

ROCKWALL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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CERTIFICATE OF BOARD

Rockwall Independent School District
Name of School District

Rockwall
County

199-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended June 30, 2013 at a meeting of the Board of Trustees of such school district on the 18th day of November.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):
(attach list as necessary)

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rockwall Independent School District
Rockwall, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockwall Independent School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–14 and 55–56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements, required TEA schedules, and School First Questionnaire are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 part of the basic financial statements.

The combining nonmajor fund financial statements, required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Rockwall Independent School District
November 11, 2013

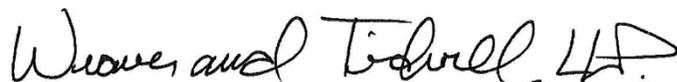
Page 3

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, required TEA schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The School First Questionnaire has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

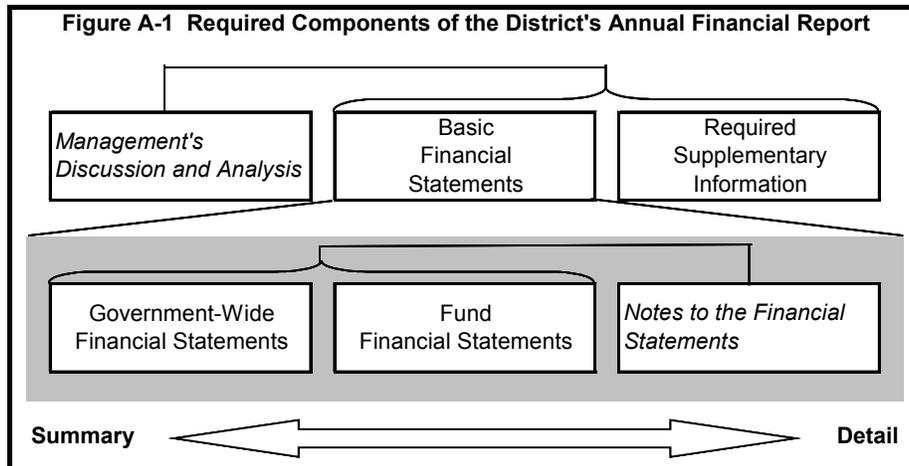
This section of Rockwall Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The general fund reported an ending fund balance of \$43,427,122. This was an increase in the general fund balance from the prior year in the amount of \$1,865,977. Components of this increase include increased state revenue, which is generated by an increase in average daily attendance (ADA). This increase in revenues, with a decrease in expenditures compared to prior year levels, allowed the District to see an overall increase in the general fund balance from the prior year.
- The District has issued long-term debt (bonds) to meet the facility needs associated with student population growth. Because the District's debt management practice is to utilize appropriate bond instruments depending upon the economic circumstances, capital appreciation bonds have been issued. As a result, the liabilities of the District exceeded its assets and deferred outflows of resources at year end by \$29.9 million (net position).
- Capital appreciation bonds outstanding necessitated the accreted interest accrual of \$67.8 million in the government-wide financial statements, which reduces the net position of the District.
- General revenues accounted for \$124.0 million (87%) of all fiscal year 2013 revenue. Program-specific revenues in the form of charges for services and operating grants and contributions accounted for \$19.4 million (13%) of total fiscal year revenues.
- The District had approximately \$152.2 million in expenses related to governmental activities, of which approximately \$18.2 million was offset by program-specific charges for services or operating grants and contributions.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$73.4 million. The general fund represents approximately 59% percent of this total amount, \$43.2 million which is available for spending at the government's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and the combining statements for nonmajor funds and required TEA schedules.



The basic financial statements include two kinds of statements that present different views of the District:

The first are government-wide financial statements, which 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 fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund financial statements offer short-term and long-term financial information about the activities the District operates like businesses. The District has two enterprise funds and an internal service fund reflected in the proprietary fund financial statements.

Fiduciary fund financial 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 belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's 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.

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (Except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: self insurance	Instances in which the District is the trustee or agent for someone else's resources
<i>Required financial statements</i>	* Statement of net position * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net position * Statement of revenues, expenses and changes in fund net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
<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, liabilities, deferred inflows/outflows, 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, liabilities, deferred inflows/outflows, both financial and capital, short-term and long-term	All assets, liabilities, deferred inflows/outflows, both short-term and long-term; the District's funds do not currently contain capital assets, although they can.
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide 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 position includes all of the government's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. 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. The two government-wide statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base. The government-wide financial statements of the District are divided into two categories:

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.

Business-type activities—Account for funds where the District charges fees to customers to help it cover the costs of certain services it provides.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 reconciliations that explain the relationship (or differences) between them.

The governmental fund financial statements can be found on pages 18-24 of this report.

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- and short-term financial information. There are two proprietary fund types: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As mentioned above in the government-wide definition, the District has two business-type activities or enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The District has one internal service fund that predominantly benefits governmental rather than business-type functions and has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The 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 position and a statement of changes in fiduciary net position. Fiduciary funds are excluded from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

The fiduciary fund financial statements can be found on page 28 of this report.

Notes to the Financial Statements—The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-54 of this report.

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison of the general fund. Required supplementary information can be found on pages 55-56 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District’s overall deficit in net position increased between fiscal years 2012 and 2013 - increasing by \$9,630,283 to a deficit of approximately (\$29.9) million. (See Table A-1).

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Cash and investments	\$ 83,346,542	\$ 89,070,029	\$ 244,836	\$ 259,698	\$ 83,591,378	\$ 89,329,727
Other assets	14,883,100	13,974,352	160,626	85,147	15,043,726	14,059,499
Capital assets less accumulated depreciation	315,622,323	313,619,532	371,702	400,586	315,994,025	314,020,118
Total assets	<u>413,851,965</u>	<u>416,663,913</u>	<u>777,164</u>	<u>745,431</u>	<u>414,629,129</u>	<u>417,409,344</u>
Total deferred outflows of resources	<u>7,153,979</u>	<u>11,082,455</u>	<u>-</u>	<u>-</u>	<u>7,153,979</u>	<u>11,082,455</u>
Liabilities:						
Current liabilities	24,002,737	24,788,482	214,747	109,906	24,217,484	24,898,388
Long-term liabilities	427,510,412	423,907,916	-	-	427,510,412	423,907,916
Total liabilities	<u>451,513,149</u>	<u>448,696,398</u>	<u>214,747</u>	<u>109,906</u>	<u>451,727,896</u>	<u>448,806,304</u>
Net position:						
Net investment in capital assets	(4,506,937)	2,038,357	422,571	400,586	(4,084,366)	2,438,943
Restricted	10,415,814	12,305,454	-	-	10,415,814	12,305,454
Unrestricted	(36,416,082)	(35,293,841)	139,846	234,939	(36,276,236)	(35,058,902)
Total net position	<u>\$ (30,507,205)</u>	<u>\$ (20,950,030)</u>	<u>\$ 562,417</u>	<u>\$ 635,525</u>	<u>\$ (29,944,788)</u>	<u>\$ (20,314,505)</u>

Unrestricted net position showed a \$36.3 million deficit at the end of this year. This deficit does not mean that the District does not have significant resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are more than currently available resources.

Changes in net position. The District’s total revenues decreased 1% percent to \$143.4 million. (See Table A-2.) A significant portion, 61% of the District’s revenue comes from taxes. (See Graph A-1.) 26% comes from state allocations and from federal and state grants. The remaining 13% relates to charges for services, investment earnings, and miscellaneous revenues. The total cost of all programs and services were \$153.0 million (4%). The District’s expenses cover a range of services.

Governmental Activities

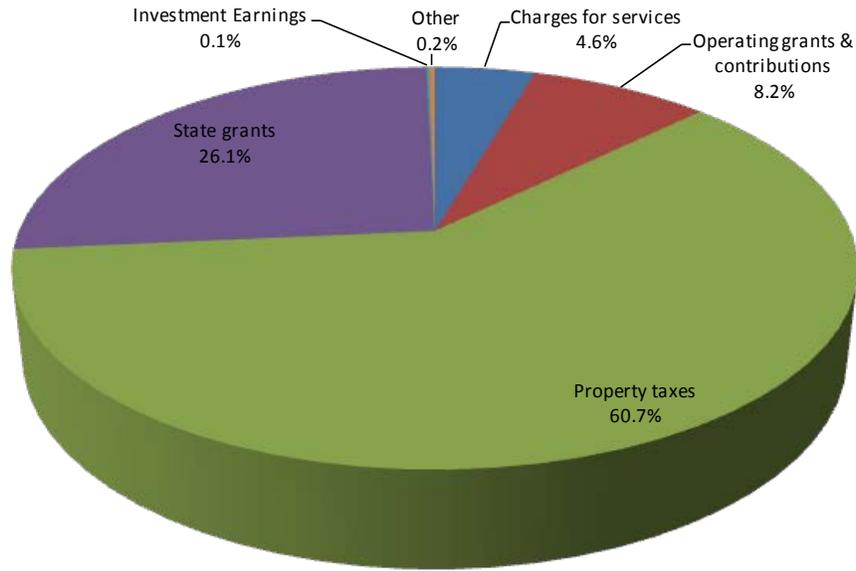
Revenues for the District's governmental activities increased 1%, while total expenses increased 4%. The District's governmental net position decreased \$9.6 million.

	Governmental Activities		Business-type Activities		Total	
	Year Ended 2013	Year Ended 2012	Year Ended 2013	Year Ended 2012	Year Ended 2013	Year Ended 2012
Program revenues:						
Charges for services	\$ 6,531,111	\$ 6,334,583	\$ 1,138,647	\$ 1,102,214	\$ 7,669,758	\$ 7,436,797
Operating grants and contributions	11,699,405	11,616,030	-	-	11,699,405	11,616,030
General revenues:						
Property taxes	86,361,814	84,773,579	-	-	86,361,814	84,773,579
State aid - formula	37,081,797	37,756,514	-	-	37,081,797	37,756,514
Investment earnings	192,884	250,959	-	-	192,884	250,959
Other	355,500	386,480	-	-	355,500	386,480
Total revenues	\$ 142,222,511	\$ 141,118,145	\$ 1,138,647	\$ 1,102,214	\$ 143,361,158	\$ 142,220,359
Expenses:						
Instruction	\$ 74,658,394	\$ 76,296,145	\$ -	\$ -	\$ 74,658,394	\$ 76,296,145
Instructional resources and media services	3,155,851	3,149,644	-	-	3,155,851	3,149,644
Curriculum and staff development	2,282,918	1,866,593	-	-	2,282,918	1,866,593
Instructional leadership	868,334	778,855	-	-	868,334	778,855
School leadership	6,550,942	6,402,809	-	-	6,550,942	6,402,809
Guidance, counseling and evaluation services	4,315,689	4,287,283	-	-	4,315,689	4,287,283
Social work services	272,740	176,128	-	-	272,740	176,128
Health services	1,667,256	1,636,192	-	-	1,667,256	1,636,192
Student (pupil) transportation	3,803,881	3,743,446	-	-	3,803,881	3,743,446
Food services	6,119,653	5,901,810	-	-	6,119,653	5,901,810
Cocurricular/extracurricular activities	8,903,179	8,461,610	-	-	8,903,179	8,461,610
General administration	3,256,873	3,601,560	-	-	3,256,873	3,601,560
Plant maintenance and operations	11,440,704	11,171,920	-	-	11,440,704	11,171,920
Security and monitoring services	880,966	757,922	-	-	880,966	757,922
Data processing services	2,232,590	2,226,951	-	-	2,232,590	2,226,951
Community services	206,984	250,126	-	-	206,984	250,126
Debt service	20,883,552	15,517,929	-	-	20,883,552	15,517,929
Capital outlay	8,252	45,955	-	-	8,252	45,955
Payments for shared service arrangements	25,885	10,000	-	-	25,885	10,000
Other intergovernmental charges	645,043	606,826	-	-	645,043	606,826
Sports marketing	-	-	72,055	43,454	72,055	43,454
ROCK after school program	-	-	739,700	747,136	739,700	747,136
Total expenses	152,179,686	146,889,704	811,755	790,590	152,991,441	147,680,294
Transfers	400,000	-	(400,000)	-	-	-
Change in net position	(9,557,175)	(5,771,559)	(73,108)	311,624	(9,630,283)	(5,459,935)
Net position - beginning (July 1)	(20,950,030)	(15,178,471)	635,525	323,901	(20,314,505)	(14,854,570)
Net position - ending (June 30)	\$ (30,507,205)	\$ (20,950,030)	\$ 562,417	\$ 635,525	\$ (29,944,788)	\$ (20,314,505)

Business-Type Activities- Business type activities, decreased the District's net position by \$73,108. The decrease in net position is a direct result of transfers from the business-type activities to the governmental activities of \$400,000.

Sources of Revenues for Fiscal Year 2013

Graph A-1



Functional Expenses For Fiscal Year 2013

Graph A-2

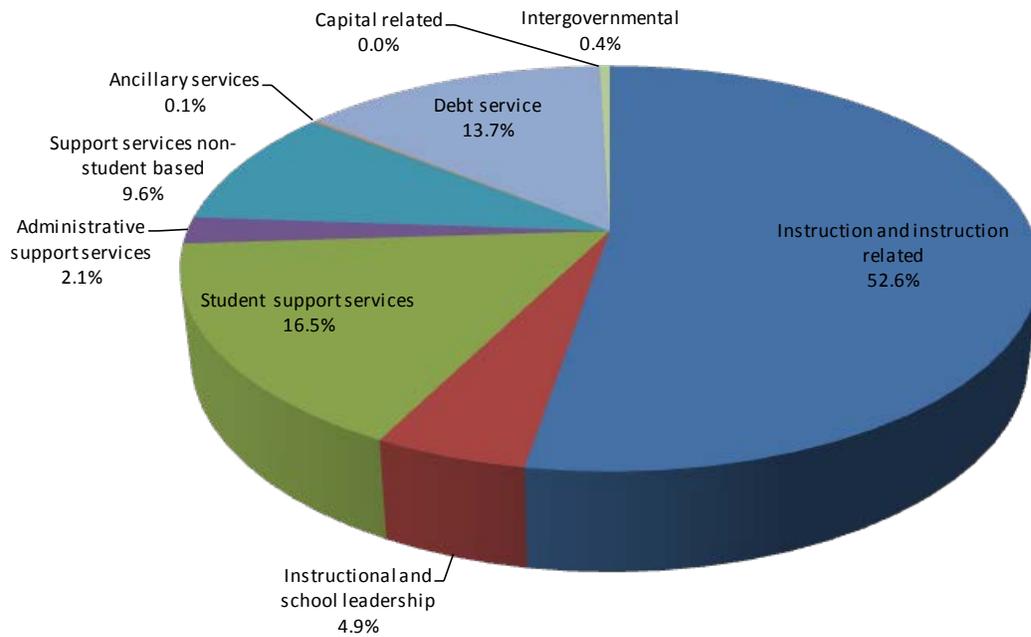


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$153.0 million. However, the amount that our taxpayers paid for these activities through property taxes was only \$86.4 million.

Some of the cost was paid by those who directly benefited from the programs (\$6.5 million), or by operating grants and contributions (\$11.7 million).

Rockwall Independent School District						Table A-3
Net Cost of Selected District Functions						
	<u>Total Cost of Services</u>		% Change	<u>Net Cost of Services</u>		% Change
	<u>Year Ended</u>	<u>Year Ended</u>		<u>Year Ended</u>	<u>Year Ended</u>	
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Instruction	\$74,658,394	\$76,296,145	-2.1%	\$66,849,411	\$68,940,288	-3.0%
School leadership	6,550,942	6,402,809	2.3%	6,233,382	6,087,997	2.4%
General administration	3,256,873	3,601,560	-9.6%	3,108,439	3,439,461	-9.6%
Plant maintenance and operations	11,440,704	11,171,920	2.4%	10,595,967	10,310,900	2.8%
Debt service	20,883,552	15,517,929	34.6%	20,518,280	14,854,333	38.1%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending balances of \$73.4 million. Approximately 59% of this total amount or \$43.2 million constitutes the unassigned fund balance. The remainder of fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because it has already been: 1) restricted for retirement of long-term debt \$16.5 million, 2) restricted for capital projects \$10.9 million, and 3) restricted, committed for other purposes, or nonspendable, totaling \$2.8 million.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$43.2 million, while the total fund balance of all governmental funds was \$73.4 million.

The fund balance of the District's general fund increased by \$1.9 million during the current fiscal year. The major factors contributing to this increase include increased state revenue, which is generated by an increase in average daily attendance (ADA). This increase in revenues, with a decrease in expenditures compared to prior year levels, allowed the District to see an overall increase in the general fund balance from the prior year.

The debt service fund has a total fund balance of \$16.5 million, all of which is restricted for the payment of debt service.

The net decrease in fund balance during the period in the debt service fund was \$0.1 million. This decrease was primarily due to lowering principal and interest payments as part of the issuance of refunding bonds.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenues and appropriations. The amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal year for amounts reserved and designated in the prior year.
- Amendments throughout the year to revise estimates for local and state revenue based on the latest information on student attendance and tax collections.
- Amendments throughout the year for transfers to and from other funds and federal indirect cost calculations.
- Amendments throughout the year for unexpected occurrences.
- Amendments throughout the year for resignations and employment of new personnel.

After appropriations were amended as described above, actual revenues for the general fund were \$1,572,137 above the final budget amounts, primarily due to an increase in state program revenue, for an increase in (ADA) average daily attendance. The District also saw an increase in SHARS (School Health and Related Services) program revenues, due to the 2011 cost settle up. Actual expenditures were \$3,257,518 below final budget amounts, primarily due to salaries and benefits being less than budgeted from turnover from the prior year, and with department and campus savings on supplies, materials, and other operating budgets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$315.6 million (net of accumulated depreciation). This amount represents a net increase (including additions and deletions) of \$2.0 million or 0.6%. The investment in capital assets includes land, buildings and improvements, vehicles, equipment, and construction in progress.

Rockwall Independent School District's Capital Assets						Table A-4
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 18,020,018	\$ 18,020,018	\$ -	\$ -	\$ 194,322	\$ 18,020,018
Construction in progress	912,102	3,724,527	-	-	912,102	3,724,527
Buildings and improvements	417,538,747	396,957,570	-	-	417,538,747	396,957,570
Vehicles	7,850,765	8,368,360	-	-	7,850,765	8,368,360
Equipment	8,163,915	8,026,477	491,603	491,603	8,655,518	8,518,080
Totals at historical cost	452,485,547	435,096,952	491,603	491,603	452,977,150	435,588,555
Less accumulated depreciation	<u>(136,863,224)</u>	<u>(121,477,420)</u>	<u>(119,901)</u>	<u>(91,017)</u>	<u>(136,983,125)</u>	<u>(121,568,437)</u>
Net capital assets	<u>\$ 315,622,323</u>	<u>\$ 313,619,532</u>	<u>\$ 371,702</u>	<u>\$ 400,586</u>	<u>\$ 315,994,025</u>	<u>\$ 314,020,118</u>

Additional information on the District's capital assets can be found in Note 5.

Long-Term Debt

At year-end the District had \$419.4 million in long term debt – an increase of 1.8% over last year – as shown in Table A-5. The District issued \$10.6 million in new debt during the 2013 year and issued \$81.6 million to refund previously issued debt.

Rockwall Independent School District's Long Term Debt			
	<u>2013</u>	<u>2012</u>	Total Percentage Change
Bonds payable	348,148,255	348,168,257	0.0%
Accreted interest	67,781,321	61,623,868	10.0%
Other long term liabilities	<u>3,445,049</u>	<u>2,005,464</u>	71.8%
	<u>419,374,625</u>	<u>411,797,589</u>	1.8%

The “AAA” long term rating of the District’s Texas bonds reflects the Texas Permanent School guarantee. The District has an underlying bond rating of “Aa2” and “AA” given to it by both Moody’s and Standard & Poors respectively. This rating reflects the District’s (1) strong economic situation, (2) strong administrative management, and (3) excellent financial performance.

Additional information on the District’s long-term debt can be found in Note 7.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND TAX RATES

The District’s certified property values for 2013 reflect a 1.5% increase in property values, from the prior year. This increase in property values was offset by a decrease in state revenue for the general fund, as provided for under current state law. This provision does not apply to the debt service fund.

The maintenance and operating tax rate of \$1.04 is the same as the prior year. A total of 4 cents above \$1.00 is allowable at the local level, under provisions of HB 1. The District is now at its maximum maintenance and operating tax rate, and will remain at this rate until the Board of Trustees call for a tax ratification election to access up to 13 additional pennies.

Student enrollment has continued to increase, each year. With annual increases in student enrollment, the District continues to evaluate future facility needs to determine the timing of its next bond election. Construction of a new elementary school was completed during the summer of 2013 and opened for the 2013-2014 school year.

The Administration is carefully monitoring future and outstanding debt, as well as fund balance, to maintain a tax rate not to exceed \$0.50 for debt service payments. The debt service tax rate was reduced from \$0.43 to \$0.42 for the 2013 tax year, due to a refunding of a portion of the District’s outstanding bonds to result in an economic gain on the difference between the present values of the old and new debt service payments. The tax rate reduction was also possible, due to the increase in property values.

The Board of Trustees adopted a 2013-2014 general fund budget reflecting revenues and transfers from other funds of \$105,614,207 and expenditures of \$109,003,649. The Board of Trustees approved this

planned use of fund balance for \$2.5 million in technology initiatives and \$700,000 for purchases of school buses.

The District will continue to review its priorities to maintain the level of service to its children and taxpayers for future budget years.

REQUESTS FOR INFORMATION

This financial report is designed to provide 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 Ball, Chief Financial Officer for the District.

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BASIC FINANCIAL STATEMENTS

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS			
1110 Cash and cash equivalents	\$ 83,346,542	\$ 244,836	\$ 83,591,378
1220 Property taxes receivables (delinquent)	3,433,416	-	3,433,416
1230 Allowance for uncollectible taxes (credit)	(171,671)	-	(171,671)
1240 Due from other governments	7,745,309	-	7,745,309
1260 Internal balances	17,916	(17,916)	-
1290 Other receivables, net	58,882	176,042	234,924
1300 Inventories	106,276	-	106,276
1410 Deferred expenses	176,800	2,500	179,300
1420 Capital bond and other debt issuance costs	3,516,172	-	3,516,172
Capital assets:			
1510 Land	18,020,018	-	18,020,018
1520 Buildings, net	292,941,712	-	292,941,712
1530 Furniture and equipment, net	3,748,491	371,702	4,120,193
1580 Construction in progress	912,102	-	912,102
1000 Total assets	<u>413,851,965</u>	<u>777,164</u>	<u>414,629,129</u>
DEFERRED OUTFLOWS OF RESOURCES			
1700 Accumulated decrease in fair value of hedging derivative	7,153,979	-	7,153,979
Total deferred outflows of resources	<u>7,153,979</u>	<u>-</u>	<u>7,153,979</u>
LIABILITIES			
2110 Accounts payable	6,077,923	3,013	6,080,936
2140 Interest payable	6,261,229	-	6,261,229
2150 Payroll deductions and withholdings	1,358,802	25	1,358,827
2160 Accrued wages payable	10,153,318	31,839	10,185,157
2180 Due to other governments	129	-	129
2300 Unearned revenue	151,336	179,870	331,206
2301 Deferred gain	981,808	-	981,808
2302 Derivative instrument	7,153,979	-	7,153,979
Long term liabilities:			
2501 Due within one year	12,525,999	-	12,525,999
2502 Due in more than one year	406,848,626	-	406,848,626
2000 Total liabilities	<u>451,513,149</u>	<u>214,747</u>	<u>451,727,896</u>
NET POSITION			
3200 Net investment in capital assets	(4,506,937)	422,571	(4,084,366)
Restricted for:			
3820 Federal and state programs	1,193,480	-	1,193,480
3850 Debt service	9,222,334	-	9,222,334
3900 Unrestricted	(36,416,082)	139,846	(36,276,236)
3000 Total net position	<u>\$ (30,507,205)</u>	<u>\$ 562,417</u>	<u>\$ (29,944,788)</u>

The Notes to Financial Statements are
an integral part of this statement.

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**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Data Control Codes	1 Expenses	Program Revenues	
		3 Charges for Services	4 Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:			
11	Instruction	\$ 74,658,394	\$ 6,417,807
12	Instructional resources and media services	3,155,851	139,343
13	Curriculum and staff development	2,282,918	271,148
21	Instructional leadership	868,334	98,710
23	School leadership	6,550,942	317,560
31	Guidance, counseling, and evaluation services	4,315,689	453,911
32	Social work services	272,740	13,623
33	Health services	1,667,256	55,947
34	Student (pupil) transportation	3,803,881	149,385
35	Food services	6,119,653	2,525,163
36	Cocurricular/Extracurricular activities	8,903,179	326,592
41	General administration	3,256,873	148,434
51	Plant maintenance and operations	11,440,704	540,118
52	Security and monitoring services	880,966	43,720
53	Data processing services	2,232,590	132,138
61	Community services	206,984	34,509
72	Debt service - interest on long-term debt	20,518,280	-
73	Debt service - amortization and fees	365,272	-
81	Facilities acquisition and construction	8,252	-
93	Payments to fiscal agent/member districts of SSA	25,885	730
99	Other intergovernmental charges	645,043	30,567
	Total governmental activities	152,179,686	11,699,405
BUSINESS-TYPE ACTIVITIES:			
01	Sports marketing	\$ 72,055	\$ -
02	ROCK after school program	739,700	-
	Total business-type activities	\$ 811,755	\$ -
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 152,991,441	\$ 11,699,405

Data
Control
Codes
MT
DT
GC
IE
MI
FR

TR
CN
NB
NE

General Revenues:

Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Grants and contributions not restricted
Investment earnings
Miscellaneous
Transfers

Total general revenues and transfers
Change in net position
Net position- beginning
Net position- ending

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Governmental Activities	Business-type Activities	Total
\$ (66,849,411)	\$ -	\$ (66,849,411)
(2,947,880)	-	(2,947,880)
(2,011,770)	-	(2,011,770)
(769,624)	-	(769,624)
(6,233,382)	-	(6,233,382)
(3,783,277)	-	(3,783,277)
(259,117)	-	(259,117)
(1,611,309)	-	(1,611,309)
(3,654,496)	-	(3,654,496)
(499,435)	-	(499,435)
(6,983,455)	-	(6,983,455)
(3,108,439)	-	(3,108,439)
(10,595,967)	-	(10,595,967)
(837,246)	-	(837,246)
(2,100,452)	-	(2,100,452)
(172,475)	-	(172,475)
(20,518,280)	-	(20,518,280)
(365,272)	-	(365,272)
(8,252)	-	(8,252)
(25,155)	-	(25,155)
(614,476)	-	(614,476)
<u>(133,949,170)</u>	<u>-</u>	<u>(133,949,170)</u>
\$ -	\$ 107,961	\$ 107,961
<u>-</u>	<u>218,931</u>	<u>218,931</u>
\$ -	\$ 326,892	\$ 326,892
<u>-</u>	<u>326,892</u>	<u>326,892</u>
\$ (133,949,170)	\$ 326,892	\$ (133,622,278)
61,117,242	-	61,117,242
25,244,572	-	25,244,572
37,081,797	-	37,081,797
192,884	-	192,884
355,500	-	355,500
400,000	(400,000)	-
<u>124,391,995</u>	<u>(400,000)</u>	<u>123,991,995</u>
(9,557,175)	(73,108)	(9,630,283)
(20,950,030)	635,525	(20,314,505)
<u>\$ (30,507,205)</u>	<u>\$ 562,417</u>	<u>\$ (29,944,788)</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

Data Control Codes		10 General Fund	50 Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 49,149,607	\$ 16,272,054
1220	Property taxes delinquent	2,501,798	931,618
1230	Allowance for uncollectable taxes (credit)	(125,090)	(46,581)
1240	Due from other governments	6,443,881	55,374
1260	Due from other funds	1,224,064	-
1290	Other receivables	11,922	28,931
1300	Inventories	38,373	-
1410	Deferred expenditures	176,800	-
1000	Total assets	<u>\$ 59,421,355</u>	<u>\$ 17,241,396</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110	Accounts payable	\$ 1,766,392	\$ 72,416
2150	Payroll deductions and withholdings	1,297,311	-
2160	Accrued wages payable	9,640,246	-
2170	Due to other funds	921,939	30,704
2180	Due to other governments	-	-
2300	Deferred revenue	2,368,345	630,425
2000	Total liabilities	<u>15,994,233</u>	<u>733,545</u>
Fund balances:			
Nonspendable			
3410	Inventories	38,373	-
3430	Prepaid items	176,800	-
Restricted			
3480	Debt service	-	16,507,851
3470	Capital projects	-	-
3450	Grant funds	-	-
Committed			
3545	Local special revenue	-	-
3600	Unassigned	43,211,949	-
3000	Total fund balances	<u>43,427,122</u>	<u>16,507,851</u>
4000	Total liabilities and fund balances	<u>\$ 59,421,355</u>	<u>\$ 17,241,396</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-1

60		
Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 15,069,988	\$ 1,549,251	\$ 82,040,900
-	-	3,433,416
-	-	(171,671)
-	1,246,054	7,745,309
-	964,079	2,188,143
-	17,688	58,541
-	67,903	106,276
-	-	176,800
<u>\$ 15,069,988</u>	<u>\$ 3,844,975</u>	<u>\$ 95,577,714</u>
\$ 4,154,395	\$ 62,109	\$ 6,055,312
-	61,491	1,358,802
-	513,072	10,153,318
-	520,104	1,472,747
-	129	129
-	127,764	3,126,534
<u>4,154,395</u>	<u>1,284,669</u>	<u>22,166,842</u>
-	67,903	106,276
-	-	176,800
-	-	16,507,851
10,915,593	-	10,915,593
-	1,193,480	1,193,480
-	1,298,923	1,298,923
-	-	43,211,949
<u>10,915,593</u>	<u>2,560,306</u>	<u>73,410,872</u>
<u>\$ 15,069,988</u>	<u>\$ 3,844,975</u>	<u>\$ 95,577,714</u>

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**ROCKWALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 73,410,872
1 The District uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The effect of this consolidation is to increase the net position.	585,892
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	452,485,547
3 Accumulated depreciation has not been included in the governmental fund financial statements.	(136,863,224)
4 Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	(348,148,255)
5 Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements as a liability.	(67,781,321)
6 Bond issue costs reported as an expenditure in the governmental fund financial statements are capitalized in the government-wide financial statements.	3,516,172
7 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are reported when due.	(6,261,229)
8 Revenue reported as deferred revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	2,975,198
9 Premiums and discounts on the issuance of current interest bonds are reflected in the statement of net position in the government-wide financial statements, net of amortization.	(17,390,585)
10 Gains from partial refundings of hedges is reported as other resources in the governmental fund financial statements, however, they are recorded as a deferred gain in the government-wide financial statements, net of amortization.	(981,808)
11 Deferred refunding amount is reflected in the statement of net position in the government-wide financial statements, net of amortization.	<u>13,945,536</u>
19 NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (30,507,205)</u></u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

Data Control Codes		10 General Fund	50 Debt Service Fund
REVENUES			
5700	Total local and intermediate sources	\$ 62,693,679	\$ 25,382,160
5800	State program revenues	41,292,017	-
5900	Federal program revenues	466,441	-
5020	Total revenues	<u>104,452,137</u>	<u>25,382,160</u>
EXPENDITURES			
CURRENT:			
0011	Instruction	61,778,325	-
0012	Instructional resources and media services	2,552,172	-
0013	Curriculum and staff development	2,098,802	-
0021	Instructional leadership	802,915	-
0023	School leadership	6,257,736	-
0031	Guidance, counseling, and evaluation services	3,881,070	-
0032	Social work services	272,945	-
0033	Health services	1,175,497	-
0034	Student (pupil) transportation	3,076,032	-
0035	Food services	-	-
0036	Cocurricular/extracurricular activities	3,510,032	-
0041	General administration	3,120,979	-
0051	Plant maintenance and operations	11,382,425	-
0052	Security and monitoring services	905,967	-
0053	Data processing services	1,709,144	-
0061	Community services	78,853	-
DEBT SERVICE:			
0071	Debt service - Principal on long-term debt	-	10,530,000
0072	Debt service - Interest on long-term debt	-	14,763,951
0073	Debt service - Bond issuance costs and fees	-	1,048,536
CAPITAL OUTLAY:			
0081	Facilities acquisition and construction	-	-
INTERGOVERNMENTAL:			
0093	Payments to member districts of SSA	15,385	-
0099	Other intergovernmental charges	645,043	-
6030	Total expenditures	<u>103,263,322</u>	<u>26,342,487</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>1,188,815</u>	<u>(960,327)</u>
OTHER FINANCING SOURCES (USES) :			
7911	Issuance of bonds	-	81,564,998
7912	Proceeds from sale of assets	59,162	-
7916	Premium on issuance of bonds	-	10,371,904
7915	Transfers in	618,000	4,805
8911	Transfers out	-	-
7919	Insurance recoveries	-	-
8940	Payments to refunded bond escrow agent	-	(91,033,754)
7080	Total other financing sources (uses)	<u>677,162</u>	<u>907,953</u>
1200	Net change in fund balances	1,865,977	(52,374)
0100	Fund balance - July 1 (beginning)	41,561,145	16,560,225
3000	Fund balances - June 30 (ending)	<u>\$ 43,427,122</u>	<u>\$ 16,507,851</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 32,517	\$ 5,824,501	\$ 93,932,857
-	785,696	42,077,713
-	5,774,579	6,241,020
<u>32,517</u>	<u>12,384,776</u>	<u>142,251,590</u>
154,619	4,123,661	66,056,605
1,277	102,983	2,656,432
-	185,091	2,283,893
-	66,092	869,007
1,640	109,506	6,368,882
30	376,353	4,257,453
-	-	272,945
15	-	1,175,512
275,935	-	3,351,967
4,050	5,245,133	5,249,183
-	1,327,311	4,837,343
94,696	1,345	3,217,020
-	300	11,382,725
-	43,559	949,526
70,555	50,889	1,830,588
-	128,203	207,056
-	-	10,530,000
-	-	14,763,951
174,333	-	1,222,869
18,517,705	-	18,517,705
-	10,500	25,885
-	-	645,043
<u>19,294,855</u>	<u>11,770,926</u>	<u>160,671,590</u>
<u>(19,262,338)</u>	<u>613,850</u>	<u>(18,420,000)</u>
10,600,000	-	92,164,998
-	-	59,162
1,579,138	-	11,951,042
-	1,000	623,805
(4,805)	(219,000)	(223,805)
776,947	-	776,947
-	-	(91,033,754)
<u>12,951,280</u>	<u>(218,000)</u>	<u>14,318,395</u>
(6,311,058)	395,850	(4,101,605)
17,226,651	2,164,456	77,512,477
<u>\$ 10,915,593</u>	<u>\$ 2,560,306</u>	<u>\$ 73,410,872</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (4,101,605)

Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of removing the 2013 capital outlays is to increase net position. 18,277,937

Current year long-term debt principal payments on bonds payable and capital leases are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. 10,530,000

Current year accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in accreted interest on the government-wide financial statements. (6,157,453)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. This amount represents the current year increase in interest payable. (511,880)

Proceeds from debt issued through bond proceeds are reflected as other financing sources on the governmental fund financial statements, but are shown as a long term liability in the government-wide financial statements. (92,164,998)

Current year payment to escrow agent for refunded debt are other financing uses in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. 91,033,754

Premiums and discounts are recognized in the fund financial statements as other financing sources or uses, but they are amortized over the term of the bonds in the government-wide financial statements. (11,951,042)

Bond issuance costs are expenditures in the fund financial statements when debt is issued, but they are amortized over the term of the bond in the government-wide financial statements. 857,597

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(89,652)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(16,275,146)
The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The net effect of this consolidation is to increase net position.	80,309
Amortization of the deferred loss on refunding is not recognized on the governmental fund financial statements.	(578,893)
Amortization of the gain on swap agreement is not recognized on the governmental fund financial statements.	46,064
Amortization of the premium on issuance of current interest bonds is not recognized on the governmental fund financial statements.	<u>1,447,833</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (9,557,175)</u></u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

Data Control Codes		Business-Type Activities		Governmental Activities	
		Total Nonmajor Enterprise Funds		Internal Service Fund	
ASSETS					
Current assets:					
1110	Cash and cash equivalents	\$	244,836	\$	1,305,642
1290	Other receivables, net		176,042		341
1410	Prepays		2,500		-
	Total current assets		423,378		1,305,983
Noncurrent assets:					
1530	Furniture and equipment, net		371,702		-
	Total noncurrent assets		371,702		-
1000	Total assets	\$	795,080	\$	1,305,983
LIABILITIES AND NET POSITION					
Liabilities:					
Current liabilities:					
2110	Accounts payable	\$	3,013	\$	22,611
2150	Payroll deductions and withholdings		25		-
2160	Accrued wages payable		31,839		-
2170	Due to other funds		17,916		697,480
2300	Unearned revenue		179,870		-
	Total current liabilities		232,663		720,091
2000	Total liabilities		232,663		720,091
Net position:					
3200	Investment in capital assets		371,702		-
3620	Unrestricted		190,715		585,892
3000	Total net position		562,417		585,892
4000	Total liabilities and net position	\$	795,080	\$	1,305,983

The Notes to Financial Statements are an integral part of this statement.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

Data Control Codes		Business-Type Activities	Governmental Activities
		Total Nonmajor Enterprise Funds	Internal Service Fund
OPERATING REVENUES			
5700	Total local and intermediate sources	\$ 1,138,647	\$ 516,759
5020	Total operating revenues	1,138,647	516,759
OPERATING EXPENSES			
6100	Payroll costs	630,494	-
6200	Professional and contracted services	14,623	369,550
6300	Supplies and materials	54,443	64,069
6400	Other operating costs	112,195	4,242
6030	Total operating expenses	811,755	437,861
	Operating income	326,892	78,898
NONOPERATING REVENUES			
7955	Earnings from temporary deposits and investments	-	1,411
8030	Total nonoperating revenues	-	1,411
	Income before transfers	326,892	80,309
8911	TRANSFERS OUT	(400,000)	-
1300	Change in net position	(73,108)	80,309
0100	Total net position, beginning (July 1)	635,525	505,583
3300	Total net position, ending (June 30)	\$ 562,417	\$ 585,892

The Notes to Financial Statements are an integral part of this statement.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Nonmajor Business-Type Activities	Nonmajor Governmental Activities
	Total Nonmajor Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from user charges	\$ 1,148,156	\$ 516,759
Payments to employees	(626,921)	-
Payments to suppliers	(53,579)	-
Cash payments for claims and administration	-	(419,550)
Other payments or receipts	(82,518)	396,968
Net cash provided by operating activities	<u>385,138</u>	<u>494,177</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out	(400,000)	-
Net cash used in non-capital financing activities	<u>(400,000)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned	-	1,411
Net cash provided by investing activities	<u>-</u>	<u>1,411</u>
Net increase (decrease) in cash and cash equivalents	(14,862)	495,588
Cash and cash equivalents, beginning of year	259,698	810,054
Cash and cash equivalents, end of year	<u>\$ 244,836</u>	<u>\$ 1,305,642</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income:	\$ 326,892	\$ 78,898
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	28,884	-
Effect of increases and decreases in current assets and liabilities:		
Increase in account receivable	(90,895)	-
Increase in prepaids	(2,500)	-
Decrease in accounts payable	864	1,429
Decrease in interfund payable	17,916	463,850
Increase (decrease) in accrued liabilities	3,573	(50,000)
Decrease in unearned revenue	100,404	-
Net cash provided by operating activities	<u>\$ 385,138</u>	<u>\$ 494,177</u>

The Notes to Financial Statements are
an integral part of this statement.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2013**

	Student Activity
ASSETS	
Cash and cash equivalents	\$ 166,659
Total assets	<u>\$ 166,659</u>
LIABILITIES	
Accounts payable	\$ 19,415
Due to student groups	147,244
Total liabilities	<u>\$ 166,659</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rockwall Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of School Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The 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 required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (primary government) and its component units. There are no component units of the District that are required to be presented in the financial statements.

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

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed except for interfund services provided and used which are not eliminated. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities*, which are reported separately, rely to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identified with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes are reported as *general revenues*.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements – Continued

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis on 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 funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The effect of interfund activity has been eliminated from the government-wide financial statements. Agency funds also use the accrual basis of accounting, however, they have no measurement focus.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Fund Accounting

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects funds.

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

1. **Enterprise Funds** – The two funds account for the operation of a self-supporting activity which provides services to outside parties in return for fees. The funds account for assets, liabilities, revenues and expenses of the sports marketing effort of the District and the ROCK after school program.
2. **Internal Service Fund** – This fund is used to account for revenues and expenses related to services provided to parties inside the District. This fund facilitates the 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.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting – Continued

Fiduciary Funds:

1. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency fund is the student activity fund. Agency funds typically involve only the receipt, temporary investment, and remittance of resources to individuals, private organizations, or governments.

Financial Statement Amounts

Cash and Cash Equivalents

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and cash equivalents. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventory

Inventories of materials, supplies and food commodities are reported on the balance sheet at weighted average cost. Inventory items are recorded as expenditures when consumed. Supplies are used for almost all functions of activities, while food commodities are used only in the food service functional activity.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District 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 year in which they were imposed. On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the general and debt service funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas legislature.

The tax rates assessed for the year ended June 30, 2013 to finance general fund operations and the payment of principal and interest on general obligation debt were \$1.04 and \$0.43 per \$100 valuation, respectively, for a total of \$1.47 per \$100 valuation.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Capital Assets

Capital assets, which include land, construction in progress, buildings, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land improvements, buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

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

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on refunding are deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt using the straight line method. Bonds payable are reported net of the applicable bond premium or discount and gain or loss on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Fund Balances and Net Position

Government-Wide Financial Statements

Net position on the statement of net position includes the following:

Net investment in capital assets -- the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for debt service -- the component of net position that reports the difference between assets and liabilities with constraints placed on their use by the bond covenants.

Restricted for federal and state grants -- the component of net position that reports the difference between assets and liabilities with constraints placed on their use by the U.S. Department of Agriculture.

Unrestricted -- the difference between the assets and liabilities that is not reported in net position invested in capital assets, net of related debt, net position restricted for food service or net position restricted for debt service.

Governmental Fund Financial Statements

Fund balance classifications, under GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54) are: nonspendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. In accordance with GASB 54, the District classifies governmental fund balances as follows:

Nonspendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories and prepaid items.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Governmental Fund Financial Statements - Continued

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification includes campus activity funds, local special revenue funds and potential litigation, claims and judgments.

Assigned -- includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Assistant Superintendent of Finance and Human Resources. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The order of spending is to first use committed fund balance, then assigned fund balance, and last of all, unassigned fund balance. Restricted fund balance will be used before the unrestricted portion.

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 government-wide statement of net position.

Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the Resource 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.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Account Code Reporting

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 *Resource Guide*. Mandatory codes are utilized in the form provided in that section.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of June 30, 2013 will change.

Subsequent Events

The District has evaluated all events or transactions that occurred after June 30, 2013 up through November 11, 2013, the date the financial statements were issued. During this period, there were no subsequent events requiring disclosure.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

At June 30, 2013, all District cash deposits have been covered by the Federal Deposit Insurance Corporation (FDIC) insurance. The District's deposits were properly secured throughout the fiscal year.

The Public Funds Investment Act (Government Code Chapter 2256) (PFIA) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes and the District's investment policy authorized the District to invest in the following investments as summarized in the table below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	10 years	None	None
U.S. Agencies Securities	10 years	None	None
Certificates of Deposits	n/a	None	None
Fully Collateralized Repurchase Agreements	90 days	None	None
Securities Lending Program	1 year	None	None
Banker's Acceptance	270 days	None	None
Commercial Paper	270 days	None	None
No-Load Money Market Mutual Funds	90 days	None	None
No-Load Mutual Funds	2 years	None	None
Guaranteed Investment Contracts	5 years	None	None
Public Funds Investment Pools	n/a	None	None

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

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 & Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

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.

TexasTERM 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 the 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 monitors 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.

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.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

The TexasTERM portfolio is a fixed rate, fixed term portfolio option rated AAAm by Standard & Poor’s rating agency.

The District is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexPool is rated AAAm by Standard & Poor’s rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor’s.

The following table categorizes the District’s investments at June 30, 2013:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Lone Star Investment Pool	\$ 19,280,993	AAA/AAAm	AAA
Texas CLASS	41,549,007	AAA/AAAm	AAAm
TexPool	8,744,523	AAA/AAAm	AAAm
TexasTERM	<u>10,449,500</u>	AAA/AAAm	AAAm
Total cash equivalents	<u>\$ 80,024,023</u>		

At June 30, 2013, the carrying amount of the District’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,727,124 and the bank balance was \$4,293,663. The District’s cash deposits at June 30, 2013 and during the year ended June 30, 2013 were entirely covered by the FDIC.

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

- a. Depository: American National Bank.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$16,574,149.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$16,403,257 and occurred on January 10, 2013.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 83,591,378
Fiduciary funds:	
Cash and cash equivalents	<u>166,659</u>
Total cash and cash equivalents	<u><u>\$ 83,758,037</u></u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 6,890
Deposits with financial institutions	3,727,124
Cash equivalents	<u>80,024,023</u>
Total cash and investments	<u><u>\$ 83,758,037</u></u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table on page 39 presents the minimum rating required by (where applicable) the Public Funds Investment Act, the District’s investment policy, or debt agreements, and the actual rating as of the year-end for each investment type held by the District.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Custodial Credit Risk – Continued

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Investments held by third parties were fully collateralized and held in the District's name.

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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As of June 30, 2013 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

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.

As of June 30, 2013, the District had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Held in governmental funds:		
Lone Star Investment Pool	\$ 19,280,993	57 days
Texas CLASS	41,549,007	42 days
TexPool	8,744,523	52 days
TexasTERM	<u>10,449,500</u>	50 days
Total cash equivalents	<u>\$ 80,024,023</u>	

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 3. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. The District also receives federal grants from the Region X Service Center. In addition, the District receives entitlements from the state through the school foundation and per capita programs. Amounts due from federal and state governments as of June 30, 2013, are summarized below. All federal grants shown below are passed through the Agency and are reported on the balance sheet as due from other governments. Furthermore, there are times whenever overpayment is received from a state agency and money may be due to other governments.

<u>Purpose</u>	<u>General Fund</u>	<u>Debt Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
State Entitlement	\$ 5,576,036	\$ 55,374	\$ -	\$ 5,631,410
Federal Grants	733,697	-	1,171,669	1,905,366
State Grants	-	-	74,385	74,385
Other	134,148	-	-	134,148
	<u>\$ 6,443,881</u>	<u>\$ 55,374</u>	<u>\$ 1,246,054</u>	<u>\$ 7,745,309</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Primary Purpose</u>
General fund	Nonmajor governmental funds	\$ 921,939	To cover cash shortage
Debt service fund	General fund	30,704	To cover cash shortage
Internal service fund	General fund	697,480	To cover cash shortage
Enterprise funds	General fund	73	To cover cash shortage
Enterprise funds	Nonmajor governmental funds	17,843	To cover cash shortage
Nonmajor governmental funds	General fund	495,807	To cover cash shortage
Nonmajor governmental funds	Nonmajor governmental funds	24,297	To cover cash shortage
		<u>\$ 2,188,143</u>	

All amounts due are scheduled to be repaid within one year.

The detail transfer schedule for the year ended June 30, 2013 includes the following:

<u>Transfer In:</u>	<u>Transfer Out:</u>	<u>Amount:</u>	<u>Purpose:</u>
General Fund	Nonmajor Funds	\$ 218,000	Child Nutrition, Swim Club
General Fund	Enterprise Funds	400,000	Sports Marketing, ROCK
Debt Service Fund	Capital Projects Funds	4,805	Debt Service
Nonmajor Funds	Nonmajor Funds	1,000	
		<u>\$ 623,805</u>	

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 18,020,018	\$ -	\$ -	\$ -	\$ 18,020,018
Construction in progress	3,724,527	565,704	-	(3,378,129)	912,102
Total capital assets not being depreciated	21,744,545	565,704	-	(3,378,129)	18,932,120
Capital assets being depreciated:					
Buildings and improvements	396,957,570	17,203,048	-	3,378,129	417,538,747
Furniture and equipment	16,394,837	509,185	(889,342)	-	16,014,680
Total capital assets being depreciated	413,352,407	17,712,233	(889,342)	3,378,129	433,553,427
Less accumulated depreciation for:					
Buildings and improvements	(109,869,994)	(14,727,041)	-	-	(124,597,035)
Furniture and equipment	(11,607,426)	(1,548,105)	889,342	-	(12,266,189)
Total accumulated depreciation	(121,477,420)	(16,275,146)	889,342	-	(136,863,224)
Total capital assets being depreciated, net	291,874,987	1,437,087	-	3,378,129	296,690,203
Governmental activities capital assets, net	\$ 313,619,532	\$ 2,002,791	\$ -	\$ -	\$ 315,622,323
<u>Business-type activities:</u>					
Capital assets being depreciated:					
Furniture and equipment	\$ 491,603	\$ -	\$ -	\$ -	\$ 491,603
Total capital assets being depreciated	491,603	-	-	-	491,603
Less accumulated depreciation for:					
Furniture and equipment	(91,017)	(28,884)	-	-	(119,901)
Total accumulated depreciation	(91,017)	(28,884)	-	-	(119,901)
Total capital assets being depreciated, net	400,586	(28,884)	-	-	371,702
Business-type activities capital assets, net	\$ 400,586	\$ (28,884)	\$ -	\$ -	\$ 371,702

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Depreciation
Instruction	\$ 8,688,749
Instructional resources and media services	501,321
School leadership	187,952
Guidance, counseling and evaluation services	61,052
Health services	492,360
Pupil transportation	727,849
Food services	893,068
Co-curricular/ Extracurricular activities	4,067,317
General administration	41,601
Plant maintenance and operations	158,365
Security and monitoring services	18,134
Data processing services	437,378
Total depreciation expense	\$ 16,275,146

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 6. DEFERRED REVENUE

Deferred revenue reported in the governmental funds at year end consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Net tax deferred revenue	\$ 1,867,232	\$ 630,425	\$ -	\$ 2,497,657
SHARS deferred revenue	477,541	-	-	477,541
Other deferred revenues	23,572	-	127,764	151,336
	<u>\$ 2,368,345</u>	<u>\$ 630,425</u>	<u>\$ 127,764</u>	<u>\$ 3,126,534</u>

Revenue that is not considered available at year end is reported as deferred revenue in the governmental funds and is recorded as revenue in the government-wide financial statements. Accordingly, tax and SHARS deferred revenues are reported as revenue in the government-wide financial statements.

NOTE 7. LONG-TERM DEBT

Unlimited Tax Bonds

Long-term obligation activities during the year ended June 30, 2013, were as follows:

	Beginning Balance	Additions	Reductions/ Refunded	Ending Balance	Due Within One Year
Government Activities					
Bonds payable:					
General obligation bonds	\$ 348,168,257	\$ 92,164,998	\$ (92,185,000)	348,148,255	\$ 10,869,998
Accreted interest	61,623,868	6,157,453	-	67,781,321	1,656,001
Bond premium (discount)	6,887,376	11,951,042	(1,447,833)	17,390,585	-
Deferred loss on refunding	(4,881,912)	(9,642,517)	578,893	(13,945,536)	-
Total long-term liabilities	<u>\$ 411,797,589</u>	<u>\$ 100,630,976</u>	<u>\$ (93,053,940)</u>	<u>\$ 419,374,625</u>	<u>\$ 12,525,999</u>

The District issues unlimited tax bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. Unlimited tax bonds are direct obligations and pledge the full faith and credit of the District. Bonded indebtedness of the District is reflected in the statement of net position. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

On November 1, 2012, the District issued "Rockwall Independent School District Unlimited Tax Refunding Bonds, Series 2012A," totaling \$9,280,000 to refund a portion of the outstanding bonds. These bonds incur an average cost over the life of the bonds at a rate of 2.00-4.00% and mature annually with semi-annual interest payments. The proceeds were used to purchase U.S. Government securities and these securities were placed in an irrevocable escrow account until the refunded bonds are redeemed. The District, in effect, decreased its aggregate debt service payments by \$422,062, through 2032 and resulted in an economic gain (difference between present values of the old and new debt service payment) of \$829,345. The bonds will fully mature in 2032.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 7. LONG-TERM DEBT- CONTINUED

Unlimited Tax Bonds – Continued

On January 15, 2013, the District issued “Rockwall Independent School District Unlimited Tax School Building Bonds, Series 2013,” totaling \$10,600,000 for the construction of District facilities and related costs. These bonds incur an average cost over the life of the bonds at a rate of 4.00-5.00% and mature annually with semi-annual interest payments.

On April 1, 2013, the District issued “Rockwall Independent School District Unlimited Tax Refunding Bonds, Series 2013,” totaling \$72,284,998 to refund a portion of the outstanding bonds. These bonds incur an average cost over the life of the bonds at a rate of 2.00-5.00% and mature annually with semi-annual interest payments. The proceeds were used to purchase U.S. Government securities and these securities were placed in an irrevocable escrow account until the refunded bonds are redeemed. The District, in effect, increased its aggregate debt service payments by \$11,414,952 through 2037 and resulted in an economic gain (difference between present values of the old and new debt service payment) of \$311,528. The bonds will fully mature in 2037.

In prior years and in the current year, the District issued refunding bonds for the purpose of generating resources and decreasing the total debt service payments. Placing the proceeds of the refunding bonds in an irrevocable trust has provided for all future debt service payments on the original bonds. As of June 30, 2013, the outstanding balance of defeased bonds is \$184,273,255.

Unlimited tax bonds outstanding as of June 30, 2013 are as follows:

Purpose and Lawful Authority	Interest Rate	Amount	Amounts Outstanding 07/01/12	Issued	Retired	Refunded	Amounts Outstanding 06/30/13	Interest Accretion 6/30/13
Unlimited Tax School Building Bonds, Series 2004	3.50% to 4.75%	13,195,000	9,370,000	-	-	9,370,000	-	-
Variable Rate Unlimited Tax School Building Bonds, Series 2006	4.50% to 4.82%	32,000,000	32,000,000	-	1,000,000	4,000,000	27,000,000	-
Unlimited Tax Refunding Bonds Series 2006A	4.10% to 5.00%	50,653,257	49,863,257	-	4,950,000	-	44,913,257	53,210,793
Unlimited Tax School Building Bonds, Series 2007	4.00% to 5.00%	84,000,000	82,525,000	-	3,580,000	68,285,000	10,660,000	-
Unlimited Tax School Building Bonds, Series 2008	5.00% to 6.00%	90,000,000	90,000,000	-	-	-	90,000,000	11,895,602
Unlimited Tax School Building Bonds, Series 2010	4.00% to 4.38%	15,500,000	15,500,000	-	-	-	15,500,000	1,076,197
Unlimited Tax School Building and Refunding Bonds, Series 2011	4.00% to 4.50%	9,425,000	9,425,000	-	-	-	9,425,000	-
Unlimited Tax School Building Bonds, Series 2012	2.00% to 5.00%	11,115,000	11,115,000	-	1,000,000	-	10,115,000	-
Unlimited Tax Refunding Bonds Series 2012	2.00% to 5.00%	49,620,000	48,370,000	-	-	-	48,370,000	-
Unlimited Tax Refunding Bonds Series 2012A	2.00% to 4.00%	9,280,000	-	9,280,000	-	-	9,280,000	-
Unlimited Tax School Building Series 2013	4.00% to 5.00%	10,600,000	-	10,600,000	-	-	10,600,000	-
Unlimited Tax Refunding Bonds Series 2013	2.00% to 5.00%	72,284,998	-	72,284,998	-	-	72,284,998	1,598,729
			<u>\$ 348,168,257</u>	<u>\$ 92,164,998</u>	<u>\$ 10,530,000</u>	<u>\$ 81,655,000</u>	<u>\$ 348,148,255</u>	<u>\$ 67,781,321</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 7. LONG-TERM DEBT – CONTINUED

Unlimited Tax Bonds – Continued

Debt service requirements are as follows:

Year Ending June 30	Principal Requirements	Interest Requirements	Total Requirements
2014	\$ 10,869,998	\$ 15,961,689	\$ 26,831,687
2015	11,030,000	14,671,209	25,701,209
2016	4,704,345	21,428,664	26,133,009
2017	10,353,788	17,146,571	27,500,359
2018	4,914,878	22,485,432	27,400,310
2019 - 2023	36,583,649	115,931,801	152,515,450
2024 - 2028	71,226,597	88,641,710	159,868,307
2029 - 2033	81,125,000	61,677,471	142,802,471
2034 - 2038	100,385,000	16,389,999	116,774,999
2039 - 2043	16,955,000	2,151,352	19,106,352
	<u>\$ 348,148,255</u>	<u>\$ 376,485,898</u>	<u>\$ 724,634,153</u>

There are a number of limitations and restrictions contained in the unlimited tax school building and refunding bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2013.

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

Date of Authorization	Amount Authorized	Amount Issued	Remaining Unissued
May 12, 2007	\$ 198,150,000	\$ 159,065,000	\$ 39,085,000

Interest Rate Swap Agreement

Objective. The objective of the swap is to hedge against the potential of rising rates associated with the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006 (Series 2006 Bonds).

Terms. The notional amount totals \$27,000,000, the principal amount of the Series 2006 Bonds. The District's swap agreement contains scheduled reductions to outstanding notional amounts that follow anticipated payments of principal of the Series 2006 Bonds in varying amounts during the years 2031 through 2036.

Under the terms of the swap, the District is obligated to make payments to JP Morgan Chase Bank (JPMCB) 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 hedge 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 June 1, 2037. On August 11, 2010 the terms were amended to the floating rate from 68% of 1 month LIBOR to 68% of LIBOR.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 7. LONG-TERM DEBT – CONTINUED

Interest Rate Swap Agreement – 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) 0.72% 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.

Fair value. Because long-term interest rates have changed since inception of the swaps, the swaps had a negative fair value of \$7,153,979, or a positive change of \$3,928,476. Fair market value is determined to be the amount the District would have paid, should the swap have terminated at June 30, 2013.

Credit risk. As of June 30, 2013, the District was not exposed to credit risk with JPMCB on the 2006 Swap Agreement because the swap has a negative fair value. However, should interest rates change so that the fair value of the 2006 Swap Agreement became positive, the District would be exposed to credit risk in the amount of the fair value of the 2006 Swap Agreement.

As of June 30, 2013, JPMCB was rated Aa3 and A+ by Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively.

Termination risk. 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.

Swap payments and associated debt. The debt service requirements of the hedged portion of the Series 2006 Bonds are included in the debt service maturity schedule on page 46. As interest rates change in the future, the differences between the floating rates payable to the District under the 2006 Swap Agreements and the actual interest rates payable by the District on the Series 2006 Bonds will vary.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 8. GENERAL FUND FEDERAL SOURCE REVENUES

During the current year, general fund federal source revenues consisted of the following:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Medicare Reimbursement (SHARS)	N/A	\$ 466,441
		<u>\$ 466,441</u>

NOTE 9. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2013, the District received revenues from local and intermediate sources consisting of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Property taxes-current	\$ 59,616,340	\$ 24,642,453	\$ -	\$ -	\$ 84,258,793
Property taxes-delinquent	1,196,102	492,784	-	-	1,688,886
Penalties, interest, and other	491,571	184,074	-	-	675,645
Investment earnings	94,925	62,849	32,517	1,182	191,473
Food service income	-	-	-	3,095,055	3,095,055
Gifts and bequest	25,890	-	-	81,999	107,889
Co-curricular/extracurricular activities	436,565	-	-	758,639	1,195,204
Other	832,286	-	-	1,887,626	2,719,912
Total local revenue	<u>\$ 62,693,679</u>	<u>\$ 25,382,160</u>	<u>\$ 32,517</u>	<u>\$ 5,824,501</u>	<u>\$ 93,932,857</u>

NOTE 10. RECEIVABLES

Receivables at June 30, 2013 for the District's individual major funds and aggregate nonmajor funds including any applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
Due from other governments	\$ 6,443,881	\$ 55,374	\$ 1,246,054	\$ -	\$ 7,745,309
Property taxes	2,501,798	931,618	-	-	3,433,416
Other receivables	11,922	28,931	17,688	207,358	265,899
Less: Allowance for uncollectible accounts	<u>(125,090)</u>	<u>(46,581)</u>	<u>-</u>	<u>(30,975)</u>	<u>(202,646)</u>
Net receivables	<u>\$ 8,832,511</u>	<u>\$ 969,342</u>	<u>\$ 1,263,742</u>	<u>\$ 176,383</u>	<u>\$ 11,241,978</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, www.trrs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Types of Employees Covered

All employees of public, state-supported educational institutions in Texas who are employed for ½ or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Subtitle C § 822.002 are covered by TRS membership.

Benefit Provisions

The Teacher Retirement System of Texas administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of Texas Constitution, Article XVI, § 67 and Texas Government Code, Title 8, Subtitle C. The system also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and Chapter 805, respectively.

Service Retirement

To be eligible to retire and receive a lifetime monthly service retirement annuity (normal-age or early-age), you must:

- i. Have at least five years of service credit
- ii. Meet the eligibility requirements for age and service
- iii. Terminate employment
- iv. Apply for retirement
- v. Complete the required break in service

Normal-Age

If you became a member of TRS prior to September 1, 2007 and maintain your membership until retirement, you will meet the age and service requirements for normal-age service retirement when:

- a) You are age 65 with 5 or more years of service credit

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 11. DEFINED BENEFIT PENSION PLAN – CONTINUED

Service Retirement - Continued

Normal Age – Continued

- b) Your age and years of service credit total 80 and you have at least five years of service credit

If you first became a member of TRS or returned to membership on or after September 1, 2007, you will meet the age and service requirements for normal-age service retirement when:

- a) You are age 65 with 5 or more years of service credit
- b) You are age 60, and your age and years of service credit total 80, and have at least five years of service credit
- c) Your age and years of service credit total 80, you are at least age 55, and you have at least 20 years of service credit – provided you are “grandfathered” (i.e., you were previously employed and “grandfathered” but terminated your account by withdrawal of contributions at any time and returned to employment on or after 9/1/2007)

Early-Age

If you became a member of TRS prior to September 1, 2007, and you maintain your membership until retirement but you do not yet meet normal-age retirement eligibility, you are entitled to early-age service retirement when one of the following conditions is met:

- a) You are at least age 55 with five or more years of service credit
- b) You are any age below 50 with 30 or more years of service credit

If you became a member of TRS or returned to membership on or after September 1, 2007 but you do not yet meet normal-age retirement eligibility, you are entitled to early-age service retirement when one of the following conditions is met:

- a) You are at least age 55 with five or more years of service credit;
- b) Your age and years of service credit total 80 but you are less than age 60 (age 55 if you are grandfathered) with at least five years of service credit;
- c) You have 30 years of service credit but you are less than age 60 (age 50 if you are grandfathered)

You are grandfathered if you met at least one of the following criteria as a member of TRS before September 1, 2005:

- a) You were at least 50 years of age;
- b) Your age and years of service credit totaled at least 70, or
- c) You had at least 25 years of service credit.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 11. DEFINED BENEFIT PENSION PLAN – CONTINUED

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by Texas State Legislature. The following state funding policy: (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 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (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's 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 provides a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011 and a state contribution rate of 6.40% for fiscal year 2013, 6.00% for fiscal year 2012 and 6.64% for fiscal year 2011. In certain instances, the District is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2013, 2012, and 2011 were \$4,209,420, \$4,453,768, and \$4,837,460, respectively. The District paid additional state contributions for the years ended June 30, 2013, 2012, and 2011 in the amounts of \$831,373, \$770,138, and \$850,176, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. The District's employees' contributions to TRS for the years ended June 30, 2013, 2012 and 2011 were \$4,622,511, \$4,577,938, and \$4,995,892, respectively, equal to the required contribution for each year.

On-behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$4,209,420 are reflected in the general fund.

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care 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 Teacher Retirement System of Texas 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 Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN – CONTINUED

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by Texas State 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 0.50% and 0.65% of public school payroll for fiscal year 2013, and 1.0% and 0.65% of public school payroll for fiscal year 2012. The school district contributed a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. 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. For the years ended June 30, 2013, 2012, and 2011 the State's contributions to TRS-Care were \$361,134, \$715,303, and \$780,608 respectively, the active member contributions were \$469,474, \$464,947 and \$507,395 respectively, and the District's contributions were \$397,247, \$393,417 and \$429,334 respectively, which equaled the required contributions each year.

On-behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$361,134 are reflected in the financial statements for retiree health plan contributions. Included in that amount are payments made by the State of \$274,110 for Medicare Part D and for the Early Retiree Reinsurance Program. The contributions made by the State on behalf of the District have been recorded in the government-wide financial statements and in the fund financial statements of the general fund as both state revenues and payroll expenditures. These contributions are the legal responsibility of the State.

NOTE 13. RISK MANAGEMENT

Health Care

The District terminated the previously established health self insurance plan (Plan) beginning September 10, 2010. The plan will continue to pay claims until all are settled.

The District had a contract and inter-local agreement with United Healthcare, Inc. which limited the District's exposure on individual health claims incurred prior to October 1, 2008.

Claims incurred after October 1, 2008 were subject to an individual stop-loss of \$170,000 per participant annually and \$2,000,000 lifetime maximum benefits. Individual employee health claims were self insured up to \$170,000 annually and stop-loss benefits above \$170,000 were provided up to an aggregate district wide attachment point of \$9,181,607.

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.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 13. RISK MANAGEMENT – CONTINUED

Unemployment Compensation Pool

During the year ended June 30, 2013, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code. The Fund's Unemployment Compensation program is authorized by Section 22.005 of Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Other Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District purchased commercial insurance to cover these liabilities. There were no 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.

NOTE 14. COMMITMENTS AND CONTINGENCIES

The District is a party to various legal actions, none of which are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies. The District participates in numerous state and federal grant programs that 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 June 30, 2013 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 financial statements for such contingencies.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 14. COMMITMENTS AND CONTINGENCIES – CONTINUED

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments that exceed bond issue stated interest rates. There is a complicated formula based on a five year history, therefore the exact amount of liability, if any, is not known until five years from the bond issuance date. There was no rebate liability at June 30, 2013.

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will reclassify certain items that were previously reported as assets and liabilities, as deferred outflows or inflows of resources, and will recognize these items as outflows or inflows of resources. This Statement applies to all state and local governmental entities. This Statement will become effective for the District in fiscal year 2014. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which will be effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting of state and local governmental pension plans with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement applies to all state and governmental entities and amends Statements 25 and 50. The District will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for periods beginning after June 15, 2014, or fiscal year 2015. The objective of this Statement is to improve accounting and financial reporting of state and local governmental pension plans. This Statement applies to all state and governmental entities and replaces Statements 27 and 50. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 69, *Governmental Combinations and Disposals of Government Operations*, which will be effective for periods beginning after December 15, 2013, or fiscal year 2015. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which will be effective for periods beginning after June 15, 2013, or fiscal year 2014. The objective of this Statement is to require a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

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REQUIRED SUPPLEMENTARY INFORMATION

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Positive or (Negative)
		Original	Final	Fund	
REVENUES					
5700	Total local and intermediate sources	\$ 61,691,763	\$ 62,820,026	\$ 62,693,679	\$ (126,347)
5800	State program revenues	40,482,814	39,879,674	41,292,017	1,412,343
5900	Federal program revenues	50,000	180,300	466,441	286,141
5020	Total revenues	<u>102,224,577</u>	<u>102,880,000</u>	<u>104,452,137</u>	<u>1,572,137</u>
EXPENDITURES					
CURRENT:					
0011	Instruction	63,279,343	63,694,228	61,778,325	1,915,903
0012	Instructional resources and media services	2,554,326	2,584,076	2,552,172	31,904
0013	Curriculum and instructional staff development	2,189,813	2,178,497	2,098,802	79,695
0021	Instructional leadership	754,256	820,386	802,915	17,471
0023	School leadership	6,247,135	6,325,820	6,257,736	68,084
0031	Guidance, counseling, and evaluation services	3,974,136	3,983,510	3,881,070	102,440
0032	Social work services	273,529	273,529	272,945	584
0033	Health services	1,108,856	1,224,900	1,175,497	49,403
0034	Student (pupil) transportation	3,055,651	3,128,301	3,076,032	52,269
0036	Cocurricular/extracurricular activities	3,984,497	3,721,105	3,510,032	211,073
0041	General administration	3,455,144	3,357,665	3,120,979	236,686
0051	Plant maintenance and operations	11,254,025	11,596,588	11,382,425	214,163
0052	Security and monitoring services	762,477	951,224	905,967	45,257
0053	Data processing services	1,749,401	1,776,502	1,709,144	67,358
0061	Community services	211,097	95,117	78,853	16,264
0081	Facilities acquisition and construction	20,000	18,947	-	18,947
0099	Payments to member districts of SSA	-	15,385	15,385	-
0099	Other intergovernmental charges	775,060	775,060	645,043	130,017
6030	Total expenditures	<u>105,648,746</u>	<u>106,520,840</u>	<u>103,263,322</u>	<u>3,257,518</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(3,424,169)</u>	<u>(3,640,840)</u>	<u>1,188,815</u>	<u>4,829,655</u>
OTHER FINANCING SOURCES (USES) :					
7912	Proceeds from sale of assets	-	-	59,162	59,162
7915	Transfer in	543,000	543,000	618,000	75,000
7080	Total other financing sources (uses)	<u>543,000</u>	<u>543,000</u>	<u>677,162</u>	<u>134,162</u>
1200	Net change in fund balances	(2,881,169)	(3,097,840)	1,865,977	4,963,817
0100	Fund balance - July 1 (beginning)	41,561,145	41,561,145	41,561,145	-
3000	Fund balance - June 30 (ending)	<u>\$ 38,679,976</u>	<u>\$ 38,463,305</u>	<u>\$ 43,427,122</u>	<u>\$ 4,963,817</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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

1. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
2. 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.
3. Prior to the expenditures of funds, the budget is adopted by the Board.

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

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COMBINING STATEMENTS AND SCHEDULES

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

EXHIBIT G-1

Data Control Codes	Federal Special Revenue Funds	State Special Revenue Funds	Local Special Revenue Funds	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and cash equivalents	\$ 132,192	\$ 54,455	\$ 1,362,604	\$ 1,549,251
1240	Due from other governments	1,171,669	74,385	-	1,246,054
1260	Due from other funds	964,079	-	-	964,079
1290	Other receivables	-	-	17,688	17,688
1300	Inventories	66,732	-	1,171	67,903
1000	Total assets	<u>\$ 2,334,672</u>	<u>\$ 128,840</u>	<u>\$ 1,381,463</u>	<u>\$ 3,844,975</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts payable	\$ 13,647	\$ -	\$ 48,462	\$ 62,109
2150	Payroll payable	61,464	-	27	61,491
2160	Accrued wages payable	502,957	-	10,115	513,072
2170	Due to other funds	496,698	770	22,636	520,104
2180	Due to other governments	-	-	129	129
2300	Deferred revenues	120,372	7,392	-	127,764
2000	Total liabilities	<u>1,195,138</u>	<u>8,162</u>	<u>81,369</u>	<u>1,284,669</u>
Fund balances:					
Restricted					
3450	Grant funds	1,072,802	120,678	-	1,193,480
Nonspendable					
3410	Inventory	66,732	-	1,171	67,903
Committed					
3545	Local special revenue	-	-	1,298,923	1,298,923
3000	Total fund balances	<u>1,139,534</u>	<u>120,678</u>	<u>1,300,094</u>	<u>2,560,306</u>
4000	Total liabilities and fund balances	<u>\$ 2,334,672</u>	<u>\$ 128,840</u>	<u>\$ 1,381,463</u>	<u>\$ 3,844,975</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT G-2

Data Control Codes	Federal Special Revenue Funds	State Special Revenue Funds	Local Special Revenue Funds	Total Nonmajor Governmental Funds	
REVENUES					
5700	Total local and intermediate sources	\$ 3,096,239	\$ 146,373	\$ 2,581,889	\$ 5,824,501
5800	State program revenues	27,422	758,274	-	785,696
5900	Federal program revenues	5,774,579	-	-	5,774,579
5020	Total revenues	<u>8,898,240</u>	<u>904,647</u>	<u>2,581,889</u>	<u>12,384,776</u>
EXPENDITURES					
Current:					
0011	Instruction	2,707,890	813,691	602,080	4,123,661
0012	Instructional resources and media services	-	4,993	97,990	102,983
0013	Curriculum and staff development	160,869	11,746	12,476	185,091
0021	Instructional leadership	66,092	-	-	66,092
0023	School leadership	681	15,099	93,726	109,506
0031	Guidance, counseling, and evaluation services	306,096	-	70,257	376,353
0035	Food services	5,204,550	19,671	20,912	5,245,133
0036	Cocurricular/extracurricular activities	-	1,185	1,326,126	1,327,311
0041	General administration	-	-	1,345	1,345
0051	Plant maintenance and operations	300	-	-	300
0052	Security and monitoring services	-	57	43,502	43,559
0053	Data processing services	-	50,889	-	50,889
0061	Community services	29,058	-	99,145	128,203
Intergovernmental:					
0093	Payments to member districts of SSA	10,500	-	-	10,500
6030	Total expenditures	<u>8,486,036</u>	<u>917,331</u>	<u>2,367,559</u>	<u>11,770,926</u>
Other Financing Sources (Uses):					
7915	Transfers in	-	-	1,000	1,000
8911	Transfers out	(73,000)	-	(146,000)	(219,000)
7080	Total other financing sources (uses)	<u>(73,000)</u>	<u>-</u>	<u>(145,000)</u>	<u>(218,000)</u>
1200	Net change in fund balances	339,204	(12,684)	69,330	395,850
0100	Fund balance - July 1 (beginning)	800,330	133,362	1,230,764	2,164,456
3000	Fund balance - June 30 (ending)	<u>\$ 1,139,534</u>	<u>\$ 120,678</u>	<u>\$ 1,300,094</u>	<u>\$ 2,560,306</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2013**

EXHIBIT H-1

Data Control Codes		Business-Type Activities		
		Sports Marketing Fund	ROCK After School Program Fund	Total
ASSETS				
Current assets:				
1110	Cash and cash equivalents	\$ 14,057	\$ 230,779	\$ 244,836
1290	Other receivables, net	175,225	817	176,042
1401	Prepays	2,500	-	2,500
	Total current assets	191,782	231,596	423,378
Noncurrent assets:				
1530	Furniture and equipment, net	367,202	4,500	371,702
	Total noncurrent assets	367,202	4,500	371,702
1000	Total assets	\$ 558,984	\$ 236,096	\$ 795,080
LIABILITIES AND NET POSITION				
Liabilities:				
Current liabilities:				
2110	Accounts payable	\$ 1,300	\$ 1,713	\$ 3,013
2150	Payroll deductions and withholdings	-	25	25
2160	Accrued wages payable	-	31,839	31,839
2170	Due to other funds	-	17,916	17,916
2300	Unearned revenue	174,945	4,925	179,870
	Total current liabilities	176,245	56,418	232,663
2000	Total liabilities	176,245	56,418	232,663
Net position:				
3200	Investment in capital assets	367,202	4,500	371,702
3620	Unrestricted	15,537	175,178	190,715
3000	Total net position	382,739	179,678	562,417
4000	Total liabilities and net position	\$ 558,984	\$ 236,096	\$ 795,080

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION – NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT H-2

Data Control Codes		Business-Type Activities		
		Sports Marketing Fund	ROCK After School Program Fund	Total
OPERATING REVENUES				
5700	Total local and intermediate sources	\$ 180,016	\$ 958,631	\$ 1,138,647
5020	Total operating revenues	180,016	958,631	1,138,647
OPERATING EXPENSES				
6100	Payroll costs	-	630,494	630,494
6200	Professional and contracted services	4,705	9,918	14,623
6300	Supplies and materials	17,914	36,529	54,443
6400	Other operating costs	49,436	62,759	112,195
6030	Total operating expenses	72,055	739,700	811,755
	Operating income	107,961	218,931	326,892
8911	TRANSFERS OUT	(200,000)	(200,000)	(400,000)
1300	Change in net position	(92,039)	18,931	(73,108)
0100	Total net position, beginning (July 1)	474,778	160,747	635,525
3300	Total net position, ending (June 30)	\$ 382,739	\$ 179,678	\$ 562,417

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT H-3

	Business-Type Activities		
	Sports Marketing Fund	ROCK After School Program Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from user charges	\$ 188,850	\$ 959,306	\$ 1,148,156
Payments to employees	-	(626,921)	(626,921)
Payments to suppliers	(18,324)	(35,255)	(53,579)
Other payments	(28,957)	(53,561)	(82,518)
Net cash provided by operating activities	<u>141,569</u>	<u>243,569</u>	<u>385,138</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers out	(200,000)	(200,000)	(400,000)
Net cash used in non-capital financing activities	<u>(200,000)</u>	<u>(200,000)</u>	<u>(400,000)</u>
Net increase (decrease) in cash and cash equivalents	(58,431)	43,569	(14,862)
Cash and cash equivalents at beginning of the year	72,488	187,210	259,698
Cash and cash equivalents at end of the year	<u>\$ 14,057</u>	<u>\$ 230,779</u>	<u>\$ 244,836</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income:	\$ 107,961	\$ 218,931	\$ 326,892
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	27,684	1,200	28,884
Effect of increases and decreases in current assets and liabilities:			
Increase in account receivable	(90,895)	-	(90,895)
Increase in prepaids	(2,500)	-	(2,500)
Increase (decrease) in accounts payable	(410)	1,274	864
Decrease in interfund payable	-	17,916	17,916
Increase in accrued liabilities	-	3,573	3,573
Decrease in unearned revenue	99,729	675	100,404
Net cash provided by operating activities	<u>\$ 141,569</u>	<u>\$ 243,569</u>	<u>\$ 385,138</u>

T.E.A. REQUIRED SCHEDULES

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2013**

Last Ten Years Ended August 31	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2004 and prior years	Various	Various	Various
2005	1.5000	0.3800	3,806,707,234
2006	1.5000	0.3800	4,106,143,297
2007	1.5000	0.3800	4,826,934,598
2008	1.3300	0.3800	5,926,924,353
2009	1.0400	0.4300	6,408,876,215
2010	1.0400	0.4300	6,650,150,227
2011	1.0400	0.4300	6,633,659,311
2012	1.0400	0.4300	6,654,503,446
2013 (School year under audit)	1.0400	0.4300	6,762,448,611
1000 TOTALS			

EXHIBIT J-1

10 Beginning Balance 07/01/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 06/30/13
\$ 272,910	\$ -	\$ 3,451	\$ 650	\$ -	\$ 268,809
98,595	-	93	24	-	98,478
128,449	-	2,737	680	-	125,032
151,838	-	4,118	1,177	-	146,543
153,956	-	24,489	10,125	22,514	141,856
258,525	-	58,829	24,306	67,621	243,011
382,210	-	109,629	45,297	60,014	287,298
697,619	-	206,716	85,055	(24,213)	381,635
1,564,588	-	788,262	325,471	21,231	472,086
-	<u>85,758,946</u>	<u>59,656,178</u>	<u>24,642,454</u>	<u>(191,646)</u>	<u>1,268,668</u>
<u>\$ 3,708,690</u>	<u>\$ 85,758,946</u>	<u>\$ 60,854,502</u>	<u>\$ 25,135,239</u>	<u>\$ (44,479)</u>	<u>\$ 3,433,416</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 415,952	\$ 1,702,491	\$ -	\$ 101,772	\$ 2,220,215
	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	-	-	-	-	-	-	-
6149	Legal Services	-	-	-	-	117,347	61,951	179,298
6212	Audit Services	-	-	-	103,000	-	-	103,000
6213	Tax Appraisal and Collection	-	647,409	-	-	-	-	647,409
621X	Other Prof. Services	-	-	4,048	40,861	-	28,400	73,309
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	27,765	-	27,765
6240	Contr. Maint. and Repair	-	-	-	2,600	-	-	2,600
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	2,062	16,058	-	7,047	25,167
6290	Miscellaneous Contr.	-	-	18,343	125,970	-	16,119	160,432
6320	Textbooks and Reading	-	-	2,675	1,361	-	110	4,146
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,405	-	11,997	78,604	-	4,786	96,792
6410	Travel, Subsistence, Stipends	5,412	-	6,539	36,785	-	1,509	50,245
6420	Ins. and Bonding Costs	-	-	-	60	-	-	60
6430	Election Costs	32,779	-	-	-	-	-	32,779
6490	Miscellaneous Operating	1,044	-	33,875	103,452	-	5,779	144,150
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	<u>\$ 40,640</u>	<u>\$ 647,409</u>	<u>\$ 495,491</u>	<u>\$ 2,211,242</u>	<u>\$ 145,112</u>	<u>\$ 227,473</u>	<u>\$ 3,767,367</u>

Total expenditures/expenses for General and Special Revenue Funds
(plus Food Service Enterprise Fund if present) \$ 115,034,248

LESS: Deductions of Unallowable Costs

Total Capital Outlay (6600)	10	-
Total Debt & Lease (6500)	11	-
Plant Maintenance (Function 51, 6100-6400)	12	11,286,613
Food (Function 35, 6341 and 6499)	13	2,405,554
Stipends (6413)	14	-
Column 4 (above) - Total Indirect Cost		<u>2,211,242</u>

Net Allowed Direct Cost \$ 99,130,839

Total Cost of Buildings before Depreciation (1520)	15	\$ 417,538,747
Historical Cost of Buildings over 50 years old	16	\$ 2,017,377
Amount of Federal Money in building Cost (Net of #16)	17	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530&1540)	18	\$ 16,014,680
Historical Cost of Furniture & Equipment over 16 years old	19	\$ 828,933
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	\$ -

(8) Note A - \$0 in Function 53 expenditures are included in this report on administrative costs.
\$645,043 in Function 99 appraisal district expenditures are included in this report on administrative costs.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2013**

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS Fund	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Total local and intermediate sources	\$ 3,043,000	\$ 3,046,800	\$ 3,092,550	\$ 45,750
5800	State program revenues	105,000	105,000	27,422	(77,578)
5900	Federal program revenues	2,180,700	2,210,700	2,424,305	213,605
5020	Total revenues	5,328,700	5,362,500	5,544,277	181,777
EXPENDITURES					
0035	Food service	4,985,233	5,223,546	5,133,042	90,504
0093	Payments to member districts of SSA	10,000	10,500	10,500	-
6030	Total expenditures	4,995,233	5,234,046	5,143,542	90,504
1100	Excess of revenues over expenditures	333,467	128,454	400,735	272,281
OTHER FINANCING USES					
8911	Transfers out	(73,000)	(67,987)	(73,000)	(5,013)
6030	Total other financing uses	(73,000)	(67,987)	(73,000)	(5,013)
1200	Net change in fund balances	260,467	60,467	327,735	267,268
0100	Fund balance - July 1 (beginning)	789,414	789,414	789,414	-
3000	Fund balance - June 30 (ending)	\$ 1,049,881	\$ 849,881	\$ 1,117,149	\$ 267,268

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS Fund	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Total local and intermediate sources	\$ 25,748,000	\$ 25,788,000	\$ 25,382,160	\$ (405,840)
5020	Total revenues	25,748,000	25,788,000	25,382,160	(405,840)
EXPENDITURES					
0071	Debt service - principal on long-term debt	11,620,000	11,620,000	10,530,000	1,090,000
0072	Debt service - interest on long-term debt	15,297,586	15,389,729	14,763,951	625,778
0073	Debt service - bond issuance costs and fees	400,001	600,000	1,048,536	(448,536)
6030	Total expenditures	27,317,587	27,609,729	26,342,487	1,267,242
1100	Excess (deficiency) of revenues over (under) expenditures	(1,569,587)	(1,821,729)	(960,327)	861,402
OTHER FINANCING SOURCES (USES)					
7911	Issuance of bonds	-	-	81,564,998	81,564,998
7916	Premium or discount on issuance of bonds	-	-	10,371,904	10,371,904
7915	Transfers in	-	-	4,805	4,805
8940	Payments to refunded bond escrow agent	-	-	(91,033,754)	(91,033,754)
7080	Total other financing sources (uses)	-	-	907,953	907,953
1200	Net change in fund balances	(1,569,587)	(1,821,729)	(52,374)	1,769,355
0100	Fund balance - July 1 (beginning)	16,560,225	16,560,225	16,560,225	-
3000	Fund balance - June 30 (ending)	\$ 14,990,638	\$ 14,738,496	\$ 16,507,851	\$ 1,769,355

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**

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INDEPENDENT AUDITOR'S 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

To the Board of Trustees
Rockwall Independent School District

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockwall Independent School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

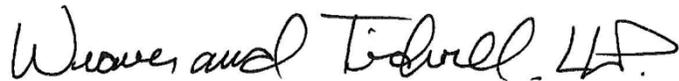
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Weaver and Tidwell, L.L.P." with a stylized flourish at the end.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 11, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Trustees
Rockwall Independent School District

Report on Compliance for Each Major Federal Program

We have audited Rockwall Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

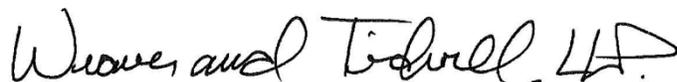
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 11, 2013

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

I. Summary of the Auditor's Results:

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified that are not considered a material weakness? _____ Yes X None Reported
- c. Noncompliance material to financial statements noted _____ Yes X No

Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified that are not considered a material weakness? _____ Yes X None Reported
- e. An unqualified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133. _____ Yes X No
- g. Identification of major programs:
- | | |
|----------------------------|-------------------------|
| 10.553, 10.555, and 10.559 | Child Nutrition Cluster |
|----------------------------|-------------------------|
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. Auditee qualified as a low-risk auditee. X Yes _____ No

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

**II. Findings Relating To The Financial Statements Which Are To Be Reported In Accordance With
*Generally Accepted Government Auditing Standards:***

None

**III. Findings And Questioned Costs For Federal Awards Including Audit Findings As Described
Above In I.b:**

None

IV. Prior Year Findings and Questioned Costs:

Finding 2012-1

Criteria

The District failed to monitor the expenditure of its career and technology allotment from the Texas Education Agency (TEA). The District did not meet the 58% criteria by \$327,090.

Status

The District ensured that all allotments were expended during the year.

Finding 2012-2

Criteria

The District should have a year-end financial statement close process that is documented, with the accountable parties identified, so as to reduce the level of effort of external auditors in completing audit fieldwork.

Status

The District had year-end procedures in place with the supporting documentation in their filing system.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

(1) Federal and State/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through Education Service Center, Region X:</u>			
Head Start	93.600	06CH0391	\$ 224,541
Total Passed Through Education Service Center, Region X			<u>224,541</u>
<u>Passed Through Aldine ISD:</u>			
MAC Program	93.778	199-901	6,008
			<u>6,008</u>
Total Department of Health and Human Services			<u>230,549</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through the State Department of Education</u>			
ESEA Title I Part A Cluster			
ESEA Title I Part A- Improving Basic Programs	84.010	13610101199901	830,366
Special Education Cluster (IDEA)			
IDEA- Part B, Formula	84.027	136600011999016600	1,836,528
IDEA- Part B, Preschool	84.173	136610011999016610	15,263
Vocational Education- Basic Grant	84.048	13420006199901	92,641
ESEA Title III, Part A, LEP	84.365	13671001057950	64,807
ESEA Title II, Part A, Teacher Principal Training	84.367	13694501199901	206,840
Total Passed Through State Department of Education			<u>3,046,445</u>
Total Department of Education			<u>3,046,445</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through the State Department of Education</u>			
Child Nutrition Cluster			
National School Breakfast Program*	10.553	71400701	424,446
National School Lunch Program*	10.555	71300701	1,732,324
Commodity Supplemental Food Program*	10.555	199002A	267,535
Summer Food Service Program*	10.559	N/A	73,280
Total Passed Through State Department of Education			<u>2,497,585</u>
Total Department of Agriculture			<u>2,497,585</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,774,579</u>

* Denotes Major Federal Program

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

1. The District utilizes the funds specified in the Texas Education Agency Resource Guide.

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes by a grantor. Federal and state awards generally are accounted for in the general fund and in special revenue funds. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the general fund and special revenue funds, which are governmental funds. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental funds. Accordingly, the schedule of expenditures of federal awards was prepared under this basis of accounting, which requires that revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
4. The following table reconciles total expenditures per the schedule of expenditures of federal awards (Exhibit K-1) to the federal program revenues per Exhibit C-3:

Total expenditures of federal awards per Exhibit K-1	\$ 5,774,579
SHARS revenue	<u>466,441</u>
Total federal programs revenue per Exhibit C-3	<u><u>\$ 6,241,020</u></u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHOOL FIRST QUESTIONNAIRE (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

<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 weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end:	\$ 67,781,321