

ROCKWALL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

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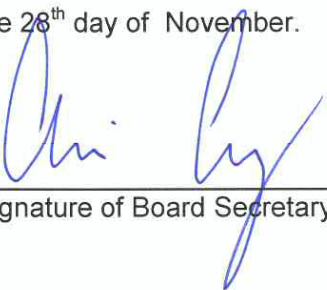
CERTIFICATE OF BOARD

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, 2011 at a meeting of the Board of Trustees of such school district on the 28th 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

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 the Rockwall Independent School District (the District) as of and for the year ended June 30, 2011 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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, 2011, and the respective changes in financial position and the cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of the District's internal control over financial reporting and 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 the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis (on pages 4 through 14) and the budgetary comparison schedule-General Fund (on pages 54 and 55) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rockwall Independent School District
November 14, 2011

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in addition to the combining statements, and the required TEA schedules listed in the table of contents, are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

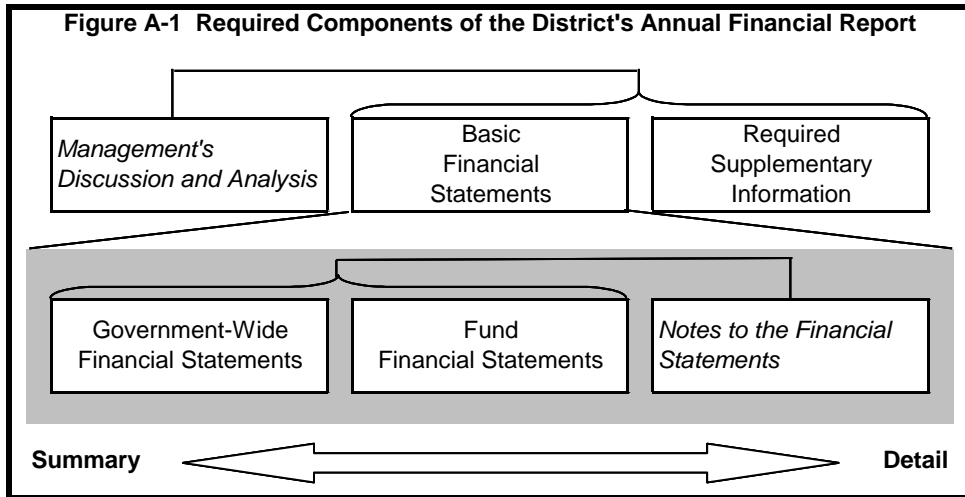
This section of Rockwall Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund reported an ending fund balance of \$37,375,560. This was an increase in the General Fund balance from the prior year in the amount of \$6,125,521. One major component of this increase was the addition of the Educational Jobs Funding which allowed the District to shift certain benefit costs to a federal program. The District also gained financial efficiencies by outsourcing its custodial services prior to the end of the fiscal period.
- 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 at the close of the most recent period by \$14.9 million (net assets).
- Capital Appreciation Bonds outstanding necessitated the accreted interest accrual of \$59.4 million in the Government-Wide Financial Statement, which reduces the net asset value of the District.
- General revenues accounted for \$123.1 million (83%) of all fiscal year 2011 revenue. Program-specific revenues in the form of charges for services, grants, and contributions accounted for \$25.6 million (17%) of total fiscal year revenues.
- The District had approximately \$150.1 in expenses related to governmental activities, of which approximately \$25.0 was offset by program-specific charges for services or grants and contributions.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$61.1 million. The General fund represents approximately 61% percent of this total amount, \$37.1 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 an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds.



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

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.

The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

Proprietary fund statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*. The District has two proprietary funds reflected in the current statements.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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.

Figure A-2 Major Features of the District's Government-wide and Fund Financial Statements

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

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, 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 three 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.

Component units—These funds would include other entities related to the District. Although legally separate, these "component units" would be classified as important because of material relationships with the District.

The District has no *component units* for which it is financially accountable.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. The District has three kinds of funds:

Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. There are two proprietary fund types. *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*. The second type of proprietary funds is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The District has one *internal service fund*.

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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's overall deficit in net assets increased between fiscal years 2010 and 2011 - increasing by \$1,730,617 to a deficit of approximately (\$14.9) million. (See Table A-1).

Rockwall Independent School District's Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Cash and investments	\$ 77,228,732	\$ 76,390,757	\$ 156,151	\$ 2,340	\$ 77,384,883	\$ 76,393,097
Other assets	16,492,797	18,833,990	79,103	384,800	16,571,900	19,218,790
Capital assets less accumulated depreciation	326,771,360	333,310,708	422,570	411,540	327,193,930	333,722,248
Total Assets	<u>\$ 420,492,889</u>	<u>\$ 428,535,455</u>	<u>\$ 657,824</u>	<u>\$ 798,680</u>	<u>\$ 421,150,713</u>	<u>\$ 429,334,135</u>
Liabilities:						
Current liabilities	\$ 22,131,964	\$ 22,496,777	\$ 333,923	\$ 741,870	\$ 22,465,887	\$ 23,238,647
Long-term liabilities	413,539,396	419,219,441	-	-	413,539,396	419,219,441
Total Liabilities	<u>\$ 435,671,360</u>	<u>\$ 441,716,218</u>	<u>\$ 333,923</u>	<u>\$ 741,870</u>	<u>\$ 436,005,283</u>	<u>\$ 442,458,088</u>
Net assets:						
Invested in capital assets, net of related debt	11,653,217	18,451,795	\$ 422,570	\$ 411,540	\$ 12,075,787	\$ 18,863,335
Restricted	10,037,999	8,941,901	-	-	10,037,999	8,941,901
Unrestricted	(36,869,687)	(40,574,459)	(98,669)	(354,730)	(36,968,356)	(40,929,189)
Total Net Assets	<u>\$ (15,178,471)</u>	<u>\$ (13,180,763)</u>	<u>\$ 323,901</u>	<u>\$ 56,810</u>	<u>\$ (14,854,570)</u>	<u>\$ (13,123,953)</u>

Unrestricted net assets showed a \$37.0 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 assets. The District's total revenues increased 6% percent to \$148.8 million. (See Table A-2.) A significant portion, 57% of the District's revenue comes from taxes. (See Graph A-1.) 26% comes from state allocations, and most of the rest is from federal and state grants. The remaining 17% relates to charges for services, investment earnings and miscellaneous revenues. The total cost of all programs and services increased \$150.1 million (11%). The District's expenses cover a range of services.

Governmental Activities

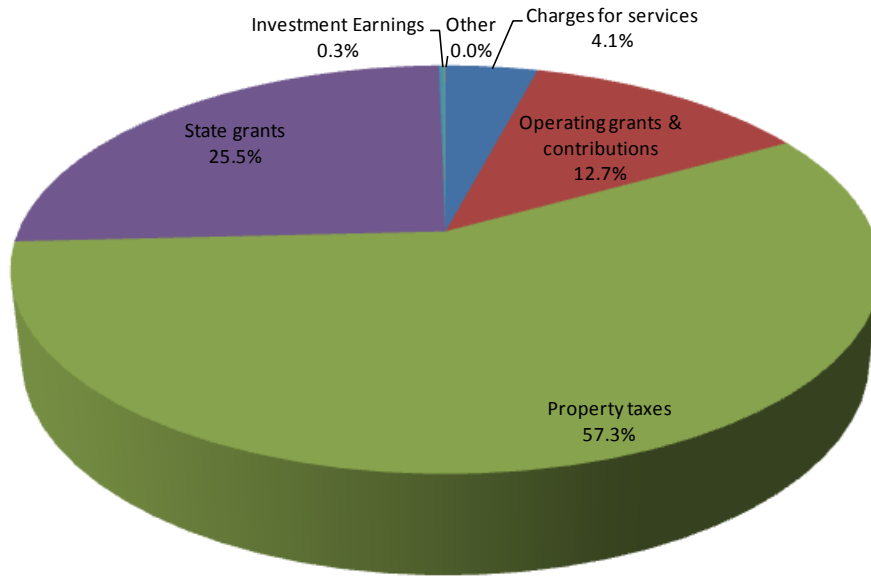
Revenues for the District's governmental activities increased 6%, while total expenses increased 11%. The District's governmental net assets decreased \$2.0 million.

Changes in the Rockwall Independent School District's Net Assets							Table A-2
	Governmental Activities		Business-type Activities		Total		
	Year Ended 2011	Ten Months Ended 2010	Year Ended 2011	Ten Months Ended 2010	Year Ended 2011	Ten Months Ended 2010	
	Program revenues:						
Charges for services	\$ 6,081,673	\$ 6,174,595	\$ 673,523	\$ 123,820	\$ 6,755,196	\$ 6,298,415	
Operating grants and contributions	18,882,534	14,997,792	9,271	-	18,891,805	14,997,792	
General revenues:							
Property taxes	84,930,815	84,694,757	-	-	84,930,815	84,694,757	
State aid - formula	37,781,730	33,553,483	-	-	37,781,730	33,553,483	
Investment earnings	380,676	153,137	-	-	380,676	153,137	
Other	43,138	150,680	-	-	43,138	150,680	
Total Revenues	\$ 148,100,566	\$ 139,724,444	\$ 682,794	\$ 123,820	\$ 148,783,360	\$ 139,848,264	
Expenses:							
Instruction	\$ 72,836,182	\$ 68,392,464	\$ -	\$ -	\$ 72,836,182	\$ 68,392,464	
Instructional resources and media services	3,193,335	3,466,466	-	-	3,193,335	3,466,466	
Curriculum and staff development	2,313,348	1,997,441	-	-	2,313,348	1,997,441	
Instructional leadership	964,668	897,192	-	-	964,668	897,192	
School leadership	6,593,708	6,174,160	-	-	6,593,708	6,174,160	
Guidance, counseling and evaluation services	4,551,808	4,332,792	-	-	4,551,808	4,332,792	
Social work services	96,835	66,965	-	-	96,835	66,965	
Health services	1,481,668	1,116,750	-	-	1,481,668	1,116,750	
Student (pupil) transportation	3,937,203	3,805,680	-	-	3,937,203	3,805,680	
Food services	5,812,837	5,515,194	-	-	5,812,837	5,515,194	
Cocurricular/extracurricular activities	8,045,982	6,041,091	-	-	8,045,982	6,041,091	
General administration	3,940,836	4,080,458	-	-	3,940,836	4,080,458	
Plant maintenance and operations	11,570,567	10,679,466	-	-	11,570,567	10,679,466	
Security and monitoring services	769,624	708,973	-	-	769,624	708,973	
Data processing services	2,411,951	2,054,749	-	-	2,411,951	2,054,749	
Community services	370,938	276,891	-	-	370,938	276,891	
Debt service	20,286,077	14,533,056	-	-	20,286,077	14,533,056	
Capital outlay	193,694	967,894	-	-	193,694	967,894	
Payments for shared service arrangements	39,603	46,313	-	-	39,603	46,313	
Other intergovernmental charges	687,410	648,135	-	-	687,410	648,135	
Sports marketing	-	-	91,527	78,370	91,527	78,370	
ROCK after school program	-	-	324,176	-	324,176	-	
Total Expenses	\$ 150,098,274	\$ 135,802,130	\$ 415,703	\$ 78,370	\$ 150,513,977	\$ 135,880,500	
Increase (decrease) in Net Assets	\$ (1,997,708)	\$ 3,922,314	\$ 267,091	\$ 45,450	\$ (1,730,617)	\$ 3,967,764	
Special Item	-	(25,000)	-	-	-	(25,000.0)	
Change in Net Assets	\$ (1,997,708)	\$ 3,897,314	\$ 267,091	\$ 45,450	\$ (1,730,617)	\$ 3,942,764	
Net Assets - Beginning (July 1)	(13,180,763)	(17,078,077)	56,810	11,360	(13,123,953)	(17,066,717)	
Net Assets - Ending (June 30)	\$ (15,178,471)	\$ (13,180,763)	\$ 323,901	\$ 56,810	\$ (14,854,570)	\$ (13,123,953)	

Business-Type Activities- Business type activities, increased the District's net assets by \$267,091. During fiscal year 2011 the District began operations of the Rock After School Program. The increase in net assets is a direct result of the increased revenues from the District's sports marketing as well as the acceptance by the District's students and parents to the new after school program.

Sources of Revenues for Fiscal Year 2011

Graph A-1



Functional Expenses For Fiscal Year 2011

Graph A-2

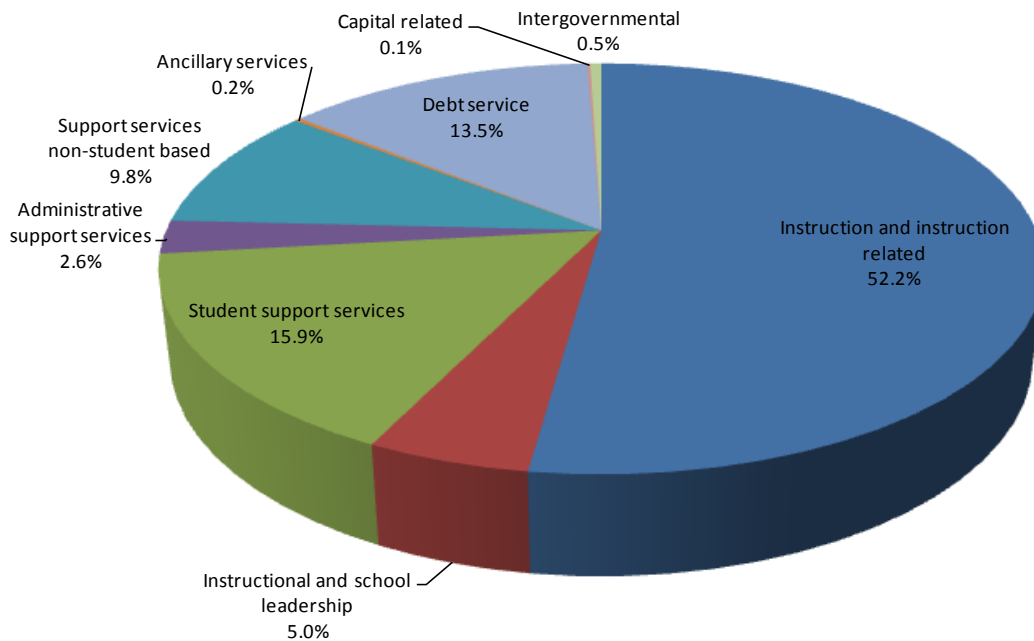


Table A-3 presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all *governmental* activities this year was \$150.1 million. However, the amount that our taxpayers paid for these activities through property taxes was only \$84.9 million.

Some of the cost was paid by those who directly benefited from the programs (\$6 million), or by grants and contributions (\$18.9 million).

Rockwall Independent School District Net Cost of Selected District Functions							Table A-3
	Total Cost of Services		% Change	Net Cost of Services		% Change	
	Year Ended 2011	Ten Months Ended 2010		Year Ended 2011	Ten Months Ended 2010		
Instruction	\$ 72,836,182	\$ 68,392,464	6.5%	\$ 60,538,991.0	\$ 57,781,394	4.8%	
School leadership	6,593,708	6,174,160	6.8%	5,962,720.0	5,920,771	0.7%	
General administration	3,940,836	4,080,458	-3.4%	3,747,029.0	3,925,178	-4.5%	
Plant maintenance and operations	11,570,567	10,679,466	8.3%	10,593,813.0	10,143,230	4.4%	
Debt service	20,286,077	14,533,056	39.6%	19,544,206.0	14,269,718	37.0%	

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, bond covenants, and segregation for particular purposes.

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 \$61.1 million. Approximately 61% of this total amount or \$37.1 million constitutes the unassigned fund balance. The remainder of fund balance is *restricted, nonspendable, or committed* to indicate that it is not available for new spending because it has already been committed to 1) retirement of long-term debt \$14.0 million, 2) capital projects \$8.3 million, and 3) other miscellaneous purposes \$1.7 million.

The general fund is the primary operations fund of the District. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$37.4 million, while the total fund balance of all governmental funds was \$61.1 million.

The fund balance of the District's general fund increased by \$6.1 million during the current fiscal year. There were three major factors contributing to this growth: Federal Education Jobs Funding of \$2.1 million, utility and maintenance costs lower than projected, and a district-wide hiring freeze.

The debt service fund has a total fund balance of \$14.0 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$1.1 million. This increase was primarily due to the benefit on the hedge received as part of the issuance of refunding of Unlimited Tax School Building 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 \$330,300 below the final budgeted amounts. Actual expenditures were \$7,162,487 below final budget amounts due to additional federal funds, utility and maintenance costs lower than projected, and a district-wide hiring freeze.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$326.8 million (net of accumulated depreciation). This amount represents a net decrease (including additions and deletions) of \$6.5 million or 2.0%. Over 99% of the prior year's construction in progress was completed and placed into service. The accumulated depreciation on these buildings created the overall net decrease in capital assets.

The investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress.

Rockwall Independent School District's Capital Assets						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 18,020,018	\$ 12,805,959	\$ -	\$ -	\$ 18,020,018	\$ 12,805,959
Construction in progress	570,804	127,936,189	-	-	570,804	127,936,189
Buildings and improvements	396,926,374	267,460,408	-	-	396,926,374	267,460,408
Vehicles	8,362,760	8,274,434	-	-	8,362,760	8,274,434
Equipment	7,997,561	7,367,777	485,603	448,953	8,483,164	7,816,730
Totals at historical cost	431,877,517	423,844,767	485,603	448,953	432,363,120	424,293,720
Less accumulated depreciation	(105,106,157)	(90,534,059)	(63,033)	(37,413)	(105,169,190)	(90,571,472)
Net capital assets	<u>\$ 326,771,360</u>	<u>\$ 333,310,708</u>	<u>\$ 422,570</u>	<u>\$ 411,540</u>	<u>\$ 327,193,930</u>	<u>\$ 333,722,248</u>

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

Long-Term Debt

At year-end the District had \$407.2 million in long term debt – a decrease of 1.5% over last year – as shown in Table A-5. The District issued \$9.4 million in new debt during the 2010-11 year to refund previously issued debt. As part of the refunding the District received \$1.1 million benefit related to the effect that the refunding had on the District's outstanding hedge.

Rockwall Independent School District's Long Term Debt			
	<u>2011</u>	<u>2010</u>	Total Percentage Change 2011-2010
Bonds payable	346,468,101	356,233,101	-2.7%
Loans payable	-	530,000	-100.0%
Accreted interest	59,386,650	55,304,844	7.4%
Other long term liabilities	<u>1,315,835</u>	<u>1,052,957</u>	25.0%
	<u><u>407,170,586</u></u>	<u><u>413,120,902</u></u>	1.5%

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, NEXT YEAR'S BUDGETS, AND TAX RATES

- The District's certified property values for 2011 remained flat.
- Local property tax rates are restricted by state statute at \$1.04 for maintenance and operations without a local election.
- State funding levels established by the 2011 Legislature for the biennium reflected reductions to the District.
- Although the student population has maintained growth, it has been at a slower rate than prior years.
- Even minimal growth presents a challenge to the District as funding, staffing, and facilities are required to meet the needs of the student population.
- The District has begun the process of evaluating future facility needs to determine the timing of its next bond election.
- 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 payments.

- The Board of Trustees adopted a 2011-2012 General Fund budget reflecting revenues of \$108,692,976 and expenditures of \$109,209,113. Current year fund balance will provide the additional \$516,137.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011**

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS			
1110 Cash and cash equivalents	\$ 77,228,732	\$ 156,151	\$ 77,384,883
1220 Property taxes receivables (delinquent)	4,169,914	-	4,169,914
1230 Allowance for uncollectible taxes (credit)	(208,496)	-	(208,496)
1240 Due from other governments	3,900,254	-	3,900,254
1260 Internal balances	213,847	(213,847)	-
1290 Other receivables (net)	109,074	292,950	402,024
1300 Inventories	77,086	-	77,086
1410 Deferred expenses	227,594	-	227,594
1420 Capital bond and other debt issuance costs	2,754,714	-	2,754,714
1421 Deferred outflow of resources	5,248,810	-	5,248,810
Capital assets:			
1510 Land	18,020,018	-	18,020,018
1520 Buildings net	301,719,252	-	301,719,252
1530 Furniture and equipment, net	6,461,286	422,570	6,883,856
1580 Construction in progress	570,804	-	570,804
1000 Total assets	<u>420,492,889</u>	<u>657,824</u>	<u>421,150,713</u>
LIABILITIES			
2110 Accounts payable	572,078	64	572,142
2140 Interest payable	5,283,280	-	5,283,280
2150 Payroll deductions & withholdings	1,089,569	2,814	1,092,383
2160 Accrued wages payable	10,657,312	14,985	10,672,297
2180 Due to other governments	458,661	-	458,661
2210 Other accrued liabilities	50,000	-	50,000
2300 Unearned revenue	4,021,064	316,060	4,337,124
2301 Deferred gain	1,120,000	-	1,120,000
2302 Derivative instrument	5,248,810	-	5,248,810
Long term liabilities:			
2501 Due within one year	9,980,000	-	9,980,000
2502 Due in more than one year	397,190,586	-	397,190,586
2000 Total liabilities	<u>435,671,360</u>	<u>333,923</u>	<u>436,005,283</u>
NET ASSETS			
3200 Invested in capital assets, net of related debt	11,653,217	422,570	12,075,787
Restricted for:			
3840 Food service	213,295	-	213,295
3850 Debt service	9,824,704	-	9,824,704
3900 Unrestricted net assets	(36,869,687)	(98,669)	(36,968,356)
3000 Total net assets	<u>\$ (15,178,471)</u>	<u>\$ 323,901</u>	<u>\$ (14,854,570)</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, 2011**

Data Control Codes	1 Expenses	Program Revenues	
		3 Charges for Services	4 Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:			
11	Instruction	\$ 72,836,182	\$ 11,025,419
12	Instructional resources and media services	3,193,335	250,565
13	Curriculum and staff development	2,313,348	584,872
21	Instructional leadership	964,668	118,112
23	School leadership	6,593,708	630,988
31	Guidance, counseling, and evaluation services	4,551,808	2,077,533
32	Social work services	96,835	80,789
33	Health services	1,481,668	87,932
34	Student (pupil) transportation	3,937,203	166,823
35	Food services	5,812,837	2,342,753
36	Cocurricular/Extracurricular activities	8,045,982	437,154
41	General administration	3,940,836	193,807
51	Plant maintenance and operations	11,570,567	609,310
52	Security and monitoring services	769,624	44,207
53	Data processing services	2,411,951	99,009
61	Community services	370,938	88,033
72	Debt service - interest on long-term debt	19,544,206	-
73	Debt service - bond issuance costs and fees	741,871	-
81	Facilities acquisition and construction	193,694	8,968
93	Payments to fiscal agent/member districts of SSA	39,603	-
99	Other intergovernmental charges	687,410	36,260
	Total governmental activities	<u>150,098,274</u>	<u>18,882,534</u>
BUSINESS-TYPE ACTIVITIES:			
01	Sports marketing	\$ 91,527	\$ -
02	ROCK after school program	324,176	9,271
	Total business-type activities	<u>\$ 415,703</u>	<u>\$ 9,271</u>
	[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 150,513,977</u>	<u>\$ 18,891,805</u>
Data Control Codes MT DT GC IE MI 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 Total general revenues Change in net assets Net assets-beginning Net assets-ending	

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Governmental Activities	Business-type Activities	Total
\$ (60,538,991)	\$ -	\$ (60,538,991)
(2,936,615)	-	(2,936,615)
(1,728,476)	-	(1,728,476)
(846,556)	-	(846,556)
(5,962,720)	-	(5,962,720)
(2,432,899)	-	(2,432,899)
(16,046)	-	(16,046)
(1,390,266)	-	(1,390,266)
(3,770,380)	-	(3,770,380)
(504,049)	-	(504,049)
(6,183,407)	-	(6,183,407)
(3,747,029)	-	(3,747,029)
(10,593,813)	-	(10,593,813)
(725,417)	-	(725,417)
(2,312,942)	-	(2,312,942)
(282,905)	-	(282,905)
(19,544,206)	-	(19,544,206)
(741,871)	-	(741,871)
(184,726)	-	(184,726)
(39,603)	-	(39,603)
(651,150)	-	(651,150)
<u>(125,134,067)</u>	<u>-</u>	<u>(125,134,067)</u>
\$ -	\$ 163,859	\$ 163,859
	103,232	103,232
<u>\$ -</u>	<u>\$ 267,091</u>	<u>\$ 267,091</u>
\$ (125,134,067)	\$ 267,091	\$ (124,866,976)
60,096,381	-	60,096,381
24,834,434	-	24,834,434
37,781,730	-	37,781,730
380,676	-	380,676
43,138	-	43,138
<u>123,136,359</u>	<u>-</u>	<u>123,136,359</u>
(1,997,708)	267,091	(1,730,617)
(13,180,763)	56,810	(13,123,953)
<u>\$ (15,178,471)</u>	<u>\$ 323,901</u>	<u>\$ (14,854,570)</u>

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

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

Data Control Codes		10 General Fund	50 Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 48,964,542	\$ 13,905,765
1220	Property taxes delinquent	3,018,333	1,151,581
1230	Allowance for uncollectable taxes (credit)	(150,917)	(57,579)
1240	Due from other governments	1,651,522	108,217
1260	Due from other funds	1,423,214	-
1290	Other receivables	109,074	-
1300	Inventories	50,681	-
1410	Deferred expenditures	224,894	-
1000	Total assets	<u>\$ 55,291,343</u>	<u>\$ 15,107,984</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
2110	Accounts payable	\$ 207,880	\$ -
2150	Payroll deductions & withholdings	923,003	-
2160	Accrued wages payable	9,555,317	-
2170	Due to other funds	383	-
2180	Due to other governments	-	-
2300	Deferred revenue	7,229,200	1,094,002
2000	Total liabilities	<u>17,915,783</u>	<u>1,094,002</u>
Fund balances:			
Nonspendable			
3410	Inventories	50,681	-
3430	Prepaid items	224,894	-
Restricted			
3480	Debt service	-	14,013,982
3470	Capital projects	-	-
3450	Grant funds	-	-
Committed			
3545	Local Special Revenue	-	-
3620	Unassigned	37,099,985	-
3000	Total fund balances	<u>37,375,560</u>	<u>14,013,982</u>
4000	Total liabilities and fund balances	<u>\$ 55,291,343</u>	<u>\$ 15,107,984</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
\$ 9,044,565	\$ 1,829,707	\$ 73,744,579
-	-	4,169,914
-	-	(208,496)
-	2,140,515	3,900,254
-	1,221	1,424,435
-	-	109,074
-	26,405	77,086
-	2,700	227,594
<u>\$ 9,044,565</u>	<u>\$ 4,000,548</u>	<u>\$ 83,444,440</u>
\$ 291,730	\$ 18,841	\$ 518,451
-	166,566	1,089,569
-	1,101,995	10,657,312
18,293	1,162,050	1,180,726
428,776	29,885	458,661
-	82,231	8,405,433
<u>738,799</u>	<u>2,561,568</u>	<u>22,310,152</u>
-	26,405	77,086
-	2,700	227,594
-	-	14,013,982
8,305,766	-	8,305,766
-	304,300	304,300
-	1,105,575	1,105,575
-	-	37,099,985
<u>8,305,766</u>	<u>1,438,980</u>	<u>61,134,288</u>
<u>\$ 9,044,565</u>	<u>\$ 4,000,548</u>	<u>\$ 83,444,440</u>

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**ROCKWALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 61,134,288
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 assets. The effect of this consolidation is to increase the net assets.	3,350,664
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	431,877,517
3 Accumulated depreciation has not been included in the governmental fund financial statements.	(105,106,157)
4 Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	(346,468,101)
5 Premiums and accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements as a liability.	(59,386,650)
6 Bond issue costs reported as an expenditure in the governmental fund financial statements are capitalized in the government-wide financial statements.	2,754,714
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.	(5,283,280)
8 Revenue reported as deferred revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	4,384,369
9 Premiums and discounts on the issuance of current interest bonds are reflected in the statement of net assets in the government-wide financial statements, net of amortization.	(1,479,573)
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.	(1,120,000)
11 Deferred refunding amount is reflected in the statement of net assets of government-wide financial statements, net of amortization.	<u>163,738</u>
19 NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (15,178,471)</u></u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Data Control Codes		10 General Fund	50 Debt Service Fund
REVENUES			
5700	Total local and intermediate sources	\$ 61,720,972	\$ 25,147,624
5800	State program revenues	42,522,410	-
5900	Federal program revenues	3,500	-
5020	Total revenues	<u>104,246,882</u>	<u>25,147,624</u>
EXPENDITURES			
CURRENT:			
0011	Instruction	57,232,602	-
0012	Instructional resources and media services	2,571,397	-
0013	Curriculum and staff development	1,822,480	-
0021	Instructional leadership	859,935	-
0023	School leadership	6,122,106	-
0031	Guidance, counseling, and evaluation services	2,509,673	-
0032	Social work services	17,500	-
0033	Health services	1,081,274	-
0034	Student (pupil) transportation	3,156,713	-
0035	Food services	-	-
0036	Cocurricular/Extracurricular activities	3,474,923	-
0041	General administration	3,608,649	-
0051	Plant maintenance and operations	11,534,460	-
0052	Security and monitoring services	719,433	-
0053	Data processing services	1,876,899	-
0061	Community services	289,937	-
DEBT SERVICE:			
0071	Debt service - Principal on long-term debt	530,000	9,590,000
0072	Debt service - Interest on long-term debt	25,970	15,431,379
0073	Debt service - Bond issuance costs and fees	-	362,110
CAPITAL OUTLAY:			
0081	Facilities acquisition and construction	-	-
INTERGOVERNMENTAL:			
0093	Payments to member districts of SSA	-	-
0099	Other intergovernmental charges	687,410	-
6030	Total expenditures	<u>98,121,361</u>	<u>25,383,489</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>6,125,521</u>	<u>(235,865)</u>
OTHER FINANCING SOURCES (USES) :			
7911	Capital-related debt issued (refunding bonds)	-	9,425,000
7916	Premium or discount on issuance of bonds	-	521,787
7949	Other resources	-	1,120,000
8940	Payments to refunded bond escrow agent	-	(9,767,222)
7080	Total other financing sources and (uses)	<u>-</u>	<u>1,299,565</u>
1200	Net change in fund balances	6,125,521	1,063,700
0100	Fund balance - July 1 (beginning)	31,250,039	12,950,282
3000	Fund balances - June 30 (ending)	<u>\$ 37,375,560</u>	<u>\$ 14,013,982</u>

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

EXHIBIT C-3

60 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 32,527	\$ 5,282,709	\$ 92,183,832
9,657	663,747	43,195,814
-	12,690,090	12,693,590
<u>42,184</u>	<u>18,636,546</u>	<u>148,073,236</u>
383,520	8,491,324	66,107,446
-	204,767	2,776,164
-	498,746	2,321,226
35,192	72,703	967,830
-	363,360	6,485,466
-	2,015,063	4,524,736
-	79,865	97,365
-	31,228	1,112,502
228,531	-	3,385,244
-	5,075,046	5,075,046
-	1,102,145	4,577,068
229,637	3,436	3,841,722
-	900	11,535,360
-	51,322	770,755
642,362	-	2,519,261
-	83,798	373,735
-	-	10,120,000
-	-	15,457,349
428,776	-	790,886
6,957,271	-	6,957,271
-	39,629	39,629
-	-	687,410
<u>8,905,289</u>	<u>18,113,332</u>	<u>150,523,471</u>
<u>(8,863,105)</u>	<u>523,214</u>	<u>(2,450,235)</u>
-	-	9,425,000
-	-	521,787
-	-	1,120,000
-	-	(9,767,222)
-	-	1,299,565
<u>(8,863,105)</u>	<u>523,214</u>	<u>(1,150,670)</u>
<u>17,168,871</u>	<u>915,766</u>	<u>62,284,958</u>
<u>\$ 8,305,766</u>	<u>\$ 1,438,980</u>	<u>\$ 61,134,288</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, 2011**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,150,670)

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 2011 capital outlays is to increase net assets. 8,104,562

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. 10,120,000

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. (4,081,806)

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. (96,738)

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. (9,425,000)

Current year payment to escrow agent for refunded debt are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. 9,767,222

Premium 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. (521,787)

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. 49,015

**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, 2011**

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	17,145
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 assets.	(14,643,910)
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 assets.	892,572
Amortization of the deferred gain on refunding is not recognized on the governmental fund financial statements.	(3,484)
Certain gains on hedge transactions are recognized in the fund financial statements as other financing sources, but they are amortized over the term of the bonds in the government-wide financial statements	(1,120,000)
Amortization of the premium on issuance of current interest bonds is not recognized on the governmental fund financial statements.	<u>95,171</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (1,997,708)</u></u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

Data Control Codes		Business-Type Activities		Governmental	
		Sports Marketing Fund	ROCK After School Program Fund	Total	Internal Service Fund
	ASSETS				
	Current assets:				
1110	Cash and cash equivalents	\$ -	\$ 156,151	\$ 156,151	\$ 3,484,153
1290	Other receivables, net	292,950	-	292,950	-
	Total current assets	292,950	156,151	449,101	3,484,153
	Noncurrent assets:				
1530	Furniture and equipment, net	422,570	-	422,570	-
	Total noncurrent assets	422,570	-	422,570	-
1000	Total assets	<u>\$ 715,520</u>	<u>\$ 156,151</u>	<u>\$ 871,671</u>	<u>\$ 3,484,153</u>
	LIABILITIES AND NET ASSETS				
	LIABILITIES:				
	Current liabilities:				
2110	Accounts payable	\$ -	\$ 64	\$ 64	\$ 53,627
2150	Payroll deductions & withholdings	-	2,814	2,814	-
2160	Accrued wages payable	-	14,985	14,985	-
2170	Due to other funds	188,810	25,037	213,847	29,862
2200	Accrued expenses	-	-	-	50,000
2300	Unearned revenue	306,041	10,019	316,060	-
	Total current liabilities	494,851	52,919	547,770	133,489
2000	Total liabilities	494,851	52,919	547,770	133,489
	Net assets:				
3200	Invested in capital assets	422,570	-	422,570	-
3620	Unrestricted net assets (deficit)	(201,901)	103,232	(98,669)	3,350,664
3000	Total net assets	220,669	103,232	323,901	3,350,664
4000	Total liabilities and net assets	<u>\$ 715,520</u>	<u>\$ 156,151</u>	<u>\$ 871,671</u>	<u>\$ 3,484,153</u>

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 ASSETS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Data Control Codes		Business-Type Activities			Governmental Activities
		Sports Marketing Fund	ROCK After School Program Fund	Total	Internal Service Fund
OPERATING REVENUES					
5700	Total local and intermediate sources	\$ 255,386	\$ 418,137	\$ 673,523	\$ 2,501,764
5800	State program revenues	-	9,271	9,271	-
5020	Total operating revenues	255,386	427,408	682,794	2,501,764
OPERATING EXPENSES					
CURRENT:					
6100	Payroll costs	3,070	269,593	272,663	-
6200	Professional and contracted services	1,328	2,186	3,514	1,069,271
6300	Supplies and materials	47,851	18,690	66,541	67,635
6400	Other operating costs	39,278	33,707	72,985	482,471
6030	Total operating expenses	91,527	324,176	415,703	1,619,377
	Operating income	163,859	103,232	267,091	882,387
NON-OPERATING REVENUES (EXPENSES)					
7955	Earnings from temporarily deposits and investments	-	-	-	10,185
8030	Total non-operating revenues (expenses)	-	-	-	10,185
1300	Change in net assets	163,859	103,232	267,091	892,572
0100	Total net assets, beginning (July 1)	56,810	-	56,810	2,458,092
3300	Total net assets, ending (June 30)	\$ 220,669	\$ 103,232	\$ 323,901	\$ 3,350,664

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, 2011**

	NonMajor	NonMajor Business-Type Activities	NonMajor	NonMajor Governmental Activities
	Sports Marketing Fund	ROCK After School Program Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from user charges	\$ 272,277	\$ 425,816	\$ 698,093	\$ 2,506,460
Payments to employees	(3,070)	(251,794)	(254,864)	-
Payments to suppliers	(217,571)	(18,626)	(236,197)	-
Cash payments for claims/administration	-	-	-	(3,024,140)
Other payments	(14,986)	(1,585)	(16,571)	(489,213)
Net cash provided by (used) in operating activities	<u>36,650</u>	<u>153,811</u>	<u>190,461</u>	<u>(1,006,893)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(36,650)	-	(36,650)	-
Net cash used in capital and related financing activities	<u>(36,650)</u>	<u>-</u>	<u>(36,650)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earned	-	-	-	10,185
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,185</u>
Net increase (decrease) in cash and cash equivalents	-	153,811	153,811	(996,708)
Cash and cash equivalents at beginning of the year	-	2,340	2,340	4,480,861
Cash and cash equivalents at end of the year	<u>\$ -</u>	<u>\$ 156,151</u>	<u>\$ 156,151</u>	<u>\$ 3,484,153</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:				
Operating income:	\$ 163,859	\$ 103,232	\$ 267,091	\$ 882,387
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	25,620	-	25,620	-
Effect of increases and decreases in current assets and liabilities:				
Decrease in account receivable	91,850	-	91,850	-
Decrease in interfund receivable	-	-	-	4,696
Increase (decrease) in accounts payable	(358,530)	64	(358,466)	31,200
Decrease in interfund payable	188,810	25,037	213,847	29,693
Increase (decrease) in accrued liabilities	-	17,799	17,799	(1,954,869)
Increase (decrease) in unearned revenue	(74,959)	7,679	(67,280)	-
Net cash provided by (used) in operating activities	<u>\$ 36,650</u>	<u>\$ 153,811</u>	<u>\$ 190,461</u>	<u>\$ (1,006,893)</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, 2011**

	Student Activity
ASSETS	
Cash and cash equivalents	\$ 166,971
Total assets	<u>\$ 166,971</u>
LIABILITIES	
Accounts payable	\$ 19,489
Due to student groups	147,482
Total liabilities	<u>\$ 166,971</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (primary government) and its component units. 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.

District-Wide and Fund Financial Statements

The statement of net assets and the statement of activities are district-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, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

District-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 district-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 district-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 district-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, 2011**

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

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 type(s):

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, 2011**

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, 2011 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, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities column in the district-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 equipments 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 district-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 assets. 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 recognized 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, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Liability for Compensated Absences

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

Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due.

Fund Balances and Net Assets

District-Wide Financial Statements

Net assets on the Statement of Net Assets include the following:

Invested in Capital Assets, Net of Related Debt -- the component of net assets 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 assets that reports the difference between assets and liabilities with constraints placed on their use by the bond covenants.

Restricted for Food Service -- the component of net assets 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 Assets Invested in Capital Assets, Net of Related Debt, Net Assets Restricted for Food Service or Net Assets Restricted for Debt Service.

Governmental Fund Financial Statements

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under 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

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Governmental Fund Financial Statements - continued

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 spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.

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.

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 Associate Superintendent of Business Services. 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.

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 assets.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Other resources

In the current fiscal year the District amended its current swap arrangement and received a payment in the amount of \$1,120,000. This payment has been recognized in the statement of revenues expenditures and changes in fund balance as other resources.

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 TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

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 general 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, 2011 will change.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no impact on changes in net assets as previously reported.

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. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

At June 30, 2011, all District cash deposits appear to have been covered by FDIC insurance or pledged collateral held by the District’s agent bank in the name of the District. The District’s deposits appear to have been properly secured throughout the fiscal year.

The Public Funds Investment Act (Government Code Chapter 2256) 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, TexasTERM, TexPool, and Texas CLASS. All Lone Star Investment Pool, TexasTERM, TexPool, and Texas CLASS, 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, 2011**

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.

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

An Advisory Board is responsible for the overall management of TexasTERM. With respect to TexasTERM, the Advisory Board's responsibilities include 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, 2011**

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 assets 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 investment at June 30, 2011:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Lone Star Investment Pool	\$ 32,123,422	AAA/AAAm	AAAm
Texas CLASS	24,983,465	AAA/AAAm	AAAm
TexPool	8,179,783	AAA/AAAm	AAAm
Texas TERM	<u>12,090,660</u>	AAA/AAAm	AAAm
Total	<u>\$ 77,377,330</u>		

At June 30, 2011, the carrying amount of the District’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$168,974 and the bank balance was \$2,244,318. The District’s cash deposits at June 30, 2011 and during the year ended June 30, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

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 \$16,327,285.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$15,559,349 and occurred during the month of January 2011.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 77,384,883
Fiduciary funds:	
Cash and cash equivalents	<u>166,971</u>
Total cash and investments	<u><u>\$ 77,551,854</u></u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 5,550
Deposits with financial institutions	168,974
Investments	<u>77,377,330</u>
Total cash and investments	<u><u>\$ 77,551,854</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 37 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. 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. The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments,

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Custodial Credit Risk- continued

other than the following provision for deposits:

1. The Public Funds Investment Act requires that a financial institution secure the Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).
2. The market value of the pledged securities in the collateral pool must equal at least the deposits on hand.

As of June 30, 2011 the District deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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, 2011 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, 2011, 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	\$ 32,123,422	45 days
Texas CLASS	24,983,465	51 days
TexPool	8,179,783	43 days
Texas TERM	12,090,660	38 days
Total	<u>\$ 77,377,330</u>	

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements 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>Non Major Funds</u>	<u>Total</u>
State Entitlement	\$ 862,190	\$ 108,217	\$ -	\$ 970,407
Federal Grants Other	527,407	-	2,115,644	2,643,051
State Grants	-	-	24,871	24,871
Other	261,925	-	-	261,925
	<u>\$ 1,651,522</u>	<u>\$ 108,217</u>	<u>\$ 2,140,515</u>	<u>\$ 3,900,254</u>

NOTE 4. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2011 consisted of the following individual fund receivables and payables:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Primary Purpose</u>
Special Revenue Fund	General Fund	\$ 383	Purchase of supplies
Special Revenue Fund	Special Revenue Fund	838	Payroll
General Fund	Special Revenue Fund	585,860	Payroll
General Fund	Special Revenue Fund	575,352	To cover cash shortage
General Fund	Capital Projects	17,825	Payroll
General Fund	Capital Projects	468	To cover cash shortage
General Fund	ROCK After School Program	25,037	To cover cash shortage
General Fund	Sports Marketing	188,810	To cover cash shortage
General Fund	Internal Service Fund	29,862	To cover cash shortage
		<u>\$ 1,424,435</u>	

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

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 12,805,959	\$ 5,214,059	\$ -	\$ -	\$ 18,020,018
Construction in progress	127,936,189	1,836,711	-	(129,202,096)	570,804
Total capital assets not being depreciated	140,742,148	7,050,770	-	(129,202,096)	18,590,822
Capital assets being depreciated:					
Buildings and improvements	267,460,408	263,870	-	129,202,096	396,926,374
Furniture and equipment	15,642,211	789,922	(71,812)	-	16,360,321
Total capital assets being depreciated	283,102,619	1,053,792	(71,812)	129,202,096	413,286,695
Less accumulated depreciation for:					
Buildings and improvements	(82,305,039)	(12,902,083)	-	-	(95,207,122)
Furniture and equipment	(8,229,020)	(1,741,827)	71,812	-	(9,899,035)
Total accumulated depreciation	(90,534,059)	(14,643,910)	71,812	-	(105,106,157)
Total capital assets being depreciated, net	192,568,560	(13,590,118)	-	129,202,096	308,180,538
Governmental activities capital assets, net	\$ 333,310,708	\$ (6,539,348)	\$ -	\$ -	\$ 326,771,360
<u>Business-type activities:</u>					
Capital assets being depreciated:					
Furniture and equipment	\$ 448,953	\$ 36,650	\$ -	\$ -	\$ 485,603
Total capital assets being depreciated	448,953	36,650	-	-	485,603
Less accumulated depreciation for:					
Furniture and equipment	(37,413)	(25,620)	-	-	(63,033)
Total accumulated depreciation	(37,413)	(25,620)	-	-	(63,033)
Total capital assets being depreciated, net	411,540	11,030	-	-	422,570
Business-type activities capital assets, net	\$ 411,540	\$ 11,030	\$ -	\$ -	\$ 422,570

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Depreciation
Instruction	\$ 7,655,130
Instructional resources and media services	437,793
Instructional leadership	3,141
School leadership	164,042
Guidance, counseling and evaluation services	55,007
Health services	375,791
Pupil transportation	826,821
Food services	807,769
Co-curricular/ Extracurricular activities	3,491,388
General administration	121,129
Plant maintenance and operations	179,156
Security and monitoring services	5,485
Data processing services	521,258
Total Depreciation Expense	\$ 14,643,910

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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	Nonmajor Enterprise Fund	Total
Net tax revenue	\$ 2,867,416	\$ 1,094,002	\$ 80,652	\$ -	\$ 4,042,070
Sports marketing	-	-	-	316,060	316,060
Foundation school revenue	3,865,654	-	-	-	3,865,654
SHARS revenue	422,951	-	-	-	422,951
Other	73,179	-	1,579	-	74,758
	<u>\$ 7,229,200</u>	<u>\$ 1,094,002</u>	<u>\$ 82,231</u>	<u>\$ 316,060</u>	<u>\$ 8,721,493</u>

Tax revenue reported as deferred revenue in the governmental funds is recorded as revenue in the district-wide financial statements. Accordingly, deferred tax revenue is excluded in the district-wide financial statements.

NOTE 7. LONG-TERM DEBT

Unlimited Tax Bonds

Long-term obligation activities during the year ended June 30, 2011, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government Activities					
Bonds payable:					
General obligation bonds	\$ 356,233,101	\$ 9,425,000	\$ (19,190,000)	\$ 346,468,101	\$ 9,980,000
Loan payable	530,000	-	(530,000)	-	-
Accreted interest	55,304,844	4,081,806	-	59,386,650	-
Bond premium (discount)	1,052,957	521,787	(95,171)	1,479,573	-
Deferred loss on refunding	-	(167,222)	3,484	(163,738)	-
Total bonds payable	<u>413,120,902</u>	<u>13,861,371</u>	<u>(19,811,687)</u>	<u>407,170,586</u>	<u>9,980,000</u>
Other liabilities:					
Arbitrage	-	428,776	(428,776)	-	-
Total other liabilities	<u>-</u>	<u>428,776</u>	<u>(428,776)</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 413,120,902</u>	<u>\$ 14,290,147</u>	<u>\$ (20,240,463)</u>	<u>\$ 407,170,586</u>	<u>\$ 9,980,000</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 General Long-Term Debt Account Group. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 7. LONG-TERM DEBT- CONTINUED

Unlimited Tax Bonds- continued

On May 31, 2011, the District issued "Rockwall Independent School District Unlimited Tax Refunding Bonds, Series 2011," totaling \$9,425,000 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 4.17% 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 \$3,489,378 through 2027 and resulted in an economic gain (difference between present values of the old and new debt service payment) of \$378,607. The bonds will fully mature in 2027.

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, 2011, the outstanding balance of defeased bonds is \$95,088,101.

Unlimited tax bonds outstanding as of June 30, 2011 are as follows:

Purpose and Lawful Authority	Interest Rate	Amount	Amounts Outstanding 07/01/10	Issued	Retired	Refunded	Amounts Outstanding 06/30/11	Interest Accretion 6/30/11
Unlimited Tax Refunding Bonds Series 1998	5.00% to 7%	\$ 29,493,469	\$ 284,844	\$ -	\$ -	\$ -	\$ 284,844	\$ 2,089,732
Unlimited Tax School Building and Refunding Bonds, Series 2001	4.88% to 5.63%	71,291,801	24,995,000	-	3,865,000	9,600,000	11,530,000	-
Unlimited Tax School Building and Refunding Bonds, Series 2002	3.63% to 5.54%	49,900,000	17,935,000	-	3,550,000	-	14,385,000	-
Unlimited Tax School Building Bonds, Series 2003	4.00% to 5.25%	35,000,000	31,800,000	-	1,815,000	-	29,985,000	-
Unlimited Tax School Building Bonds, Series 2004	3.50% to 4.75%	13,195,000	9,855,000	-	360,000	-	9,495,000	-
Variable Rate Unlimited Tax School Building Bonds, Series 2006	4.50% to 4.82%	32,000,000	32,000,000	-	-	-	32,000,000	-
Unlimited Tax Refunding Bonds Series 2006A	4.10% to 5.00%	50,653,257	49,863,257	-	-	-	49,863,257	48,141,042
Unlimited Tax School Building Bonds, Series 2007	4.00% to 5.00%	84,000,000	84,000,000	-	-	-	84,000,000	-
Unlimited Tax School Building Bonds, Series 2008	5.00% to 6.00%	90,000,000	90,000,000	-	-	-	90,000,000	8,240,982
Unlimited Tax School Building Bonds, Series 2010	4.00% to 4.38%	15,500,000	15,500,000	-	-	-	15,500,000	914,895
Unlimited Tax School Building and Refunding Bonds, Series 2011	4.00% to 4.50%	9,425,000	-	9,425,000	-	-	9,425,000	-
			<u>\$ 356,233,101</u>	<u>\$ 9,425,000</u>	<u>\$ 9,590,000</u>	<u>\$ 9,600,000</u>	<u>\$ 346,468,101</u>	<u>\$ 59,386,651</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 7. LONG-TERM DEBT – CONTINUED

Debt service requirements are as follows:

Year Ending June 30	Principal Requirements	Interest Requirements	Total Requirements
2012	\$ 5,890,000	\$ 15,882,828	\$ 21,772,828
2013	9,900,000	15,361,851	25,261,851
2014	12,460,328	14,977,469	27,437,797
2015	15,661,038	14,331,021	29,992,059
2016	10,155,887	20,941,985	31,097,872
2017 - 2021	60,426,910	100,315,985	160,742,895
2022 - 2026	47,608,938	97,085,631	144,694,569
2027 - 2031	67,065,000	59,519,690	126,584,690
2032 - 2036	75,370,000	30,708,877	106,078,877
2037 - 2041	41,930,000	1,453,023	43,383,023
	<u>\$ 346,468,101</u>	<u>\$ 370,578,360</u>	<u>\$ 717,046,461</u>

There are a number of limitations and restrictions contained in the unlimited tax school building and refunding bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2011.

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	\$ 147,950,000	\$ 50,200,000

Loans

The District issued an agreement identified here as loans. These loans include maintenance tax notes. The following schedule lists the outstanding loans at June 30, 2011:

Purpose and Lawful Authority	Interest Rate	Amount	Amounts Outstanding 07/01/10	Issued	Retired	Amounts Outstanding 06/30/11
Maintenance Tax Notes, Series 2000	4.91%	\$ 3,420,000	\$ 530,000	-	\$ 530,000	-

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 7. LONG-TERM DEBT – CONTINUED

Interest Rate Swap Agreement

Objective. The objective of the swap is to hedge against the potential of rising rates associated with the District's the 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.

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 \$5,248,810.

Credit risk. As of June 30, 2011, 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 become 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, 2011, 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:

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 7. LONG-TERM DEBT – CONTINUED

Interest Rate Swap Agreement – Continued

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.

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>
Indirect Cost Reimbursement	84.027	\$ 3,500
		<u>\$ 3,500</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 9. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2011, the District received revenues from local and intermediate sources consisting of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Property taxes-current	\$ 58,086,835	\$ 24,002,316	\$ -	\$ -	\$ 82,089,151
Property taxes-delinquent	1,636,912	665,884	-	-	2,302,796
Penalties, interest, and other	671,438	273,236	-	-	944,674
Investment earnings	131,238	206,188	32,527	538	370,491
Food service income	-	-	-	2,966,035	2,966,035
Gifts and bequest	8,500	-	-	73,348	81,848
Co-curricular/extracurricular activities	397,790	-	-	815,436	1,213,226
Other	788,259	-	-	1,427,352	2,215,611
Total local revenue	<u>\$ 61,720,972</u>	<u>\$ 25,147,624</u>	<u>\$ 32,527</u>	<u>\$ 5,282,709</u>	<u>\$ 92,183,832</u>

NOTE 10. RECEIVABLES

Receivables at June 30, 2011 for the District's individual major funds and aggregate nonmajor funds including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Due from other governments	\$ 1,651,522	\$ 108,217	\$ -	\$ 2,140,515	\$ 3,900,254
Property taxes	3,018,333	1,151,581	-	-	4,169,914
Less: Allowance for uncollectible property taxes	(150,917)	(57,579)	-	-	(208,496)
Other receivables	109,074	-	-	-	109,074
Net receivables	<u>\$ 4,628,012</u>	<u>\$ 1,202,219</u>	<u>\$ -</u>	<u>\$ 2,140,515</u>	<u>\$ 7,970,746</u>

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. It is a cost-sharing public employee retirement system (PERS), with one exception: all risk and costs are not shared by the employer. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during the fiscal year. For members of the retirement system entitled to the minimum salary for certain school personnel under § 16.056, Texas Education Code, the District shall pay the state's contribution on the portion of the member's salary that exceeds the statutory minimum. 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 writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 11. DEFINED BENEFIT PENSION PLAN – CONTINUED

Types of Employees Covered

All employees of public, state-supported educational institutes 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:

- 1) Normal
 - a) Age 65 with 5 years of service
 - b) Any combination of age plus years of service which equals 80

- 2) Reduced
 - a) Age 55 with at least 5 years of service
 - b) Any age below 50 with 30 years of service

A member is fully vested after five years of creditable service and entitled to any benefit for which eligibility requirements have been met.

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 for fiscal years 2011, 2010 and 2009 a member contribution rate of 6.4% and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.58% for the period September through December 2009 and increased to 6.644% for the period of January through August 2010

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 11. DEFINED BENEFIT PENSION PLAN – CONTINUED

Funding Policy – Continued

State contributions to TRS made on behalf of the District's employees for the year ended June 30, 2011, and the ten months ended June 30, 2010 and the year ended August 31, 2009 were \$4,837,460, \$4,018,798, and \$4,715,157, respectively. The District paid additional state contributions for the year ended June 30, 2011 and the ten month ended June 30, 2010 and the year ended August 31, 2009 in the amounts of \$850,176, \$892,632, and \$1,025,617, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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 \$4,726,118 are reflected in the general fund basic financial statements.

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description

The District contributes to the Teacher Retirement Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit post-employment health care plan administered by the Teacher Retirement Systems of Texas. TRS-Care Retired Plan provides health care coverage for certain persons, and their dependents, who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish amend basic and optional group insurance coverage for participants. 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 writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

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 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. 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.

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 \$0 are reflected in the financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$199,575 for subsidiaries for Medicare Part D.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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. At June 30, 2011, the District has recorded current health claims liabilities of \$50,000 in the Internal Service Fund representing claims reported but not paid and claims incurred but not reported.

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

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

Changes in the health insurance claims liability amounts for the periods of 2011 and 2010 are represented below:

	<u>2011</u>	<u>2010</u>
Claims Payable-Beginning	\$ 2,004,869	\$ 2,004,869
Claims Incurred (Reduced)	1,069,255	6,655,654
Claim Payments	<u>(3,024,124)</u>	<u>(6,655,654)</u>
Claims Payable-Ending	<u>\$ 50,000</u>	<u>\$ 2,004,869</u>

Unemployment Compensation Pool

During the year end June 30, 2011, 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 reasonable estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 13. RISK MANAGEMENT – CONTINUED

Unemployment Compensation Pool – Continued

The Fund engages the services of an independent auditor to conduct a financial audit after the close 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, 2010 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 2011, 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, 2011 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.

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. This calculation yielded a rebate liability of \$0 at June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

Data Control Codes		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts GAAP BASIS Fund	Final Budget Positive or (Negative)
REVENUES					
5700	Total local and intermediate sources	\$ 62,005,372	\$ 61,983,872	\$61,720,972	\$ (262,900)
5800	State program revenues	42,493,310	42,493,310	42,522,410	29,100
5900	Federal program revenues	100,000	100,000	3,500	(96,500)
5020	Total revenues	<u>104,598,682</u>	<u>104,577,182</u>	<u>104,246,882</u>	<u>(330,300)</u>
EXPENDITURES					
CURRENT:					
0011	Instruction	61,250,754	61,104,291	57,232,602	3,871,689
0012	Instructional resources and media services	2,868,431	2,868,474	2,571,397	297,077
0013	Curriculum & instructional staff development	1,964,586	1,981,906	1,822,480	159,426
0021	Instructional leadership	895,250	897,078	859,935	37,143
0023	School leadership	6,526,529	6,541,929	6,122,106	419,823
0031	Guidance, counseling, and evaluation services	2,533,043	2,533,017	2,509,673	23,344
0032	Social work services	1,980	19,480	17,500	1,980
0033	Health services	1,139,840	1,146,091	1,081,274	64,817
0034	Student (pupil) transportation	3,380,117	3,420,837	3,156,713	264,124
0036	Cocurricular/Extracurricular activities	3,697,332	3,713,403	3,474,923	238,480
0041	General administration	4,086,678	4,109,278	3,608,649	500,629
0051	Plant maintenance and operations	12,681,754	12,698,808	11,534,460	1,164,348
0052	Security and monitoring services	693,287	721,840	719,433	2,407
0053	Data processing services	1,703,522	1,889,806	1,876,899	12,907
0061	Community services	326,080	326,080	289,937	36,143
0071	Debt Service - Principal on long-term debt	530,000	530,000	530,000	-
0072	Debt Service - Interest on long-term debt	12,985	25,970	25,970	-
0073	Debt Service - Bond issuance cost	3,500	500	-	500
0081	Facilities acquisition and construction	25,000	-	-	-
0099	Other intergovernmental charges	775,060	755,060	687,410	67,650
6030	Total expenditures	<u>105,095,728</u>	<u>105,283,848</u>	<u>98,121,361</u>	<u>7,162,487</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(497,046)</u>	<u>(706,666)</u>	<u>6,125,521</u>	<u>6,832,187</u>
1200	Net change in fund balances	(497,046)	(706,666)	6,125,521	6,832,187
0100	Fund balance - July 1 (beginning)	<u>31,250,039</u>	<u>31,250,039</u>	<u>31,250,039</u>	-
3000	Fund balance - June 30 (ending)	<u>\$ 30,752,993</u>	<u>\$ 30,543,373</u>	<u>\$37,375,560</u>	<u>\$ 6,832,187</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011**

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	\$ 500,283	\$ 147,445	\$ 1,181,979	\$ 1,829,707
1240	Due from other governments	2,115,644	24,871	-	2,140,515
1260	Due from other funds	1,221	-	-	1,221
1300	Inventories	26,385	-	20	26,405
1410	Deferred expenditures	-	2,700	-	2,700
1000	Total assets	<u>\$ 2,643,533</u>	<u>\$ 175,016</u>	<u>\$ 1,181,999</u>	<u>\$ 4,000,548</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts payable	8,054	-	10,787	18,841
2150	Payroll payable	163,667	19	2,880	166,566
2160	Accrued wages payable	1,085,552	887	15,556	1,101,995
2170	Due to other funds	1,083,756	31,368	46,926	1,162,050
2180	Due to other governments	-	29,630	255	29,885
2300	Deferred revenues	81,352	879	-	82,231
2000	Total liabilities	<u>2,422,381</u>	<u>62,783</u>	<u>76,404</u>	<u>2,561,568</u>
Fund balances:					
Restricted					
3450	Grant funds	194,767	109,533	-	304,300
Nonspendable					
3410	Investments in inventory	26,385	-	20	26,405
3430	Prepaid expenditures	-	2,700	-	2,700
Committed					
3545	Local Special Revenue	-	-	1,105,575	1,105,575
3000	Total fund balances	<u>221,152</u>	<u>112,233</u>	<u>1,105,595</u>	<u>1,438,980</u>
4000	Total liabilities and fund balances	<u>\$ 2,643,533</u>	<u>\$ 175,016</u>	<u>\$ 1,181,999</u>	<u>\$ 4,000,548</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

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	\$ 2,970,043	\$ 137,703	\$ 2,174,963	\$ 5,282,709
5800	State program revenues	103,365	545,119	15,263	663,747
5900	Federal program revenues	12,690,090	-	-	12,690,090
5020	Total revenues	<u>15,763,498</u>	<u>682,822</u>	<u>2,190,226</u>	<u>18,636,546</u>
EXPENDITURES					
Current:					
0011	Instruction	7,370,061	568,614	552,649	8,491,324
0012	Instructional resources and media services	91,651	6,786	106,330	204,767
0013	Curriculum and staff development	446,401	35,884	16,461	498,746
0021	Instructional leadership	72,703	-	-	72,703
0023	School leadership	287,639	8,130	67,591	363,360
0031	Guidance, counseling, and evaluation services	1,943,315	-	71,748	2,015,063
0032	Social work services	79,865	-	-	79,865
0033	Health services	30,881	10	337	31,228
0035	Food services	5,051,211	-	23,835	5,075,046
0036	Cocurricular/Extracurricular activities	42,054	5,226	1,054,865	1,102,145
0041	General administration	3,143	-	293	3,436
0051	Plant maintenance and operations	900	-	-	900
0052	Security and monitoring services	4,030	921	46,371	51,322
0061	Community services	70,727	-	13,071	83,798
Intergovernmental:					
0093	Payments to member districts of SSA	10,000	29,629	-	39,629
6030	Total expenditures	<u>15,504,581</u>	<u>655,200</u>	<u>1,953,551</u>	<u>18,113,332</u>
1200	Net change in fund balances	258,917	27,622	236,675	523,214
0100	Fund balance - July 1 (beginning)	(37,765)	84,611	868,920	915,766
3000	Fund balance - June 30 (ending)	<u>\$ 221,152</u>	<u>\$ 112,233</u>	<u>\$ 1,105,595</u>	<u>\$ 1,438,980</u>

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T.E.A. REQUIRED SCHEDULES

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

Last Ten Years Ended August 31	Tax Rates		3 Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2002 and prior years	Various	Various	Various
2003	1.5000	0.3372	3,114,011,886
2004	1.5000	0.3800	3,482,532,371
2005	1.5000	0.3800	3,806,707,234
2006	1.5000	0.3800	4,106,143,297
2007	1.3300	0.3800	4,826,934,598
2008	1.0400	0.4300	5,926,924,353
2009	1.0400	0.4300	6,408,876,215
2010	1.0400	0.4300	6,650,150,227
2011 (School year under audit)	1.0400	0.4300	6,633,659,311

1000 TOTALS

EXHIBIT H-1

10 Beginning Balance 07/01/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 06/30/11
\$ 267,323	\$ -	\$ 1,391	\$ 264	\$ (146,318)	\$ 119,350
73,765	-	822	185	(1,010)	71,748
86,461	-	820	208	-	85,433
103,470	-	2,908	737	(119)	99,706
148,154	-	14,188	3,572	48,548	178,942
190,017	-	27,627	7,810	55,017	209,597
269,683	-	74,998	30,162	40,305	204,828
626,261	-	202,786	82,530	42,204	383,149
2,831,944	-	1,311,393	540,416	(200,335)	779,800
-	84,201,469	58,086,814	24,002,317	(74,977)	2,037,361
<u>\$ 4,597,078</u>	<u>\$ 84,201,469</u>	<u>\$ 59,723,747</u>	<u>\$ 24,668,201</u>	<u>\$ (236,685)</u>	<u>\$ 4,169,914</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST 2010-2011
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

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	\$ 9,971	\$ -	\$ 412,059	\$ 2,173,019		\$ 71,207	\$ 2,666,256
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							-
6211	Legal Services					93,892	28,943	122,835
6212	Audit Services				42,100			42,100
6213	Tax Appraisal and Collection		831,110					831,110
621X	Other Prof. Services				12,000	3,360	7,000	22,360
6220	Tuition and Transfer Payments			720				720
6230	Education Service Centers					29,226		29,226
6240	Contr. Maint. and Repair				2,115			2,115
6250	Utilities							
6260	Rentals			1,161	6,319		12,747	20,227
6290	Miscellaneous Contr.	1,315			234,851		16,238	252,404
6320	Textbooks and Reading			229	1,407		150	1,786
6330	Testing Materials							-
63XX	Other Supplies Materials	1,780		8,559	59,413		24,936	94,688
6410	Travel, Subsistence, Stipends	963		7,235	40,309		7,174	55,681
6420	Ins. and Bonding Costs							-
6430	Election Costs	24,255						24,255
6490	Miscellaneous Operating	1,415		33,166	72,985		4,216	111,782
6500	Debt Service							-
6600	Capital Outlay							-
6000	TOTAL	\$ 39,699	\$ 831,110	\$ 463,129	\$ 2,644,518	\$ 126,478	\$ 172,611	\$ 4,277,545

Total expenditures/expenses for General and Special Revenue Funds
(plus Food Service Enterprise Fund if present)

\$ 116,234,693

LESS: Deductions of Unallowable Costs

Total Capital Outlay (6600)	10	476,724
Total Debt & Lease (6500)	11	555,970
Plant Maintenance (Function 51, 6100-6400)	12	11,374,514
Food (Function 35, 6341 and 6499)	13	2,216,567
Stipends (6413)	14	-
Column 4 (above) - Total Indirect Cost		<u>2,644,518</u>

Net Allowed Direct Cost

17,268,293
\$ 98,966,400

Total Cost of Buildings before Depreciation (1520)	15	\$ 396,926,374
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	\$ 16,360,321
Historical Cost of Furniture & Equipment over 16 years old	19	\$ 602,685
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	\$ -

(8) Note A -No Amounts in Function 53 expenditures and \$687,410 in Function 99 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, 2011**

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	\$ 2,936,500	\$ 2,938,630	\$ 2,970,043	\$ 31,413
5800	State program revenues	110,000	110,000	103,365	(6,635)
5900	Federal program revenues	1,979,700	2,124,700	2,238,863	114,163
5020	Total revenues	5,026,200	5,173,330	5,312,271	138,941
EXPENDITURES					
0035	Food service	4,944,502	5,071,385	5,051,211	20,174
0093	Payments to member districts of SSA	10,100	10,100	10,000	100
6030	Total expenditures	4,954,602	5,081,485	5,061,211	20,274
1200	Net change in fund balances	71,598	91,845	251,060	159,215
0100	Fund balance - July 1 (beginning)	(37,765)	(37,765)	(37,765)	-
3000	Fund balance - June 30 (ending)	\$ 33,833	\$ 54,080	\$ 213,295	\$ 159,215

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011**

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	\$ 24,339,013	\$ 24,577,860	\$ 25,147,624	\$ 569,764
5020	Total revenues	24,339,013	24,577,860	25,147,624	569,764
EXPENDITURES					
0071	Debt service - principal on long-term debt	9,590,000	9,590,000	9,590,000	-
0072	Debt service - interest on long-term debt	15,488,404	15,704,051	15,431,379	272,672
0073	Debt service - bond issuance costs and fees	75,000	163,200	362,110	(198,910)
6030	Total expenditures	25,153,404	25,457,251	25,383,489	73,762
1100	Excess (deficiency) of revenues over (under) expenditures	(814,391)	(879,391)	(235,865)	643,526
OTHER FINANCING SOURCES (USES)					
7911	Capital related debt issued	-	-	9,425,000	9,425,000
7916	Premium or discount on issuance of bonds	-	-	521,787	521,787
7949	Other resources	-	-	1,120,000	1,120,000
8940	Payments to refunded bond escrow agent	-	-	(9,767,222)	(9,767,222)
7080	Total other financing sources (uses)	-	-	1,299,565	1,299,565
1200	Net change in fund balances	(814,391)	(879,391)	1,063,700	1,943,091
0100	Fund balance - July 1 (beginning)	12,950,282	12,950,282	12,950,282	-
3000	Fund balance - June 30 (ending)	\$ 12,135,891	\$ 12,070,891	\$ 14,013,982	\$ 1,943,091

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**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



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

Board of Trustees
Rockwall Independent School District

We have audited 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2011. 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.

Internal Control Over Financial Reporting

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

A 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Rockwall Independent School District

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We noted certain other matters that we reported to management of the District in a separate letter dated November 14, 2011.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 14, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Trustees
Rockwall Independent School District

Compliance

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, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 14, 2011

**Rockwall Independent School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED June 30, 2011**

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 No
 - Control deficiency(ies) identified that are not considered a material weakness? _____ Yes X No
- 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 No
 - Control deficiency(ies) identified that are not considered a material weakness? _____ Yes X No
- 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:

84.027, 84.391, 84.173, & 84.392 84.010 & 84.389 84.394 84.410	Special Education Cluster (IDEA) ESEA Title I Part A Cluster State Fiscal Stabilization Fund (SFSF) Education Jobs Fund
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- h. The dollar threshold used to distinguish between Type A and Type B programs. \$380,808
- 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, 2011**

**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.f:**

None

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

(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	\$ 219,831
Total Passed Through Education Service Center, Region X			<u>\$ 219,831</u>
<u>Passed Through Aldine ISD:</u>			
MAC Program	93.778	199-901	7,857
			<u>7,857</u>
<u>Direct Programs</u>			
Coordinated School Health Program	93.938	N/A	4,500
Total Direct Programs			<u>4,500</u>
Total Department of Health and Human Services			<u>\$ 232,188</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through Education Service Center, Region X:</u>			
ESEA Title IV-Drug Free Schools	84.186	1061001057950	3,194
Total Passed Through Education Service Center, Region X			<u>\$ 3,194</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	10610101199901	595,656
ARRA-ESEA Title I Part A- LEP*	84.389	1051001199901	172,614
Special Education Cluster (IDEA)			
IDEA- Part B, Fomula*	84.027	106600011999016600	1,678,510
ARRA-IDEA- Part B, Fomula*	84.391	10554001199901	1,329,721
IDEA- Part B, Preschool*	84.173	106610011999016600	17,934
ARRA-IDEA- Part B, Preschool*	84.392	10555001199901	46,502
Vocational Education- Basic Grant	84.048	1042000619990110	89,035
State Fiscal Stabilization Fund (SFSF)*	84.394	10557001199901	3,886,073
Education Jobs Fund*	84.410	N/A	2,120,393
ESEA Title III, Part A, LEP	84.365	10671001199901	91,466
ESEA Title II, Part A, Teacher Principal Training	84.367	10686001199901	180,647
Title VI Part A-Summer School LEP	84.369	S369A090045	8,595
ARRA-ESEA Title II, Part D, Technology	84.386	10553001199901	1,364
Total Passed Through State Department of Education			<u>\$ 10,218,510</u>
Total Department of Education			<u>\$ 10,221,704</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Passed Through the City of Rockwall</u>			
Assistance to Firefighters Grant	97.044	EMW-2006-FP-02241	836
Total Passed Through City of Rockwall			<u>836</u>
Total Department of Homeland Security			<u>\$ 836</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	400,097
National School Lunch Program	10.555	71300701	1,535,874
Commodity Supplemental Food Program	10.565	199002A	283,711
Summer Food Service Program	10.559	N/A	19,180
Total Passed Through State Department of Education			<u>2,238,862</u>
Total Department of Agriculture			<u>\$ 2,238,862</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,693,590</u>

* Denotes Major Federal Program

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

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, components of the 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.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHOOL FIRST QUESTIONNAIRE
FOR THE YEAR ENDED JUNE 30, 2011**

<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:	\$ 59,386,650