

**ROCKWALL INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED AUGUST 31, 2007**

**RUTHERFORD, TAYLOR & COMPANY, P.C.**  
*Certified Public Accountants*  
2802 Washington Street  
Greenville, Texas 75401  
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ROCKWALL INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2007

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**CERTIFICATE OF BOARD**

Rockwall Independent School District  
Name of School District

Rockwall  
County

199-901  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and \_\_\_\_\_ **approved**/ \_\_\_\_\_ **disapproved** for the year ended August 31, 2007, at a meeting of the board of school trustees of such school district on \_\_\_\_\_.

\*

\_\_\_\_\_  
Signature of Board Secretary

\*

\_\_\_\_\_  
Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

\_\_\_\_\_  
\* Signature on file with the Texas Education Agency

FINANCIAL SECTION

RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT

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Board of School Trustees  
Rockwall Independent School District

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rockwall Independent School District (District) as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rockwall Independent School District as of August 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information identified as required supplementary information 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.

Independent Auditor's Report - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules identified as other supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required component of the basic financial statements. Such information except for the fund balance and cash flow calculation worksheet which is marked "unaudited" and on which we express no opinion, has 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.

October 26, 2007  
Greenville, Texas

\*

RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.  
*Certified Public Accountants*

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

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Board of School Trustees  
Rockwall Independent School District

Members of the Board:

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rockwall Independent School District (District) as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted account principles such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the District's basic financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose as described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report on Internal Control – Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Board of Trustees, the Texas Education Agency, and other grantors and is not intended to be and should not be used by anyone other than these specified parties.

October 26, 2007  
Greenville, Texas

\*



REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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Board of School Trustees  
Rockwall Independent School District

Members of the Board:

Compliance

We have audited the compliance of the Rockwall Independent School District (District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express opinions on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Rockwall Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2007.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

## Internal Control over Compliance – Continued

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, the Board of Trustees, the Texas Education Agency, and other grantors and is not intended to be and should not be used by anyone other than these specified parties.

October 26, 2007  
Greenville, Texas

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\* Signature on file with the Texas Education Agency

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2007

**Summary of Auditor's Results**

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Type of Report on Financial Statements	Unqualified Opinion
Reportable Conditions	None
Material Weakness Involving Reportable Conditions	None
Noncompliance Material to the Financial Statements	The level of noncompliance was not material in relation to the financial statements covering federal programs
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Determined in Section .510 (a), OMB Circular A-133	None
Dollar threshold considered Between Type A and B Federal Programs	\$ 300,000
Low Risk Auditee Statements	The District was classified as a low risk auditee in the context of OMB Circular A-133.
Major Federal Programs	Food Service Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555) Summer Feeding Program (10.559) ESEA Title I Part A – Improving Basic Programs (84.010)
Pass-through Entity	Texas Education Agency

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2007

**Schedule  
Reference  
Number**

**Findings**

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NONE

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
STATUS OF FINDINGS AND QUESITONED COSTS  
YEAR ENDED AUGUST 31, 2007

**Schedule  
Reference  
Number**

**Prior Findings**

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NONE

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
YEAR ENDED AUGUST 31, 2007

**Schedule  
Reference  
Number**

**Actions Planned**

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NONE

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2007

This section of Rockwall Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2007. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

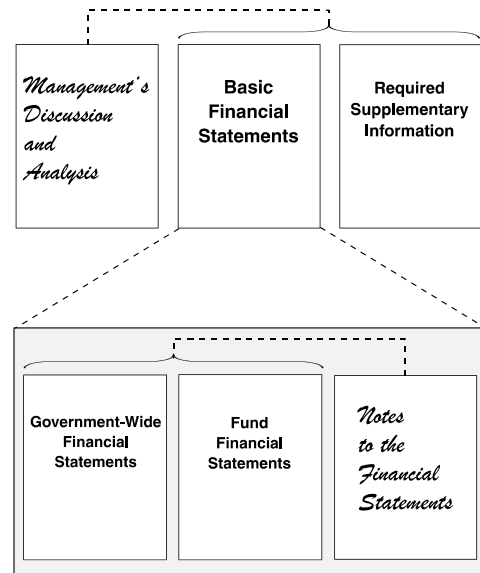
- The general fund reported an ending fund balance of \$ 25,531,768. This was an increase in the general fund balance from the prior year in the amount of \$ 3,255,887. The undesignated general fund balance increased \$ 3,266,832 from the prior year.
- Since the District continues to experience student population growth, the issuance of long-term debt (bonds) is required to build facilities to meet the needs of this growth. The District's debt management practice is to utilize appropriate bond instruments, depending upon the circumstances at each instance. The District elected to issue Capital Appreciation Bonds in the 1992, 1998, and 2005 Refundings. The implementation of GASB 34 brings the accretion of interest, related to these bonds, onto the District's books as shown in Exhibit F-1 Note E – Long-Term Obligations. The accreted interest of \$ 42,815,762 is treated as a liability and flows through the statement of net assets as a decrease in the District's net asset value. The result of the need to issue long-term debt instruments to meet the student population growth, and the recording of depreciation of assets has resulted in negative net assets of \$ 6,362,150.
- General revenues accounted for \$ 104,010,975, or 88% of all fiscal year 2007 revenue. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$ 13,666,005, or 12% of total fiscal year 2007 revenues.
- The District had approximately \$ 116,567,178 in expenses related to governmental activities, of which \$ 13,666,005 of these expenses were offset by program-specific charges for services or grants and contributions. General revenues of \$ 104,010,975 were adequate to provide for the remaining cost of these programs, resulting in a \$ 1,109,802 increase in net assets.
- The total cost of the District's programs increased due to continued student population growth in the District.
- The District issued \$ 84,000,000 in new debt during the fiscal year.

**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 that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds 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- and long-term financial information about the activities the government operates like businesses, such as the print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District 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 District's Annual Financial**



ROCKWALL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2007

The basic financial statements also include notes that explain some of the information in the basic 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 basic 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 District's Government-wide and Fund Financial Statements**

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District 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.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.



ROCKWALL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2007

The District has the following kinds of funds:

- **Governmental funds**—Most of the District'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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- **Fiduciary funds**—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

<b>Rockwall Independent School District's Net Assets</b>			<b>Table A-1</b>
	Governmental Activities		Total Percentage Change
	2007	2006	2006-2007
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 110,096,312	\$ 63,475,228	73.45%
Other Assets	7,423,275	7,244,733	2.46%
Capital Assets less Accumulated Depreciation	212,581,675	175,250,076	21.30%
<b>Total Assets</b>	<b>\$ 330,101,262</b>	<b>\$ 245,970,037</b>	<b>34.20%</b>
<b>Liabilities:</b>			
Current Liabilities	\$ 11,107,403	\$ 6,299,799	76.31%
Long-term Liabilities	325,356,009	247,142,230	31.65%
<b>Total Liabilities</b>	<b>\$ 336,463,412</b>	<b>\$ 253,442,029</b>	<b>32.76%</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	\$ 2,266,340	\$ 1,606,223	41.10%
Restricted	2,673,643	3,198,994	-16.42%
Unrestricted	(11,302,133)	(12,277,169)	7.94%
<b>Total Net Assets</b>	<b>\$ (6,362,150)</b>	<b>\$ (7,471,952)</b>	<b>14.85%</b>

Approximately \$ 2,673,643 of the District's restricted net assets represent proceeds for debt retirement. These proceeds are restricted for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

**CHANGES IN NET ASSETS**

The District's total revenues were \$ 117,676,980. 71% of the District's revenue comes from local property taxes. 22% comes from state aid and federal grants, while only 7% relates to charges for services and investment earnings.

The total cost of all programs and services was \$ 116,567,178. Instruction and instructional related services comprise 53% of the District's expenses.

The District's base tax collections (current and delinquent) percentage for FY 2007 is 100.42%. The total tax collections (base tax plus penalty and interest) percentage for FY 2007 is 101.67%.

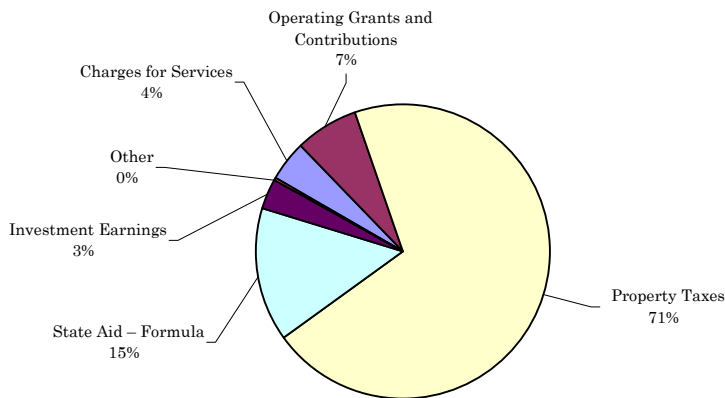
ROCKWALL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2007

GOVERNMENTAL ACTIVITIES

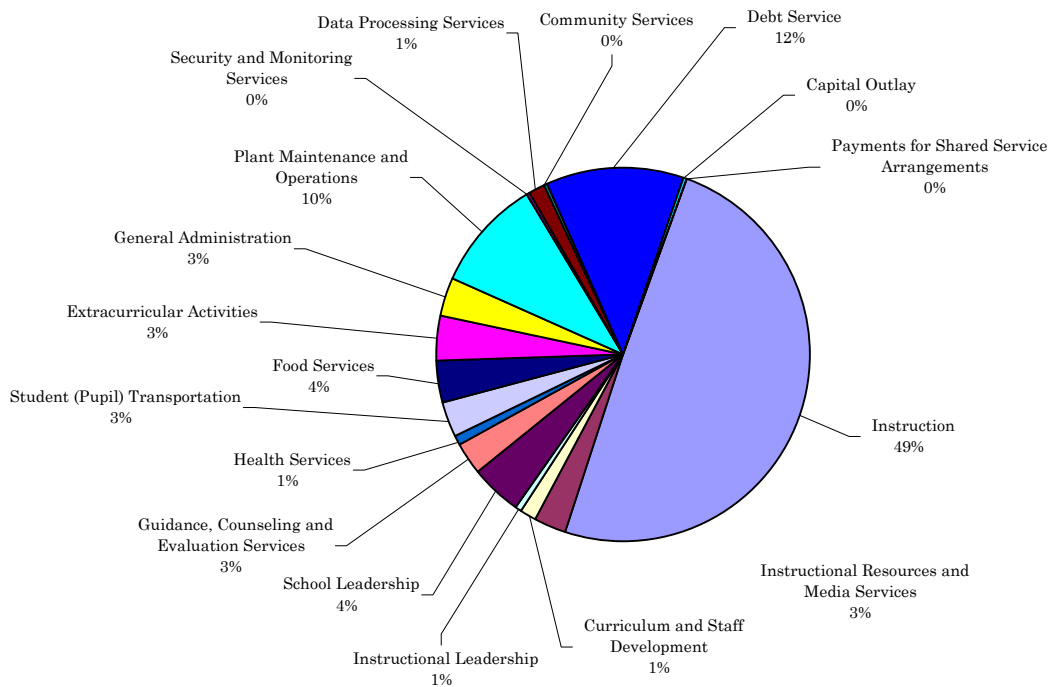
<b>Changes in Rockwall Independent School District's Net Assets</b>				<b>Table A-2</b>
	Governmental Activities		Total Percentage Change	
	2007	2006	2006-2007	
<b>Program Revenues:</b>				
Charges for Services	\$ 5,105,351	\$ 4,955,225	3.03%	
Operating Grants and Contributions	8,420,072	8,146,296	3.36%	
Capital Grants and Contributions	140,582	-	100.00%	
<b>General Revenues:</b>				
Property Taxes	82,607,623	78,753,693	4.89%	
State Aid – Formula	17,170,198	8,139,692	110.94%	
Investment Earnings	4,020,122	2,777,118	44.76%	
Other	213,032	150,232	41.80%	
<b>Total Revenues</b>	<b>\$ 117,676,980</b>	<b>\$ 102,922,256</b>	<b>14.34%</b>	
<b>Expenses:</b>				
Instruction	\$ 57,479,801	\$ 47,889,248	20.03%	
Instructional Resources and Media Services	3,391,114	2,363,832	43.46%	
Curriculum and Staff Development	1,481,273	1,057,165	40.12%	
Instructional Leadership	754,480	662,670	13.85%	
School Leadership	5,119,252	4,573,889	11.92%	
Guidance, Counseling and Evaluation Services	3,481,384	3,045,027	14.33%	
Health Services	967,505	849,058	13.95%	
Student (Pupil) Transportation	3,421,186	2,956,892	15.70%	
Food Services	4,303,159	3,852,992	11.68%	
Extracurricular Activities	4,542,461	3,910,484	16.16%	
General Administration	3,786,349	3,636,755	4.11%	
Plant Maintenance and Operations	11,196,280	10,198,476	9.78%	
Security and Monitoring Services	510,662	392,583	30.08%	
Data Processing Services	1,596,041	1,478,829	7.93%	
Community Services	347,507	378,447	-8.18%	
Debt Service	13,909,949	9,802,148	41.91%	
Capital Outlay	241,407	1,833,294	-86.83%	
Payments for Shared Service Arrangements	37,368	37,112	0.69%	
<b>Total Expenses</b>	<b>\$ 116,567,178</b>	<b>\$ 98,918,901</b>	<b>17.84%</b>	
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 1,109,802</b>	<b>\$ 4,003,355</b>	<b>-72.28%</b>	
<b>Net Assets - Beginning (September 1)</b>	<b>(7,471,952)</b>	<b>(11,475,307)</b>	<b>34.89%</b>	
<b>Net Assets - Ending (August 31)</b>	<b>\$ (6,362,150)</b>	<b>\$ (7,471,952)</b>	<b>14.85%</b>	

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED AUGUST 31, 2007

**Sources of Revenues for Fiscal Year 2007 - See Table A-2**



**Functional Expenses for Fiscal Year 2007 - See Table A-2**



ROCKWALL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2007

- Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 116,567,178.
- The amount that our taxpayers paid for these activities through local property taxes was \$ 82,607,623.
- Some of the cost was paid by those who directly benefited from the programs, \$ 5,105,351, or
- By grants and contributions, \$ 8,560,654.

<b>Rockwall Independent School District Net Cost of Selected District Functions</b>							<b>Table A-3</b>
	<u>Total Cost of Services</u>		% Change	<u>Net Cost of Services</u>		% Change	
	2007	2006		2007	2006		
Instruction	57,479,801	47,889,248	20.03%	51,352,962	41,566,473	23.54%	
School Leadership	5,119,252	4,573,889	11.92%	4,892,143	4,118,417	18.79%	
General Administration	3,786,349	3,636,755	4.11%	3,632,235	3,499,664	3.79%	
Plant Maintenance and Operations	11,196,280	10,198,476	9.78%	10,491,845	9,552,876	9.83%	
Debt Service	13,909,949	9,802,148	41.91%	13,909,949	9,764,122	42.46%	

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

Revenues from governmental fund types totaled \$ 117,284,509. Any increase in state revenues is a result of an increase of students in average daily attendance. Any increase in federal revenues is primarily due to an increase in federal program revenue distributed through other agencies.

The general fund reported an ending fund balance of \$ 25,531,768. This was an increase in the general fund balance from the prior year in the amount of \$ 3,255,887. The undesignated general fund balance increased \$ 3,266,832 from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised its budget to reflect activities in the District. With these adjustments, actual expenditures were \$ 3,261,062 under final general fund amounts. The most significant positive variance in the District's budget occurred in instruction and instructional related services.

Resources available were \$ 124,825 above the final budgeted amount. The favorable variance was consistent with the District's efforts to increase student attendance while maintaining level instructional costs.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2007

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At the end of 2007, the District had invested \$ 276,394,047 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

<b>Rockwall Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total Percentage Change
	2007	2006	2006-2007
Land	\$ 11,908,814	\$ 11,702,533	1.76%
Construction in Progress	42,651,768	1,524,273	2698.17%
Buildings and Improvements	210,533,244	210,213,230	0.15%
Vehicles	6,155,676	4,999,842	23.12%
Equipment	5,144,545	4,515,120	13.94%
Totals at Historical Cost	\$ 276,394,047	\$ 232,954,998	18.65%
Less Accumulated Depreciation	(63,512,373)	(57,704,922)	10.06%
Net Capital Assets	<u>\$ 212,881,674</u>	<u>\$ 175,250,076</u>	21.47%

**LONG TERM DEBT**

At year-end the District had \$ 325,356,009 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

**Bond Ratings -**  
The District's bonds presently carry "AAA" ratings.

<b>Rockwall Independent School District's Long Term Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total Percentage Change
	2007	2006	2006-2007
Loans Payable	\$ 2,160,000	\$ 2,885,000	-25.13%
Capital Leases Payable	26,139	116,626	-77.59%
Bonds Payable	277,820,409	202,255,726	37.36%
Other Debt Payable	45,349,461	41,884,879	8.27%
Total Debt Payable	<u>\$ 325,356,009</u>	<u>\$ 247,142,231</u>	31.65%

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2007

**ECONOMIC FACTORS**

The District's property valuation continues to increase as it has in prior years. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operation. This is a reduction from the prior year's rate cap of \$ 1.37. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding could impact the District's financial operations including cash flows.

Student population has maintained a steady trend in the District. The economic outlook for the area is fast growth in property values. While property values continue to rise, housing has expanded at a rate similar to student population growth. This fast growth requires the District to expand funding and staffing levels to meet the needs of the population. These increases in student population could effect the District's financial operations or cash flows in future periods.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Singleton, Chief Financial Officer for the District.

BASIC FINANCIAL STATEMENTS

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2007

Data Control Codes	1  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 110,096,312
1225 Property Taxes Receivable, Net	3,116,044
1240 Due from Other Governments	2,012,954
1290 Other Receivables, Net	206,947
1300 Inventories, at Cost	150,797
1420 Capitalized Bonds and Other Debt Issuance Costs	1,936,533
Capital Assets:	
1510 Land	11,908,814
1520 Buildings and Improvements, Net	152,228,906
1530 Furniture and Equipment, Net	5,792,187
1580 Construction in Progress	42,651,768
<b>1000 Total Assets</b>	<b>\$ 330,101,262</b>
<b>LIABILITIES</b>	
2110 Accounts Payable	\$ 5,999,518
2140 Interest Payable	923,115
2165 Accrued Liabilities	4,044,594
2300 Unearned Revenues	140,176
Noncurrent Liabilities:	
2501 Due within one year	9,658,448
2502 Due in more than one year	315,697,561
<b>2000 Total Liabilities</b>	<b>\$ 336,463,412</b>
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	\$ 2,266,340
Restricted For:	
3850 Debt Service	2,673,643
3900 Unrestricted	(11,302,133)
<b>3000 Total Net Assets</b>	<b>\$ (6,362,150)</b>

The accompanying notes are an integral part of this statement.



ROCKWALL INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED AUGUST 31, 2007

		1	3	4	5	Net (Expense) Revenue and Changes in Net Assets
		Program Revenues				
Data			Operating	Capital		
Control		Charges for	Grants and	Grants and		Governmental
Codes	Functions/Programs	Expenses	Services	Contributions	Contributions	Activities
Government Activities:						
11	Instruction	\$ 57,479,801	\$ 1,232,612	\$ 4,894,227	\$ -	\$ (51,352,962)
12	Instructional Resources and Media Services	3,391,114	12,574	107,514	-	(3,271,026)
13	Curriculum and Staff Development	1,481,273	-	217,410	-	(1,263,863)
21	Instructional Leadership	754,480	-	41,691	-	(712,789)
23	School Leadership	5,119,252	26,637	200,472	-	(4,892,143)
31	Guidance, Counseling and Evaluation Services	3,481,384	-	459,316	-	(3,022,068)
33	Health Services	967,505	-	39,571	-	(927,934)
34	Student (Pupil) Transportation	3,421,186	-	130,337	140,582	(3,150,267)
35	Food Services	4,303,159	2,574,349	1,484,241	-	(244,569)
36	Extracurricular Activities	4,542,461	979,010	115,481	-	(3,447,970)
41	General Administration	3,786,349	2,007	152,107	-	(3,632,235)
51	Plant Maintenance and Operations	11,196,280	239,568	464,867	-	(10,491,845)
52	Security and Monitoring Services	510,662	-	25,236	-	(485,426)
53	Data Processing Services	1,596,041	-	48,622	-	(1,547,419)
61	Community Services	347,507	9,444	38,980	-	(299,083)
72	Interest on Long-term Debt	13,623,932	-	-	-	(13,623,932)
73	Bond Issuance Costs and Fees	286,017	-	-	-	(286,017)
81	Facilities Acquisition and Construction	241,407	-	-	-	(241,407)
93	Payments for Shared Service Arrangements	37,368	29,150	-	-	(8,218)
TG	Total Government Activities	<u>\$ 116,567,178</u>	<u>\$ 5,105,351</u>	<u>\$ 8,420,072</u>	<u>\$ 140,582</u>	<u>\$ (102,901,173)</u>
TP	Total Primary Government	<u>\$ 116,567,178</u>	<u>\$ 5,105,351</u>	<u>\$ 8,420,072</u>	<u>\$ 140,582</u>	<u>\$ (102,901,173)</u>
General Revenues:						
MT			Property Taxes, Levied for General Purpose			\$ 64,222,115
DT			Property Taxes, Levied for Debt Service			18,385,508
IE			Investment Earnings			4,020,122
GC			Grant and Contributions Not Restricted to Specific Programs			17,170,198
MI			Miscellaneous			213,032
TG			Total General Revenues			<u>\$ 104,010,975</u>
CN			Change in Net Assets			\$ 1,109,802
NB			Net Assets - Beginning (September 1)			<u>(7,471,952)</u>
NE			Net Assets - Ending (August 31)			<u>\$ (6,362,150)</u>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AUGUST 31, 2007

Data	10	50	60	98		
Control	General	Debt	Capital	Other	Total	
Codes	Fund	Service	Projects	Governmental	Governmental	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	
<b>ASSETS</b>						
1110	Cash and Cash Equivalents	\$ 28,425,705	\$ 2,928,056	\$ 77,357,807	\$ 1,384,745	\$ 110,096,313
1225	Property Taxes Receivable, Net	2,453,134	662,910	-	-	3,116,044
1240	Due from Other Governments	1,652,771	-	-	360,183	2,012,954
1260	Due from Other Funds	5,129	-	-	5,265	10,394
1290	Other Receivables	148,373	-	58,574	-	206,947
1300	Inventory	47,375	-	-	103,421	150,796
<b>1000</b>	<b>Total Assets</b>	<b>\$ 32,732,487</b>	<b>\$ 3,590,966</b>	<b>\$ 77,416,381</b>	<b>\$ 1,853,614</b>	<b>\$ 115,593,448</b>
<b>LIABILITIES</b>						
Current Liabilities:						
2110	Accounts Payable	\$ 783,737	\$ -	\$ 5,194,469	\$ 21,312	\$ 5,999,518
2140	Interest Payable	-	343,803	-	-	343,803
2150	Payroll Deductions and Withholdings	622	-	-	-	622
2160	Accrued Wages Payable	2,945,306	-	-	128,698	3,074,004
2170	Due to Other Funds	5,265	-	-	5,129	10,394
2200	Accrued Expenditures	969,968	-	-	-	969,968
2300	Unearned Revenues	2,495,821	662,910	-	97,489	3,256,220
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 7,200,719</b>	<b>\$ 1,006,713</b>	<b>\$ 5,194,469</b>	<b>\$ 252,628</b>	<b>\$ 13,654,529</b>
<b>FUND BALANCES</b>						
Reserved Fund Balances:						
3410	Investments in Inventory	\$ 47,375	\$ -	\$ -	\$ 103,421	\$ 150,796
3420	Debt Service	-	2,584,253	-	-	2,584,253
3450	Reserve for Food Service	-	-	-	308,917	308,917
3490	Other Reserves of Fund Balance	-	-	72,221,912	1,188,648	73,410,560
Designated Fund Balance:						
3540	Self-Insurance	874,873	-	-	-	874,873
3600	Unrestricted	24,609,520	-	-	-	24,609,520
<b>3000</b>	<b>Total Fund Balances</b>	<b>\$ 25,531,768</b>	<b>\$ 2,584,253</b>	<b>\$ 72,221,912</b>	<b>\$ 1,600,986</b>	<b>\$ 101,938,919</b>
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,732,487</b>	<b>\$ 3,590,966</b>	<b>\$ 77,416,381</b>	<b>\$ 1,853,614</b>	<b>\$ 115,593,448</b>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)  
TO THE STATEMENT OF NET ASSETS  
AUGUST 31, 2007

Total fund balances - Balance Sheet (governmental funds)	\$	101,938,919
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		212,581,675
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		3,116,044
Payables for bond principal which are not due in the current period are not reported in the funds.		(280,354,108)
Payables for capital leases which are not due in the current period are not reported in the funds.		(26,139)
Payables for debt interest which are not due in the current period are not reported in the funds.		(579,312)
Payables for notes which are not due in the current period are not reported in the funds.		(2,160,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(42,815,762)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		<u>1,936,533</u>
Net assets of governmental activities - Statement of Net Assets	\$	<u>(6,362,150)</u>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED AUGUST 31, 2007

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES</b>					
5700 Local and Intermediate Sources	\$ 66,982,578	\$ 18,539,657	\$ 1,723,575	\$ 4,234,969	\$ 91,480,779
5800 State Program Revenues	19,685,523	-	-	1,500,231	21,185,754
5900 Federal Program Revenues	341,564	-	-	4,276,412	4,617,976
<b>5020 Total Revenues</b>	<b>\$ 87,009,665</b>	<b>\$ 18,539,657</b>	<b>\$ 1,723,575</b>	<b>\$ 10,011,612</b>	<b>\$ 117,284,509</b>
<b>EXPENDITURES</b>					
Current:					
0011 Instruction	\$ 46,864,460	\$ -	\$ 3,139,823	\$ 3,857,994	\$ 53,862,277
0012 Instructional Resources and Media Services	2,547,679	-	483,419	157,506	3,188,604
0013 Curriculum and Staff Development	1,273,212	-	-	208,061	1,481,273
0021 Instructional Leadership	734,707	-	-	19,773	754,480
0023 School Leadership	4,722,416	-	204,886	117,900	5,045,202
0031 Guidance, Counseling and Evaluation Services	3,060,912	-	-	391,429	3,452,341
0033 Health Services	941,323	-	-	4,396	945,719
0034 Student (Pupil) Transportation	3,207,282	-	781,390	8,572	3,997,244
0035 Food Services	-	-	-	3,995,605	3,995,605
0036 Extracurricular Activities	2,738,644	-	-	789,923	3,528,567
0041 General Administration	3,618,448	-	29,040	310	3,647,798
0051 Plant Maintenance and Operations	11,085,800	-	-	46,629	11,132,429
0052 Security and Monitoring Services	473,946	-	-	36,716	510,662
0053 Data Processing Services	1,156,661	-	625,295	-	1,781,956
0061 Community Services	317,193	-	-	30,314	347,507
0071 Principal on Long-term Debt	863,775	8,375,317	-	-	9,239,092
0072 Interest on Long-term Debt	136,516	10,130,105	-	-	10,266,621
0073 Bond Issuance Cost and Fees	2,000	350,337	15,500	-	367,837
0081 Capital Outlay	8,804	-	42,270,992	-	42,279,796
0093 Payments for Shared Service Arrangements	-	-	-	37,368	37,368
<b>6030 Total Expenditures</b>	<b>\$ 83,753,778</b>	<b>\$ 18,855,759</b>	<b>\$ 47,550,345</b>	<b>\$ 9,702,496</b>	<b>\$ 159,862,378</b>
<b>1100 Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 3,255,887</b>	<b>\$ (316,102)</b>	<b>\$ (45,826,770)</b>	<b>\$ 309,116</b>	<b>\$ (42,577,869)</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 84,000,000	\$ -	\$ 84,000,000
7915 Transfers In	-	813	-	-	813
7916 Premium or Discount on Issuance of Bonds	-	245,028	-	-	245,028
8911 Transfers Out	-	-	(813)	-	(813)
<b>7080 Net Other Financing Sources and (Uses)</b>	<b>\$ -</b>	<b>\$ 245,841</b>	<b>\$ 83,999,187</b>	<b>\$ -</b>	<b>\$ 84,245,028</b>
<b>1200 Net Changes in Fund Balances</b>	<b>\$ 3,255,887</b>	<b>\$ (70,261)</b>	<b>\$ 38,172,417</b>	<b>\$ 309,116</b>	<b>\$ 41,667,159</b>
0100 Fund Balances - Beginning (September 1)	22,275,881	2,654,514	34,049,495	1,291,870	60,271,760
<b>3000 Fund Balances - Ending (August 31)</b>	<b>\$ 25,531,768</b>	<b>\$ 2,584,253</b>	<b>\$ 72,221,912</b>	<b>\$ 1,600,986</b>	<b>\$ 101,938,919</b>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2007

Net change in fund balances - Total Governmental Funds	\$	41,667,159
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		43,485,638
The depreciation of capital assets used in governmental activities is not reported in the funds.		(6,154,039)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		392,471
Proceeds from bonds issued are resources in the funds but not in the SOA.		(84,245,028)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		8,435,317
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		90,487
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		725,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		229,147
The accretion of interest on capital appreciation bonds is not reported in the funds.		(3,366,880)
(Increase) decrease in accrued interest from beginning of period to end of period.		<u>(149,470)</u>
Change in net assets of governmental activities - Statement of Activities	\$	<u><u>1,109,802</u></u>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
 AUGUST 31, 2007

Data Control Codes		Agency Funds Student Activity
<b>ASSETS</b>		
1110	Cash and Cash Equivalents	\$ 131,052
<b>1000</b>	<b>Total Assets</b>	<b>\$ 131,052</b>
<b>LIABILITIES</b>		
Current Liabilities:		
2190	Due to Student Groups	\$ 131,052
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 131,052</b>
<b>NET ASSETS</b>		
<b>3000</b>	<b>Total Net Assets</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

A. Summary of Significant Accounting Policies

The basic financial statements of the Rockwall Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's *Financial Accountability System Resource Guide (Guide)*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity."

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (primary government) and its component units. The component unit discussed below is included in the District reporting entity because of the significance of the financial relationship with the District.

*Component Unit* – As required by GAAP, the financial statements of the Rockwall Independent School District Public Facility Corporation (PFC) have been blended with the primary government to present the financial information of the reporting entity. The PFC, an entity legally separate from the District, is governed by a seven member board comprised of the District's board of trustees. The purpose of the PFC is to finance real property improvements for the District's use.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

*Government-wide Statements* – The statement of net assets (SNA) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

A. Summary of Significant Accounting Policies (Continued)

*Fund Financial Statements* – The fund financial statements provide information about the District’s funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for tax revenues and for the payment of principal, interest and related costs on long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund.

Capital Projects Fund – This fund is used to account for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

In addition, the District reports the following fund types:

Fiduciary Funds – These funds are used to account for assets held by the District in a trustee capacity. Student activity funds are purely custodial and thus do not involve measurement of results of operations.

b. Measurement Focus – Basis of Accounting

*Government-wide and Fiduciary Fund Financial Statements* – These financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are



ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

A. Summary of Significant Accounting Policies (Continued)

recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		-0-
		<u>-0-</u>
Total	\$	<u>-0-</u>

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2007

A. Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts

Cash and Cash Equivalents

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for long-term debt retirement, capital projects, food service, inventories and other special revenue equity balances.

Inventories

On government-wide financial statements, inventories are presented at cost using the weighted average method and are expensed when used. On fund financial statements, inventories of governmental funds are valued at cost. For all funds, cost is determined using the weighted average method, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Debt Costs

Debt issuance costs are included in noncurrent assets. Unamortized premium or discounts and refunding gains or losses are reflected in net long-term obligations. Both debt issuance costs and other debts are amortized over the lives of the related debt issues using the straight-line method.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

A. Summary of Significant Accounting Policies (Continued)

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

6. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

7. Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

8. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is paid.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2007, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include deposits in external investment pools, such as Lone Star Investment Pool, TexasTERM, and MBIA. All Lone Star Investment Pool, TexasTERM, and MBIA, accounts are reported at share price (fair value) and are presented as cash and cash equivalents.

The Lone Star Investment Pool is managed by the Board of Directors of the Texas Association of School Boards. This Board is comprised of elected members of the organization. An advisory board of qualified investment members advised the directors on investment decisions.

The TexasTERM Local Government Investment Pool was created to provide Texas local governments with investment opportunities not available as individual entities. The pool is managed by an advisory board comprised of member entities. The pool uses PFM Asset Management, LLP, as investment advisors with First Union National Bank as custodian of the assets. The pool is a fixed rate, fixed term portfolio with term periods of 60 to 365 days.

MBIA Asset Management is an asset management company over-seeing the operation of the MBIA fund created under the regulations of the Public Funds Investment Act.

Investments can be categorized according to three levels of custodial credit risk. These three levels of custodial risk are as follows:

- |            |  |
|------------|--|
| Category 1 | Insured or registered, or securities held by the District or its agent in the District's name.   |
| Category 2 | Uninsured and unregistered, with securities held by the financial institution's trust department or agency in the District's name.                 |
| Category 3 | Uninsured and unregistered, with securities held by the financial institution, or by its trust department or agent but not in the District's name. |

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

B. Deposits, Securities and Investments (Continued)

The following table categorizes the District's investments at August 31, 2007, using these three levels of custodial credit risk.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Lone Star Investment Pool *				\$ 3,348,867
MBIA *				91,616,071
TexasTERM *				<u>16,357,894</u>
Total				<u>\$111,322,832</u>

\* Local government pool investments are based upon a contract and not the security itself. Therefore, these type of investments are not categorized above.

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: American National Bank, Rockwall, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 11,903,557.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 11,447,266, and occurred during the month of January 2007.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 300,000.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

B. Deposits, Securities and Investments (Continued)

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.33 to fund general operations and \$ 0.38 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 4,826,934,598.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

D. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 11,702,533	\$ 206,281	\$ -0-	\$ 11,908,814
Construction in Progress	1,524,273	41,127,495	-0-	42,651,768
Total capital assets not being depreciated	<u>\$ 13,226,806</u>	<u>\$ 41,333,776</u>	<u>\$ -0-</u>	<u>\$ 54,560,582</u>
Capital assets being depreciated:				
Buildings and Improvements	\$ 210,213,229	\$ 320,015	\$ -0-	\$ 210,533,244
Equipment	4,515,120	629,425	-0-	5,144,545
Vehicles	4,999,842	1,202,422	46,588	6,155,676
Total capital assets being depreciated	<u>\$ 219,728,191</u>	<u>\$ 2,151,862</u>	<u>\$ 46,588</u>	<u>\$ 221,833,465</u>
Less accumulated depreciation for:				
Buildings and Improvements	\$ 53,007,509	\$ 5,296,830	\$ -0-	\$ 58,304,339
Equipment	2,095,803	334,583	-0-	2,430,386
Vehicles	2,601,610	522,626	46,588	3,077,648
Total accumulated depreciation	<u>\$ 57,704,922</u>	<u>\$ 6,154,039</u>	<u>\$ 46,588</u>	<u>\$ 63,812,373</u>
Total capital assets being depreciated, net	<u>\$ 162,023,269</u>	<u>\$ (4,002,177)</u>	<u>\$ -0-</u>	<u>\$ 158,021,092</u>
Governmental activities capital assets, net	<u>\$ 175,250,075</u>	<u>\$ 37,331,599</u>	<u>\$ -0-</u>	<u>\$ 212,581,674</u>

Depreciation was charged to functions as follows:

Instruction	\$ 3,617,524
Instructional Resources and Media Services	202,510
School Leadership	74,050
Guidance, Counseling and Evaluation Services	29,043
Health Services	21,786
Student (Pupil) Transportation	515,970
Food Services	343,593
Extracurricular Activities	1,045,059
General Administration	138,551
Plant Maintenance and Operations	121,420
Data Processing Services	44,533
Total	<u>\$ 6,154,039</u>

E. Long Term Obligations

Long-Term Obligation Activity

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 202,255,726	\$ 84,000,000	\$ 8,435,317	\$ 277,820,409	\$ 8,982,309
Capital Leases Payable	116,626	-0-	90,487	26,139	26,139
Loans Payable	2,885,000	-0-	725,000	2,160,000	650,000
Accreted Interest Payable	39,448,882	3,886,357	519,477	42,815,762	-0-
Unamortized Premium	2,435,997	245,028	147,326	2,533,699	-0-
Total Governmental Activities	<u>\$ 247,142,231</u>	<u>\$ 88,131,385</u>	<u>\$ 9,917,607</u>	<u>\$ 325,356,009</u>	<u>\$ 9,658,448</u>

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

E. Long Term Obligations (Continued)

Bonds

The District issued "Rockwall Independent School District Unlimited Tax School Building Bonds, Series 2007" totaling \$ 84,000,000 to be used to construct, acquire and equip school buildings, purchase necessary sites for school buildings and provide funds to pay issuance costs. The bonds are dated June 15, 2007 and were issued July 17, 2007 and incur interest at 4.72% over the life of the issue which matures in 2037.

Interest Rate Swap Agreement

As a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on May 22, 2006 the District entered into an interest rate swap transaction pursuant to an agreement (2006 Swap Agreement) with Bear Stearns Financial Products Inc. (BSFP), in an original notional amount of \$ 27,000,000, in order to synthetically fix the interest obligation on a portion of the District's \$ 32,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2006 (Series 2006 Bonds).

Under the 2006 Swap Agreement, the District is obligated to make payments to BSFP calculated on a notional amount equal to the outstanding principal amount of the Series 2006 Bonds that is scheduled for minimum mandatory sinking fund redemption during years 2031 through 2037 (Hedged Portion of the Series 2006 Bonds) at a fixed rate of 3.853% per annum, and BSFP is obligated to make floating rate payments to the District calculated on a notional amount that is equal to the Hedged Portion of the Series 2006 Bonds at a rate equal to 62.5% of the 5-year constant maturity swap rate (a reported market fixed rate at which 5-year interest rate swaps for a one-month U.S. dollar LIBOR rate are entered into from time to time). The Series 2006 Bonds and the 2006 Swap Agreement have a stated final maturity date of August 1, 2037.

The debt service requirements of the Hedged Portion of the Series 2006 Bonds are included in the debt service maturity schedule that follows. As interest rates change in the future, the differences between the floating rates payable to the District under the 2006 Swap Agreement and the actual interest rates payable by the District on the Series 2006 Bonds will vary.

Interest in the maturity schedule was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 3.853% pursuant to the 2006 Swap Agreement; (b) the estimated cost of the liquidity facility for the Series 2006 Bonds (0.120%); (c) the estimated cost of remarketing the Series 2006 Bonds (0.125%); and (d) 0.720% per year to offset the potential differences between the floating rates payable to the District under the 2006 Swap Agreement and the actual interest rates payable by the District on the Series 2006 Bonds.

Arrangements made in respect of the 2006 Swap Agreement do not alter the District's obligation to pay principal of and interest on the Series 2006 Bonds. The 2006 Swap Agreement does not provide a source of security or other credit for the Series 2006 Bonds. The District's obligations under the 2006 Swap Agreement are secured by a levy of an annual ad valorem tax on parity with the District's obligation to pay principal and interest on the Series 2006 Bonds.

As of August 31, 2007, the District was not exposed to credit risk with BSFP on the 2006 Swap Agreement as such agreement had a negative fair value of \$1,059,243. However, should interest rates change and the fair value of the 2006 Swap Agreement become positive, the District would be exposed to credit risk in the amount of the fair value of the 2006 Swap Agreement.

As of August 31, 2007, BSFP was rated Aaa and AAA by Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively.



ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

E. Long Term Obligations (Continued)

The 2006 Swap Agreement is subject to mandatory redemption in the event of default or as follows:

If the ratings assigned to the District's unenhanced long-term debt obligations are withdrawn or reduced to Baa3 by Moody's or BBB- by S&P, or if the ratings assigned to BSFP's unenhanced long-term debt obligations are withdrawn or reduced to Baa3 by Moody's or BBB- by S&P.

The 2006 Swap Agreement is also subject to optional termination by the District at any time over the term of the 2006 Swap Agreement at the then prevailing market value. BSFP does not have the elective right to optionally terminate the 2006 Swap Agreement.

Bond Summary

The following bond debt issues are outstanding at August 31, 2007:

Description	Rate	Balance
Unlimited Tax Refunding & Building, Series 1998	5.55%	\$ 147,431
Unlimited Tax Refunding, Series 1998	6.44%	284,844
Lease Revenue Bonds, Series 1998	4.98%	120,000
Unlimited Tax School Building & Refunding Bonds, Series 2001	6.00%	30,189,877
Unlimited Tax School Building & Refunding Bonds, Series 2002	4.13%	30,920,000
Unlimited Tax Refunding Bonds, Series 2002A	3.28%	4,590,000
Unlimited Tax School Building Bonds, Series 2003	4.90%	33,225,000
Unlimited Tax School Building Bonds, Series 2004	4.41%	12,480,000
Variable Rate Unlimited Tax School Building Bonds, Series 2006	4.44%	32,000,000
Unlimited Tax Refunding Bonds, Series 2006A	4.96%	49,863,257
Unlimited Tax School Building Bonds, Series 2007	4.72%	84,000,000
Total Bond Obligations Outstanding		\$ 277,820,409

Debt service requirements on bonded debt at August 31, 2007, are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2008	\$ 8,982,309	\$ 14,311,521	\$ 23,293,830
2009	8,875,000	12,590,227	21,465,227
2010	9,230,000	12,171,770	21,401,770
2011	9,590,000	11,743,242	21,333,242
2012	12,455,000	11,270,258	23,725,258
2013-2017	76,506,341	58,308,810	134,815,151
2018-2022	40,543,522	77,558,561	118,102,083
2023-2027	33,358,237	47,735,146	81,093,383
2028-2032	48,010,000	12,868,049	60,878,049
2033-2037	30,270,000	4,046,648	34,316,648
Totals	\$ 277,820,409	\$ 262,604,232	\$ 540,424,641

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

E. Long Term Obligations (Continued)

Voters have authorized the issuance of additional bonds for construction and improvements. The following presents these authorizations:

<u>Date of Authorization</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Unissued</u>
February 4, 2006	\$ 62,550,000	\$ 46,000,000	\$ 16,550,000
May 12, 2007	<u>198,550,000</u>	<u>59,000,000</u>	<u>139,550,000</u>
Total	<u>\$ 261,100,000</u>	<u>\$ 105,000,000</u>	<u>\$ 156,100,000</u>

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

<u>Description</u>	<u>Implicit Interest Rate</u>	<u>Date of Agreement</u>	<u>Original Property Value</u>
ANB Leasing Company – School Bus	6.94%	06/03/03	\$ <u>116,030</u>
Total Leases Outstanding			\$ <u>116,030</u>

The lease terms are for terms not exceeding five years. The terms call for annual or semi-annual payments over the life of the leases.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2007, as follows:

<u>Year Ending August 31</u>	<u>Total Requirements</u>
2008	\$ 27,574
Less Amount Representing Interest	<u>(1,435)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 26,139</u>

Loans

The District issued various agreements identified here as loans. These include maintenance tax notes and contractual obligations. The following schedule lists the outstanding loans at August 31, 2007:

<u>Description</u>	<u>Rate</u>	<u>Balance</u>
PPFCO, Series 1998	4.73%	\$ 225,000
Maintenance Tax Notes, Series 2000	4.91%	<u>1,935,000</u>
Total Loans Outstanding		<u>\$ 2,160,000</u>

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

E. Long Term Obligations (Continued)

Loan debt retirement requirements to maturity at August 31, 2007 are as follows:

<u>Year Ending</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2008	\$ 650,000	\$ 88,813	\$ 738,813
2009	475,000	61,862	536,862
2010	505,000	38,216	543,216
2011	530,000	12,985	542,985
Totals	<u>\$ 2,160,000</u>	<u>\$ 201,876</u>	<u>\$ 2,361,876</u>

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System includes a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS publication heading.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. In certain instances, the District is required to make all or a portion of the State's 6% contribution. Contributions are not actuarially determined but are legally established each biennium by the legislature of the State of Texas. The District's employees' contributions to the System for the periods ended August 31, 2007, 2006, and 2005 were \$ 3,747,575, \$ 3,149,013, and \$ 2,756,709, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2007, 2006, and 2005 were \$ 629,999, \$ 520,342, and \$ 441,418, respectively.

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 3,540,731 are reflected in the general fund basic financial statements.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

G. Risk Management

Health Care

During the year ended August 31, 2007, employees of the Rockwall Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 379 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents' coverage under the Plan. All premiums were paid to United Healthcare. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Rockwall Independent School District and United Healthcare is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the United Healthcare are available for the year ended December 31, 2006, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Litigation

The District does not appear to be involved in any litigation as of August 31, 2007.

I. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2007 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

J. Interfund Balances and Activities

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 5,851
General Fund	Food Service Fund	5,117
General Fund	Concession Fund	12

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2007

K. Revenue from Local and Intermediate Sources

During the year ended August 31, 2007 the District received revenue from local and intermediate sources consisting of the following:

<u>Local Revenue Sources:</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes and Other					
Other Related Income	\$ 63,948,075	\$ 18,267,078	\$ -0-	\$ -0-	\$ 82,215,153
Services to Other Entities	-0-	-0-	-0-	29,150	29,150
Tuition and Related Income	256,257	-0-	-0-	370,805	627,062
Investment Income	2,062,145	272,579	1,663,468	18,301	4,016,493
Food Service Income	-0-	-0-	-0-	2,574,349	2,574,349
Extracurricular Activities	301,606	-0-	-0-	896,420	1,198,026
Gifts and Bequests	18,500	-0-	-0-	108,174	126,674
Other	395,995	-0-	60,107	237,770	693,872
	<hr/>				
Total Local Revenue	<u>\$ 66,982,578</u>	<u>\$ 18,539,657</u>	<u>\$ 1,723,575</u>	<u>\$ 4,234,969</u>	<u>\$ 91,480,779</u>

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2007

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 63,561,370	\$ 65,632,348	\$ 66,982,578	\$ 1,350,230
5800	State Program Revenues	19,242,396	21,022,396	19,685,523	(1,336,873)
5900	Federal Program Revenues	110,000	230,096	341,564	111,468
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 82,913,766</b>	<b>\$ 86,884,840</b>	<b>\$ 87,009,665</b>	<b>\$ 124,825</b>
<b>EXPENDITURES</b>					
0010	Instruction and Instructional Related Services:				
0011	Instruction	\$ 45,408,762	\$ 48,245,502	\$ 46,864,460	\$ 1,381,042
0012	Instructional Resources and Media Services	2,481,451	2,595,399	2,547,679	47,720
0013	Curriculum and Staff Development	1,169,249	1,378,057	1,273,212	104,845
	Total Instruction and Instr. Related Services	<u>\$ 49,059,462</u>	<u>\$ 52,218,958</u>	<u>\$ 50,685,351</u>	<u>\$ 1,533,607</u>
0020	Instructional and School Leadership:				
0021	Instructional Leadership	\$ 910,014	\$ 834,774	\$ 734,707	\$ 100,067
0023	School Leadership	4,786,786	4,947,604	4,722,416	225,188
	Total Instructional and School Leadership	<u>\$ 5,696,800</u>	<u>\$ 5,782,378</u>	<u>\$ 5,457,123</u>	<u>\$ 325,255</u>
0030	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	\$ 3,141,199	\$ 3,138,008	\$ 3,060,912	\$ 77,096
0033	Health Services	991,658	1,007,194	941,323	65,871
0034	Student (Pupil) Transportation	3,096,846	3,262,194	3,207,282	54,912
0036	Extracurricular Activities	2,794,455	2,856,173	2,738,644	117,529
	Total Support Services - Student (Pupil)	<u>\$ 10,024,158</u>	<u>\$ 10,263,569</u>	<u>\$ 9,948,161</u>	<u>\$ 315,408</u>
0040	Administrative Support Services:				
0041	General Administration	\$ 3,639,231	\$ 3,749,631	\$ 3,618,448	\$ 131,183
	Total Administrative Support Services	<u>\$ 3,639,231</u>	<u>\$ 3,749,631</u>	<u>\$ 3,618,448</u>	<u>\$ 131,183</u>
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	\$ 11,131,348	\$ 11,584,347	\$ 11,085,800	\$ 498,547
0052	Security and Monitoring Services	497,609	532,799	473,946	58,853
0053	Data Processing Services	1,328,459	1,341,459	1,156,661	184,798
	Total Support Services - Nonstudent Based	<u>\$ 12,957,416</u>	<u>\$ 13,458,605</u>	<u>\$ 12,716,407</u>	<u>\$ 742,198</u>
0060	Ancillary Services:				
0061	Community Services	\$ 421,194	\$ 426,194	\$ 317,193	\$ 109,001
	Total Ancillary Services	<u>\$ 421,194</u>	<u>\$ 426,194</u>	<u>\$ 317,193</u>	<u>\$ 109,001</u>
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ 875,487	\$ 875,487	\$ 863,775	\$ 11,712
0072	Interest on Long-term Debt	136,518	136,518	136,516	2
0073	Bond Issuance Costs and Fees	3,500	3,500	2,000	1,500
	Total Debt Service	<u>\$ 1,015,505</u>	<u>\$ 1,015,505</u>	<u>\$ 1,002,291</u>	<u>\$ 13,214</u>
0080	Capital Outlay:				
0081	Capital Outlay	\$ 100,000	\$ 100,000	\$ 8,804	\$ 91,196
	Total Capital Outlay	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 8,804</u>	<u>\$ 91,196</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 82,913,766</b>	<b>\$ 87,014,840</b>	<b>\$ 83,753,778</b>	<b>\$ 3,261,062</b>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ (130,000)	\$ 3,255,887	\$ 3,385,887
1200	Net Change in Fund Balance	\$ -	\$ (130,000)	\$ 3,255,887	\$ 3,385,887
0100	Fund Balance - Beginning (September 1)	22,275,881	22,275,881	22,275,881	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 22,275,881</b>	<b>\$ 22,145,881</b>	<b>\$ 25,531,768</b>	<b>\$ 3,385,887</b>

OTHER SUPPLEMENTARY INFORMATION



ROCKWALL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
YEAR ENDED AUGUST 31, 2007

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2006	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2007
		Maintenance	2 Debt Service							
XXXX	1998 and Prior Years	Various	Various	Various	\$ 163,780	\$ -	\$ 1,129	\$ 333	\$ 1	\$ 162,319
1998	1999	1.26500	0.22500	1,744,055,484	40,674	-	785	140	-	39,749
1999	2000	1.29060	0.23050	2,004,346,463	40,688	-	3,689	659	2	36,342
2000	2001	1.37220	0.20630	2,374,563,211	85,495	-	3,506	527	-	81,462
2001	2002	1.50000	0.34000	2,687,439,186	107,866	-	52,798	11,968	57,933	101,033
2002	2003	1.50000	0.33720	3,114,011,886	102,293	-	124,329	27,948	142,906	92,922
2003	2004	1.50000	0.38000	3,482,532,371	161,491	-	140,312	35,544	142,151	127,786
2004	2005	1.50000	0.38000	3,806,707,234	328,332	-	245,809	62,279	169,171	189,415
2005	2006	1.50000	0.38000	4,106,143,297	1,995,572	-	970,215	244,657	(357,136)	423,564
2006	2007	1.33000	0.38000	4,826,934,598	-	80,840,055	61,595,491	17,661,873	442,764	2,025,455
<b>1000</b>	<b>TOTALS</b>				<b>\$ 3,026,191</b>	<b>\$ 80,840,055</b>	<b>\$ 63,138,063</b>	<b>\$ 18,045,928</b>	<b>\$ 597,792</b>	<b>\$ 3,280,047</b>

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST  
 GENERAL AND SPECIAL REVENUE FUNDS  
 YEAR ENDED AUGUST 31, 2007

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collection	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(Other) Misc.	Total
611X-6146	Payroll Costs			\$ 286,284	\$ 1,769,674	\$ 5,110		\$ 2,061,068
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							\$ -
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							\$ -
6211	Legal Services	\$ 3,468				\$ 115,255		\$ 118,723
6212	Audit Services				\$ 34,000			\$ 34,000
6213	Tax Appraisal and Collection		\$ 816,446					\$ 816,446
621X	Other Prof. Services				\$ 153,542	\$ 13,041		\$ 166,583
6220	Tuition and Transfer Payments							\$ -
6230	Education Service Centers					\$ 24,344		\$ 24,344
6240	Contr. Maint. And Repair					\$ 2,965		\$ 2,965
6250	Utilities							\$ -
6260	Rentals				\$ 118	\$ 12,635		\$ 12,753
6290	Miscellaneous Contr.				\$ 29,967	\$ 107		\$ 30,074
6310	Operational Supplies, Materials							\$ -
6320	Textbooks and Reading			\$ 1,032	\$ 29,256			\$ 30,288
6330	Testing Materials							\$ -
63XX	Other Supplies, Materials	\$ 507		\$ 9,600	\$ 93,178	\$ 3,116		\$ 106,401
6410	Travel, Subsistence, Stipends	\$ 5,524		\$ 9,055	\$ 45,093	\$ 143		\$ 59,815
6420	Ins. And Bonding Costs				\$ 59			\$ 59
6430	Election Costs	\$ 41,879						\$ 41,879
6490	Miscellaneous Operating	\$ 3,648		\$ 24,227	\$ 83,927	\$ 1,558		\$ 113,360
6500	Debt Service							\$ -
6600	Capital Outlay							\$ -
<b>TOTAL</b>		<b>\$ 55,026</b>	<b>\$ 816,446</b>	<b>\$ 330,198</b>	<b>\$ 2,238,814</b>	<b>\$ 178,274</b>	<b>\$ -</b>	<b>\$ 3,618,758</b>

Total expenditures for General and Special Revenue Funds: (9) \$ 93,456,274

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 435,411
Total Debt & Lease (6500)	(11) \$ 1,002,291
Plant Maintenance (Function 51, 6100-6400)	(12) \$ 11,074,860
Food (Function XX, 6341 and 6499)	(13) \$ 1,608,947
Stipened (6413)	(14) \$ -
Column 4 (above) - Total Indirect Cost	\$ 2,238,814
Subtotal	<u>16,360,323</u>
Net Allowed Direct Cost	<u>\$ 77,095,951</u>

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) \$ 210,533,244
Historical Cost of Buildings over 50 years old	(16) \$ 2,407,600
Amount of Federal Money in building Cost (Net of # 16)	(17) \$ -
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18) \$ 11,300,221
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 326,023
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) \$ -

(8) Note A - No Function 53 expenditures are included in this report on administrative costs.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF AUGUST 31, 2007

**“UNAUDITED”**

Data Control Code	Explanation	Amount
1.	Total General Fund Balance August 31, 2007 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>25,531,768</u>
2.	Total General Fund Reserve Fund Balance (from Exhibit C-1 – total of object 3400s for the General Fund only)	\$ <u>47,375</u>
3.	Total General Fund Designated Fund Balance (from Exhibit C-1 – total of object 3500s for the General Fund only)	\$ <u>874,873</u>
4.	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	\$ <u>8,000,000</u>
5.	Estimate of <b>one</b> month’s average cash disbursements during the regular school session (9/1/06 - 5/31/07)	\$ <u>8,400,000</u>
6.	Estimate of delayed payments from state sources (58XX) including August payment delay	\$ <u>1,700,000</u>
7.	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District’s calculated earned state aid amount.	\$ <u>-0-</u>
8.	Estimate of delayed payments from federal sources (59XX)	\$ <u>50,000</u>
9.	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	\$ <u>-0-</u>
10.	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	\$ <u>19,072,248</u>
11.	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (1-10)	\$ <u>6,459,520</u>

The District continues to experience rapid growth. Excess balances will be used to offset increased expenditures in facilities and instructional programs.

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2007

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 2,497,000	\$ 2,572,000	\$ 2,592,649	\$ 20,649
5800	State Program Revenues	100,000	100,000	94,502	(5,498)
5900	Federal Program Revenues	1,188,000	1,400,000	1,389,739	(10,261)
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 3,785,000</b>	<b>\$ 4,072,000</b>	<b>\$ 4,076,890</b>	<b>\$ 4,890</b>
<b>EXPENDITURES</b>					
Current:					
0030	Support Services - Student (Pupil):				
0035	Food Services	\$ 3,727,755	\$ 4,014,755	\$ 3,995,605	\$ 19,150
	Total Support Services - Student (Pupil)	\$ 3,727,755	\$ 4,014,755	\$ 3,995,605	\$ 19,150
0090	Intergovernmental Charges:				
0093	Payments for Shared Service Arrangements	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
	Total Intergovernmental Charges	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 3,737,755</b>	<b>\$ 4,024,755</b>	<b>\$ 4,005,605</b>	<b>\$ 19,150</b>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 47,245	\$ 47,245	\$ 71,285	\$ 24,040
1200	Net Change in Fund Balance	\$ 47,245	\$ 47,245	\$ 71,285	\$ 24,040
0100	Fund Balance - Beginning (September 1)	338,055	338,055	338,055	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 385,300</b>	<b>\$ 385,300</b>	<b>\$ 409,340</b>	<b>\$ 24,040</b>

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2007

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 18,075,347	\$ 18,506,016	\$ 18,539,657	\$ 33,641
<b>5020 Total Revenues</b>	<b>\$ 18,075,347</b>	<b>\$ 18,506,016</b>	<b>\$ 18,539,657</b>	<b>\$ 33,641</b>
<b>EXPENDITURES</b>				
0070 Debt Service:				
0071 Principal on Long-term Debt	\$ 8,375,317	\$ 6,981,881	\$ 8,375,317	\$ (1,393,436)
0072 Interest on Long-term Debt	10,219,404	11,523,543	10,130,105	1,393,438
0073 Bond Issuance Costs and Fees	10,000	1,007,618	350,337	657,281
Total Debt Service	<u>\$ 18,604,721</u>	<u>\$ 19,513,042</u>	<u>\$ 18,855,759</u>	<u>\$ 657,283</u>
<b>6030 Total Expenditures</b>	<b>\$ 18,604,721</b>	<b>\$ 19,513,042</b>	<b>\$ 18,855,759</b>	<b>\$ 657,283</b>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (529,374)	\$ (1,007,026)	\$ (316,102)	\$ 690,924
<b>OTHER FINANCING SOURCES AND (USES)</b>				
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 80,150	\$ -	\$ (80,150)
7915 Transfers In	-	813	813	-
7916 Premium or Discount on Issuance of Bonds	-	352,689	245,028	(107,661)
<b>7080 Net Other Financing Sources and (Uses)</b>	<b>\$ -</b>	<b>\$ 433,652</b>	<b>\$ 245,841</b>	<b>\$ (187,811)</b>
1200 Net Change in Fund Balance	\$ (529,374)	\$ (573,374)	\$ (70,261)	\$ 503,113
0100 Fund Balance - Beginning (September 1)	<u>2,654,514</u>	<u>2,654,514</u>	<u>2,654,514</u>	<u>-</u>
<b>3000 Fund Balance - Ending (August 31)</b>	<b>\$ 2,125,140</b>	<b>\$ 2,081,140</b>	<b>\$ 2,584,253</b>	<b>\$ 503,113</b>

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF AUGUST 31, 2007

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ 42,815,762

FEDERAL AWARDS SECTION

ROCKWALL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2007

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Identifying Grant Number	(03) Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>			
Passed through Education Service Center, Region X:			
Head Start	93.600	06CH0391	\$ 186,388
Passed through Aldine Independent School District:			
Medicaid Administration Claiming Program (MAC)	93.778	199-901	20,483
<b>Total Department of Health and Human Services</b>			<b>\$ 206,871</b>
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>			
Passed through Education Service Center, Region X:			
ESEA Title I Part C	84.011	199-901	\$ 4,502
ESEA Title IV - Drug Free Schools	84.186	199-901	24,921
ESEA Title IV - Drug Free Schools	84.186	199-901	41
<b>Total passed through Education Service Center Region X</b>			<b>\$ 29,464</b>
Passed through the Texas Education Agency:			
ESEA Title III Part A - LEP	84.365	07671001199901	\$ 67,844
ESEA Title III Part A - LEP	84.365	08671001199901	122
ESEA Title I Part A - Improving Basic Programs *	84.010	07610101199901	590,953
ESEA Title I Part A - Improving Basic Programs *	84.010	08610101199901	39,244
IDEA-B Formula	84.027	076600011999016600	1,466,479
IDEA-B Formula	84.027	086600011999016600	142,023
Summer School LEP	84.369	199-901	8,608
Vocational Education - Basic Grant	84.048	0742000619990110	68,036
Vocational Education - Basic Grant	84.048	0842000619990110	3,554
IDEA-B Preschool	84.173	076610011999016600	30,132
IDEA-B Preschool	84.173	086610011999016600	1,742
ESEA Title II Part D - Technology	84.318	07694001199901	6,815
ESEA Title V Part A - Innovative Programs	84.298	07685001199901	6,522
ESEA Title V Part A - Innovative Programs	84.298	08685001199901	6,125
ESEA Title II Part A - Teacher/Principal Training	84.367	07686001199901	180,021
ESEA Title II Part A - Teacher/Principal Training	84.367	08686001199901	30,496
<b>Total passed through the Texas Education Agency</b>			<b>\$ 2,648,716</b>
Passed through Education Service Center, Region XI:			
Texas Effectiveness Mini Study Grants	84.027	199-901	\$ 1,622
<b>Total Department of Education</b>			<b>\$ 2,679,802</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>			
Passed through the Texas Education Agency:			
School Breakfast Program *	10.553	71400701	\$ 247,493
National School Lunch Program *	10.555	71300701	979,740
<b>Total passed through the Texas Education Agency</b>			<b>\$ 1,227,233</b>
Passed through the Texas Department of Human Services:			
Summer Feeding Program *	10.559	199-1006	\$ 2,501
Commodity Supplemental Food Program	10.550	199002A	160,005
<b>Total Department of Agriculture</b>			<b>\$ 1,389,739</b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>			
Passed through North Central Texas Council of Governments:			
Congestion Mitigation and Air Quality Improvement Program	20.202	199-901	\$ 118,430
<b>Total Department of Education</b>			<b>\$ 118,430</b>
<b>Total Expenditure of Federal Awards</b>			<b>\$ 4,394,842</b>

\* Denotes Major Federal Programs

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.



ROCKWALL INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2007

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Rockwall Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at August 31, 2007.