

CITY OF ROCKWALL, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

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, 2006

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INTRODUCTORY SECTION



City of Rockwall
The New Horizon

March 12, 2007

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, 2006, is hereby submitted. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Rockwall. Consequently, management assumes full responsibility for both the accuracy of the data, and the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosure necessary to enable the reader to gain an understanding of the City's financial activities has been included.

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

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

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

The City of Rockwall's financial statements have been audited by Fox, Byrd & Company, 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, 2006, 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, 2006, 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. 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 Airport, one of the largest in the world, continues to expand to meet the air transportation needs of the region. Love Field in Dallas now provides expanded air services and Alliance Airport near Fort Worth provides general aviation facilities for the area. Due to favorable economic conditions, excellent business climate, and desirable living conditions, corporate relocations to the area continue.

The City of Rockwall 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 currently has a land area of approximately 23.77 square miles and an estimated population of 30,200.

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

Discretely presented component units are legally separate entities and are not part of the primary government's operations. 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 the note disclosures.

Factors Affecting Financial Condition

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

Local economy

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. Rockwall enjoyed a relatively stable economic environment during the recent downturn in the national and regional economies. In 2006 new commercial openings were strong. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Property values have continued to rise at an average 12.4% per annum. The City's largest taxpayers include a number of commercial developments. The Rockwall Technology Park has welcomed several new companies to the City. The year's highlights included:

- Completion by Whittle Development of the new Cinemark 12 Theatre which anchors their Bella Harbor, lakefront development. Construction was completed on approximately 90,000 square feet of retail and restaurant space which will provide premier retail opportunities for the area.
- Kroger Company opened its new Signature store and accompanying retail center. Tenants have begun renovations of the former Kroger building for an Office Depot and 24 Hour Fitness Center.
- Circuit City, Bed Bath & Beyond and TJ Maxx are among the tenants of the new Rockwall Crossing retail development opened in fiscal year 2006.
- EmPhysis Medical Management, a medical billing and physician administrative services company completed construction of a 25,500 square foot headquarters facility, in Phase I of the Rockwall Technology Park.
- Whitmore Manufacturing, one of the City's largest industrial businesses completed an expansion of their light industrial facility, increasing their presence in the community.
- Special Products and Manufacturing, Inc. consolidated their operations into a new 130,000 square foot headquarters in the Rockwall Technology Park, allowing for expanded operations.
- Presbyterian Hospital of Rockwall broke ground in summer 2006 on an acute care facility and approximately 40,000 square feet of medical office space in the immediate area.
- la Madeleine opened its new Rockwall location in 2006.

Long-term financial planning

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

A number of long-range studies have been completed or updated recently. A Capital Improvement Task Force prepared an update to the City's Capital Improvement Plan which resulted in a number of projects being proposed and which met with positive voter response in late 2005. These capital projects are designed to ease traffic burdens, increase public safety and enhance quality of life for our citizens. Our consultant continues to develop plans for two major parks projects, while the City moved forward with the acquisition of land for a third major park project. This land will allow the City to develop a 50-acre park in the northern area of the City. The City Council authorized a consultant's efforts to evaluate existing city facilities and conduct long range planning of space needs for the next 20 years. This report will be presented to the Council in 2007.

The City finalized revisions to the subdivision ordinance based on the City's Comprehensive Plan. Staff has completed initial work implementing a GIS mapping project and will hire dedicated GIS staff in 2007 to further expand the City's capabilities and coordination across departments. The City Council has identified the downtown area as a critical component of our long range plan with the completion of the downtown plan. The City working with business and community leaders will continue the central business district planning effort. City staff expects to complete an update of the Central Business District zoning in 2007.

The Rockwall Economic Development Corporation will further their planning efforts by formalizing their Vision 2020 plan. This comprehensive document will include demographics, target industries, marketing strategies, competition, site selection criteria, and alliances among its parameters.

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 completed interviews at both the governance and leadership levels of the organization and completed an update of priorities and measures for the corporate strategy map. In addition, 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 those products need to be designed to meet our customer's needs, not what we perceive are their needs. A trainer was brought in to work with a group of more than 40 employees to develop meeting facilitation skills in order to further this effort.

In addition, the City began an ILead series of workshops for mid level managers and first line supervisors to develop their management skills and prepare our next generation of organization leaders. This group will continue to attend classes and collaborate on projects to build cross department alliances and understanding of the resources available to our managers.

Future Development

“The Harbor” public improvements, situated on the shores of Lake Ray Hubbard at I-30, neared completion in fiscal year 2006. The public/private partnership provides opportunities for new retailers in the Bella Harbor development as well as public open space. The largely undeveloped hillside which became the home of the twelve-screen Cinemark Theatre will soon include a full-service Hilton Hotel and Conference Center and retail, restaurant and office space.

In conjunction with the private development, the City established a tax increment financing (TIF) zone in an approximately 103 acre 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. The public area includes both passive and active event areas, a Harbor/Urban Court, spray plaza and large open areas suitable for a variety of outdoor events. The public space was formally opened in a gala event in November 2006. The City and Chamber of Commerce are working to attract events to the area.

Tenant finish out continues in the private development with Gloria’s, and Ruby Tuesday’s restaurants opening late in 2006. They will be joined in 2007 by Dodie’s Lakefront and Finnegan’s Harborside restaurants. Retail establishments joining Savoy Gifts and En Fuego will include L’Egantz, Baby Grace Baby Planner and Harbor Girl opening in 2007.

The “Plaza at Rockwall” Phase II of the Crossing project will see construction begin in 2007. The retail development has announced Best Buy, J.C. Penney, Belk, Ulta, Dick’s Sporting Goods, and Staples will be among its tenants. The development will cover a large area of land immediately adjacent to the Rockwall Crossing. A number of restaurants will join these and other retail establishments.

Downtown Rockwall welcomes Zanata to the business district which will be joined shortly by Smitty’s Roadhouse, under construction near the Square. These restaurants will offer fine dining and evening activities for our residents and visitors.

SPR Packaging, LLC will develop a major rail-served industrial location on the new Justin Road extension. SPR is expected to build, phased-development in excess of 150,000 square feet, adding significant value to the property tax base. The Justin Road project was financed by the REDC to enhance the area’s potential for development.

The City has begun the multi-phased design of the 205 Bypass roadway project approved by voters in late 2005. This roadway, on the eastern edge of the City is expected to provide traffic relief through the City’s center. Construction will begin on the first phase in 2007. Texas Department of Transportation will begin construction on the widening of SH205 (Goliad Street) through the City in 2007, a project which will take up to 4 years to complete. City road projects under construction in 2007 will include reconstruction of Fannin and Townsend roadways and the extension of Industrial Drive.

In addition to planning future parks projects, the City will complete construction on neighborhood parks in the Shores and Fox Chase subdivisions as well as finish design and improvements to parks in the Emerald Bay and Hickory Ridge subdivisions. Planning for the third major park will commence with a C3 project by the City to determine customer’s desires for the park and its amenities. Site selection and design of Fire Stations 3 and 4, approved by voters in 2005, will be completed in 2007 and construction is expected to start late in the year.

The water and sewer rates were increased 4% to our retail and wholesale customers in 2006 and staff will be proposing an additional 6% rate increase for 2007. The City will begin construction on a new two-million gallon water tower in the northern area of the City as well as increasing capacity in the regional sewer interceptor system and will begin design for the Squabble Creek sewer system. A number of main extension projects will be undertaken to increase system capacity and provide water and sewer service to outlying areas of the City.

Cash Management: The City invests cash temporarily idle during the year in money market funds and short-term notes of the U.S. Government and its agencies. Other cash classified as being not immediately needed is invested in longer-term obligations of the U.S. Government and its agencies. All of these investments are classified as “hold-to-maturity” investments. The City believes that it will not be required to sell these investments prior to maturity, barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no reverse repos nor has any other form of borrowing been used to finance the City’s portfolio.

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

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

Retirement System: The City of Rockwall provides pension benefits to all full-time employees through a nontraditional, joint contributory defined benefit plan administered by the Texas Municipal Retirement System, an agent multiple-employer public retirement system. Pension expense for the calendar year ended December 31, 2005 (including prior service costs amortized over 25 years) was \$1,367,738. 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 9-30-06(net of Debt Service)	\$78,311,035
Estimated Population	30,200
G.O. Debt Per Capita	\$2,593
Net G.O. Debt per Assessed Value	3.22%

The City’s bond ratings at September 30, 2006 were as follows:

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

OTHER INFORMATION

Independent Audit:

State statutes require an annual audit by independent certified public accountants. The firm of Fox, Byrd & Company, PC, was selected by the City Council. In addition to meeting the requirements set forth in state statutes. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements and combining and individual funds statements and schedules is included in the financial section of this report. The auditors' report on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last sixteen 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, 2005

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.



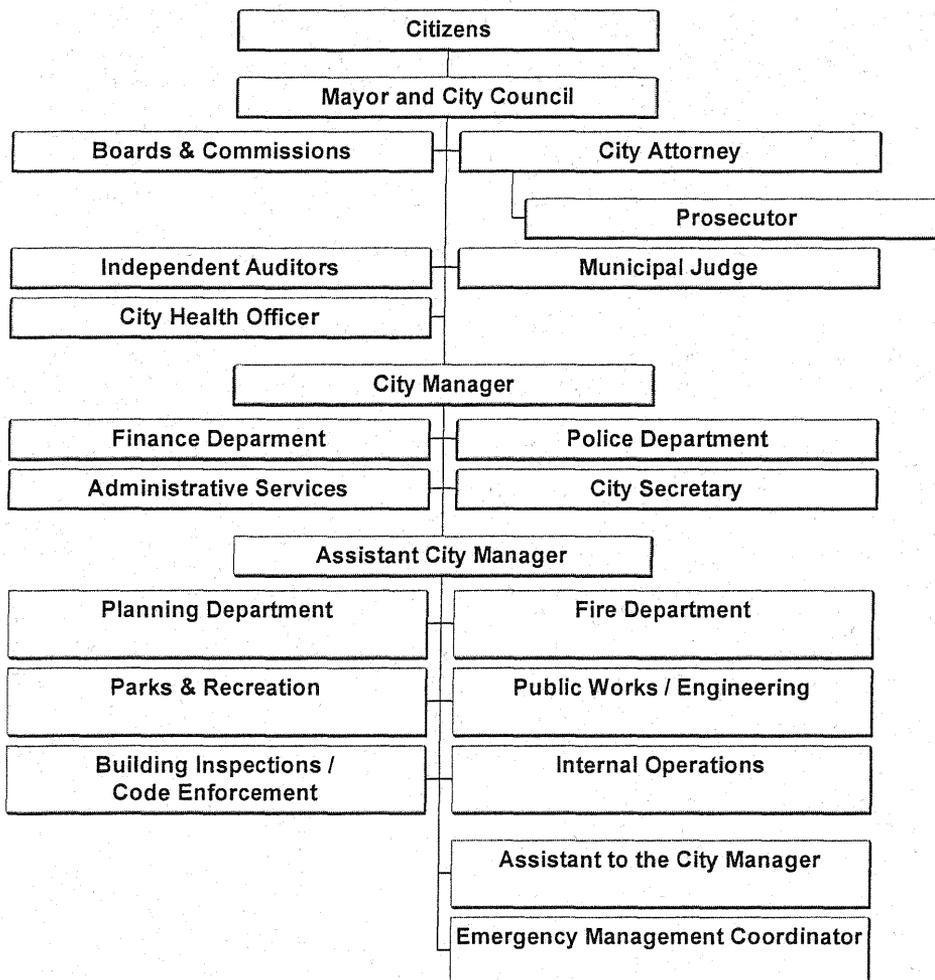
A handwritten signature in black ink, appearing to read "Ronald J. Hoover".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2006

City Council

Bill Cecil, Mayor
Matt Scott, Mayor Pro-Tempore
Bob Cotti, Councilmember
Tim McCallum, Councilmember
Margo Nielsen, Councilmember
Cliff Sevier, Councilmember
Stephen Straughan, Councilmember

City Staff

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

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Rockwall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockwall, Texas, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 12-21 and the budgetary comparison information on page 63 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 section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Fox, Byrd + Company, P.C.

Dallas, Texas
December 12, 2006

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, 2006. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net assets were \$150,517,232 at September 30, 2006.
- During the year, the City's expenses were \$13,203,574 less than the \$40,744,746 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, 2006 by \$83,451,860 (net assets). Of this amount \$11,683,150 (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 \$7,692,662 or approximately 40.7 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 \$38,424,765 during fiscal year 2006. The City issued General Obligation bonds during the fiscal year ended September 30, 2006, in order to finance a number of voter approved capital projects. In addition the City issued Certificates of Obligation to finance acquisition of fire trucks and other capital equipment needs. 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.

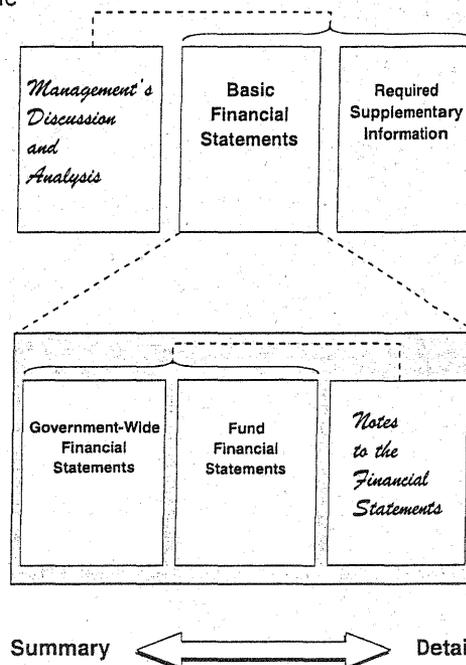
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	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
Required financial statements	<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 and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements

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

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

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

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

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

Component Units – The City of Rockwall (the primary government) includes two discretely presented component units. The City's 4A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The 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 22-24 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 23 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, capital projects fund, Harbor TIF projects fund, G.O. bonds capital projects fund and 205 Bypass fund, all of which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the general public on a continuing basis 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 fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Other Information

In addition to the basic financial statements and accompanying notes, this report 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 2006, the City's net assets (assets exceeding liabilities) totaled \$150,517,232. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

By far the largest portion of the City's net assets reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

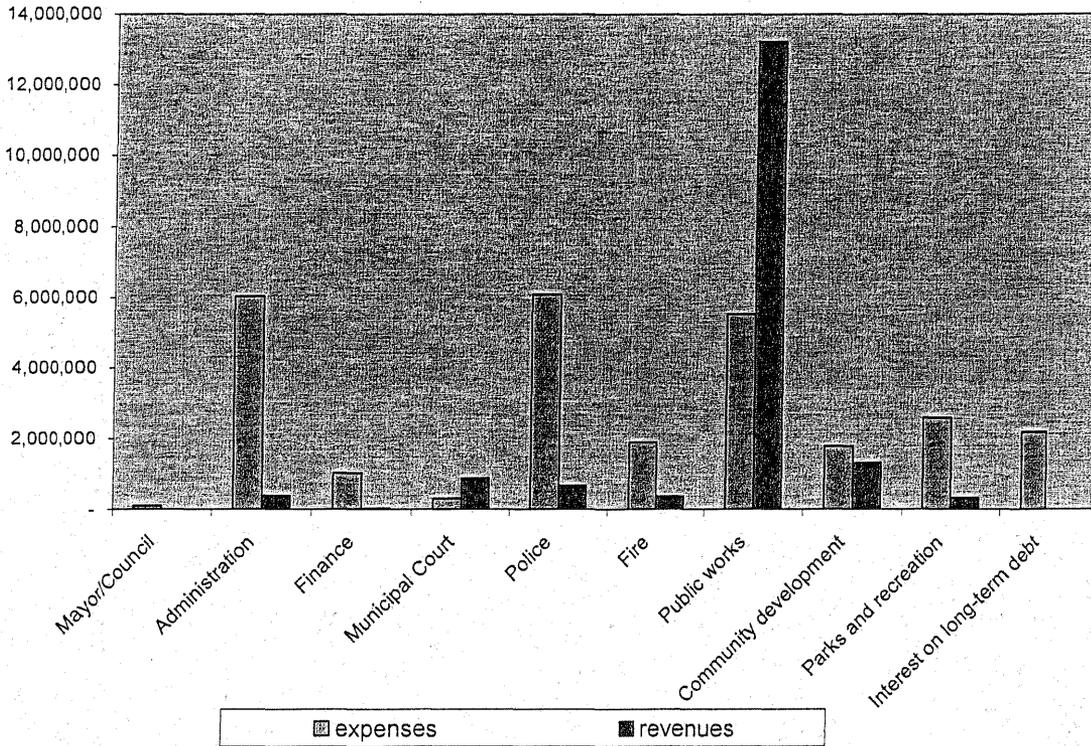
Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 56,288,609	\$ 33,937,666	\$ 26,774,588	\$ 27,101,355	\$ 83,063,197	\$ 61,039,021
Capital Assets	<u>113,792,963</u>	<u>82,623,744</u>	<u>57,396,358</u>	<u>53,874,312</u>	<u>171,189,321</u>	<u>136,498,056</u>
Total Assets	<u>170,081,572</u>	<u>116,561,410</u>	<u>84,170,946</u>	<u>80,975,667</u>	<u>254,252,518</u>	<u>197,537,077</u>
Long-term liabilities	81,685,267	42,094,907	15,520,879	16,545,326	97,206,146	58,640,233
Other liabilities	<u>4,944,445</u>	<u>4,218,217</u>	<u>1,584,695</u>	<u>1,234,674</u>	<u>6,529,140</u>	<u>5,452,891</u>
Total Liabilities	<u>86,629,712</u>	<u>46,313,124</u>	<u>17,105,574</u>	<u>17,780,000</u>	<u>103,735,286</u>	<u>64,093,124</u>
Net Assets						
Invested in capital assets,						
net of related debt	34,020,634	41,346,180	41,923,596	37,368,956	75,944,230	78,715,136
Restricted for debt service	1,218,820	938,585	1,445,984	1,640,880	2,664,804	2,579,465
Restricted for capital projects	36,529,256	16,113,095	16,614,065	16,710,004	53,143,321	32,823,099
Unrestricted	<u>11,683,150</u>	<u>11,850,426</u>	<u>7,081,727</u>	<u>7,475,827</u>	<u>18,764,877</u>	<u>19,326,253</u>
Total net assets	<u>\$ 83,451,860</u>	<u>\$ 70,248,286</u>	<u>\$ 67,065,372</u>	<u>\$ 63,195,667</u>	<u>\$ 150,517,232</u>	<u>\$ 133,443,953</u>

Governmental activities increased the City's net assets by \$13,203,574. The key elements of this increase are as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Program revenues:						
Charges for services	\$ 4,622,302	\$ 4,337,664	\$ 11,067,802	\$ 9,498,555	\$ 15,690,104	\$ 13,836,219
Operating grants & contributions	783,317	894,114	-	-	783,317	894,114
Capital grants & contributions	11,804,857	5,893,301	4,319,065	3,411,639	16,123,922	9,304,940
General Revenues:						
Property taxes	9,063,530	8,111,715	-	-	9,063,530	8,111,715
Sales taxes	8,529,051	7,379,841	-	-	8,529,051	7,379,841
Other	<u>3,566,689</u>	<u>2,442,815</u>	<u>1,111,064</u>	<u>506,954</u>	<u>4,677,753</u>	<u>2,949,769</u>
Total revenues	38,369,746	29,059,450	16,497,931	13,417,148	54,867,677	42,476,598
Program expenses:						
Mayor/Council	108,366	78,114	-	-	108,366	78,114
Administration	6,040,692	4,908,083	-	-	6,040,692	4,908,083
Finance	1,027,654	954,840	-	-	1,027,654	954,840
Municipal Court	304,492	295,379	-	-	304,492	295,379
Police	6,095,435	6,372,344	-	-	6,095,435	6,372,344
Fire	1,889,269	1,144,577	-	-	1,889,269	1,144,577
Public works	5,530,219	4,753,190	-	-	5,530,219	4,753,190
Community development	1,781,548	1,680,857	-	-	1,781,548	1,680,857
Parks and recreation	2,583,547	2,329,095	-	-	2,583,547	2,329,095
Interest on long-term debt	2,179,950	1,136,584	-	-	2,179,950	1,136,584
Water and sewer	-	-	<u>10,253,226</u>	<u>8,777,277</u>	<u>10,253,226</u>	<u>8,777,277</u>
Total expenses	27,541,172	23,653,063	10,253,226	8,777,277	37,794,398	32,430,340
Increase in net assets						
before transfers	10,828,574	5,406,387	6,244,705	4,639,871	17,073,279	10,046,258
Transfers	<u>2,375,000</u>	<u>1,006,400</u>	<u>(2,375,000)</u>	<u>(1,006,400)</u>	-	-
Increase in net assets	13,203,574	6,412,787	3,869,705	3,633,471	17,073,279	10,046,258
Net assets, October 1	<u>70,248,286</u>	<u>63,835,499</u>	<u>63,195,667</u>	<u>59,562,196</u>	<u>133,443,953</u>	<u>123,397,695</u>
Net assets, September 30	<u>\$ 83,451,860</u>	<u>\$ 70,248,286</u>	<u>\$ 67,065,372</u>	<u>\$ 63,195,667</u>	<u>\$ 150,517,232</u>	<u>\$ 133,443,953</u>

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION



Governmental Activities

Total revenues of governmental activities were \$38,369,746. A significant portion 23.6%, of the City's revenues came from property taxes. Another 22.2% of revenue came from sales taxes. Ad valorem property tax revenues continue to increase each year primarily due to the addition of new properties and increased valuation throughout the City. Assessed values of the properties in the City increased by \$198,467,354 or 8.90%. The City adopted a property tax rate of 36.89 cents per \$100 of assessed valuation for fiscal year 2006. This represented an increase of .89 cents, the first in nine years. Sales tax revenue showed marked improvement as the City saw several new retail developments open this year; combined with the area population increase this resulted in sales tax revenue increasing by more than 15.6% for fiscal year 2006.

The total cost of all programs and services were \$27,541,172. Of these costs \$6,095,435 (22.1%) was for the Police Department. Administration related departments including Administration, Human Resources, and Internal Operations had combined costs of \$6,040,692 (21.9%).

The overall economy in the City continues to show improvement in 2006 and beyond. No major negative events are expected for the next fiscal year. During 2006, Rockwall County, of which the City of Rockwall is the County seat, was the fourth fastest growing county in America, and the fastest growing county in Texas. The Harbor Project, a lakefront multi-use planned development, is under construction with several establishments expected to open late in 2006. It is expected to have a positive effect on sales taxes and property taxes in the area. A tax increment financing zone established to provide for public improvements in the area began receiving revenues from the project in 2006.

Business-Type Activities

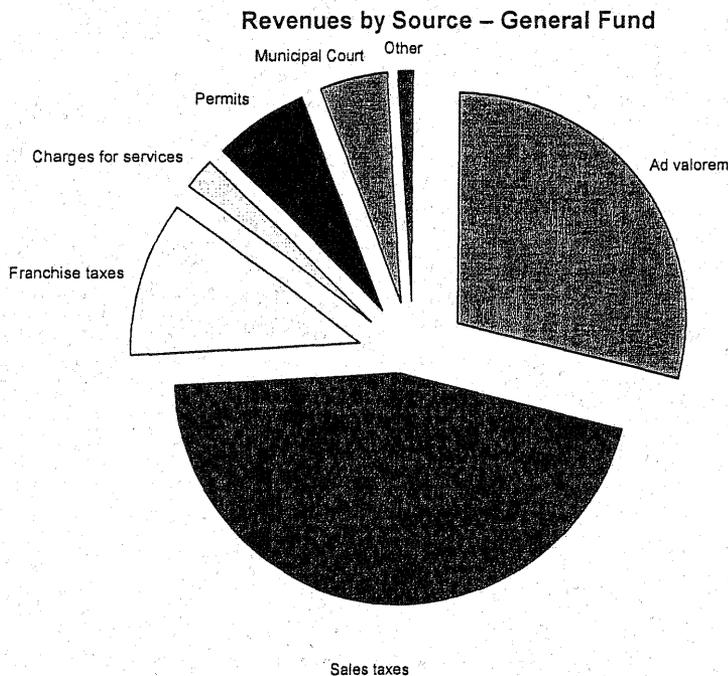
The City's business-type activities recorded an increase of \$3,869,705 in net assets. Total revenues were \$16,497,931. Water sales were very strong in 2006 due primarily to near record drought conditions. The City having previously implemented conservation water rates in 2001 began enforcing mandatory water restrictions in a regional effort to curtail usage during the drought period.

Component Units

The Rockwall Economic Development Corporation (REDC) reported operating revenues primarily from a ½ cent sales tax, authorized under the 4A Corporation statutes, of \$3,181,972. Assets managed by the corporation include an inventory of over 230 acres of land, zoned for light industrial uses and available for sale and an industrial building currently leased and also available for sale. 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 \$7,692,662; an increase of \$391,328 from the prior year. The main source of general fund revenue is sales tax, it accounted for \$8,286,316 (44.4%) of total general fund revenue. Ad valorem property taxes account for \$5,277,568 (28.3%) of general fund revenues. The increase in fund balance allows the City to maintain a "recommended" fund balance as defined within the City's financial policies. This "reserve" balance 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.



The City's Debt Service Fund reported an increase in fund balance of \$305,397. Property tax collections for debt service requirements were \$3,702,380.

The City Capital Projects Fund benefited from a contribution of \$5,540,000 of bond proceeds by the Rockwall Economic Development Corporation which will be used to construct infrastructure for the Presbyterian Hospital of Rockwall project and the extension of Justin Road to serve new industrial prospects. Both projects are expected to be completed in fiscal year 2007.

The City is nearing completion of the Harbor Project public improvements. Capital outlays for the project totaled \$14,073,489. Other financing sources in the current fiscal year included \$3,235,000 of certificates of obligation issued by the City. All work on the project should be completed in fiscal year 2007. Additional funding sources are anticipated in fiscal 2007 to complete the remaining aspects of the project.

The City began several road projects in fiscal year 2006 which are being funded through debt issuance. The City issued \$17,075,000 of General Obligation bonds for voter approved projects. In addition to roadway rehabilitation and extension projects, the acquisition of park land, completion of neighborhood parks projects and construction of two fire stations is funded.

The City issued an additional \$18,700,000 of General Obligation bonds to begin phased design and construction of the new 205 Bypass Project. Voters approved construction of the roadway in a 2005 Bond Election Proposition. The project will include the multi-phase design, right of way acquisition and construction of a new 7 mile roadway on the eastern edge of the City which is designed to alleviate traffic burdens on State Highway 205 through the center of the City. Additional debt is anticipated in fiscal years 2007 and 2008 with construction completion targeted in fiscal year 2009.

Water and sewer charges were \$11,067,802. Ending working capital, excluding restricted assets, for the water and sewer fund was \$6,776,065.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2006, 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 in revenues beyond projections. With the adjustments made to the budget, the budgeted expenditures of \$17,041,600 increased to \$17,578,265 while revenues increased from \$17,398,200 to \$18,111,700. The City of Rockwall had originally estimated the ending general fund balance to be \$7,068,264 however due to the budget adjustments mentioned above, the fund balance was re-estimated to be \$6,915,279.

Actual general fund revenues were \$18,672,839, an increase of \$561,139 over the final budget. Actual general fund total expenditures were \$335,548 less than the revised budget. Total revenues exceeded total expenditures by \$1,412,397. The actual fund balance of \$7,718,792 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 2006 the City had \$171,189,321 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines.

Table 3
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,274,598	\$ 2,097,819	\$ 799,533	\$ 799,533	\$ 4,074,131	\$ 2,897,352
Buildings	8,528,602	8,558,082	-	-	8,528,602	8,558,082
Improvements other than buildings	1,708,537	1,578,257	43,777,397	40,868,001	45,485,934	42,446,258
Machinery & Equipment	1,552,658	1,321,332	187,001	262,370	1,739,659	1,583,702
Vehicles	1,982,085	1,738,781	-	-	1,982,085	1,738,781
Furniture & Fixtures	898,660	940,857	5,142	6,273	903,802	947,130
Infrastructure	54,643,599	49,810,089	-	-	54,643,599	49,810,089
Construction in Progress	41,204,224	16,578,527	5,533,952	4,817,769	46,738,176	21,396,296
Wastewater treatment facilities	-	-	7,093,333	7,120,366	7,093,333	7,120,366
	<u>\$ 113,792,963</u>	<u>\$ 82,623,744</u>	<u>\$ 57,396,358</u>	<u>\$ 53,874,312</u>	<u>\$ 171,189,321</u>	<u>\$ 136,498,056</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 2006. A number of drainage projects will also be undertaken during the 5-year planned capital improvement period. The City completed installation of a trunked 700 MHz radio system to be utilized by city departments and an adjoining city with final testing to be completed late in 2006.

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 construction, nearing completion on 2 of the neighborhood parks. The addition of two new fire stations was approved by the voters. Design is underway with construction to begin in fiscal year 2007.

Construction in progress at September 30, 2006 for governmental activities included the radio system discussed above, The Harbor public improvements, the rehabilitation of Clark Street and Townsend Road, extension of North Lakeshore Drive 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 to be constructed in the northern area of the City was being designed at year end. Several projects approved in the City's capital improvement plan included participation in the joint construction of a shared ground storage facility and pump station as well as other line projects to improve system capacity and extend services.

The Rockwall Economic Development Corporation has completed roadway, drainage and landscape improvements on land it carries as Phase II of the Technology Park as well as the construction of an industrial building in Phase I of the park. Work began on the extension of Justin Road and also roadway, water and drainage improvements for the Presbyterian Hospital of Rockwall project.

Additional information on the City of Rockwall's capital assets can be found in note III-C on pages 45-48.

Debt

At year end, the City had \$95,275,000 in bonds and capitalized leases shown in Table 4.

Table 4
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 57,632,329	\$ 22,992,564	\$ 212,671	\$ 247,436	\$ 57,845,000	\$ 23,240,000
Certificates of obligation	21,825,000	17,940,000	-	-	21,825,000	17,940,000
Contractual obligations	315,000	345,000	-	-	315,000	345,000
Tax notes	-	70,000	-	-	-	70,000
Revenue bonds	-	-	14,145,000	14,910,000	14,145,000	14,910,000
Capital Lease obligations	-	-	1,145,000	1,385,000	1,145,000	1,385,000
	<u>\$ 79,772,329</u>	<u>\$ 41,347,564</u>	<u>\$ 15,502,671</u>	<u>\$ 16,542,436</u>	<u>\$ 95,275,000</u>	<u>\$ 57,890,000</u>

The City of Rockwall's general obligation bonds carry an "A+" rating from Standard & Poor's Corporation and an "A1" rating from Moody's Investor Services, both national rating agencies. The City's water and sewer bonds carry an "A-" rating from Standard & Poor's and an "A2" rating from Moody's. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 3.22% or \$2,593 per capita.

Additional information on the City of Rockwall's long-term debt can be found in note III-E on pages 50-57 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 2007 budget, tax rate and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the growth in our community and its population. With a strengthened economy, Rockwall has seen a number of new commercial/retail business developments which should positively impact sales tax revenues. Commercial building permits showed strong improvement over the prior year including several new retail developments underway as well as the development of the Presbyterian Hospital of Rockwall and accompanying medical office district. Interviews with local builders led the City to project slowing home starts for the coming year, a trend reported nationally as well. An emphasis continues by the City on the custom home market. 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 2007. The budgeted revenues for fiscal year 2007 total \$19,266,450 for the general fund. Ad valorem tax revenue is determined by two major 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 2006, the property tax rate was increased to 42.50 cents per hundred dollars of assessed value. Due to a marked increase in actual sales tax collections in 2006, city officials have projected an 11% 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 2007 projects a fund balance of approximately 4.3 months of recurring operating expenditures.

A number of planning initiatives including the completion of the Downtown Planning effort and an evaluation of existing street condition and maintenance needs are authorized for fiscal year 2007. In addition, the City will undertake a number of improvements to existing City parks in order to better serve our citizens. The City began a project to more closely focus our employee's efforts toward our customers and their needs. Following the Customer Centered Culture methodology, the City began a C3 project in 2006 to focus city-wide teams in an effort to improve processes and products in several departments. These cross department teams are expected to complete their work in 2007. 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 2002 were reviewed by our rate consultant with his report issued in fiscal year 2005. City Council adopted a 4% rate increase in early 2006 and will consider an additional 6% increase in 2007. A number of capital projects to expand the system are being planned for fiscal year 2007, as well as grant funded system security enhancements.

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, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall Economic Development Corporation	Rockwall Technology Park
ASSETS					
Cash and cash equivalents	\$ 173,024	\$ 46,109	\$ 219,133	\$ 63,943	\$ 14,433
Investments	51,529,458	6,404,587	57,934,045	2,531,993	36,662
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	285,486	-	285,486	-	-
Franchise taxes	996,866	-	996,866	-	-
Interest	255,283	66,901	322,184	931	-
Accounts	239,766	1,390,455	1,630,221	437	1,517
Notes	-	-	-	604,804	-
Assessments	70,184	-	70,184	-	-
Intergovernmental	1,639,847	126,130	1,765,977	503,978	-
Due from component unit	4,904	-	4,904	-	10,011
Due from primary government	-	-	-	4,534	-
Inventory	26,130	281,461	307,591	14,721,495	-
Restricted assets:					
Cash and cash equivalents	-	368,896	368,896	-	-
Investments	-	17,757,182	17,757,182	681,960	-
Accrued interest	-	55,699	55,699	-	-
Deferred charges	1,067,661	277,168	1,344,829	153,608	-
Capital assets not being depreciated	44,478,822	6,333,485	50,812,307	-	-
Capital assets being depreciated, net	69,314,141	51,062,873	120,377,014	11,596	-
Total assets	<u>170,081,572</u>	<u>84,170,946</u>	<u>254,252,518</u>	<u>19,279,279</u>	<u>62,623</u>
LIABILITIES					
Accounts payable and accrued liabilities	3,981,667	1,000,222	4,981,889	147,982	12,208
Accrued interest payable	601,243	121,729	722,972	126,805	-
Unearned revenue	223,455	-	223,455	-	-
Due to other governments	133,546	-	133,546	-	-
Due to component unit	4,534	-	4,534	10,011	-
Due to primary government	-	-	-	4,904	-
Customer deposits	-	462,744	462,744	-	-
Noncurrent liabilities:					
Due within one year	3,756,157	904,420	4,660,577	671,160	-
Due in more than one year	77,929,110	14,616,459	92,545,569	18,578,632	-
Total liabilities	<u>86,629,712</u>	<u>17,105,574</u>	<u>103,735,286</u>	<u>19,539,494</u>	<u>12,208</u>
NET ASSETS					
Invested in capital assets, net of related debt	34,020,634	41,923,596	75,944,230	11,596	-
Restricted for:					
Debt service	1,218,820	1,445,984	2,664,804	407,451	-
Capital projects	36,529,256	16,614,065	53,143,321	147,704	-
Unrestricted	11,683,150	7,081,727	18,764,877	(826,966)	50,415
Total net assets	<u>\$ 83,451,860</u>	<u>\$ 67,065,372</u>	<u>\$ 150,517,232</u>	<u>\$ (260,215)</u>	<u>\$ 50,415</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Mayor/council	\$ 108,366	\$ -	\$ -	\$ -
Administration	6,040,692	354,606	31,730	-
Finance	1,027,654	31,000	-	-
Municipal court	304,492	883,228	-	-
Police	6,095,435	649,261	24,834	-
Fire	1,889,269	101,310	21,701	246,364
Public works	5,530,219	1,010,634	652,670	11,558,493
Community development	1,781,548	1,318,516	-	-
Parks and recreation	2,583,547	273,747	52,382	-
Interest on long-term debt	2,179,950	-	-	-
Total governmental activities	<u>27,541,172</u>	<u>4,622,302</u>	<u>783,317</u>	<u>11,804,857</u>
Business-type activities:				
Water and sewer	10,253,226	11,067,802	-	4,319,065
Total business-type activities	<u>10,253,226</u>	<u>11,067,802</u>	<u>-</u>	<u>4,319,065</u>
Total primary government	<u>\$ 37,794,398</u>	<u>\$ 15,690,104</u>	<u>\$ 783,317</u>	<u>\$ 16,123,922</u>
COMPONENT UNITS:				
Rockwall Economic Development Corporation				
	\$ 8,317,013	\$ -	\$ -	\$ -
Rockwall Technology Park				
	134,000	132,569	-	-
Total component units	<u>\$ 8,451,013</u>	<u>\$ 132,569</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
\$ (108,366)		\$ (108,366)		
(5,654,356)		(5,654,356)		
(996,654)		(996,654)		
578,736		578,736		
(5,421,340)		(5,421,340)		
(1,519,894)		(1,519,894)		
7,691,578		7,691,578		
(463,032)		(463,032)		
(2,257,418)		(2,257,418)		
(2,179,950)		(2,179,950)		
<u>(10,330,696)</u>		<u>(10,330,696)</u>		
	\$ 5,133,641	5,133,641		
	<u>5,133,641</u>	<u>5,133,641</u>		
<u>(10,330,696)</u>	<u>5,133,641</u>	<u>(5,197,055)</u>		
			\$ (8,317,013)	\$ -
			<u>-</u>	<u>(1,431)</u>
			<u>(8,317,013)</u>	<u>(1,431)</u>
9,063,530	-	9,063,530	-	-
8,529,051	-	8,529,051	2,750,577	-
2,111,798	-	2,111,798	-	-
1,224,538	974,899	2,199,437	156,952	1,812
230,353	136,165	366,518	274,443	-
2,375,000	(2,375,000)	-	-	-
<u>23,534,270</u>	<u>(1,263,936)</u>	<u>22,270,334</u>	<u>3,181,972</u>	<u>1,812</u>
13,203,574	3,869,705	17,073,279	(5,135,041)	381
70,248,286	63,195,667	133,443,953	4,874,826	50,034
<u>\$ 83,451,860</u>	<u>\$ 67,065,372</u>	<u>\$ 150,517,232</u>	<u>\$ (260,215)</u>	<u>\$ 50,415</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	General	Debt Service	Capital Projects	Harbor/TIF Projects	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 17,333	\$ 7,841	\$ 707	\$ 278	\$ 1,315	\$ 1,697	\$ 19,076	\$ 48,247
Investments	7,246,931	1,449,290	6,168,706	229,175	13,782,610	17,780,076	3,267,778	49,924,566
Receivables (net of allowances for uncollectibles):								
Ad valorem taxes	171,487	113,999	-	-	-	-	-	285,486
Interest	62,847	783	6,274	563	166,147	3,824	8,991	249,429
Accounts	162,486	-	-	-	-	-	56,573	219,059
Assessments	-	-	-	-	-	-	70,184	70,184
Intergovernmental	1,408,867	4,534	156,332	-	-	-	70,114	1,639,847
Due from component unit	-	-	-	-	-	4,904	-	4,904
Due from other funds	5,000	-	-	-	-	236,183	348,000	589,183
Inventory	26,130	-	-	-	-	-	-	26,130
Total assets	\$ 9,101,081	\$ 1,576,447	\$ 6,332,019	\$ 230,016	\$ 13,950,072	\$ 18,026,684	\$ 3,840,716	\$ 53,057,035
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 1,083,521	\$ 600	\$ 526,643	\$ 308,736	\$ 1,461,311	\$ 178,357	\$ 70,006	\$ 3,629,174
Deferred revenue	165,222	110,019	-	-	-	-	293,639	568,880
Due to other governments	133,546	-	-	-	-	-	-	133,546
Due to component unit	-	4,534	-	-	-	-	-	4,534
Due to other funds	-	-	5,000	2,862	412,516	-	168,805	589,183
Total liabilities	1,382,289	115,153	531,643	311,598	1,873,827	178,357	532,450	4,925,317
Fund balances:								
Reserved for:								
Inventory	26,130	-	-	-	-	-	-	26,130
Debt service	-	1,461,294	-	-	-	-	-	1,461,294
Unreserved, reported in:								
General fund	7,692,662	-	-	-	-	-	-	7,692,662
Special revenue funds	-	-	-	-	-	-	2,422,376	2,422,376
Capital projects funds	-	-	5,800,376	(81,582)	12,076,245	17,848,327	885,890	36,529,256
Total fund balances	7,718,792	1,461,294	5,800,376	(81,582)	12,076,245	17,848,327	3,308,266	48,131,718
Total liabilities and fund balances	\$ 9,101,081	\$ 1,576,447	\$ 6,332,019	\$ 230,016	\$ 13,950,072	\$ 18,026,684	\$ 3,840,716	\$ 53,057,035

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, 2006

Total fund balances - governmental funds	\$ 48,131,718
Amounts reported for governmental activities in the statement of net assets are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	1,383,030
The following assets are not available to pay for current period expenditures and are deferred in the funds:	
Property taxes receivable	275,241
Assessments receivable	70,184
The following assets are not available to pay for current period expenditures and are not accrued in the funds:	
Franchise taxes receivable	996,866
Court fines receivable	20,707
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 \$39,472,784)	113,792,963
Costs of bonds issued to finance governmental activities (net of accumulated amortization of \$130,718)	1,067,661
The following liabilities are not due in the current period and are not reported in the funds:	
Compensated absences	(797,825)
Bonds payable	(80,887,442)
Accrued interest payable	(601,243)
Net assets of governmental activities	\$ 83,451,860

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, 2006

	General	Debt Service	Capital Projects	Harbor/TIF Projects	G.O. Bonds Capital Projects	205 Bypass Project	Other Governmental Funds	Total Governmental Funds
Revenues:								
Ad valorem taxes, penalty and interest	\$ 5,277,568	\$ 3,702,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,979,948
Sales taxes	8,286,316	51,915	-	-	-	-	190,820	8,529,051
Franchise taxes	1,981,016	-	-	-	-	-	-	1,981,016
Charges for services	426,996	-	-	-	-	-	-	426,996
Permits	1,200,939	-	-	-	-	-	124,893	1,325,832
Municipal court	921,416	-	-	-	-	-	65,650	987,066
Intergovernmental	221,359	-	-	-	-	-	790,380	1,011,739
Interest income	270,491	96,668	53,535	284,518	395,161	-	48,831	1,149,204
Miscellaneous	86,738	-	14,392	-	-	-	959,736	1,060,866
Contributions and donations	-	652,670	5,511,549	-	-	-	87,216	6,251,435
Total revenues	18,672,839	4,503,633	5,579,476	284,518	395,161	-	2,267,526	31,703,153
Expenditures:								
Current:								
Mayor/council	108,366	-	-	-	-	-	-	108,366
Administration	2,910,478	-	-	-	-	-	-	2,910,478
Finance	856,292	-	-	-	-	-	168,938	1,025,230
Municipal court	303,131	-	-	-	-	-	-	303,131
Police	5,558,412	-	-	-	-	-	677,051	6,235,463
Fire	1,233,823	-	-	-	-	-	9,013	1,242,836
Public works	2,336,855	-	-	-	-	-	74,469	2,411,324
Community development	1,783,961	-	-	-	-	-	-	1,783,961
Parks and recreation	2,151,399	-	-	-	-	-	166,736	2,318,135
Total current	17,242,717	-	-	-	-	-	1,096,207	18,338,924
Capital outlay:								
Administration	6,088	-	758,886	-	693,270	-	122,462	1,580,706
Police	7,624	-	-	-	-	-	277,526	285,150
Fire	4,013	-	-	-	108,713	-	722,959	835,685
Public works	-	-	367,256	14,073,489	9,689,176	1,060,783	543,184	25,733,888
Parks and recreation	-	-	-	-	1,333,904	-	143,595	1,477,499
Total capital outlay	17,725	-	1,126,142	14,073,489	11,825,063	1,060,783	1,809,726	29,912,928
Debt service:								
Principal	-	2,620,235	-	-	-	-	-	2,620,235
Interest	-	1,748,001	-	-	-	-	-	1,748,001
Bond issuance costs	-	-	-	43,729	205,094	224,559	27,507	500,889
Fiscal charges	-	6,020	-	-	-	-	-	6,020
Total debt service	-	4,374,256	-	43,729	205,094	224,559	27,507	4,875,145
Total expenditures	17,260,442	4,374,256	1,126,142	14,117,218	12,030,157	1,285,342	2,933,440	53,126,997
Excess (deficiency) of revenues over (under) expenditures	1,412,397	129,377	4,453,334	(13,832,700)	(11,634,996)	(1,285,342)	(665,914)	(21,423,844)
Other financing sources (uses):								
Transfers in	637,000	-	618,477	560,920	1,749,112	-	739,823	4,305,332
Transfers out	(1,658,919)	-	(870,813)	-	(546,061)	-	(403,039)	(3,478,832)
Bonds issued	-	-	-	3,235,000	17,075,000	18,700,000	2,035,000	41,045,000
Accrued interest on bonds issued	-	176,020	-	-	-	-	-	176,020
Premium on bonds issued	-	-	-	21,284	395,984	433,669	13,389	864,326
Total other financing sources (uses)	(1,021,919)	176,020	(252,336)	3,817,204	18,674,035	19,133,669	2,385,173	42,911,846
Net change in fund balances	390,478	305,397	4,200,998	(10,015,496)	7,039,039	17,848,327	1,719,259	21,488,002
Fund balances, October 1	7,328,314	1,155,897	1,599,378	9,933,914	5,037,206	-	1,589,007	26,643,716
Fund balances, September 30	\$ 7,718,792	\$ 1,461,294	\$ 5,800,376	\$ (81,582)	\$ 12,076,245	\$ 17,848,327	\$ 3,308,266	\$ 48,131,718

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, 2006

Net change in fund balances - governmental funds	\$ 21,488,002
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.	(170,445)
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	83,582
Assessments receivable	(2,996)
Franchise taxes receivable	130,782
Court fines receivable	(53,937)
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 (\$29,651,508) exceeded depreciation (\$4,060,268) and retirements (\$468,966) in the current period.	25,122,274
Donations of capital assets increase net assets in the statement of activities, but are not reported in the funds because they do not provide current financial resources.	6,046,945
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 (\$500,889) exceeded amortization (\$44,318) in the current period.	456,571
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.	(306,844)
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 (\$42,180,845) exceeded repayments (\$2,620,235) and bond premium amortization (\$20,732) in the current period.	(39,539,878)
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.	(50,482)
Change in net assets of governmental activities	<u>\$ 13,203,574</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities <u>Internal</u> <u>Service Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,109	\$ 124,777
Investments	6,404,587	1,604,892
Receivables (net of allowances for uncollectibles):		
Interest	66,901	5,854
Accounts	1,390,455	-
Intergovernmental	126,130	-
Inventory	281,461	-
Restricted assets:		
Cash and cash equivalents	368,896	-
Investments	17,757,182	-
Accrued interest	55,699	-
Total current assets	<u>26,497,420</u>	<u>1,735,523</u>
Noncurrent assets:		
Deferred charges	277,168	-
Capital assets not being depreciated	6,333,485	-
Capital assets being depreciated, net	51,062,873	-
Total noncurrent assets	<u>57,673,526</u>	<u>-</u>
Total Assets	<u>84,170,946</u>	<u>1,735,523</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	1,000,222	352,493
Customer deposits	462,744	-
Liability for compensated absences	48,117	-
General obligation bonds payable - current	28,495	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current	785,000	-
Obligations under capital leases - current	85,000	-
Accrued interest payable	121,729	-
Total current liabilities	<u>2,531,307</u>	<u>352,493</u>
Noncurrent liabilities:		
General obligation bonds payable	184,176	-
Revenue bonds payable	13,330,091	-
Obligations under capital leases	1,060,000	-
Total noncurrent liabilities	<u>14,574,267</u>	<u>-</u>
Total Liabilities	<u>17,105,574</u>	<u>352,493</u>
NET ASSETS		
Invested in capital assets, net of related debt	41,923,596	-
Restricted for debt service	1,445,984	-
Restricted for construction	16,614,065	-
Unrestricted	7,081,727	1,383,030
Total Net Assets	<u>\$ 67,065,372</u>	<u>\$ 1,383,030</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, 2006

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal
	Water and Sewer	Service Funds
OPERATING REVENUES:		
Charges for services	\$ 11,067,802	\$ 320,960
Total operating revenues	11,067,802	320,960
OPERATING EXPENSES:		
Personnel services	1,531,423	-
Contractual services	5,649,149	2,181,162
Materials and supplies	453,275	-
Operations	124,723	-
Utilities	471,104	-
Depreciation and amortization	1,313,990	-
Total operating expenses	9,543,664	2,181,162
Operating income (loss)	1,524,138	(1,860,202)
NON-OPERATING REVENUES (EXPENSES):		
Capital recovery fees	742,296	-
Interest income	974,899	75,334
Miscellaneous income	136,165	65,923
Paying agent fees	(5,811)	-
Interest expense	(703,751)	-
Total non-operating revenues (expenses)	1,143,798	141,257
Income (loss) before transfers and capital contributions	2,667,936	(1,718,945)
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
Capital contributions	3,576,769	-
Transfers in	-	1,548,500
Transfers out	(2,375,000)	-
Total transfers and capital contributions	1,201,769	1,548,500
Increase (decrease) in net assets	3,869,705	(170,445)
Net assets, October 1	63,195,667	1,553,475
Net assets, September 30	\$ 67,065,372	\$ 1,383,030

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, 2006

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities Internal <u>Service Funds</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 11,293,245	\$ 387,386
Cash paid to employees for services	(1,507,844)	-
Cash paid to suppliers for goods and services	(6,425,275)	(1,982,284)
Net cash provided (used) by operating activities	<u>3,360,126</u>	<u>(1,594,898)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash paid to other funds	(2,375,000)	-
Cash received from other funds	-	1,563,861
Net cash provided (used) by non-capital financing activities	<u>(2,375,000)</u>	<u>1,563,861</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition or construction of capital assets	(1,230,501)	-
Capital recovery fees received	742,296	-
Principal paid on capital debt	(1,039,765)	-
Interest and fees paid on capital debt	(718,368)	-
Net cash used by capital and related financing activities	<u>(2,246,338)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Purchase of investments	(43,071,041)	(2,405,000)
Proceeds from sales and maturities of investments	42,930,815	2,381,868
Interest and dividends received	728,498	43,368
Net cash provided by investing activities	<u>588,272</u>	<u>20,236</u>
Net decrease in cash and cash equivalents	(672,940)	(10,801)
Cash and cash equivalents at beginning of year	1,087,945	135,578
Cash and cash equivalents at end of year	<u>\$ 415,005</u>	<u>\$ 124,777</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,524,138	\$ (1,860,202)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,313,990	-
Miscellaneous income	136,165	65,923
Decrease (increase) in assets:		
Receivables	61,805	503
Inventories	(42,946)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	331,354	198,878
Customer deposits	27,473	-
Compensated absences	8,147	-
Net cash provided (used) by operating activities	<u>\$ 3,360,126</u>	<u>\$ (1,594,898)</u>
Non-cash investing and financing activities:		
Capital contributions	<u>\$ 3,576,769</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, 2005

	<u>Agency Fund</u> <u>Special Escrow</u> <u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 71,555
Investments	1,492,750
Accrued interest receivable	2,490
Total assets	<u>\$ 1,566,795</u>
LIABILITIES	
Due to developers	<u>\$ 1,566,795</u>
Total liabilities	<u>\$ 1,566,795</u>

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 the GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will on the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

Discretely Presented Component Units

The Rockwall Economic Development Corporation (REDC) is governed by a five-member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

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, 2006, 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, 2006, 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.

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 *Capital Projects Fund* accounts for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

The *Harbor/TIF Projects Fund* accounts for revenues and expenditures related to the Tax Increment Financing District and the associated public improvements within the Harbor development.

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.

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.

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.

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, 2006, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

A. Budgetary information – continued

6. The City did not adopt budgets for certain special revenue funds. The Drug Grant Fund is used to account for revenues and expenditures relating to federal criminal justice and drug abuse resistance education program grants with a fiscal year which does not coincide with that of the City. This makes any comparison of program expenditures to the grant allocations confusing and misleading. Budgets were also not adopted for the Emergency Siren Fund, the Kidzone Fund, and the Downtown Improvement Fund.
7. Capital project funds were not budgeted. Since project-length financial plans usually extend into two or more fiscal years, annual comparisons would be confusing and misleading.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations by \$14,812 in the Recreational Development Fund as a result of higher than anticipated participation in recreation programs, including summer youth programs. The higher expenditures were more than offset by revenues in excess of budgeted amounts.

Expenditures exceeded appropriations by \$9,935 in the Fire Equipment Fund as a result of capital expenditures for radio equipment and fire extinguishers which were funded through unbudgeted grant revenues.

C. Deficit fund equity

The Harbor/TIF Projects Fund had a deficit fund balance in the amount of \$81,582 at September 30, 2006, as a result of expenditures made in advance of anticipated project revenues.

The Drug Grant Fund had a deficit fund balance in the amount of \$46,014 at September 30, 2006, as a result of disbanding a multi-jurisdictional drug task force during the year and distributing resources to each participating entity. This deficit will be covered by future transfers from the General Fund.

The Employee Benefits Fund had a deficit fund balance in the amount of \$11,287 at September 30, 2006, as a result of unanticipated health care claims late in the fiscal year in excess of available funds. This deficit will be covered by future transfers from the General Fund.

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, 2006, 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 \$367,529, 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, 2006, 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, 2006, the City's investments were as follows:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-24
Primary Government					
U.S. Treasury bills and notes	\$ 9,898,341	\$ 1,993,077	\$ 7,905,264	\$ -	\$ -
U.S. government agencies:					
Federal Home Loan Mortgage Corporation	14,374,834	-	8,546,671	4,833,613	994,550
Federal National Mortgage Association	25,244,800	-	13,293,927	7,957,048	3,993,825
Federal Farm Credit Bank	1,500,000	-	-	-	1,500,000
	<u>41,119,634</u>	<u>-</u>	<u>21,840,598</u>	<u>12,790,661</u>	<u>6,488,375</u>
Money market funds	<u>26,529,981</u>	<u>26,529,981</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>77,547,956</u>	<u>28,523,058</u>	<u>29,745,862</u>	<u>12,790,661</u>	<u>6,488,375</u>
Discretely Presented Component Units					
Rockwall Economic Development Corporation:					
Certificates of deposit	300,000	-	100,000	-	200,000
Money market funds	2,913,953	2,913,953	-	-	-
Rockwall Technology Park:					
Money market funds	<u>36,662</u>	<u>36,662</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total discretely presented component units	<u>3,250,615</u>	<u>2,950,615</u>	<u>100,000</u>	<u>-</u>	<u>200,000</u>
Total reporting entity	<u>\$ 80,798,571</u>	<u>\$ 31,473,673</u>	<u>\$ 29,845,862</u>	<u>\$ 12,790,661</u>	<u>\$ 6,688,375</u>
Investments are reported in the statement of net assets as follows:					
Governmental activities	\$ 51,529,458				
Business-type activities	24,161,769				
Discretely presented component units:					
Rockwall Economic Development Corporation	3,213,953				
Rockwall Technology Park	36,662				
Fiduciary funds	1,856,729				
	<u>\$ 80,798,571</u>				

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.

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, 2006, 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, 2006, the uncollectible amounts related to accounts receivable totaled \$263,264, and the uncollectible amounts related to revenues of the current period totaled \$49,593.

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	\$ 165,222	\$ -
Debt Service Fund	110,019	-
Assessments receivable not yet due:		
Street Improvements	70,184	-
Seizures not awarded:		
Drug Grant	-	223,455
	<u> </u>	<u> </u>
Total deferred revenue for governmental funds	\$ <u>345,425</u>	\$ <u>223,455</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, 2006, was as follows:

	Beginning Balance	Additions	Retirements	Completed Construction	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 2,097,819	\$ 1,176,779	\$ -	\$ -	\$ 3,274,598
Construction in progress	16,578,527	26,917,097	(422,140)	(1,869,260)	41,204,224
Total capital assets not being depreciated	<u>18,676,346</u>	<u>28,093,876</u>	<u>(422,140)</u>	<u>(1,869,260)</u>	<u>44,478,822</u>
Capital assets being depreciated:					
Buildings	10,029,010	9,037	-	297,095	10,335,142
Improvements other than buildings	1,887,671	73,475	-	155,365	2,116,511
Machinery and equipment	2,517,762	460,213	(40,821)	-	2,937,154
Vehicles	4,100,750	736,049	(284,799)	-	4,552,000
Furniture and fixtures	1,757,420	226,374	(8,204)	-	1,975,590
Infrastructure	79,354,299	6,099,429	-	1,416,800	86,870,528
Total capital assets being depreciated	<u>99,646,912</u>	<u>7,604,577</u>	<u>(333,824)</u>	<u>1,869,260</u>	<u>108,786,925</u>
Less accumulated depreciation for:					
Buildings	(1,470,928)	(335,612)	-	-	(1,806,540)
Improvements other than buildings	(309,414)	(98,560)	-	-	(407,974)
Machinery and equipment	(1,196,430)	(228,887)	40,821	-	(1,384,496)
Vehicles	(2,361,969)	(448,241)	240,295	-	(2,569,915)
Furniture and fixtures	(816,563)	(266,249)	5,882	-	(1,076,930)
Infrastructure	(29,544,210)	(2,682,719)	-	-	(32,226,929)
Total accumulated depreciation	<u>(35,699,514)</u>	<u>(4,060,268)</u>	<u>286,998</u>	<u>-</u>	<u>(39,472,784)</u>
Total capital assets being depreciated, net	<u>63,947,398</u>	<u>3,544,309</u>	<u>(46,826)</u>	<u>1,869,260</u>	<u>69,314,141</u>
Governmental activities capital assets, net	<u>\$ 82,623,744</u>	<u>\$ 31,638,185</u>	<u>\$ (468,966)</u>	<u>\$ -</u>	<u>\$ 113,792,963</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	4,817,769	899,560	-	(183,377)	5,533,952
Total capital assets not being depreciated	<u>5,617,302</u>	<u>899,560</u>	<u>-</u>	<u>(183,377)</u>	<u>6,333,485</u>
Capital assets being depreciated:					
Buildings	89,421	-	-	-	89,421
Improvements other than buildings	49,690,223	3,876,269	-	-	53,566,492
Sewage treatment plants and pump station	10,594,237	-	-	183,377	10,777,614
Machinery and equipment	3,352,781	31,441	-	-	3,384,222
Furniture and fixtures	69,031	-	-	-	69,031
Total capital assets being depreciated	<u>63,795,693</u>	<u>3,907,710</u>	<u>-</u>	<u>183,377</u>	<u>67,886,780</u>
Less accumulated depreciation for:					
Buildings	(89,421)	-	-	-	(89,421)
Improvements other than buildings	(8,822,222)	(966,873)	-	-	(9,789,095)
Sewage treatment plants and pump station	(3,473,871)	(210,410)	-	-	(3,684,281)
Machinery and equipment	(3,090,411)	(106,810)	-	-	(3,197,221)
Furniture and fixtures	(62,758)	(1,131)	-	-	(63,889)
Total accumulated depreciation	<u>(15,538,683)</u>	<u>(1,285,224)</u>	<u>-</u>	<u>-</u>	<u>(16,823,907)</u>
Total capital assets being depreciated, net	<u>48,257,010</u>	<u>2,622,486</u>	<u>-</u>	<u>183,377</u>	<u>51,062,873</u>
Business-type activities capital assets, net	<u>\$ 53,874,312</u>	<u>\$ 3,522,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,396,358</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	\$ 427,812
Police	332,800
Fire	298,191
Public works	2,772,676
Parks and recreation	<u>228,789</u>
Total depreciation expense - governmental activities	<u>\$ 4,060,268</u>
Business-type activities:	
Water and sewer	<u>\$ 1,285,224</u>

Construction commitments

The City has active construction projects as of September 30, 2006. 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:			
Industrial Boulevard	Bond proceeds	\$ 27,871	\$ 446,616
Justin Road extension	Bond proceeds	-	1,606,108
The Harbor	Bond proceeds	10,105,462	465,749
Shores Park	Bond proceeds	-	760,000
Ross Avenue improvements	Bond proceeds	563,683	499,680
Other improvements	Various	<u>8,785,301</u>	<u>980,874</u>
Total governmental activities		<u>19,482,317</u>	<u>4,759,027</u>
Business-type activities:			
Townsend/276 Waterline	Bond proceeds	-	424,882
FM 3097 Sanitary Sewer	Impact fees	294,671	1,684,723
Other improvements	Various	<u>1,809,673</u>	<u>997,379</u>
Total business-type activities		<u>2,104,344</u>	<u>3,106,984</u>
Total reporting entity		<u>\$ 21,586,661</u>	<u>\$ 7,866,011</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, 2006, 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	\$ 65,482	\$ 1,384	\$ -	\$ -	\$ 66,866
Less accumulated depreciation for:					
Furniture and fixtures	<u>(50,440)</u>	<u>(4,830)</u>	<u>-</u>	<u>-</u>	<u>(55,270)</u>
REDC capital assets, net	<u>\$ 15,042</u>	<u>\$ (3,446)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,596</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2006, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 5,000	\$ -
Capital Projects	-	5,000
Harbor/TIF Projects	-	2,862
G.O. Bonds Capital Projects	-	412,516
SH 205 Bypass Project	236,183	-
Nonmajor governmental funds	<u>348,000</u>	<u>168,805</u>
Total interfund balances	<u>\$ 589,183</u>	<u>\$ 589,183</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, 2006, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 637,000	\$ 1,658,919
Capital Projects	618,477	870,813
Harbor/TIF Projects	560,920	-
G.O. Bonds Capital Projects	1,749,112	546,061
Nonmajor governmental funds	739,823	403,039
Water and Sewer Fund	-	2,375,000
Internal service funds	<u>1,548,500</u>	<u>-</u>
Total interfund transfers	<u>\$ 5,853,832</u>	<u>\$ 5,853,832</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, 2006, is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance 9/30/06</u>
Governmental Activities:					
General obligation bonds:					
Improvements	\$ 7,185,000	1999	2019	4.25%-5.25%	\$ 5,590,000
Improvements	2,150,000	2000	2020	5.00%-6.00%	365,000
Refunding	4,024,394	2003	2015	2.00%-4.00%	2,847,329
Refunding and improvement	13,345,000	2005	2025	3.00%-4.50%	13,055,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	<u>35,775,000</u>
Total general obligation bonds					<u>57,632,329</u>
Contractual obligations:					
Equipment purchase	1,165,000	1999	2014	4.00%-4.80%	<u>315,000</u>
Certificates of obligation:					
Improvements	6,500,000	2000	2020	4.75%-5.75%	1,095,000
Improvements	4,295,000	2002	2012	2.80%-3.80%	2,000,000
Improvements	13,950,000	2005	2025	3.00%-5.00%	13,460,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	<u>5,270,000</u>
Total certificates of obligation					<u>21,825,000</u>
Total governmental activities general obligation debt					79,772,329
Business-type Activities:					
General obligation bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	<u>212,671</u>
Total general obligation debt					<u>\$ 79,985,000</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	
2007	\$ 3,726,505	\$ 3,607,456	\$ 28,495	\$ 7,135	\$ 7,369,591
2008	3,655,462	3,444,402	29,538	6,494	7,135,896
2009	3,660,540	3,278,966	19,460	5,682	6,964,648
2010	3,054,845	3,111,746	20,155	5,098	6,191,844
2011	3,309,150	2,970,907	20,850	4,443	6,305,350
2012-2016	18,455,827	12,489,449	94,173	9,621	31,049,070
2017-2021	18,475,000	8,275,372	-	-	26,750,372
2022-2026	16,170,000	4,267,788	-	-	20,437,788
2027-2031	4,065,000	1,797,755	-	-	5,862,755
2032-2036	5,200,000	746,024	-	-	5,946,024
Total	\$ <u>79,772,329</u>	\$ <u>43,989,865</u>	\$ <u>212,671</u>	\$ <u>38,473</u>	\$ <u>124,013,338</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, 2006, are as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rates	Balance 9/30/06
Improvements	\$ 3,535,000	1999	2019	4.15%-5.00%	\$ 2,195,000
Improvements	6,700,000	2002	2022	4.00%-4.90%	5,815,000
Refunding and improvement	6,415,000	2005	2025	3.00%-4.50%	6,135,000
					14,145,000
Plus unamortized premium					12,258
Less unamortized discount					(42,167)
Total revenue bonds					\$ <u>14,115,091</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
2007	\$ 785,000	\$ 606,179	\$ 1,391,179
2008	830,000	575,410	1,405,410
2009	860,000	542,595	1,402,595
2010	895,000	507,657	1,402,657
2011	740,000	471,228	1,211,228
2012-2016	3,925,000	1,870,078	5,795,078
2017-2021	4,145,000	1,000,868	5,145,868
2022-2025	1,965,000	189,263	2,154,263
	14,145,000	\$ 5,763,278	\$ 19,908,278
Plus unamortized premium	12,258		
Less unamortized discount	(42,167)		
Total revenue bonds	\$ 14,115,091		

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, 2006, are as follows:

Bond Type	Year of Issue	Year Refunded	Balance 9/30/06
General obligation	1995	2003	\$ 2,665,000
General obligation	2000	2005	1,395,000
Certificates of obligation	2000	2005	4,235,000
Total refunded bonds			\$ 8,295,000

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 sewer treatment plants. The contractual obligations have been treated as capitalized lease obligations. Capitalized lease obligations outstanding as of September 30, 2006, 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 9/30/06</u>
South Plant Improvements	\$ 1,800,000	1996	2016	Various	\$ <u>1,145,000</u>
Total capitalized lease obligations					\$ <u><u>1,145,000</u></u>

Future minimum lease payments under capitalized lease obligations as of September 30, 2006, are as follows:

<u>Year Ending September 30</u>	<u>Total</u>
2007	\$ 143,045
2008	148,795
2009	149,045
2010	149,045
2011	148,795
2012-2016	<u>753,745</u>
Total minimum lease payments	1,492,470
Less amount representing interest	<u>(347,470)</u>
Present value of minimum lease payments	\$ <u><u>1,145,000</u></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, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 22,992,564	\$ 35,775,000	\$ (1,135,235)	\$ 57,632,329	\$ 1,911,505
Contractual obligations	345,000	-	(30,000)	315,000	35,000
Certificates of obligation	17,940,000	5,270,000	(1,385,000)	21,825,000	1,780,000
Plus unamortized premium	<u>-</u>	<u>1,135,845</u>	<u>(20,732)</u>	<u>1,115,113</u>	<u>-</u>
Total bonds payable	41,277,564	42,180,845	(2,570,967)	80,887,442	3,726,505
Notes payable	70,000	-	(70,000)	-	-
Compensated absences	<u>747,343</u>	<u>521,416</u>	<u>(470,934)</u>	<u>797,825</u>	<u>29,652</u>
Total	<u>\$ 42,094,907</u>	<u>\$ 42,702,261</u>	<u>\$ (3,111,901)</u>	<u>\$ 81,685,267</u>	<u>\$ 3,756,157</u>
Business-type Activities:					
General obligation bonds	\$ 247,436	\$ -	\$ (34,765)	\$ 212,671	\$ 28,495
Revenue bonds	14,910,000	-	(765,000)	14,145,000	785,000
Plus unamortized premium	12,903	-	(645)	12,258	-
Less unamortized discount	<u>(49,983)</u>	<u>-</u>	<u>7,816</u>	<u>(42,167)</u>	<u>-</u>
Total bonds payable	15,120,356	-	(792,594)	14,327,762	813,495
Capitalized lease obligations	1,385,000	-	(240,000)	1,145,000	85,000
Compensated absences	<u>39,970</u>	<u>66,377</u>	<u>(58,230)</u>	<u>48,117</u>	<u>5,925</u>
Total	<u>\$ 16,545,326</u>	<u>\$ 66,377</u>	<u>\$ (1,090,824)</u>	<u>\$ 15,520,879</u>	<u>\$ 904,420</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 and housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2006, 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, 2006:

Year Authorized	Amount Authorized	Amount Issued	Balance Unissued 9/30/06
General obligation bonds:			
1985	\$ 1,500,000	\$ (600,000)	\$ 900,000
1994	4,100,000	(3,600,000)	500,000
2002	19,845,000	(14,675,000)	5,170,000
2005	<u>63,705,000</u>	<u>(26,135,000)</u>	<u>37,570,000</u>
Total general obligation bonds	<u>\$ 89,150,000</u>	<u>\$ (45,010,000)</u>	<u>\$ 44,140,000</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, 2006:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/06</u>
Sales tax revenue bonds:					
Land improvements	\$ 5,000,000	1999	2019	4.20%-6.20%	\$ 3,885,000
Certificates of obligation:					
Infrastructure improvements	3,225,000	2005	2025	3.00%-5.00%	2,960,000
Infrastructure improvements	5,540,000	2006	2026	4.25%-5.00%	5,540,000
Interim construction loan	3,098,220	2005	2009	Variable	<u>6,684,229</u>
Total REDC debt					<u>\$ 19,069,229</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>
2007	\$ 670,000	\$ 961,357	\$ 1,631,357
2008	695,000	926,868	1,621,868
2009	7,414,229	726,852	8,141,081
2010	770,000	459,629	1,229,629
2011	800,000	429,011	1,229,011
2012-2016	4,200,000	1,584,731	5,784,731
2017-2021	2,630,000	734,889	3,364,889
2022-2026	<u>1,890,000</u>	<u>261,694</u>	<u>2,151,694</u>
Total	<u>\$ 19,069,229</u>	<u>\$ 6,085,031</u>	<u>\$ 25,154,260</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, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Sales tax revenue bonds	\$ 4,095,000	\$ -	\$ (210,000)	\$ 3,885,000	\$ 220,000
Certificates of obligation	3,225,000	5,540,000	(265,000)	8,500,000	450,000
Plus unamortized premium	-	181,382	(8,760)	172,622	-
Total bonds payable	7,320,000	5,721,382	(483,760)	12,557,622	670,000
Interim construction loan	3,098,220	3,586,009	-	6,684,229	-
Compensated absences	8,906	5,436	(6,401)	7,941	1,160
Total	\$ 10,427,126	\$ 9,312,827	\$ (490,161)	\$ 19,249,792	\$ 671,160

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 \$1,473,865 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, 2006.

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	
	2006	2005	2006	2005
Claims payable, beginning of the year	\$ 48,260	\$ 164,921	\$ 2,360	\$ 13,925
Claims incurred	1,838,867	1,280,598	56,009	35,045
Claims paid	(1,652,137)	(1,397,259)	(55,436)	(46,610)
Claims payable, end of the year	\$ 234,990	\$ 48,260	\$ 2,933	\$ 2,360

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.

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 expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

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

The outstanding principal balance on the bond issues as of September 30, 2006, is \$1,145,000. See Note 3E for the annual requirements to amortize the bonds as of September 30, 2006.

In August 2005 the District issued \$3,020,000 of Water Facilities Installment Sale Contract Revenue Bonds (the "Storage Facility Bonds") to finance the construction of a 3.0 million gallon per day ground storage reservoir for the joint benefit of the Cities of Rockwall and Heath, Texas. Prior to the completion of the facility, the District retains all ownership of the facility. Upon completion of the facility, which had not occurred as of September 30, 2006, the Cities of Rockwall and Heath will own 66.67% and 33.33% undivided interests, respectively, in the facility. The Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of (1) all principal, interest, and paying agent fees on the Storage Facility Bonds; (2) all payments or deposits required to be made into any special or reserve fund or other account established or maintained by the provisions of the resolution authorizing the Storage Facility Bonds; and (3) all other expenses and costs of the facility that are not payable from the proceeds of the Storage Facility Bonds. While the City anticipates its share of the aforementioned 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.

In April 2006 the District issued \$2,145,000 of Water Facilities Contract Revenue Bonds (the "Pump Station Facility Bonds") to finance the construction of an 8.6 million gallon per day pump station for the exclusive benefit of the City. Prior to the completion of the facility, the District retains all ownership of the facility. Upon completion of the facility, which had not occurred as of September 30, 2006, ownership of the facility will transfer to the City. The City is contractually obligated to make timely payments to the District of (1) all principal, interest, and paying agent fees on the Pump Station Facility Bonds; (2) all payments or deposits required to be made into any special or reserve fund or other account established or maintained by the provisions of the resolution authorizing the Pump Station Facility Bonds; and (3) all other expenses and costs of the facility that are not payable from the proceeds of the Pump Station Facility Bonds.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

C. Contingent liabilities and commitments

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

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

As described in Note 3E above, the general revenues of the City are contingently liable in the amount of \$212,671 for general obligation bonds which are currently outstanding and recorded as obligations of the Water and Sewer Fund.

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, 2006, these commitments totaled \$926,875.

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 811 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 811 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2005 valuations are contained in the 2005 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 equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

CITY OF ROCKWALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION – continued

D. Employee retirement systems and pension plans – continued

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

Deposit rate: 7%

Matching Ratio (City to Employee): 2 to 1

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

Contributions – Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2005 valuation is effective for rates beginning January 2007.

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

	Actuarial Valuation Date		
	12/31/2005	12/31/2004	12/31/2003
Actuarial value of assets (a)	\$ 15,968,994	\$ 14,505,752	\$ 14,356,528
Actuarial accrued liability (AAL) - unit credit (b)	21,310,890	19,508,568	19,724,820
Unfunded (over-funded) AAL (UAAL) (b-a)	5,341,896	5,002,816	5,368,292
Funded ratio (a/b)	74.9%	74.4%	72.8%
Annual covered payroll (c)	10,325,619	9,354,662	8,808,639
UAAL as a percentage of covered payroll ((b-a)/c)	51.7%	53.5%	60.9%

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		
	2006	2005	2004
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	1,367,738	1,270,547	1,155,023
Contributions made (100%)	<u>(1,367,738)</u>	<u>(1,270,547)</u>	<u>(1,155,023)</u>
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of the actuarial assumptions used is as follows:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7.0%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$57,800 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 40 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. Prior period adjustment

In the City's financial statements for the year ended September 30, 2005, certain capital expenditures related to the acquisition and improvement of real property in the REDC should have been reported instead as inventory at year-end. The correction of this error increased inventory and reserved fund balance by \$5,474,574.

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 5,226,400	\$ 5,271,400	\$ 5,277,568	\$ 6,168
Sales taxes	7,675,000	8,238,000	8,286,316	48,316
Franchise taxes	1,630,000	1,952,000	1,981,016	29,016
Charges for services	233,500	278,500	426,996	148,496
Permits	1,474,500	1,115,000	1,200,939	85,939
Municipal court	783,000	826,000	921,416	95,416
Intergovernmental	207,300	207,300	221,359	14,059
Interest income	125,000	165,000	270,491	105,491
Miscellaneous	43,500	58,500	86,738	28,238
Total revenues	<u>17,398,200</u>	<u>18,111,700</u>	<u>18,672,839</u>	<u>561,139</u>
Expenditures:				
Current:				
Mayor/council	88,450	108,365	108,366	(1)
Administration	2,630,300	2,929,100	2,910,478	18,622
Finance	840,700	862,900	856,292	6,608
Municipal court	305,300	310,850	303,131	7,719
Police	5,677,200	5,652,800	5,558,412	94,388
Fire	1,291,250	1,303,350	1,233,823	69,527
Public works	2,339,000	2,310,550	2,336,855	(26,305)
Community development	1,941,200	1,884,350	1,783,961	100,389
Parks and recreation	1,928,200	2,216,000	2,151,399	64,601
Total current	<u>17,041,600</u>	<u>17,578,265</u>	<u>17,242,717</u>	<u>335,548</u>
Capital outlay:				
Administration	6,500	6,500	6,088	412
Police	7,600	7,600	7,624	(24)
Fire	4,250	4,250	4,013	237
Total capital outlay	<u>18,350</u>	<u>18,350</u>	<u>17,725</u>	<u>625</u>
Total expenditures	<u>17,059,950</u>	<u>17,596,615</u>	<u>17,260,442</u>	<u>336,173</u>
Excess of revenues over expenditures	<u>338,250</u>	<u>515,085</u>	<u>1,412,397</u>	<u>897,312</u>
Other financing sources (uses):				
Transfers in	520,000	637,000	637,000	-
Transfers out	(1,118,300)	(1,565,120)	(1,658,919)	(93,799)
Total other financing sources (uses)	<u>(598,300)</u>	<u>(928,120)</u>	<u>(1,021,919)</u>	<u>(93,799)</u>
Net change in fund balances	(260,050)	(413,035)	390,478	803,513
Fund balances, October 1	<u>7,328,314</u>	<u>7,328,314</u>	<u>7,328,314</u>	<u>-</u>
Fund balances, September 30	<u>\$ 7,068,264</u>	<u>\$ 6,915,279</u>	<u>\$ 7,718,792</u>	<u>\$ 803,513</u>

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

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CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2006

	<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	\$ 18,803	\$ 273	\$ 19,076
Investments	2,422,121	845,657	3,267,778
Receivables (net of allowances for uncollectibles):			
Interest	6,861	2,130	8,991
Accounts	56,573	-	56,573
Assessments	70,184	-	70,184
Intergovernmental	-	70,114	70,114
Due from other funds	<u>348,000</u>	<u>-</u>	<u>348,000</u>
 Total assets	 <u>\$ 2,922,542</u>	 <u>\$ 918,174</u>	 <u>\$ 3,840,716</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 39,527	\$ 30,479	\$ 70,006
Deferred revenue	293,639	-	293,639
Due to other funds	<u>167,000</u>	<u>1,805</u>	<u>168,805</u>
Total liabilities	<u>500,166</u>	<u>32,284</u>	<u>532,450</u>
 Fund balances:			
Unreserved, undesignated	<u>2,422,376</u>	<u>885,890</u>	<u>3,308,266</u>
Total fund balances	<u>2,422,376</u>	<u>885,890</u>	<u>3,308,266</u>
 Total liabilities and fund balances	 <u>\$ 2,922,542</u>	 <u>\$ 918,174</u>	 <u>\$ 3,840,716</u>

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Sales taxes	\$ 190,820	\$ -	\$ 190,820
Permits	124,893	-	124,893
Municipal court	65,650	-	65,650
Intergovernmental	116,147	674,233	790,380
Interest income	43,041	5,790	48,831
Miscellaneous	917,972	41,764	959,736
Contributions and donations	87,216	-	87,216
Total revenues	<u>1,545,739</u>	<u>721,787</u>	<u>2,267,526</u>
Expenditures:			
Current:			
Finance	168,938	-	168,938
Police	677,051	-	677,051
Fire	9,013	-	9,013
Public works	74,469	-	74,469
Parks and recreation	166,736	-	166,736
Total current	<u>1,096,207</u>	<u>-</u>	<u>1,096,207</u>
Capital outlay:			
Administration	-	122,462	122,462
Police	128,867	148,659	277,526
Fire	82,922	640,037	722,959
Public works	2,211	540,973	543,184
Parks and recreation	143,595	-	143,595
Total capital outlay	<u>357,595</u>	<u>1,452,131</u>	<u>1,809,726</u>
Debt service:			
Bond issuance costs	-	27,507	27,507
Total debt service	<u>-</u>	<u>27,507</u>	<u>27,507</u>
Total expenditures	<u>1,453,802</u>	<u>1,479,638</u>	<u>2,933,440</u>
Excess of revenues over (under) expenditures	<u>91,937</u>	<u>(757,851)</u>	<u>(665,914)</u>
Other financing sources (uses):			
Transfers in	390,729	349,094	739,823
Transfers out	(106,700)	(296,339)	(403,039)
Bonds issued	-	2,035,000	2,035,000
Premium on bonds issued	-	13,389	13,389
Total other financing sources (uses)	<u>284,029</u>	<u>2,101,144</u>	<u>2,385,173</u>
Net change in fund balances	375,966	1,343,293	1,719,259
Fund balances, October 1	<u>2,046,410</u>	<u>(457,403)</u>	<u>1,589,007</u>
Fund balances, September 30	<u>\$ 2,422,376</u>	<u>\$ 885,890</u>	<u>\$ 3,308,266</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.

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

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

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

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

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

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

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

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

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

CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2006

	<u>Cemetery</u>	<u>Police Investigation</u>	<u>Recreational Development</u>	<u>Street Improvements</u>	<u>Hotel Motel Tax</u>
ASSETS					
Cash and cash equivalents	\$ 2,807	\$ 1,129	\$ 3,784	\$ 2,537	\$ 1,117
Investments	121,792	180,064	367,590	1,116,535	65,188
Receivables (net of allowances for uncollectibles):					
Interest	-	-	-	6,861	-
Accounts	-	-	2,083	-	51,068
Assessments	-	-	-	70,184	-
Due from other funds	-	-	-	348,000	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>348,000</u>	<u>-</u>
 Total assets	 <u>\$ 124,599</u>	 <u>\$ 181,193</u>	 <u>\$ 373,457</u>	 <u>\$ 1,544,117</u>	 <u>\$ 117,373</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 322	\$ 20,250	\$ 6,647	\$ -	\$ -
Deferred revenue	-	-	-	70,184	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>322</u>	<u>20,250</u>	<u>6,647</u>	<u>70,184</u>	<u>-</u>
 Fund balances:					
Unreserved, undesignated	124,277	160,943	366,810	1,473,933	117,373
Total fund balances	<u>124,277</u>	<u>160,943</u>	<u>366,810</u>	<u>1,473,933</u>	<u>117,373</u>
 Total liabilities and fund balances	 <u>\$ 124,599</u>	 <u>\$ 181,193</u>	 <u>\$ 373,457</u>	 <u>\$ 1,544,117</u>	 <u>\$ 117,373</u>

<u>Fire Equipment</u>	<u>Aviation</u>	<u>Recycling</u>	<u>Emergency Siren</u>	<u>Kidzone</u>	<u>Downtown Improvement</u>	<u>Drug Grant</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 1,355	\$ 1,076	\$ 290	\$ 8	\$ 3,611	\$ -	\$ 1,089	\$ 18,803
81,057	57,120	33,297	14,478	-	35,000	350,000	2,422,121
-	-	-	-	-	-	-	6,861
1,613	-	1,809	-	-	-	-	56,573
-	-	-	-	-	-	-	70,184
-	-	-	-	-	-	-	348,000
<u>\$ 84,025</u>	<u>\$ 58,196</u>	<u>\$ 35,396</u>	<u>\$ 14,486</u>	<u>\$ 3,611</u>	<u>\$ 35,000</u>	<u>\$ 351,089</u>	<u>\$ 2,922,542</u>
\$ 5,030	\$ 400	\$ -	\$ 230	\$ -	\$ -	\$ 6,648	\$ 39,527
-	-	-	-	-	-	223,455	293,639
-	-	-	-	-	-	167,000	167,000
<u>5,030</u>	<u>400</u>	<u>-</u>	<u>230</u>	<u>-</u>	<u>-</u>	<u>397,103</u>	<u>500,166</u>
<u>78,995</u>	<u>57,796</u>	<u>35,396</u>	<u>14,256</u>	<u>3,611</u>	<u>35,000</u>	<u>(46,014)</u>	<u>2,422,376</u>
<u>78,995</u>	<u>57,796</u>	<u>35,396</u>	<u>14,256</u>	<u>3,611</u>	<u>35,000</u>	<u>(46,014)</u>	<u>2,422,376</u>
<u>\$ 84,025</u>	<u>\$ 58,196</u>	<u>\$ 35,396</u>	<u>\$ 14,486</u>	<u>\$ 3,611</u>	<u>\$ 35,000</u>	<u>\$ 351,089</u>	<u>\$ 2,922,542</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, 2006

	Cemetery	Police Investigation	Recreational Development	Street Improvements	Hotel Motel Tax
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ 190,820
Permits	600	-	124,293	-	-
Municipal court	-	65,650	-	-	-
Intergovernmental	-	-	-	-	-
Interest income	2,383	3,645	13,222	17,296	1,320
Miscellaneous	30,400	-	119,714	708,370	760
Contributions and donations	-	24,834	52,382	-	-
Total revenues	<u>33,383</u>	<u>94,129</u>	<u>309,611</u>	<u>725,666</u>	<u>192,900</u>
Expenditures:					
Current:					
Finance	-	-	-	-	168,938
Police	-	1,260	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	322	-	166,017	-	-
Total current	<u>322</u>	<u>1,260</u>	<u>166,017</u>	<u>-</u>	<u>168,938</u>
Capital outlay:					
Police	-	128,867	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	-	-	143,595	-	-
Total capital outlay	<u>-</u>	<u>128,867</u>	<u>143,595</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>322</u>	<u>130,127</u>	<u>309,612</u>	<u>-</u>	<u>168,938</u>
Excess of revenues over (under) expenditures	<u>33,061</u>	<u>(35,998)</u>	<u>(1)</u>	<u>725,666</u>	<u>23,962</u>
Other financing sources (uses):					
Transfers in	-	75,450	-	161,279	-
Transfers out	-	(20,000)	(50,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>55,450</u>	<u>(50,000)</u>	<u>161,279</u>	<u>-</u>
Net change in fund balances	33,061	19,452	(50,001)	886,945	23,962
Fund balances, October 1	<u>91,216</u>	<u>141,491</u>	<u>416,811</u>	<u>586,988</u>	<u>93,411</u>
Fund balances, September 30	<u>\$ 124,277</u>	<u>\$ 160,943</u>	<u>\$ 366,810</u>	<u>\$ 1,473,933</u>	<u>\$ 117,373</u>

Fire Equipment	Aviation	Recycling	Emergency Siren	Kidzone	Downtown Improvement	Drug Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,820
-	-	-	-	-	-	-	124,893
-	-	-	-	-	-	-	65,650
94,417	21,730	-	-	-	-	-	116,147
1,795	1,422	322	-	-	-	1,636	43,041
2,481	10,719	18,455	4,127	-	-	22,946	917,972
-	-	-	-	-	10,000	-	87,216
<u>98,693</u>	<u>33,871</u>	<u>18,777</u>	<u>4,127</u>	<u>-</u>	<u>10,000</u>	<u>24,582</u>	<u>1,545,739</u>
-	-	-	-	-	-	-	168,938
-	-	-	-	-	-	675,791	677,051
9,013	-	-	-	-	-	-	9,013
-	64,469	10,000	-	-	-	-	74,469
-	-	-	-	397	-	-	166,736
<u>9,013</u>	<u>64,469</u>	<u>10,000</u>	<u>-</u>	<u>397</u>	<u>-</u>	<u>675,791</u>	<u>1,096,207</u>
-	-	-	-	-	-	-	128,867
82,922	-	-	-	-	-	-	82,922
-	-	-	2,211	-	-	-	2,211
-	-	-	-	-	-	-	143,595
<u>82,922</u>	<u>-</u>	<u>-</u>	<u>2,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>357,595</u>
<u>91,935</u>	<u>64,469</u>	<u>10,000</u>	<u>2,211</u>	<u>397</u>	<u>-</u>	<u>675,791</u>	<u>1,453,802</u>
<u>6,758</u>	<u>(30,598)</u>	<u>8,777</u>	<u>1,916</u>	<u>(397)</u>	<u>10,000</u>	<u>(651,209)</u>	<u>91,937</u>
-	79,000	-	-	-	25,000	50,000	390,729
-	(36,700)	-	-	-	-	-	(106,700)
-	<u>42,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>50,000</u>	<u>284,029</u>
6,758	11,702	8,777	1,916	(397)	35,000	(601,209)	375,966
<u>72,237</u>	<u>46,094</u>	<u>26,619</u>	<u>12,340</u>	<u>4,008</u>	<u>-</u>	<u>555,195</u>	<u>2,046,410</u>
<u>\$ 78,995</u>	<u>\$ 57,796</u>	<u>\$ 35,396</u>	<u>\$ 14,256</u>	<u>\$ 3,611</u>	<u>\$ 35,000</u>	<u>\$ (46,014)</u>	<u>\$ 2,422,376</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 800	\$ 800	\$ 600	\$ (200)
Interest income	500	1,000	2,383	1,383
Miscellaneous	5,000	30,000	30,400	400
Total revenues	<u>6,300</u>	<u>31,800</u>	<u>33,383</u>	<u>1,583</u>
Expenditures:				
Current:				
Parks and recreation	33,800	43,800	322	43,478
Total expenditures	<u>33,800</u>	<u>43,800</u>	<u>322</u>	<u>43,478</u>
Net change in fund balances	(27,500)	(12,000)	33,061	45,061
Fund balances, October 1	<u>91,216</u>	<u>91,216</u>	<u>91,216</u>	<u>-</u>
Fund balances, September 30	<u>\$ 63,716</u>	<u>\$ 79,216</u>	<u>\$ 124,277</u>	<u>\$ 45,061</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal court	\$ 50,000	\$ 55,000	\$ 65,650	\$ 10,650
Interest income	350	1,500	3,645	2,145
Contributions and donations	4,000	25,000	24,834	(166)
Total revenues	<u>54,350</u>	<u>81,500</u>	<u>94,129</u>	<u>12,629</u>
Expenditures:				
Current:				
Police	10,200	300	1,260	(960)
Total current	<u>10,200</u>	<u>300</u>	<u>1,260</u>	<u>(960)</u>
Capital outlay:				
Police	2,000	166,700	128,867	37,833
Total capital outlay	<u>2,000</u>	<u>166,700</u>	<u>128,867</u>	<u>37,833</u>
Total expenditures	<u>12,200</u>	<u>167,000</u>	<u>130,127</u>	<u>36,873</u>
Excess of revenues over (under) expenditures	<u>42,150</u>	<u>(85,500)</u>	<u>(35,998)</u>	<u>49,502</u>
Other financing sources (uses):				
Transfers in	-	75,450	75,450	-
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>55,450</u>	<u>55,450</u>	<u>-</u>
Net change in fund balances	22,150	(30,050)	19,452	49,502
Fund balances, October 1	<u>141,491</u>	<u>141,491</u>	<u>141,491</u>	<u>-</u>
Fund balances, September 30	<u>\$ 163,641</u>	<u>\$ 111,441</u>	<u>\$ 160,943</u>	<u>\$ 49,502</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits	\$ 91,000	\$ 110,500	\$ 124,293	\$ 13,793
Interest income	750	750	13,222	12,472
Miscellaneous	103,000	110,000	119,714	9,714
Contributions and donations	-	48,700	52,382	3,682
Total revenues	<u>194,750</u>	<u>269,950</u>	<u>309,611</u>	<u>39,661</u>
Expenditures:				
Current:				
Parks and recreation	<u>120,300</u>	<u>131,800</u>	<u>166,017</u>	<u>(34,217)</u>
Total current	<u>120,300</u>	<u>131,800</u>	<u>166,017</u>	<u>(34,217)</u>
Capital outlay:				
Parks and recreation	<u>30,000</u>	<u>163,000</u>	<u>143,595</u>	<u>19,405</u>
Total capital outlay	<u>30,000</u>	<u>163,000</u>	<u>143,595</u>	<u>19,405</u>
Total expenditures	<u>150,300</u>	<u>294,800</u>	<u>309,612</u>	<u>(14,812)</u>
Excess of revenues over (under) expenditures	<u>44,450</u>	<u>(24,850)</u>	<u>(1)</u>	<u>24,849</u>
Other financing sources (uses):				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	(5,550)	(74,850)	(50,001)	24,849
Fund balances, October 1	<u>416,811</u>	<u>416,811</u>	<u>416,811</u>	<u>-</u>
Fund balances, September 30	<u>\$ 411,261</u>	<u>\$ 341,961</u>	<u>\$ 366,810</u>	<u>\$ 24,849</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,500	\$ 7,600	\$ 17,296	\$ 9,696
Miscellaneous	17,700	17,700	708,370	690,670
Total revenues	<u>19,200</u>	<u>25,300</u>	<u>725,666</u>	<u>700,366</u>
Expenditures:				
Capital outlay:				
Public works	313,000	-	-	-
Total expenditures	<u>313,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(293,800)</u>	<u>25,300</u>	<u>725,666</u>	<u>700,366</u>
Other financing sources:				
Transfers in	-	-	161,279	161,279
Total other financing sources	<u>-</u>	<u>-</u>	<u>161,279</u>	<u>161,279</u>
Net change in fund balances	(293,800)	25,300	886,945	861,645
Fund balances, October 1	<u>586,988</u>	<u>586,988</u>	<u>586,988</u>	<u>-</u>
Fund balances, September 30	<u>\$ 293,188</u>	<u>\$ 612,288</u>	<u>\$ 1,473,933</u>	<u>\$ 861,645</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 140,000	\$ 179,000	\$ 190,820	\$ 11,820
Interest income	500	500	1,320	820
Miscellaneous	-	750	760	10
Total revenues	<u>140,500</u>	<u>180,250</u>	<u>192,900</u>	<u>12,650</u>
Expenditures:				
Current:				
Finance	148,340	193,848	168,938	24,910
Total expenditures	<u>148,340</u>	<u>193,848</u>	<u>168,938</u>	<u>24,910</u>
Net change in fund balances	(7,840)	(13,598)	23,962	37,560
Fund balances, October 1	<u>93,411</u>	<u>93,411</u>	<u>93,411</u>	<u>-</u>
Fund balances, September 30	<u>\$ 85,571</u>	<u>\$ 79,813</u>	<u>\$ 117,373</u>	<u>\$ 37,560</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 78,000	\$ 78,000	\$ 94,417	\$ 16,417
Interest income	1,000	1,000	1,795	795
Miscellaneous	-	6,800	2,481	(4,319)
Total revenues	<u>79,000</u>	<u>85,800</u>	<u>98,693</u>	<u>12,893</u>
Expenditures:				
Current:				
Fire	10,000	10,000	9,013	987
Total current	<u>10,000</u>	<u>10,000</u>	<u>9,013</u>	<u>987</u>
Capital outlay:				
Fire	73,450	72,000	82,922	(10,922)
Total capital outlay	<u>73,450</u>	<u>72,000</u>	<u>82,922</u>	<u>(10,922)</u>
Total expenditures	<u>83,450</u>	<u>82,000</u>	<u>91,935</u>	<u>(9,935)</u>
Net change in fund balances	(4,450)	3,800	6,758	2,958
Fund balances, October 1	<u>72,237</u>	<u>72,237</u>	<u>72,237</u>	<u>-</u>
Fund balances, September 30	<u>\$ 67,787</u>	<u>\$ 76,037</u>	<u>\$ 78,995</u>	<u>\$ 2,958</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 21,730	\$ 21,730
Interest income	400	400	1,422	1,022
Miscellaneous	8,500	10,400	10,719	319
Total revenues	<u>8,900</u>	<u>10,800</u>	<u>33,871</u>	<u>23,071</u>
Expenditures:				
Current:				
Public works	96,500	94,000	64,469	29,531
Total expenditures	<u>96,500</u>	<u>94,000</u>	<u>64,469</u>	<u>29,531</u>
Excess of revenues over (under) expenditures	<u>(87,600)</u>	<u>(83,200)</u>	<u>(30,598)</u>	<u>52,602</u>
Other financing sources (uses):				
Transfers in	79,000	79,000	79,000	-
Transfers out	-	-	(36,700)	(36,700)
Total other financing sources (uses)	<u>79,000</u>	<u>79,000</u>	<u>42,300</u>	<u>(36,700)</u>
Net change in fund balances	(8,600)	(4,200)	11,702	15,902
Fund balances, October 1	<u>46,094</u>	<u>46,094</u>	<u>46,094</u>	<u>-</u>
Fund balances, September 30	<u>\$ 37,494</u>	<u>\$ 41,894</u>	<u>\$ 57,796</u>	<u>\$ 15,902</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 100	\$ 100	\$ 322	\$ 222
Miscellaneous	9,000	22,800	18,455	(4,345)
Total revenues	<u>9,100</u>	<u>22,900</u>	<u>18,777</u>	<u>(4,123)</u>
Expenditures:				
Current:				
Public works	8,000	13,000	10,000	3,000
Total expenditures	<u>8,000</u>	<u>13,000</u>	<u>10,000</u>	<u>3,000</u>
Net change in fund balances	1,100	9,900	8,777	(1,123)
Fund balances, October 1	<u>26,619</u>	<u>26,619</u>	<u>26,619</u>	<u>-</u>
Fund balances, September 30	<u>\$ 27,719</u>	<u>\$ 36,519</u>	<u>\$ 35,396</u>	<u>\$ (1,123)</u>

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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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes, penalty and interest	\$ 3,660,915	\$ 3,690,915	\$ 3,702,380	\$ 11,465
Sales taxes	80,000	80,000	51,915	(28,085)
Interest income	20,000	50,000	96,668	46,668
Contributions and donations	620,010	620,010	652,670	32,660
Total revenues	<u>4,380,925</u>	<u>4,440,925</u>	<u>4,503,633</u>	<u>62,708</u>
Expenditures:				
Debt service:				
Principal	2,584,000	2,584,000	2,620,235	(36,235)
Interest	1,826,825	1,826,825	1,748,001	78,824
Fiscal charges	10,000	10,000	6,020	3,980
Total expenditures	<u>4,420,825</u>	<u>4,420,825</u>	<u>4,374,256</u>	<u>46,569</u>
Excess of revenues over (under) expenditures	<u>(39,900)</u>	<u>20,100</u>	<u>129,377</u>	<u>109,277</u>
Other financing sources:				
Accrued interest on bonds issued	-	-	176,020	176,020
Total other financing sources	<u>-</u>	<u>-</u>	<u>176,020</u>	<u>176,020</u>
Net change in fund balances	(39,900)	20,100	305,397	285,297
Fund balances, October 1	<u>1,155,897</u>	<u>1,155,897</u>	<u>1,155,897</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,115,997</u>	<u>\$ 1,175,997</u>	<u>\$ 1,461,294</u>	<u>\$ 285,297</u>

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CAPITAL PROJECTS FUNDS

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

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

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

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

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

Ralph Hall Parkway Capital Improvements – established to account for the construction of the recently completed Ralph M. Hall Parkway.

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

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, 2006

	<u>Equipment Acquisition</u>	<u>Ralph Hall Parkway Capital Improvements</u>	<u>1995 G.O. Bonds Capital Improvements</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
ASSETS				
Cash and cash equivalents	\$ 273	\$ -	\$ -	\$ 273
Investments	845,657	-	-	845,657
Receivables (net of allowances for uncollectibles):				
Interest	2,130	-	-	2,130
Intergovernmental	<u>70,114</u>	<u>-</u>	<u>-</u>	<u>70,114</u>
 Total assets	 <u>\$ 918,174</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 918,174</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 30,479	\$ -	\$ -	\$ 30,479
Due to other funds	1,805	-	-	1,805
Total liabilities	<u>32,284</u>	<u>-</u>	<u>-</u>	<u>32,284</u>
Fund balances:				
Unreserved, undesignated	885,890	-	-	885,890
Total fund balances	<u>885,890</u>	<u>-</u>	<u>-</u>	<u>885,890</u>
 Total liabilities and fund balances	 <u>\$ 918,174</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 918,174</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, 2006

	Equipment Acquisition	Ralph Hall Parkway Capital Improvements	1995 G.O. Bonds Capital Improvements	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Intergovernmental	\$ 674,233	\$ -	\$ -	\$ 674,233
Interest income	5,159	-	631	5,790
Miscellaneous	41,764	-	-	41,764
Contributions and donations	-	-	-	-
Total revenues	<u>721,156</u>	<u>-</u>	<u>631</u>	<u>721,787</u>
Expenditures:				
Capital outlay:				
Administration	122,462	-	-	122,462
Police	148,659	-	-	148,659
Fire	640,037	-	-	640,037
Public works	540,973	-	-	540,973
Total capital outlay	<u>1,452,131</u>	<u>-</u>	<u>-</u>	<u>1,452,131</u>
Debt service:				
Bond issuance costs	27,507	-	-	27,507
Total debt service	<u>27,507</u>	<u>-</u>	<u>-</u>	<u>27,507</u>
Total expenditures	<u>1,479,638</u>	<u>-</u>	<u>-</u>	<u>1,479,638</u>
Excess of revenues over (under) expenditures	<u>(758,482)</u>	<u>-</u>	<u>631</u>	<u>(757,851)</u>
Other financing sources (uses):				
Transfers in	187,815	161,279	-	349,094
Transfers out	-	(161,584)	(134,755)	(296,339)
Bonds issued	2,035,000	-	-	2,035,000
Premium on bonds issued	13,389	-	-	13,389
Total other financing sources (uses)	<u>2,236,204</u>	<u>(305)</u>	<u>(134,755)</u>	<u>2,101,144</u>
Net change in fund balances	1,477,722	(305)	(134,124)	1,343,293
Fund balances, October 1	<u>(591,832)</u>	<u>305</u>	<u>134,124</u>	<u>(457,403)</u>
Fund balances, September 30	<u>\$ 885,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 885,890</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, 2006

	<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	\$ 114,376	\$ 10,401	\$ 124,777
Investments	218,120	1,386,772	1,604,892
Receivables (net of allowances for uncollectibles):			
Interest	<u>1,852</u>	<u>4,002</u>	<u>5,854</u>
Total current assets	<u>334,348</u>	<u>1,401,175</u>	<u>1,735,523</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	<u>345,635</u>	<u>6,858</u>	<u>352,493</u>
Total current liabilities	<u>345,635</u>	<u>6,858</u>	<u>352,493</u>
NET ASSETS			
Unrestricted	<u>(11,287)</u>	<u>1,394,317</u>	<u>1,383,030</u>
Total Net Assets	<u>\$ (11,287)</u>	<u>\$ 1,394,317</u>	<u>\$ 1,383,030</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, 2006

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-8)
OPERATING REVENUES:			
Charges for services	\$ 320,960	\$ -	\$ 320,960
Total operating revenues	<u>320,960</u>	<u>-</u>	<u>320,960</u>
OPERATING EXPENSES:			
Contractual services	1,997,975	183,187	2,181,162
Total operating expenses	<u>1,997,975</u>	<u>183,187</u>	<u>2,181,162</u>
Operating loss	<u>(1,677,015)</u>	<u>(183,187)</u>	<u>(1,860,202)</u>
NON-OPERATING REVENUES:			
Interest income	23,368	51,966	75,334
Miscellaneous income	53,765	12,158	65,923
Total non-operating revenues	<u>77,133</u>	<u>64,124</u>	<u>141,257</u>
Loss before transfers and capital contributions	<u>(1,599,882)</u>	<u>(119,063)</u>	<u>(1,718,945)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Transfers in	1,518,500	30,000	1,548,500
Total transfers and capital contributions	<u>1,518,500</u>	<u>30,000</u>	<u>1,548,500</u>
Decrease in net assets	(81,382)	(89,063)	(170,445)
Net assets, October 1	<u>70,095</u>	<u>1,483,380</u>	<u>1,553,475</u>
Net assets, September 30	<u>\$ (11,287)</u>	<u>\$ 1,394,317</u>	<u>\$ 1,383,030</u>

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
Cash received from customers	\$ 375,228	\$ 12,158	\$ 387,386
Cash paid to suppliers for goods and services	(1,802,927)	(179,357)	(1,982,284)
Net cash used by operating activities	<u>(1,427,699)</u>	<u>(167,199)</u>	<u>(1,594,898)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash received from other funds	<u>1,533,861</u>	<u>30,000</u>	<u>1,563,861</u>
Net cash provided by non-capital financing activities	<u>1,533,861</u>	<u>30,000</u>	<u>1,563,861</u>
Cash Flows from Investing Activities:			
Purchase of investments	(1,100,000)	(1,305,000)	(2,405,000)
Proceeds from sales and maturities of investments	1,081,868	1,300,000	2,381,868
Interest and dividends received	<u>56</u>	<u>43,312</u>	<u>43,368</u>
Net cash provided (used) by investing activities	<u>(18,076)</u>	<u>38,312</u>	<u>20,236</u>
Net increase (decrease) in cash and cash equivalents	88,086	(98,887)	(10,801)
Cash and cash equivalents at beginning of year	<u>26,290</u>	<u>109,288</u>	<u>135,578</u>
Cash and cash equivalents at end of year	<u>\$ 114,376</u>	<u>\$ 10,401</u>	<u>\$ 124,777</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (1,677,015)	\$ (183,187)	\$ (1,860,202)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Miscellaneous income	53,765	12,158	65,923
Decrease (increase) in assets:			
Receivables	503	-	503
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	<u>195,048</u>	<u>3,830</u>	<u>198,878</u>
Net cash used by operating activities	<u>\$ (1,427,699)</u>	<u>\$ (167,199)</u>	<u>\$ (1,594,898)</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.

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CITY OF ROCKWALL, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SPECIAL ESCROW AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
ASSETS				
Cash and cash equivalents	\$ 71,555	\$ 1,494,043	\$ 1,560,524	\$ 5,074
Investments	1,492,750	3,373,948	3,009,969	1,856,729
Accrued interest receivable	2,490	10,629	6,866	6,253
 Total assets	 <u>\$ 1,566,795</u>	 <u>\$ 4,878,620</u>	 <u>\$ 4,577,359</u>	 <u>\$ 1,868,056</u>
 LIABILITIES				
Due to developers	\$ <u>1,566,795</u>	\$ <u>611,785</u>	\$ <u>310,524</u>	\$ <u>1,868,056</u>
 Total liabilities	 <u>\$ 1,566,795</u>	 <u>\$ 611,785</u>	 <u>\$ 310,524</u>	 <u>\$ 1,868,056</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, 2006

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
ASSETS		
Cash and cash equivalents	\$ 63,943	\$ 14,433
Investments	3,213,953	36,662
Receivables (net of allowances for uncollectibles):		
Interest	931	-
Accounts	437	1,517
Notes	604,804	-
Intergovernmental	503,978	-
Due from primary government	4,534	-
Due from Rockwall Economic Development Corporation	-	10,011
Inventory	<u>14,721,495</u>	<u>-</u>
 Total assets	 <u>\$ 19,114,075</u>	 <u>\$ 62,623</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 147,982	\$ 12,208
Due to primary government	4,904	-
Due to Rockwall Technology Park	10,011	-
Total liabilities	<u>162,897</u>	<u>12,208</u>
Fund balances:		
Reserved for inventory	14,721,495	-
Unreserved, undesignated	4,229,683	50,415
Total fund balances	<u>18,951,178</u>	<u>50,415</u>
 Total liabilities and fund balances	 <u>\$ 19,114,075</u>	 <u>\$ 62,623</u>

CITY OF ROCKWALL, TEXAS
 RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2006

	Rockwall Economic Development Corporation	Rockwall Technology Park
Total fund balances - discretely presented component units	\$ 18,951,178	\$ 50,415
Amounts reported for discretely presented component units in the statement of net assets are different because:		
The following assets are not current financial resources and are not reported in the component units balance sheet:		
Capital assets used by component units (net of accumulated depreciation of \$55,270)	11,596	-
Costs of bonds issued to finance component units (net of accumulated amortization of \$28,521)	153,608	-
The following liabilities are not due in the current period and are not reported in the component units balance sheet:		
Compensated absences	(7,941)	-
Bonds payable	(12,557,622)	-
Interim construction loan	(6,684,229)	-
Accrued interest payable	(126,805)	-
Net assets of discretely presented component units	\$ <u>(260,215)</u>	\$ <u>50,415</u>

CITY OF ROCKWALL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Rockwall Economic Development Corporation	Rockwall Technology Park
Revenues:		
Sales taxes	\$ 2,750,577	\$ -
Charges for services	-	132,569
Interest income	156,952	1,812
Miscellaneous	274,443	-
Total revenues	<u>3,181,972</u>	<u>134,381</u>
Expenditures:		
Current:		
Administration	<u>7,424,772</u>	<u>134,000</u>
Total current	<u>7,424,772</u>	<u>134,000</u>
Capital outlay:		
Administration	<u>5,609</u>	<u>-</u>
Total capital outlay	<u>5,609</u>	<u>-</u>
Debt service:		
Principal	475,000	-
Interest	667,069	-
Bond issuance costs	70,018	-
Fiscal charges	<u>3,322</u>	<u>-</u>
Total debt service	<u>1,215,409</u>	<u>-</u>
Total expenditures	<u>8,645,790</u>	<u>134,000</u>
Excess of revenues over (under) expenditures	<u>(5,463,818)</u>	<u>381</u>
Other financing sources:		
Bonds issued	5,540,000	-
Premium on bonds issued	36,450	-
Interim construction loan	<u>3,586,009</u>	<u>-</u>
Total other financing sources	<u>9,162,459</u>	<u>-</u>
Net change in fund balances	<u>3,698,641</u>	<u>381</u>
Fund balances, October 1, as previously reported	9,777,963	50,034
Prior period adjustment	<u>5,474,574</u>	<u>-</u>
Fund balances, October 1, as restated	<u>15,252,537</u>	<u>50,034</u>
Fund balances, September 30	<u>\$ 18,951,178</u>	<u>\$ 50,415</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, 2006

	<u>Rockwall Economic Development Corporation</u>	<u>Rockwall Technology Park</u>
Net change in fund balances - discretely presented component units	\$ 3,698,641	\$ 381
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 capital outlays (\$1,384) exceeded depreciation (\$4,830) in the current period.	(3,446)	-
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 (\$70,018) exceeded amortization (\$7,267) in the current period.	62,751	-
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.	(70,321)	-
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 (\$9,307,391) exceeded repayments (\$475,000) and bond premium amortization (\$8,760) in the current period.	(8,823,631)	-
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>965</u>	<u>-</u>
Change in net assets of discretely presented component units	<u>\$ (5,135,041)</u>	<u>\$ 381</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 2,533,000	\$ 2,719,000	\$ 2,750,577	\$ 31,577
Interest income	35,000	152,000	156,952	4,952
Miscellaneous	188,000	322,050	274,443	(47,607)
Total revenues	<u>2,756,000</u>	<u>3,193,050</u>	<u>3,181,972</u>	<u>(11,078)</u>
Expenditures:				
Current:				
Administration	3,575,850	7,667,400	7,424,772	242,628
Total current	<u>3,575,850</u>	<u>7,667,400</u>	<u>7,424,772</u>	<u>242,628</u>
Capital outlay:				
Administration	7,000	7,000	5,609	1,391
Total capital outlay	<u>7,000</u>	<u>7,000</u>	<u>5,609</u>	<u>1,391</u>
Debt service:				
Principal	475,000	475,000	475,000	-
Interest	548,900	678,900	667,069	11,831
Bond issuance costs	-	-	70,018	(70,018)
Fiscal charges	4,500	3,500	3,322	178
Total debt service	<u>1,028,400</u>	<u>1,157,400</u>	<u>1,215,409</u>	<u>(58,009)</u>
Total expenditures	<u>4,611,250</u>	<u>8,831,800</u>	<u>8,645,790</u>	<u>186,010</u>
Excess of revenues over (under) expenditures	<u>(1,855,250)</u>	<u>(5,638,750)</u>	<u>(5,463,818)</u>	<u>174,932</u>
Other financing sources:				
Bonds issued	-	5,540,000	5,540,000	-
Premium on bonds issued	-	-	36,450	36,450
Interim construction loan	4,410,750	3,586,000	3,586,009	9
Total other financing sources	<u>4,410,750</u>	<u>9,126,000</u>	<u>9,162,459</u>	<u>36,459</u>
Net change in fund balances	<u>2,555,500</u>	<u>3,487,250</u>	<u>3,698,641</u>	<u>211,391</u>
Fund balances, October 1, as previously reported	9,777,963	9,777,963	9,777,963	-
Prior period adjustment	<u>5,474,574</u>	<u>5,474,574</u>	<u>5,474,574</u>	<u>-</u>
Fund balances, October 1, as restated	<u>15,252,537</u>	<u>15,252,537</u>	<u>15,252,537</u>	<u>-</u>
Fund balances, September 30	<u>\$ 17,808,037</u>	<u>\$ 18,739,787</u>	<u>\$ 18,951,178</u>	<u>\$ 211,391</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, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Governmental funds capital assets:		
Land	\$ 3,274,598	\$ 2,097,819
Buildings	10,335,142	10,029,010
Improvements other than buildings	2,116,511	1,887,671
Machinery and equipment	2,937,154	2,517,762
Vehicles	4,552,000	4,100,750
Furniture and fixtures	1,975,590	1,757,420
Infrastructure	86,870,528	79,354,299
Construction in progress	<u>41,204,224</u>	<u>16,578,527</u>
Total governmental funds capital assets	<u>\$ 153,265,747</u>	<u>\$ 118,323,258</u>
Investments in governmental funds capital assets by source:		
Bond proceeds	\$ 55,216,520	\$ 26,506,421
General government	33,936,838	34,022,577
Grants and entitlements	1,590,211	1,319,028
Developer contributions	<u>62,522,178</u>	<u>56,475,232</u>
Total investments in governmental funds capital assets	<u>\$ 153,265,747</u>	<u>\$ 118,323,258</u>

CITY OF ROCKWALL, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2006

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>
General government	\$ 1,225,684	\$ 3,794,472	\$ 374,935
Public works	273,803	171,724	-
Public safety	81,713	2,247,826	12,802
Recreation/development	1,693,398	2,076,600	1,728,774
Fire equipment	<u>-</u>	<u>2,044,520</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 3,274,598</u>	<u>\$ 10,335,142</u>	<u>\$ 2,116,511</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>
\$ 110,462	\$ 359,510	\$ 1,526,058	\$ -	\$ 5,772,609	\$ 13,163,730
611,074	564,199	15,370	86,870,528	33,411,228	121,917,926
483,558	1,497,820	379,496	-	1,754,549	6,457,764
853,904	295,434	29,074	-	157,125	6,834,309
<u>878,156</u>	<u>1,835,037</u>	<u>25,592</u>	<u>-</u>	<u>108,713</u>	<u>4,892,018</u>
<u>\$ 2,937,154</u>	<u>\$ 4,552,000</u>	<u>\$ 1,975,590</u>	<u>\$ 86,870,528</u>	<u>\$ 41,204,224</u>	<u>\$ 153,265,747</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, 2006

<u>Function and Activity</u>	<u>Balance 10/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/06</u>
General government	\$ 12,172,285	\$ 1,510,939	\$ (499,705)	\$ (19,789)	\$ 13,163,730
Public works	90,530,099	31,452,198	(64,371)	-	121,917,926
Public safety	5,830,155	788,305	(160,696)	-	6,457,764
Recreation/development	5,395,969	1,449,743	(31,192)	19,789	6,834,309
Fire equipment	<u>4,394,750</u>	<u>497,268</u>	<u>-</u>	<u>-</u>	<u>4,892,018</u>
Total governmental funds capital assets	<u>\$ 118,323,258</u>	<u>\$ 35,698,453</u>	<u>\$ (755,964)</u>	<u>\$ -</u>	<u>\$ 153,265,747</u>

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.	95-103
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	104-109
<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.	110-114
<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.	115-116
<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.	117-120

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

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

TABLE 1

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Governmental activities										
Invested in capital assets, net of related debt	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	37,748,076	17,051,680	5,897,961	8,354,614	-	-	-	-	-	-
Unrestricted	11,683,150	11,850,426	10,242,495	9,975,317	-	-	-	-	-	-
Total governmental activities net assets	<u>\$ 83,451,860</u>	<u>\$ 70,248,286</u>	<u>\$ 63,835,499</u>	<u>\$ 61,450,375</u>	<u>\$ -</u>					
Business-type activities										
Invested in capital assets, net of related debt	\$ 41,923,596	\$ 37,368,956	\$ 38,406,139	\$ 32,724,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	18,060,049	18,350,884	11,698,161	15,635,741	-	-	-	-	-	-
Unrestricted	7,081,727	7,475,827	9,457,896	3,746,526	-	-	-	-	-	-
Total business-type activities net assets	<u>\$ 67,065,372</u>	<u>\$ 63,195,667</u>	<u>\$ 59,562,196</u>	<u>\$ 52,106,845</u>	<u>\$ -</u>					
Primary government										
Invested in capital assets, net of related debt	\$ 75,944,230	\$ 78,715,136	\$ 86,101,182	\$ 75,845,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	55,808,125	35,402,564	17,596,122	23,990,355	-	-	-	-	-	-
Unrestricted	18,764,877	19,326,253	19,700,391	13,721,843	-	-	-	-	-	-
Total primary government net assets	<u>\$ 150,517,232</u>	<u>\$ 133,443,953</u>	<u>\$ 123,397,695</u>	<u>\$ 113,557,220</u>	<u>\$ -</u>					

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									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Expenses										
Governmental activities:										
Mayor/Council	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administration	6,040,692	4,908,083	5,757,527	3,583,719	-	-	-	-	-	-
Finance	1,027,654	954,840	877,537	760,436	-	-	-	-	-	-
Municipal Court	304,492	295,379	254,210	236,201	-	-	-	-	-	-
Police	6,095,435	6,372,344	6,862,707	5,446,279	-	-	-	-	-	-
Fire	1,889,269	1,144,577	1,530,503	966,400	-	-	-	-	-	-
Public Works	5,530,219	4,753,190	6,155,726	3,961,797	-	-	-	-	-	-
Community Development	1,781,548	1,680,857	1,493,249	442,470	-	-	-	-	-	-
Parks and Recreation	2,583,547	2,329,095	2,323,558	1,487,036	-	-	-	-	-	-
Interest on long-term debt	2,179,950	1,136,584	1,277,825	1,244,127	-	-	-	-	-	-
Total governmental activities expenses	27,541,172	23,653,063	26,607,258	18,186,843	-	-	-	-	-	-
Business-type activities:										
Water and Sewer	10,253,226	8,777,277	7,061,272	6,436,878	-	-	-	-	-	-
Total business-type activities expenses	10,253,226	8,777,277	7,061,272	6,436,878	-	-	-	-	-	-
Total primary government expenses	\$ 37,794,398	\$ 32,430,340	\$ 33,668,530	\$ 24,623,721	\$ -					
Program Revenues										
Governmental activities:										
Charges for services	\$ 4,622,302	\$ 4,337,664	\$ 3,906,111	\$ 2,931,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants & contributions	783,317	894,114	1,424,824	772,911	-	-	-	-	-	-
Capital grants & contributions	11,804,857	5,893,301	6,624,160	181,426	-	-	-	-	-	-
Total governmental activities program revenues	17,210,476	11,125,079	11,955,095	3,885,448	-	-	-	-	-	-
Business-type activities:										
Charges for services:	11,067,802	9,498,555	8,287,744	8,138,036	-	-	-	-	-	-
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	4,319,065	3,411,639	6,576,943	2,906,811	-	-	-	-	-	-
Total business-type activities program revenues	15,386,867	12,910,194	14,864,687	11,044,847	-	-	-	-	-	-
Total primary government program revenues	\$ 32,597,343	\$ 24,035,273	\$ 26,819,782	\$ 14,930,295	\$ -					

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

TABLE 2

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	(continued)									
Net (Expense)/Revenue										
Governmental activities	(10,330,696)	(12,527,984)	(14,652,163)	(14,301,395)	-	-	-	-	-	-
Business-type activities	5,133,641	4,132,917	7,803,415	4,607,969	-	-	-	-	-	-
Total primary government net expense	(5,197,055)	(8,395,067)	(6,848,748)	(9,693,426)	-	-	-	-	-	-
General Revenues and Transfers										
Governmental activities:										
Property taxes	\$ 9,063,530	\$ 8,111,715	\$ 7,265,947	\$ 6,717,883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	8,529,051	7,379,841	6,736,054	6,277,216	-	-	-	-	-	-
Other	3,566,689	2,442,815	2,167,786	1,843,906	-	-	-	-	-	-
Transfers	2,375,000	1,006,400	867,500	1,337,963	-	-	-	-	-	-
Total governmental activities	23,534,270	18,940,771	17,037,287	16,176,968	-	-	-	-	-	-
Business-type activities:										
Other	1,111,064	506,954	519,436	345,017	-	-	-	-	-	-
Transfers	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)	-	-	-	-	-	-
Total business-type activities	(1,263,936)	(499,446)	(348,064)	(992,946)	-	-	-	-	-	-
Total primary government	\$ 22,270,334	\$ 18,441,325	\$ 16,689,223	\$ 15,184,022	\$ -					
Change in Net Assets										
Governmental activities	\$ 13,203,574	\$ 6,412,787	\$ 2,385,124	\$ 1,875,573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	3,869,705	3,633,471	7,455,351	3,615,023	-	-	-	-	-	-
Total primary government	\$ 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>
1997	-	-	-	\$ -
1998	-	-	-	-
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

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

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

TABLE 4

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Fund										
Reserved	\$ 26,130	\$ 26,980	\$ 16,104	\$ 7,500	\$ 6,862	\$ 16,414	\$ 11,663	\$ 12,614	\$ 687,280	\$ 191,948
Unreserved	7,692,662	7,301,334	6,860,155	7,235,979	7,579,095	6,436,530	6,770,275	4,826,291	3,031,786	2,232,577
Total general fund	<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>	<u>\$ 3,719,066</u>	<u>\$ 2,424,525</u>
All other governmental funds										
Reserved for:										
Debt Service	\$ 1,461,294	\$ 1,155,897	\$ 694,758	\$ 683,650	\$ 551,753	\$ 509,255	\$ 386,149	\$ 284,139	\$ 228,315	\$ 182,084
Unreserved, reported in:										
Special revenue funds	2,422,376	2,046,410	1,358,357	926,507	671,382	1,171,009	5,120,309	6,534,173	822,669	745,321
Capital projects funds	36,529,256	16,113,095	5,271,300	7,540,907	9,031,865	13,065,344	16,135,737	8,235,081	3,749,670	3,648,564
Total all other governmental funds	<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>	<u>\$ 4,800,654</u>	<u>\$ 4,575,969</u>

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

TABLE 5

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues										
Ad valorem taxes, penalty and interest	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166	\$ 5,722,744	\$ 5,032,885	\$ 4,072,641	\$ 3,450,302	\$ 3,146,060	\$ 2,777,296
Sales taxes	8,529,051	7,379,841	6,736,054	6,277,216	6,228,716	6,109,463	7,726,450	6,031,372	3,577,892	2,683,477
Franchise taxes	1,981,016	1,715,242	1,702,156	1,548,499	1,506,971	1,278,671	1,034,660	1,002,559	878,843	834,365
Charges for services	426,996	268,125	266,450	263,349	159,451	135,417	108,441	89,450	64,636	67,254
Permits	1,325,832	1,718,218	1,709,832	1,521,019	1,467,736	618,405	570,932	515,688	439,881	295,393
Municipal court	987,066	906,634	937,164	734,500	584,171	509,645	472,921	504,015	571,367	428,541
Intergovernmental	1,011,739	3,182,350	1,772,811	1,100,961	1,452,565	1,155,484	1,891,965	872,468	658,736	695,528
Interest income	1,149,204	304,644	143,269	312,700	598,483	1,002,624	1,569,214	756,313	610,716	242,982
Miscellaneous	1,060,866	1,080,366	755,733	422,427	375,753	297,490	584,386	1,874,540	523,572	414,010
Donations	6,251,435	163,635	252,037	56,463	35,112	60,539	244,594	465,487	443,541	29,566
Total Revenues	31,703,153	24,859,180	21,545,914	18,915,300	18,131,702	16,200,623	18,276,204	15,562,194	10,915,244	8,468,412
Expenditures										
Current:										
Mayor/council	108,366	78,114	74,416	58,377	68,480	38,068	31,148	30,590	35,473	38,123
Administration	2,910,478	2,708,948	2,324,516	3,024,304	2,421,992	1,880,816	1,348,888	1,457,683	1,370,623	1,280,420
Finance	1,025,230	952,808	837,800	756,688	707,823	615,694	515,463	347,570	344,736	326,115
Municipal court	303,131	291,348	249,839	234,832	189,088	187,687	163,977	142,452	134,084	102,467
Police	6,235,463	6,070,311	6,083,676	5,171,682	5,024,188	4,261,907	3,770,329	3,227,329	1,877,408	1,970,191
Fire	1,242,836	1,075,427	950,622	757,447	373,099	336,556	267,251	254,931	429,585	129,951
Public works	2,411,324	2,050,077	2,005,360	1,781,760	1,648,599	1,393,969	1,278,762	1,337,413	1,667,103	1,498,742
Community development	1,783,961	1,682,480	1,477,483	440,481	302,156	391,843	954,429	776,061	-	-
Parks and recreation	2,318,135	1,826,608	1,758,180	1,369,986	1,322,614	1,030,236	862,235	659,184	673,077	649,635
Total current	18,338,924	16,736,121	15,761,892	13,595,557	12,058,039	10,136,776	9,192,482	8,233,213	6,532,089	5,995,644
Capital outlay:										
Administration	1,580,706	602,847	623,526	1,843,858	8,767,869	3,101,580	4,596,796	7,195,832	1,212,029	590,032
Finance	-	-	36,746	141,102	104,138	66,898	88,238	230,327	40,948	8,823
Municipal Court	-	-	3,958	13,152	-	-	11,705	3,256	4,188	1,749
Police	285,150	1,850,771	978,179	372,661	370,552	298,869	880,517	76,666	40,079	229,058
Fire	835,685	711,166	525,888	172,970	542,049	1,322,965	750,226	1,025,551	17,999	1,765
Public works	25,733,888	9,756,038	1,667,682	1,198,999	892,865	1,306,605	108,831	272,955	111,801	864,290
Community development	-	519	668	1,123	-	97,479	60,738	36,216	-	-
Parks and recreation	1,477,499	757,360	600,049	443,049	199,661	646,525	239,448	42,216	175,795	77,785
Total capital outlay	29,912,928	13,678,701	4,436,696	4,186,914	10,877,134	6,840,921	6,736,499	8,883,019	1,602,839	1,773,502

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

TABLE 5

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	(continued)									
Debt service:										
Principal	2,620,235	1,801,369	2,831,984	1,623,841	1,590,000	1,196,321	780,188	799,572	682,915	585,875
Interest	1,748,001	977,878	1,032,504	1,229,093	1,198,065	1,305,721	1,438,232	407,390	500,273	486,463
Bond issuance costs	500,889	429,728	99,311	-	50,879	-	-	-	-	-
Fiscal charges	6,020	5,063	7,403	9,272	14,580	10,380	6,968	8,026	8,460	4,839
Total debt services	4,875,145	3,214,038	3,971,202	2,862,206	2,853,524	2,512,422	2,225,388	1,214,988	1,191,648	1,077,177
Total expenditures	53,126,997	33,628,860	24,169,790	20,644,677	25,788,697	19,490,119	18,154,369	18,331,220	9,326,576	8,846,323
Excess (deficiency) of revenues over (under) expenditures	(21,423,844)	(8,769,680)	(2,623,876)	(1,729,377)	(7,656,995)	(3,289,496)	121,835	(2,769,026)	1,588,668	(377,911)
Other financing sources (uses):										
Transfers in	4,305,332	2,959,535	2,429,909	4,445,973	4,976,111	2,942,643	2,815,824	1,180,243	330,000	260,914
Sale of fixed assets	-	-	-	-	-	-	-	42,031	-	-
Transfers out	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)	(4,971,711)	(2,996,182)	(3,055,824)	(1,424,986)	(540,000)	(525,914)
Bonds issued	41,045,000	21,200,000	-	-	4,295,000	-	8,650,000	13,421,011	203,550	571,600
Refunding bonds issued	-	6,095,000	4,067,415	-	-	-	-	-	-	-
Accrued interest on bonds issued	176,020	129,913	-	-	-	-	-	-	-	-
Premium on bonds issued	864,326	271,518	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(6,027,109)	(3,120,178)	-	-	-	-	-	-	-
Total other financing sources (uses)	42,911,846	21,212,722	564,737	282,963	4,299,400	(53,539)	8,410,000	13,218,299	(6,450)	306,600
Net change in fund balances	21,488,002	12,443,042	(2,059,139)	(1,446,414)	(3,357,595)	(3,343,035)	8,531,835	10,449,273	1,582,218	(71,311)
Debt service as a percentage of noncapital expenditures	21.0%	16.1%	20.1%	17.4%	19.1%	19.9%	19.5%	12.9%	15.4%	15.2%

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

TABLE 6

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1997	\$ 2,777,296	\$2,683,477	\$ 834,365	\$6,295,138
1998	3,146,060	3,577,892	878,843	7,602,795
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

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

TABLE 7

<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>
1997	\$2,683,477	130.00%	0.49
1998	3,577,892	156.20%	0.51
1999	4,548,948	133.67%	0.48
2000	5,834,244	143.91%	0.52
2001	6,109,463	124.62%	0.45
2002	6,228,716	108.84%	0.39
2003	6,277,216	94.00%	0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34

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

TABLE 8

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			
1997	1996	N/A	N/A	N/A	N/A	719,921,004	0.3800
1998	1997	539,565,365	220,097,027	120,504,113	45,322,187	834,844,318	0.3600
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

Source: Rockwall Central Appraisal District

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

TABLE 9

<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>
1997	18,890,430	572,540	14,427,950	5,465,975	-
1998	21,247,629	569,970	20,550,470	1,634,676	3,676
1999	24,255,378	733,000	29,972,670	6,844,740	57,091
2000	27,511,159	759,504	34,508,640	7,041,464	26,250
2001	28,201,159	783,004	34,719,380	8,600,537	26,250
2002	31,135,770	938,984	47,080,860	7,031,665	-
2003	32,005,770	949,484	48,516,530	7,025,287	71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
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

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

TABLE 10

<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>
1997	0.2046	0.1754	0.3800	1.4900	0.3050
1998	0.1999	0.1601	0.3600	1.4900	0.3202
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	0.3507

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

TABLE 11

Taxpayer	2006			1998		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Continental Pet Technology	28,674,629	1	1.18%	19,908,903	2	2.38%
Wal-mart	22,262,152	2	0.92%	20,118,553	1	2.41%
TXU Electric Delivery Service (formerly T	17,608,030	3	0.73%	7,619,300	3	0.91%
SPM/WRI Rockwall, L.P.	17,130,190	4	0.71%	-	-	-
Rockwall Apartment Associates, LP	14,590,520	5	0.60%	-	-	-
Lowe's Home Centers, Inc.	11,859,853	6	0.49%	-	-	-
Steger Towne Crossing, LP	11,340,310	7	0.47%	4,559,090	6	0.55%
Bent Tree Realty Co.	9,667,830	8	0.40%	6,968,440	4	0.83%
Dayton Hudson Corp./Target	8,856,277	9	0.36%	-	-	-
Texas Star Express	7,929,600	10	0.33%	-	-	-
Southwestern Bell Telephone	-	-	-	6,063,800	5	0.73%
WDC/Hi-Life Properties	-	-	-	4,283,810	7	0.51%
Columbia Extrusion Corp.	-	-	-	3,957,879	8	0.47%
Rockwall Steel Co.	-	-	-	3,637,820	9	0.44%
Lago Vista Partners, LTD	-	-	-	3,573,440	10	0.43%
Subtotal	<u>149,919,391</u>		<u>6.18%</u>	<u>80,691,035</u>		<u>9.67%</u>
Total Taxable Value	<u>2,427,709,054</u>		<u>100.00%</u>	<u>834,844,318</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District
 Note: For tax years 2005 and 1997

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

TABLE 12

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
1997	1996	2,735,700	2,679,180	2,679,180	97.93%	61,003	2,740,183	100.16%
1998	1997	3,038,767	2,986,332	2,986,332	98.27%	89,084	3,075,416	101.21%
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%

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

TABLE 13

Customer	2006			1997		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
Rockwall I.S.D.	84,213,000	1	3.85%	26,018,560	1	2.03%
City of Rockwall	35,693,100	2	1.63%	-	-	-
D.W.C./Highlife Properties	18,166,600	3	0.83%	10,499,800	4	0.82%
Walden Residential Properties	12,065,000	4	0.55%	13,117,300	2	1.03%
Mission Rockwall	11,863,900	5	0.54%	-	-	-
Sabre Realty Management	11,238,600	6	0.51%	11,404,700	3	0.89%
Rockwall Nursing Home	9,970,700	7	0.46%	8,294,600	5	0.65%
Lake Pointe Church	8,357,000	8	0.38%	-	-	-
Bent Creek Condos, HOA	7,855,300	9	0.36%	8,289,300	6	0.65%
Steger Towne Crossing, LP	7,576,400	10	0.35%	-	-	-
J&L Plating	-	-	-	7,810,300	7	0.61%
Continental Can	-	-	-	7,494,000	8	0.59%
Rockwall Travel Center	-	-	-	2,772,600	9	0.22%
Whitmore Manufacturing	-	-	-	1,318,200	10	0.10%
Subtotal	<u>206,999,600</u>		<u>9.47%</u>	<u>97,019,360</u>		<u>7.58%</u>
Total Water Usage	<u>2,186,820,120</u>		<u>100.00%</u>	<u>1,279,673,940</u>		<u>100.00%</u>

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

TABLE 14

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	Water and Sewer Revenue Bonds			
1997	\$ 6,742,577	\$ 55,921	\$ 1,157,040	\$ 962,423	\$ 29,078	\$ 152,958	\$ 3,579,919	\$ 12,679,916	3.51%	874
1998	6,361,805	-	1,114,368	852,595	-	255,631	3,326,494	11,910,893	2.58%	778
1999	13,094,712	-	1,990,449	715,288	-	189,551	5,114,141	21,104,141	4.00%	1,311
2000	14,809,306	6,500,000	1,725,245	610,694	-	119,755	4,815,936	28,580,936	5.12%	1,676
2001	14,088,900	6,375,000	1,374,329	506,100	-	60,644	4,563,753	26,968,726	5.00%	1,424
2002	13,295,364	10,485,000	945,000	384,636	-	-	10,991,569	36,101,569	6.11%	1,722
2003	12,521,523	9,890,000	690,000	288,477	-	-	10,555,000	33,945,000	5.27%	1,486
2004	11,918,933	9,075,000	420,000	271,067	-	-	10,035,000	31,720,000	3.86%	1,259
2005	22,992,564	17,940,000	345,000	247,436	-	-	14,910,000	56,435,000	6.07%	2,030
2006	57,632,329	21,825,000	315,000	212,671	-	-	14,145,000	94,130,000	9.45%	3,117

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 15

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					
1997	6,742,577	55,921	1,157,040	\$ 7,955,538	\$ 182,083	\$ 7,773,455	1.08%	536
1998	6,361,805	-	1,114,368	7,476,173	228,315	7,247,858	0.87%	474
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

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, 2006
 (unaudited)

TABLE 16

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	<u>\$ 78,311,035</u>	100.00%	<u>\$ 78,311,035</u>
Indirect:			
Rockwall Independent School District	202,255,726	59.12%	119,573,585
Rockwall County	<u>10,915,000</u>	49.72%	5,426,938
Total Indirect	<u>213,170,726</u>		<u>125,000,523</u>
Total Direct and Overlapping Bonded Debt	<u><u>\$ 291,481,761</u></u>		<u><u>\$ 203,311,558</u></u>
Average debt per capita			<u><u>\$ 6,732</u></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 17

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									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
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	0.3689	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3600	0.3800
Legal Debt Margin	2.1311	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1400	2.1200

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

TABLE 18

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	5,875,714	2,744,826	3,130,888	240,000	239,510	479,510	6.53
1998	6,694,849	1,131,069	5,563,780	255,000	222,888	477,888	11.64
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

Note: Direct operating expenses excludes depreciation

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

TABLE 19

DEMOGRAPHICS					
Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	RISD School Enrollment (2)	Unemployment Rate (%) (3)
1997	14,500	361,050	24,900	6,443	2.4
1998	15,300	462,075	30,201	6,898	2.3
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

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 20

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,601	1	10.83%	750	1	9.20%
Texas Star Express	484	2	3.27%	175	7	2.15%
Wal-Mart Superstore	450	3	3.04%	450	3	5.52%
Rockwall County	235	4	1.59%	-	-	-
City of Rockwall	227	5	1.54%	-	-	-
Special Products	205	6	1.39%	156	9	1.91%
Target	170	7	1.15%	155	10	1.90%
Rockwall Nursing Home	160	8	1.08%	-	-	-
Kohl's Department Store	140	9	0.95%	-	-	-
Home Depot	130	10	0.88%	-	-	-
Lake Pointe Medical Center*	-	-	-	600	2	7.36%
Dallas Carrier	-	-	-	225	4	2.76%
Precision Cable	-	-	-	182	5	2.23%
James Helwig & Son	-	-	-	180	6	2.21%
Kroger Food	-	-	-	159	8	1.95%
Subtotal	<u>3,802</u>		<u>25.72%</u>	<u>3,032</u>		<u>37.21%</u>
Total	<u>14,784</u>		<u>100.00%</u>	<u>8,149</u>		<u>100.00%</u>

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

*Lake Pointe Medical Center was originally presented in 1997, however the facility is in Rockwall County, outside of Rockwall city limits and has been removed for future years.

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

TABLE 21

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Administration	21	21	21	23	19	13	12	11	6.25	5.25
Finance	8	7.5	6.5	4.5	4.5	5	5	5	5	4
Municipal Court	4	4	3	3	3	3	3	3	3	2
Fire	9	9	8	5	4	3	2	2	1	1
Police	80	72	70	68	63	57	53	47	50	45
Community Development	28.5	25.5	22	21	19	14	15	13	13	10
Parks & Recreation	25	24	21	21	22	18	16	16	14.5	13.5
Public Works	23	21	21	21	20	19	19.5	19.5	20	16
Water/Sewer	29	26	25	23	22	21	20	19	18	16
Total	227.50	210.00	197.50	189.50	176.50	153.00	145.50	135.50	130.75	112.75

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

TABLE 22

Function	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Finance										
Invoices processed	15,883	14,919	14,246	14,430	n/a	n/a	n/a	n/a	n/a	n/a
Payroll checks issued	7,042	6,579	6,543	5,882	4,983	4,277	4,196	n/a	n/a	n/a
Purchase orders issued	2,468	2,561	2,420	2,338	n/a	n/a	n/a	n/a	n/a	n/a
Municipal Court										
Violations Processed	16,635	15,225	13,913	15,000	9,364	8,010	7,173	6,930	10,307	9,121
Fire										
Employees (paid)	9	9	8	4	3	2	1	1	0	0
Volunteers	40	39	36	38	38	36	37	38	37	37
Fire Calls (City and County)	718	772	623	560	474	460	425	382	318	452
Police										
Employees (uniformed)	61	55	51	49	42	37	36	33	35	31
Employees (civilian)	18	17	17	15	12	12	12	15	17	15
Calls for Service	21,121	17,915	16,066	14,699	14,717	13,924	14,633	n/a	n/a	n/a
Community Development										
# permits - New commercial construction	18	51	18	27	22	13	26	36	44	56
Value - New commercial construction	39,358,497	49,918,558	29,067,960	40,304,701	41,967,125	16,001,068	12,444,115	18,810,452	21,562,833	26,589,846
# permits - New residential construction	470	739	885	775	945	767	655	488	504	278
Value - New residential construction	82,305,725	123,215,423	135,501,919	117,512,216	144,002,845	119,521,248	94,343,746	72,960,161	73,552,939	41,659,665

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

TABLE 22

Function	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Parks & Recreation										
The Center facility rentals	75,757	71,118	58,060	38,821	2,713	n/a	n/a	n/a	n/a	n/a
Special event attendance	25,231	26,547	35,736	14,300	9,113	5,440	n/a	n/a	n/a	n/a
# recreation participants (youth & adult)	2,381	2,034	1,793	1,411	882	1,028	n/a	n/a	n/a	n/a
Public Works										
Streets - sq yd concrete street repair	1,967.75	2,961.55	2,395.76	n/a						
\$ spent on concrete/asphalt street repair	478,169	352,048	431,475	339,507	284,129	242,810	294,895	n/a	n/a	n/a
Miles of public street maintained by City	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69	87.10	75.67
Water/Sewer										
Water customers	11,985	11,491	10,497	9,440	8,827	7,875	7,035	6,615	6,124	5,223
Sewer customers	10,445	10,020	9,282	8,510	7,781	7,026	6,310	5,749	5,340	4,364
Average daily water consumption (gal)	5,991,288	5,023,404	4,327,595	4,209,473	3,019,976	3,937,395	3,874,655	3,009,200	4,716,189	3,505,956
Maximum storage capacity (gal)	7,500,000	7,500,000	7,500,000	5,500,000	5,500,000	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 23

Function	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Fire										
Number of stations	2	2	2	2	2	1	1	1	1	1
Number of fire engines/trucks	9	8	8	8	8	8	8	7	7	7
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	37	30	26	22	n/a	n/a	n/a	n/a	n/a
Parks & Recreation										
Parks acres (developed)	324.60	307.30	287.70	283.20	n/a	n/a	n/a	n/a	n/a	n/a
Playgrounds	18	12	12	12	11	10	10	10	10	6
Picnic areas	27	26	26	25	12	5	5	5	5	5
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	1,689,445	2,477,496	165,359	116,368	1,670,734	377,153	n/a	n/a	n/a	n/a
\$ spent on street rehabilitation	6,575,541	2,352,112	583,947	397,026	967,878	1,503,738	n/a	n/a	n/a	n/a
Miles of public street	139.52	129.23	127.66	122.70	116.03	105.38	98.70	89.69	87.10	75.67
Water/Sewer										
Water mains (miles)	155.37	146.32	139.93	128.49	120.93	105.35	96.43	86.62	n/a	n/a
Sanitary sewers (miles)	113.58	107.83	103.62	96.64	91.87	79.21	69.59	59.62	n/a	n/a

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