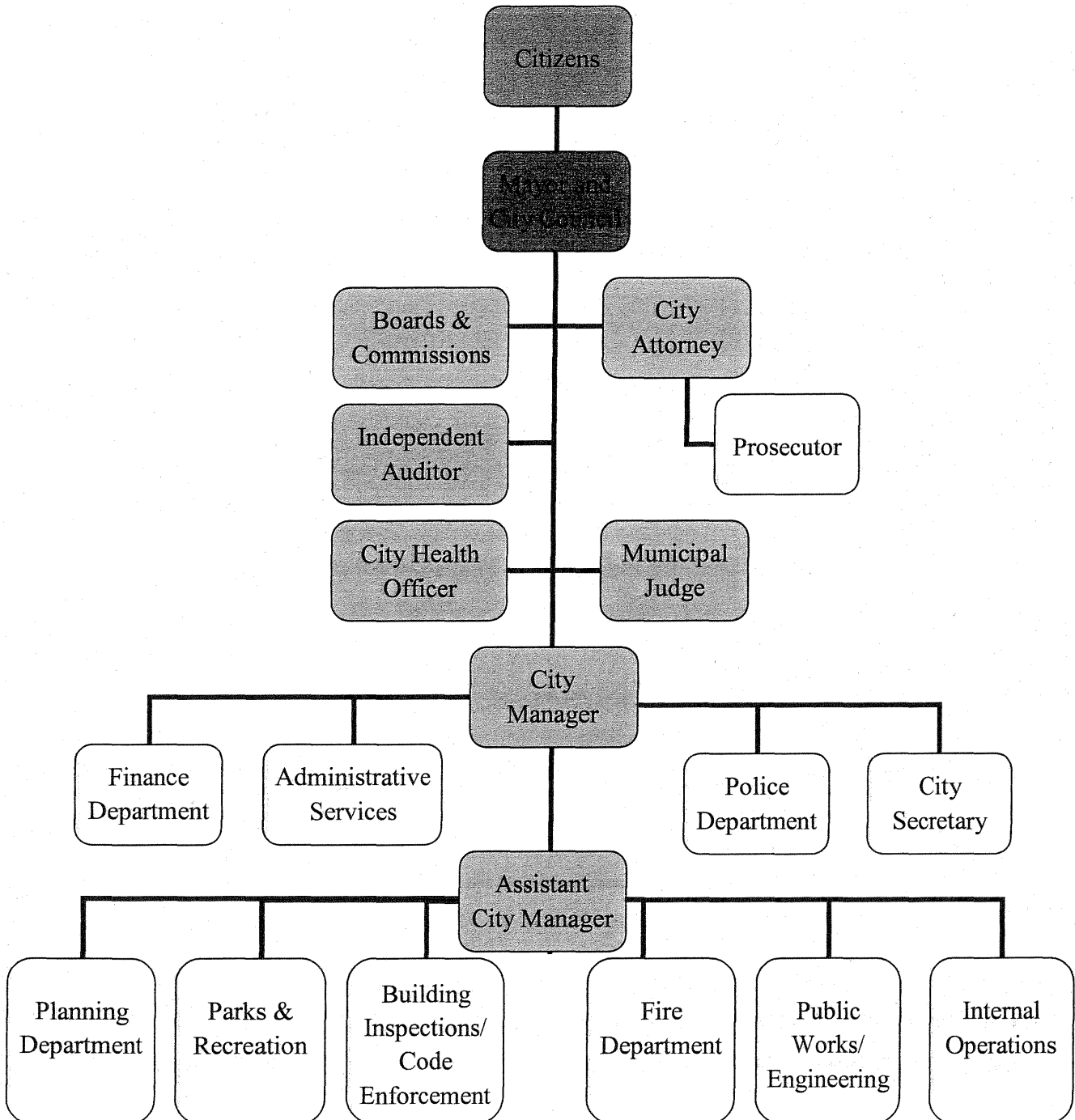
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2008

City Council

Bill Cecil, Mayor
Cliff Sevier, Mayor Pro-Tempore
Glen Farris, Councilmember
Margo Nielsen, Councilmember
Mark Russo, Councilmember
Matt Scott, Councilmember
David Sweet, Councilmember

City Staff

Julie Couch, City Manager
Rick Crowley, Assistant City Manager
Mary Smith, Director of Finance
Cheryl Dunlop, 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



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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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. 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 14–25 and the budgetary comparison information on page 67 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 and statistical sections 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
March 9, 2009

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, 2008. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net assets were \$162,711,817 at September 30, 2008.
- During the year, the City's expenses were \$5,279,726 less than the \$41,575,154 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, 2008 by \$91,412,270 (net assets). Of this amount \$13,643,810 (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 \$8,264,368 or approximately 37.3 percent of the total general fund expenditures and transfers out.
- The City's total outstanding bonds and certificates of obligation (excluding enterprise and component unit debt) increased by \$17,934,538 during fiscal year 2008. 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.

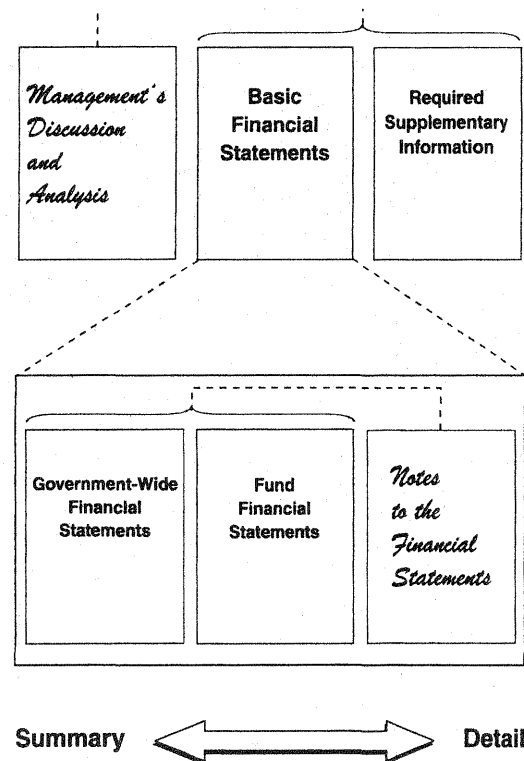
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

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>	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance Sheet ◆ Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of revenues, expenses & changes in fund net assets ◆ Statement of cash flows 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in assets & liabilities
<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, 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.

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 City Council appoints the component unit's Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements can be found on pages 26 - 28 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 20 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, debt service fund, G.O. bonds capital projects fund and the 205 Bypass fund, all of which are considered to be major funds. Data from the other 16 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 governmental-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 are 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 assets and liabilities. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the financial statements-The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report 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 2008, the City's net assets (assets exceeding liabilities) totaled \$162,711,817. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

The largest portion of the City's net assets (68.6% percent) 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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 36,360,385	\$ 41,092,200	\$ 24,777,143	\$ 21,972,598	\$ 61,137,528	\$ 63,064,798
Capital Assets	<u>159,028,553</u>	<u>126,605,277</u>	<u>75,677,237</u>	<u>66,519,736</u>	<u>234,705,790</u>	<u>193,125,013</u>
Total Assets	<u>195,388,938</u>	<u>167,697,477</u>	<u>100,454,380</u>	<u>88,492,334</u>	<u>295,843,318</u>	<u>256,189,811</u>
Long-term liabilities	96,442,149	77,966,001	27,620,000	18,678,087	124,062,149	96,644,088
Other liabilities	<u>7,534,519</u>	<u>3,598,932</u>	<u>1,534,833</u>	<u>1,836,723</u>	<u>9,069,352</u>	<u>5,435,655</u>
Total Liabilities	<u>103,976,668</u>	<u>81,564,933</u>	<u>29,154,833</u>	<u>20,514,810</u>	<u>133,131,501</u>	<u>102,079,743</u>
Net Assets						
Invested in capital assets, net of related debt	63,546,273	49,487,300	48,127,382	47,893,027	111,673,655	97,380,327
Restricted for debt service	1,009,161	1,213,241	2,242,596	1,894,720	3,251,757	3,107,961
Restricted for capital projects	13,213,026	22,045,706	15,645,640	12,726,158	28,858,666	34,771,864
Unrestricted	<u>13,643,810</u>	<u>13,386,297</u>	<u>5,283,929</u>	<u>5,463,619</u>	<u>18,927,739</u>	<u>18,849,916</u>
Total net assets	<u>\$ 91,412,270</u>	<u>\$ 86,132,544</u>	<u>\$ 71,299,547</u>	<u>\$ 67,977,524</u>	<u>\$ 162,711,817</u>	<u>\$ 154,110,068</u>

An additional portion of the City of Rockwall's net assets, \$32,110,423 or 19.7 percent represents resources that are subject to external restrictions on how they may be used. The net assets which are *Restricted for capital projects* are due to debt being issued as projects are designed and construction is beginning. The remaining unrestricted net assets, \$18,927,739, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the increase in total net assets for the year ended September 30, 2008.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Program revenues:						
Charges for services	\$ 3,958,270	\$ 3,798,806	\$ 10,267,047	\$ 8,771,324	\$ 14,225,317	\$ 12,570,130
Operating grants & contributions	151,741	1,059,602	-	-	151,741	1,059,602
Capital grants & contributions	6,620,540	3,193,554	5,616,869	2,808,528	12,237,409	6,002,082
General Revenues:						
Property taxes	14,780,112	11,827,931	-	-	14,780,112	11,827,931
Sales taxes	10,123,636	8,901,929	-	-	10,123,636	8,901,929
Other	<u>4,625,450</u>	<u>4,477,541</u>	<u>960,254</u>	<u>1,600,342</u>	<u>5,585,704</u>	<u>6,077,883</u>
Total revenues	40,259,749	33,259,363	16,844,170	13,180,194	57,103,919	46,439,557
Program expenses:						
Mayor/Council	117,366	111,555	-	-	117,366	111,555
Administration	7,384,773	5,523,924	-	-	7,384,773	5,523,924
Finance	1,338,894	1,138,210	-	-	1,338,894	1,138,210
Municipal Court	312,601	298,383	-	-	312,601	298,383
Police	7,130,698	7,001,771	-	-	7,130,698	7,001,771
Fire	2,242,829	2,207,468	-	-	2,242,829	2,207,468
Public works	7,094,068	6,928,067	-	-	7,094,068	6,928,067
Community development	2,229,753	2,018,363	-	-	2,229,753	2,018,363
Parks and recreation	4,025,927	3,088,750	-	-	4,025,927	3,088,750
Interest on long-term debt	4,418,519	3,612,523	-	-	4,418,519	3,612,523
Water and sewer	-	-	<u>12,206,742</u>	<u>10,917,707</u>	<u>12,206,742</u>	<u>10,917,707</u>
Total expenses	36,295,428	31,929,014	12,206,742	10,917,707	48,502,170	42,846,721
Increase (decrease) in net assets						
before transfers	3,964,321	1,330,349	4,637,428	2,262,487	8,601,749	3,592,836
Transfers	<u>1,315,405</u>	<u>1,350,335</u>	<u>(1,315,405)</u>	<u>(1,350,335)</u>	-	-
Increase (decrease) in net assets	5,279,726	2,680,684	3,322,023	912,152	8,601,749	3,592,836
Net assets, October 1	<u>86,132,544</u>	<u>83,451,860</u>	<u>67,977,524</u>	<u>67,065,372</u>	<u>154,110,068</u>	<u>150,517,232</u>
Net assets, September 30	<u>\$ 91,412,270</u>	<u>\$ 86,132,544</u>	<u>\$ 71,299,547</u>	<u>\$ 67,977,524</u>	<u>\$ 162,711,817</u>	<u>\$ 154,110,068</u>

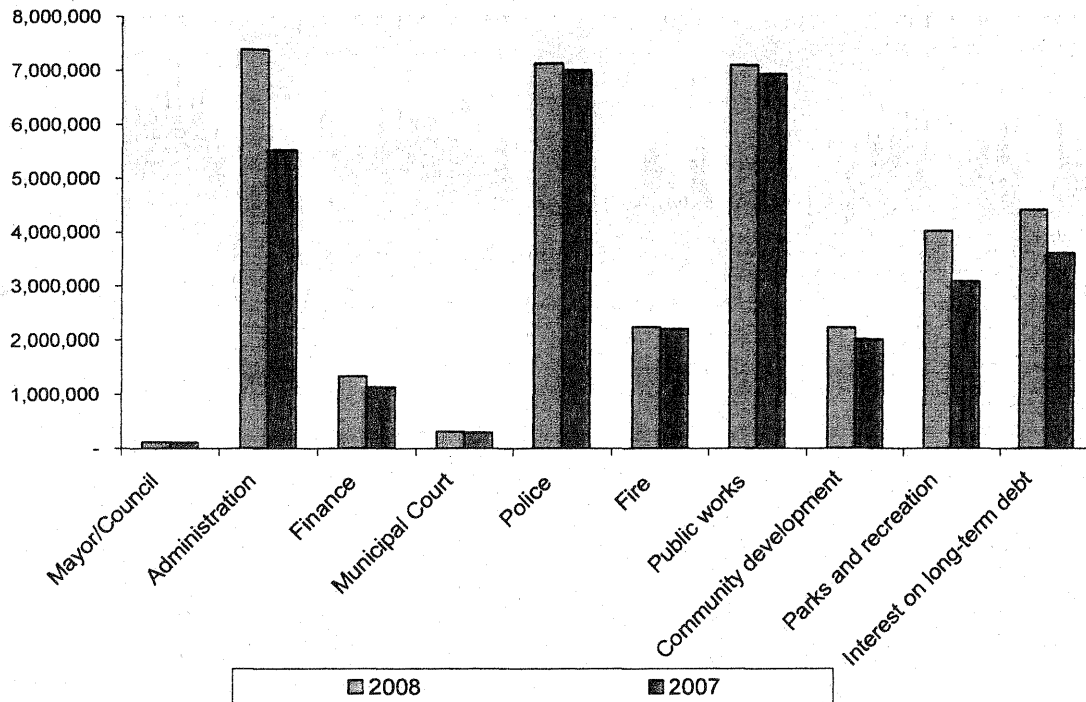
Governmental Activities

The City's total revenues of governmental activities were \$40,259,749. A significant portion 36.7%, of the City's revenues came from property taxes. Another 25.2% of revenue came from sales taxes. Ad valorem property tax revenues continue to increase each year due to the addition of new properties and increased valuation throughout the City. Assessed values of the properties in the City increased by 226,571,281 or 8.8%. The City adopted a property tax rate of 48.65 cents per \$100 of assessed valuation for fiscal year 2008. This represented an increase of 6.15 cents. This marked only the third time in thirteen years that the tax rate was increased. The increase was attributable in large part to debt service requirements for voter approved projects. Sales tax revenue increased significantly over the prior year. The increase at 13.7% was reflective of the addition of several new retail opportunities.

The overall economy slowed significantly during 2008. The national decline in new housing starts was felt on the local level as well with residential building permits revenue down (included in other revenues) when compared to prior year's levels. The City experienced moderate levels of commercial building during the fiscal year which kept revenues in line with prior years. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas.

The Bella Harbor project, a lakefront multi-use planned development, completed construction of a new Hilton Hotel and Conference Center and Phase I of their retail district. It is expected to have a positive effect on sales taxes and property taxes in the area as well as tourism. A tax increment financing zone was established to provide for public improvements in the area.

Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$36,295,428. Of these costs \$7,130,698 (19.6%) was for the Police Department. Administrative departments including Administration, Human Resources, and Internal Operations had combined costs of \$7,384,773 (20.3%). Public Works costs were \$7,094,068 (19.5%) and reflected the cost of ongoing street construction and rehabilitation projects.

Business-Type Activities

The City's business-type activities recorded an increase of \$3,322,023 in net assets, due in large part to developer contributions in the form of dedicated transmission lines. Water sales were recovering in 2008, following a period of drought and mandatory conservation measures. The City having previously implemented conservation water rates in 2001 began enforcing mandatory water restrictions in a regional effort to curtail usage during the drought period. This resulted in lower water sales for the fiscal year 2007 and an extended period in fiscal year 2008. Sewer charges were not affected significantly because the City uses winter averaging to calculate sewer billing. Water and sewer charges were \$10,267,047. Ending working capital, excluding restricted assets, for the water and sewer fund was \$4,374,587. This increase in working capital is reflective of the increase in water sales over the prior year.

Water and sewer impact fees revenue totaled \$411,275 for the fiscal year. These impact fees are paid by developers and are designed to reduce the system's initial costs in building assets which are needed to accommodate population growth.

The City's water system has received the "Superior" rating by the Texas Commission on Environmental Quality.

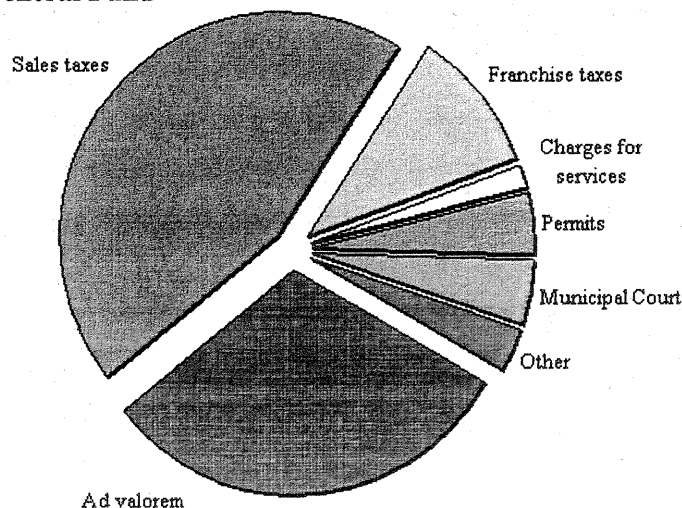
Component Units

The Rockwall Economic Development Corporation (REDC) reported revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$3,637,755. Assets managed by the corporation include an inventory of over 310 acres of land, zoned for light industrial uses and available for sale. This includes the addition of approximately 90 acres during fiscal year 2008. 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 \$8,264,368. The main source of general fund revenue is sales tax, it accounted for \$9,640,955 (44.9%) of total general fund revenue. Ad valorem property taxes account for \$6,604,295 (30.8%) of general fund revenues. The City maintains the unreserved fund balance at acceptable levels as defined within the City's financial policies. This "reserve" balance, representing more than four months of recurring operating expenditures allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows.

Revenues by Source – General Fund



The City's *Debt Service Fund* reported a planned decrease in fund balance of \$248,117. Property tax collections for debt service requirements were \$8,103,847. This represents an increase of 32.8% in order to pay debt service payments on bonds issued to construct several voter approved road and parks projects underway in 2008.

The City began several road projects in fiscal year 2007 which were funded through debt issuance. The City reports these projects in its *GO Bonds Capital Projects Fund*. The City issues General Obligation bonds for voter approved projects. In addition to roadway rehabilitation and extension projects, completion of neighborhood parks projects and construction of two fire stations was funded. Capital Outlay totaling \$7,785,261 is reported for 2008 on these multi-year projects. Most projects are expected to be completed in 2009.

The City also issued General Obligation bonds in 2006 and 2007 to begin the phased design and construction of the new *205 Bypass Project*, now formally named John King Boulevard. Voters approved construction of the roadway in a 2005 Bond Election Proposition. The project included the multi-phase design, right of way acquisition and construction of a new 7 mile roadway on the eastern edge of the City designed to alleviate traffic burdens on State Highway 205 through the center of the City. The project was completed by December 31, 2008.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2008, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the budgeted expenditures of \$19,903,300 increased to \$20,153,340 while revenues increased from \$20,468,100 to \$20,941,150. The City of Rockwall had originally estimated the ending general fund balance to be \$8,346,396 however due to the budget adjustments mentioned above, the fund balance was re-estimated to be \$7,705,856.

General fund revenues were \$21,425,343, an increase of \$484,193 over the final budget. Actual general fund total expenditures were in line with the revised budget. The actual fund balance of \$8,266,814 was higher due to management's conservative projections of both revenues and expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2008 the City had \$234,705,790 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

**Table 3
Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 5,692,561	\$ 4,713,559	\$ 799,533	\$ 799,533	\$ 6,492,094	\$ 5,513,092
Buildings	8,055,502	8,400,432	100,537	105,971	8,156,039	8,506,403
Improvements other than buildings	21,826,441	19,718,273	56,659,071	50,688,864	78,485,512	70,407,137
Machinery & Equipment	1,970,893	2,313,256	610,804	479,970	2,581,697	2,793,226
Vehicles	2,365,002	2,585,058	-	-	2,365,002	2,585,058
Furniture & Fixtures	698,274	779,273	2,941	4,031	701,215	783,304
Infrastructure	73,584,182	63,913,203	-	-	73,584,182	63,913,203
Construction in Progress	44,835,698	24,182,223	9,153,065	5,923,977	53,988,763	30,106,200
Wastewater treatment facilities	-	-	8,351,286	8,517,390	8,351,286	8,517,390
	<u>\$ 159,028,553</u>	<u>\$ 126,605,277</u>	<u>\$ 75,677,237</u>	<u>\$ 66,519,736</u>	<u>\$ 234,705,790</u>	<u>\$ 193,125,013</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 were under construction in 2008. A number of drainage projects are anticipated during the five-year planned capital improvement period. The City completed construction on the new Animal Adoption Center in Spring 2008.

The City held a bond election in November 2005 which funded road, park and fire projects in excess of \$64,000,000. In addition to the 205 Bypass project, the City was authorized to move forward with several neighborhood parks projects and the acquisition of land for two large regional parks. Progress has been made and includes the purchase of land for a large park in the northern area of the City, and completed construction on all of the neighborhood parks. The addition of two new fire stations was approved by the voters. Construction is underway and should be completed in Summer 2009.

Construction in progress at September 30, 2008 for governmental activities included the ongoing construction costs associated with the 205 Bypass project, the Fannin Street reconstruction project and various other improvements.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of waterline improvements and the extension of sanitary sewers into new areas of the city. A new two-million gallon water tower nearing completion in the northern area of the City was included in construction in progress at year end.

Additional information pertaining to the City of Rockwall's capital assets can be found in note 3-C on pages 49 - 52.

Debt

At year end, the City had \$121,405,090 in bonds and capitalized leases shown in Table 4.

**Table 4
City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 74,925,362	\$ 55,720,824	\$ 154,638	\$ 184,176	\$ 75,080,000	\$ 55,905,000
Certificates of obligation	18,810,000	20,045,000	9,935,000	-	28,745,000	20,045,000
Contractual obligations	245,000	280,000	-	-	245,000	280,000
Revenue bonds	-	-	12,530,000	13,360,000	12,530,000	13,360,000
Capital Lease obligations	-	-	4,805,090	5,040,094	4,805,090	5,040,094
	<u>\$ 93,980,362</u>	<u>\$ 76,045,824</u>	<u>\$ 27,424,728</u>	<u>\$ 18,584,270</u>	<u>\$ 121,405,090</u>	<u>\$ 94,630,094</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 3.32% or \$2,934 per capita.

The City's bond ratings at September 30, 2008 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor's Rating Group	AA-	A-	A-
Moody's Investor Service Inc.	A1	A2	A3

Additional information on the City of Rockwall's long-term debt can be found in note 3-E, on pages 54-61 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax 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 the economic climate. Rockwall has seen the construction of a number of new commercial/retail business developments which are expected to positively impact sales tax revenues. Slowing development caused the City to be very conservative in projecting revenues from sales taxes and building permits. While commercial building starts were strong in 2008, they are projected to be significantly more moderate in 2009. Interviews with local builders led the City to project continued slow home starts for the coming year.

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 a "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 2009. The budgeted revenues for fiscal year 2009 total \$21,905,000 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. Due to the debt service requirements of voter approved debt, issued in years 2006 - 2008 and to be issued shortly after the new fiscal year begins, the property tax rate was increased to 50.31 cents per hundred dollars of assessed value. Due to the slowing economy but in recognition of the new Costco Wholesale Store opening in spring 2009, city officials have projected a 5% increase in that revenue 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 3 months recurring operating expenditures. The recommended fund balance is 5 months of recurring operating expenditures and the maximum fund balance is 7 months of recurring operating expenditures. The budget as adopted for fiscal year 2009 projects a fund balance of approximately 4.25 months of recurring operating expenditures.

A number of initiatives including a review of our code of ordinances and a land development study for Planned Development 32 are authorized for fiscal year 2009. The City budget includes funds for several small business owners to attend an exciting program on building destination businesses and the establishment of the Main Street program. The City is studying annexation of an area which is currently underserved in a number of ways. Planning efforts will focus on appropriate zoning for the area, bringing the water and wastewater system in the area up to city standards and assisting with property rehabilitations. Following the Customer Centered Culture methodology, the City expects to continue to integrate the program across all city departments and new projects. In addition, the City will again offer Citizen Fire and Police Academies to provide citizens the opportunity to learn more about these city departments and become active with the City.

The water and sewer rates adopted in fiscal year 2006 are being reviewed by our rate consultant with his report to be issued in fiscal year 2009. A number of capital projects to expand the system are being planned for fiscal year 2009.

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, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
ASSETS					
Cash and cash equivalents	\$ 2,479,343	\$ 101,648	\$ 2,580,991	\$ 18,956	\$ 17,592
Investments	28,363,914	4,238,889	32,602,803	2,938,557	39,938
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	377,460	-	377,460	-	-
Franchise taxes	1,206,284	-	1,206,284	-	-
Interest	236,381	30,715	267,096	1,365	-
Accounts	452,633	1,439,614	1,892,247	-	2,133
Assessments	149,063	-	149,063	-	-
Intergovernmental	1,670,324	-	1,670,324	556,709	-
Due from agency fund	22,000	-	22,000	-	-
Inventory	2,446	281,723	284,169	12,416,708	-
Restricted assets:					
Cash and cash equivalents	-	1,361,597	1,361,597	-	-
Investments	-	16,621,959	16,621,959	769,265	-
Accrued interest	-	141,116	141,116	-	-
Deferred charges	1,400,537	559,882	1,960,419	199,142	-
Capital assets not being depreciated	50,528,259	9,952,598	60,480,857	-	-
Capital assets being depreciated, net	108,500,294	65,724,639	174,224,933	20,070	-
Total assets	<u>195,388,938</u>	<u>100,454,380</u>	<u>295,843,318</u>	<u>16,920,772</u>	<u>59,663</u>
LIABILITIES					
Accounts payable and accrued liabilities	6,664,613	1,000,607	7,665,220	46,983	9,332
Accrued interest payable	715,635	236,436	952,071	82,150	-
Unearned revenue	40,842	-	40,842	-	-
Due to other governments	113,429	-	113,429	-	-
Customer deposits	-	297,790	297,790	-	-
Noncurrent liabilities:					
Due within one year	4,445,287	1,480,139	5,925,426	879,798	-
Due in more than one year	91,996,862	26,139,861	118,136,723	14,857,129	-
Total liabilities	<u>103,976,668</u>	<u>29,154,833</u>	<u>133,131,501</u>	<u>15,866,060</u>	<u>9,332</u>
NET ASSETS					
Invested in capital assets, net of related debt	63,546,273	48,127,382	111,673,655	20,070	-
Restricted for:					
Debt service	1,009,161	2,242,596	3,251,757	607,642	-
Capital projects	13,213,026	15,645,640	28,858,666	79,473	-
Unrestricted	13,643,810	5,283,929	18,927,739	347,527	50,331
Total net assets	<u>\$ 91,412,270</u>	<u>\$ 71,299,547</u>	<u>\$ 162,711,817</u>	<u>\$ 1,054,712</u>	<u>\$ 50,331</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Mayor/council	\$ 117,366	\$ -	\$ -	\$ -
Administration	7,384,773	438,747	40,775	-
Finance	1,338,894	875	100	-
Municipal court	312,601	974,973	-	-
Police	7,130,698	658,015	19,312	-
Fire	2,242,829	133,435	27,073	-
Public works	7,094,068	307,226	-	6,620,540
Community development	2,229,753	1,072,444	-	-
Parks and recreation	4,025,927	372,555	64,481	-
Interest on long-term debt	4,418,519	-	-	-
Total governmental activities	<u>36,295,428</u>	<u>3,958,270</u>	<u>151,741</u>	<u>6,620,540</u>
Business-type activities:				
Water and sewer	12,206,742	10,267,047	-	5,616,869
Total business-type activities	<u>12,206,742</u>	<u>10,267,047</u>	<u>-</u>	<u>5,616,869</u>
Total primary government	<u>\$ 48,502,170</u>	<u>\$ 14,225,317</u>	<u>\$ 151,741</u>	<u>\$ 12,237,409</u>
COMPONENT UNITS:				
Rockwall Economic Development Corporation				
	\$ 2,631,144	\$ -	\$ -	\$ -
Rockwall Technology Park				
	116,207	117,786	-	-
Total component units	<u>\$ 2,747,351</u>	<u>\$ 117,786</u>	<u>\$ -</u>	<u>\$ -</u>

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.

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
\$ (117,366)		\$ (117,366)		
(6,905,251)		(6,905,251)		
(1,337,919)		(1,337,919)		
662,372		662,372		
(6,453,371)		(6,453,371)		
(2,082,321)		(2,082,321)		
(166,302)		(166,302)		
(1,157,309)		(1,157,309)		
(3,588,891)		(3,588,891)		
(4,418,519)		(4,418,519)		
<u>(25,564,877)</u>		<u>(25,564,877)</u>		
	\$ 3,677,174	3,677,174		
	<u>3,677,174</u>	<u>3,677,174</u>		
<u>(25,564,877)</u>	<u>3,677,174</u>	<u>(21,887,703)</u>		
			\$ (2,631,144)	\$ -
			<u>-</u>	<u>1,579</u>
			<u>(2,631,144)</u>	<u>1,579</u>
14,780,112	-	14,780,112	-	-
10,123,636	-	10,123,636	3,250,735	-
2,421,094	-	2,421,094	-	-
1,742,348	817,599	2,559,947	148,519	1,453
462,008	142,655	604,663	238,501	-
1,315,405	(1,315,405)	-	-	-
<u>30,844,603</u>	<u>(355,151)</u>	<u>30,489,452</u>	<u>3,637,755</u>	<u>1,453</u>
5,279,726	3,322,023	8,601,749	1,006,611	3,032
86,132,544	67,977,524	154,110,068	48,101	47,299
<u>\$ 91,412,270</u>	<u>\$ 71,299,547</u>	<u>\$ 162,711,817</u>	<u>\$ 1,054,712</u>	<u>\$ 50,331</u>

The accompanying notes are an integral part of this statement.

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

	General	Debt Service	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 518,023	\$ 33,716	\$ 945,758	\$ 729,136	\$ 223,156	\$ 2,449,789
Investments	7,140,034	599,269	4,405,425	11,714,797	3,293,339	27,152,864
Receivables (net of allowances for uncollectibles):						
Ad valorem taxes	191,666	185,794	-	-	-	377,460
Interest	20,320	109	5,837	203,515	6,247	236,028
Accounts	61,339	145,239	118,412	-	67,188	392,178
Assessments	-	-	-	-	149,063	149,063
Intergovernmental	1,625,290	45,034	-	-	-	1,670,324
Due from other funds	189,000	-	-	-	-	189,000
Inventory	2,446	-	-	-	-	2,446
Total assets	\$ 9,748,118	\$ 1,009,161	\$ 5,475,432	\$ 12,647,448	\$ 3,738,993	\$ 32,619,152
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,187,685	\$ -	\$ 1,036,993	\$ 4,039,369	\$ 70,305	\$ 6,334,352
Deferred revenue	180,190	173,958	118,412	-	189,905	662,465
Due to other governments	113,429	-	-	-	-	113,429
Due to other funds	-	-	-	-	167,000	167,000
Total liabilities	1,481,304	173,958	1,155,405	4,039,369	427,210	7,277,246
Fund balances:						
Reserved for:						
Inventory	2,446	-	-	-	-	2,446
Debt service	-	835,203	-	-	-	835,203
Unreserved, reported in:						
General fund	8,264,368	-	-	-	-	8,264,368
Special revenue funds	-	-	-	-	3,145,275	3,145,275
Capital projects funds	-	-	4,320,027	8,608,079	166,508	13,094,614
Total fund balances	8,266,814	835,203	4,320,027	8,608,079	3,311,783	25,341,906
Total liabilities and fund balances	\$ 9,748,118	\$ 1,009,161	\$ 5,475,432	\$ 12,647,448	\$ 3,738,993	\$ 32,619,152

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, 2008

Total fund balances - governmental funds	\$ 25,341,906
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.	948,952
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	354,148
Assessments receivable	149,063
Contributions receivable	118,412
The following assets are not available to pay for current period expenditures and are not accrued in the funds:	
Franchise taxes receivable	1,206,284
Court fines receivable	22,199
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 \$49,877,208)	159,028,553
Costs of bonds issued to finance governmental activities (net of accumulated amortization of \$266,678)	1,400,537
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(959,869)
Bonds payable	(95,482,280)
Accrued interest payable	<u>(715,635)</u>
Net assets of governmental activities	<u>\$ 91,412,270</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, 2008

	General	Debt Service	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes, penalty and interest	\$ 6,604,295	\$ 8,103,847	\$ -	\$ -	\$ -	\$ 14,708,142
Sales taxes	9,640,955	250,151	-	-	232,531	10,123,637
Franchise taxes	2,179,847	-	-	-	-	2,179,847
Charges for services	362,107	-	-	-	-	362,107
Permits	976,701	-	-	-	145,804	1,122,505
Municipal court	988,190	-	-	-	189,220	1,177,410
Intergovernmental	283,724	-	-	-	135,976	419,700
Interest income	168,489	84,075	327,151	1,015,884	107,271	1,702,870
Miscellaneous	221,035	-	10,005	-	606,667	837,707
Contributions and donations	-	-	16,141	667,660	91,894	775,695
Total revenues	<u>21,425,343</u>	<u>8,438,073</u>	<u>353,297</u>	<u>1,683,544</u>	<u>1,509,363</u>	<u>33,409,620</u>
Expenditures:						
Current:						
Mayor/council	117,366	-	-	-	-	117,366
Administration	3,056,885	-	-	-	-	3,056,885
Finance	953,282	-	-	-	246,135	1,199,417
Municipal court	311,706	-	-	-	-	311,706
Police	6,611,692	90,182	-	-	221,805	6,923,679
Fire	1,447,231	-	-	-	4,739	1,451,970
Public works	2,638,085	-	-	-	186,182	2,824,267
Community development	2,219,167	-	-	-	-	2,219,167
Parks and recreation	2,674,833	-	-	-	232,396	2,907,229
Total current	<u>20,030,247</u>	<u>90,182</u>	<u>-</u>	<u>-</u>	<u>891,257</u>	<u>21,011,686</u>
Capital outlay:						
Administration	852	-	1,275,157	-	1,097,360	2,373,369
Finance	-	-	-	-	137,035	137,035
Police	4,845	-	-	-	70,054	74,899
Fire	1,795	-	318,509	-	407,491	727,795
Public works	8,429	-	4,539,237	24,383,957	120,016	29,051,639
Parks and recreation	5,926	-	1,652,358	-	83,720	1,742,004
Total capital outlay	<u>21,847</u>	<u>-</u>	<u>7,785,261</u>	<u>24,383,957</u>	<u>1,915,676</u>	<u>34,106,741</u>
Debt service:						
Principal	-	4,335,462	-	-	-	4,335,462
Interest	-	4,254,162	-	-	-	4,254,162
Bond issuance costs	-	-	143,266	317,664	7,907	468,837
Fiscal charges	-	6,384	-	-	-	6,384
Total debt service	<u>-</u>	<u>8,596,008</u>	<u>143,266</u>	<u>317,664</u>	<u>7,907</u>	<u>9,064,845</u>
Total expenditures	<u>20,052,094</u>	<u>8,686,190</u>	<u>7,928,527</u>	<u>24,701,621</u>	<u>2,814,840</u>	<u>64,183,272</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,373,249</u>	<u>(248,117)</u>	<u>(7,575,230)</u>	<u>(23,018,077)</u>	<u>(1,305,477)</u>	<u>(30,773,652)</u>
Other financing sources (uses):						
Transfers in	633,100	-	81,300	-	1,261,036	1,975,436
Transfers out	(2,076,231)	-	(437,500)	-	(201,300)	(2,715,031)
Bonds issued	-	-	6,765,000	15,000,000	505,000	22,270,000
Premium on bonds issued	-	-	151,037	334,893	4,171	490,101
Total other financing sources (uses)	<u>(1,443,131)</u>	<u>-</u>	<u>6,559,837</u>	<u>15,334,893</u>	<u>1,568,907</u>	<u>22,020,506</u>
Net change in fund balances	(69,882)	(248,117)	(1,015,393)	(7,683,184)	263,430	(8,753,146)
Fund balances, October 1	<u>8,336,696</u>	<u>1,083,320</u>	<u>5,335,420</u>	<u>16,291,263</u>	<u>3,048,353</u>	<u>34,095,052</u>
Fund balances, September 30	<u>\$ 8,266,814</u>	<u>\$ 835,203</u>	<u>\$ 4,320,027</u>	<u>\$ 8,608,079</u>	<u>\$ 3,311,783</u>	<u>\$ 25,341,906</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
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - governmental funds	\$ (8,753,146)
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.	(393,620)
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	71,970
Assessments receivable	(19,139)
Contributions receivable	(49,588)
Franchise taxes receivable	241,247
Court fines receivable	(15,654)
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 capital outlays (\$33,408,446) exceeded depreciation (\$6,314,742) and retirements (\$656,754) in the current period.	26,436,950
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.	5,986,326
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 (\$468,837) exceeded amortization (\$76,741) in the current period.	392,096
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.	(141,568)
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 proceeds (\$22,760,101) exceeded repayments (\$4,335,462) and bond premium amortization (\$60,336) in the current period.	(18,364,303)
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>(111,845)</u>
Change in net assets of governmental activities	<u>\$ 5,279,726</u>

The accompanying notes are an integral part of this statement.

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

	<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	\$ 101,648	\$ 29,554
Investments	4,238,889	1,211,050
Receivables (net of allowances for uncollectibles):		
Interest	30,715	353
Accounts	1,439,614	38,256
Inventory	281,723	-
Restricted assets:		
Cash and cash equivalents	1,361,597	-
Investments	16,621,959	-
Accrued interest	141,116	-
Total current assets	<u>24,217,261</u>	<u>1,279,213</u>
Noncurrent assets:		
Deferred charges	559,882	-
Capital assets not being depreciated	9,952,598	-
Capital assets being depreciated, net	65,724,639	-
Total noncurrent assets	<u>76,237,119</u>	<u>-</u>
Total Assets	<u>100,454,380</u>	<u>1,279,213</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	1,000,607	330,261
Customer deposits	297,790	-
Liability for compensated absences	70,145	-
General obligation bonds payable - current	349,460	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	860,000	-
Obligations under capital leases - current	248,337	-
Accrued interest payable	236,436	-
Total current liabilities	<u>3,062,775</u>	<u>330,261</u>
Noncurrent liabilities:		
General obligation bonds payable	9,821,037	-
Revenue bonds payable	11,656,330	-
Obligations under capital leases	4,614,691	-
Total noncurrent liabilities	<u>26,092,058</u>	<u>-</u>
Total Liabilities	<u>29,154,833</u>	<u>330,261</u>
NET ASSETS		
Invested in capital assets, net of related debt	48,127,382	-
Restricted for debt service	2,242,596	-
Restricted for construction	15,645,640	-
Unrestricted	5,283,929	948,952
Total Net Assets	<u>\$ 71,299,547</u>	<u>\$ 948,952</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, 2008

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
OPERATING REVENUES:		
Charges for services	\$ 10,267,047	\$ 397,876
Total operating revenues	<u>10,267,047</u>	<u>397,876</u>
OPERATING EXPENSES:		
Personnel services	1,691,363	-
Contractual services	6,536,258	3,083,587
Materials and supplies	468,001	-
Operations	168,596	-
Utilities	444,385	-
Depreciation and amortization	1,664,217	-
Total operating expenses	<u>10,972,820</u>	<u>3,083,587</u>
Operating loss	<u>(705,773)</u>	<u>(2,685,711)</u>
NON-OPERATING REVENUES (EXPENSES):		
Capital recovery fees	411,275	-
Interest income	817,599	39,477
Miscellaneous income	142,655	197,614
Paying agent fees	(16,422)	-
Interest expense	(1,217,500)	-
Total non-operating revenues (expenses)	<u>137,607</u>	<u>237,091</u>
Loss before transfers and capital contributions	<u>(568,166)</u>	<u>(2,448,620)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
Capital contributions	5,205,594	-
Transfers in	-	2,055,000
Transfers out	(1,315,405)	-
Total transfers and capital contributions	<u>3,890,189</u>	<u>2,055,000</u>
Increase (decrease) in net assets	3,322,023	(393,620)
Net assets, October 1	<u>67,977,524</u>	<u>1,342,572</u>
Net assets, September 30	<u>\$ 71,299,547</u>	<u>\$ 948,952</u>

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, 2008

	<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>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 10,779,441	\$ 557,985
Cash paid to employees for services	(1,646,089)	-
Cash paid to suppliers for goods and services	(8,021,752)	(3,008,700)
Net cash provided (used) by operating activities	<u>1,111,600</u>	<u>(2,450,715)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash paid to other funds	(1,315,405)	-
Cash received from other funds	-	2,055,000
Net cash provided (used) by non-capital financing activities	<u>(1,315,405)</u>	<u>2,055,000</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition or construction of capital assets	(5,583,693)	-
Capital recovery fees received	411,275	-
Proceeds from capital debt	10,243,236	-
Principal paid on capital debt	(1,469,542)	-
Interest and fees paid on capital debt	(1,171,932)	-
Net cash provided by capital and related financing activities	<u>2,429,344</u>	<u>-</u>
Cash Flows from Investing Activities:		
Purchase of investments	(43,908,218)	(1,945,000)
Proceeds from sales and maturities of investments	39,892,557	2,222,000
Interest and dividends received	634,998	31,798
Net cash provided (used) by investing activities	<u>(3,380,663)</u>	<u>308,798</u>
Net decrease in cash and cash equivalents	(1,155,124)	(86,917)
Cash and cash equivalents at beginning of year	2,618,369	116,471
Cash and cash equivalents at end of year	<u>\$ 1,463,245</u>	<u>\$ 29,554</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (705,773)	\$ (2,685,711)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	1,664,217	-
Miscellaneous income	142,655	197,614
Decrease (increase) in assets:		
Receivables	416,528	(37,505)
Inventories	(60,914)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(317,091)	74,887
Customer deposits	(46,789)	-
Compensated absences	18,767	-
Net cash provided (used) by operating activities	<u>\$ 1,111,600</u>	<u>\$ (2,450,715)</u>
Non-cash investing and financing activities:		
Capital contributions	<u>\$ 5,205,594</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, 2008

	Agency Fund
	Special Escrow
	Agency
ASSETS	
Cash and cash equivalents	\$ 199
Investments	1,717,589
Accrued interest receivable	25,183
Total assets	\$ 1,742,971
 LIABILITIES	
Due to developers	\$ 1,720,971
Due to other funds	22,000
Total liabilities	\$ 1,742,971

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

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 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.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2008, 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. RTPA does not have the authority to determine its budget, set rates or charges, or issue bonded debt without the approval of the City. Accordingly, RTPA is fiscally dependent on the City, and the City is financially accountable for RTPA.

The funds of both REDC and RTPA are composed of governmental fund types. Stand alone financial statements for REDC and RTPA as of and for the fiscal year ended September 30, 2008, are not prepared.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

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 financially 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 within 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 FINANCIAL STATEMENTS

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 debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The *205 Bypass Project Fund* accounts for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

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 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 accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

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.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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.

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

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 FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, liabilities, and net assets or equity – continued

Deposits and investments - 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 FINANCIAL STATEMENTS

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.

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 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.

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.

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.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, liabilities, and net assets or equity – continued

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 asset 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.

Capital assets 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

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. 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.

CITY OF ROCKWALL, TEXAS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, liabilities, and net assets or equity – continued

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

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.

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, 2008, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

A. Budgetary information – continued

6. The City did not adopt budgets for the Emergency Siren Fund, the Downtown Improvement Fund, and the Art in Public Places Fund, all of which are special revenue funds.
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 \$6,630 in the Police Investigation Fund because of costs incurred in establishing the department's tactical unit.

Expenditures exceeded appropriations by \$16,594 in the Recycling Fund due to heavier than expected volumes of materials collected at the City's Environmental Action Day event.

Expenditures exceeded appropriations by \$1,241,693 in the Rockwall Economic Development Corporation as a result of the acquisition of land and the sale of an industrial building which was held in inventory and secured a loan which was repaid with the sale.

C. Deficit fund equity

The Equipment Acquisition Fund had a deficit fund balance in the amount of \$144,585 at September 30, 2008, as a result of equipment purchases made in advance of a related debt issue. The City adopted a reimbursing resolution which allows these funds to be repaid with the proceeds of a future debt issue.

The Employee Benefits Fund had a deficit net asset balance in the amount of \$275,810 at September 30, 2008, because of unanticipated health care claims late in the fiscal year in excess of budgeted amounts. This deficit will be covered by future transfers from the General Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2008, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

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 \$1,280,419, 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.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2008, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments

At September 30, 2008, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-18
Primary Government					
U.S. government agencies:					
Federal Home Loan Bank	\$ 24,208,981	\$ 10,012,500	\$ 2,988,486	\$ 3,700,000	\$ 7,507,995
Federal Farm Credit Bank	2,518,750	-	2,518,750	-	-
	<u>26,727,731</u>	<u>10,012,500</u>	<u>5,507,236</u>	<u>3,700,000</u>	<u>7,507,995</u>
Money market funds	<u>24,214,620</u>	<u>24,214,620</u>	-	-	-
Total primary government	<u>50,942,351</u>	<u>34,227,120</u>	<u>5,507,236</u>	<u>3,700,000</u>	<u>7,507,995</u>
Discretely Presented Component Units					
Rockwall Economic Development Corporation:					
Certificates of deposit	300,000	-	100,000	-	200,000
Money market funds	3,407,822	3,407,822	-	-	-
Rockwall Technology Park:					
Money market funds	<u>39,938</u>	<u>39,938</u>	-	-	-
Total discretely presented component units	<u>3,747,760</u>	<u>3,447,760</u>	<u>100,000</u>	<u>-</u>	<u>200,000</u>
Total reporting entity	<u>\$ 54,690,111</u>	<u>\$ 37,674,880</u>	<u>\$ 5,607,236</u>	<u>\$ 3,700,000</u>	<u>\$ 7,707,995</u>

Investments are reported in the statement of net assets as follows:

Governmental activities	\$ 27,152,864
Business-type activities	22,071,898
Discretely presented component units:	
Rockwall Economic Development Corporation	3,707,822
Rockwall Technology Park	39,938
Fiduciary funds	1,717,589
	<u>\$ 54,690,111</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and investments – continued

Investments – continued

The City's investments in U.S. Treasury bills and notes are backed by the full faith and credit of the U.S. government. The City's investments in U.S. government agencies are rated AAA by Standard & Poor's or Aaa by Moody's Investors Service. The City's investments in certificates of deposit and money market funds are not rated. See Note 1 (pages 40-42) for a summary of the City's investment policy relating to credit risk.

Custodial credit risk for investments is the risk that the City will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2008, the City's investments were entirely insured or registered in the City's name; as a result, the City's investments were not exposed to custodial credit risk.

B. Receivables

In the Water and Sewer Fund, accounts receivable and revenues are reported net of uncollectible amounts. For the year ended September 30, 2008, the uncollectible amounts related to accounts receivable totaled \$427,799, and the uncollectible amounts related to revenues of the current period totaled \$75,651.

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	\$ 180,190	\$ -
Debt Service Fund	173,958	-
Assessments receivable not yet due:		
Street Improvements	149,063	-
Contributions not yet received:		
G.O. Bonds Capital Projects	118,412	-
Seizures not awarded:		
Special Crimes Unit	<u>-</u>	<u>40,842</u>
Total deferred revenue for governmental funds	<u>\$ 621,623</u>	<u>\$ 40,842</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

C. Capital assets

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

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 4,713,559	\$ 235,526	\$ -	\$ 743,476	\$ 5,692,561
Construction in progress	24,182,223	32,456,726	(644,392)	(11,158,859)	44,835,698
Total capital assets not being depreciated	<u>28,895,782</u>	<u>32,692,252</u>	<u>(644,392)</u>	<u>(10,415,383)</u>	<u>50,528,259</u>
Capital assets being depreciated:					
Buildings	10,551,596	3,356	-	-	10,554,952
Improvements other than buildings	20,746,458	81,769	-	3,246,247	24,074,474
Machinery and equipment	4,027,716	115,640	(37,774)	-	4,105,582
Vehicles	5,089,412	371,685	(279,383)	-	5,181,714
Furniture and fixtures	2,114,894	143,744	(130,060)	-	2,128,578
Infrastructure	99,176,740	5,986,326	-	7,169,136	112,332,202
Total capital assets being depreciated	<u>141,706,816</u>	<u>6,702,520</u>	<u>(447,217)</u>	<u>10,415,383</u>	<u>158,377,502</u>
Less accumulated depreciation for:					
Buildings	(2,151,164)	(348,286)	-	-	(2,499,450)
Improvements other than buildings	(1,028,185)	(1,219,848)	-	-	(2,248,033)
Machinery and equipment	(1,714,460)	(458,003)	37,774	-	(2,134,689)
Vehicles	(2,504,354)	(579,379)	267,021	-	(2,816,712)
Furniture and fixtures	(1,335,621)	(224,743)	130,060	-	(1,430,304)
Infrastructure	(35,263,537)	(3,484,483)	-	-	(38,748,020)
Total accumulated depreciation	<u>(43,997,321)</u>	<u>(6,314,742)</u>	<u>434,855</u>	<u>-</u>	<u>(49,877,208)</u>
Total capital assets being depreciated, net	<u>97,709,495</u>	<u>387,778</u>	<u>(12,362)</u>	<u>10,415,383</u>	<u>108,500,294</u>
Governmental activities capital assets, net	<u>\$ 126,605,277</u>	<u>\$ 33,080,030</u>	<u>\$ (656,754)</u>	<u>\$ -</u>	<u>\$ 159,028,553</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

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	5,923,977	5,067,194	-	(1,838,106)	9,153,065
Total capital assets not being depreciated	<u>6,723,510</u>	<u>5,067,194</u>	<u>-</u>	<u>(1,838,106)</u>	<u>9,952,598</u>
Capital assets being depreciated:					
Buildings	198,109	-	-	-	198,109
Improvements other than buildings	61,696,281	4,838,559	-	2,438,343	68,973,183
Sewage treatment plants and pump station	12,434,148	81,924	-	-	12,516,072
Machinery and equipment	3,702,191	201,373	(55,383)	-	3,848,181
Furniture and fixtures	69,031	-	-	-	69,031
Total capital assets being depreciated	<u>78,099,760</u>	<u>5,121,856</u>	<u>(55,383)</u>	<u>2,438,343</u>	<u>85,604,576</u>
Less accumulated depreciation for:					
Buildings	(92,138)	(5,434)	-	-	(97,572)
Improvements other than buildings	(11,007,417)	(1,306,695)	-	-	(12,314,112)
Sewage treatment plants and pump station	(3,916,758)	(248,028)	-	-	(4,164,786)
Machinery and equipment	(3,222,221)	(70,539)	55,383	-	(3,237,377)
Furniture and fixtures	(65,000)	(1,090)	-	-	(66,090)
Total accumulated depreciation	<u>(18,303,534)</u>	<u>(1,631,786)</u>	<u>55,383</u>	<u>-</u>	<u>(19,879,937)</u>
Total capital assets being depreciated, net	<u>59,796,226</u>	<u>3,490,070</u>	<u>-</u>	<u>2,438,343</u>	<u>65,724,639</u>
Business-type activities capital assets, net	<u>\$ 66,519,736</u>	<u>\$ 8,557,264</u>	<u>\$ -</u>	<u>\$ 600,237</u>	<u>\$ 75,677,237</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

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		\$ 755,795
Police		407,097
Fire		415,638
Public works		3,580,465
Parks and recreation		<u>1,155,747</u>
Total depreciation expense - governmental activities		\$ <u>6,314,742</u>
Business-type activities:		
Water and sewer		\$ <u>1,631,786</u>

Construction commitments

The City has active construction projects as of September 30, 2008. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Source of Funding</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities:			
205 Bypass	Bond proceeds	\$ 15,902,943	\$ 14,921,960
Fire Stations (3 and 4)	Bond proceeds	133,100	4,626,333
Fannin Street improvements	Bond proceeds	2,450,496	509,770
Other improvements	Various	<u>3,771,326</u>	<u>313,873</u>
Total governmental activities		<u>22,257,865</u>	<u>20,371,936</u>
Business-type activities:			
Northern area water system	Bond proceeds	1,017,853	760,890
Other improvements	Various	<u>5,639,272</u>	<u>443,073</u>
Total business-type activities		<u>6,657,125</u>	<u>1,203,963</u>
Total reporting entity		\$ <u>28,914,990</u>	\$ <u>21,575,899</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

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, 2008, 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	\$ 69,504	\$ 14,442	\$ -	\$ -	\$ 83,946
Less accumulated depreciation for:					
Furniture and fixtures	<u>(60,020)</u>	<u>(3,856)</u>	<u>-</u>	<u>-</u>	<u>(63,876)</u>
REDC capital assets, net	<u>\$ 9,484</u>	<u>\$ 10,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,070</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2008, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 189,000	\$ -
Nonmajor governmental funds	-	167,000
Special Escrow Agency	<u>-</u>	<u>22,000</u>
Total interfund balances	<u>\$ 189,000</u>	<u>\$ 189,000</u>

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. Also, working capital loans are made to capital projects funds in advance of debt issuances. These are expected to be collected within one year.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

D. Interfund receivables, payables, and transfers – continued

The composition of interfund transfers for the year ended September 30, 2008, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 633,100	\$ 2,076,231
G.O. Bonds Capital Projects	81,300	437,500
Nonmajor governmental funds	1,261,036	201,300
Water and Sewer Fund	-	1,315,405
Internal service funds	<u>2,055,000</u>	<u>-</u>
Total interfund transfers	<u>\$ 4,030,436</u>	<u>\$ 4,030,436</u>

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

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, 2008, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/08
Governmental Activities:					
General obligation bonds:					
Improvements	\$ 7,185,000	1999	2019	4.25%-5.25%	\$ 4,945,000
Improvements	2,150,000	2000	2020	5.00%-6.00%	195,000
Refunding	4,024,394	2003	2015	2.00%-4.00%	2,070,362
Refunding and improvement	13,345,000	2005	2025	3.00%-4.50%	12,455,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	34,055,000
Improvements	21,765,000	2007	2037	4.125%-5.125%	21,205,000
Total general obligation bonds					<u>74,925,362</u>
Contractual obligations:					
Equipment purchase	1,165,000	1999	2014	4.00%-4.80%	<u>245,000</u>
Certificates of obligation:					
Improvements	6,500,000	2000	2020	4.75%-5.75%	580,000
Improvements	4,295,000	2002	2012	2.80%-3.80%	845,000
Improvements	13,950,000	2005	2025	3.00%-5.00%	12,415,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	4,585,000
Improvements	505,000	2007	2011	4.25%	<u>385,000</u>
Total certificates of obligation					<u>18,810,000</u>
Total governmental activities general obligation debt					<u>93,980,362</u>
Business-type Activities:					
General obligation bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	154,638
Certificates of obligation:					
Improvements	10,310,000	2007	2027	4.25%-4.50%	<u>9,935,000</u>
Total business-type activities general obligation debt					<u>10,089,638</u>
Total general obligation debt					<u>\$ 104,070,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

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	
2009	\$ 4,235,540	\$ 4,293,817	\$ 349,460	\$ 434,065	\$ 9,312,882
2010	3,659,845	4,098,745	370,155	419,455	8,548,200
2011	3,939,150	3,928,633	385,850	403,926	8,657,559
2012	4,063,455	3,753,647	401,545	387,683	8,606,330
2013	4,142,065	3,561,397	422,935	370,725	8,497,122
2014-2018	22,130,307	14,904,847	2,359,693	1,569,890	40,964,737
2019-2023	21,510,000	9,836,369	2,920,000	1,026,713	35,293,082
2024-2028	15,675,000	5,143,324	2,880,000	329,345	24,027,669
2029-2033	7,925,000	2,707,504	-	-	10,632,504
2034-2037	6,700,000	723,375	-	-	7,423,375
Total	\$ <u>93,980,362</u>	\$ <u>52,951,658</u>	\$ <u>10,089,638</u>	\$ <u>4,941,802</u>	\$ <u>161,963,460</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, 2008, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/08
Improvements	\$ 3,535,000	1999	2019	4.15%-5.00%	\$ 1,680,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	5,310,000
Refunding and improvement	6,415,000	2005	2025	3.00%-4.50%	5,540,000
					<u>12,530,000</u>
Plus unamortized premium					10,968
Less unamortized discount					<u>(24,638)</u>
Total revenue bonds					\$ <u>12,516,330</u>

CITY OF ROCKWALL, TEXAS
NOTES TO FINANCIAL STATEMENTS

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
2009	\$ 860,000	\$ 542,595	\$ 1,402,595
2010	895,000	507,657	1,402,657
2011	740,000	471,228	1,211,228
2012	770,000	440,818	1,210,818
2013	795,000	407,986	1,202,986
2014-2018	4,025,000	1,534,140	5,559,140
2019-2023	3,685,000	625,978	4,310,978
2024-2025	760,000	51,287	811,287
	12,530,000	<u>\$ 4,581,689</u>	<u>\$ 17,111,689</u>
Plus unamortized premium	10,968		
Less unamortized discount	<u>(24,638)</u>		
Total revenue bonds	<u>\$ 12,516,330</u>		

Refunded bonds

In previous years, the City purchased U.S. government securities that were placed in irrevocable trusts with escrow agents to provide for all future debt service payments on certain bonds. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the City's statement of net assets. The outstanding balances of refunded bonds at September 30, 2008, are as follows:

Bond Type	Year of Issue	Year Refunded	Balance 9/30/08
General obligation	1995	2003	\$ 2,200,000
General obligation	2000	2005	1,395,000
Certificates of obligation	2000	2005	<u>4,235,000</u>
Total refunded bonds			<u>\$ 7,830,000</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Capitalized lease obligations

The City has entered into contracts with NTMWD, a conservation and reclamation district and political subdivision of the State of Texas, for the construction and operation of certain water and sewer facilities. The contractual obligations have been treated as capitalized lease obligations. Capitalized lease obligations outstanding as of September 30, 2008, 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 9/30/08</u>
South Plant Improvements	\$ 1,800,000	1996	2016	Various	\$ 965,000
Ground Storage Facility	2,013,434	2005	2025	Various	1,810,090
Pump Station	2,145,000	2006	2026	Various	<u>2,030,000</u>
					4,805,090
Plus unamortized premium					<u>57,938</u>
Total capitalized lease obligations					<u>\$ 4,863,028</u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2008, are as follows:

<u>Year Ending September 30</u>	<u>Total</u>
2009	\$ 467,487
2010	463,867
2011	464,841
2012	465,175
2013	469,751
2014-2018	2,030,956
2019-2023	1,607,173
2024-2026	<u>825,970</u>
Total minimum lease payments	6,795,220
Less amount representing interest	<u>(1,990,130)</u>
Present value of minimum lease payments	4,805,090
Plus unamortized premium	<u>57,938</u>
Total capitalized lease obligations	<u>\$ 4,863,028</u>

CITY OF ROCKWALL, TEXAS
NOTES TO FINANCIAL STATEMENTS

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, 2008, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 55,720,824	\$ 21,765,000	\$ (2,560,462)	\$ 74,925,362	\$ 2,390,540
Contractual obligations	280,000	-	(35,000)	245,000	35,000
Certificates of obligation	20,045,000	505,000	(1,740,000)	18,810,000	1,810,000
Plus unamortized premium	<u>1,072,153</u>	<u>490,101</u>	<u>(60,336)</u>	<u>1,501,918</u>	<u>-</u>
Total bonds payable	77,117,977	22,760,101	(4,395,798)	95,482,280	4,235,540
Compensated absences	<u>848,024</u>	<u>1,160,419</u>	<u>(1,048,574)</u>	<u>959,869</u>	<u>209,747</u>
Total	<u>\$ 77,966,001</u>	<u>\$ 23,920,520</u>	<u>\$ (5,444,372)</u>	<u>\$ 96,442,149</u>	<u>\$ 4,445,287</u>
Business-type Activities:					
General obligation bonds	\$ 184,176	\$ -	\$ (29,538)	\$ 154,638	\$ 19,460
Certificates of obligation	-	10,310,000	(375,000)	9,935,000	330,000
Revenue bonds	13,360,000	-	(830,000)	12,530,000	860,000
Plus unamortized premium	11,613	85,152	(4,938)	91,827	-
Less unamortized discount	<u>(30,448)</u>	<u>-</u>	<u>5,810</u>	<u>(24,638)</u>	<u>-</u>
Total bonds payable	<u>13,525,341</u>	<u>10,395,152</u>	<u>(1,233,666)</u>	<u>22,686,827</u>	<u>1,209,460</u>
Capitalized lease obligations	5,040,094	-	(235,004)	4,805,090	248,337
Plus unamortized premium	<u>61,274</u>	<u>-</u>	<u>(3,336)</u>	<u>57,938</u>	<u>-</u>
Total capitalized lease obligations	<u>5,101,368</u>	<u>-</u>	<u>(238,340)</u>	<u>4,863,028</u>	<u>248,337</u>
Compensated absences	<u>51,378</u>	<u>150,189</u>	<u>(131,422)</u>	<u>70,145</u>	<u>22,342</u>
Total	<u>\$ 18,678,087</u>	<u>\$ 10,545,341</u>	<u>\$ (1,603,428)</u>	<u>\$ 27,620,000</u>	<u>\$ 1,480,139</u>

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

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

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 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, 2008, there was one series of revenue bonds outstanding. The aggregate principal amount payable on the outstanding bonds was \$1,700,000.

Authorized and unissued debt

The following table details the status of all authorized and unissued debt as of September 30, 2008:

<u>Year Authorized</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Balance Unissued 9/30/08</u>
General obligation bonds:			
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2002	19,845,000	(17,900,000)	1,945,000
2005	<u>63,705,000</u>	<u>(44,700,000)</u>	<u>19,005,000</u>
Total general obligation bonds	<u>\$ 89,150,000</u>	<u>\$ (66,800,000)</u>	<u>\$ 22,350,000</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 FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Discretely presented component units

REDC, a discretely presented component unit, has the following debt outstanding as of September 30, 2008:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/08</u>
Sales tax revenue bonds:					
Land improvements	\$ 5,000,000	1999	2019	4.20%-6.20%	\$ 3,435,000
Land acquisition	4,545,000	2008	2028	7.00%	4,545,000
Certificates of obligation:					
Infrastructure improvements	3,225,000	2005	2025	3.00%-5.00%	2,400,000
Infrastructure improvements	5,540,000	2006	2026	4.25%-5.00%	<u>5,185,000</u>
Total REDC debt					<u>\$ 15,565,000</u>

Annual debt service requirements to maturity for REDC debt are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 875,000	\$ 765,099	\$ 1,640,099
2010	890,000	767,629	1,657,629
2011	930,000	728,611	1,658,611
2012	970,000	686,607	1,656,607
2013	1,020,000	639,978	1,659,978
2014-2018	4,675,000	2,447,441	7,122,441
2019-2023	3,285,000	1,388,238	4,673,238
2024-2028	<u>2,920,000</u>	<u>489,250</u>	<u>3,409,250</u>
Total	<u>\$ 15,565,000</u>	<u>\$ 7,912,853</u>	<u>\$ 23,477,853</u>

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS – continued

E. Long-term debt – continued

Long-term liability activity of the REDC for the year ended September 30, 2008, 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	\$ 3,665,000	\$ 4,545,000	\$ (230,000)	\$ 7,980,000	\$ 385,000
Certificates of obligation	8,050,000	-	(465,000)	7,585,000	490,000
Plus unamortized premium	<u>163,550</u>	<u>-</u>	<u>(9,072)</u>	<u>154,478</u>	<u>-</u>
Total bonds payable	11,878,550	4,545,000	(704,072)	15,719,478	875,000
Interim construction loan	6,684,229	-	(6,684,229)	-	-
Compensated absences	<u>13,333</u>	<u>14,126</u>	<u>(10,010)</u>	<u>17,449</u>	<u>4,798</u>
Total	<u>\$ 18,576,112</u>	<u>\$ 4,559,126</u>	<u>\$ (7,398,311)</u>	<u>\$ 15,736,927</u>	<u>\$ 879,798</u>

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 \$65,000 per covered individual, or approximately \$2,162,253 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, 2008.

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 maximum City liability of \$600,000 per year.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

A. Risk management – continued

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:

	Employee Benefits		Workers' Compensation	
	2008	2007	2008	2007
Claims payable, beginning of the year	\$ 147,395	\$ 234,990	\$ 2,517	\$ 2,933
Claims incurred	2,542,806	1,698,992	104,293	34,746
Claims paid	(2,514,029)	(1,786,587)	(96,113)	(35,162)
Claims payable, end of the year	\$ <u>176,172</u>	\$ <u>147,395</u>	\$ <u>10,697</u>	\$ <u>2,517</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.

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, Royse City, and Frisco (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.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

B. North Texas Municipal Water District – continued

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: (1) expand the sewage treatment facilities and continue to provide sewage treatment services to the City; (2) construct a 3.0 million gallon ground storage reservoir in which the Cities of Rockwall and Heath own 66.67% and 33.33% undivided interests, respectively; and (3) construct an 8.6 million gallon-per-day pump station for the exclusive benefit of 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 assets 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, 2008, is \$4,805,090. See Note 3E for the annual requirements to amortize the bonds as of September 30, 2008.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

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 3E above, the general revenues of the City are contingently liable in the amount of \$10,089,638 for general obligation bonds and certificates of obligation which are currently outstanding and recorded as obligations of the Water and Sewer Fund.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

C. Contingent liabilities and commitments – continued

The City contracts for solid waste 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, 2008, these commitments totaled \$1,970,569.

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 volunteer firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Benefits – 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 at least 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/her 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.

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: 7.00%

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.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

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 amortization period. The Projected 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, 2007 valuation is effective for rates beginning January 2009.

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

	Actuarial Valuation Date		
	12/31/2007	12/31/2006	12/31/2005
Actuarial value of assets (a)	\$ 20,486,755	\$ 17,878,974	\$ 15,968,994
Actuarial accrued liability (AAL) - unit credit (b)	32,796,027	23,911,430	21,310,890
Unfunded (over-funded) AAL (UAAL) (b-a)	12,309,272	6,032,456	5,341,896
Funded ratio (a/b)	62.5%	74.8%	74.9%
Annual covered payroll (c)	12,404,225	10,942,328	10,325,619
UAAL as a percentage of covered payroll ((b-a)/c)	99.2%	55.1%	51.7%

CITY OF ROCKWALL, TEXAS
NOTES TO FINANCIAL STATEMENTS

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		
	2008	2007	2006
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	1,561,437	1,491,116	1,367,738
Contributions made (100%)	<u>(1,561,437)</u>	<u>(1,491,116)</u>	<u>(1,367,738)</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	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years - Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7.0%
Projected Salary Increases	Varies by age and service
Inflation	3.0%
Cost-of-Living Adjustments	2.1%

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 \$52,800 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 42 active participants currently covered by the Fund and payments are being made to 20 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. Subsequent event

In October 2008, the City issued debt totaling \$32,935,000. This debt issuance was comprised of: (1) general obligation bonds (\$9,515,000) for the continued construction of the 205 Bypass and other roadway rehabilitation projects; (2) revenue certificates of obligation (\$23,025,000) for the construction of the Squabble Creek lift station and force main and various water transmission line and wastewater force main projects; and (3) tax-supported certificates of obligation (\$395,000) for equipment acquisition.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Ad valorem taxes, penalty and interest	\$ 6,558,450	\$ 6,615,600	\$ 6,604,295	\$ (11,305)
Sales taxes	9,173,000	9,373,000	9,640,955	267,955
Franchise taxes	1,990,000	2,149,900	2,179,847	29,947
Charges for services	331,500	312,500	362,107	49,607
Permits	949,400	954,400	976,701	22,301
Municipal court	876,000	881,000	988,190	107,190
Intergovernmental	236,750	261,750	283,724	21,974
Interest income	275,000	250,000	168,489	(81,511)
Miscellaneous	78,000	143,000	221,035	78,035
Total revenues	<u>20,468,100</u>	<u>20,941,150</u>	<u>21,425,343</u>	<u>484,193</u>
Expenditures:				
Current:				
Mayor/council	116,300	116,300	117,366	(1,066)
Administration	3,023,400	3,091,900	3,056,885	35,015
Finance	953,350	958,300	953,282	5,018
Municipal court	313,350	310,750	311,706	(956)
Police	6,570,950	6,631,350	6,611,692	19,658
Fire	1,465,100	1,512,890	1,447,231	65,659
Public works	2,624,950	2,606,950	2,638,085	(31,135)
Community development	2,259,400	2,275,300	2,219,167	56,133
Parks and recreation	2,524,000	2,599,600	2,674,833	(75,233)
Total current	<u>19,850,800</u>	<u>20,103,340</u>	<u>20,030,247</u>	<u>73,093</u>
Capital outlay:				
Administration	27,600	27,600	852	26,748
Police	7,500	5,000	4,845	155
Fire	2,400	2,400	1,795	605
Public works	9,000	9,000	8,429	571
Parks and recreation	6,000	6,000	5,926	74
Total capital outlay	<u>52,500</u>	<u>50,000</u>	<u>21,847</u>	<u>28,153</u>
Total expenditures	<u>19,903,300</u>	<u>20,153,340</u>	<u>20,052,094</u>	<u>101,246</u>
Excess of revenues over expenditures	<u>564,800</u>	<u>787,810</u>	<u>1,373,249</u>	<u>585,439</u>
Other financing sources (uses):				
Transfers in	657,600	657,600	633,100	(24,500)
Transfers out	(1,212,700)	(2,076,250)	(2,076,231)	19
Total other financing sources (uses)	<u>(555,100)</u>	<u>(1,418,650)</u>	<u>(1,443,131)</u>	<u>(24,481)</u>
Net change in fund balances	9,700	(630,840)	(69,882)	560,958
Fund balances, October 1	<u>8,336,696</u>	<u>8,336,696</u>	<u>8,336,696</u>	<u>-</u>
Fund balances, September 30	<u>\$ 8,346,396</u>	<u>\$ 7,705,856</u>	<u>\$ 8,266,814</u>	<u>\$ 560,958</u>

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

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

	<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	\$ 82,790	\$ 140,366	\$ 223,156
Investments	3,092,036	201,303	3,293,339
Receivables (net of allowances for uncollectibles):			
Interest	4,900	1,347	6,247
Accounts	67,188	-	67,188
Assessments	<u>149,063</u>	<u>-</u>	<u>149,063</u>
 Total assets	 <u>\$ 3,395,977</u>	 <u>\$ 343,016</u>	 <u>\$ 3,738,993</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 60,797	\$ 9,508	\$ 70,305
Deferred revenue	189,905	-	189,905
Due to other funds	-	167,000	167,000
Total liabilities	<u>250,702</u>	<u>176,508</u>	<u>427,210</u>
 Fund balances:			
Unreserved, undesignated	<u>3,145,275</u>	<u>166,508</u>	<u>3,311,783</u>
Total fund balances	<u>3,145,275</u>	<u>166,508</u>	<u>3,311,783</u>
 Total liabilities and fund balances	 <u>\$ 3,395,977</u>	 <u>\$ 343,016</u>	 <u>\$ 3,738,993</u>

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

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Sales taxes	\$ 232,531	\$ -	\$ 232,531
Permits	145,804	-	145,804
Municipal court	189,220	-	189,220
Intergovernmental	135,976	-	135,976
Interest income	81,068	26,203	107,271
Miscellaneous	581,467	25,200	606,667
Contributions and donations	91,894	-	91,894
Total revenues	<u>1,457,960</u>	<u>51,403</u>	<u>1,509,363</u>
Expenditures:			
Current:			
Finance	246,135	-	246,135
Police	221,805	-	221,805
Fire	4,739	-	4,739
Public works	186,182	-	186,182
Parks and recreation	232,396	-	232,396
Total current	<u>891,257</u>	<u>-</u>	<u>891,257</u>
Capital outlay:			
Administration	-	1,097,360	1,097,360
Finance	-	137,035	137,035
Police	70,054	-	70,054
Fire	66,009	341,482	407,491
Public works	9,775	110,241	120,016
Parks and recreation	83,720	-	83,720
Total capital outlay	<u>229,558</u>	<u>1,686,118</u>	<u>1,915,676</u>
Debt service:			
Bond issuance costs	-	7,907	7,907
Total debt service	<u>-</u>	<u>7,907</u>	<u>7,907</u>
Total expenditures	<u>1,120,815</u>	<u>1,694,025</u>	<u>2,814,840</u>
Excess of revenues over (under) expenditures	<u>337,145</u>	<u>(1,642,622)</u>	<u>(1,305,477)</u>
Other financing sources (uses):			
Transfers in	187,100	1,073,936	1,261,036
Transfers out	(176,300)	(25,000)	(201,300)
Bonds issued	-	505,000	505,000
Premium on bonds issued	-	4,171	4,171
Total other financing sources (uses)	<u>10,800</u>	<u>1,558,107</u>	<u>1,568,907</u>
Net change in fund balances	347,945	(84,515)	263,430
Fund balances, October 1	<u>2,797,330</u>	<u>251,023</u>	<u>3,048,353</u>
Fund balances, September 30	<u>\$ 3,145,275</u>	<u>\$ 166,508</u>	<u>\$ 3,311,783</u>

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.

Radio System – established to account for revenues and expenditures for the support of the City's radio system.

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.

Downtown Improvement – established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places – established to account for donations received for developing art displays in public areas such as parks.

Special Crimes Unit – established to account for revenues and expenditures related to a county-wide crime task force.

CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2008

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Radio System</u>	<u>Street Improvements</u>
ASSETS					
Cash and cash equivalents	\$ 1,571	\$ 13,627	\$ 3,571	\$ 1,051	\$ 10,214
Investments	137,262	273,388	217,827	25,000	1,744,500
Receivables (net of allowances for uncollectibles):					
Interest	-	-	-	-	4,900
Accounts	-	-	-	-	-
Assessments	-	-	-	-	149,063
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>138,833</u>	\$ <u>287,015</u>	\$ <u>221,398</u>	\$ <u>26,051</u>	\$ <u>1,908,677</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 20,248	\$ 1,305	\$ -
Deferred revenue	-	-	-	-	149,063
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	20,248	1,305	149,063
 Fund balances:					
Unreserved, undesignated	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	138,833	287,015	201,150	24,746	1,759,614
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	138,833	287,015	201,150	24,746	1,759,614
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ <u>138,833</u>	\$ <u>287,015</u>	\$ <u>221,398</u>	\$ <u>26,051</u>	\$ <u>1,908,677</u>

	Hotel Motel Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$	171	\$ 5,135	\$ 6,523	\$ 7,648	\$ 7,328	\$ 10,954	\$ 874	\$ 14,123	\$ 82,790
	1,902	227,919	36,815	52,875	14,924	13,103	-	346,521	3,092,036
	-	-	-	-	-	-	-	-	4,900
	65,164	-	-	2,024	-	-	-	-	67,188
	-	-	-	-	-	-	-	-	149,063
\$	<u>67,237</u>	<u>233,054</u>	<u>43,338</u>	<u>62,547</u>	<u>22,252</u>	<u>24,057</u>	<u>874</u>	<u>360,644</u>	<u>3,395,977</u>
\$	-	\$ 27,749	\$ -	\$ -	\$ -	\$ 3,575	\$ -	\$ 7,920	\$ 60,797
	-	-	-	-	-	-	-	40,842	189,905
	-	27,749	-	-	-	3,575	-	48,762	250,702
	<u>67,237</u>	<u>205,305</u>	<u>43,338</u>	<u>62,547</u>	<u>22,252</u>	<u>20,482</u>	<u>874</u>	<u>311,882</u>	<u>3,145,275</u>
	<u>67,237</u>	<u>205,305</u>	<u>43,338</u>	<u>62,547</u>	<u>22,252</u>	<u>20,482</u>	<u>874</u>	<u>311,882</u>	<u>3,145,275</u>
\$	<u>67,237</u>	<u>233,054</u>	<u>43,338</u>	<u>62,547</u>	<u>22,252</u>	<u>24,057</u>	<u>874</u>	<u>360,644</u>	<u>3,395,977</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, 2008

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Radio System</u>	<u>Street Improvements</u>
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Permits	475	-	145,329	-	-
Municipal court	-	189,220	-	-	-
Intergovernmental	-	8,151	-	-	-
Interest income	3,469	5,324	7,233	-	48,657
Miscellaneous	400	-	150,474	23,846	91,947
Contributions and donations	100	16,312	64,263	-	-
Total revenues	<u>4,444</u>	<u>219,007</u>	<u>367,299</u>	<u>23,846</u>	<u>140,604</u>
Expenditures:					
Current:					
Finance	-	-	-	-	-
Police	-	15,195	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	94,565	-
Parks and recreation	-	-	197,752	-	-
Total current	<u>-</u>	<u>15,195</u>	<u>197,752</u>	<u>94,565</u>	<u>-</u>
Capital outlay:					
Police	-	32,085	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	9,775
Parks and recreation	-	-	83,720	-	-
Total capital outlay	<u>-</u>	<u>32,085</u>	<u>83,720</u>	<u>-</u>	<u>9,775</u>
Total expenditures	<u>-</u>	<u>47,280</u>	<u>281,472</u>	<u>94,565</u>	<u>9,775</u>
Excess of revenues over (under) expenditures	<u>4,444</u>	<u>171,727</u>	<u>85,827</u>	<u>(70,719)</u>	<u>130,829</u>
Other financing sources (uses):					
Transfers in	-	-	-	92,100	-
Transfers out	-	(45,000)	(131,300)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(45,000)</u>	<u>(131,300)</u>	<u>92,100</u>	<u>-</u>
Net change in fund balances	4,444	126,727	(45,473)	21,381	130,829
Fund balances, October 1	<u>134,389</u>	<u>160,288</u>	<u>246,623</u>	<u>3,365</u>	<u>1,628,785</u>
Fund balances, September 30	<u>\$ 138,833</u>	<u>\$ 287,015</u>	<u>\$ 201,150</u>	<u>\$ 24,746</u>	<u>\$ 1,759,614</u>

Hotel Motel Tax	Fire Equipment	Aviation	Recycling	Emergency Siren	Downtown Improvement	Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 232,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,531
-	-	-	-	-	-	-	-	145,804
-	-	-	-	-	-	-	-	189,220
-	97,050	30,775	-	-	-	-	-	135,976
713	4,862	1,696	1,578	445	570	-	6,521	81,068
-	5,501	11,154	26,068	3,308	-	-	268,769	581,467
-	1,000	-	-	-	10,000	219	-	91,894
<u>233,244</u>	<u>108,413</u>	<u>43,625</u>	<u>27,646</u>	<u>3,753</u>	<u>10,570</u>	<u>219</u>	<u>275,290</u>	<u>1,457,960</u>
246,135	-	-	-	-	-	-	-	246,135
-	-	-	-	-	-	-	206,610	221,805
-	4,739	-	-	-	-	-	-	4,739
-	-	70,623	20,994	-	-	-	-	186,182
-	-	-	-	-	34,644	-	-	232,396
<u>246,135</u>	<u>4,739</u>	<u>70,623</u>	<u>20,994</u>	<u>-</u>	<u>34,644</u>	<u>-</u>	<u>206,610</u>	<u>891,257</u>
-	-	-	-	-	-	-	37,969	70,054
-	66,009	-	-	-	-	-	-	66,009
-	-	-	-	-	-	-	-	9,775
-	-	-	-	-	-	-	-	83,720
<u>-</u>	<u>66,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,969</u>	<u>229,558</u>
246,135	70,748	70,623	20,994	-	34,644	-	244,579	1,120,815
<u>(12,891)</u>	<u>37,665</u>	<u>(26,998)</u>	<u>6,652</u>	<u>3,753</u>	<u>(24,074)</u>	<u>219</u>	<u>30,711</u>	<u>337,145</u>
-	-	-	-	-	25,000	-	70,000	187,100
-	-	-	-	-	-	-	-	(176,300)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>70,000</u>	<u>10,800</u>
(12,891)	37,665	(26,998)	6,652	3,753	926	219	100,711	347,945
<u>80,128</u>	<u>167,640</u>	<u>70,336</u>	<u>55,895</u>	<u>18,499</u>	<u>19,556</u>	<u>655</u>	<u>211,171</u>	<u>2,797,330</u>
<u>\$ 67,237</u>	<u>\$ 205,305</u>	<u>\$ 43,338</u>	<u>\$ 62,547</u>	<u>\$ 22,252</u>	<u>\$ 20,482</u>	<u>\$ 874</u>	<u>\$ 311,882</u>	<u>\$ 3,145,275</u>

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 500	\$ 500	\$ 475	\$ (25)
Interest income	4,500	3,500	3,469	(31)
Miscellaneous	-	400	400	-
Contributions and donations	-	100	100	-
Total revenues	<u>5,000</u>	<u>4,500</u>	<u>4,444</u>	<u>(56)</u>
Expenditures:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,000	4,500	4,444	(56)
Fund balances, October 1	<u>134,389</u>	<u>134,389</u>	<u>134,389</u>	<u>-</u>
Fund balances, September 30	<u>\$ 139,389</u>	<u>\$ 138,889</u>	<u>\$ 138,833</u>	<u>\$ (56)</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal court	\$ 50,500	\$ 183,700	\$ 189,220	\$ 5,520
Intergovernmental	-	6,950	8,151	1,201
Interest income	7,000	5,000	5,324	324
Contributions and donations	7,000	16,250	16,312	62
Total revenues	<u>64,500</u>	<u>211,900</u>	<u>219,007</u>	<u>7,107</u>
Expenditures:				
Current:				
Police	-	14,650	15,195	(545)
Total current	<u>-</u>	<u>14,650</u>	<u>15,195</u>	<u>(545)</u>
Capital outlay:				
Police	-	26,000	32,085	(6,085)
Total capital outlay	<u>-</u>	<u>26,000</u>	<u>32,085</u>	<u>(6,085)</u>
Total expenditures	<u>-</u>	<u>40,650</u>	<u>47,280</u>	<u>(6,630)</u>
Excess of revenues over (under) expenditures	<u>64,500</u>	<u>171,250</u>	<u>171,727</u>	<u>477</u>
Other financing sources (uses):				
Transfers out	(45,000)	(45,000)	(45,000)	-
Total other financing sources (uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net change in fund balances	19,500	126,250	126,727	477
Fund balances, October 1	<u>160,288</u>	<u>160,288</u>	<u>160,288</u>	<u>-</u>
Fund balances, September 30	<u>\$ 179,788</u>	<u>\$ 286,538</u>	<u>\$ 287,015</u>	<u>\$ 477</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 146,000	\$ 161,500	\$ 145,329	\$ (16,171)
Interest income	14,500	8,000	7,233	(767)
Miscellaneous	120,000	130,050	150,474	20,424
Contributions and donations	47,500	67,500	64,263	(3,237)
Total revenues	<u>328,000</u>	<u>367,050</u>	<u>367,299</u>	<u>249</u>
Expenditures:				
Current:				
Parks and recreation	127,000	182,000	197,752	(15,752)
Total current	<u>127,000</u>	<u>182,000</u>	<u>197,752</u>	<u>(15,752)</u>
Capital outlay:				
Parks and recreation	85,000	131,100	83,720	47,380
Total capital outlay	<u>85,000</u>	<u>131,100</u>	<u>83,720</u>	<u>47,380</u>
Total expenditures	<u>212,000</u>	<u>313,100</u>	<u>281,472</u>	<u>31,628</u>
Excess of revenues over (under) expenditures	<u>116,000</u>	<u>53,950</u>	<u>85,827</u>	<u>31,877</u>
Other financing sources (uses):				
Transfers out	(50,000)	(50,000)	(131,300)	(81,300)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(131,300)</u>	<u>(81,300)</u>
Net change in fund balances	66,000	3,950	(45,473)	(49,423)
Fund balances, October 1	<u>246,623</u>	<u>246,623</u>	<u>246,623</u>	<u>-</u>
Fund balances, September 30	<u>\$ 312,623</u>	<u>\$ 250,573</u>	<u>\$ 201,150</u>	<u>\$ (49,423)</u>

CITY OF ROCKWALL, TEXAS
RADIO SYSTEM FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 27,600	\$ 27,600	\$ 23,846	\$ (3,754)
Total revenues	<u>27,600</u>	<u>27,600</u>	<u>23,846</u>	<u>(3,754)</u>
Expenditures:				
Current:				
Public works	161,100	161,100	94,565	66,535
Total expenditures	<u>161,100</u>	<u>161,100</u>	<u>94,565</u>	<u>66,535</u>
Excess of revenues over (under) expenditures	<u>(133,500)</u>	<u>(133,500)</u>	<u>(70,719)</u>	<u>62,781</u>
Other financing sources:				
Transfers in	92,100	92,100	92,100	-
Total other financing sources	<u>92,100</u>	<u>92,100</u>	<u>92,100</u>	<u>-</u>
Net change in fund balances	(41,400)	(41,400)	21,381	62,781
Fund balances, October 1	<u>3,365</u>	<u>3,365</u>	<u>3,365</u>	<u>-</u>
Fund balances, September 30	<u>\$ (38,035)</u>	<u>\$ (38,035)</u>	<u>\$ 24,746</u>	<u>\$ 62,781</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 38,000	\$ 50,000	\$ 48,657	\$ (1,343)
Miscellaneous	4,000	72,700	91,947	19,247
Total revenues	<u>42,000</u>	<u>122,700</u>	<u>140,604</u>	<u>17,904</u>
Expenditures:				
Capital outlay:				
Public works	-	9,800	9,775	25
Total expenditures	<u>-</u>	<u>9,800</u>	<u>9,775</u>	<u>25</u>
Net change in fund balances	42,000	112,900	130,829	17,929
Fund balances, October 1	<u>1,628,785</u>	<u>1,628,785</u>	<u>1,628,785</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,670,785</u>	<u>\$ 1,741,685</u>	<u>\$ 1,759,614</u>	<u>\$ 17,929</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 216,000	\$ 216,000	\$ 232,531	\$ 16,531
Interest income	2,000	1,000	713	(287)
Total revenues	<u>218,000</u>	<u>217,000</u>	<u>233,244</u>	<u>16,244</u>
Expenditures:				
Current:				
Finance	<u>217,940</u>	<u>250,440</u>	<u>246,135</u>	<u>4,305</u>
Total expenditures	<u>217,940</u>	<u>250,440</u>	<u>246,135</u>	<u>4,305</u>
Net change in fund balances	60	(33,440)	(12,891)	20,549
Fund balances, October 1	<u>80,128</u>	<u>80,128</u>	<u>80,128</u>	<u>-</u>
Fund balances, September 30	<u>\$ 80,188</u>	<u>\$ 46,688</u>	<u>\$ 67,237</u>	<u>\$ 20,549</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 95,000	\$ 97,050	\$ 97,050	\$ -
Interest income	3,000	5,000	4,862	(138)
Miscellaneous	-	5,500	5,501	1
Contributions and donations	-	1,000	1,000	-
Total revenues	<u>98,000</u>	<u>108,550</u>	<u>108,413</u>	<u>(137)</u>
Expenditures:				
Current:				
Fire	11,000	11,000	4,739	6,261
Total current	<u>11,000</u>	<u>11,000</u>	<u>4,739</u>	<u>6,261</u>
Capital outlay:				
Fire	88,325	88,325	66,009	22,316
Total capital outlay	<u>88,325</u>	<u>88,325</u>	<u>66,009</u>	<u>22,316</u>
Total expenditures	<u>99,325</u>	<u>99,325</u>	<u>70,748</u>	<u>28,577</u>
Net change in fund balances	(1,325)	9,225	37,665	28,440
Fund balances, October 1	<u>167,640</u>	<u>167,640</u>	<u>167,640</u>	<u>-</u>
Fund balances, September 30	<u>\$ 166,315</u>	<u>\$ 176,865</u>	<u>\$ 205,305</u>	<u>\$ 28,440</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 37,650	\$ 37,650	\$ 30,775	\$ (6,875)
Interest income	2,000	2,000	1,696	(304)
Miscellaneous	9,500	11,200	11,154	(46)
Total revenues	<u>49,150</u>	<u>50,850</u>	<u>43,625</u>	<u>(7,225)</u>
Expenditures:				
Current:				
Public works	87,950	87,950	70,623	17,327
Total expenditures	<u>87,950</u>	<u>87,950</u>	<u>70,623</u>	<u>17,327</u>
Net change in fund balances	(38,800)	(37,100)	(26,998)	10,102
Fund balances, October 1	<u>70,336</u>	<u>70,336</u>	<u>70,336</u>	<u>-</u>
Fund balances, September 30	<u>\$ 31,536</u>	<u>\$ 33,236</u>	<u>\$ 43,338</u>	<u>\$ 10,102</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,200	\$ 1,650	\$ 1,578	\$ (72)
Miscellaneous	24,000	25,000	26,068	1,068
Total revenues	<u>25,200</u>	<u>26,650</u>	<u>27,646</u>	<u>996</u>
Expenditures:				
Current:				
Public works	-	4,400	20,994	(16,594)
Total expenditures	<u>-</u>	<u>4,400</u>	<u>20,994</u>	<u>(16,594)</u>
Net change in fund balances	25,200	22,250	6,652	(15,598)
Fund balances, October 1	<u>55,895</u>	<u>55,895</u>	<u>55,895</u>	<u>-</u>
Fund balances, September 30	<u>\$ 81,095</u>	<u>\$ 78,145</u>	<u>\$ 62,547</u>	<u>\$ (15,598)</u>

CITY OF ROCKWALL, TEXAS
SPECIAL CRIMES UNIT FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,000	\$ 1,000	\$ 6,521	\$ 5,521
Miscellaneous	200,500	257,200	268,769	11,569
Total revenues	<u>201,500</u>	<u>258,200</u>	<u>275,290</u>	<u>17,090</u>
Expenditures:				
Current:				
Police	<u>259,000</u>	<u>219,650</u>	<u>206,610</u>	<u>13,040</u>
Total current	<u>259,000</u>	<u>219,650</u>	<u>206,610</u>	<u>13,040</u>
Capital outlay:				
Police	<u>-</u>	<u>38,000</u>	<u>37,969</u>	<u>31</u>
Total capital outlay	<u>-</u>	<u>38,000</u>	<u>37,969</u>	<u>31</u>
Total expenditures	<u>259,000</u>	<u>257,650</u>	<u>244,579</u>	<u>13,071</u>
Excess of revenues over (under) expenditures	<u>(57,500)</u>	<u>550</u>	<u>30,711</u>	<u>30,161</u>
Other financing sources:				
Transfers in	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total other financing sources	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Net change in fund balances	12,500	70,550	100,711	30,161
Fund balances, October 1	<u>211,171</u>	<u>211,171</u>	<u>211,171</u>	<u>-</u>
Fund balances, September 30	<u>\$ 223,671</u>	<u>\$ 281,721</u>	<u>\$ 311,882</u>	<u>\$ 30,161</u>

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources and payment of 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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 8,037,700	\$ 8,099,700	\$ 8,103,847	\$ 4,147
Sales taxes	475,200	225,000	250,151	25,151
Interest income	90,000	90,000	84,075	(5,925)
Total revenues	<u>8,602,900</u>	<u>8,414,700</u>	<u>8,438,073</u>	<u>23,373</u>
Expenditures:				
Current:				
Police	-	-	90,182	(90,182)
Total current	<u>-</u>	<u>-</u>	<u>90,182</u>	<u>(90,182)</u>
Debt service:				
Principal	4,468,200	4,468,200	4,335,462	132,738
Interest	4,600,800	4,600,800	4,254,162	346,638
Fiscal charges	11,400	10,200	6,384	3,816
Total debt service	<u>9,080,400</u>	<u>9,079,200</u>	<u>8,596,008</u>	<u>483,192</u>
Total expenditures	<u>9,080,400</u>	<u>9,079,200</u>	<u>8,686,190</u>	<u>393,010</u>
Net change in fund balances	(477,500)	(664,500)	(248,117)	416,383
Fund balances, October 1	<u>1,083,320</u>	<u>1,083,320</u>	<u>1,083,320</u>	<u>-</u>
Fund balances, September 30	<u>\$ 605,820</u>	<u>\$ 418,820</u>	<u>\$ 835,203</u>	<u>\$ 416,383</u>

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 and the Rockwall Economic Development Corporation.

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

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

205 Bypass Project – established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2008

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
ASSETS			
Cash and cash equivalents	\$ 140,128	\$ 238	\$ 140,366
Investments	175,361	25,942	201,303
Receivables (net of allowances for uncollectibles):			
Interest	<u>1,078</u>	<u>269</u>	<u>1,347</u>
Total assets	<u>\$ 316,567</u>	<u>\$ 26,449</u>	<u>\$ 343,016</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 5,474	\$ 4,034	\$ 9,508
Due to other funds	<u>-</u>	<u>167,000</u>	<u>167,000</u>
Total liabilities	<u>5,474</u>	<u>171,034</u>	<u>176,508</u>
Fund balances:			
Unreserved, undesignated	<u>311,093</u>	<u>(144,585)</u>	<u>166,508</u>
Total fund balances	<u>311,093</u>	<u>(144,585)</u>	<u>166,508</u>
Total liabilities and fund balances	<u>\$ 316,567</u>	<u>\$ 26,449</u>	<u>\$ 343,016</u>

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

	<u>Capital Projects</u>	<u>Equipment Acquisition</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-2)</u>
Revenues:			
Interest income	\$ 19,263	\$ 6,940	\$ 26,203
Miscellaneous	-	25,200	25,200
Total revenues	<u>19,263</u>	<u>32,140</u>	<u>51,403</u>
Expenditures:			
Capital outlay:			
Administration	1,094,998	2,362	1,097,360
Finance	-	137,035	137,035
Fire	-	341,482	341,482
Public works	70,124	40,117	110,241
Total capital outlay	<u>1,165,122</u>	<u>520,996</u>	<u>1,686,118</u>
Debt service:			
Bond issuance costs	-	7,907	7,907
Total debt service	<u>-</u>	<u>7,907</u>	<u>7,907</u>
Total expenditures	<u>1,165,122</u>	<u>528,903</u>	<u>1,694,025</u>
Excess of revenues over (under) expenditures	<u>(1,145,859)</u>	<u>(496,763)</u>	<u>(1,642,622)</u>
Other financing sources (uses):			
Transfers in	945,236	128,700	1,073,936
Transfers out	(25,000)	-	(25,000)
Bonds issued	-	505,000	505,000
Premium on bonds issued	-	4,171	4,171
Total other financing sources (uses)	<u>920,236</u>	<u>637,871</u>	<u>1,558,107</u>
Net change in fund balances	(225,623)	141,108	(84,515)
Fund balances, October 1	<u>536,716</u>	<u>(285,693)</u>	<u>251,023</u>
Fund balances, September 30	<u>\$ 311,093</u>	<u>\$ (144,585)</u>	<u>\$ 166,508</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, 2008

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 697	\$ 28,857	\$ 29,554
Investments	4,574	1,206,476	1,211,050
Receivables (net of allowances for uncollectibles):			
Interest	72	281	353
Accounts	38,256	-	38,256
Total current assets	<u>43,599</u>	<u>1,235,614</u>	<u>1,279,213</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	<u>319,409</u>	<u>10,852</u>	<u>330,261</u>
Total current liabilities	<u>319,409</u>	<u>10,852</u>	<u>330,261</u>
NET ASSETS			
Unrestricted	<u>(275,810)</u>	<u>1,224,762</u>	<u>948,952</u>
Total Net Assets	<u>\$ (275,810)</u>	<u>\$ 1,224,762</u>	<u>\$ 948,952</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, 2008

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-8)</u>
OPERATING REVENUES:			
Charges for services	\$ 397,876	\$ -	\$ 397,876
Total operating revenues	<u>397,876</u>	<u>-</u>	<u>397,876</u>
OPERATING EXPENSES:			
Contractual services	2,882,566	201,021	3,083,587
Total operating expenses	<u>2,882,566</u>	<u>201,021</u>	<u>3,083,587</u>
Operating loss	<u>(2,484,690)</u>	<u>(201,021)</u>	<u>(2,685,711)</u>
NON-OPERATING REVENUES:			
Interest income	10,718	28,759	39,477
Miscellaneous income	192,047	5,567	197,614
Total non-operating revenues	<u>202,765</u>	<u>34,326</u>	<u>237,091</u>
Loss before transfers and capital contributions	<u>(2,281,925)</u>	<u>(166,695)</u>	<u>(2,448,620)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Transfers in	2,025,000	30,000	2,055,000
Total transfers and capital contributions	<u>2,025,000</u>	<u>30,000</u>	<u>2,055,000</u>
Decrease in net assets	(256,925)	(136,695)	(393,620)
Net assets, October 1	<u>(18,885)</u>	<u>1,361,457</u>	<u>1,342,572</u>
Net assets, September 30	<u>\$ (275,810)</u>	<u>\$ 1,224,762</u>	<u>\$ 948,952</u>

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

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds (See Exhibit A-9)</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 552,418	\$ 5,567	\$ 557,985
Cash paid to suppliers for goods and services	<u>(2,814,124)</u>	<u>(194,576)</u>	<u>(3,008,700)</u>
Net cash used by operating activities	<u>(2,261,706)</u>	<u>(189,009)</u>	<u>(2,450,715)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash received from other funds	<u>2,025,000</u>	<u>30,000</u>	<u>2,055,000</u>
Net cash provided by non-capital financing activities	<u>2,025,000</u>	<u>30,000</u>	<u>2,055,000</u>
Cash Flows from Investing Activities:			
Purchase of investments	(800,000)	(1,145,000)	(1,945,000)
Proceeds from sales and maturities of investments	1,022,000	1,200,000	2,222,000
Interest and dividends received	<u>599</u>	<u>31,199</u>	<u>31,798</u>
Net cash provided by investing activities	<u>222,599</u>	<u>86,199</u>	<u>308,798</u>
Net decrease in cash and cash equivalents	(14,107)	(72,810)	(86,917)
Cash and cash equivalents at beginning of year	<u>14,804</u>	<u>101,667</u>	<u>116,471</u>
Cash and cash equivalents at end of year	<u>\$ 697</u>	<u>\$ 28,857</u>	<u>\$ 29,554</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (2,484,690)	\$ (201,021)	\$ (2,685,711)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	192,047	5,567	197,614
Decrease (increase) in assets:			
Receivables	(37,505)	-	(37,505)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>68,442</u>	<u>6,445</u>	<u>74,887</u>
Net cash used by operating activities	<u>\$ (2,261,706)</u>	<u>\$ (189,009)</u>	<u>\$ (2,450,715)</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, 2008

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2008</u>
ASSETS				
Cash and cash equivalents	\$ 611	\$ 397,412	\$ 397,824	\$ 199
Investments	1,516,066	1,708,121	1,506,598	1,717,589
Accrued interest receivable	27,496	23,062	25,375	25,183
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,544,173</u>	<u>\$ 2,128,595</u>	<u>\$ 1,929,797</u>	<u>\$ 1,742,971</u>
 LIABILITIES				
Due to developers	\$ 1,544,173	\$ 366,445	\$ 189,647	\$ 1,720,971
Due to other funds	<u>-</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 1,544,173</u>	<u>\$ 388,445</u>	<u>\$ 189,647</u>	<u>\$ 1,742,971</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 Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.

CITY OF ROCKWALL, TEXAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2008

	Rockwall Economic Development Corporation	Rockwall Technology Park
ASSETS		
Cash and cash equivalents	\$ 18,956	\$ 17,592
Investments	3,707,822	39,938
Receivables (net of allowances for uncollectibles):		
Interest	1,365	-
Accounts	-	2,133
Intergovernmental	556,709	-
Inventory	<u>12,416,708</u>	<u>-</u>
Total assets	<u>\$ 16,701,560</u>	<u>\$ 59,663</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 46,983</u>	<u>\$ 9,332</u>
Total liabilities	<u>46,983</u>	<u>9,332</u>
Fund balances:		
Reserved for inventory	12,416,708	-
Unreserved, undesignated	<u>4,237,869</u>	<u>50,331</u>
Total fund balances	<u>16,654,577</u>	<u>50,331</u>
Total liabilities and fund balances	<u>\$ 16,701,560</u>	<u>\$ 59,663</u>

CITY OF ROCKWALL, TEXAS
 RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2008

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Total fund balances - discretely presented component units	\$ 16,654,577	\$ 50,331
<p>Amounts reported for discretely presented component units in the statement of net assets are different because:</p> <p>The following assets are not current financial resources and are not reported in the component units balance sheet:</p>		
Capital assets used by component units (net of accumulated depreciation of \$63,876)	20,070	-
Costs of bonds issued to finance component units (net of accumulated amortization of \$49,728)	199,142	-
<p>The following liabilities are not due in the current period and are not reported in the component units balance sheet:</p>		
Compensated absences	(17,449)	-
Bonds payable	(15,719,478)	-
Accrued interest payable	<u>(82,150)</u>	<u>-</u>
Net assets of discretely presented component units	<u>\$ 1,054,712</u>	<u>\$ 50,331</u>

CITY OF ROCKWALL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Rockwall Economic Development Corporation	Rockwall Technology Park
Revenues:		
Sales taxes	\$ 3,250,735	\$ -
Charges for services	-	117,786
Interest income	148,519	1,453
Miscellaneous	238,501	-
Total revenues	<u>3,637,755</u>	<u>119,239</u>
Expenditures:		
Current:		
Administration	1,911,493	116,207
Total current	<u>1,911,493</u>	<u>116,207</u>
Capital outlay:		
Administration	15,664	-
Total capital outlay	<u>15,664</u>	<u>-</u>
Debt service:		
Principal	7,379,229	-
Interest	743,794	-
Bond issuance costs	66,741	-
Fiscal charges	3,622	-
Total debt service	<u>8,193,386</u>	<u>-</u>
Total expenditures	<u>10,120,543</u>	<u>116,207</u>
Excess of revenues over (under) expenditures	<u>(6,482,788)</u>	<u>3,032</u>
Other financing sources:		
Bonds issued	4,545,000	-
Total other financing sources	<u>4,545,000</u>	<u>-</u>
Net change in fund balances	(1,937,788)	3,032
Fund balances, October 1	<u>18,592,365</u>	<u>47,299</u>
Fund balances, September 30	<u>\$ 16,654,577</u>	<u>\$ 50,331</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, 2008

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Net change in fund balances - discretely presented component units	\$ (1,937,788)	\$ 3,032
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 (\$3,856) exceeded capital outlays (\$14,442) in the current period.	10,586	-
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 (\$66,741) exceeded amortization (\$11,019) in the current period.	55,722	-
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.	38,906	-
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 (\$7,379,229) and bond premium amortization (\$9,072) exceeded bond proceeds (\$4,545,000) in the current period.	2,843,301	-
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>(4,116)</u>	<u>-</u>
Change in net assets of discretely presented component units	<u>\$ 1,006,611</u>	<u>\$ 3,032</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 3,022,700	\$ 3,117,600	\$ 3,250,735	\$ 133,135
Interest income	120,000	104,000	148,519	44,519
Miscellaneous	1,807,400	764,300	238,501	(525,799)
Total revenues	<u>4,950,100</u>	<u>3,985,900</u>	<u>3,637,755</u>	<u>(348,145)</u>
Expenditures:				
Current:				
Administration	2,887,700	2,864,100	1,911,493	952,607
Total current	<u>2,887,700</u>	<u>2,864,100</u>	<u>1,911,493</u>	<u>952,607</u>
Capital outlay:				
Administration	8,884,500	4,589,000	15,664	4,573,336
Total capital outlay	<u>8,884,500</u>	<u>4,589,000</u>	<u>15,664</u>	<u>4,573,336</u>
Debt service:				
Principal	695,000	695,000	7,379,229	(6,684,229)
Interest	931,850	727,250	743,794	(16,544)
Bond issuance costs	-	-	66,741	(66,741)
Fiscal charges	4,500	3,500	3,622	(122)
Total debt service	<u>1,631,350</u>	<u>1,425,750</u>	<u>8,193,386</u>	<u>(6,767,636)</u>
Total expenditures	<u>13,403,550</u>	<u>8,878,850</u>	<u>10,120,543</u>	<u>(1,241,693)</u>
Excess of revenues over (under) expenditures	<u>(8,453,450)</u>	<u>(4,892,950)</u>	<u>(6,482,788)</u>	<u>(1,589,838)</u>
Other financing sources (uses):				
Transfers out	-	(1,434,400)	-	1,434,400
Bonds issued	7,450,000	10,500,000	4,545,000	(5,955,000)
Total other financing sources (uses)	<u>7,450,000</u>	<u>9,065,600</u>	<u>4,545,000</u>	<u>(4,520,600)</u>
Net change in fund balances	(1,003,450)	4,172,650	(1,937,788)	(6,110,438)
Fund balances, October 1	<u>18,592,365</u>	<u>18,592,365</u>	<u>18,592,365</u>	<u>-</u>
Fund balances, September 30	<u>\$ 17,588,915</u>	<u>\$ 22,765,015</u>	<u>\$ 16,654,577</u>	<u>\$ (6,110,438)</u>

CITY OF ROCKWALL, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 ROCKWALL TECHNOLOGY PARK ASSOCIATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 161,650	\$ 138,600	\$ 117,786	\$ (20,814)
Interest income	1,750	1,500	1,453	(47)
Total revenues	<u>163,400</u>	<u>140,100</u>	<u>119,239</u>	<u>(20,861)</u>
Expenditures:				
Current:				
Administration	163,400	138,600	116,207	22,393
Total expenditures	<u>163,400</u>	<u>138,600</u>	<u>116,207</u>	<u>22,393</u>
Net change in fund balances	-	1,500	3,032	1,532
Fund balances, October 1	<u>47,299</u>	<u>47,299</u>	<u>47,299</u>	-
Fund balances, September 30	<u>\$ 47,299</u>	<u>\$ 48,799</u>	<u>\$ 50,331</u>	<u>\$ 1,532</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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Governmental funds capital assets:		
Land	\$ 5,692,561	\$ 4,713,559
Buildings	10,554,952	10,551,596
Improvements other than buildings	24,074,474	20,746,458
Machinery and equipment	4,105,582	4,027,716
Vehicles	5,181,714	5,089,412
Furniture and fixtures	2,128,578	2,114,894
Infrastructure	112,332,202	99,176,740
Construction in progress	<u>44,835,698</u>	<u>24,182,223</u>
Total governmental funds capital assets	<u>\$ 208,905,761</u>	<u>\$ 170,602,598</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 96,921,882	\$ 65,211,300
General government	40,155,136	39,488,381
Grants and entitlements	2,141,475	2,135,112
Developer contributions	<u>69,687,268</u>	<u>63,767,805</u>
Total investments in governmental funds capital assets	<u>\$ 208,905,761</u>	<u>\$ 170,602,598</u>

CITY OF ROCKWALL, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2008

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>
General government	\$ 2,900,172	\$ 3,794,472	\$ 2,893,982
Public works	273,803	324,434	-
Public safety	825,188	2,118,795	12,802
Recreation/development	1,693,398	2,272,730	21,167,690
Fire equipment	<u>-</u>	<u>2,044,521</u>	<u>-</u>
Total governmental funds capital asset	<u>\$ 5,692,561</u>	<u>\$ 10,554,952</u>	<u>\$ 24,074,474</u>

<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 917,055	\$ 331,618	\$ 1,597,182	\$ -	\$ 44,835,698	\$ 57,270,179
645,541	587,466	15,370	112,332,202	-	114,178,816
540,334	1,346,902	411,860	-	-	5,255,881
905,926	331,012	29,073	-	-	26,399,829
<u>1,096,726</u>	<u>2,584,716</u>	<u>75,093</u>	<u>-</u>	<u>-</u>	<u>5,801,056</u>
<u>\$ 4,105,582</u>	<u>\$ 5,181,714</u>	<u>\$ 2,128,578</u>	<u>\$ 112,332,202</u>	<u>\$ 44,835,698</u>	<u>\$ 208,905,761</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, 2008

<u>Function and Activity</u>	<u>Balance 10/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/08</u>
General government	\$ 35,743,642	\$ 32,835,996	\$ (778,452)	\$ (10,531,007)	\$ 57,270,179
Public works	100,859,900	6,027,070	122,710	7,169,136	114,178,816
Public safety	4,582,091	346,748	(416,434)	743,476	5,255,881
Recreation/development	23,658,508	142,359	(19,433)	2,618,395	26,399,829
Fire equipment	<u>5,758,457</u>	<u>42,599</u>	<u>-</u>	<u>-</u>	<u>5,801,056</u>
Total governmental funds capital assets	<u>\$ 170,602,598</u>	<u>\$ 39,394,772</u>	<u>\$ (1,091,609)</u>	<u>\$ -</u>	<u>\$ 208,905,761</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	102-111
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	112-117
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	118-122
<u>Demographic and Economic Information</u> - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	123-124
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	125-128

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ROCKWALL, TEXAS
NET ASSETS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 1

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Governmental activities										
Invested in capital assets, net of related debt	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444	\$ -	\$ -	\$ -	\$ -
Restricted	14,222,187	23,258,947	37,748,076	17,051,680	5,897,961	8,354,614	-	-	-	-
Unrestricted	13,643,810	13,386,297	11,683,150	11,850,426	10,242,495	9,975,317	-	-	-	-
Total governmental activities net assets	\$ 91,412,270	\$ 86,132,544	\$ 83,451,860	\$ 70,248,286	\$ 63,835,499	\$ 61,450,375	\$ -	\$ -	\$ -	\$ -
Business-type activities										
Invested in capital assets, net of related debt	\$ 48,127,382	\$ 47,893,027	\$ 41,923,596	\$ 37,368,956	\$ 38,406,139	\$ 32,724,578	\$ -	\$ -	\$ -	\$ -
Restricted	17,888,236	14,620,878	18,060,049	18,350,884	11,698,161	15,635,741	-	-	-	-
Unrestricted	5,283,929	5,463,619	7,081,727	7,475,827	9,457,896	3,746,526	-	-	-	-
Total business-type activities net assets	\$ 71,299,547	\$ 67,977,524	\$ 67,065,372	\$ 63,195,667	\$ 59,562,196	\$ 52,106,845	\$ -	\$ -	\$ -	\$ -
Primary government										
Invested in capital assets, net of related debt	\$ 111,673,655	\$ 97,380,327	\$ 75,944,230	\$ 78,715,136	\$ 86,101,182	\$ 75,845,022	\$ -	\$ -	\$ -	\$ -
Restricted	32,110,423	37,879,825	55,808,125	35,402,564	17,596,122	23,990,355	-	-	-	-
Unrestricted	18,927,739	18,849,916	18,764,877	19,326,253	19,700,391	13,721,843	-	-	-	-
Total primary government net assets	\$ 162,711,817	\$ 154,110,068	\$ 150,517,232	\$ 133,443,953	\$ 123,397,695	\$ 113,557,220	\$ -	\$ -	\$ -	\$ -

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS
 CHANGES IN NET ASSETS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 2

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Expenses										
Governmental activities:										
Mayor/Council	\$ 117,366	\$ 111,555	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378	\$ -	\$ -	\$ -	\$ -
Administration	7,384,773	5,523,924	6,040,692	4,908,083	5,757,527	3,583,719	-	-	-	-
Finance	1,338,894	1,138,210	1,027,654	954,840	877,537	760,436	-	-	-	-
Municipal Court	312,601	298,383	304,492	295,379	254,210	236,201	-	-	-	-
Police	7,130,698	7,001,771	6,095,435	6,372,344	6,862,707	5,446,279	-	-	-	-
Fire	2,242,829	2,207,468	1,889,269	1,144,577	1,530,503	966,400	-	-	-	-
Public Works	7,094,068	6,928,067	5,530,219	4,753,190	6,155,726	3,961,797	-	-	-	-
Community Development	2,229,753	2,018,363	1,781,548	1,680,857	1,493,249	442,470	-	-	-	-
Parks and Recreation	4,025,927	3,088,750	2,583,547	2,329,095	2,323,558	1,487,036	-	-	-	-
Interest on long-term debt	4,418,519	3,612,523	2,179,950	1,136,584	1,277,825	1,244,127	-	-	-	-
Total governmental activities expenses	36,295,428	31,929,014	27,541,172	23,653,063	26,607,258	18,186,843	-	-	-	-
Business-type activities:										
Water and Sewer	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878	-	-	-	-
Total business-type activities expenses	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878	-	-	-	-
Total primary government expenses	\$ 48,502,170	\$ 42,846,721	\$ 37,794,398	\$ 32,430,340	\$ 33,668,530	\$ 24,623,721	\$ -	\$ -	\$ -	\$ -
Program Revenues										
Governmental activities:										
Charges for services:							\$ -	\$ -	\$ -	\$ -
Community Development	1,072,444	1,118,001	1,318,516	1,687,141	1,680,531	1,487,000	-	-	-	-
Municipal Court	974,973	989,677	883,228	917,610	928,470	730,753	-	-	-	-
Police	658,015	415,637	649,261	720,395	402,980	221,076	-	-	-	-
Other	1,252,838	1,275,491	1,771,297	1,012,518	894,130	492,282	-	-	-	-
Operating grants & contributions	151,741	1,059,602	783,317	894,114	1,424,824	772,911	-	-	-	-
Capital grants & contributions	6,620,540	3,193,554	11,804,857	5,893,301	6,624,160	181,426	-	-	-	-
Total governmental activities program revenues	10,730,551	8,051,962	17,210,476	11,125,079	11,955,095	3,885,448	-	-	-	-

CITY OF ROCKWALL, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 2

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Business-type activities:										
Charges for services:										
Water Sales	6,060,043	4,815,631	6,547,846	5,379,382	4,474,069	4,530,970	-	-	-	-
Sewer Charges	2,409,614	2,338,820	2,355,821	2,046,425	1,922,989	1,809,478	-	-	-	-
Other	1,797,390	1,616,873	2,164,135	2,072,748	1,890,686	1,797,588	-	-	-	-
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	5,616,869	2,808,528	4,319,065	3,411,639	6,576,943	2,906,811	-	-	-	-
Total business-type activities program revenues	15,883,916	11,579,852	15,386,867	12,910,194	14,864,687	11,044,847	-	-	-	-
Total primary government program revenues	\$ 26,614,467	\$ 19,631,814	\$ 32,597,343	\$ 24,035,273	\$ 26,819,782	\$ 14,930,295	\$ -	\$ -	\$ -	\$ -
Net (Expense)/Revenue										
Governmental activities	(25,564,877)	(23,877,052)	(10,330,696)	(12,527,984)	(14,652,163)	(14,301,395)	-	-	-	-
Business-type activities	3,677,174	662,145	5,133,641	4,132,917	7,803,415	4,607,969	-	-	-	-
Total primary government net expense	(21,887,703)	(23,214,907)	(5,197,055)	(8,395,067)	(6,848,748)	(9,693,426)	-	-	-	-
General Revenues and Transfers										
Governmental activities:										
Property taxes	\$ 14,780,112	\$ 11,827,931	\$ 9,063,530	\$ 8,111,715	\$ 7,265,947	\$ 6,717,883	\$ -	\$ -	\$ -	\$ -
Sales taxes	10,123,636	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	-	-	-	-
Other	4,625,450	4,477,541	3,566,689	2,442,815	2,167,786	1,843,906	-	-	-	-
Transfers	1,315,405	1,350,335	2,375,000	1,006,400	867,500	1,337,963	-	-	-	-
Total governmental activities	30,844,603	26,557,736	23,534,270	18,940,771	17,037,287	16,176,968	-	-	-	-
Business-type activities:										
Other	960,254	1,600,342	1,111,064	506,954	519,436	345,017	-	-	-	-
Transfers	(1,315,405)	(1,350,335)	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)	-	-	-	-
Total business-type activities	(355,151)	250,007	(1,263,936)	(499,446)	(348,064)	(992,946)	-	-	-	-
Total primary government	\$ 30,489,452	\$ 26,807,743	\$ 22,270,334	\$ 18,441,325	\$ 16,689,223	\$ 15,184,022	\$ -	\$ -	\$ -	\$ -
Change in Net Assets										
Governmental activities	\$ 5,279,726	\$ 2,680,684	\$ 13,203,574	\$ 6,412,787	\$ 2,385,124	\$ 1,875,573	\$ -	\$ -	\$ -	\$ -
Business-type activities	3,322,023	912,152	3,869,705	3,633,471	7,455,351	3,615,023	-	-	-	-
Total primary government	\$ 8,601,749	\$ 3,592,836	\$ 17,073,279	\$ 10,046,258	\$ 9,840,475	\$ 5,490,596	\$ -	\$ -	\$ -	\$ -

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (unaudited)

TABLE 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1999	-	-	-	-
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	6,717,883	6,277,216	1,567,874	14,562,973
2004	7,265,947	6,736,054	1,776,406	15,778,407
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842

Note: The City implemented GASB Statement No. 34 in fiscal year 2003, thus 10 years of data is not available.

CITY OF ROCKWALL, TEXAS
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE
 (accrual basis of accounting)
 (unaudited)

TABLE 4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
1999	3,252,453	1,260,397	4,512,850
2000	3,612,008	1,379,684	4,991,692
2001	3,835,507	1,601,062	5,436,569
2002	3,913,496	1,770,522	5,684,018
2003	4,530,970	1,809,478	6,340,448
2004	4,474,069	1,922,989	6,397,058
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657

CITY OF ROCKWALL, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 5

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	\$ 2,446	\$ 1,407	\$ 26,130	\$ 26,980	\$ 16,104	\$ 7,500	\$ 6,862	\$ 16,414	\$ 11,663	\$ 12,614
Unreserved	8,264,368	8,335,289	7,692,662	7,301,334	6,860,155	7,235,979	7,579,095	6,436,530	6,770,275	4,826,291
Total general fund	<u>\$ 8,266,814</u>	<u>\$ 8,336,696</u>	<u>\$ 7,718,792</u>	<u>\$ 7,328,314</u>	<u>\$ 6,876,259</u>	<u>\$ 7,243,479</u>	<u>\$ 7,585,957</u>	<u>\$ 6,452,944</u>	<u>\$ 6,781,938</u>	<u>\$ 4,838,905</u>
All other governmental funds										
Reserved for:										
Debt Service	\$ 835,203	\$ 1,083,320	\$ 1,461,294	\$ 1,155,897	\$ 694,758	\$ 683,650	\$ 551,753	\$ 509,255	\$ 386,149	\$ 284,139
Unreserved, reported in:										
Special revenue funds	3,145,275	2,797,330	2,422,376	2,046,410	1,358,357	926,507	671,382	1,171,009	5,120,309	6,534,173
Capital projects funds	13,094,614	21,877,706	36,529,256	16,113,095	5,271,300	7,540,907	9,031,865	13,065,344	16,135,737	8,235,081
Total all other governmental funds	<u>\$ 17,075,092</u>	<u>\$ 25,758,356</u>	<u>\$ 40,412,926</u>	<u>\$ 19,315,402</u>	<u>\$ 7,324,415</u>	<u>\$ 9,151,064</u>	<u>\$ 10,255,000</u>	<u>\$ 14,745,608</u>	<u>\$ 21,642,195</u>	<u>\$ 15,053,393</u>

CITY OF ROCKWALL, TEXAS
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 6

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Ad valorem taxes, penalty and interest	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166	\$ 5,722,744	\$ 5,032,885	\$ 4,072,641	\$ 3,450,302
Sales taxes	10,123,637	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216	6,228,716	6,109,463	7,726,450	6,031,372
Franchise taxes	2,179,847	2,046,674	1,981,016	1,715,242	1,702,156	1,548,499	1,506,971	1,278,671	1,034,660	1,002,559
Charges for services	362,107	417,049	426,996	268,125	266,450	263,349	159,451	135,417	108,441	89,450
Permits	1,122,505	1,132,985	1,325,832	1,718,218	1,709,832	1,521,019	1,467,736	618,405	570,932	515,688
Municipal court	1,177,410	1,019,260	987,066	906,634	937,164	734,500	584,171	509,645	472,921	504,015
Intergovernmental	419,700	1,097,790	1,011,739	3,182,350	1,772,811	1,100,961	1,452,565	1,155,484	1,891,965	872,468
Interest income	1,702,870	2,012,244	1,149,204	304,644	143,269	312,700	598,483	1,002,624	1,569,214	756,313
Miscellaneous	837,707	716,896	1,060,866	1,080,366	755,733	422,427	375,753	297,490	584,386	1,874,540
Contributions and donations	775,695	2,241,586	6,251,435	163,635	252,037	56,463	35,112	60,539	244,594	465,487
Total Revenues	33,409,620	31,407,407	31,703,153	24,859,180	21,545,914	18,915,300	18,131,702	16,200,623	18,276,204	15,562,194
Expenditures										
Current:										
Mayor/council	117,366	111,555	108,366	78,114	74,416	58,377	68,480	38,068	31,148	30,590
Administration	3,056,885	2,750,197	2,910,478	2,708,948	2,324,516	3,024,304	2,421,992	1,880,816	1,348,888	1,457,683
Finance	1,199,417	1,138,238	1,025,230	952,808	837,800	756,688	707,823	615,694	515,463	347,570
Municipal court	311,706	300,186	303,131	291,348	249,839	234,832	189,088	187,687	163,977	142,452
Police	6,923,679	6,426,957	6,235,463	6,070,311	6,083,676	5,171,682	5,024,188	4,261,907	3,770,329	3,227,329
Fire	1,451,970	1,340,624	1,242,836	1,075,427	950,622	757,447	373,099	336,556	267,251	254,931
Public works	2,824,267	2,427,535	2,411,324	2,050,077	2,005,360	1,781,760	1,648,599	1,393,969	1,278,762	1,337,413
Community development	2,219,167	2,002,767	1,783,961	1,682,480	1,477,483	440,481	302,156	391,843	954,429	776,061
Parks and recreation	2,907,229	2,473,238	2,318,135	1,826,608	1,758,180	1,369,986	1,322,614	1,030,236	862,235	659,184
Total current	21,011,686	18,971,297	18,338,924	16,736,121	15,761,892	13,595,557	12,058,039	10,136,776	9,192,482	8,233,213
Capital outlay:										
Administration	2,373,369	4,028,933	1,580,706	602,847	623,526	1,843,858	8,767,869	3,101,580	4,596,796	7,195,832
Finance	137,035	-	-	-	36,746	141,102	104,138	66,898	88,238	230,327
Municipal Court	-	-	-	-	3,958	13,152	-	-	11,705	3,256
Police	74,899	225,992	285,150	1,850,771	978,179	372,661	370,552	298,869	880,517	76,666
Fire	727,795	1,578,623	835,685	711,166	525,888	172,970	542,049	1,322,965	750,226	1,025,551
Public works	29,051,639	10,609,516	25,733,888	9,756,038	1,667,682	1,198,999	892,865	1,306,605	108,831	272,955
Community development	-	2,105	-	519	668	1,123	-	97,479	60,738	36,216
Parks and recreation	1,742,004	2,397,348	1,477,499	757,360	600,049	443,049	199,661	646,525	239,448	42,216
Total capital outlay	34,106,741	18,842,517	29,912,928	13,678,701	4,436,696	4,186,914	10,877,134	6,840,921	6,736,499	8,883,019

CITY OF ROCKWALL, TEXAS
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 6

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Debt service:										
Principal	4,335,462	3,726,505	2,620,235	1,801,369	2,831,984	1,623,841	1,590,000	1,196,321	780,188	799,572
Interest	4,254,162	3,607,455	1,748,001	977,878	1,032,504	1,229,093	1,198,065	1,305,721	1,438,232	407,390
Bond issuance costs	468,837	9,500	500,889	429,728	99,311	-	50,879	-	-	-
Fiscal charges	6,384	6,484	6,020	5,063	7,403	9,272	14,580	10,380	6,968	8,026
Total debt services	9,064,845	7,349,944	4,875,145	3,214,038	3,971,202	2,862,206	2,853,524	2,512,422	2,225,388	1,214,988
Total expenditures	64,183,272	45,163,758	53,126,997	33,628,860	24,169,790	20,644,677	25,788,697	19,490,119	18,154,369	18,331,220
Excess (deficiency) of revenues over (under) expenditures	(30,773,652)	(13,756,351)	(21,423,844)	(8,769,680)	(2,623,876)	(1,729,377)	(7,656,995)	(3,289,496)	121,835	(2,769,026)
Other financing sources (uses):										
Transfers in	1,975,436	2,585,804	4,305,332	2,959,535	2,429,909	4,445,973	4,976,111	2,942,643	2,815,824	1,180,243
Sale of capital assets	-	-	-	-	-	-	-	-	-	42,031
Transfers out	(2,715,031)	(2,866,119)	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)	(4,971,711)	(2,996,182)	(3,055,824)	(1,424,986)
Bonds issued	22,270,000	-	41,045,000	21,200,000	-	-	4,295,000	-	8,650,000	13,421,011
Refunding bonds issued	-	-	-	6,095,000	4,067,415	-	-	-	-	-
Accrued interest on bonds issued	-	-	176,020	129,913	-	-	-	-	-	-
Premium on bonds issued	490,101	-	864,326	271,518	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(6,027,109)	(3,120,178)	-	-	-	-	-
Total other financing sources (uses)	22,020,506	(280,315)	42,911,846	21,212,722	564,737	282,963	4,299,400	(53,539)	8,410,000	13,218,299
Net change in fund balances	(8,753,146)	(14,036,666)	21,488,002	12,443,042	(2,059,139)	(1,446,414)	(3,357,595)	(3,343,035)	8,531,835	10,449,273
Debt service as a percentage of noncapital expenditures	30.1%	27.9%	21.0%	16.1%	20.1%	17.4%	19.1%	19.9%	19.5%	12.9%

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

TABLE 7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1999	3,450,302	6,031,372	1,002,559	10,484,233
2000	4,072,641	7,726,450	1,034,660	12,833,751
2001	5,032,885	6,109,463	1,278,671	12,421,019
2002	5,722,744	6,228,716	1,506,971	13,458,431
2003	6,678,166	6,277,216	1,548,499	14,503,881
2004	7,270,408	6,736,054	1,702,156	15,708,618
2005	8,140,125	7,379,841	1,715,242	17,235,208
2006	8,979,948	8,529,051	1,981,016	19,490,015
2007	11,820,994	8,901,929	2,046,674	22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626

CITY OF ROCKWALL
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 8

<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>
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
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.73%	0.35
2008	10,123,637	70.44%	0.36

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

TABLE 9

Fiscal Year	Tax Year	Estimated Market Value				Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal				
1999	1998	601,976,181	252,746,017	144,053,947	53,803,586	944,972,559	0.3600	
2000	1999	713,080,370	313,108,302	161,240,698	65,713,842	1,121,715,528	0.3600	
2001	2000	879,924,785	370,271,592	201,150,402	86,564,864	1,364,781,915	0.3600	
2002	2001	1,005,596,905	434,430,607	231,005,372	92,155,332	1,578,877,552	0.3600	
2003	2002	1,180,867,660	484,847,529	271,117,946	99,943,555	1,836,889,580	0.3600	
2004	2003	1,371,585,380	487,360,218	258,028,313	130,750,657	1,986,223,254	0.3600	
2005	2004	1,573,206,290	525,794,698	284,849,415	154,608,703	2,229,241,700	0.3600	
2006	2005	1,736,808,885	567,435,458	286,808,498	163,343,787	2,427,709,054	0.3689	
2007	2006	1,943,727,690	921,234,223	261,957,560	551,589,203	2,575,330,270	0.4250	
2008	2007	2,405,432,149	709,899,929	289,545,141	602,975,668	2,801,901,551	0.4865	

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL
PROPERTY TAX EXEMPTIONS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 10

<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>
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
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093
2007	96,624,100	1,537,004	61,259,470	16,146,371	328,999
2008	104,805,677	1,658,500	66,881,780	13,651,705	248,013

CITY OF ROCKWALL, TEXAS
PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(unaudited)

TABLE 11

<u>Fiscal Year</u>	<u>City of Rockwall</u>			<u>Overlapping Rates</u>	
	<u>M&O</u>	<u>Debt</u>	<u>Total</u>	<u>School</u>	<u>County</u>
1999	0.2179	0.1421	0.3600	1.4900	0.3202
2000	0.1898	0.1702	0.3600	1.5780	0.3536
2001	0.1748	0.1852	0.3600	1.8400	0.3534
2002	0.1826	0.1774	0.3600	1.8372	0.3534
2003	0.1982	0.1618	0.3600	1.8800	0.3534
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.425	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500

CITY OF ROCKWALL, TEXAS
 PRINCIPAL TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 (unaudited)

TABLE 12

Taxpayer	2008			1999		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Continental Pet Technology	41,777,077	1	1.49%	16,449,332	1	1.74%
Mariah Bay Development, Inc	28,471,080	2	1.02%	-	-	-
SPM/WRI Rockwall, L.P.	25,330,780	3	0.90%	-	-	-
Wal-mart	22,832,410	4	0.81%	16,213,341	2	1.72%
TXU Electric Delivery Service (formerly T	21,812,500	5	0.78%	9,245,930	6	0.98%
Rockwall Crossing LTD	21,340,740	6	0.76%	-	-	-
Texas Star Express	18,290,840	7	0.65%	-	-	-
Rockwall Commons SPE II LLC	17,731,400	8	0.63%	-	-	-
EZ Flo Eastman	16,559,610	9	0.59%	-	-	-
Mission NE Dallas 1 LLC Etal	16,311,540	10	0.58%	-	-	-
Lowes Home Centers, Inc.	-	-	-	13,882,843	3	1.47%
The Home Depot	-	-	-	13,322,399	4	1.41%
Rockwall/ S-30 Ltd.	-	-	-	13,051,810	5	1.38%
Steger Towne Crossing, LP	-	-	-	9,186,300	7	0.97%
Bent Tree Realty Co.	-	-	-	8,660,090	8	0.92%
Dayton Hudson	-	-	-	8,560,107	9	0.91%
Precision Cable Mfg. Co.	-	-	-	8,390,230	10	0.89%
Subtotal	<u>230,457,977</u>		<u>8.23%</u>	<u>116,962,382</u>		<u>12.38%</u>
Total Taxable Value	<u>2,801,901,551</u>		<u>100.00%</u>	<u>944,972,559</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District

Note: For tax years 2007 and 1998

CITY OF ROCKWALL, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 13

Fiscal Year	Tax Year	Total Tax Levy	Current Tax Collections	Total Current Year Collections	Percent of Levy Collected During Fiscal Period	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy
1999	1998	3,403,144	3,314,812	3,314,812	97.40%	90,041	3,404,853	100.05%
2000	1999	4,054,089	3,937,051	3,937,051	97.11%	90,041	4,027,092	99.33%
2001	2000	4,915,155	4,864,930	4,864,930	98.98%	110,627	4,975,557	101.23%
2002	2001	5,696,005	5,605,385	5,605,385	98.41%	55,841	5,661,226	99.39%
2003	2002	6,619,325	6,487,602	6,487,602	98.01%	77,090	6,564,692	99.17%
2004	2003	7,194,520	7,145,433	7,145,433	99.32%	176,253	7,321,686	101.77%
2005	2004	8,063,888	8,021,945	8,021,945	99.48%	141,227	8,163,172	101.23%
2006	2005	8,984,907	8,921,613	8,921,613	99.30%	114,598	9,036,211	100.57%
2007	2006	11,602,218	11,433,285	11,433,285	98.54%	112,247	11,545,532	99.51%
2008	2007	14,371,045	14,173,725	14,173,725	98.63%	139,450	14,313,175	99.60%

CITY OF ROCKWALL
TOP TEN WATER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO
(unaudited)

TABLE 14

Customer	2008			1999		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	62,060,900	1	2.11%	-	-	-
Rockwall I.S.D.	41,117,900	2	1.40%	31,997,400	1	2.91%
Mission Rockwall	15,557,700	3	0.53%	13,330,522	5	1.21%
Whittle Development	15,496,000	4	0.53%	-	-	-
D.W.C./Highlife Properties	15,288,400	5	0.52%	13,669,500	4	1.24%
Walden Residential Properties	12,910,900	6	0.44%	16,642,300	3	1.52%
Lake Pointe Church	11,208,600	7	0.38%	-	-	-
Rockwall Crossing, Ltd.	11,179,900	8	0.38%	-	-	-
Continental Can	8,960,400	9	0.30%	9,465,300	7	0.86%
The Woodmont Company	7,930,000	10	0.27%	-	-	-
Lone Star Circuits	-	-	-	19,366,900	2	1.76%
Sabre Realty	-	-	-	11,611,500	6	1.06%
Rockwall Nursing Home	-	-	-	8,836,700	8	0.80%
Bent Creek Condos, HOA	-	-	-	8,667,700	9	0.79%
J&L Plating	-	-	-	8,628,400	10	0.79%
Subtotal	<u>201,710,700</u>		<u>6.86%</u>	<u>142,216,222</u>		<u>12.95%</u>
Total Water Usage	<u>2,939,263,892</u>		<u>100.00%</u>	<u>1,098,358,000</u>		<u>100.00%</u>

CITY OF ROCKWALL, TEXAS
 RATIO OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 15

Fiscal Year	Governmental Activities			Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Sewer Revenue Bonds	Capitalized Lease Obligations			
1999	13,094,712	-	1,990,449	715,288	-	189,551	5,114,141	3,485,000	24,589,141	4.67%	1,527
2000	14,809,306	6,500,000	1,725,245	610,694	-	119,755	4,815,936	3,185,000	31,765,936	5.69%	1,863
2001	14,088,900	6,375,000	1,374,329	506,100	-	60,644	4,563,753	2,840,000	29,808,726	5.53%	1,574
2002	13,295,364	10,485,000	945,000	384,636	-	-	10,991,569	2,505,000	38,606,569	6.54%	1,841
2003	12,521,523	9,890,000	690,000	288,477	-	-	10,555,000	2,150,000	36,095,000	5.60%	1,580
2004	11,918,933	9,075,000	420,000	271,067	-	-	10,035,000	1,780,000	33,500,000	4.07%	1,329
2005	22,992,564	17,940,000	345,000	247,436	-	-	14,910,000	1,385,000	57,820,000	6.22%	2,080
2006	57,632,329	21,825,000	315,000	212,671	-	-	14,145,000	1,145,000	95,275,000	9.57%	3,155
2007	55,720,824	20,045,000	280,000	184,176	-	-	13,360,000	5,040,094	94,630,094	8.87%	3,013
2008	74,925,362	18,810,000	245,000	154,638	9,935,000	-	12,530,000	4,805,090	121,405,090	11.18%	3,824

Note: See Table 19 for personal income and population data

CITY OF ROCKWALL, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(unaudited)

TABLE 16

Fiscal Year	Governmental Activities			Gross Bonded Debt	Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations					
1999	13,094,712	-	1,990,449	15,085,161	284,139	14,801,022	1.56%	919
2000	14,809,306	6,500,000	1,725,245	23,034,551	386,149	22,648,402	2.01%	1,328
2001	14,088,900	6,375,000	1,374,329	21,838,229	509,255	21,328,974	1.58%	1,126
2002	13,295,364	10,485,000	945,000	24,725,364	551,753	24,173,611	1.52%	1,153
2003	12,521,523	9,890,000	690,000	23,101,523	683,650	22,417,873	1.21%	981
2004	11,918,933	9,075,000	420,000	21,413,933	694,758	20,719,175	1.04%	822
2005	22,992,564	17,940,000	345,000	41,277,564	1,014,713	40,262,851	1.80%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,461,294	78,311,035	3.22%	2,593
2007	55,720,824	20,045,000	280,000	76,045,824	1,083,320	74,962,504	2.91%	2,387
2008	74,925,362	18,810,000	245,000	93,980,362	835,203	93,145,159	3.32%	2,934

Note: See Table 19 for population data and Table 8 for property value data

CITY OF ROCKWALL, TEXAS
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 SEPTEMBER 30, 2008
 (unaudited)

TABLE 17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 104,070,000	100.00%	\$ 104,070,000
Indirect:			
Rockwall Independent School District	358,838,101	57.39%	205,937,186
Rockwall County	<u>20,045,000</u>	48.48%	<u>9,717,816</u>
Total Indirect	<u>378,883,101</u>		<u>215,655,002</u>
Total Direct and Overlapping Bonded Debt	<u>\$ 482,953,101</u>		<u>\$ 319,725,002</u>
Average debt per capita			<u>\$ 10,071</u>

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

CITY OF ROCKWALL, TEXAS
 COMPUTATION OF LEGAL DEBT MARGIN
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 18

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 previous ten years was:

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Maximum Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total Tax Rate	0.4865	0.425	0.3689	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600
Legal Debt Margin	2.0135	2.0750	2.1311	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400

CITY OF ROCKWALL, TEXAS
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			
				Principal	Interest	Total	Coverage
1999	7,114,040	2,787,236	4,326,804	280,000	205,017	485,017	8.92
2000	9,225,111	3,068,964	6,156,147	255,000	242,228	497,228	12.38
2001	10,253,437	3,773,301	6,480,136	260,000	227,663	487,663	13.29
2002	7,785,753	4,159,459	3,626,294	280,000	213,638	493,638	7.35
2003	9,259,528	4,647,959	4,611,569	510,000	486,884	996,884	4.63
2004	10,081,442	5,194,575	4,886,867	520,000	476,108	996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN YEARS
 (unaudited)

TABLE 20

DEMOGRAPHICS

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	RISD School Enrollment (2)	Unemployment Rate (%) (3)
1999	16,100	526,969	32,731	7,335	2.7
2000	17,050	558,064	32,731	8,435	3.0
2001	18,934	539,278	28,482	8,898	5.5
2002	20,967	590,473	28,162	9,617	7.1
2003	22,850	644,256	28,195	10,077	6.7
2004	25,200	822,453	32,637	10,527	5.1
2005	27,800	929,882	33,449	11,560	3.5
2006	30,200	995,574	32,966	12,627	3.4
2007	31,407	1,066,362	33,953	13,086	3.9
2008	31,748	1,085,718	34,198	13,407	4.9

Source: (1) Rockwall Economic Development Corporation
 (2) Rockwall Independent School District - private schools not included
 (3) Texas Workforce Commission

CITY OF ROCKWALL, TEXAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO
 (unaudited)

TABLE 21

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,667	1	9.39%	750	1	7.84%
Texas Star Express	484	2	2.73%	175	5	1.83%
Wal-Mart Superstore	450	3	2.54%	450	2	4.71%
Rockwall County	253	4	1.43%	-	-	-
City of Rockwall	243	5	1.37%	-	-	-
Special Products	205	6	1.16%	-	-	-
Target	200	7	1.13%	170	6	1.78%
Rockwall Nursing Home	160	8	0.90%	-	-	-
Kohl's Department Store	140	9	0.79%	-	-	-
Home Depot	130	10	0.73%	-	-	-
Precision Cable	-	-	-	200	3	2.09%
James Helwig & Son	-	-	-	180	4	1.88%
Kroger Food	-	-	-	159	7	1.66%
Albertsons	-	-	-	120	8	1.25%
Lowe's	-	-	-	110	9	1.15%
Continental Pet	-	-	-	100	10	1.05%
Subtotal	<u>3,932</u>		<u>22.16%</u>	<u>2,414</u>		<u>25.24%</u>
Total	<u><u>17,746</u></u>		<u><u>100.00%</u></u>	<u><u>9,564</u></u>		<u><u>100.00%</u></u>

Sources: Rockwall Economic Development Corporation
 North Central Texas Council of Governments
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 22

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Administration	22	22	21	21	21	23	19	13	12	11
Finance	8	8	8	7.5	6.5	4.5	4.5	5	5	5
Municipal Court	4	4	4	4	3	3	3	3	3	3
Fire	10	10	9	9	8	5	4	3	2	2
Police	88	85	80	72	70	68	63	57	53	47
Community Development	29.5	29.5	28.5	25.5	22	21	19	14	15	13
Parks & Recreation	24.5	24.5	25	24	21	21	22	18	16	16
Public Works	23	23	23	21	21	21	20	19	19.5	19.5
Water/Sewer	34	31	29	26	25	23	22	21	20	19
Total	243.00	237.00	227.50	210.00	197.50	189.50	176.50	153.00	145.50	135.50

CITY OF ROCKWALL, TEXAS
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 23

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Finance										
Invoices processed	16,696	16,015	15,883	14,919	14,246	14,430	n/a	n/a	n/a	n/a
Payroll checks issued	7,765	7,840	7,042	6,579	6,543	5,882	4,983	4,277	4,196	n/a
Purchase orders issued	2,363	2,553	2,468	2,561	2,420	2,338	n/a	n/a	n/a	n/a
Municipal Court										
Violations Processed	12,984	17,455	16,635	15,225	13,913	15,000	9,364	8,010	7,173	6,930
Fire										
Employees (paid)	9	9	9	9	8	4	3	2	1	1
Volunteers	42	37	40	39	36	38	38	36	37	38
Fire Calls (City and County)	860	777	718	772	623	560	474	460	425	382
Police										
Employees (uniformed)	69	66	61	55	51	49	42	37	36	33
Employees (civilian)	19	18	18	17	17	15	12	12	12	15
Calls for Service	29,097	27,158	21,121	17,915	16,066	14,699	14,717	13,924	14,633	n/a
Community Development										
# permits - New commercial construction	26	33	18	51	18	27	22	13	26	36
Value - New commercial construction	40,553,363	104,798,013	39,358,497	49,918,558	29,067,960	40,304,701	41,967,125	16,001,068	12,444,115	18,810,452
# permits - New residential construction	173	192	470	739	885	775	945	767	655	488
Value - New residential construction	31,962,169	40,174,623	82,305,725	123,215,423	135,501,919	117,512,216	144,002,845	119,521,248	94,343,746	72,960,161
Parks & Recreation										
The Center facility usage	76,530	69,988	75,757	71,118	58,060	38,821	2,713	n/a	n/a	n/a
Special event attendance	75,232	54,156	25,231	26,547	35,736	14,300	9,113	5,440	n/a	n/a
# recreation participants (youth & adult)	2,757	2,727	2,381	2,034	1,793	1,411	882	1,028	n/a	n/a

CITY OF ROCKWALL, TEXAS
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 23

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Public Works										
Streets - sq yd concrete street repair	3,415.26	739.69	1,967.75	2,961.55	2,395.76	n/a	n/a	n/a	n/a	n/a
\$ spent on concrete/asphalt street repair	411,814	341,685	478,169	352,048	431,475	339,507	284,129	242,810	294,895	n/a
Miles of public street maintained by City	183.86	144.83	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69
Water/Sewer										
Water customers	12,285	12,345	11,985	11,491	10,497	9,440	8,827	7,875	7,035	6,615
Sewer customers	11,106	10,987	10,445	10,020	9,282	8,510	7,781	7,026	6,310	5,749
Average daily water consumption (gal)	8,052,778	6,701,619	5,991,288	5,023,404	4,327,595	4,209,473	3,019,976	3,937,395	3,874,655	3,009,200
Maximum storage capacity (gal)	9,500,000	7,500,000	7,500,000	7,500,000	7,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions.

n/a - Data not available

CITY OF ROCKWALL, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 24

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Fire										
Number of stations	2	2	2	2	2	2	2	1	1	1
Number of fire engines/trucks	11	11	9	8	8	8	8	8	8	7
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	42	42	37	30	26	22	n/a	n/a	n/a
Parks & Recreation										
Parks acres (developed)	538.00	341.50	324.60	307.30	287.70	283.20	n/a	n/a	n/a	n/a
Playgrounds	23	23	18	12	12	12	11	10	10	10
Picnic areas	31	29	27	26	26	25	12	5	5	5
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	24,508,043	4,885,417	1,689,445	2,477,496	165,359	116,368	1,670,734	377,153	n/a	n/a
\$ spent on street rehabilitation	4,219,701	2,492,251	6,575,541	2,352,112	583,947	397,026	967,878	1,503,738	n/a	n/a
Miles of public street	183.86	144.83	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69
Water/Sewer										
Water mains (miles)	250.40	160.06	155.37	146.32	139.93	128.49	120.93	105.35	96.43	86.62
Sanitary sewers (miles)	209.95	117.51	113.58	107.83	103.62	96.64	91.87	79.21	69.59	59.62

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available