

ROCKWALL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2008

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
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ROCKWALL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2008

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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, 2008, 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

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INDEPENDENT AUDITOR'S REPORT

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, 2008, 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, 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. 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.

December 1, 2008
Greenville, Texas

*

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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*

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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, identified as 08-3 and 08-4, to be significant deficiencies in internal control over financial reporting.

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.

Report on Internal Control – Continued

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. However, we believe none of the significant deficiencies described above are material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questions costs as items 08-1 and 08-2.

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.

December 1, 2008
Greenville, Texas

*

* Signature on file with the Texas Education Agency

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

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, 2008. 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, 2008.

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.

December 1, 2008
Greenville, Texas

*

* Signature on file with the Texas Education Agency

ROCKWALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2008

Summary of Auditor's Results

Type of Report on Financial Statements	Unqualified Opinion
Significant Deficiency	Yes
Material Weakness Involving Significant Deficiency	No
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	Special Education Cluster: IDEA-B, Formula (84.027) IDEA-B, Preschool (84.173)
Pass-through Entity	Texas Education Agency

ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2008

Schedule
Reference
Number

Findings

NONCOMPLIANCE AND OTHER MATTERS

08-1

Expenditures over Appropriations

Criteria: Texas Education Code, Sections 44.002 through 44.006 establishes the legal basis for budget development in school districts. No funds may be expended in any manner other than as provided in the adopted budget. The Texas Education Agency has adopted regulations that require compliance at the functional expenditure level.

Condition Found: The District overexpended functional expenditure categories during the year and at the year end.

Questioned Costs/Basis: None

Instances/Universe: Expenditures of the legally required budgeted funds are distributed into twenty-three functional expenditure categories. The District overexpended five of the functional categories.

Effect: The District appears to not have been in compliance with Texas Education Code, Sections 44.002 through 44.006.

Recommendation: The District should continue monthly reviews of budgetary authority with appropriate budget amendments approved by the Board prior to encumbrance and expenditures of funds.

08-2

Deposit Security

Criteria: Per contract, the District's approved depository bank must provide securities with market value in excess of cash on deposit making adjustments for Federal Deposit Insurance Corporation coverage.

Condition Found: The Depository failed to provide securities to cover the District's cash balance in December 2007. The Depository pledged securities with a market value of \$ 3,386,135 for security. The pledged securities were insufficient by \$ 834,724.

Questioned Costs/Basis: None

Instances/Universe: The District's deposits were found to be unsecured one period out of twelve periods reviewed.

Effect: District bank funds are at risk of loss during periods of inadequate securities pledged.

Recommendation: The District should review the amounts placed with the depository to ensure balances are adequately secured. In events where the balances are in excess of securities pledged, the District should move funds to other investment accounts or notify the depository so that additional securities can be pledged.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2008

Schedule
Reference
Number

Findings

SIGNIFICANT DEFICIENCIES

08-3

Donated Capital Assets

Criteria: Generally accepted accounting principles require the recording of donated capital assets at their fair value to reflect financial position and results of operation.

Condition Found: District failed to include donated capital assets in the records of the District.

Questioned Costs/Basis: None

Instances/Universe: The District failed to include a donated parcel of land in the amount of \$ 1,050,000 accepted by the Board of Trustees in the capital asset records of the District.

Effect: Capital assets and contribution revenues were understated in the financial statements by \$ 1,050,000.

Recommendation: District officials should develop and implement written procedures concerning donated capital assets to ensure timely, complete and accurate reporting of asset activity.

08-4

Capital Asset Reporting

Criteria: As the largest group of assets in the financial statements, complete and accurate records detailing capital assets are imperative to the financial statement assertions.

Condition Found: Our review of the capital assets highlighted expenditures posted to the fund financial records that were omitted from the capital asset spreadsheet.

Questioned Costs/Basis: None

Instances/Universe: Items relating to retainage on the current construction projects were not included in the capital asset spreadsheet. The items not included totaled \$ 926,464 on twelve separate projects.

Effect: Capital assets reported in the financial statements were understated by \$ 926,464.

Recommendation: District officials should develop and include written procedures concerning the reconciliation of capital outlay expenditures with the capital asset spreadsheet. Included in these procedures should be the sign off of appropriate supervising personnel to ensure completeness and accuracy in the reporting of capital assets.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATUS OF FINDINGS AND QUESITONED COSTS
YEAR ENDED AUGUST 31, 2008

**Schedule
Reference
Number**

Prior Findings

NONE

ROCKWALL INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2008

**Schedule
Reference
Number**

Actions Planned

08-1

Expenditures over Appropriations

The District will continue to monitor and amend the budget where and when needed. Extra emphasis will be made to ensure year end expenditures are accurately reflected in the financial records.

Contact Person: Mike Singleton, Chief Financial Officer

08-2

Deposit Security

The District will monitor depository balances and make transfers when necessary to ensure balances on deposit are secured. Procedures will be developed to monitor depository balances and information will be requested from the depository that will be used to update information about balances and the securities pledged to secure them.

Contact Person: Mike Singleton, Chief Financial Officer

08-3

Donated Capital Assets

The District will monitor activities of the Board and others accepting donations of capital assets. Procedures will be developed to ensure donated capital assets are included in District capital asset records.

Contact Person: Mike Singleton, Chief Financial Officer

08-4

Capital Asset Reporting

Procedures will be developed and implemented to ensure all capital asset expenditures are identified and recorded in the capital asset spreadsheet. Proper sign offs and reconciliation will be included in these procedures.

Contact Person: Mike Singleton, Chief Financial Officer

ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

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

FINANCIAL HIGHLIGHTS

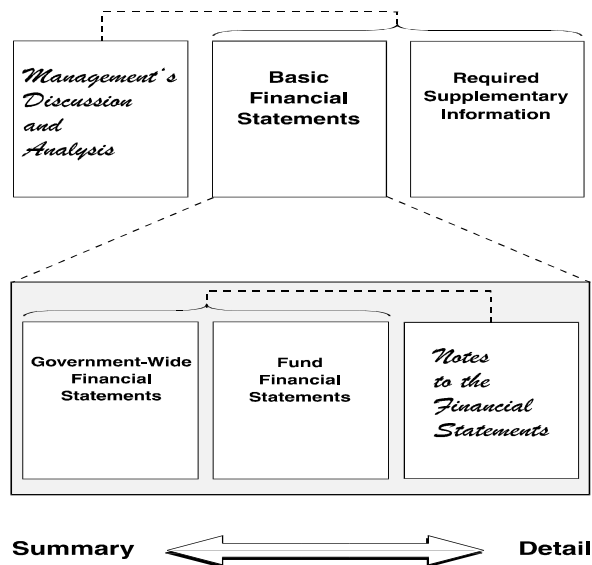
- The general fund reported an ending fund balance of \$ 29,861,217. This was an increase in the general fund balance from the prior year in the amount of \$ 4,329,449. The undesignated general fund balance increased \$ 5,147,495 from the prior year.
- Since the District continues to experience student 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, 2006A, and 2008 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 \$ 48,616,600 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 \$ (4,150,732).
- General revenues accounted for \$ 122,325,269, or 88% of all fiscal year 2008 revenue. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$ 17,122,688, or 12% of total fiscal year 2008 revenues.
- The District had approximately \$ 137,236,543 in expenses related to governmental activities, of which \$ 17,122,688 of these expenses were offset by program-specific charges for services or grants and contributions. General revenues of \$ 122,325,269 were adequate to provide for the remaining cost of these programs, resulting in a \$ 2,211,418 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 \$ 90,000,000 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 Report



ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

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>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<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>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<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, 2008

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.
- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- 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

Rockwall Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change
	2008	2007	2007-2008
Assets:			
Cash and Cash Equivalents	\$ 163,559,379	\$ 110,096,312	48.56%
Other Assets	16,261,366	7,423,275	119.06%
Capital Assets less Accumulated Depreciation	234,760,802	212,581,675	10.43%
Total Assets	\$ 414,581,547	\$ 330,101,262	25.59%
Liabilities:			
Current Liabilities	\$ 8,436,908	\$ 11,107,403	-24.04%
Long-term Liabilities	410,295,371	325,356,009	26.11%
Total Liabilities	\$ 418,732,279	\$ 336,463,412	24.45%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 5,161,014	\$ 2,266,340	127.72%
Restricted	4,899,096	2,673,643	83.24%
Unrestricted	(14,210,842)	(11,302,133)	-25.74%
Total Net Assets	\$ (4,150,732)	\$ (6,362,150)	34.76%

Approximately \$ 4,899,096 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 \$ 136,386,880. 58% of the District's revenue comes from local property taxes. 35% 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 \$ 137,236,543. Instruction and instructional related services comprise 56% of the District's expenses.

The District's base tax collections (current and delinquent) percentage for FY 2008 is 97%. The total tax collections (base tax plus penalty and interest) percentage for FY 2008 is 101%.

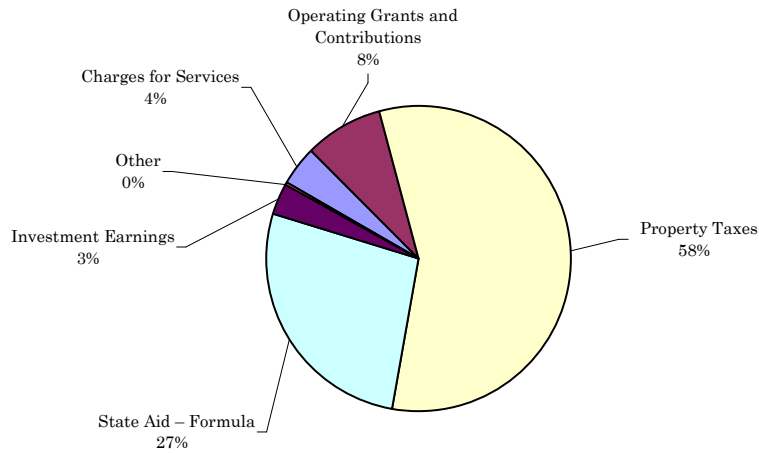
ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

GOVERNMENTAL ACTIVITIES

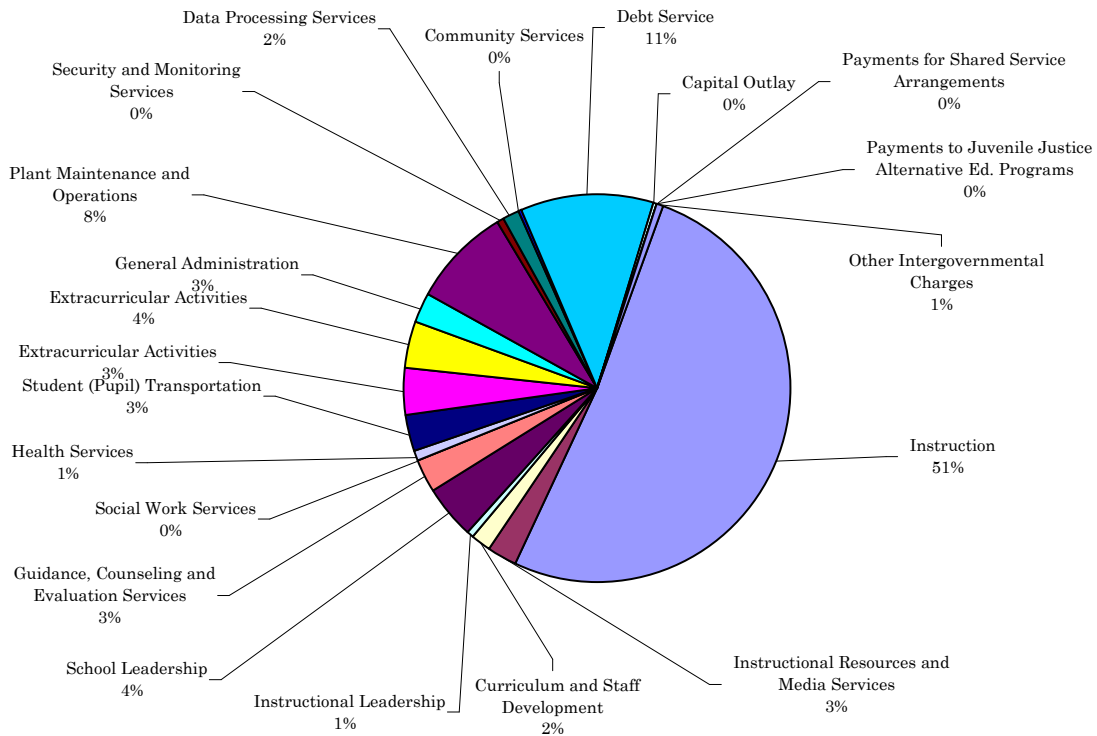
Changes in Rockwall Independent School District's Net Assets				Table A-2
	Governmental Activities		Total Percentage Change	
	2008	2007	2007-2008	
Program Revenues:				
Charges for Services	\$ 5,632,653	\$ 5,105,351	10.33%	
Operating Grants and Contributions	11,490,035	8,420,072	36.46%	
Capital Grants and Contributions	-	140,582	100.00%	
General Revenues:				
Property Taxes	77,544,627	82,607,623	-6.13%	
State Aid – Formula	36,897,922	17,170,198	114.90%	
Investment Earnings	4,519,139	4,020,122	12.41%	
Other	302,508	213,032	42.00%	
Total Revenues	\$ 136,386,884	\$ 117,676,980	15.90%	
Expenses:				
Instruction	\$ 70,490,448	\$ 57,479,801	22.64%	
Instructional Resources and Media Services	3,501,289	3,391,114	3.25%	
Curriculum and Staff Development	2,103,445	1,481,273	42.00%	
Instructional Leadership	798,424	754,480	5.82%	
School Leadership	6,110,000	5,119,252	19.35%	
Guidance, Counseling and Evaluation Services	3,978,092	3,481,384	14.27%	
Social Work Services	81,988	-	100.00%	
Health Services	1,100,090	967,505	13.70%	
Student (Pupil) Transportation	4,180,383	3,421,186	22.19%	
Food Services	5,356,988	4,303,159	24.49%	
Extracurricular Activities	5,282,005	4,542,461	16.28%	
General Administration	3,485,669	3,786,349	-7.94%	
Plant Maintenance and Operations	11,356,635	11,196,280	1.43%	
Security and Monitoring Services	601,485	510,662	17.79%	
Data Processing Services	2,107,973	1,596,041	32.08%	
Community Services	248,394	347,507	-28.52%	
Debt Service	15,328,305	13,909,949	10.20%	
Capital Outlay	265,702	241,407	10.06%	
Payments for Shared Service Arrangements	35,688	37,368	-4.50%	
Payments to Juvenile Justice Alternative Ed. Programs	18,750	-	100.00%	
Other Intergovernmental Charges	804,790	-	100.00%	
Total Expenses	\$ 137,236,543	\$ 116,567,178	17.73%	
Increase (Decrease) in Net Assets	\$ (849,659)	\$ 1,109,802	-176.56%	
Extraordinary Item Inflow	3,061,077	-	100.00%	
Change in Net Assets	\$ 2,211,418	\$ 1,109,802	99.26%	
Net Assets - Beginning (September 1)	(6,362,150)	(7,471,952)	14.85%	
Net Assets - Ending (August 31)	\$ (4,150,732)	\$ (6,362,150)	34.76%	

ROCKWALL INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2008

Sources of Revenues for Fiscal Year 2008 - See Table A-2



Functional Expenses for Fiscal Year 2008 - See Table A-2



ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

- 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 \$ 137,236,543.
- The amount that our taxpayers paid for these activities through local property taxes was \$ 77,544,627.
- Some of the cost was paid by those who directly benefited from the programs, \$ 5,632,653, or
- By grants and contributions, \$ 11,490,035.

Rockwall Independent School District Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>		% Change	<u>Net Cost of Services</u>		% Change	
	2008	2007		2008	2007		
Instruction	70,490,448	57,479,801	22.64%	63,520,632	51,352,962	23.69%	
School Leadership	6,110,000	5,119,252	19.35%	5,821,610	4,892,143	19.00%	
General Administration	3,485,669	3,786,349	-7.94%	3,321,453	3,632,235	-8.56%	
Plant Maintenance and Operations	11,356,635	11,196,280	1.43%	10,588,211	10,491,845	0.92%	
Debt Service	15,328,305	13,909,949	10.20%	15,318,805	13,909,949	10.13%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 135,437,084. 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 \$ 29,861,217. This was an increase in the general fund balance from the prior year in the amount of \$ 4,329,449. The undesignated general fund balance increased \$ 5,147,495 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 \$ 1,004,612 under final general fund amounts. The most significant positive variance in the District's budget occurred in plant maintenance and operations.

Resources available were \$ 950,716 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, 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2008, the District had invested \$ 306,843,338 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Rockwall Independent School District's Capital Assets				Table A-4
	Governmental Activities		Total Percentage Change	
	2008	2007	2007-2008	
Land	\$ 12,805,959	\$ 11,908,814	7.53%	
Construction in Progress	19,276,292	42,651,768	-54.81%	
Buildings and Improvements	261,060,363	210,533,244	24.00%	
Vehicles	8,429,441	6,155,676	36.94%	
Equipment	5,271,283	5,144,545	2.46%	
Totals at Historical Cost	\$ 306,843,338	\$ 276,394,047	11.02%	
Less Accumulated Depreciation	(72,082,536)	(63,512,373)	13.49%	
Net Capital Assets	<u>\$ 234,760,802</u>	<u>\$ 212,881,674</u>	10.28%	

LONG TERM DEBT

At year-end the District had \$ 410,295,371 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.

Rockwall Independent School District's Long Term Debt				Table A-5
	Governmental Activities		Total Percentage Change	
	2008	2007	2007-2008	
Loans Payable	\$ 1,510,000	\$ 2,160,000	-30.09%	
Capital Leases Payable	-	26,139	-100.00%	
Bonds Payable	358,838,101	277,820,409	29.16%	
Other Debt Payable	49,947,270	45,349,461	10.14%	
Total Debt Payable	<u>\$ 410,295,371</u>	<u>\$ 325,356,009</u>	26.11%	

ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

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. 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 for continued growth in property values. While property values continue to rise, housing has expanded at a rate similar to student population growth. This 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, 2008

Data Control Codes	1 Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 163,559,379
1225 Property Taxes Receivable, Net	3,015,843
1240 Due from Other Governments	10,298,864
1300 Inventories, at Cost	176,306
1410 Deferred Expenses	41,335
1420 Capitalized Bonds and Other Debt Issuance Costs, Net	2,729,018
Capital Assets:	
1510 Land	12,805,959
1520 Buildings and Improvements, Net	194,967,541
1530 Furniture and Equipment, Net	7,711,010
1580 Construction in Progress	19,276,292
1000 Total Assets	\$ 414,581,547
LIABILITIES	
2110 Accounts Payable	\$ 1,916,246
2140 Interest Payable	889,477
2165 Accrued Liabilities	5,438,582
2180 Due to Other Governments	427
2300 Unearned Revenues	192,176
Noncurrent Liabilities:	
2501 Due within one year	9,350,000
2502 Due in more than one year	400,945,371
2000 Total Liabilities	\$ 418,732,279
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	\$ 5,161,014
Restricted For:	
3850 Debt Service	4,899,096
3900 Unrestricted	(14,210,842)
3000 Total Net Assets	\$ (4,150,732)

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2008

		1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			
Data			Operating		
Control		Charges for	Grants and	Governmental	
Codes	Functions/Programs	Expenses	Services	Contributions	Activities
	Government Activities:				
11	Instruction	\$ 70,490,448	\$ 1,113,005	\$ 5,856,811	\$ (63,520,632)
12	Instructional Resources and Media Services	3,501,289	10,241	147,456	(3,343,592)
13	Curriculum and Staff Development	2,103,445	-	338,818	(1,764,627)
21	Instructional Leadership	798,424	-	75,179	(723,245)
23	School Leadership	6,110,000	6,535	281,855	(5,821,610)
31	Guidance, Counseling and Evaluation Services	3,978,092	-	533,838	(3,444,254)
32	Social Work Services	81,988	-	3,986	(78,002)
33	Health Services	1,100,090	-	52,797	(1,047,293)
34	Student (Pupil) Transportation	4,180,383	-	377,596	(3,802,787)
35	Food Services	5,356,988	2,831,797	1,745,284	(779,907)
36	Cocurricular/Extracurricular Activities	5,282,005	1,405,873	156,570	(3,719,562)
41	General Administration	3,485,669	1,856	162,360	(3,321,453)
51	Plant Maintenance and Operations	11,356,635	221,954	546,470	(10,588,211)
52	Security and Monitoring Services	601,485	-	31,794	(569,691)
53	Data Processing Services	2,107,973	-	78,323	(2,029,650)
61	Community Services	248,394	11,702	37,536	(199,156)
72	Interest on Long-term Debt	13,383,346	-	9,500	(13,373,846)
73	Bond Issuance Costs and Fees	1,944,959	-	-	(1,944,959)
81	Capital Outlay	265,702	-	1,053,605	787,903
93	Payments for Shared Service Arrangements	35,688	29,690	257	(5,741)
95	Payments to Juvenile Justice Alternative Ed. Programs	18,750	-	-	(18,750)
99	Other Intergovernmental Charges	804,790	-	-	(804,790)
TG	Total Government Activities	<u>\$ 137,236,543</u>	<u>\$ 5,632,653</u>	<u>\$ 11,490,035</u>	<u>\$ (120,113,855)</u>
TP	Total Primary Government	<u>\$ 137,236,543</u>	<u>\$ 5,632,653</u>	<u>\$ 11,490,035</u>	<u>\$ (120,113,855)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purpose				\$ 54,931,658
DT	Property Taxes, Levied for Debt Service				22,612,969
IE	Investment Earnings				4,519,139
GC	Grant and Contributions Not Restricted to Specific Programs				36,897,922
MI	Miscellaneous				302,508
	Special and Extraordinary Items:				
	Extraordinary Item Inflow				<u>3,061,077</u>
TG	Total General Revenues				<u>\$ 122,325,273</u>
CN	Change in Net Assets				\$ 2,211,418
NB	Net Assets - Beginning (September 1)				<u>(6,362,150)</u>
NE	Net Assets - Ending (August 31)				<u>\$ (4,150,732)</u>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2008

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>	
ASSETS						
1110	Cash and Cash Equivalents	\$ 24,279,451	\$ 5,392,986	\$ 130,687,818	\$ 1,548,750	\$ 161,909,005
1225	Property Taxes Receivable, Net	2,259,250	756,593	-	-	3,015,843
1240	Due from Other Governments	9,869,933	-	-	428,931	10,298,864
1260	Due from Other Funds	331,672	-	-	9,228	340,900
1300	Inventory	104,202	-	-	72,104	176,306
1410	Deferred Expenditures	-	-	41,335	-	41,335
1000	Total Assets	\$ 36,844,508	\$ 6,149,579	\$ 130,729,153	\$ 2,059,013	\$ 175,782,253
LIABILITIES						
Current Liabilities:						
2110	Accounts Payable	\$ 514,416	\$ 26,709	\$ 1,344,502	\$ 30,619	\$ 1,916,246
2140	Interest Payable	-	337,350	-	-	337,350
2150	Payroll Deductions and Withholdings	156,800	-	-	-	156,800
2160	Accrued Wages Payable	3,255,501	-	-	223,075	3,478,576
2170	Due to Other Funds	701,879	-	34,686	296,986	1,033,551
2180	Due to Other Governments	-	-	-	427	427
2300	Unearned Revenues	2,354,695	756,593	-	96,731	3,208,019
2000	Total Liabilities	\$ 6,983,291	\$ 1,120,652	\$ 1,379,188	\$ 647,838	\$ 10,130,969
FUND BALANCES						
Reserved Fund Balances:						
3410	Investments in Inventory	\$ 104,202	\$ -	\$ -	\$ 72,104	\$ 176,306
3420	Debt Service	-	5,028,927	-	-	5,028,927
3450	Reserve for Food Service	-	-	-	60,749	60,749
3490	Other Reserves of Fund Balance	-	-	129,349,965	1,278,322	130,628,287
3600	Unrestricted	29,757,015	-	-	-	29,757,015
3000	Total Fund Balances	\$ 29,861,217	\$ 5,028,927	\$ 129,349,965	\$ 1,411,175	\$ 165,651,284
4000	Total Liabilities and Fund Balances	\$ 36,844,508	\$ 6,149,579	\$ 130,729,153	\$ 2,059,013	\$ 175,782,253

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, 2008

Total fund balances - Balance Sheet (governmental funds)	\$	165,651,284
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.		234,760,802
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		3,015,843
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		539,819
Payables for bond principal which are not due in the current period are not reported in the funds.		(360,168,770)
Payables for debt interest which are not due in the current period are not reported in the funds.		(552,127)
Payables for notes which are not due in the current period are not reported in the funds.		(1,510,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(48,616,601)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		<u>2,729,018</u>
Net assets of governmental activities - Statement of Net Assets	\$	<u>(4,150,732)</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, 2008

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 57,879,526	\$ 22,767,073	\$ 2,677,606	\$ 4,824,053	\$ 88,148,258
5800 State Program Revenues	40,638,548	9,500	3,553	1,666,423	42,318,024
5900 Federal Program Revenues	295,129	-	-	4,675,673	4,970,802
5020 Total Revenues	\$ 98,813,203	\$ 22,776,573	\$ 2,681,159	\$ 11,166,149	\$ 135,437,084
EXPENDITURES					
Current:					
0011 Instruction	\$ 55,504,711	\$ -	\$ 4,942,372	\$ 4,474,519	\$ 64,921,602
0012 Instructional Resources and Media Services	2,978,537	-	109,502	120,463	3,208,502
0013 Curriculum and Staff Development	1,813,718	-	-	289,727	2,103,445
0021 Instructional Leadership	723,175	-	46,008	41,787	810,970
0023 School Leadership	5,791,732	-	148,418	57,889	5,998,039
0031 Guidance, Counseling and Evaluation Services	3,515,316	-	-	423,301	3,938,617
0032 Social Work Services	81,988	-	-	-	81,988
0033 Health Services	1,064,568	-	-	1,047	1,065,615
0034 Student (Pupil) Transportation	3,653,362	-	2,268,430	620	5,922,412
0035 Food Services	-	-	-	4,868,680	4,868,680
0036 Cocurricular/Extracurricular Activities	2,968,962	-	-	959,580	3,928,542
0041 General Administration	3,339,950	-	7,485	102	3,347,537
0051 Plant Maintenance and Operations	11,241,570	-	-	-	11,241,570
0052 Security and Monitoring Services	513,332	-	34,404	53,749	601,485
0053 Data Processing Services	1,611,207	-	714,720	-	2,325,927
0061 Community Services	214,307	-	-	34,087	248,394
0071 Principal on Long-term Debt	736,139	8,922,308	-	-	9,658,447
0072 Interest on Long-term Debt	94,747	13,315,784	-	-	13,410,531
0073 Bond Issuance Cost and Fees	5,000	1,284,967	40,825	-	1,330,792
0081 Capital Outlay	1,060	-	27,465,942	-	27,467,002
0093 Payments for Shared Service Arrangements	5,280	-	-	30,408	35,688
0095 Payments to Juvenile Justice Alternative Ed. Programs	18,750	-	-	-	18,750
0099 Other Intergovernmental Charges	804,790	-	-	-	804,790
6030 Total Expenditures	\$ 96,682,201	\$ 23,523,059	\$ 35,778,106	\$ 11,355,959	\$ 167,339,325
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,131,002	\$ (746,486)	\$ (33,096,947)	\$ (189,810)	\$ (31,902,241)
OTHER FINANCING SOURCES AND (USES)					
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 90,000,000	\$ -	\$ 90,000,000
7912 Sale of Real or Personal Property	12,243	-	225,000	-	237,243
7916 Premium or Discount on Issuance of Bonds	-	3,191,160	-	-	3,191,160
8911 Operating Transfers Out	(874,873)	-	-	-	(874,873)
7080 Net Other Financing Sources and (Uses)	\$ (862,630)	\$ 3,191,160	\$ 90,225,000	\$ -	\$ 92,553,530
EXTRAORDINARY ITEM:					
7919 Extraordinary Item (Resource)	\$ 3,061,077	\$ -	\$ -	\$ -	\$ 3,061,077
1200 Net Changes in Fund Balances	\$ 4,329,449	\$ 2,444,674	\$ 57,128,053	\$ (189,810)	\$ 63,712,366
0100 Fund Balances - Beginning (September 1)	25,531,768	2,584,253	72,221,912	1,600,985	101,938,918
3000 Fund Balances - Ending (August 31)	\$ 29,861,217	\$ 5,028,927	\$ 129,349,965	\$ 1,411,175	\$ 165,651,284

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, 2008

Net change in fund balances - Total Governmental Funds	\$	63,712,366
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		31,363,394
The depreciation of capital assets used in governmental activities is not reported in the funds.		(8,947,023)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.		(237,246)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(100,201)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		154,792
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		8,982,308
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		26,140
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		650,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		792,485
The accretion of interest on capital appreciation bonds is not reported in the funds.		(1,561,441)
(Increase) decrease in accrued interest from beginning of period to end of period.		27,185
The net revenue (expense) of internal service funds is reported with governmental activities.		539,819
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(90,000,000)
Bond premiums are reported in the funds but not in the SOA.		(3,191,160)
		<hr style="border-top: 1px solid black;"/>
Change in net assets of governmental activities - Statement of Activities	\$	<u><u>2,211,418</u></u>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AUGUST 31, 2008

Data Control Codes		Internal Service Funds
	ASSETS	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 1,650,374
	Receivables:	
1260	Due from Other Funds	692,651
1000	Total Assets	\$ 2,343,025
	LIABILITIES	
	Current Liabilities:	
2200	Accrued Expenditures/Expenses	\$ 1,803,206
2000	Total Liabilities	\$ 1,803,206
	NET ASSETS	
3900	Unrestricted Net Assets	\$ 539,819
3000	Total Net Assets	\$ 539,819

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2008

<u>Data Control Codes</u>	<u>Internal Service Funds</u>
OPERATING REVENUES	
5700 Local and Intermediate Source	\$ 9,108,469
5020 Total Operating Revenues	\$ 9,108,469
OPERATING EXPENSES	
6400 Other Operating Costs	\$ 9,515,880
6030 Total Operating Expenses	\$ 9,515,880
Operating Income (Loss)	\$ (407,411)
NON-OPERATING REVENUES (EXPENSES)	
7955 Earnings from Temp. Deposits and Investments	\$ 72,357
8030 Total Non-operating Revenues (Expenses)	\$ 72,357
Income (Loss) before contributions and transfers	\$ (335,054)
7915 Transfers In	874,873
1300 Change in Net Assets	\$ 539,819
0100 Total Net Assets - Beginning (September 1)	-
3300 Total Net Assets - Ending (August 31)	\$ 539,819

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2008

	Internal Service Funds
Cash Flows from Operating Activities	
Cash Receipts from Employees/Others	\$ 1,292,469
Cash Receipts from Quasi-external Operating Transfers	8,926,555
Cash Payments for Claims/Reinsurance	<u>(9,515,880)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 703,144</u>
Cash Flows from Capital and Other Related Financing Activities	
NONE	
Cash Flows for Noncapital Financing Activities	
Transfer from Operating Fund	\$ 874,873
Cash Flows from Investing Activities	
Interest Earned	<u>72,357</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,650,374
Cash and Cash Equivalents, Beginning (September 1)	<u>-</u>
Cash and Cash Equivalents, Ending (August 31)	<u><u>\$ 1,650,374</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (407,411)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Interfund Receivables	(692,651)
Increase (Decrease) in Claims Liability	<u>1,803,206</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 703,144</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, 2008

Data Control Codes		Agency Funds Student Activity
	ASSETS	
1110	Cash and Cash Equivalents	\$ 148,959
1000	Total Assets	\$ 148,959
	LIABILITIES	
	Current Liabilities:	
2180	Due to Other Governments	\$ 14,757
2190	Due to Student Groups	134,202
2000	Total Liabilities	\$ 148,959
	NET ASSETS	
3000	Total Net Assets	\$ -

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

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, 2008

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:

Internal Service Funds – These funds are proprietary type funds. These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

A. Summary of Significant Accounting Policies (Continued)

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 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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

A. Summary of Significant Accounting Policies (Continued)

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		<u>-0-</u>
Total	\$	<u>-0-</u>

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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

A. Summary of Significant Accounting Policies (Continued)

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.

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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

A. Summary of Significant Accounting Policies (Continued)

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.

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, 2008, 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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

B. Deposits, Securities and Investments (Continued)

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.

The following table categorizes the District's investments at August 31, 2008, 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 *				\$ 4,201,040
MBIA *				148,664,198
TexasTERM *				<u>13,285,224</u>
Total				<u>\$ 166,150,462</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 \$ 3,386,135.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 4,520,859, and occurred during the month of December 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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

B. Deposits, Securities and Investments (Continued)

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.

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 \$ 1.04 to fund general operations and \$ 0.43 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 5,204,632,993.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

D. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being depreciated:				
Land	\$ 11,908,814	\$ 1,080,810	\$ 183,665	\$ 12,805,959
Construction in Progress	42,651,768	21,580,498	44,955,974	19,276,292
Total Capital Assets not being depreciated	\$ 54,560,582	\$ 22,661,308	\$ 45,139,639	\$ 32,082,251
Capital Assets being depreciated:				
Buildings and Improvements	\$ 210,533,244	\$ 50,527,119	\$ -0-	\$ 261,060,363
Equipment	5,144,545	566,336	439,598	5,271,283
Vehicles	6,155,676	2,564,604	290,839	8,429,441
Total Capital Assets being depreciated	\$ 221,833,465	\$ 53,658,059	\$ 730,437	\$ 274,761,087
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 58,304,339	\$ 7,788,483	\$ -0-	\$ 66,092,822
Equipment	2,430,386	426,873	418,501	2,438,758
Vehicles	3,077,648	739,030	265,722	3,550,956
Total Accumulated Depreciation	\$ 63,812,373	\$ 8,954,386	\$ 684,223	\$ 72,082,536
Total Capital Assets being depreciated, net	\$ 158,021,092	\$ 44,703,673	\$ 46,214	\$ 202,678,551
Governmental Activities Capital Assets, net	\$ 212,581,674	\$ 67,364,981	\$ 45,185,853	\$ 234,760,802

Depreciation was charged to functions as follows:

Instruction	\$ 5,381,696
Instructional Resources and Media Services	292,787
Instructional Leadership	3,141
School Leadership	111,961
Guidance, Counseling and Evaluation Services	39,475
Health Services	34,475
Student (Pupil) Transportation	720,647
Food Services	576,106
Cocurricular/Extracurricular Activities	1,359,213
General Administration	138,132
Plant Maintenance and Operations	172,490
Data Processing Services	124,263
Total	\$ 8,954,386

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	\$ 277,820,409	\$ 90,000,000	\$ 8,982,308	\$ 358,838,101	\$ 8,875,000
Capital Leases Payable	26,139	-0-	26,139	-0-	-0-
Loans Payable	2,160,000	-0-	650,000	1,510,000	475,000
Accreted Interest Payable	42,815,762	6,493,530	692,692	48,616,600	-0-
Unamortized Premium	2,533,699	(1,048,238)	154,791	1,330,670	-0-
Total Governmental Activities	\$ 325,356,009	\$ 95,445,292	\$ 10,505,930	\$ 410,295,371	\$ 9,350,000

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

E. Long Term Obligations (Continued)

Bonds

The District issued "Rockwall Independent School District Unlimited Tax School Building Bonds, Series 2008" totaling \$ 90,000,000 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 July 15, 2008 and were issued August 21, 2008 and incur interest at 5.32391% 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 pursuant to 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, 2008, the District was not exposed to credit risk with BSFP on the 2006 Swap Agreement as such agreement had a negative fair value of \$ 2,551,424. 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, 2008, 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, 2008

E. Long Term Obligations (Continued)

The 2006 Swap Agreement is subject to mandatory termination 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, 2008:

Description	Interest Rate	Outstanding Balance
Unlimited Tax Refunding, Series 1998	6.44%	\$ 284,844
Lease Revenue Bonds, Series 1998	4.98%	60,000
Unlimited Tax School Building & Refunding Bonds, Series 2001	6.00%	28,710,000
Unlimited Tax School Building & Refunding Bonds, Series 2002	4.13%	27,095,000
Unlimited Tax Refunding Bonds, Series 2002A	3.28%	3,130,000
Unlimited Tax School Building Bonds, Series 2003	4.90%	32,955,000
Unlimited Tax School Building Bonds, Series 2004	4.41%	10,740,000
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
Unlimited Tax School Building Bonds, Series 2008	5.32%	90,000,000
Total Bond Obligations Outstanding		\$ 358,838,101

Debt service requirements on bonded debt at August 31, 2008, are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2009	\$ 8,875,000	\$ 15,899,070	\$ 24,774,070
2010	9,230,000	15,536,838	24,766,838
2011	9,590,000	15,108,310	24,698,310
2012	12,455,000	14,635,326	27,090,326
2013	14,230,328	14,230,042	28,460,369
2014-2018	73,170,687	81,083,125	154,253,812
2019-2023	39,649,108	100,221,862	139,870,969
2024-2028	49,842,979	73,686,357	123,529,336
2029-2033	61,915,000	51,233,449	113,148,449
2034-2038	79,880,000	8,563,919	88,443,919
Totals	\$ 358,838,101	\$ 390,198,297	\$ 749,036,398

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

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	\$ 55,000,000	\$ 7,550,000
May 12, 2007	<u>198,150,000</u>	<u>140,000,000</u>	<u>58,150,000</u>
Total	<u>\$ 260,700,000</u>	<u>\$ 195,000,000</u>	<u>\$ 65,700,000</u>

Loans

The District issued various agreements identified here as loans. These loans include maintenance tax notes. The following schedule lists the outstanding loans at August 31, 2008:

<u>Description</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Maintenance Tax Notes, Series 2000	4.91%	\$ <u>1,510,000</u>
Total Loans Outstanding		\$ <u>1,510,000</u>

Loan debt retirement requirements to maturity at August 31, 2008 are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 475,000	\$ 61,863	\$ 536,863
2010	505,000	38,216	543,216
2011	<u>530,000</u>	<u>12,985</u>	<u>542,985</u>
Totals	<u>\$ 1,510,000</u>	<u>\$ 113,064</u>	<u>\$ 1,623,064</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, under the TRS publication heading.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

F. Pension Plan (Continued)

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, 2008, 2007, and 2006 were \$ 4,329,424, \$ 3,747,575, and \$ 3,149,013 respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2008, 2007, and 2006 were \$ 625,988, \$ 629,999, \$ 520,342, 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 \$ 3,463,942 are reflected in the general fund basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2008, 2007, 2006. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 526,435 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 154,777 for subsidies for Medicare Part D.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2008

H. Risk Management

Health Care

During the year ended August 31, 2008, 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, 2007, 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 2008, 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.

I. Litigation

The District does not appear to be involved in any litigation as of August 31, 2008.

J. 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, 2008 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.

K. Interfund Balances and Activities

Transfers To and From Other Funds

Transfer to and from other funds at August 31, 2008, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Internal Service Fund	\$ 874,873	Establish Self Insurance Fund

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

K. Interfund Balances and Activities (Continued)

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 34,686
General Fund	Special Revenue Fund	296,986
Special Revenue Fund	General Fund	9,228
Internal Service Fund	General Fund	<u>692,651</u>
Total		<u>\$ 1,033,551</u>

L. Revenue from Local and Intermediate Sources

During the year ended August 31, 2008 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	\$ 55,125,544	\$ 22,519,286	\$ -0-	\$ -0-	\$ 77,644,830
Services to Other Entities	25,500	-0-	-0-	26,690	55,190
Tuition and Related Income	286,527	-0-	-0-	378,830	665,357
Investment Income	1,601,089	247,787	2,656,964	13,298	4,519,138
Food Service Income	-0-	-0-	-0-	2,820,502	2,820,502
Co & Extracurricular Activities	302,964	-0-	-0-	781,624	1,084,588
Gifts and Bequests	34,085	-0-	-0-	103,121	137,206
Other	503,817	-0-	20,642	696,988	1,221,447
Total Local Revenue	<u>\$ 57,879,526</u>	<u>\$ 22,767,073</u>	<u>\$ 2,677,606</u>	<u>\$ 4,824,053</u>	<u>\$ 88,148,258</u>

O. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund:			
Instruction	\$ 54,505,475	\$ 55,504,711	\$ 999,236
School Leadership	5,780,854	5,791,732	10,878
Social Work Services	81,968	81,988	20
Health Services	1,061,435	1,064,568	3,133
Data Processing Services	1,588,507	1,611,207	22,700

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

P. Extraordinary Items

The District received additional funding from the State related to challenges of prior year revenue allocations. These challenges by the District have been classified as extraordinary items in that the challenge and resulting revenues are both infrequent and unusual for local public school districts and the Texas Education Agency. The amount received, \$ 3,061,077, relates to challenges to fiscal year 05-06 and 06-07 revenue allocations.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWALL INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 57,563,727	\$ 57,731,151	\$ 57,879,526	\$ 148,375
5800	State Program Revenues	40,031,336	40,031,336	40,638,548	607,212
5900	Federal Program Revenues	100,000	100,000	295,129	195,129
5020	Total Revenues	\$ 97,695,063	\$ 97,862,487	\$ 98,813,203	\$ 950,716
EXPENDITURES					
0010	Instruction and Instructional Related Services:				
0011	Instruction	\$ 55,191,595	\$ 54,505,475	\$ 55,504,711	\$ (999,236)
0012	Instructional Resources and Media Services	2,981,415	2,988,836	2,978,537	10,299
0013	Curriculum and Staff Development	1,878,322	1,950,621	1,813,718	136,903
	Total Instruction and Instr. Related Services	<u>\$ 60,051,332</u>	<u>\$ 59,444,932</u>	<u>\$ 60,296,966</u>	<u>\$ (852,034)</u>
0020	Instructional and School Leadership:				
0021	Instructional Leadership	\$ 750,580	\$ 804,328	\$ 723,175	\$ 81,153
0023	School Leadership	5,615,465	5,780,854	5,791,732	(10,878)
	Total Instructional and School Leadership	<u>\$ 6,366,045</u>	<u>\$ 6,585,182</u>	<u>\$ 6,514,907</u>	<u>\$ 70,275</u>
0030	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	\$ 3,498,533	\$ 3,538,094	\$ 3,515,316	\$ 22,778
0032	Social Work Services	74,968	81,968	81,988	(20)
0033	Health Services	1,046,850	1,061,435	1,064,568	(3,133)
0034	Student (Pupil) Transportation	3,329,379	3,660,802	3,653,362	7,440
0036	Cocurricular/Extracurricular Activities	3,103,737	3,192,241	2,968,962	223,279
	Total Support Services - Student (Pupil)	<u>\$ 11,053,467</u>	<u>\$ 11,534,540</u>	<u>\$ 11,284,196</u>	<u>\$ 250,344</u>
0040	Administrative Support Services:				
0041	General Administration	\$ 3,597,162	\$ 3,597,662	\$ 3,339,950	\$ 257,712
	Total Administrative Support Services	<u>\$ 3,597,162</u>	<u>\$ 3,597,662</u>	<u>\$ 3,339,950</u>	<u>\$ 257,712</u>
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	\$ 12,347,558	\$ 12,319,947	\$ 11,241,570	\$ 1,078,377
0052	Security and Monitoring Services	557,243	540,243	513,332	26,911
0053	Data Processing Services	1,563,507	1,588,507	1,611,207	(22,700)
	Total Support Services - Nonstudent Based	<u>\$ 14,468,308</u>	<u>\$ 14,448,697</u>	<u>\$ 13,366,109</u>	<u>\$ 1,082,588</u>
0060	Ancillary Services:				
0061	Community Services	\$ 319,803	\$ 239,554	\$ 214,307	\$ 25,247
	Total Ancillary Services	<u>\$ 319,803</u>	<u>\$ 239,554</u>	<u>\$ 214,307</u>	<u>\$ 25,247</u>
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ 735,834	\$ 735,834	\$ 736,139	\$ (305)
0072	Interest on Long-term Debt	95,052	95,052	94,747	305
0073	Bond Issuance Costs and Fees	3,500	5,500	5,000	500
	Total Debt Service	<u>\$ 834,386</u>	<u>\$ 836,386</u>	<u>\$ 835,886</u>	<u>\$ 500</u>
0080	Capital Outlay:				
0081	Capital Outlay	\$ 130,000	\$ 95,000	\$ 1,060	\$ 93,940
	Total Capital Outlay	<u>\$ 130,000</u>	<u>\$ 95,000</u>	<u>\$ 1,060</u>	<u>\$ 93,940</u>
0090	Intergovernmental Charges:				
0093	Payments for Shared Service Agreements	\$ -	\$ 5,300	\$ 5,280	\$ 20
0095	Payments to Juvenile Justice AEP	-	25,000	18,750	6,250
0099	Other Intergovernmental Charges	874,560	874,560	804,790	69,770
	Total Capital Outlay	<u>\$ 874,560</u>	<u>\$ 904,860</u>	<u>\$ 828,820</u>	<u>\$ 76,040</u>
6030	Total Expenditures	\$ 97,695,063	\$ 97,686,813	\$ 96,682,201	\$ 1,004,612
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 175,674	\$ 2,131,002	\$ 1,955,328
OTHER FINANCING SOURCES (USES)					
7912	Sale of Real or Personal Property	\$ -	\$ 12,200	\$ 12,243	\$ 43
8911	Operating Transfers Out	-	(178,374)	(874,873)	(696,499)
7080	Net Other Financing Sources and (Uses)	\$ -	\$ (166,174)	\$ (862,630)	\$ (696,456)
EXTRAORDINARY ITEM					
7919	Extraordinary Item (Resource)	\$ -	\$ -	\$ 3,061,077	\$ 3,061,077
1200	Net Change in Fund Balance	\$ -	\$ 9,500	\$ 4,329,449	\$ 4,319,949
0100	Fund Balance - Beginning (September 1)	25,531,768	25,531,768	25,531,768	-
3000	Fund Balance - Ending (August 31)	\$ 25,531,768	\$ 25,541,268	\$ 29,861,217	\$ 4,319,949

OTHER SUPPLEMENTARY INFORMATION

ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2008

Tax		1	2	3	10	20	30	30a	40	50
Roll	Last Ten Years Ended	Tax Rates		Assessed/Appraised	Beginning	Current			Entire	Ending
Year	August 31	Maintenance	Debt Service	Value For School Tax Purposes	Balance 9/1/2007	Year's Total Levy	Maintenance Tax Collections	Debt Service Tax Collections	Year's Adjustments	Balance 8/31/2008
XXXX	1999 and Prior Years	Various	Various	Various	\$ 202,068	\$ -	\$ 838	\$ 223	\$ -	\$ 201,007
1999	2000	1.29060	0.23050	2,004,346,463	36,342	-	247	44	-	36,051
2000	2001	1.37220	0.20630	2,374,563,211	81,462	-	1,537	231	-	79,694
2001	2002	1.50000	0.34000	2,687,439,186	101,033	-	5,290	1,199	-	94,544
2002	2003	1.50000	0.33720	3,114,011,886	92,922	-	26,708	6,004	17,465	77,675
2003	2004	1.50000	0.38000	3,482,532,371	127,786	-	39,778	10,077	34,325	112,256
2004	2005	1.50000	0.38000	3,806,707,234	189,415	-	59,246	15,008	39,890	155,051
2005	2006	1.50000	0.38000	4,106,143,297	423,564	-	168,734	42,406	41,667	254,091
2006	2007	1.33000	0.38000	4,826,934,598	2,025,455	-	1,186,829	348,215	14,828	505,239
2007	2008	1.04000	0.43000	5,204,632,993	-	76,508,105	52,816,167	21,814,993	(217,982)	1,658,963
1000	TOTALS				\$ 3,280,047	\$ 76,508,105	\$ 54,305,374	\$ 22,238,400	\$ (69,807)	\$ 3,174,571

ROCKWALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2008

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ 9,430		\$ 316,182	\$ 2,002,193	\$ 50,616	\$ 127,638	\$ 2,506,059
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	29,110	52,405			83,172		164,687
6212	Audit Services				35,500			35,500
6213	Tax Appraisal and Collection		-					-
621X	Other Prof. Services				215,997			215,997
6220	Tuition and Transfer Payments							-
6230	Education Service Centers					25,251		25,251
6240	Contr. Maint. And Repair					1,625		1,625
6250	Utilities							-
6260	Rentals				7,651	13,948		21,599
6290	Miscellaneous Contr.				30,362	726		31,088
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading			1,108	4,934			6,042
6330	Testing Materials							-
63XX	Other Supplies, Materials	598		6,280	107,316	9,819		124,013
6410	Travel, Subsistence, Stipends	1,146		5,612	52,777	1,287		60,822
6420	Ins. And Bonding Costs				4,094			4,094
6430	Election Costs	450						450
6490	Miscellaneous Operating	1,928		29,999	104,199	6,315	384	142,825
6500	Debt Service							-
6600	Capital Outlay							-

TOTAL \$ 42,662 \$ 52,405 \$ 359,181 \$ 2,565,023 \$ 192,759 \$ 128,022 \$ 3,340,052

Total expenditures for General and Special Revenue Funds: (9) \$ 108,038,160

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 461,862
Total Debt & Lease (6500)	(11) \$ 835,886
Plant Maintenance (Function 51, 6100-6400)	(12) \$ 11,184,145
Food (Function XX, 6341 and 6499)	(13) \$ 1,979,691
Stipended (6413)	(14) \$ -
Column 4 (above) - Total Indirect Cost	\$ 2,565,023
Subtotal	17,026,607
Net Allowed Direct Cost	\$ 91,011,553

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) \$ 261,063,363
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) \$ 13,700,724
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, 2008

“UNAUDITED”

Data Control Codes	Explanation	Amount
1.	Total General Fund Balance August 31, 2008 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>29,861,217</u>
2.	Total General Fund Reserve Fund Balance (from Exhibit C-1 – total of object 3400s for the General Fund only)	\$ <u>104,202</u>
3.	Total General Fund Designated Fund Balance (from Exhibit C-1 – total of object 3500s for the General Fund only)	\$ <u>-0-</u>
4.	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	\$ <u>9,000,000</u>
5.	Estimate of one month’s average cash disbursements during the regular school session (9/1/08 - 5/31/09)	\$ <u>9,660,000</u>
6.	Estimate of delayed payments from state sources (58XX) including August payment delay	\$ <u>9,869,000</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>429,000</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>29,062,202</u>
11.	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (1-10)	\$ <u><u>799,015</u></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, 2008

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 2,986,000	\$ 2,986,000	\$ 2,845,097	\$ (140,903)
5800 State Program Revenues	103,000	103,000	107,406	4,406
5900 Federal Program Revenues	<u>1,604,000</u>	<u>1,731,600</u>	<u>1,637,878</u>	<u>(93,722)</u>
5020 Total Revenues	<u>\$ 4,693,000</u>	<u>\$ 4,820,600</u>	<u>\$ 4,590,381</u>	<u>\$ (230,219)</u>
EXPENDITURES				
Current:				
0030 Support Services - Student (Pupil):				
0035 Food Services	\$ 4,549,184	\$ 4,968,743	\$ 4,859,106	\$ 109,637
Total Support Services - Student (Pupil)	<u>\$ 4,549,184</u>	<u>\$ 4,968,743</u>	<u>\$ 4,859,106</u>	<u>\$ 109,637</u>
0090 Intergovernmental Charges:				
0093 Payments for Shared Service Arrangements	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total Intergovernmental Charges	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
6030 Total Expenditures	<u>\$ 4,559,184</u>	<u>\$ 4,978,743</u>	<u>\$ 4,869,106</u>	<u>\$ 109,637</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 133,816	\$ (158,143)	\$ (278,725)	\$ (120,582)
1200 Net Change in Fund Balance	\$ 133,816	\$ (158,143)	\$ (278,725)	\$ (120,582)
0100 Fund Balance - Beginning (September 1)	<u>409,340</u>	<u>409,340</u>	<u>409,340</u>	<u>-</u>
3000 Fund Balance - Ending (August 31)	<u><u>\$ 543,156</u></u>	<u><u>\$ 251,197</u></u>	<u><u>\$ 130,615</u></u>	<u><u>\$ (120,582)</u></u>

ROCKWALL INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 22,548,583	\$ 23,198,583	\$ 22,767,073	\$ (431,510)
5800	State Program Revenues	-	9,500	9,500	-
5020	Total Revenues	\$ 22,548,583	\$ 23,208,083	\$ 22,776,573	\$ (431,510)
EXPENDITURES					
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ 8,922,308	\$ 8,922,308	\$ 8,922,308	\$ -
0072	Interest on Long-term Debt	12,979,382	13,608,583	13,315,784	292,799
0073	Bond Issuance Costs and Fees	1,176,660	1,960,660	1,284,967	675,693
	Total Debt Service	<u>\$ 23,078,350</u>	<u>\$ 24,491,551</u>	<u>\$ 23,523,059</u>	<u>\$ 968,492</u>
6030	Total Expenditures	\$ 23,078,350	\$ 24,491,551	\$ 23,523,059	\$ 968,492
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (529,767)</u>	<u>\$ (1,283,468)</u>	<u>\$ (746,486)</u>	<u>\$ 536,982</u>
OTHER FINANCING SOURCES AND (USES)					
7916	Premium or Discount on Issuance of Bonds	\$ -	\$ 3,191,160	\$ 3,191,160	\$ -
7080	Net Other Financing Sources and (Uses)	<u>\$ -</u>	<u>\$ 3,191,160</u>	<u>\$ 3,191,160</u>	<u>\$ -</u>
1200	Net Change in Fund Balance	\$ (529,767)	\$ 1,907,692	\$ 2,444,674	\$ 536,982
0100	Fund Balance - Beginning (September 1)	<u>2,584,253</u>	<u>2,584,253</u>	<u>2,584,253</u>	<u>-</u>
3000	Fund Balance - Ending (August 31)	\$ 2,054,486	\$ 4,491,945	\$ 5,028,927	\$ 536,982

ROCKWALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2008

<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 controls?	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?	\$ 48,616,600

FEDERAL AWARDS SECTION

ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2008

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Identifying Grant Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
Passed through Education Service Center, Region X:			
Head Start	93.600	06CH0391/	\$ 8,174
Head Start	93.600	06CH0391/	<u>212,859</u>
Total passed through Education Service Center, Region X			\$ 221,033
Passed through Aldine Independent School District:			
Medicaid Administration Claiming Program (MAC)	93.778	199-901	<u>1,047</u>
Total Department of Health and Human Services			<u>\$ 222,080</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
Passed through Education Service Center, Region X:			
ESEA Title IV - Drug Free Schools	84.186	199-901	\$ 24,439
Total passed through Education Service Center Region X			<u>\$ 24,439</u>
Passed through the Texas Education Agency:			
ESEA Title III Part A - LEP	84.365	08671001199901	\$ 58,402
ESEA Title III Part A - LEP	84.365	09671001199901	33,889
ESEA Title I Part A - Improving Basic Programs	84.010	08610101199901	632,390
ESEA Title I Part A - Improving Basic Programs	84.010	09610101199901	23,697
IDEA-B Formula *	84.027	086600011999016600	1,609,025
IDEA-B Formula *	84.027	096600011999016600	134,781
Summer School LEP	84.369	199-901	6,934
Vocational Education - Basic Grant	84.048	0842000619990110	71,301
Vocational Education - Basic Grant	84.048	0942000619990110	5,385
IDEA-B Preschool *	84.173	086610011999016600	17,180
IDEA-B Preschool *	84.173	096610011999016600	11,951
ESEA Title II Part D - Technology	84.318	08694001199901	6,581
ESEA Title V Part A - Innovative Programs	84.298	08685001199901	14,942
ESEA Title II Part A - Teacher/Principal Training	84.367	08686001199901	151,472
ESEA Title II Part A - Teacher/Principal Training	84.367	09686001199901	<u>13,347</u>
Total passed through the Texas Education Agency			\$ 2,791,277
Total Department of Education			<u>\$ 2,815,716</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
Passed through the Texas Education Agency:			
School Breakfast Program	10.553	71400701	\$ 300,633
National School Lunch Program	10.555	71300701	<u>1,101,948</u>
Total passed through the Texas Education Agency			\$ 1,402,581
Passed through the Texas Department of Human Services:			
Summer Feeding Program	10.559	199-1006	\$ 3,943
Commodity Supplemental Food Program	10.550	199002A	<u>231,354</u>
Total passed through the Texas Department of Human Services			\$ 235,297
Total Department of Agriculture			<u>\$ 1,637,878</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
Passed through North Central Texas Council of Governments:			
Congestion Mitigation and Air Quality Improvement Program	20.202	199-901	\$ 200,000
Total Department of Transportation			<u>\$ 200,000</u>
Total Expenditure of Federal Awards			<u>\$ 4,875,674</u>

* 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, 2008

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, 2008.