

ROCKWALL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2009

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

ROCKWALL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2009

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibits</u>
INTRODUCTORY SECTION		
Certificate of Board.....	3	
FINANCIAL SECTION		
<u>Independent Auditor’s Reports:</u>		
Report on Basic Financial Statements	5	
Report on Compliance and Internal Controls (<i>Government Auditing Standards</i>).....	7	
Report on Internal Control over Compliance in Accordance with OMB Circular A-133 ..	9	
Schedule of Findings and Questioned Costs.....	11	
Status of Findings and Questioned Costs.....	13	
Corrective Action Plan.....	14	
Management’s Discussion and Analysis (Required Supplementary Information).....	15	
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Net Assets	24	A-1
Statement of Activities	23	B-1
Fund Financial Statements:		
Balance Sheet – Governmental Funds	26	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	27	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds	28	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	29	C-4
Statement of Net Assets – Proprietary Funds	30	D-1
Statement of Revenues, Expenses and Changes in		
Fund Net Assets – Proprietary Funds	31	D-2
Statement of Cash Flows – Proprietary Funds	32	D-3
Statement of Fiduciary Net Assets – Fiduciary Funds.....	33	E-1
Notes to the Basic Financial Statements	34	F-1
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund.....	53	G-1
<u>Other Supplementary Information Section:</u>		
Schedule of Delinquent Taxes Receivable	55	J-1
Indirect Cost Computation Schedule	56	J-2
Fund Balance and Cash Flow Calculation Worksheet – General Fund – “Unaudited” ..	57	J-3
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	58	J-4
Debt Service Fund.....	59	J-5
Schedule of Required Responses to Selected Schools FIRST Indicators.....	60	J-6
FEDERAL AWARD SECTION		
Schedule of Expenditures of Federal Awards.....	62	K-1
Notes to the Schedule of Expenditures of Federal Awards	63	K-2


CERTIFICATE OF BOARD

Rockwall Independent School District
Name of School District

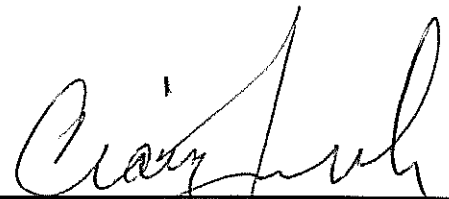
Rockwall
County

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, 2009, at a meeting of the board of school trustees of such school district on December 14, 2009.



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):

FINANCIAL SECTION

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

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

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, 2009, 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, 2009, 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 November 20, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Independent Auditor's Report - Continued

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

November 20, 2009
Greenville, Texas

*

* Signature on file with the Texas Education Agency

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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 20, 2009. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a 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 accounting principles, such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Report on Internal Control – Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questions costs as item 09-1.

This report is intended solely for the information and use 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.

November 20, 2009
Greenville, Texas

*

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, 2009. 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, 2009.

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 and use 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.

November 20, 2009
Greenville, Texas

*

* Signature on file with the Texas Education Agency

ROCKWALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2009

Summary of Auditor's Results

Type of Report on Financial Statements	Unqualified Opinion
Significant Deficiency	No
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	Food Service Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555)
Pass-through Entity	Texas Education Agency

ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2009

**Schedule
Reference
Number**

Findings

09-1

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-one functional expenditure categories. The District overexpended one 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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATUS OF FINDINGS AND QUESITONED COSTS
YEAR ENDED AUGUST 31, 2009

**Schedule
Reference
Number**

Prior Findings

08-1

Expenditures over Appropriations

During the prior year, the District overexpended in five functional categories. The District is taking corrective measures to implement procedures to accurately account for appropriations. During the current year, the District again overexpended in one functional category. (See Reference 09-1)

Status: Pending

08-2

Deposit Security

During the prior year, the District's depository failed to provide securities with market value equal to the District's deposits in excess of FDIC limits.

Status: Complete

08-3

Donated Capital Assets

During the prior year, the District failed to include donated capital assets in the records maintained by the District for depreciation requirements.

Status: Complete

08-4

Capital Asset Reporting

During the prior year, capital asset expenditures related to the fund financial records were omitted from the spreadsheet maintained by the District.

Status: Complete

ROCKWALL INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2009

**Schedule
Reference
Number**

Actions Planned

09-1

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

ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2009

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, 2009. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

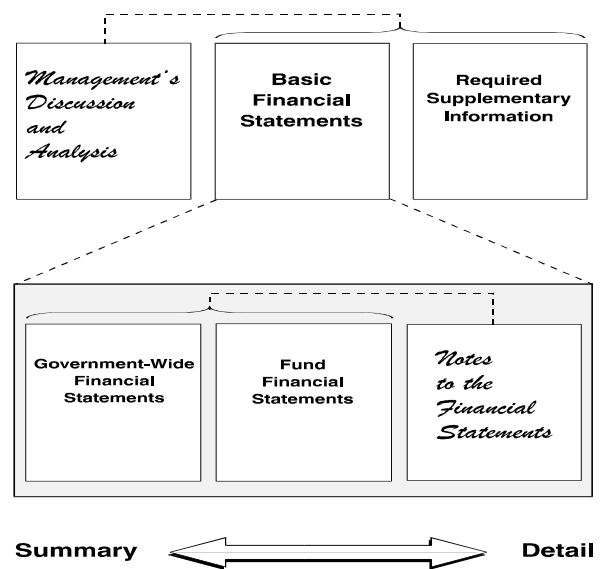
- The General Fund reported an ending fund balance of \$ 28,137,959. This was a decrease in the General Fund fund balance from the prior year in the amount of \$ 1,723,258. The undesignated General Fund fund balance decreased \$ 1,693,433 from the prior year.
- Since the District continues to experience 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 \$ 52,439,787 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 \$ 17,066,719.
- General revenues accounted for \$ 121,774,886, or 88% of all fiscal year 2009 revenue. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$ 16,513,895, or 12% of total fiscal year 2009 revenues.
- The District had approximately \$ 151,116,778 in expenses related to governmental activities, of which \$ 16,414,545 of these expenses were offset by program-specific charges for services or grants and contributions. General revenues of \$ 121,774,886 were inadequate to provide for the remaining cost of these programs, resulting in a \$ 12,927,347 decrease in net assets.
- The total cost of the District's programs increased due to continued student population growth in the District.
- The District issued no 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, 2009

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, 2009

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		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Cash and Investments	\$ 65,296,381	\$ 163,559,379	\$ -	\$ -	\$ 65,296,381	\$ 163,559,379
Other Assets	6,376,424	16,261,366	492,350	-	6,868,774	16,261,366
Capital Assets less Accumulated Depreciation	336,444,084	234,760,802	448,953	-	336,893,037	234,760,802
Total Assets	\$ 408,116,889	\$ 414,581,547	\$ 941,303	\$ -	\$ 409,058,192	\$ 414,581,547
Liabilities:						
Current Liabilities	\$ 20,544,426	\$ 8,436,908	\$ 929,943	\$ -	\$ 21,474,369	\$ 8,436,908
Long-term Liabilities	404,650,542	410,295,371	-	-	404,650,542	410,295,371
Total Liabilities	\$ 425,194,968	\$ 418,732,279	\$ 929,943	\$ -	\$ 426,124,911	\$ 418,732,279
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ (1,920,027)	\$ 5,161,014	\$ -	\$ -	\$ (1,920,027)	\$ 5,161,014
Restricted	5,311,372	4,899,096	-	-	5,311,372	4,899,096
Unrestricted	(20,469,424)	(14,210,842)	11,360	-	(20,458,064)	(14,210,842)
Total Net Assets	\$ (17,078,079)	\$ (4,150,732)	\$ 11,360	\$ -	\$ (17,066,719)	\$ (4,150,732)

Approximately \$ 5,311,372 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 \$ 138,288,781. 60% of the District's revenue comes from local property taxes. 35% comes from state aid and federal grants, while only 5% relates to charges for services and investment earnings.

The total cost of all programs and services was \$ 151,204,768. Instruction and instructional related services comprise 55% of the District's expenses.

The District's base tax collections (current and delinquent) percentage for FY 2009 is 99.68%. The total tax collections (base tax plus penalty and interest) percentage for FY 2009 is 101.00%.

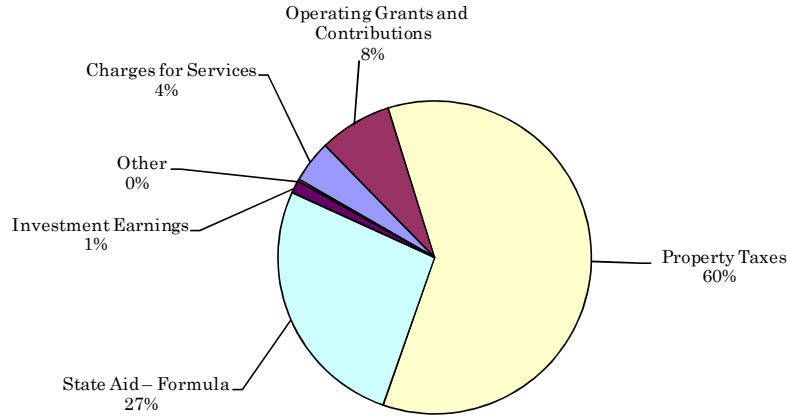
ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2009

GOVERNMENTAL ACTIVITIES

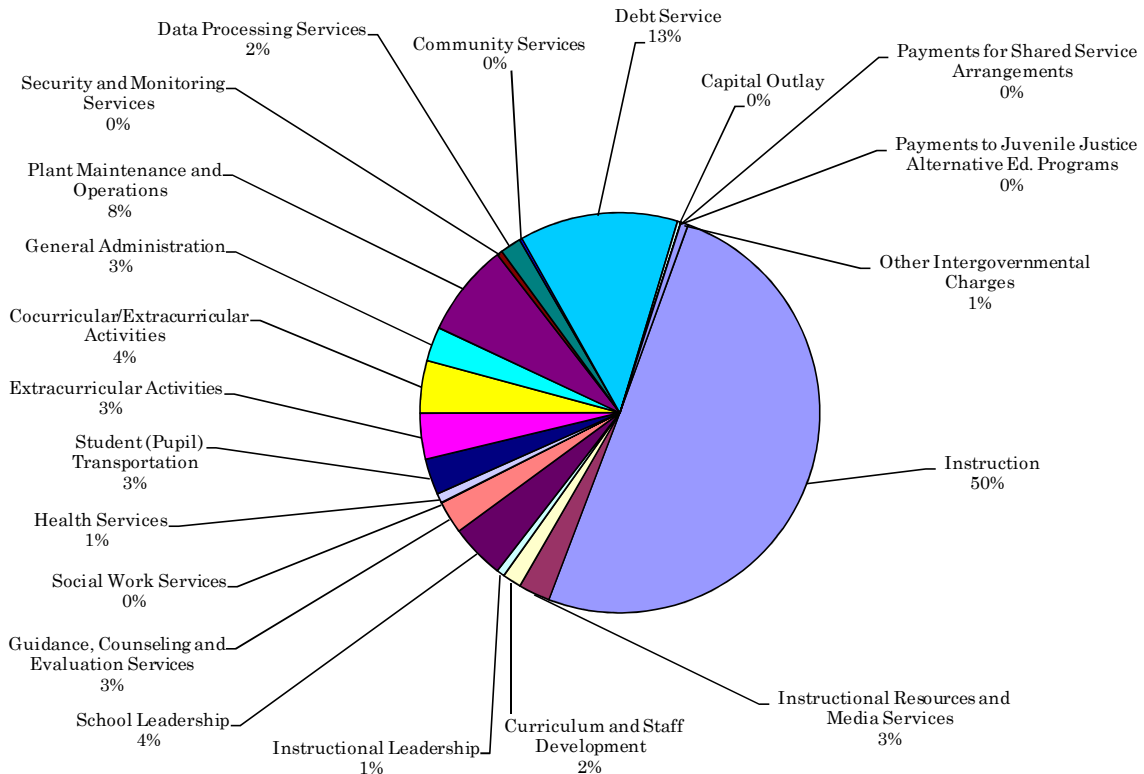
Changes in Rockwall Independent School District's Net Assets							Table A-2
	Governmental Activities		Business-Type Activities		Total		
	2009	2008	2009	2008	2009	2008	
Program Revenues:							
Charges for Services	\$ 6,021,364	\$ 5,632,653	\$ 99,350	\$ -	\$ 6,120,714	\$ 5,632,653	
Operating Grants and Contributions	10,393,181	11,490,035	-	-	10,393,181	11,490,035	
General Revenues:							
Property Taxes	83,120,534	77,544,627	-	-	83,120,534	77,544,627	
State Aid – Formula	36,554,086	36,897,922	-	-	36,554,086	36,897,922	
Investment Earnings	1,806,552	4,519,139	-	-	1,806,552	4,519,139	
Other	293,714	302,508	-	-	293,714	302,508	
Total Revenues	<u>\$ 138,189,431</u>	<u>\$ 136,386,884</u>	<u>\$ 99,350</u>	<u>\$ -</u>	<u>\$ 138,288,781</u>	<u>\$ 136,386,884</u>	
Expenses:							
Instruction	\$ 75,911,426	\$ 70,490,448	\$ -	\$ -	\$ 75,911,426	\$ 70,490,448	
Instructional Resources and Media Services	3,855,638	3,501,289	-	-	3,855,638	3,501,289	
Curriculum and Staff Development	2,295,654	2,103,445	-	-	2,295,654	2,103,445	
Instructional Leadership	978,169	798,424	-	-	978,169	798,424	
School Leadership	6,677,517	6,110,000	-	-	6,677,517	6,110,000	
Guidance, Counseling and Evaluation Services	3,982,463	3,978,092	-	-	3,982,463	3,978,092	
Social Work Services	70,699	81,988	-	-	70,699	81,988	
Health Services	1,116,324	1,100,090	-	-	1,116,324	1,100,090	
Student (Pupil) Transportation	4,414,371	4,180,383	-	-	4,414,371	4,180,383	
Food Services	5,593,869	5,356,988	-	-	5,593,869	5,356,988	
Cocurricular/Extracurricular Activities	6,411,079	5,282,005	-	-	6,411,079	5,282,005	
General Administration	4,174,022	3,485,669	-	-	4,174,022	3,485,669	
Plant Maintenance and Operations	11,372,374	11,356,635	87,990	-	11,460,364	11,356,635	
Security and Monitoring Services	664,929	601,485	-	-	664,929	601,485	
Data Processing Services	2,552,136	2,107,973	-	-	2,552,136	2,107,973	
Community Services	323,592	248,394	-	-	323,592	248,394	
Debt Service	19,363,319	15,328,305	-	-	19,363,319	15,328,305	
Capital Outlay	416,530	265,702	-	-	416,530	265,702	
Payments for Shared Service Arrangements	40,144	35,688	-	-	40,144	35,688	
Payments to Juvenile Justice Alternative Ed. Programs	-	18,750	-	-	-	18,750	
Other Intergovernmental Charges	902,523	804,790	-	-	902,523	804,790	
Total Expenses	<u>\$ 151,116,778</u>	<u>\$ 137,236,543</u>	<u>\$ 87,990</u>	<u>\$ -</u>	<u>\$ 151,204,768</u>	<u>\$ 137,236,543</u>	
Increase (Decrease) in Net Assets	\$ (12,927,347)	\$ (849,659)	\$ 11,360	\$ -	\$ (12,915,987)	\$ (849,659)	
Extraordinary Item Inflow	-	3,061,077	-	-	-	3,061,077	
Change in Net Assets	\$ (12,927,347)	\$ 2,211,418	\$ 11,360	\$ -	\$ (12,915,987)	\$ 2,211,418	
Net Assets - Beginning (September 1)	<u>(4,150,732)</u>	<u>(6,362,150)</u>	<u>-</u>	<u>-</u>	<u>(4,150,732)</u>	<u>(6,362,150)</u>	
Net Assets - Ending (August 31)	<u>\$ (17,078,079)</u>	<u>\$ (4,150,732)</u>	<u>\$ 11,360</u>	<u>\$ -</u>	<u>\$ (17,066,719)</u>	<u>\$ (4,150,732)</u>	

ROCKWALL INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2009

Sources of Revenues for Fiscal Year 2009 - See Table A-2



Functional Expenses for Fiscal Year 2009 - See Table A-2



ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2009

- 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 \$ 151,116,778.
- The amount that our taxpayers paid for these activities through local property taxes was \$ 83,120,534.
- Some of the cost was paid by those who directly benefited from the programs, \$ 6,021,364, or
- By grants and contributions, \$ 10,393,181.

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
	2009	2008		2009	2008	
Instruction	75,911,426	70,490,448	7.69%	68,966,508	63,520,632	8.57%
School Leadership	6,677,517	6,110,000	9.29%	6,392,377	5,821,610	9.80%
General Administration	4,174,022	3,485,669	19.75%	4,010,263	3,321,453	20.74%
Plant Maintenance and Operations	11,372,374	11,356,635	0.14%	10,667,180	10,588,211	0.75%
Debt Service	19,363,319	15,328,305	26.32%	19,363,319	15,318,805	26.40%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 138,214,654. 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 \$ 28,137,959. This was a decrease in the General Fund fund balance from the prior year in the amount of \$ 1,723,258. The undesignated General Fund fund balance decreased \$ 1,693,433 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its budget to reflect activities in the District. With these adjustments, actual expenditures were \$ 3,916,177 under final General Fund amounts. The most significant positive variance in the District's budget occurred in plant maintenance and operations.

Resources available were \$ 1,224,059 below the final budgeted amount. The unfavorable variance was a reflection of the slowing of the student population growth due to the changing economy.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2009, the District had invested \$ 418,101,869 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		Business-Type Activities		Total		
	2009	2008	2009	2008	2009	2008	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Land	\$ 12,805,959	\$ 12,805,959	\$ -	\$ -	\$ 12,805,959	\$ 12,805,959	
Construction in Progress	121,832,972	19,276,292	-	-	121,832,972	19,276,292	
Buildings and Improvements	267,367,933	261,060,363	-	-	267,367,933	261,060,363	
Vehicles	7,188,551	8,429,441	-	-	7,188,551	8,429,441	
Equipment	8,457,501	5,271,283	448,953	-	8,906,454	5,271,283	
Totals at Historical Cost	\$ 417,652,916	\$ 306,843,338	\$ 448,953	\$ -	\$ 418,101,869	\$ 306,843,338	
Less Accumulated Depreciation	(81,208,832)	(72,082,536)	-	-	(81,208,832)	(72,082,536)	
Net Capital Assets	<u>\$ 336,444,084</u>	<u>\$ 234,760,802</u>	<u>\$ 448,953</u>	<u>\$ -</u>	<u>\$ 336,893,037</u>	<u>\$ 234,760,802</u>	

LONG TERM DEBT

At year-end the District had \$ 404,650,541 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.

Rockwall Independent School District's Long Term Debt				Table A-5
	Governmental Activities		Total Percentage Change	
	2009	2008	2008-2009	
	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>	
Bonds Payable	\$ 349,963,101	\$ 358,838,101	-2.47%	
Loans Payable	1,035,000	1,510,000	-31.46%	
Other Debt Payable	53,652,440	49,947,270	7.42%	
Total Debt Payable	<u>\$ 404,650,541</u>	<u>\$ 410,295,371</u>	-1.38%	

ROCKWALL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2009

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 as well as other legislative funding changes 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 student population. These increases in student population could affect 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, 2009

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS			
1110 Cash and Investments	\$ 65,296,381	\$ -	\$ 65,296,381
1225 Property Taxes Receivable, Net	2,990,621	-	2,990,621
1240 Due from Other Governments	475,812	-	475,812
1290 Other Receivables, Net	114,916	492,350	607,266
1300 Inventories, at Cost	141,059	-	141,059
1410 Deferred Expenses	42,379	-	42,379
1420 Capitalized Bonds and Other Debt Issuance Costs, Net	2,611,637	-	2,611,637
Capital Assets:			
1510 Land	12,805,959	-	12,805,959
1520 Buildings and Improvements, Net	193,171,264	-	193,171,264
1530 Furniture and Equipment, Net	8,633,889	448,953	9,082,842
1580 Construction in Progress	121,832,972	-	121,832,972
1000 Total Assets	\$ 408,116,889	\$ 941,303	\$ 409,058,192
LIABILITIES			
2110 Accounts Payable	\$ 11,831,480	\$ 449,393	\$ 12,280,873
2140 Interest Payable	536,734	-	536,734
2165 Accrued Liabilities	5,599,714	-	5,599,714
2180 Due to Other Governments	410	-	410
2300 Unearned Revenues	2,576,088	480,550	3,056,638
Noncurrent Liabilities:			
2501 Due within one year	9,735,000	-	9,735,000
2502 Due in more than one year	394,915,542	-	394,915,542
2000 Total Liabilities	\$ 425,194,968	\$ 929,943	\$ 426,124,911
NET ASSETS			
3200 Invested in Capital Assets, Net of Related Debt	\$ (1,920,027)	\$ -	\$ (1,920,027)
Restricted For:			
3850 Debt Service	5,311,372	-	5,311,372
3900 Unrestricted	(20,469,424)	11,360	(20,458,064)
3000 Total Net Assets	\$ (17,078,079)	\$ 11,360	\$ (17,066,719)

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2009

		1	3	4	6	7	8
		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
				Operating			
				Grants and	Governmental	Business-type	
		Charges for	Contributions	Activities	Activities	Total	
Data	Control	Expenses	Services	Contributions	Activities	Activities	Total
Codes	Functions/Programs						
Government Activities:							
11	Instruction	\$ 75,911,426	\$ 1,126,308	\$ 5,818,610	\$ (68,966,508)	\$ -	\$ (68,966,508)
12	Instructional Resources and Media Services	3,855,638	6,701	140,279	(3,708,658)	-	(3,708,658)
13	Curriculum and Staff Development	2,295,654	-	436,778	(1,858,876)	-	(1,858,876)
21	Instructional Leadership	978,169	-	83,690	(894,479)	-	(894,479)
23	School Leadership	6,677,517	6,227	278,913	(6,392,377)	-	(6,392,377)
31	Guidance, Counseling and Evaluation Services	3,982,463	-	481,669	(3,500,794)	-	(3,500,794)
32	Social Work Services	70,699	-	3,077	(67,622)	-	(67,622)
33	Health Services	1,116,324	-	48,725	(1,067,599)	-	(1,067,599)
34	Student (Pupil) Transportation	4,414,371	-	156,872	(4,257,499)	-	(4,257,499)
35	Food Services	5,593,869	3,086,023	1,906,253	(601,593)	-	(601,593)
36	Cocurricular/Extracurricular Activities	6,411,079	1,558,704	183,816	(4,668,559)	-	(4,668,559)
41	General Administration	4,174,022	1,693	162,066	(4,010,263)	-	(4,010,263)
51	Plant Maintenance and Operations	11,372,374	221,748	483,446	(10,667,180)	-	(10,667,180)
52	Security and Monitoring Services	664,929	-	34,107	(630,822)	-	(630,822)
53	Data Processing Services	2,552,136	-	70,219	(2,481,917)	-	(2,481,917)
61	Community Services	323,592	13,960	104,661	(204,971)	-	(204,971)
72	Interest on Long-term Debt	18,523,103	-	-	(18,523,103)	-	(18,523,103)
73	Debt Issuance Costs and Fees	840,216	-	-	(840,216)	-	(840,216)
81	Capital Outlay	416,530	-	-	(416,530)	-	(416,530)
93	Payments for Shared Service Arrangements	40,144	-	-	(40,144)	-	(40,144)
99	Other Intergovernmental Charges	902,523	-	-	(902,523)	-	(902,523)
TG	Total Government Activities	<u>\$ 151,116,778</u>	<u>\$ 6,021,364</u>	<u>\$ 10,393,181</u>	<u>\$ (134,702,233)</u>	<u>\$ -</u>	<u>\$ (134,702,233)</u>
Business-type Activities:							
01	Scoreboard Marketing	\$ 87,990	\$ 99,350	\$ -	\$ -	\$ 11,360	\$ 11,360
TP	Total Primary Government	<u>\$ 151,204,768</u>	<u>\$ 6,120,714</u>	<u>\$ 10,393,181</u>	<u>\$ (134,702,233)</u>	<u>\$ 11,360</u>	<u>\$ (134,690,873)</u>
General Revenues:							
MT	Property Taxes, Levied for General Purpose				\$ 58,828,569	\$ -	\$ 58,828,569
DT	Property Taxes, Levied for Debt Service				24,291,965	-	24,291,965
IE	Investment Earnings				1,806,552	-	1,806,552
GC	Grant and Contributions Not Restricted to Specific Program:				36,554,086	-	36,554,086
MI	Miscellaneous				293,714	-	293,714
TR	Total General Revenues				<u>\$ 121,774,886</u>	<u>\$ -</u>	<u>\$ 121,774,886</u>
CN	Change in Net Assets				\$ (12,927,347)	\$ 11,360	\$ (12,915,987)
NB	Net Assets - Beginning (September 1)				<u>(4,150,732)</u>	<u>-</u>	<u>(4,150,732)</u>
NE	Net Assets - Ending (August 31)				<u>\$ (17,078,079)</u>	<u>\$ 11,360</u>	<u>\$ (17,066,719)</u>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2009

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 Investments	\$ 35,563,908	\$ 5,056,508	\$ 22,316,069	\$ 1,240,377	\$ 64,176,862
1225	Property Taxes Receivable, Net	2,201,127	789,494	-	-	2,990,621
1240	Due from Other Governments	23,824	-	-	451,988	475,812
1260	Due from Other Funds	21,862	-	-	67,034	88,896
1290	Other Receivables	21,250	-	-	-	21,250
1300	Inventory, at cost	74,377	-	-	66,683	141,060
1410	Deferred Expenditures	1,044	-	41,335	-	42,379
1000	Total Assets	\$ 37,907,392	\$ 5,846,002	\$ 22,357,404	\$ 1,826,082	\$ 67,936,880
LIABILITIES						
Current Liabilities:						
2110	Accounts Payable	\$ 661,994	\$ -	\$ 11,122,397	\$ 47,089	\$ 11,831,480
2150	Payroll Deductions and Withholdings	(136)	-	-	-	(136)
2160	Accrued Wages Payable	3,391,590	-	-	203,391	3,594,981
2170	Due to Other Funds	1,012,571	-	-	22,614	1,035,185
2180	Due to Other Governments	-	-	-	410	410
2300	Unearned Revenues	4,703,414	789,493	-	73,801	5,566,708
2000	Total Liabilities	\$ 9,769,433	\$ 789,493	\$ 11,122,397	\$ 347,305	\$ 22,028,628
FUND BALANCES						
Reserved Fund Balances:						
3410	Investments in Inventory	\$ 74,377	\$ -	\$ -	\$ 66,683	\$ 141,060
3420	Debt Service	-	5,056,509	-	-	5,056,509
3450	Food Service	-	-	-	(13,327)	(13,327)
3490	Other Reserves of Fund Balance	-	-	11,235,007	1,425,421	12,660,428
3600	Unrestricted	28,063,582	-	-	-	28,063,582
3000	Total Fund Balances	\$ 28,137,959	\$ 5,056,509	\$ 11,235,007	\$ 1,478,777	\$ 45,908,252
4000	Total Liabilities and Fund Balances	\$ 37,907,392	\$ 5,846,002	\$ 22,357,404	\$ 1,826,082	\$ 67,936,880

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, 2009

Total fund balances - Balance Sheet (governmental funds)	\$	45,908,252
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.		336,444,084
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		2,990,620
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		154,603
Payables for bond principal which are not due in the current period are not reported in the funds.		(349,963,101)
Payables for debt interest which are not due in the current period are not reported in the funds.		(536,734)
Payables for notes which are not due in the current period are not reported in the funds.		(1,035,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(53,652,440)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		<u>2,611,637</u>
Net assets of governmental activities - Statement of Net Assets	\$	<u>(17,078,079)</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, 2009

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	\$ 60,579,998	\$ 24,334,882	\$ 1,265,985	\$ 5,137,812	\$ 91,318,677
5800 State Program Revenues	39,986,846	-	8,884	1,856,973	41,852,703
5900 Federal Program Revenues	133,572	-	-	4,909,702	5,043,274
5020 Total Revenues	\$ 100,700,416	\$ 24,334,882	\$ 1,274,869	\$ 11,904,487	\$ 138,214,654
EXPENDITURES					
Current:					
0011 Instruction	\$ 59,717,963	\$ -	\$ 6,133,796	\$ 4,526,139	\$ 70,377,898
0012 Instructional Resources and Media Services	3,188,748	-	249,105	125,019	3,562,872
0013 Curriculum and Staff Development	1,860,745	-	-	434,909	2,295,654
0021 Instructional Leadership	931,266	-	667	43,095	975,028
0023 School Leadership	6,168,865	-	306,023	90,655	6,565,543
0031 Guidance, Counseling and Evaluation Services	3,547,925	-	-	395,055	3,942,980
0032 Social Work Services	70,699	-	-	-	70,699
0033 Health Services	1,075,800	-	4,160	1,909	1,081,869
0034 Student (Pupil) Transportation	3,654,297	-	6,934	-	3,661,231
0035 Food Services	-	-	9,617	5,070,112	5,079,729
0036 Cocurricular/Extracurricular Activities	3,222,614	-	561,716	954,136	4,738,466
0041 General Administration	3,730,534	-	325,642	551	4,056,727
0051 Plant Maintenance and Operations	11,321,371	-	44,898	-	11,366,269
0052 Security and Monitoring Services	612,807	-	595	51,527	664,929
0053 Data Processing Services	1,605,682	-	2,458,911	-	4,064,593
0061 Community Services	212,972	-	6,984	103,636	323,592
0071 Principal on Long-term Debt	535,000	8,815,000	-	-	9,350,000
0072 Interest on Long-term Debt	63,363	14,769,964	-	-	14,833,327
0073 Debt Issuance Cost and Fees	500	722,335	-	-	722,835
0081 Capital Outlay	-	-	109,280,780	-	109,280,780
0093 Payments for Shared Service Arrangements	-	-	-	40,144	40,144
0099 Other Intergovernmental Charges	902,523	-	-	-	902,523
6030 Total Expenditures	\$ 102,423,674	\$ 24,307,299	\$ 119,389,828	\$ 11,836,887	\$ 257,957,688
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,723,258)	\$ 27,583	\$ (118,114,959)	\$ 67,600	\$ (119,743,034)
1200 Net Changes in Fund Balances	\$ (1,723,258)	\$ 27,583	\$ (118,114,959)	\$ 67,600	\$ (119,743,034)
0100 Fund Balances - Beginning (September 1)	29,861,217	5,028,926	129,349,966	1,411,177	165,651,286
3000 Fund Balances - Ending (August 31)	\$ 28,137,959	\$ 5,056,509	\$ 11,235,007	\$ 1,478,777	\$ 45,908,252

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, 2009

Net change in fund balances - Total Governmental Funds	\$ (119,743,034)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	111,137,098
The depreciation of capital assets used in governmental activities is not reported in the funds.	(9,386,641)
The gain or loss on the sale of capital assets is not reported in the funds.	(67,175)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(25,223)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	8,875,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	475,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(117,381)
The accretion of interest on capital appreciation bonds is not reported in the funds.	(3,823,187)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	118,016
(Increase) decrease in accrued interest from beginning of period to end of period.	15,395
The net revenue (expense) of internal service funds is reported with governmental activities.	<u>(385,215)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ (12,927,347)</u>

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AUGUST 31, 2009

Data Control Codes	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
<u> </u>	<u>Scoreboard Marketing Fund</u>	<u>Health Insurance Fund</u>
ASSETS		
Current Assets:		
1110	\$ -	\$ 1,119,518
Receivables:		
1260	-	946,289
1290	492,350	93,666
	<u>\$ 492,350</u>	<u>\$ 2,159,473</u>
Total Current Assets		
Noncurrent Assets:		
Capital Assets:		
1530	\$ 448,953	\$ -
	<u>\$ 448,953</u>	<u>\$ -</u>
Total Noncurrent Assets		
1000	<u>\$ 941,303</u>	<u>\$ 2,159,473</u>
LIABILITIES		
Current Liabilities:		
2110	\$ 449,393	\$ -
2200	-	2,004,869
2300	480,550	-
	<u>\$ 929,943</u>	<u>\$ 2,004,869</u>
Total Current Liabilities		
2000	<u>\$ 929,943</u>	<u>\$ 2,004,869</u>
NET ASSETS		
3900	\$ 11,360	\$ 154,604
3000	<u>\$ 11,360</u>	<u>\$ 154,604</u>

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, 2009

Data Control Codes	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
<u> </u>	<u>Scoreboard</u>	<u>Health</u>
<u> </u>	<u>Marketing</u>	<u>Insurance</u>
<u> </u>	<u>Fund</u>	<u>Fund</u>
OPERATING REVENUES		
5700 Local and Intermediate Source	\$ 99,350	\$ 10,749,732
5020 Total Operating Revenues	\$ 99,350	\$ 10,749,732
OPERATING EXPENSES		
6200 Professional and Contracted Services	\$ 7,640	\$ 9,609,449
6300 Supplies and Materials	515	25,474
6400 Other Operating Costs	79,835	1,508,888
6030 Total Operating Expenses	\$ 87,990	\$ 11,143,811
Operating Income (Loss)	\$ 11,360	\$ (394,079)
NON-OPERATING REVENUES (EXPENSES)		
7955 Earnings from Temp. Deposits and Investments	\$ -	\$ 8,864
8030 Total Non-operating Revenues (Expenses)	\$ -	\$ 8,864
1300 Change in Net Assets	\$ 11,360	\$ (385,215)
0100 Total Net Assets - Beginning (September 1)	-	539,819
3300 Total Net Assets - Ending (August 31)	\$ 11,360	\$ 154,604

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2009

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Scoreboard Marketing Fund	Health Insurance Fund
Cash Flows from Operating Activities		
Cash Receipts from Employees and Others	\$ -	\$ 2,157,063
Cash Payments from Quasi-external Interfund Transfers	-	8,245,365
Cash Payments from Vendors	87,550	-
Cash Payments for Claims/Administration	-	(10,942,148)
Cash Payments for Supplies and Services	(53,532)	-
	34,018	(539,720)
Net Cash Provided by (Used for) Operating Activities	\$ 34,018	\$ (539,720)
Cash Flows from Capital and Other Related Financing Activities		
Purchases of Capital Assets	(448,953)	-
Cash Flows for Noncapital Financing Activities		
Cash Overdraft Reclassification	414,935	-
Cash Flows from Investing Activities		
Interest Earned	-	8,864
Net Increase (Decrease) in Cash and Cash Equivalents	\$ -	\$ (530,856)
Cash and Investments, Beginning (September 1)	-	1,650,374
Cash and Investments, Ending (August 31)	\$ -	\$ 1,119,518
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 11,360	\$ (394,079)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(11,800)	-
(Increase) Decrease in Interfund Receivables	-	(253,638)
(Increase) Decrease in Other Receivables	-	(93,666)
Increase (Decrease) in Accounts Payables	34,458	-
Increase (Decrease) in Claims Liability	-	201,663
	34,018	(539,720)
Net Cash Provided by (Used for) Operating Activities	\$ 34,018	\$ (539,720)

The accompanying notes are an integral part of this statement.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
AUGUST 31, 2009

Data Control Codes		Agency Funds
		Student Activity
	ASSETS	
1110	Cash and Investments	\$ 130,428
1000	Total Assets	\$ 130,428
	LIABILITIES	
	Current Liabilities:	
2190	Due to Student Groups	\$ 130,428
2000	Total Liabilities	\$ 130,428
	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, 2009

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 non-exchange 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, 2009

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:

Enterprise Funds – These funds are proprietary type funds. The fund accounts for the operation of a self-supporting activity which provides services to outside parties in return for fees. The fund accounts for the assets, liabilities, revenues and expenses of the Scoreboard/Marketing effort of the District.

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.

Agency Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

A. Summary of Significant Accounting Policies (Continued)

b. Measurement Focus – Basis of Accounting

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

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

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

A. Summary of Significant Accounting Policies (Continued)

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 functional level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

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

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

5. Financial Statement Amounts

Cash and Investments

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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

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

Debt Costs

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

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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

A. Summary of Significant Accounting Policies (Continued)

8. Vacation, Sick Leave and Other Compensated Absences

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

9. Use of Estimates

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

10. Data Control Codes

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

11. Accounting System

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

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, 2009, 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 Texas CLASS. All Lone Star Investment Pool, TexasTERM, and Texas CLASS, accounts are reported at share price (fair value) and are presented as cash and investments.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

B. Deposits, Securities and Investments (Continued)

The Lone Star Investment Pool is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received an AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS), was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. The Texas CLASS Trust Agreement (Trust) is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate (the "Participants"), MBIA Municipal Investors Service Corporation as Program Administrator (the "Program Administrator"), and Wells Fargo Bank Texas, NA as Custodian (the "Custodian").

Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust. It also selects the consultants for Texas CLASS, including the Program Administrator and the Custodian.

The Board of Trustees has appointed an Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust and are qualified to advise the Trust. The Advisory Board provides advice to the Board of Trustees and the Program Administrator about the Investment Policy and Investment Strategy of the Trust and about other matters as requested by the Board of Trustees and the Program Administrator.

The Fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's.

Texas TERM Local Government Investment Pool (TexasTERM) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (PFIA). TexasTERM offers a series of professionally managed portfolios that are available to municipalities, counties, school districts, special districts and other governmental entities in the State of Texas.

An Advisory Board is responsible for the overall management of TexasTERM. With respect to TexasTERM, the Advisory Board's responsibilities include formulation and implementation of its investment and operating policies. The Advisory Board selects and oversees the activities of the Investment Advisor/Administrator and the Custodian for TexasTERM and monitor TexasTERM investment performance and the method of valuing its shares. Board members serve a term of two years. Annually, Board members are elected by the Participants for positions for staggered two-year terms.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

B. Deposits, Securities and Investments (Continued)

TexasTERM purchases only investments of the type in which Texas local governments are permitted to invest their own funds. TexasTERM complies with statutory investment restrictions for Texas local governments as provided in the PFIA.

The Investment Advisor and Administrator for TexasTERM is PFM Asset Management LLC. The Custodian for TexasTERM is U. S. Bank, N. A.

The TexasTERM portfolio is a fixed rate, fixed term portfolio option rated AAAf by Standard and Poor's Corporation rating agency.

The following table categorizes the District's investments at August 31, 2009:

	<u>Credit Rating</u>	<u>Fair Value</u>
Lone Star Investment Pool	AAAm	\$ 17,666,028
Texas CLASS	AAAm	6,931,101
Texas TERM	AAAf	<u>38,856,441</u>
Totals		<u>\$ 63,453,570</u>

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 \$ 10,386,135.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 6,469,769, and occurred during the month of December, 2008.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000.

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

B. Deposits, Securities and Investments (Continued)

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 \$ 0.430 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 6,408,876,215.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

D. Capital Assets

Capital asset activities during the year ended August 31, 2009 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
Capital Assets not Being Depreciated:				
Land	\$ 12,805,959	\$ -	\$ -	\$ 12,805,959
Construction in Progress	19,276,292	108,914,020	6,357,340	121,832,972
Total Capital Assets not being Depreciated	<u>\$ 32,082,251</u>	<u>\$ 108,914,020</u>	<u>\$ 6,357,340</u>	<u>\$ 134,638,931</u>
Capital Assets being Depreciated:				
Building and Improvements	\$ 261,060,363	\$ 6,307,570	\$ -	\$ 267,367,933
Equipment	5,271,283	2,139,788	222,520	7,188,551
Vehicles	8,429,441	133,060	105,000	8,457,501
Total Capital Assets being Depreciated	<u>\$ 274,761,087</u>	<u>\$ 8,580,418</u>	<u>\$ 327,520</u>	<u>\$ 283,013,985</u>
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 66,092,822	\$ 8,103,847	\$ -	\$ 74,196,669
Equipment	2,438,758	454,556	155,345	2,737,969
Vehicles	3,550,956	828,238	105,000	4,274,194
Total Accumulated Depreciation	<u>\$ 72,082,536</u>	<u>\$ 9,386,641</u>	<u>\$ 260,345</u>	<u>\$ 81,208,832</u>
Total Capital Assets being Depreciated, Net	<u>\$ 202,678,551</u>	<u>\$ (806,223)</u>	<u>\$ 67,175</u>	<u>\$ 201,805,153</u>
Governmental Activities Capital Assets, Net	<u>\$ 234,760,802</u>	<u>\$ 108,107,797</u>	<u>\$ 6,424,515</u>	<u>\$ 336,444,084</u>
<u>Business-Type Activities:</u>				
Capital Assets being Depreciated:				
Equipment	\$ -	\$ 448,953	\$ -	\$ 448,953
Total Capital Assets being Depreciated	<u>\$ -</u>	<u>\$ 448,953</u>	<u>\$ -</u>	<u>\$ 448,953</u>

Depreciation was charged to functions as follows:

Instruction	\$ 5,388,211
Instructional Resources and Media Services	292,766
Instructional Leadership	3,141
School Leadership	111,974
Guidance, Counseling and Evaluation Services	39,483
Health Services	34,455
Student (Pupil) Transportation	802,597
Food Services	582,876
Cocurricular/Extracurricular Activities	1,672,613
General Administration	137,295
Plant Maintenance and Operations	151,186
Security and Monitoring Services	170,044
Total	<u>\$ 9,386,641</u>

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligation activities during the year ended August 31, 2009 were as follows:

	Beginning			Ending	Amounts
	Balance	Increases	Decreases	Balance	Due Within
					One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 358,838,101	\$ -	\$ 8,875,000	\$ 349,963,101	\$ 9,230,000
Loans Payable	1,510,000	-	475,000	1,035,000	505,000
Accreted Interest	48,616,600	3,823,187	-	52,439,787	-
Bond Premium (Discount)	1,330,669	-	118,016	1,212,653	-
Total Governmental Activities	<u>\$ 410,295,370</u>	<u>\$ 3,823,187</u>	<u>\$ 9,468,016</u>	<u>\$ 404,650,541</u>	<u>\$ 9,735,000</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

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 JP Morgan Chase Bank (JPMCB), 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 JPMCB 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 JPMCB 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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

E. Long Term Obligations (Continued)

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, 2009, the District was not exposed to credit risk with JPMCB on the 2006 Swap Agreement as such agreement had a negative fair value of \$ 4,003,260. 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, 2009, JPMCB was rated Aa3 and A+ by Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively.

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 JPMCB'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. JPMCB 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, 2009:

Description	Interest Rate	Outstanding Balance
Unlimited Tax Refunding, Series 1998	6.44%	\$ 284,844
Unlimited Tax School Building & Refunding Bonds, Series 2001	6.00%	26,885,000
Unlimited Tax School Building & Refunding Bonds, Series 2002	4.13%	22,405,000
Unlimited Tax Refunding Bonds, Series 2002A	3.28%	1,600,000
Unlimited Tax School Building Bonds, Series 2003	4.90%	32,520,000
Unlimited Tax School Building Bonds, Series 2004	4.41%	10,405,000
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		\$ 349,963,101

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

E. Long Term Obligations (Continued)

Maturity requirements on bonded debt at August 31, 2009, are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	15,331,038	13,646,527	28,977,564
2015 - 2019	69,008,843	86,896,396	155,905,238
2020 - 2024	33,493,992	100,481,922	133,975,913
2025 - 2029	57,793,902	65,735,666	123,529,568
2030 - 2034	67,460,000	43,063,171	110,523,171
2035 - 2039	61,370,000	4,965,031	66,335,031
Totals	<u>\$ 349,963,101</u>	<u>\$ 374,299,227</u>	<u>\$ 724,262,328</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of August 31, 2009.

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, 2009:

<u>Description</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Maintenance Tax Notes, Series 2000	4.91%	\$ 1,035,000

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

E. Long Term Obligations (Continued)

Loan debt retirement requirements to maturity at August 31, 2009 are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2010	\$ 505,000	\$ 38,216	\$ 543,216
2011	530,000	12,985	542,985
Totals	\$ 1,035,000	\$ 51,201	\$ 1,086,201

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.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provided for a member contribution rate of 6.4% for fiscal year 2009, 2008 and 2007, and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal years 2009 and 2008 and 6.00% for fiscal year 2007. The District's employees' contributions to the System for the periods ended August 31, 2009, 2008 and 2007 were \$ 4,715,157, \$ 4,329,424, and \$ 3,747,575, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2009, 2008 and 2007 were \$ 1,025,617, \$ 625,988, and \$ 629,999, 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 \$ 3,957,361 are reflected in the general fund basic financial statements.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

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 2009, 2008, and 2007. 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 \$ 601,423 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 168,411 for subsidies for Medicare Part D.

H. Risk Management

Health Care

The District has established a health self-insurance plan (Plan). The District contributes \$ 379 per month per employee to the Plan and employees, at their option, authorized coverage for dependents under the plan.

The District has a contract and inter-local agreement with United Healthcare, Inc. which limits the District's exposure on individual employee health claims incurred prior to October 1, 2008. This contract is renewable yearly and terms of coverage and premiums and administration costs are included in the contractual provisions.

Claims incurred after October 1, 2008 are subject to an individual stop-loss of \$ 170,000 per participant annually and \$ 2,000,000 lifetime maximum benefit. Individual employee health claims are self insured by the District up to \$ 170,000 annually and stop-loss benefits above \$ 170,000 are provided up to an aggregate districtwide attachment point of \$ 9,181,607. At August 31, 2009, the District has recorded current health claim liabilities of \$ 2,004,869 in the Internal Service Fund representing claims reported but not paid and claims incurred but not reported.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

H. Risk Management (Continued)

These liabilities are based on requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is provable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated.

The latest financial statements available for United Healthcare, Inc are filed with the Texas State Board of Insurance, Austin, Texas, and are public record. The District does not provide any post-retirement health benefits to its employees.

Changes in the health insurance claims liability amounts for the periods of 2009 and 2008 are represented below:

	<u>2009</u>	<u>2008</u>
Claims Payable - Beginning	\$ 1,803,206	\$ 969,968
Claims Incurred (Reduced)	9,620,565	8,932,621
Claim Payments	<u>9,418,902</u>	<u>8,099,383</u>
Claims Payable - Ending	<u>\$ 2,004,869</u>	<u>\$ 1,803,206</u>

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 2009, 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, 2009.

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, 2009 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.

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

K. Interfund Balances and Activities

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	21,862
Special Revenue Fund	General Fund	66,282
Special Revenue Fund	Special Revenue Fund	752
Internal Service Fund	General Fund	<u>946,289</u>
Total		<u>\$ 1,035,185</u>

L. Revenue from Local and Intermediate Sources

During the year ended August 31, 2009, the District received revenue from local and intermediate sources consisting of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Property Tax Collections - Current	\$ 57,226,762	\$ 23,647,992	\$ -	\$ -	\$ 80,874,754
Property Tax Collections - Delinquent	876,993	304,075	-	-	1,181,068
Penalties, Interest and Other					
Tax Related Income	782,938	306,998	-	-	1,089,936
Investment Income	461,334	75,817	1,265,985	3,417	1,806,553
Food Service Income	-	-	-	3,086,023	3,086,023
Gifts and Bequests	35,282	-	-	125,051	160,333
Cocurricular/Extracurricular Activities	376,219	-	-	368,465	744,684
Other	<u>820,470</u>	<u>-</u>	<u>-</u>	<u>1,554,856</u>	<u>2,375,326</u>
Total Local Revenue	<u>\$ 60,579,998</u>	<u>\$ 24,334,882</u>	<u>\$ 1,265,985</u>	<u>\$ 5,137,812</u>	<u>\$ 91,318,677</u>

M. 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>
Food Service:			
Food Service	\$ 4,980,478	\$ 5,065,999	\$ 85,521

ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

N. Receivables

Receivables at August 31, 2009, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor	Total
Due from Other Governments	\$ 23,824	\$ -	\$ -	\$ 451,988	\$ 475,812
Property Taxes	2,316,976	831,046	-	-	3,148,022
Less Allowance for Uncollectible					
Property Taxes	(115,849)	(41,552)	-	-	(157,401)
Other Receivables	21,250	-	-	-	21,250
Net Receivables	\$ 2,246,201	\$ 789,494	\$ -	\$ 451,988	\$ 3,487,683

REQUIRED SUPPLEMENTARY INFORMATION

ROCKWALL INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700	\$ 59,939,911	\$ 60,131,555	\$ 60,579,998	\$ 448,443
5800	41,692,920	41,692,920	39,986,846	(1,706,074)
5900	100,000	100,000	133,572	33,572
5020	\$ 101,732,831	\$ 101,924,475	\$ 100,700,416	\$ (1,224,059)
EXPENDITURES				
0010	Instruction and Instructional Related Services:			
0011	\$ 59,776,869	\$ 60,311,010	\$ 59,717,963	\$ 593,047
0012	3,231,144	3,255,272	3,188,748	66,524
0013	1,959,208	2,055,250	1,860,745	194,505
	\$ 64,967,221	\$ 65,621,532	\$ 64,767,456	\$ 854,076
0020	Instructional and School Leadership:			
0021	\$ 930,434	\$ 970,923	\$ 931,266	\$ 39,657
0023	5,990,229	6,343,515	6,168,865	174,650
	\$ 6,920,663	\$ 7,314,438	\$ 7,100,131	\$ 214,307
0030	Support Services - Student (Pupil):			
0031	\$ 3,817,335	\$ 3,847,839	\$ 3,547,925	\$ 299,914
0032	72,134	80,182	70,699	9,483
0033	1,089,488	1,101,536	1,075,800	25,736
0034	3,528,626	3,882,191	3,654,297	227,894
0036	3,420,793	4,120,965	3,222,614	898,351
	\$ 11,928,376	\$ 13,032,713	\$ 11,571,335	\$ 1,461,378
0040	Administrative Support Services:			
0041	\$ 3,937,028	\$ 3,812,228	\$ 3,730,534	\$ 81,694
	\$ 3,937,028	\$ 3,812,228	\$ 3,730,534	\$ 81,694
0050	Support Services - Nonstudent Based:			
0051	\$ 12,919,578	\$ 12,407,249	\$ 11,321,371	\$ 1,085,878
0052	589,371	658,671	612,807	45,864
0053	1,601,713	1,668,590	1,605,682	62,908
	\$ 15,110,662	\$ 14,734,510	\$ 13,539,860	\$ 1,194,650
0060	Ancillary Services:			
0061	\$ 257,486	\$ 265,507	\$ 212,972	\$ 52,535
	\$ 257,486	\$ 265,507	\$ 212,972	\$ 52,535
0070	Debt Service:			
0071	\$ 535,000	\$ 535,000	\$ 535,000	\$ -
0072	63,363	63,363	63,363	-
0073	3,500	3,500	500	3,000
	\$ 601,863	\$ 601,863	\$ 598,863	\$ 3,000
0080	Capital Outlay:			
0081	\$ 130,000	\$ 30,000	\$ -	\$ 30,000
	\$ 130,000	\$ 30,000	\$ -	\$ 30,000
0090	Intergovernmental Charges:			
0099	\$ 874,560	\$ 927,060	\$ 902,523	\$ 24,537
	\$ 874,560	\$ 927,060	\$ 902,523	\$ 24,537
6030	\$ 104,727,859	\$ 106,339,851	\$ 102,423,674	\$ 3,916,177
1100	\$ (2,995,028)	\$ (4,415,376)	\$ (1,723,258)	\$ 2,692,118
1200	\$ (2,995,028)	\$ (4,415,376)	\$ (1,723,258)	\$ 2,692,118
0100	29,861,217	29,861,217	29,861,217	-
3000	\$ 26,866,189	\$ 25,445,841	\$ 28,137,959	\$ 2,692,118

OTHER SUPPLEMENTARY INFORMATION

ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2009

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates Maintenance	2 Debt Service	3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2008	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2009
XXXX	2000 and Prior Years	Various	Various	Various	\$ 237,058	\$ -	\$ 2,067	\$ 686	\$ 133,659	\$ 100,646
2000	2001	1.37220	0.20630	2,374,563,211	79,694	-	2,219	334	145	76,996
2001	2002	1.50000	0.34000	2,687,439,186	94,544	-	2,196	498	150	91,700
2002	2003	1.50000	0.33720	3,114,011,886	77,675	-	2,620	589	141	74,325
2003	2004	1.50000	0.38000	3,482,532,371	112,256	-	39,619	10,036	(26,369)	88,970
2004	2005	1.50000	0.38000	3,806,707,234	155,051	-	62,528	15,840	(38,915)	115,598
2005	2006	1.50000	0.38000	4,106,143,297	254,091	-	90,616	22,791	(43,923)	184,607
2006	2007	1.33000	0.38000	4,826,934,598	505,239	-	220,646	62,656	(30,739)	252,676
2007	2008	1.04000	0.43000	5,926,924,353	1,658,963	-	869,219	361,821	39,459	388,464
2008	2009	1.04000	0.43000	6,408,876,215	-	82,320,637	56,812,024	23,476,816	257,757	1,774,040
1000	TOTALS				\$ 3,174,571	\$ 82,320,637	\$ 58,103,754	\$ 23,952,067	\$ 291,365	\$ 3,148,022

ROCKWALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2009

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collection	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(Other) Misc.	Total
611X-6146	Payroll Costs	\$ 10,047		\$ 478,257	\$ 2,221,143	\$ 55,426	\$ 42,478	\$ 2,807,351
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			2,296		122,162		124,458
6212	Audit Services				42,000			42,000
6213	Tax Appraisal and Collection		902,523					902,523
621X	Other Prof. Services				70,117	7,862		77,979
6220	Tuition and Transfer Payments							-
6230	Education Service Centers					27,465		27,465
6240	Contr. Maint. And Repair					7,124		7,124
6250	Utilities							-
6260	Rentals				6,151	11,878		18,029
6290	Miscellaneous Contr.				238,992	450		239,442
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading			2,117	5,178			7,295
6330	Testing Materials							-
63XX	Other Supplies, Materials	648		12,449	117,877	9,632		140,606
6410	Travel, Subsistence, Stipends	8,064		6,764	60,712	594		76,134
6420	Ins. And Bonding Costs				60			60
6430	Election Costs	21,149						21,149
6490	Miscellaneous Operating	2,618		34,495	80,980	3,847	53	121,993
6500	Debt Service							-
6600	Capital Outlay						20,000	20,000
TOTAL		\$ 42,526	\$ 902,523	\$ 536,378	\$ 2,843,210	\$ 246,440	\$ 62,531	\$ 4,633,608

Total expenditures for General and Special Revenue Funds: (9) \$ 114,258,647

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 427,683
Total Debt & Lease (6500)	(11) \$ 598,863
Plant Maintenance (Function 51, 6100-6400)	(12) \$ 11,109,115
Food (Function XX, 6341 and 6499)	(13) \$ 2,101,989
Stipened (6413)	(14) \$ -
Column 4 (above) - Total Indirect Cost	\$ 2,843,210
Subtotal	17,080,860
Net Allowed Direct Cost	\$ 97,177,787

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) \$ 267,367,933
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) \$ 15,646,052
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 656,194
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) \$ -

(8) Note A - No Function 53 expenditures and \$ 902,523 in Function 99 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, 2009

"UNAUDITED"

Data

Control

Codes	Explanation	Amount
1	Total General Fund Balance August 31, 2009 (Exhibit C-1 object 3000 for the General Fund only)	<u>\$ 28,137,959</u>
2	Total General Fund Reserve Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	\$ 74,377
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for General Fund only)	-
4	Estimated amount needed to cover fall cash flow deficit in General Fund (net of borrowed funds and funds representing deferred revenues)	10,000,000
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09 - 8/31/10)	10,500,000
6	Estimate of delayed payments from state sources (58XX) including August payment delay	-
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.	-
8	Estimate of delayed payments from federal sources (59XX)	500,000
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>-</u>
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>\$ 21,074,377</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (1-10)	<u><u>\$ 7,063,582</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, 2009

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 3,215,500	\$ 3,215,500	\$ 3,091,194	\$ (124,306)
5800 State Program Revenues	105,000	105,000	109,510	4,510
5900 Federal Program Revenues	1,679,500	1,639,500	1,796,738	157,238
5020 Total Revenues	\$ 5,000,000	\$ 4,960,000	\$ 4,997,442	\$ 37,442
EXPENDITURES				
Current:				
0030 Support Services - Student (Pupil):				
0035 Food Services	\$ 4,759,354	\$ 4,980,478	\$ 5,065,999	\$ (85,521)
Total Support Services - Student (Pupil)	\$ 4,759,354	\$ 4,980,478	\$ 5,065,999	\$ (85,521)
0090 Intergovernmental Charges:				
0093 Payments for Shared Service Arrangements	\$ 10,100	\$ 10,000	\$ 10,000	\$ -
Total Intergovernmental Charges	\$ 10,100	\$ 10,000	\$ 10,000	\$ -
6030 Total Expenditures	\$ 4,769,454	\$ 4,990,478	\$ 5,075,999	\$ (85,521)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 230,546	\$ (30,478)	\$ (78,557)	\$ (48,079)
1200 Net Change in Fund Balance	\$ 230,546	\$ (30,478)	\$ (78,557)	\$ (48,079)
0100 Fund Balance - Beginning (September 1)	130,615	130,615	130,615	-
3000 Fund Balance - Ending (August 31)	\$ 361,161	\$ 100,137	\$ 52,058	\$ (48,079)

ROCKWALL INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 24,380,782	\$ 24,380,782	\$ 24,334,882	\$ (45,900)
5020	Total Revenues	\$ 24,380,782	\$ 24,380,782	\$ 24,334,882	\$ (45,900)
EXPENDITURES					
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ 8,815,000	\$ 8,815,000	\$ 8,815,000	\$ -
0072	Interest on Long-term Debt	14,915,708	14,915,708	14,769,964	145,744
0073	Debt Issuance Costs and Fees	1,354,860	1,354,860	722,335	632,525
	Total Debt Service	\$ 25,085,568	\$ 25,085,568	\$ 24,307,299	\$ 778,269
6030	Total Expenditures	\$ 25,085,568	\$ 25,085,568	\$ 24,307,299	\$ 778,269
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (704,786)	\$ (704,786)	\$ 27,583	\$ 732,369
1200	Net Change in Fund Balance	\$ (704,786)	\$ (704,786)	\$ 27,583	\$ 732,369
0100	Fund Balance - Beginning (September 1)	5,028,926	5,028,926	5,028,926	-
3000	Fund Balance - Ending (August 31)	\$ 4,324,140	\$ 4,324,140	\$ 5,056,509	\$ 732,369

ROCKWALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2009

<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?	\$ 52,439,787

FEDERAL AWARDS SECTION

ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2009

(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/	\$ 9,609
Head Start	93.600	06CH0391/	<u>208,888</u>
Total passed through Education Service Center, Region X			\$ 218,497
Passed through Aldine Independent School District:			
Medicaid Administration Claiming Program (MAC)	93.778	199-901	<u>8,435</u>
Total Department of Health and Human Services			<u>\$ 226,932</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	\$ 24,165
Total passed through Education Service Center Region X			<u>\$ 24,165</u>
Passed through the Texas Education Agency:			
ESEA Title III Part A - LEP	84.365	09671001199901	\$ 89,039
ESEA Title III Part A - LEP	84.365	10671001199901	2,650
ESEA Title I Part A - Improving Basic Programs	84.010	09610101199901	707,328
ESEA Title I Part A - Improving Basic Programs	84.010	10610101199901	21,478
IDEA-B Formula *	84.027	106600011999016600	59,550
IDEA-B Formula *	84.027	096600011999016600	1,611,823
Summer School LEP	84.369	199-901	5,515
Vocational Education - Basic Grant	84.048	0942000619990110	69,702
Vocational Education - Basic Grant	84.048	1042000619990110	2,220
IDEA-B Preschool *	84.173	096610011999016600	17,879
IDEA-B Preschool *	84.173	106610011999016600	1,231
ESEA Title II Part D - Technology	84.318	09694001199901	5,274
ESEA Title II Part A - Teacher/Principal Training	84.367	09686001199901	250,014
ESEA Title II Part A - Teacher/Principal Training	84.367	10686001199901	<u>15,000</u>
Total passed through the Texas Education Agency			\$ 2,858,703
Total Department of Education			<u>\$ 2,882,868</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	71400701	\$ 338,372
National School Lunch Program	10.555	71300701	<u>1,247,849</u>
Total passed through the Texas Department of Agriculture			\$ 1,586,221
Passed through the Texas Department of Human Services:			
Commodity Supplemental Food Program	10.565	199002A	<u>209,229</u>
Total Department of Agriculture			<u>\$ 1,795,450</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
Passed through City of Rockwall:			
Assistance to Firefighters Grant	97.044	EMW-2006-FP-02241	\$ 3,164
Total Department of Homeland Security			<u>\$ 3,164</u>
Total Expenditure of Federal Awards			<u>\$ 4,908,414</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, 2009

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, 2009.