

**CITY OF LAKE DALLAS, TEXAS**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS REPORT

SEPTEMBER 30, 2007

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members of the City Council  
City of Lake Dallas

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, discretely presented component units, and each major fund of the City of Lake Dallas, Texas ("City") as of and for the year ended September 30, 2007, which collectively comprises the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City'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 *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 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 government activities and each major fund of the City as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the GASB. 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.

In accordance with *Government Auditing Standards*, we have issued a report dated January 14, 2008, on our consideration of the City's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lake Dallas's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*Hankins, Eastup, Deaton, Tonn & Seay*  
Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

January 14, 2008

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

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As management of the City of Lake Dallas, we offer readers of the City of Lake Dallas's financial statements this narrative overview and analysis of the financial activities of the City of Lake Dallas for the year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements.

**Financial Highlights**

- The assets of the City of Lake Dallas exceeded its liabilities at September 30, 2007 by \$2,968,509. Of this amount, \$658,043 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$514,170.
- As of September 30, 2007, the City of Lake Dallas's governmental funds reported combined ending fund balances of \$1,233,862, a decrease of \$220,080 in comparison with the beginning of the period. Approximately 47 percent of this total amount, \$575,983, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current period, the general fund fund balance of \$700,487 amounted to 21 percent of total general fund expenditures.

**Overview of the Financial Statements**

The management discussion and analysis are intended to serve as an introduction to the City of Lake Dallas's basic financial statements. The City of Lake Dallas's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Also included as a discretely presented component unit is the Lake Dallas Economic Development Corporation, which was formed on January 1, 2003 as the result of a successful 4A sales tax election and the Lake Dallas Community Development Corporation, which was formed on January 1, 2003 as the result of a successful 4B sales tax election.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Lake Dallas's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Lake Dallas's assets and liabilities, with the difference between the two reported as net assets. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lake Dallas is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent period. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided between two kinds of activities:

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

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- **Governmental activities.** All of the City's basic services are reported here, including the police, fire, library, community development, public works, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The City may charge a fee to customers to help it cover all or most of the cost of certain services it provides. The City had no business-type activities during the current period.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Lake Dallas are considered governmental funds.

**Governmental Funds.** All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Lake Dallas maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, each of which are considered to be major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Lake Dallas's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Lake Dallas does not currently have any fiduciary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information highlighting budgetary information for the general fund.

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

**Government-wide Financial Analysis**

The City's combined net assets were \$2,968,509 as of September 30, 2007. The City first implemented GASB Statement No. 34, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments*, for fiscal year 2004. The following analysis presents both current and prior year data and discusses significant changes in the accounts. This analysis focuses on the net assets (Table 1) and general revenues (Table 2) and changes in net assets (Table 3) of the City’s governmental activities.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1  
Net Assets

	Governmental Activities	
	2006	2007
Current and other assets	\$1,627,497	\$1,420,477
Capital assets	4,915,356	5,532,730
Total assets	<u>6,542,853</u>	<u>6,953,207</u>
Long-term liabilities outstanding	3,991,987	3,856,638
Other liabilities	96,527	128,060
Total liabilities	<u>4,088,514</u>	<u>3,984,698</u>
Net assets:		
Invested in capital assets, net of related debt	919,374	1,672,465
Restricted	1,159,981	638,001
Unrestricted	374,984	658,043
Total net assets	<u>\$2,454,339</u>	<u>\$2,968,509</u>

**Governmental Activities.** The City's general revenues for governmental activities for the years ended September 30, 2006 and 2007 are detailed below (Table 2).

Table 2  
General Revenues

	2006	2007
Property taxes, levied for general purposes	\$1,519,875	\$1,635,051
Property taxes, levied for debt service	280,549	335,125
Sales taxes	505,000	545,544
Franchise taxes	314,796	384,191
Hotel occupancy taxes	35,629	59,852
Mixed beverage taxes	18,487	22,936
Contributions from EDC/CDC	632,909	883,306
Investment earnings	82,542	77,818
Miscellaneous	40,872	32,728
	<u>\$3,430,659</u>	<u>\$3,976,551</u>

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

The following table provides a summary of the City's operations for the years ended September 30, 2006 and 2007.

Table 3  
Changes in Net Assets

	Governmental Activities	
	2006	2007
Revenues:		
Program revenues:		
Charges for services	\$ 639,232	\$ 820,439
Operating grants and contributions	7,451	4,843
General revenues:		
Property taxes	1,800,424	1,970,176
Sales taxes	505,000	545,544
Franchise taxes	314,796	384,191
Hotel occupancy taxes	35,629	59,852
Mixed beverage taxes	18,487	22,936
Contributions from EDC/CDC	632,909	883,306
Investment earnings	82,542	77,818
Other	40,872	32,728
	<u>4,077,342</u>	<u>4,801,833</u>
Expenses:		
Administrative	522,000	534,362
Special events	103,117	95,224
Public safety	2,010,213	2,119,469
Animal control	78,136	93,481
Public works - streets	473,119	488,981
Municipal court	63,699	88,095
Parks and recreation	50,442	91,851
Community development	158,166	165,807
Debt service - interest	163,199	178,346
	<u>3,622,091</u>	<u>3,855,616</u>
Special items	338	-
Transfers in (out)	(531,389)	(432,047)
Change in net assets	(75,800)	514,170
Net assets – October 1 (beginning)	<u>2,530,139</u>	<u>2,454,339</u>
Net assets – September 30 (ending)	<u>\$2,454,339</u>	<u>\$2,968,509</u>

**Financial Analysis of the Government's Funds**

**Governments Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the period.

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

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As of the end of the current period, the City's governmental funds reported combined ending fund balances of \$1,233,862, a decrease of \$220,080 in comparison with the beginning of the period. Approximately 47 percent of this total amount (\$575,983) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, 1) to pay for capital improvements (\$533,375), 2) to liquidate prepaid items (\$19,878), and 3) for other miscellaneous restrictions (\$104,626).

The general fund is the chief operating fund of the City. At the end of the current period, unreserved fund balance of the general fund totaled \$575,983, while total fund balance was \$700,487. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17.32 percent of total general fund expenditures, while total fund balance represents 21.063 percent of that same amount. The fund balance of the City's general fund increased by \$289,600 during the current period.

**General Fund Budgetary Highlights**

During the current year, the City Council of the City of Lake Dallas amended the budget for the General Fund on one occasion.

The original budget for the general fund reflected that the activity for the year would increase available fund balance by \$10,428. The available fund balance for the general fund actually increased in the amount of \$289,600. This increase was due primarily to more property tax, franchise tax and building permit revenue received than had been budgeted.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental activities as of September 30, 2007, amount to \$5,532,730 (net of accumulated depreciation). This amount represents a net increase of \$617,374, or 13 percent, above the beginning of the period. The investment in capital assets includes land, buildings, equipment, vehicles, roads and parks.

Major capital asset additions during the current year included the following:

<u>Description</u>	<u>Amount</u>
Continuing costs on parks projects in progress at year-end	\$797,966
Continuing costs on paving and drainage project in progress at year-end	35,340
Two police vehicles	35,034
Sidewalks	14,446
Police radar guns	7,650
Police radar systems	6,200
Parks utility vehicle	<u>9,158</u>
Total	<u>\$905,794</u>

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

Table 4  
Capital Assets at Year-end  
(Net of Depreciation)

	Governmental Activities
Land	\$ 331,779
Buildings and Improvements	1,255,832
Streets and Parks Infrastructure	1,994,695
Equipment and Vehicles	450,169
Construction in Progress	<u>1,500,255</u>
Totals	<u>\$5,532,730</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

**Long-term Debt.** At the end of the current period, the City had certificates of obligation outstanding of \$2,195,000, accrued compensated absences of \$177,691, an equipment finance loan of \$98,947 and general obligation bonds outstanding of \$1,385,000, for total long-term debt of \$3,856,638.

The City's total debt decreased by \$135,349 during the current period or 3%. No new debt was incurred during the period. Additional information on the City's long-term debt can be found in Note 7 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The City Council exhibited great courage by approving an increase in the real estate tax rate for the fourth fiscal year in a row. For the Fiscal Year 2008, the City Council approved a real property tax increase of \$0.02 raising the tax rate to \$0.69. This increase was necessary to continue to provide the high level of services the citizens of Lake Dallas deserve and to raise the revenues to a level that will sustain growth in the City's reserve account. The City's property tax base in 2007 increased 7% over FY 2006 and broke the \$300 million mark for the first time. This level of growth was not anticipated and resulted in revenues nearly \$160,000 over the budgeted amount.

Other City revenue categories also had bountiful years. Sales Taxes this year also grew at a high rate, 8%, and are budgeted for just over 6% for FY 2008. Building Permits exceeded budget by \$74,000; Court Fines were \$89,000 over budget; Service Charges were \$60,000 over budget and Interest was \$24,000 over budget. In addition, City staff spent wisely resulting in a net spending of \$125,000 less than the budget. All of this resulted in an increase to the Reserve Account by \$290,000. The reserve account is now at the two month level and with prudent spending and continued strong revenues should approach the desired three month level this year.

Several new projects and three projects that have been underway bode well for the future revenues for the City.

- The Workfor LLC buildings should begin this spring;
- The Oaks at North Lakeview built 60 homes last year and now that Phase II is ready for sale they will probably build 40 to 50 homes this year;
- The Daniels Air Conditioning relocation and expansion project which includes an additional 4,500 square feet of commercial rental space should commence this spring;

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

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- Quik Trip is purchasing property on Swisher Road for a new service station and convenience store, slated to begin construction in August.
- Silestone is designing a 20,000 square foot addition to their facility;
- Video Plus is designing a 12,000 square foot office building on their property;
- Comco is in early stages of planning for an expansion;
- The EDC owns 20 acres on Swisher Road, five of which will be situated on the Lakeview Road extension to Swisher Road and will be more viable for sale and use upon completion of that road extension.
- The 12-acre railroad property is being master planned for development elements and marketing purposes.

The road construction on Swisher Road was completed in this year and the businesses on Swisher Road. The bridge connecting Lake Dallas to Little Elm is under construction and is scheduled for completion August 2009. Completion of the bridge will bring an additional 20,000 vehicles into and through Lake Dallas daily, enhancing existing retail businesses and encouraging new projects. The recently completed park improvement projects have already had a major impact on the quality of life for the residents of Lake Dallas and also provided additional incentive for economic growth in the City. The EDC continues to support business expansion and growth through incentive grants—awarding a total of \$170,000 in 2007 and will be able to do another \$150,000 in 2008.

The Main Street Improvement project being worked on by the CDC is another example of the efforts being undertaken by the City to enhance and improve the economic climate. This project will be done in phases with the first phase elements being determined in the spring by the CDC and could total approximately \$1.3 million.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Lake Dallas, 212 Main St., Lake Dallas, Texas 75065.

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**BASIC FINANCIAL STATEMENTS**

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CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Economic Development Corporation</u>	<u>Community Development Corporation</u>
<b>ASSETS</b>			
Cash and Investments	\$1,248,261	\$127,402	\$ 72,177
Receivables (net of allowance for uncollectibles):			
Taxes – Ad Valorem	62,182	-	-
Taxes – Sales	41,459	20,730	20,730
Taxes- Occupancy	14,437	-	-
Taxes – Mixed Beverage	7,062	-	-
Other	3,420	-	-
Prepaid Costs	19,878	-	-
Internal Balances	226	(60)	(166)
Debt Issuance Costs, net	23,552	-	-
Capital Assets:			
Land	331,779	582,535	-
Buildings and Improvements, net	1,255,832	147,457	-
Streets and Parks Infrastructure, net	1,994,695	-	-
Equipment and Vehicles, net	450,169	-	-
Construction in Progress	<u>1,500,255</u>	<u>-</u>	<u>-</u>
Total Assets	<u>6,953,207</u>	<u>878,064</u>	<u>92,741</u>
<b>LIABILITIES</b>			
Accounts Payable	45,864	7,505	380
Accrued Wages Payable	28,307	-	-
Accrued Interest Payable	27,179	-	-
State Court Costs Payable	25,001	-	-
Other Liabilities	1,709	1,000	-
Noncurrent Liabilities:			
Due within one year	228,615	53,585	-
Due in more than one year	<u>3,628,023</u>	<u>603,531</u>	<u>-</u>
Total Liabilities	<u>3,984,698</u>	<u>665,621</u>	<u>380</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	1,672,465	72,876	-
Restricted for:			
Capital Improvements	533,375	-	-
Community Development	-	-	92,361
Economic Development	-	139,567	-
Court Security and Technology	25,312	-	-
Police Department	42,565	-	-
Other Purposes	36,749	-	-
Unrestricted Net Assets	<u>658,043</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$2,968,509</u>	<u>\$212,443</u>	<u>\$ 92,361</u>

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 534,362	\$110,163	\$ -
Special Events	95,224	28,186	-
Public Safety	2,119,469	332,410	3,279
Animal Control	93,481	4,528	1,564
Public Works - Streets	488,981	-	-
Municipal Court	88,095	88,095	-
Parks and Recreation	91,851	27,182	-
Community Development	165,807	229,875	-
Debt Service - Interest	<u>178,346</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>3,855,616</u>	<u>820,439</u>	<u>4,843</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$3,622,091</u></b>	<b><u>\$820,439</u></b>	<b><u>\$ 4,843</u></b>
<b>COMPONENT UNITS:</b>			
Economic Development Corporation	\$ 339,428	\$ 10,000	\$ -
Community Development Corporation	<u>952,550</u>	<u>-</u>	<u>177,500</u>
<b>TOTAL COMPONENT UNITS</b>	<b><u>\$1,291,978</u></b>	<b><u>\$ 10,000</u></b>	<b><u>\$177,500</u></b>

**GENERAL REVENUES:**

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Hotel occupancy taxes

Mixed beverage taxes

Investment Earnings

Contributions from EDC/CDC

Miscellaneous

Transfers in (out)

Total General Revenues and Special Items

Change in Net Assets

NET ASSETS, October 1 (beginning)

NET ASSETS, September 30 (ending)

The accompanying Notes are an integral part of this statement.

Net (Expense) Revenue and  
Change in Net Assets

Governmental Activities	Component Units	
	Economic Development Corp	Community Development Corp
\$ (424,199)	\$ -	\$ -
(67,038)	-	-
(1,783,780)	-	-
(87,389)	-	-
(488,981)	-	-
-	-	-
(64,669)	-	-
64,068	-	-
(178,346)	-	-
<u>(3,030,334)</u>	<u>-</u>	<u>-</u>
<u>(3,030,334)</u>	<u>-</u>	<u>-</u>
-	(329,428)	-
<u>-</u>	<u>-</u>	<u>(775,050)</u>
<u>-</u>	<u>(329,428)</u>	<u>(775,050)</u>
1,635,051	-	-
335,125	-	-
545,544	272,772	272,772
384,191	-	-
59,852	-	-
22,936	-	-
77,818	6,921	6,974
883,306	-	-
32,728	172	-
(432,047)	(4,828)	436,875
<u>3,544,504</u>	<u>275,037</u>	<u>716,621</u>
514,170	(54,391)	(58,429)
<u>2,454,339</u>	<u>266,834</u>	<u>150,790</u>
<u>\$2,968,509</u>	<u>\$ 212,443</u>	<u>\$ 92,361</u>

CITY OF LAKE DALLAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and investments	\$714,886	\$ -	\$533,375	\$1,248,261
Receivables (net of allowances for uncollectibles):				
Ad Valorem tax	52,577	9,605	-	62,182
Sales tax	41,459	-	-	41,459
Occupancy tax	14,437	-	-	14,437
Mixed beverage tax	7,062	-	-	7,062
Other	3,420	-	-	3,420
Due from EDC/CDC	226	-	-	226
Prepaid costs	<u>19,878</u>	<u>-</u>	<u>-</u>	<u>19,878</u>
Total Assets	<u>\$853,945</u>	<u>\$ 9,605</u>	<u>\$533,375</u>	<u>\$1,396,925</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 45,864	\$ -	\$ -	\$ 45,864
Accrued wages payable	28,307	-	-	28,307
State court costs payable	25,001	-	-	25,001
Other liabilities	1,709	-	-	1,709
Deferred revenues	<u>52,577</u>	<u>9,605</u>	<u>-</u>	<u>62,182</u>
Total Liabilities	<u>153,458</u>	<u>9,605</u>	<u>-</u>	<u>163,063</u>
<b>Fund Balances:</b>				
Reserved for prepaid costs	19,878	-	-	19,878
Reserved for construction	-	-	533,375	533,375
Other reserves	104,626	-	-	104,626
Undesignated	<u>575,983</u>	<u>-</u>	<u>-</u>	<u>575,983</u>
Total Fund Balances	<u>700,487</u>	<u>-</u>	<u>533,375</u>	<u>1,233,862</u>
Total Liabilities and Fund Balances	<u>\$853,945</u>	<u>\$ 9,605</u>	<u>\$533,375</u>	<u>\$1,396,925</u>

The accompanying notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

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**Total Fund Balances – Governmental Funds** \$1,233,862

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the period, the cost of these assets was \$6,815,680 and the accumulated depreciation was \$1,900,324. In addition, long-term liabilities of \$3,991,987 are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. 923,369

Current period capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current period capital outlays and debt principal payments is to increase net assets. 320,576

The current period depreciation expense increases accumulated depreciation. The net effect of the current period's depreciation is to decrease net assets. (365,541)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, removing the basis of capital assets sold and recognizing the liabilities associated with accrued interest and compensated absences. The net effect of these reclassifications and recognitions is to increase net assets. 856,243

**Net Assets of Governmental Activities** \$2,968,509

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>Revenues:</b>				
Taxes (ad valorem, sales and other)	\$2,663,980	\$ 337,560	\$ -	\$3,001,540
Special assessments	16,829	-	-	16,829
Licenses and permits	250,241	-	-	250,241
Charges for services	286,972	-	-	286,972
Fines	266,397	-	-	266,397
Donations	4,843	-	-	4,843
Interest	46,212	-	31,606	77,818
Utilities settlement	23,392	-	-	23,392
Miscellaneous revenues	9,336	-	-	9,336
<b>Total Revenues</b>	<u>3,568,202</u>	<u>337,560</u>	<u>31,606</u>	<u>3,937,368</u>
<b>Expenditures:</b>				
General government	480,528	-	-	480,528
Special events	92,473	-	-	92,473
Public safety	1,970,968	-	-	1,970,968
Animal control	91,157	-	-	91,157
Public works – streets	277,513	-	-	277,513
Municipal court	88,299	-	-	88,299
Parks and recreation	67,996	-	-	67,996
Community development	157,177	-	-	157,177
Capital outlay	99,609	-	-	99,609
Debt service:				
Principal retirement	-	220,967	-	220,967
Interest and fees	-	178,714	-	178,714
<b>Total Expenditures</b>	<u>3,325,720</u>	<u>399,681</u>	<u>-</u>	<u>3,725,401</u>
Excess of Revenues Over (Under) Expenditures	<u>242,482</u>	<u>(62,121)</u>	<u>31,606</u>	<u>211,967</u>
<b>Other Resources (Uses):</b>				
Transfers in	81,308	62,121	-	143,429
Transfers out	(34,190)	-	(541,286)	(575,476)
<b>Total Other Resources (Uses)</b>	<u>47,118</u>	<u>62,121</u>	<u>982,777</u>	<u>(432,047)</u>
Net Change in Fund Balance	289,600	-	(509,680)	(220,080)
Fund Balances - October 1 (beginning)	<u>410,887</u>	<u>-</u>	<u>1,043,055</u>	<u>1,453,942</u>
Fund Balance - September 30 (ending)	<u>\$ 700,487</u>	<u>\$ -</u>	<u>\$ 533,375</u>	<u>\$1,233,862</u>

The accompanying notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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**Total Net Change in Fund Balances – Governmental Funds** \$ (220,080)

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net assets. 320,576

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current period's depreciation is to decrease net assets. (365,541)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, removing the basis of capital assets sold and recognizing the liabilities associated with accrued interest and compensated absences. The net effect of these reclassifications and recognitions is to increase net assets. 779,215

**Change in Net Assets of Governmental Activities** \$ 514,170

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Lake Dallas (the "City") are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board ("GASB").

In fiscal year 2004, the City implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes note disclosures requirements for governmental entities, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, which clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where difference have arisen, or potentially could arise, in interpretation and practice of GASB Statement No. 34.

GASB Statements No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the use of account groups to the already required fund financial statements and notes. GASB Statement No. 37 provides additional guidance in reporting infrastructure, program revenues and major criteria.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that the government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The City of Lake Dallas (City) is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The City of Lake Dallas, as of September 30, 2007 has two discretely presented component units as defined by GASB criteria, the Lake Dallas Economic Development Corporation and the Lake Dallas Community Development Corporation. Separately-issued financial statements for each of these component units may be obtained by contacting the City of Lake Dallas.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City had no business-type activities during the period.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded for the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The City had no proprietary funds or fiduciary funds during the period.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

*General Fund* – The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

*Debt Service Fund* – The Debt Service Fund accounts for the use of debt service taxes collected for the purpose of retiring bond principal and paying interest due.

*Capital Projects Fund* – The Capital Projects Funds accounts for proceeds from the sale of bonds to be used for authorized acquisition, construction, or renovation projects. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**D. Cash and Investments**

The City's cash and investments are considered to be cash on hand, demand deposits and short-term investments in State investment pools.

**E. Receivable and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the period are referred to as "due to/from other funds" or "advances to/from other funds."

Property tax receivables are shown net of an allowance for uncollectibles.

**F. Property Taxes**

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is sixty days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the government-wide and fund financial statements. These items consist primarily of prepaid insurance.

**H. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, roads, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1000 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 time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

<u>Category</u>	<u>Estimated Life</u>
Buildings	25-40 years
Street infrastructure	15 years
Machinery and equipment	7-10 years
Vehicles	7 years

**I. Compensated Absences**

It is the City's policy to permit employees to accumulate certain earned but unused vacation and sick pay benefits. When an employee separates from service with the City, the employee is entitled to receive pay for earned but unused vacation and sick pay. All such vacation and sick pay is accrued when incurred in the government-wide financial statements.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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**J. Reserves and Designations**

Reserves on fund balance in the fund financial statements indicate portions of fund equity legally segregated for a specific future use. At September 30, 2007, the City's fund balances were reserved for the following purposes:

- Reserve for prepaid costs represents that portion of fund balance already disbursed on expenditures that relate to a subsequent fiscal year.
- Reserve for court security represents that portion of fund balance legally restricted for court security costs.
- Reserve for court technology represents that portion of fund balance legally restricted for court technology costs.
- Reserve for child safety represents that portion of fund balance legally restricted for child safety costs.
- Reserve for juvenile case management represents that portion of fund balance legally restricted for juvenile case management costs.
- Reserve for Willow Grove Park fees represents that portion of fund balance generated from Willow Grove Park camping permits and legally restricted for Willow Grove Park costs.
- Reserve for Kid-N-Cops represents that portion of fund balance received from donors for the Kids-N-Cops program.
- Reserve for animal rescue represents that portion of fund balance received from donors for the animal rescue program.
- Reserve for LEOSE represents that portion of fund balance legally restricted for police training.
- Reserve for VSC auction represents that portion of fund balance generated from providing police services for entities disposing of impounded and abandoned vehicles, and legally restricted for police department costs.
- Reserve for police technology donations represents that portion of fund balance received from donors for police equipment.
- Reserve for police seizure funds represents that portion of fund balance generated from court seizure of funds related to drug cases, and legally restricted for police department costs.
- Reserve for economic development represents the fund balance of the Lake Dallas Economic Development Corporation.
- Reserve for community development represents the fund balance of the Lake Dallas Community Development Corporation.

Designations indicate portions of fund equity which are designated by the City Council for a specific future use but are not legally restricted. At September 30, 2007, the City had no designated fund balances.

**K. Estimates**

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

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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**L. Net Assets**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**M. Budgets and Budgetary Accounting**

Prior to September 1, the City Manager submits to the City Council a proposed budget for the ensuing fiscal year. At the meeting of the City Council at which the budget is submitted, the City Council fixes the time and place of the public hearing on the budget and causes to be published a notice of the budget hearing. After the budget hearing the budget may be adopted by a favorable vote of the majority vote of the Council. Upon adoption the budget is filed with the City Secretary and the County Clerk of Denton County.

The City Manager is authorized to transfer budgeted amounts between departments with any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Expenditures should not exceed appropriations at the department level, the classification level as reported in the combined financial statements. Unused appropriations lapse at the end of each fiscal year.

Budgets for the general fund and debt service fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget was amended once during the year by the City Council. The amendments are reflected in the official minutes of the Council.

**2. DEPOSITS AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of a depository agreement. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the agreement. 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.

**1. Cash Deposits:**

At September 30, 2007, the carrying amount of the City's deposits in checking accounts and interest-bearing savings accounts was \$72,149 and the bank balance was \$116,136. The City's cash deposits at September 30, 2007 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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**2. Investments:**

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 City 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 authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2007, the City's cash balances totaled \$116,136. This entire amount was either collateralized with securities held by the City's financial institution's agent in the City's name or covered by FDIC insurance. Thus, the City's deposits are not exposed to custodial credit risk.
- b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2007, the City held all of its investments in two public funds investment pools - Texpool and LOGIC. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for LOGIC at year-end was AAA (Standard & Poor's) and for TexPool was AAAM (Standard & Poor's).
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, TexStar and LOGIC investment pools is less than 60 days.
- e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2007, the City was not exposed to foreign currency risk.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

The City's investments at September 30, 2007 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	\$ 424,192	\$ 424,104
LOGIC Investment Pool	650,698	650,563
TexStar Investment Pool	<u>93,697</u>	<u>93,697</u>
Total	<u>\$1,168,587</u>	<u>\$1,168,364</u>

**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The details of this \$320,576 adjustment are as follows:

Current year capital outlay	\$ 99,609
Bond principal payments	90,000
Cert. of obligation principal payments	85,000
Equipment finance loan principal payments	<u>45,967</u>
Net adjustment	<u>\$320,576</u>

Another element of that reconciliation state that: "Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$856,243 adjustment are as follows:

Deferred tax revenue recognized as revenue	\$ 62,182
Accrued interest payable on long-term debt	(27,179)
Increase in accrued compensated absences	(85,618)
Capital outlay contributed by EDC/CDC	883,306
Capitalized debt issuance costs	24,842
Amortization of debt issuance costs	<u>(1,290)</u>
Net adjustment	<u>\$856,243</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities: One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.

These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$779,215 adjustment are as follows:

Current year change in deferred tax revenue	\$ (18,841)
Decrease in accrued interest payable	1,658
Increase in accrued compensated absences	(85,618)
Capital outlay contributed by EDC/CDC	883,306
Amortization of debt issuance costs	<u>(1,290)</u>
 Net adjustment	 <u>\$779,215</u>

**4. RECEIVABLES**

Government-wide receivables as of September 30, 2007, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 99,230	\$ 17,848	\$117,078
Sales taxes	41,459	-	41,459
Occupancy tax	14,437	-	14,437
Mixed beverage tax	7,062	-	7,062
Other	<u>3,420</u>	<u>-</u>	<u>3,420</u>
Gross Receivables	165,608	17,848	183,456
Less: Uncollectible allowance	<u>46,653</u>	<u>8,243</u>	<u>54,896</u>
Net Total Receivables	<u>\$118,955</u>	<u>\$ 9,605</u>	<u>\$128,560</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal period, the deferred revenue reported in the governmental funds relates to delinquent property taxes.

**5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

There were no amounts due from and due to other funds at September 30, 2007.

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

Fund transfers during the year include the following:

- Transfers of certificates of obligation proceeds from the capital projects fund to Lake Dallas Community Development Corporation, to fund the cost of parks projects - \$536,241.
- Transfers of certificates of obligation proceeds from the capital projects fund to Lake Dallas Economic Development Corporation, to fund the cost of a paving and drainage project - \$39,235.
- Transfers from Lake Dallas Community Development Corporation to the debt service fund, toward payment of long-term debt - \$99,366.
- Transfers from Lake Dallas Economic Development Corporation to the debt service fund, toward payment of long-term debt - \$44,063.

**6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 331,779	\$ -	\$ -	\$ 331,779
Buildings and Improvements	1,629,761	16,519	-	1,646,280
Street and Parks Infrastructure	3,282,450	14,446	-	3,296,896
Equipment and Vehicles	945,583	77,802	-	1,023,385
Construction in Progress	<u>626,107</u>	<u>874,148</u>	-	<u>1,500,255</u>
Totals at historic cost	<u>6,815,680</u>	<u>982,915</u>	-	<u>7,798,595</u>
Less accumulated depreciation for:				
Buildings and Improvements	(346,722)	(43,726)	-	(390,448)
Street and Parks Infrastructure	(1,082,759)	(219,442)	-	(1,302,201)
Equipment and Vehicles	<u>(470,843)</u>	<u>(102,373)</u>	-	<u>(573,216)</u>
Total accumulated depreciation	<u>(1,900,324)</u>	<u>(365,541)</u>	-	<u>(2,265,865)</u>
Governmental activities capital assets, net	<u>\$4,915,356</u>	<u>\$ 617,374</u>	<u>\$ -</u>	<u>\$ 5,532,730</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 36,253
Special Events	249
Public Safety	82,641
Animal Control	1,880
Public Works-Streets	217,473
Municipal Court	806
Parks and Recreation	23,694
Community Development	<u>2,545</u>
Total depreciation expense – Governmental activities	<u>\$365,541</u>

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

**7. LONG TERM DEBT**

Long term debt of the City consists of one general obligation bond series, two certificates of obligation series, one equipment finance loan and compensated absences. All long-term debt represents transactions in the City's governmental activities.

In January, 1998, voters of the City authorized the issuance and sale of \$3,000,000 in general obligation bonds, to be used to reconstruct and improve City streets and drainage, and to purchase land. In March, 1998, \$2,000,000 of the bonds were issued. At September 30, 2007, the remaining \$1,000,000 in authorized bonds were unissued.

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

The following is a summary of the changes in the City's Long-term Debt for the year ended September 30, 2007:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/06</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 09/30/07</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
1998 General Obligation	4.5-6.0%	<u>\$1,475,000</u>	\$ -	<u>\$ 90,000</u>	<u>\$1,385,000</u>	<u>\$ 95,000</u>
Total Bonded Indebtedness		<u>1,475,000</u>	<u>-</u>	<u>90,000</u>	<u>1,385,000</u>	<u>95,000</u>
Certificates of Obligation:						
2001 Series	4.875-5.0%	645,000	-	30,000	615,000	30,000
2006 Series	4.24%	<u>1,635,000</u>	<u>-</u>	<u>55,000</u>	<u>1,580,000</u>	<u>55,000</u>
Total Cert. of Obligation		<u>2,280,000</u>	<u>-</u>	<u>85,000</u>	<u>2,195,000</u>	<u>85,000</u>
Equipment Finance Loan:						
Northstar Bank	4.50%	<u>144,914</u>	<u>-</u>	<u>45,967</u>	<u>98,947</u>	<u>48,615</u>
Total Equipment Finance Loan		<u>144,914</u>	<u>-</u>	<u>45,967</u>	<u>98,947</u>	<u>48,615</u>
Compensated Absences		<u>92,073</u>	<u>85,618</u>	<u>-</u>	<u>177,691</u>	<u>-</u>
Total Long-Term Debt		<u>\$3,991,987</u>	<u>\$ 85,618</u>	<u>\$220,967</u>	<u>\$3,856,638</u>	<u>\$ 228,615</u>

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds require the City to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

The retirement of accrued compensated absences is provided by financial resources of the General Fund.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

**8. DEBT SERVICE REQUIREMENTS TO MATURITY**

Presented below is a summary of general obligation bond requirements to maturity:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
September 30,			
2008	\$ 95,000	\$ 66,143	\$ 161,143
2009	105,000	61,868	166,868
2010	110,000	57,143	167,143
2011	115,000	52,083	167,083
2012	120,000	46,793	166,793
2013-2017	685,000	142,977	827,977
2018	155,000	7,750	162,750
Total	<u>\$1,385,000</u>	<u>\$ 434,757</u>	<u>\$1,819,757</u>

Presented below is a summary of certificates of obligation requirements to maturity:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
September 30,			
2008	\$ 85,000	\$ 95,546	\$ 180,546
2009	85,000	91,939	176,939
2010	95,000	88,196	183,196
2011	100,000	83,989	183,989
2012	105,000	79,570	184,570
2013-2017	590,000	323,205	913,205
2018-2022	685,000	174,644	859,644
2023-2026	450,000	39,220	489,220
Total	<u>\$2,195,000</u>	<u>\$ 976,309</u>	<u>\$3,171,309</u>

Presented below is a summary of equipment finance loan requirements to maturity:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
September 30,			
2008	\$48,615	\$4,453	\$ 53,068
2009	50,332	2,265	52,597
Total	<u>\$98,947</u>	<u>\$6,718</u>	<u>\$105,665</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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**9. EMPLOYEE RETIREMENT PLAN**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employer's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows (as of 4/4/07):

Deposit Rate: 7%

Matching Ration (City to Employee): 2 to 1

A member is vested after 5 yrs.

Members can retire at certain ages, based on the year of service with the City.

The Service Retirement Eligibility for the City is: "5 yrs/age 60, 20 yrs/any age"

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

The City's total payroll in the current year was \$1,389,194 and the City's covered payroll was \$1,349,148. Both the City and the covered employees made the required contributions, amounting to \$129,399, (9.95% of covered payroll during calendar year 2006, and 9.48% during calendar year 2007) for the City and \$94,440 (7%) for the employees. There were no related-party transactions.

Funding Status and Progress

Even though the substance of the City's plan is not to provide a defined benefit in some form, additional disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation to the monetary credits granted by the City for services rendered before the plan began and which can have additions to the unfunded pension benefit obligation through the periodic adoption of increases in benefit credits and benefits. Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of public employee pension plans, assess programs made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee pension plans.

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefits credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 2006.

Schedule of Actuarial Liabilities and Funding Progress:

Actuarial Valuation Date	12/31/2006
Actuarial Value of Assets	\$2,330,207
Actuarial Accrued Liability	\$2,736,265
Percentage Funded	85.16%
Unfunded (Over-funded) Actuarial Accrued Liability	\$406,058

Actual Assumptions

Actual cost method	Unit Credit
Amortization method	Level Percent of Payroll
Remaining amortization period	25 Years – Open Period
Asset valuation method	Amortized Cost
	(to accurately reflect the requirements of GASB statement, No. 25, paragraphs 36e and 138)
Investment rate of return	7%
Projected salary increases	None
Includes inflation at	3.5%
Cost-of-living adjustments	None

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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All assumptions for the 12/31/06 valuations can be found in the TMRS Comprehensive Annual Financial Report, a copy of which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

**10. LITIGATION AND CONTINGENCIES**

The City participates in some state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2007 may be impaired. In the opinion of the City, 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.

**11. RISK MANAGEMENT**

Liability and property insurance coverage is provided by TML Intergovernmental Risk Pool. The City retains, as a risk only, the deductible amounts for each declaration of coverage. There were no reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

The City is a member of the Texas Municipal League Intergovernmental Risk Pool. Insurance coverage of the City is divided into the following types: property, crime, general liability, public official's liability, auto liability, auto physical damage, auto catastrophic, inland marine (mobile equipment), law enforcement liability, and boiler and machinery.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes (ad valorem, sales and other)	\$2,504,835	\$2,504,835	\$2,663,980	\$ 159,145
Special assessments	-	-	16,829	16,829
Licenses and permits	179,805	175,805	250,241	74,436
Charges for services	251,000	226,500	286,972	60,472
Fines	155,000	177,000	266,397	89,397
Donations	-	-	4,843	4,843
Interest	22,300	22,300	46,212	23,912
Utilities settlement	20,000	74,620	23,392	(51,228)
Miscellaneous revenue	300	6,800	9,336	2,536
<b>Total Revenues</b>	<u>3,133,240</u>	<u>3,187,860</u>	<u>3,568,202</u>	<u>380,342</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	517,223	509,441	480,528	28,913
Special events	66,203	66,205	92,473	(26,268)
Public safety	1,965,968	1,965,968	1,970,968	(5,000)
Animal control	77,359	77,359	91,157	(13,798)
Public works-streets	258,893	259,069	277,513	(18,444)
Municipal court	72,462	72,461	88,299	(15,838)
Parks and recreation	49,046	49,046	67,996	(18,950)
Community development	152,996	152,995	157,177	(4,182)
Capital Outlay	11,000	48,230	99,609	(51,379)
<b>Total Expenditures</b>	<u>3,171,150</u>	<u>3,200,774</u>	<u>3,325,720</u>	<u>(124,946)</u>
Excess of Revenues over Expenditures	<u>(37,910)</u>	<u>(12,914)</u>	<u>242,482</u>	<u>255,396</u>
<b>Other Financing Sources:</b>				
Transfers in	48,338	48,338	81,308	32,970
Transfers out	-	-	(34,190)	(34,190)
<b>Total Other Financing Sources</b>	<u>48,338</u>	<u>48,338</u>	<u>47,118</u>	<u>(1,220)</u>
Net Change in Fund Balance	10,428	35,424	289,600	254,176
Fund Balance – October 1 (Beginning)	<u>410,887</u>	<u>410,887</u>	<u>410,887</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 421,315</u>	<u>\$ 446,311</u>	<u>\$ 700,487</u>	<u>\$ 254,176</u>

**COMBINING & INDIVIDUAL FUND  
STATEMENTS & SCHEDULES**

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$714,886	\$412,434
Receivables:		
Ad valorem tax	52,577	68,983
Sales tax	41,459	38,719
Occupancy tax	14,437	15,172
Mixed beverage tax	7,062	5,309
Other	3,420	3,754
Due from EDC/CDC	226	166
Prepaid costs	<u>19,878</u>	<u>3,023</u>
<b>TOTAL ASSETS</b>	<b><u>\$853,945</u></b>	<b><u>\$547,560</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$45,864	\$ 22,466
Accrued wages payable	28,307	26,607
Court costs payable	25,001	16,099
Other liabilities	1,709	2,518
Deferred revenue	<u>52,577</u>	<u>68,983</u>
Total Liabilities	<u>153,458</u>	<u>136,673</u>
Fund Balance:		
Reserved	124,504	119,949
Undesignated	<u>575,983</u>	<u>290,938</u>
Total Fund Balance	<u>700,487</u>	<u>410,887</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$853,945</u></b>	<b><u>\$547,560</u></b>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES:</b>		
Taxes:		
Property	\$1,651,457	\$1,513,382
Sales	545,544	505,000
Hotel occupancy tax	59,852	35,629
Mixed beverage	22,936	18,487
Franchise	384,191	314,796
Special assessments	16,829	6,326
License and permits	250,241	139,302
Charges for services	286,972	286,582
Fines	266,397	207,022
Donations	4,843	6,251
Interest	46,212	34,903
Utilities settlement	23,392	27,520
Police vests grant	-	1,200
Miscellaneous	9,336	13,352
Total Revenues	<u>3,568,202</u>	<u>3,109,752</u>
 <b>EXPENDITURES:</b>		
Current:		
General government	480,528	482,707
Special events	92,473	100,702
Public safety	1,970,968	1,934,157
Animal control	91,157	76,256
Public works – streets	277,513	256,019
Municipal court	88,299	61,726
Parks and recreation	67,996	29,569
Community development	157,177	153,693
Capital outlay	99,609	133,829
Total Expenditures	<u>3,325,720</u>	<u>3,228,658</u>
 Excess of Revenues over Expenditures	 <u>242,482</u>	 <u>(118,906)</u>
 <b>OTHER FINANCING SOURCES (USES):</b>		
Sale of assets	-	338
Transfers in	81,308	79,714
Transfers out	(34,190)	(16,888)
Total Other Financing Sources (Uses)	<u>47,118</u>	<u>63,164</u>
 Net Change in Fund Balance	 289,600	 (55,742)
 Fund Balance - October 1 (Beginning)	 <u>410,887</u>	 <u>466,629</u>
 Fund Balance - September 30 (Ending)	 <u>\$ 700,487</u>	 <u>\$ 410,887</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2007  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
Ad valorem tax	\$ 1,594,600	\$ 1,651,457	\$ 56,857	\$ 1,513,382
Sales tax	536,000	545,544	9,544	505,000
Mixed beverage tax	16,000	22,936	6,936	18,487
Hotel occupancy tax	45,343	59,852	14,509	35,629
Franchise tax	312,892	384,191	71,299	314,796
Court fines and fees	177,000	266,397	89,397	207,022
Building permits	120,000	185,650	65,650	81,101
Park improvement fees	-	16,829	16,829	6,326
Other permits and fees	55,805	64,591	8,786	58,201
School resource officer reimbursements	20,000	7,299	(12,701)	17,618
Police vests grant	-	-	-	1,200
Police auction VSC	3,500	39,224	35,724	66,396
Rent - Lake Cities Library	35,000	35,000	-	35,000
Other rentals	3,000	2,400	(600)	3,325
Dispatch contract	42,500	42,500	-	40,000
Crossing guard reimbursement	-	-	-	9,253
Parks maintenance	6,500	-	(6,500)	-
Warrant service	21,500	41,630	20,130	26,535
Staff/office services - EDC/CDC	70,000	70,000	-	50,000
Donations	-	4,843	4,843	6,251
Interest earned	22,300	46,212	23,912	34,903
State police training funds	-	1,616	1,616	1,412
Mowing	-	7,702	7,702	2,192
Animal services	4,000	4,528	528	4,358
Fireworks	7,000	8,503	1,503	7,000
Utilities settlement	74,620	23,392	(51,228)	27,520
Police seizure funds	-	4,038	4,038	696
Special events	20,000	28,186	8,186	34,097
Other revenue	300	3,682	3,382	2,052
<b>TOTAL REVENUE</b>	<b><u>\$3,187,860</u></b>	<b><u>\$3,568,202</u></b>	<b><u>\$ 380,342</u></b>	<b><u>\$3,109,752</u></b>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2007  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
<b>GENERAL GOVERNMENT:</b>				
<b>Personnel:</b>				
Salaries	\$ 189,837	\$ 191,131	\$ (1,294)	\$ 200,834
Retirement	18,167	17,954	213	19,597
Longevity pay	1,350	1,350	-	1,134
Insurance	21,433	16,230	5,203	23,750
Payroll taxes	4,611	2,795	1,816	4,630
<b>Total Personnel</b>	<b>235,398</b>	<b>229,460</b>	<b>5,938</b>	<b>249,945</b>
<b>Supplies, Repairs and Services:</b>				
Insurance	26,500	28,889	(2,389)	24,909
Office expense	5,500	4,184	1,316	4,618
Operating supplies	2,500	2,055	445	3,741
Travel	1,000	986	14	2,325
Continuing education	800	953	(153)	895
Election expense	4,500	75	4,425	75
Ads and public notices	2,000	3,007	(1,007)	1,555
Publications	300	337	(37)	396
Dues and memberships	3,500	3,143	357	2,562
Postage	2,000	2,627	(627)	2,340
Telephone and utilities	57,500	58,494	(994)	60,264
Professional services	37,216	31,635	5,581	18,298
Tax appraisal/collection	21,584	19,773	1,811	17,883
Legal services	19,525	9,667	9,858	23,414
Council and committees	4,000	5,702	(1,702)	3,854
Maintenance and repair - building	12,960	17,957	(4,997)	8,178
Maintenance and repair - equipment	6,050	11,019	(4,969)	4,859
Lake Cities Library	66,608	50,565	16,043	52,596
<b>Total Supplies, Repairs and Services</b>	<b>274,043</b>	<b>251,068</b>	<b>22,975</b>	<b>232,762</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>509,441</b>	<b>480,528</b>	<b>28,913</b>	<b>482,707</b>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2007  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
<b>SPECIAL EVENTS:</b>				
<b>Personnel:</b>				
Salaries	\$ 33,970	\$ 31,043	\$ 2,927	\$ 26,253
Retirement	3,276	3,106	170	2,269
Insurance	4,896	4,723	173	3,565
Payroll taxes	763	513	250	770
<b>Total Personnel</b>	<u>42,905</u>	<u>39,385</u>	<u>3,520</u>	<u>32,857</u>
<b>Supplies, Repairs and Services:</b>				
Supplies	200	230	(30)	210
Office expense	500	285	215	542
Travel	500	418	82	792
Continuing education	200	160	40	145
Printing	1,000	1,417	(417)	490
Advertising	-	-	-	11,583
Dues and memberships	200	160	40	35
Telephone	400	409	(9)	355
Special events costs	20,000	50,009	(30,009)	50,269
Rentals	-	-	-	2,260
Maintenance and repair - equipment	300	-	300	568
Equipment supplies	-	-	-	596
<b>Total Supplies, Repairs and Services</b>	<u>23,300</u>	<u>53,088</u>	<u>(29,788)</u>	<u>67,845</u>
<b>TOTAL SPECIAL EVENTS</b>	<u>66,205</u>	<u>92,473</u>	<u>(26,268)</u>	<u>100,702</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2007  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
<b>PUBLIC SAFETY:</b>				
Police Department:				
Personnel:				
Salaries	\$ 816,198	\$ 802,067	\$ 14,131	\$ 850,690
Retirement	78,239	77,127	1,112	85,999
Contract labor	-	-	-	7,341
Longevity pay	7,674	6,750	924	7,999
Insurance	132,464	136,455	(3,991)	144,002
Payroll taxes	16,695	11,063	5,632	16,691
Total Personnel	<u>1,051,270</u>	<u>1,033,462</u>	<u>17,808</u>	<u>1,112,722</u>
Supplies, Repairs and Services:				
Office expense	7,500	4,183	3,317	8,764
Supplies	5,000	12,114	(7,114)	7,050
Travel expense	2,500	980	1,520	940
Miscellaneous expense	800	101	699	1,400
Ads and public notices	1,000	1,749	(749)	1,143
Publications	1,200	1,259	(59)	659
Printing	600	195	405	57
Dues and memberships	400	750	(350)	195
Uniforms	3,600	2,282	1,318	3,472
Training	500	3,028	(2,528)	1,448
Telephone	9,000	7,283	1,717	12,620
Professional services	17,057	17,578	(521)	14,779
Detention expenses	1,800	1,667	133	1,695
K-9 support	1,500	716	784	3,274
Kids-N-Cops program	-	5,894	(5,894)	6,059
Maintenance and repair - equipment	18,316	10,629	7,687	11,260
Maintenance and repair - vehicles	10,000	19,372	(9,372)	10,873
Gas and oil	26,000	26,087	(87)	27,367
Special programs	3,000	734	2,266	904
Special operations	3,000	-	3,000	9,845
Equipment supplies	-	18,991	(18,991)	25,745
Total Supplies, Repairs and Services	<u>112,773</u>	<u>135,592</u>	<u>(22,819)</u>	<u>149,549</u>
Total Police Department	<u>1,164,043</u>	<u>1,169,054</u>	<u>(5,011)</u>	<u>1,262,271</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2007  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
Fire Department:				
Contribution to Lake Cities				
Volunteer Fire Department	\$ 801,925	\$ 801,914	\$ 11	\$ 671,886
Total Fire Department	<u>801,925</u>	<u>801,914</u>	<u>11</u>	<u>671,886</u>
TOTAL PUBLIC SAFETY	<u>1,965,968</u>	<u>1,970,968</u>	<u>(5,000)</u>	<u>1,934,157</u>
ANIMAL CONTROL:				
Personnel:				
Salaries	51,835	58,577	(6,742)	48,480
Retirement	3,876	4,618	(742)	3,975
Longevity pay	654	654	-	582
Insurance	7,170	6,837	333	7,217
Payroll taxes	<u>2,074</u>	<u>1,679</u>	<u>395</u>	<u>2,021</u>
Total Personnel	<u>65,609</u>	<u>72,365</u>	<u>(6,756)</u>	<u>62,275</u>
Supplies, Repairs and Services:				
Office expense	300	134	166	199
Supplies	3,000	4,844	(1,844)	2,910
Travel expense	150	100	50	92
Ads and public notices	250	559	(309)	785
Publications	100	59	41	-
Printing	150	-	150	-
Dues and memberships	50	20	30	20
Uniforms	200	192	8	-
Telephone	450	444	6	453
Professional services	500	231	269	301
Special events	500	-	500	-
Land lease	3,600	8,400	(4,800)	7,200
Maintenance and repair - building	500	2,924	(2,424)	1,252
Maintenance and repair - equipment	500	69	431	12
Maintenance and repair - vehicles	600	371	229	109
Gas and oil	<u>900</u>	<u>445</u>	<u>455</u>	<u>648</u>
Total Supplies, Repairs and Services	<u>11,750</u>	<u>18,792</u>	<u>(7,042)</u>	<u>13,981</u>
TOTAL ANIMAL CONTROL	<u>77,359</u>	<u>91,157</u>	<u>(13,798)</u>	<u>76,256</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2007  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
<b>PUBLIC WORKS:</b>				
Street Department:				
Personnel:				
Salaries	\$ 129,095	\$ 129,962	\$ (867)	\$ 121,139
Retirement	11,434	11,840	(406)	11,589
Longevity pay	2,424	2,424	-	3,036
Insurance	28,607	32,292	(3,685)	30,148
Payroll taxes	3,565	2,463	1,102	2,960
Total Personnel	<u>175,125</u>	<u>178,981</u>	<u>(3,856)</u>	<u>168,872</u>
Supplies, Repairs and Services:				
Supplies	2,000	1,789	211	1,583
Advertising	100	651	(551)	119
Continuing education	550	485	65	89
Dues and memberships	120	115	5	115
Publications	-	279	(279)	-
Travel	-	101	(101)	-
Uniforms	2,000	2,294	(294)	1,876
Telephone	1,300	1,215	85	1,354
Street lighting	45,000	47,831	(2,831)	44,959
Professional services	500	397	103	450
Street signs	4,000	4,893	(893)	3,402
Maintenance and repair - building	350	493	(143)	328
Maintenance and repair - equipment	3,000	3,612	(612)	1,609
Maintenance and repair- vehicle	2,000	1,903	97	905
Maintenance - drainage	3,650	8,180	(4,530)	-
Maintenance - streets	12,174	15,354	(3,180)	23,335
Gas and oil	6,000	6,439	(439)	5,909
Equipment rental	1,200	2,501	(1,301)	1,114
Total Supplies, Repairs and Services	<u>83,944</u>	<u>98,532</u>	<u>(14,588)</u>	<u>87,147</u>
<b>TOTAL PUBLIC WORKS</b>	<u>259,069</u>	<u>277,513</u>	<u>(18,444)</u>	<u>256,019</u>

CITY OF LAKE DALLAS, TEXAS

GENERAL FUND

STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)

BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2007

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
<b>MUNICIPAL COURT:</b>				
Personnel:				
Salaries	\$ 45,683	\$ 54,727	\$ (9,044)	\$ 43,649
Retirement	4,381	4,363	18	4,532
Longevity pay	390	390	-	318
Insurance	6,370	6,692	(322)	6,569
Payroll taxes	932	1,041	(109)	918
Total Personnel	<u>57,756</u>	<u>67,213</u>	<u>(9,457)</u>	<u>55,986</u>
Supplies, Repairs and Services:				
Supplies	200	1,494	(1,294)	432
Travel	225	375	(150)	218
Continuing education	250	439	(189)	-
Advertising	200	136	64	351
Publications	825	922	(97)	1,017
Dues and memberships	130	-	130	189
Credit card fees	-	-	-	558
Legal services	12,375	13,096	(721)	1,464
Maintenance and repair - equipment	500	3,299	(2,799)	1,511
Equipment supplies	-	1,325	(1,325)	-
Total Supplies, Repairs and Services	<u>14,705</u>	<u>21,086</u>	<u>(6,381)</u>	<u>5,740</u>
TOTAL MUNICIPAL COURT	<u>72,461</u>	<u>88,299</u>	<u>(15,838)</u>	<u>61,726</u>
<b>PARKS AND RECREATION:</b>				
Personnel:				
Salaries	28,683	29,347	(664)	13,492
Retirement	2,751	2,839	(88)	1,051
Insurance	6,926	6,205	721	2,029
Payroll taxes	686	471	215	826
Total Personnel	<u>39,046</u>	<u>38,862</u>	<u>184</u>	<u>17,398</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2007  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
<b>Supplies, Repairs and Services:</b>				
Supplies	\$ -	\$ 131	\$ (131)	\$ -
Advertising	-	3,205	(3,205)	283
Travel	-	24	(24)	-
Telephone	450	403	47	186
Uniforms	450	505	(55)	228
Equipment rental	3,000	3,317	(317)	2,640
Park utilities	-	7,144	(7,144)	1,462
Park maintenance	1,500	4,180	(2,680)	2,353
Sign maintenance	100	-	100	316
Professional services	-	60	(60)	-
Gas and oil	3,000	3,686	(686)	2,564
Maintenance and repair - equipment	1,500	2,361	(861)	2,139
Equipment supplies	-	4,118	(4,118)	-
Total Supplies, Repairs and Services	<u>10,000</u>	<u>29,134</u>	<u>(19,134)</u>	<u>12,171</u>
<b>TOTAL PARKS AND RECREATION</b>	<u>49,046</u>	<u>67,996</u>	<u>(18,950)</u>	<u>29,569</u>
<b>COMMUNITY DEVELOPMENT:</b>				
<b>Personnel:</b>				
Salaries	77,396	78,312	(916)	80,785
Retirement	7,422	7,552	(130)	8,271
Longevity pay	1,224	1,224	-	240
Insurance	12,791	12,265	526	14,159
Payroll taxes	1,662	1,243	419	1,955
Total Personnel	<u>100,495</u>	<u>100,596</u>	<u>(101)</u>	<u>105,410</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2007  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
Supplies, Repairs and Services:				
Supplies	\$ 1,250	\$ 625	\$ 625	\$ 1,151
Travel	500	658	(158)	348
Continuing education	500	165	335	150
Advertising	500	355	145	1,566
Publications	600	114	486	283
Dues and memberships	200	186	14	186
Telephone	875	804	71	1,053
Professional services	44,875	50,932	(6,057)	41,750
Maintenance and repair - equipment	1,400	1,305	95	-
Maintenance and repair - vehicles	200	293	(93)	100
Gas and oil	1,600	1,144	456	1,696
Total Supplies, Repairs and Services	<u>52,500</u>	<u>56,581</u>	<u>(4,081)</u>	<u>48,283</u>
 TOTAL COMMUNITY DEVELOPMENT	 <u>152,995</u>	 <u>157,177</u>	 <u>(4,182)</u>	 <u>153,693</u>
 CAPITAL OUTLAY:				
Capital outlay - building	-	16,519	(16,519)	-
Capital outlay - streets	14,446	14,446	-	48,035
Capital outlay - equipment	22,784	41,518	(18,734)	43,251
Capital outlay - vehicles	11,000	27,126	(16,126)	42,543
 TOTAL CAPITAL OUTLAY	 <u>48,230</u>	 <u>99,609</u>	 <u>(51,379)</u>	 <u>133,829</u>
 TOTAL EXPENDITURES	 <u>\$ 3,200,774</u>	 <u>\$ 3,325,720</u>	 <u>\$ (124,946)</u>	 <u>\$ 3,228,658</u>

CITY OF LAKE DALLAS, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2007 AND 2006

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	<u>2007</u>	<u>2006</u>
ASSETS		
Receivables:		
Ad valorem tax	\$9,605	\$12,040
TOTAL ASSETS	<u>\$9,605</u>	<u>\$12,040</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deferred revenues	\$9,605	\$12,040
Total Liabilities	<u>9,605</u>	<u>12,040</u>
Fund balance:		
Reserved for debt service	—	—
Total Fund Balance	—	—
TOTAL LIABILITIES AND FUND BALANCE	<u>\$9,605</u>	<u>\$12,040</u>

CITY OF LAKE DALLAS, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
Taxes:		
Property	\$ <u>337,560</u>	\$ <u>279,384</u>
TOTAL REVENUES	<u>337,560</u>	<u>279,384</u>
EXPENDITURES:		
Debt service:		
Principal retirement	220,967	159,443
Interest and fiscal charges	<u>178,714</u>	<u>152,139</u>
TOTAL EXPENDITURES	<u>399,681</u>	<u>311,582</u>
Excess of revenues over (under) expenditures	<u>(62,121)</u>	<u>(32,198)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	<u>62,121</u>	<u>32,198</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>62,121</u>	<u>32,198</u>
Change in fund balance	-0-	-0-
Fund balance, beginning of year	<u>-0-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-ad valorem	<u>\$324,000</u>	<u>\$324,000</u>	<u>\$337,560</u>	<u>\$ 13,560</u>
Total Revenues	<u>324,000</u>	<u>324,000</u>	<u>337,560</u>	<u>13,560</u>
Expenditures:				
Principal	221,551	221,551	220,967	584
Interest and Fees	<u>177,821</u>	<u>177,821</u>	<u>178,714</u>	<u>(893)</u>
Total Expenditures	<u>399,372</u>	<u>399,372</u>	<u>399,681</u>	<u>(309)</u>
Excess of Revenues over Expenditures	<u>(75,372)</u>	<u>(75,372)</u>	<u>(62,121)</u>	<u>13,251</u>
Other Financing Sources (Uses):				
Transfers In	<u>97,300</u>	<u>97,300</u>	<u>62,121</u>	<u>(35,179)</u>
Total Other Financing Sources (Uses)	<u>97,300</u>	<u>97,300</u>	<u>62,121</u>	<u>(35,179)</u>
Net Change in Fund Balance	21,928	21,928	-	(21,928)
Fund Balance – October 1 (Beginning)	-	-	-	-
Fund Balance – September 30 (Ending)	<u>\$ 21,928</u>	<u>\$ 21,928</u>	<u>\$ -</u>	<u>\$ (21,928)</u>

CITY OF LAKE DALLAS, TEXAS  
SCHEDULE OF RESERVED FUND BALANCE  
GENERAL FUND  
SEPTEMBER 30, 2007

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Court technology funds	\$ 17,014
Court security funds	8,298
Child safety funds	26,408
Juvenile case management funds	3,110
Willow Grove Park fees	2,824
VSC auction	20,751
LEOSE	5,918
Police technology donations	235
Police seizure funds	6,801
Kids-N-Cops	9,095
Animal rescue	<u>4,172</u>
 Total	 <u>\$104,626</u>

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,**  
**TONN & SEAY**  
A PROFESSIONAL CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

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P.O. BOX 977  
DENTON, TEXAS 76202-0977  
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FAX (940) 383-4746

INDEPENDENT AUDITORS' 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*

Honorable Mayor and Members of the City Council  
City of Lake Dallas, Texas

We have audited the financial statements of the governmental activities, the discretely presented component unit and each major fund of the City of Lake Dallas as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2008. 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.

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 City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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 City'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, and appropriate federal awarding agencies and is not intended to be used and should not be used by anyone other than these specified parties.



Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

January 14, 2008

**STATISTICAL SECTION**

CITY OF LAKE DALLAS, TEXAS  
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Animal Control</u>	<u>Public Works - Streets</u>	<u>Municipal Court</u>	<u>Park and Recreation</u>	<u>Community Development</u>
1998	\$209,923	\$ 805,898	\$ -	\$197,207	\$54,312	\$40,984	\$102,421
1999	231,699	953,343	-	186,271	53,028	46,875	118,450
2000	216,824	1,036,091	-	188,818	53,022	72,968	118,439
2001	220,322	1,029,313	92,712	402,811	59,278	199,953	82,051
2002	260,731	1,348,318	62,050	240,454	75,631	61,359	77,050
2003	304,278	1,370,459	62,101	220,140	62,235	17,166	94,658
2004	337,509	1,480,659	68,552	224,981	60,792	20,859	106,697
2005	381,023	1,748,863	75,847	249,303	67,524	40,091	146,893
2006	482,707	1,934,157	76,256	256,019	61,726	29,569	153,693
2007	480,528	1,970,968	91,157	277,513	88,299	67,996	157,177

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<u>Special Events</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 117,991	\$ 51,740	\$1,580,476
-	1,205,496	208,787	3,003,949
-	1,439,140	212,960	3,338,262
-	865,983	211,953	3,164,376
-	839,549	261,846	3,226,988
-	217,414	226,283	2,574,734
-	336,295	306,548	2,942,892
-	691,339	272,938	3,673,821
100,702	133,829	311,582	3,540,240
92,473	99,609	399,681	3,725,401

CITY OF LAKE DALLAS, TEXAS  
 GENERAL GOVERNMENTAL REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Special Assessments</u>	<u>License and Permits</u>	<u>Charges for Services</u>	<u>Fines</u>	<u>Interest</u>
1998	\$1,349,517	\$20,768	\$218,132	\$ 29,625	\$130,996	\$145,142
1999	1,503,596	11,615	151,899	36,840	118,733	186,821
2000	1,672,043	8,968	116,655	38,603	110,952	158,644
2001	1,857,983	13,258	147,418	28,874	123,392	112,213
2002	1,939,336	10,134	108,535	27,519	89,391	30,018
2003	2,105,390	7,799	122,291	143,028	118,295	12,262
2004	2,245,530	7,134	145,098	169,548	129,887	11,368
2005	2,471,767	8,114	170,221	249,417	167,065	29,831
2006	2,666,678	6,326	139,302	286,582	207,022	82,542
2007	3,001,540	16,829	250,241	286,972	266,397	77,818

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<u>Grants</u>	<u>Miscellaneous</u>	<u>Intergovernmental</u>	<u>Total</u>
\$72,847	\$29,368	\$ -	\$1,996,395
42,429	24,874	-	2,076,807
32,585	19,330	100,000	2,257,780
-	13,948	-	2,297,086
-	48,424	-	2,253,357
35,127	25,941	-	2,570,133
48,567	70,363	-	2,827,495
41,306	47,204	-	3,184,925
1,200	47,123	-	3,436,775
-	37,571	-	3,937,368

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CITY OF LAKE DALLAS, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST NINE FISCAL YEARS

<u>Fiscal Year</u>	<u>(1) Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel Occupancy</u>	<u>Mixed Beverage</u>	<u>Total</u>
1999	\$ 968,225	\$281,515	\$237,484	\$ -	\$16,372	\$1,503,596
2000	1,062,023	351,901	242,501	-	15,618	1,672,043
2001	1,197,515	367,788	277,271	-	15,409	1,857,983
2002	1,258,045	376,267	289,973	-	15,051	1,939,336
2003	1,391,283	379,220	313,053	-	21,834	2,105,390
2004	1,498,150	435,367	296,404	-	15,609	2,245,530
2005	1,704,100	452,083	302,023	-	13,561	2,471,767
2006	1,792,766	505,000	314,796	35,629	18,487	2,666,678
2007	1,989,017	545,544	384,191	59,852	22,936	3,001,540

(1) Includes penalties and interest.

CITY OF LAKE DALLAS, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST NINE FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Current Tax Collections</u>	<u>Percentage Of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio Of Total Collections To Levy</u>
1999	\$ 942,349	\$ 926,470	98.32%	\$25,056	\$ 951,526	101.00%
2000	1,055,242	1,037,567	98.33	13,859	1,051,426	99.64
2001	1,180,075	1,162,179	98.48	18,609	1,180,788	100.01
2002	1,299,874	1,224,635	94.21	15,875	1,240,510	95.43
2003	1,378,020	1,334,786	96.86	35,899	1,370,685	99.47
2004	1,489,914	1,451,497	97.42	25,767	1,477,264	99.15
2005	1,680,812	1,646,085	97.93	33,543	1,679,628	99.93
2006	1,778,138	1,736,716	97.67	28,726	1,765,442	99.29
2007	1,938,669	1,904,807	98.25	50,893	1,955,700	100.88

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<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Levy</u>
\$ 60,189	6.50%
60,021	5.69
56,842	4.82
114,353	8.80
116,360	8.44
123,800	8.31
122,991	7.32
134,256	7.55
117,078	6.04

CITY OF LAKE DALLAS, TEXAS  
RATIO TO ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL LONG-TERM DEBT  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1)  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1998	\$ 40,000	\$ 11,740	\$ 51,740	\$2,159,284	2.40%
1999	55,000	153,787	208,787	2,316,331	9.01
2000	105,000	107,960	212,960	2,437,892	8.74
2001	110,000	101,953	211,953	2,898,790	7.31
2002	115,000	146,846	261,846	3,224,235	8.12
2003	100,000	126,283	226,283	2,446,151	9.25
2004	185,000	121,548	306,548	2,692,871	11.38
2005	151,293	121,645	272,938	3,372,646	8.09
2006	159,443	152,139	311,582	3,540,240	8.80
2007	220,967	178,714	399,681	3,725,401	10.73

(1) Excludes Capital Projects Fund.

CITY OF LAKE DALLAS, TEXAS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTARY INFORMATION  
 ANALYSIS OF FUNDING PROGRESS

<u>Fiscal Year</u>	<u>Net Assets Available For Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Pension Benefit Obligation As A Percentage Covered Payroll</u>
2000	\$1,306,620	\$1,380,960	94.6%	\$ 74,700	\$698,242	10.7%
2001	1,486,189	1,644,808	90.4	158,609	777,613	20.4
2002	1,716,101	1,977,076	86.8	260,975	755,234	34.6
2003	1,708,377	2,001,829	85.3	293,452	843,871	34.8
2004	1,684,597	2,042,938	82.5	358,341	1,001,378	35.8
2005	1,902,681	2,253,408	84.4	350,727	1,162,166	30.2
2006	2,162,422	2,560,323	84.5	397,901	1,354,668	29.4
2007	2,330,207	2,736,265	85.1	406,058	1,349,148	30.1

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