

**CITY OF LAKE DALLAS, TEXAS**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS REPORT

SEPTEMBER 30, 2008

CITY OF LAKE DALLAS, TEXAS  
TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities .....	16
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet.....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	21
Notes to Financial Statements.....	22
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	40
Combining and Individual Fund Statements and Schedules:	
General Fund:	
Comparative Balance Sheets.....	42
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances.....	43
Statement of Revenues – Budget and Actual.....	44
Statement of Expenditures by Department – Budget and Actual.....	45
Debt Service Fund:	
Comparative Balance Sheet.....	53
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances.....	54
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund.....	55

CITY OF LAKE DALLAS, TEXAS  
TABLE OF CONTENTS-Continued

	<u>Page No.</u>
Schedule of Reserved Fund Balance – General Fund.....	56
Independent Auditor’s Report on Compliance and Internal Control over Financial Reporting based on an Audit of General Purpose Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....	57
 <b>STATISTICAL SECTION:</b>	
General Governmental Expenditures by Function .....	60
General Governmental Revenues by Sources .....	62
General Governmental Tax Revenues by Source.....	65
Property Tax Levies and Collections.....	66
Ratio of Annual Debt Service Expenditures for General Long-Term Debt to Total General Governmental Expenditures .....	68
Texas Municipal Retirement System Supplementary Information Analysis of Funding Progress .....	69

**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, 2008, 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 governmental activities and each major fund of the City as of September 30, 2008, 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 8, 2009, 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  
A Professional Corporation  
Certified Public Accountants

January 8, 2009

**MANAGEMENT'S DISCUSSION & ANALYSIS**

This page left blank intentionally.

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008

---

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, 2008. 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, 2008 by \$3,144,600. Of this amount, \$738,826 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$176,091.
- As of September 30, 2008, the City of Lake Dallas's governmental funds reported combined ending fund balances of \$2,553,053, an increase of \$1,319,191 in comparison with the beginning of the period. Approximately 26 percent of this total amount, \$669,757, 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 \$813,095 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, 2008

---

- **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, 2008

**Government-wide Financial Analysis**

The City's combined net assets were \$3,144,600 as of September 30, 2008. 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	
	2007	2008
Current and other assets	\$1,420,477	\$2,989,946
Capital assets	<u>5,532,730</u>	<u>6,444,186</u>
Total assets	<u>6,953,207</u>	<u>9,434,132</u>
Long-term liabilities outstanding	3,856,638	5,908,146
Other liabilities	<u>128,060</u>	<u>381,386</u>
Total liabilities	<u>3,984,698</u>	<u>6,289,532</u>
Net assets:		
Invested in capital assets, net of related debt	1,672,465	536,040
Restricted	638,001	1,869,734
Unrestricted	<u>658,043</u>	<u>738,826</u>
Total net assets	<u>\$2,968,509</u>	<u>\$3,144,600</u>

**Governmental Activities.** The City's general revenues for governmental activities for the years ended September 30, 2007 and 2008 are detailed below (Table 2).

Table 2  
General Revenues

	2007	2008
Property taxes, levied for general purposes	\$1,635,051	\$1,737,070
Property taxes, levied for debt service	335,125	388,403
Sales taxes	545,544	553,255
Franchise taxes	384,191	345,823
Hotel occupancy taxes	59,852	61,239
Mixed beverage taxes	22,936	24,069
Contributions from EDC/CDC	883,306	196,166
Investment earnings	77,818	69,498
Miscellaneous	<u>32,728</u>	<u>26,924</u>
	<u>\$3,976,551</u>	<u>\$3,402,447</u>

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008

The following table provides a summary of the City's operations for the years ended September 30, 2007 and 2008.

Table 3  
Changes in Net Assets

	Governmental Activities	
	2007	2008
Revenues:		
Program revenues:		
Charges for services	\$ 820,439	\$ 999,131
Operating grants and contributions	4,843	4,932
General revenues:		
Property taxes	1,970,176	2,125,473
Sales taxes	545,544	553,255
Franchise taxes	384,191	345,823
Hotel occupancy taxes	59,852	61,239
Mixed beverage taxes	22,936	24,069
Contributions from EDC/CDC	883,306	196,166
Investment earnings	77,818	69,498
Other	<u>32,728</u>	<u>26,924</u>
	<u>4,801,833</u>	<u>4,406,510</u>
Expenses:		
Administrative	534,362	616,866
Special events	95,224	106,606
Public safety	2,119,469	2,299,063
Animal control	93,481	81,976
Public works - streets	488,981	554,094
Municipal court	88,095	103,075
Parks and recreation	91,851	107,429
Community development	165,807	177,420
Debt service - interest	<u>178,346</u>	<u>225,655</u>
	<u>3,855,616</u>	<u>4,272,184</u>
Special items	-	11,205
Transfers in (out)	(432,047)	30,560
Change in net assets	514,170	176,091
Net assets – October 1 (beginning)	<u>2,454,339</u>	<u>2,968,509</u>
Net assets – September 30 (ending)	<u>\$2,968,509</u>	<u>\$3,144,600</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, 2008

---

As of the end of the current period, the City's governmental funds reported combined ending fund balances of \$2,553,053, an increase of \$1,319,191 in comparison with the beginning of the period. Approximately 26 percent of this total amount (\$669,757) 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 (\$1,739,958), 2) to liquidate prepaid items (\$13,562), and 3) for other miscellaneous restrictions (\$129,776).

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 \$669,757, while total fund balance was \$813,095. 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 17.70 percent of total general fund expenditures, while total fund balance represents 21.49 percent of that same amount. The fund balance of the City's general fund increased by \$112,608 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 decrease available fund balance by \$44,761. The available fund balance for the general fund actually increased in the amount of \$112,608. This increase was due primarily to more building permit and municipal court 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, 2008, amount to \$6,444,186 (net of accumulated depreciation). This amount represents a net increase of \$911,456, or 16 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>
Purchase of fire station	\$ 585,448
Final costs on parks projects completed during the year	151,503
Initial costs on new animal shelter project in progress at year-end	464,368
Police vehicle	23,336
Kabota mower	10,900
Card ID system	<u>13,325</u>
Total	<u>\$1,248,880</u>

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008

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

	Governmental Activities
Land	\$ 331,779
Buildings and Improvements	1,786,080
Streets and Parks Infrastructure	3,321,679
Equipment and Vehicles	412,148
Construction in Progress	<u>592,500</u>
Totals	<u>\$6,444,186</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 \$3,345,000, accrued compensated absences of \$223,080, an equipment finance loan of \$50,066 and general obligation bonds outstanding of \$2,290,000, for total long-term debt of \$5,908,146.

The City's total debt increased by \$2,051,508 during the current period or 53%, primarily due to the issuance of \$1,000,000 general obligation bonds and \$1,235,000 certificates of obligation. 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 approved an increase in the real estate tax rate for the fifth fiscal year in a row, raising the tax rate \$0.02 to \$0.71 for Fiscal Year 2009. 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. This property tax rate was needed even though the City's property tax base increased by 12% in 2008. The increase was due mostly to the completion of the majority of the homes in the Oaks at North Lakeview subdivision.

Other City revenue categories had mixed results. Sales Taxes this past year grew at a modest 2.5%, but are budgeted for just over 8% for FY 2008 based on the addition of two new commercial buildings and the reoccupancy of a drinking establishment. The two accounts that produced excessive revenues were: Building Permits which exceeded budget by \$100,000 and Court Fines that were \$145,000 over budget. Most other categories were pretty much in line with budget. Spending by departments was pretty much kept in line even though the City had to borrow money to purchase Fire Station #1, make major unplanned street repairs; experienced high gas and oil pricing and did a minor retrofit of City Hall. With all of that the City was able to realize a small improvement to the fund balance of just under \$100,000, less than hoped for but still an add to the fund balance.

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008

---

Three current projects that are underway and several planned for the near future bode well for the City.

**Current Projects:**

- The first of two Workfor LLC buildings is under construction and will be occupied in April 2009 with the second building to begin about 6 months later;
- The Oaks at North Lakeview is nearly built out with only 20 homes left to be build at the end of FY 2008;
- Quik Trip has approved plans for a new station with a convenience store on Swisher Road with construction to begin in March;

**Future Projects:**

- A new subdivision of 12 single family lots was platted on Harbour Town Drive with construction expected to begin in the next 12 months;
- The Daniels Air Conditioning relocation and expansion project which includes an additional 4,500 square feet of commercial rental space should commence this year;
- Silestone is designing a 20,000 square foot addition to their facility;
- Video Plus is designing a 36,000 square foot office building on their property;
- Comco is in early stages of planning for an expansion;
- The EDC will be issuing an RFQ for developers to purchase 20 acres on Swisher Road for development to coincide with the completion of the Lake Lewisville Toll Bridge;
- A 12-acre site adjacent to the railroad near Main Street is being marketed for development.

The bridge connecting Lake Dallas to Little Elm (Lake Lewisville Toll Bridge) is under construction and is scheduled for completion August 2009. Completion of the bridge will bring an additional 20,000 to 45,000 vehicles into and through Lake Dallas daily, enhancing existing retail businesses and supporting new projects. The EDC continues to support business expansion and growth through incentive grants—awarding a total of \$200,000 in 2008 and will be able to do another \$100,000 in 2009.

The Main Street Improvement project and the Parks improvement projects being worked on by the CDC are other examples of the efforts being undertaken by the City to enhance and improve the economic climate. The Main Street project will be done partly in support of owner's improvements and then perhaps a phased in approach to the remainder of the improvements. The Parks improvement plans continue with several small projects in various parks and a major improvement plan being created for Community Park. The next major park improvement will be the addition of a Boat Ramp and affiliated improvements with the help of a Texas Parks and Wildlife Grant.

**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.

This page left blank intentionally.

**BASIC FINANCIAL STATEMENTS**

This page left blank intentionally.

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

	<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	\$2,761,056	\$ 28,461	\$ 60,527
Receivables (net of allowance for uncollectibles):			
Taxes – Ad Valorem	56,323	-	-
Taxes – Sales	38,012	19,006	19,006
Taxes- Occupancy	17,014	-	-
Taxes – Mixed Beverage	6,363	-	-
Other	17,561	-	-
Prepaid Costs	13,562	1,176	-
Internal Balances	2,710	(1,653)	(1,057)
Debt Issuance Costs, net	77,345	-	-
Capital Assets:			
Land	331,779	518,535	-
Buildings and Improvements, net	1,786,080	-	-
Streets and Parks Infrastructure, net	3,321,679	-	-
Equipment and Vehicles, net	412,148	-	-
Construction in Progress	<u>592,500</u>	<u>-</u>	<u>-</u>
Total Assets	<u>9,434,132</u>	<u>565,525</u>	<u>78,476</u>
<b>LIABILITIES</b>			
Accounts Payable	222,637	-	672
Accrued Wages Payable	45,287	-	-
Accrued Interest Payable	78,161	-	-
State Court Costs Payable	28,768	-	-
Other Liabilities	6,533	-	-
Noncurrent Liabilities:			
Due within one year	315,066	48,724	-
Due in more than one year	<u>5,593,080</u>	<u>351,345</u>	<u>-</u>
Total Liabilities	<u>6,289,532</u>	<u>400,069</u>	<u>672</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	536,040	118,466	-
Restricted for:			
Capital Improvements	1,739,958	-	-
Community Development	-	-	77,804
Economic Development	-	46,990	-
Court Security and Technology	30,371	-	-
Police Department	40,975	-	-
Other Purposes	58,430	-	-
Unrestricted Net Assets	<u>738,826</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$3,144,600</u>	<u>\$165,456</u>	<u>\$ 77,804</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, 2008

<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	\$ 616,866	\$115,758	\$ -
Special Events	106,606	33,064	-
Public Safety	2,299,063	429,737	3,797
Animal Control	81,976	6,247	1,135
Public Works - Streets	554,094	-	-
Municipal Court	103,075	103,075	-
Parks and Recreation	107,429	48,886	-
Community Development	177,420	262,364	-
Debt Service - Interest	<u>225,655</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>4,272,184</u>	<u>999,131</u>	<u>4,932</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><b>\$4,272,184</b></u>	<u><b>\$999,131</b></u>	<u><b>\$ 4,932</b></u>
<b>COMPONENT UNITS:</b>			
Economic Development Corporation	\$ 381,176	\$ 7,000	\$ -
Community Development Corporation	<u>219,038</u>	<u>-</u>	<u>2,500</u>
<b>TOTAL COMPONENT UNITS</b>	<u><b>\$ 600,214</b></u>	<u><b>\$ 7,000</b></u>	<u><b>\$ 2,500</b></u>

**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)
- Special item – gain on sale of assets

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
\$ (501,108)	\$ -	\$ -
(73,542)	-	-
(1,865,529)	-	-
(74,594)	-	-
(554,094)	-	-
-	-	-
(58,543)	-	-
84,944	-	-
<u>(225,655)</u>	<u>-</u>	<u>-</u>
<u>(3,268,121)</u>	<u>-</u>	<u>-</u>
 <u>(3,268,121)</u>	 <u>-</u>	 <u>-</u>
 -	 (374,176)	 -
<u>-</u>	<u>-</u>	<u>(216,538)</u>
 <u>-</u>	 <u>(374,176)</u>	 <u>(216,538)</u>
 1,737,070	 -	 -
388,403	-	-
553,255	276,627	276,627
345,823	-	-
61,239	-	-
24,069	-	-
69,498	3,994	1,583
196,166	-	-
26,924	-	-
30,560	45,669	(76,229)
11,205	899	-
<u>3,444,212</u>	<u>327,189</u>	<u>201,981</u>
 176,091	 (46,987)	 (14,557)
<u>2,968,509</u>	<u>212,443</u>	<u>92,361</u>
<u>\$3,144,600</u>	<u>\$ 165,456</u>	<u>\$ 77,804</u>

CITY OF LAKE DALLAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and investments	\$831,377	\$ -	\$1,929,679	\$2,761,056
Receivables (net of allowances for uncollectibles):				
Ad Valorem tax	47,315	9,008	-	56,323
Sales tax	38,012	-	-	38,012
Occupancy tax	17,014	-	-	17,014
Mixed beverage tax	6,363	-	-	6,363
Other	17,561	-	-	17,561
Due from EDC/CDC	2,710	-	-	2,710
Prepaid costs	<u>13,562</u>	<u>-</u>	<u>-</u>	<u>13,562</u>
Total Assets	<u>\$973,914</u>	<u>\$ 9,008</u>	<u>\$1,929,679</u>	<u>\$2,912,601</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 32,916	\$ -	\$ 189,721	\$ 222,637
Accrued wages payable	45,287	-	-	45,287
State court costs payable	28,768	-	-	28,768
Other liabilities	6,533	-	-	6,533
Deferred revenues	<u>47,315</u>	<u>9,008</u>	<u>-</u>	<u>56,323</u>
Total Liabilities	<u>160,819</u>	<u>9,008</u>	<u>189,721</u>	<u>359,548</u>
<b>Fund Balances:</b>				
Reserved for prepaid costs	13,562	-	-	13,562
Reserved for construction	-	-	1,739,958	1,739,958
Other reserves	129,776	-	-	129,776
Undesignated	<u>669,757</u>	<u>-</u>	<u>-</u>	<u>669,757</u>
Total Fund Balances	<u>813,095</u>	<u>-</u>	<u>1,739,958</u>	<u>2,553,053</u>
Total Liabilities and Fund Balances	<u>\$973,914</u>	<u>\$ 9,008</u>	<u>\$1,929,679</u>	<u>\$2,912,601</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, 2008

---

<b>Total Fund Balances – Governmental Funds</b>	<b>\$2,553,053</b>
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 \$7,798,595 and the accumulated depreciation was \$2,265,865. In addition, long-term liabilities of \$3,856,638 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.	1,676,092
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.	1,352,702
The current period depreciation expense increases accumulated depreciation. The net effect of the current period's depreciation is to decrease net assets.	(408,531)
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 decrease net assets.	<u>(2,028,716)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$3,144,600</u></b>

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, 2008

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>Revenues:</b>				
Taxes (ad valorem, sales and other)	\$2,726,718	\$ 389,000	\$ -	\$3,115,718
Special assessments	23,575	-	-	23,575
Licenses and permits	340,429	-	-	340,429
Charges for services	249,418	-	-	249,418
Fines	385,709	-	-	385,709
Donations	4,932	-	-	4,932
Interest	29,066	-	40,432	69,498
Utilities settlement	10,844	-	-	10,844
Miscellaneous revenues	16,080	-	-	16,080
Total Revenues	<u>3,786,771</u>	<u>389,000</u>	<u>40,432</u>	<u>4,216,203</u>
<b>Expenditures:</b>				
General government	576,333	-	-	576,333
Special events	107,142	-	-	107,142
Public safety	2,161,490	-	-	2,161,490
Animal control	78,823	-	-	78,823
Public works – streets	315,978	-	-	315,978
Municipal court	100,778	-	-	100,778
Parks and recreation	82,536	-	-	82,536
Community development	169,529	-	-	169,529
Capital outlay	190,887	-	932,934	1,123,821
<b>Debt service:</b>				
Principal retirement	-	228,881	-	228,881
Interest, fees and issuance costs	-	172,019	56,447	228,466
Total Expenditures	<u>3,783,496</u>	<u>400,900</u>	<u>989,381</u>	<u>5,173,777</u>
Excess of Revenues Over (Under) Expenditures	<u>3,275</u>	<u>(11,900)</u>	<u>(948,949)</u>	<u>(957,574)</u>
<b>Other Resources (Uses):</b>				
General obligation bond proceeds	-	-	1,000,000	1,000,000
Certificates of obligation proceeds	-	-	1,235,000	1,235,000
Sale of assets	11,205	-	-	11,205
Transfers in	98,128	91,475	-	189,603
Transfers out	-	(79,575)	(79,468)	(159,043)
Total Other Resources (Uses)	<u>109,333</u>	<u>11,900</u>	<u>2,155,532</u>	<u>2,276,765</u>
Net Change in Fund Balance	112,608	-	1,206,583	1,319,191
Fund Balances - October 1 (beginning)	<u>700,487</u>	<u>-</u>	<u>533,375</u>	<u>1,233,862</u>
Fund Balance - September 30 (ending)	<u>\$ 813,095</u>	<u>\$ -</u>	<u>\$1,739,958</u>	<u>\$2,553,053</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, 2008

---

**Total Net Change in Fund Balances – Governmental Funds** \$1,319,191

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. 1,352,702

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. (408,531)

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 decrease net assets. (2,087,271)

**Change in Net Assets of Governmental Activities** \$ 176,091

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

---

**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, 2008

---

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, 2008 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, 2008

---

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, 2008

---

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, 2008

---

**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, 2008, 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, 2008, 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, 2008

---

**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, 2008, the carrying amount of the City's deposits in checking accounts and interest-bearing savings accounts was \$63,724 and the bank balance was \$113,060. The City's cash deposits at September 30, 2008 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, 2008

---

**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, 2008, the City's cash balances totaled \$113,060. 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, 2008, the City held all of its investments in three public funds investment pools – Texpool, TexStar 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 and TexStar were 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, 2008, the City was not exposed to foreign currency risk.

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2008

- 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, 2008 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	\$ 438,406	\$ 438,406
LOGIC Investment Pool	545,816	545,816
TexStar Investment Pool	<u>1,706,285</u>	<u>1,706,285</u>
Total	<u>\$2,690,507</u>	<u>\$2,690,507</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 \$1,352,702 adjustment are as follows:

Current year capital outlay	\$1,123,821
Bond principal payments	95,000
Cert. of obligation principal payments	85,000
Equipment finance loan principal payments	<u>48,881</u>
Net adjustment	<u>\$1,352,702</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 \$(2,028,716) adjustment are as follows:

General obligation bond proceeds	\$(1,000,000)
Certificate of obligation proceeds	(1,235,000)
Deferred tax revenue recognized as revenue	56,323
Accrued interest payable on long-term debt	(78,161)
Increase in accrued compensated absences	(45,389)
Capital outlay contributed by EDC/CDC	196,166
Capitalized debt issuance costs	79,999
Amortization of debt issuance costs	<u>(2,654)</u>
Net adjustment	<u>\$(2,028,716)</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

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 \$(2,087,271) adjustment are as follows:

General obligation bond proceeds	\$(1,000,000)
Certificates of obligation proceeds	(1,235,000)
Current year change in deferred tax revenue	(5,859)
Increase in accrued interest payable	(50,982)
Increase in accrued compensated absences	(45,389)
Capital outlay contributed by EDC/CDC	196,166
Capitalization of current year issuance costs	56,447
Amortization of debt issuance costs	<u>(2,654)</u>
Net adjustment	<u><u>\$(2,087,271)</u></u>

**4. RECEIVABLES**

Government-wide receivables as of September 30, 2008, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Total
Receivables:			
Property taxes	\$ 65,971	\$ 12,502	\$ 78,473
Sales taxes	38,012	-	38,012
Occupancy tax	17,014	-	17,014
Mixed beverage tax	6,363	-	6,363
Other	<u>17,561</u>	<u>-</u>	<u>17,561</u>
Gross Receivables	144,921	12,502	157,423
Less: Uncollectible allowance	<u>18,656</u>	<u>3,494</u>	<u>22,150</u>
Net Total Receivables	<u><u>\$126,265</u></u>	<u><u>\$ 9,008</u></u>	<u><u>\$135,273</u></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, 2008.

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2008

Fund transfers during the year include the following:

- Transfer of reimbursed bond issuance costs from the capital projects fund to the general fund - \$18,553.
- Transfer 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 - \$60,915.
- Transfers from Lake Dallas Community Development Corporation to the debt service fund, toward payment of long-term debt - \$76,229.
- Transfers from Lake Dallas Economic Development Corporation to the debt service fund, toward payment of long-term debt - \$15,246.

**6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2008 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	1,646,280	585,448	-	2,231,728
Street and Parks Infrastructure	3,296,896	1,568,288	-	4,865,184
Equipment and Vehicles	1,023,385	74,006	(48,575)	1,048,816
Construction in Progress	<u>1,500,255</u>	<u>660,533</u>	<u>(1,568,288)</u>	<u>592,500</u>
Totals at historic cost	<u>7,798,595</u>	<u>2,888,275</u>	<u>(1,616,863)</u>	<u>9,070,007</u>
Less accumulated depreciation for:				
Buildings and Improvements	(390,448)	(55,200)	-	(445,648)
Street and Parks Infrastructure	(1,302,201)	(241,304)	-	(1,543,505)
Equipment and Vehicles	<u>(573,216)</u>	<u>(112,027)</u>	<u>48,575</u>	<u>(636,668)</u>
Total accumulated depreciation	<u>(2,265,865)</u>	<u>(408,531)</u>	<u>48,575</u>	<u>(2,625,821)</u>
Governmental activities capital assets, net	<u>\$5,532,730</u>	<u>\$2,479,744</u>	<u>\$(1,568,288)</u>	<u>\$ 6,444,186</u>

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

Governmental Activities:	
General Government	\$ 36,517
Special Events	249
Public Safety	104,900
Animal Control	1,880
Public Works-Streets	237,078
Municipal Court	860
Parks and Recreation	24,152
Community Development	<u>2,895</u>
Total depreciation expense – Governmental activities	<u>\$408,531</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

**7. LONG TERM DEBT**

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

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, 2008:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/07</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 09/30/08</u>	<u>Due Within One Year</u>
<b>Bonded Indebtedness:</b>						
1998 General Obligation	4.5-6.0%	\$1,385,000	\$ -	\$ 95,000	\$1,290,000	\$ 105,000
2008 General Obligation	4.21%	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>10,000</u>
<b>Total Bonded Indebtedness</b>		<u>1,385,000</u>	<u>1,000,000</u>	<u>95,000</u>	<u>2,290,000</u>	<u>115,000</u>
<b>Certificates of Obligation:</b>						
2001 Series	4.875-5.0%	615,000	-	30,000	585,000	30,000
2006 Series	4.24%	1,580,000	-	55,000	1,525,000	55,000
2008 Series	4.204%	-	375,000	-	375,000	40,000
2008 A Series	4.199%	-	860,000	-	860,000	25,000
<b>Total Cert. of Obligation</b>		<u>2,195,000</u>	<u>1,235,000</u>	<u>85,000</u>	<u>3,345,000</u>	<u>150,000</u>
<b>Equipment Finance Loan:</b>						
Northstar Bank	4.50%	98,947	-	48,881	50,066	50,066
<b>Total Equipment Finance Loan</b>		<u>98,947</u>	<u>-</u>	<u>48,881</u>	<u>50,066</u>	<u>50,066</u>
<b>Compensated Absences</b>		<u>177,691</u>	<u>45,389</u>	<u>-</u>	<u>223,080</u>	<u>-</u>
<b>Total Long-Term Debt</b>		<u>\$3,856,638</u>	<u>\$2,280,389</u>	<u>\$228,881</u>	<u>\$5,908,146</u>	<u>\$ 315,066</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, 2008

---

**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,				
2009	\$	115,000	\$ 126,889	\$ 241,889
2010		145,000	98,821	243,821
2011		150,000	92,288	242,288
2012		160,000	85,524	245,524
2013		165,000	78,140	243,140
2014-2018		940,000	268,353	1,208,353
2019-2023		275,000	107,146	382,146
2024-2028		<u>340,000</u>	<u>44,417</u>	<u>384,417</u>
Total		<u>\$2,290,000</u>	<u>\$ 901,578</u>	<u>\$3,199,578</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,				
2009	\$	150,000	\$ 157,559	\$ 307,559
2010		175,000	137,370	312,370
2011		185,000	129,798	314,798
2012		190,000	121,803	311,803
2013		200,000	113,466	313,466
2014-2018		925,000	437,777	1,362,777
2019-2023		890,000	233,556	1,123,556
2024-2028		<u>630,000</u>	<u>58,906</u>	<u>688,906</u>
Total		<u>\$3,345,000</u>	<u>\$1,390,235</u>	<u>\$4,735,235</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,				
2009		<u>\$50,066</u>	<u>\$2,253</u>	<u>\$52,319</u>
Total		<u>\$50,066</u>	<u>\$2,253</u>	<u>\$52,319</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

---

**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 827 administered by TMRS, an agent multiple-employer public employee retirement system.

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the city's unfunded actuarial accrued liability would have been \$496,418 and the funded ratio would have been 83.5%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

2005
2006
2007\*

\* New actuarial cost method and assumptions were adopted by the TMRS Board of Trustees at their December, 2007 meeting, to be effective for the 12/31/07 valuation.

**A. Plan Provisions**

1	Total # of participating entities	811	821	827
	<u>City Specific:</u>			
2	Employee deposit rate	7.0%	7.0%	7.0%
3	Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
4	Years required for vesting	5	5	5
5	Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
6	Updated service credit	100%	100%	100%
	annually repeating (Y/N)	Y	Y	Y
7	Annuity increase to retirees	70%	70%	70%
	annually repeating (Y/N)	Y	Y	Y
8	Supplemental death benefit			
	for active employees (Y/N)	Y	Y	Y
	for retirees (Y/N)	Y	Y	Y

**B. Funding Policy**

Cities are required to contribute at an actuarially determined rate; these rates are provided to the city on an annual basis, following the completion of the actuarial valuation. Note that there is a time delay in the valuation and when the rate becomes effective – for example, the January 1, 2007 contribution rate is based on the 12/31/2005 valuation results; if a change in plan provisions is elected by the city, this rate can change. The actuary determines contribution rates on a calendar-year basis; the city discloses the annual pension costs (which equal the required contributions) based on the calculated rate(s) for the city’s fiscal year.

**C. Actuarial Information**

1	Actuarial cost method	Unit Credit	Unit Credit	Projected Unit Credit
2	Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
3	Amortization period	25 years - open period	25 years - open period	30 years - closed period
4	Asset valuation method	Amortized cost	Amortized cost	Amortized cost
5	Assumptions			
	Investment return	7.0%	7.0%	7.0%
	Projected salary increases	None	None	varies by age and service
	Inflation	3.5%	3.5%	3.0%
	Cost-of-living adjustments	None	None	2.1% (3.0% CPI)
6	City-specific assumptions			
	Payroll growth assumption	3.0%	3.0%	3.0%
	Withdrawal rates for Male/Female (low, mid/low, mid, mid/high or high)	Mid/High	Mid/High	Mid-High/High

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

	2005	2006	2007*
<b>D. <u>Schedule of Funding Information</u></b>			
1 Actuarial valuation date	12/31/2005	12/31/2006	12/31/2007
2 Actuarial value of assets	2,162,422	2,330,207	2,504,803
3 Actuarial accrued liability (AAL)	2,560,323	2,736,265	3,352,552
4 Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	397,901	406,058	847,749
5 Funded ratio	84.5%	85.2%	74.7%
6 Annual covered payroll (actuarial)	1,176,419	1,240,643	1,271,362
7 UAAL or OAAL as % of covered payroll	33.8%	32.7%	66.7%

(for comparative  
purposes only)  
Under old assumptions  
2007

**A. Plan Provisions**

1 Total # of participating entities	827
<u>City Specific:</u>	
2 Employee deposit rate	7.0%
3 Matching ratio (city to employee)	2 to 1
4 Years required for vesting	5
5 Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
6 Updated service credit annually repeating (Y/N)	100% Y
7 Annuity increase to retirees annually repeating (Y/N)	70% Y
8 Supplemental death benefit for active employees (Y/N) for retirees (Y/N)	Y Y

**B. Funding Policy**

(see previous page)

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2008

---

**C. Actuarial Information**

1	Actuarial cost method	Unit Credit
2	Amortization method	Level percent of payroll
3	Amortization period	25 years - open period
4	Asset valuation method	Amortized cost
5	Assumptions	
	Investment return	7.0%
	Projected salary increases	None
	Inflation	3.5%
	Cost-of-living adjustments	None
6	City-specific assumptions	
	Payroll growth assumption	3.0%
	Withdrawal rates for Male/Female (low, mid/low, mid, mid/high or high)	Mid/High

**D. Schedule of Funding Information**

1	Actuarial valuation date	12/31/2007
2	Actuarial value of assets	2,504,803
3	Actuarial accrued liability (AAL)	3,001,221
4	Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	496,418
5	Funded ratio	83.5%
6	Annual covered payroll (actuarial)	1,271,362
7	UAAL or OAAL as % of covered payroll	39.0%

**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, 2008 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.

This page left blank intentionally.

**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, 2008

	<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)	\$2,787,992	\$2,787,992	\$2,726,718	\$ (61,274)
Special assessments	5,000	5,000	23,575	18,575
Licenses and permits	200,630	200,630	340,429	139,799
Charges for services	279,300	304,655	249,418	(55,237)
Fines	220,000	240,000	385,709	145,709
Donations	-	-	4,932	4,932
Interest	27,300	27,300	29,066	1,766
Utilities settlement	25,000	25,000	10,844	(14,156)
Miscellaneous revenue	14,800	14,800	16,080	1,280
<b>Total Revenues</b>	<u>3,560,022</u>	<u>3,605,377</u>	<u>3,786,771</u>	<u>181,394</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	562,697	584,722	576,333	8,389
Special events	118,438	108,193	107,142	1,051
Public safety	2,277,104	2,229,614	2,161,490	68,124
Animal control	78,916	79,916	78,823	1,093
Public works-streets	293,952	293,952	315,978	(22,026)
Municipal court	91,686	91,686	100,778	(9,092)
Parks and recreation	56,277	66,977	82,536	(15,559)
Community development	152,313	152,313	169,529	(17,216)
Capital Outlay	64,500	37,178	190,887	(153,709)
<b>Total Expenditures</b>	<u>3,695,883</u>	<u>3,644,551</u>	<u>3,783,496</u>	<u>(138,945)</u>
<b>Excess of Revenues over Expenditures</b>	<u>(135,861)</u>	<u>(39,174)</u>	<u>3,275</u>	<u>42,449</u>
<b>Other Financing Sources:</b>				
Transfers in	91,100	91,100	98,128	7,028
Sale of assets	-	-	11,205	11,205
<b>Total Other Financing Sources</b>	<u>91,100</u>	<u>91,100</u>	<u>109,333</u>	<u>18,233</u>
<b>Net Change in Fund Balance</b>	(44,761)	51,926	112,608	60,682
<b>Fund Balance – October 1 (Beginning)</b>	<u>700,487</u>	<u>700,487</u>	<u>700,487</u>	<u>-</u>
<b>Fund Balance – September 30 (Ending)</b>	<u>\$ 655,726</u>	<u>\$ 752,413</u>	<u>\$ 813,095</u>	<u>\$ 60,682</u>

**COMBINING & INDIVIDUAL FUND  
STATEMENTS & SCHEDULES**

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$831,377	\$714,886
Receivables:		
Ad valorem tax	47,315	52,577
Sales tax	38,012	41,459
Occupancy tax	17,014	14,437
Mixed beverage tax	6,363	7,062
Other	17,561	3,420
Due from EDC/CDC	2,710	226
Prepaid costs	<u>13,562</u>	<u>19,878</u>
<b>TOTAL ASSETS</b>	<u><b>\$973,914</b></u>	<u><b>\$853,945</b></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 32,916	\$ 45,864
Accrued wages payable	45,287	28,307
Court costs payable	28,768	25,001
Other liabilities	6,533	1,709
Deferred revenue	<u>47,315</u>	<u>52,577</u>
Total Liabilities	<u>160,819</u>	<u>153,458</u>
Fund Balance:		
Reserved	143,338	124,504
Undesignated	<u>669,757</u>	<u>575,983</u>
Total Fund Balance	<u>813,095</u>	<u>700,487</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><b>\$973,914</b></u>	<u><b>\$853,945</b></u>

## CITY OF LAKE DALLAS, TEXAS

## GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES:		
Taxes:		
Property	\$1,742,332	\$1,651,457
Sales	553,255	545,544
Hotel occupancy tax	61,239	59,852
Mixed beverage	24,069	22,936
Franchise	345,823	384,191
Special assessments	23,575	16,829
License and permits	340,429	250,241
Charges for services	249,418	286,972
Fines	385,709	266,397
Donations	4,932	4,843
Interest	29,066	46,212
Utilities settlement	10,844	23,392
Miscellaneous	<u>16,080</u>	<u>9,336</u>
Total Revenues	<u>3,786,771</u>	<u>3,568,202</u>
EXPENDITURES:		
Current:		
General government	576,333	480,528
Special events	107,142	92,473
Public safety	2,161,490	1,970,968
Animal control	78,823	91,157
Public works – streets	315,978	277,513
Municipal court	100,778	88,299
Parks and recreation	82,536	67,996
Community development	169,529	157,177
Capital outlay	<u>190,887</u>	<u>99,609</u>
Total Expenditures	<u>3,783,496</u>	<u>3,325,720</u>
Excess of Revenues over Expenditures	<u>3,275</u>	<u>242,482</u>
OTHER FINANCING SOURCES (USES):		
Sale of assets	11,205	-
Transfers in	98,128	81,308
Transfers out	<u>-</u>	<u>(34,190)</u>
Total Other Financing Sources (Uses)	<u>109,333</u>	<u>47,118</u>
Net Change in Fund Balance	112,608	289,600
Fund Balance - October 1 (Beginning)	<u>700,487</u>	<u>410,887</u>
Fund Balance - September 30 (Ending)	<u>\$ 813,095</u>	<u>\$ 700,487</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Budget	Actual		
Ad valorem tax	\$ 1,791,000	\$ 1,742,332	\$ (48,668)	\$ 1,651,457
Sales tax	578,000	553,255	(24,745)	545,544
Mixed beverage tax	20,000	24,069	4,069	22,936
Hotel occupancy tax	60,000	61,239	1,239	59,852
Franchise tax	338,992	345,823	6,831	384,191
Court fines and fees	240,000	385,709	145,709	266,397
Building permits	150,000	250,784	100,784	185,650
Park improvement fees	5,000	23,575	18,575	16,829
Other permits and fees	50,630	89,645	39,015	64,591
School resource officer reimbursements	20,000	21,405	1,405	7,299
Police auction fees	3,500	12,425	8,925	39,224
Rent - Lake Cities Library	36,000	36,000	-	35,000
Rent - fire station	25,355	25,355	-	-
Other rentals	3,000	4,735	1,735	2,400
Dispatch contract	42,500	7,083	(35,417)	42,500
Parks maintenance	13,800	-	(13,800)	-
Warrant service	40,000	31,104	(8,896)	41,630
Staff/office services - EDC/CDC	72,000	72,000	-	70,000
Donations	-	4,932	4,932	4,843
Interest earned	27,300	29,066	1,766	46,212
State police training funds	-	1,461	1,461	1,616
Mowing	1,000	-	(1,000)	7,702
Animal services	4,000	6,247	2,247	4,528
Utilities settlement	25,000	10,844	(14,156)	23,392
Police seizure funds	-	-	-	4,038
Special events	57,300	33,064	(24,236)	36,689
Other revenue	1,000	14,619	13,619	3,682
<b>TOTAL REVENUE</b>	<b><u>\$ 3,605,377</u></b>	<b><u>\$ 3,786,771</u></b>	<b><u>\$ 181,394</u></b>	<b><u>\$ 3,568,202</u></b>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Budget	Actual		
<b>GENERAL GOVERNMENT:</b>				
<b>Personnel:</b>				
Salaries	\$ 216,484	\$ 209,853	\$ 6,631	\$ 191,131
Retirement	19,119	19,308	(189)	17,954
Longevity pay	1,566	1,566	-	1,350
Insurance	19,879	13,046	6,833	16,230
Payroll taxes	3,727	3,660	67	2,795
<b>Total Personnel</b>	<b>260,775</b>	<b>247,433</b>	<b>13,342</b>	<b>229,460</b>
<b>Supplies, Repairs and Services:</b>				
Insurance	30,000	32,174	(2,174)	28,889
Office expense	5,500	7,359	(1,859)	4,184
Operating supplies	2,000	2,265	(265)	2,055
Travel	2,400	2,421	(21)	986
Continuing education	1,745	1,641	104	953
Election expense	4,500	-	4,500	75
Ads and public notices	2,000	2,209	(209)	3,007
Publications	350	268	82	337
Dues and memberships	3,500	2,973	527	3,143
Postage	4,250	3,381	869	2,627
Telephone and utilities	64,500	65,879	(1,379)	58,494
Professional services	45,000	23,066	21,934	31,635
Tax appraisal/collection	23,000	21,665	1,335	19,773
Legal services	16,000	16,011	(11)	9,667
Council and committees	8,200	6,123	2,077	5,702
Maintenance and repair - building	16,500	30,942	(14,442)	17,957
Maintenance and repair - equipment	10,725	20,294	(9,569)	11,019
Equipment rental	6,500	6,128	372	-
Equipment supplies	-	6,824	(6,824)	-
Lake Cities Library	77,277	77,277	-	50,565
<b>Total Supplies, Repairs and Services</b>	<b>323,947</b>	<b>328,900</b>	<b>(4,953)</b>	<b>251,068</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>584,722</b>	<b>576,333</b>	<b>8,389</b>	<b>480,528</b>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Budget	Actual		
<b>SPECIAL EVENTS:</b>				
<b>Personnel:</b>				
Salaries	\$ 49,422	\$ 50,146	\$ (724)	\$ 31,043
Retirement	4,684	4,137	547	3,106
Insurance	6,952	6,251	701	4,723
Payroll taxes	985	832	153	513
<b>Total Personnel</b>	<u>62,043</u>	<u>61,366</u>	<u>677</u>	<u>39,385</u>
<b>Supplies, Repairs and Services:</b>				
Supplies	400	496	(96)	230
Office expense	500	259	241	285
Travel	600	1,102	(502)	418
Continuing education	200	140	60	160
Printing	1,500	1,139	361	1,417
Advertising	5,000	6,417	(1,417)	-
Dues and memberships	350	135	215	160
Telephone	400	354	46	409
Community events	28,400	27,336	1,064	50,009
Rentals	8,500	8,398	102	-
Maintenance and repair - equipment	300	-	300	-
<b>Total Supplies, Repairs and Services</b>	<u>46,150</u>	<u>45,776</u>	<u>374</u>	<u>53,088</u>
<b>TOTAL SPECIAL EVENTS</b>	<u>108,193</u>	<u>107,142</u>	<u>1,051</u>	<u>92,473</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Budget	Actual		
<b>PUBLIC SAFETY:</b>				
Police Department:				
Personnel:				
Salaries	\$ 945,502	\$ 908,463	\$ 37,039	\$ 802,067
Retirement	90,366	85,890	4,476	77,127
Longevity pay	8,004	7,488	516	6,750
Insurance	149,955	123,984	25,971	136,455
Payroll taxes	<u>19,327</u>	<u>15,276</u>	<u>4,051</u>	<u>11,063</u>
Total Personnel	<u>1,213,154</u>	<u>1,141,101</u>	<u>72,053</u>	<u>1,033,462</u>
Supplies, Repairs and Services:				
Office expense	7,500	8,867	(1,367)	4,183
Supplies	7,500	10,605	(3,105)	12,114
Travel expense	2,500	1,812	688	980
Miscellaneous expense	800	303	497	101
Ads and public notices	1,000	1,856	(856)	1,749
Publications	1,200	660	540	1,259
Printing	7,500	3,127	4,373	195
Dues and memberships	700	170	530	750
Uniforms	4,000	3,389	611	2,282
Training	1,000	3,499	(2,499)	3,028
Telephone	12,000	7,095	4,905	7,283
Professional services	40,785	34,747	6,038	17,578
Detention expenses	2,000	2,282	(282)	1,667
K-9 support	1,500	1,383	117	716
Kids-N-Cops program	-	4,742	(4,742)	5,894
Maintenance and repair - building	-	1,926	(1,926)	-
Maintenance and repair - equipment	20,375	12,681	7,694	10,629
Maintenance and repair - vehicles	12,000	19,097	(7,097)	19,372
Gas and oil	26,000	36,581	(10,581)	26,087
Special programs	3,000	7,000	(4,000)	734
Special operations	3,000	-	3,000	-
Equipment supplies	<u>20,000</u>	<u>16,513</u>	<u>3,487</u>	<u>18,991</u>
Total Supplies, Repairs and Services	<u>174,360</u>	<u>178,335</u>	<u>(3,975)</u>	<u>135,592</u>
Total Police Department	<u>1,387,514</u>	<u>1,319,436</u>	<u>68,078</u>	<u>1,169,054</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Budget	Actual		
<b>Fire Department:</b>				
Contribution for services	\$ 842,100	\$ 842,054	\$ 46	\$ 801,914
Total Fire Department	<u>842,100</u>	<u>842,054</u>	<u>46</u>	<u>801,914</u>
TOTAL PUBLIC SAFETY	<u>2,229,614</u>	<u>2,161,490</u>	<u>68,124</u>	<u>1,970,968</u>
<b>ANIMAL CONTROL:</b>				
<b>Personnel:</b>				
Salaries	50,656	50,693	(37)	58,577
Retirement	3,484	3,807	(323)	4,618
Longevity pay	-	-	-	654
Insurance	7,331	7,468	(137)	6,837
Payroll taxes	<u>2,145</u>	<u>1,615</u>	<u>530</u>	<u>1,679</u>
Total Personnel	<u>63,616</u>	<u>63,583</u>	<u>33</u>	<u>72,365</u>
<b>Supplies, Repairs and Services:</b>				
Office expense	500	184	316	134
Supplies	3,000	2,389	611	4,844
Travel expense	150	101	49	100
Ads and public notices	250	291	(41)	559
Publications	100	-	100	59
Printing	300	-	300	-
Dues and memberships	50	-	50	20
Uniforms	200	263	(63)	192
Telephone	450	666	(216)	444
Professional services	500	473	27	231
Special events	500	-	500	-
Land lease	7,000	8,400	(1,400)	8,400
Maintenance and repair - building	500	158	342	2,924
Maintenance and repair - equipment	300	142	158	69
Maintenance and repair - vehicles	1,600	992	608	371
Gas and oil	<u>900</u>	<u>1,181</u>	<u>(281)</u>	<u>445</u>
Total Supplies, Repairs and Services	<u>16,300</u>	<u>15,240</u>	<u>1,060</u>	<u>18,792</u>
TOTAL ANIMAL CONTROL	<u>79,916</u>	<u>78,823</u>	<u>1,093</u>	<u>91,157</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Budget	Actual		
<b>PUBLIC WORKS:</b>				
Street Department:				
Personnel:				
Salaries	\$ 142,024	\$ 143,484	\$ (1,460)	\$ 129,962
Retirement	12,571	12,876	(305)	11,840
Longevity pay	2,484	2,484	-	2,424
Insurance	31,201	29,869	1,332	32,292
Payroll taxes	3,752	2,158	1,594	2,463
Total Personnel	<u>192,032</u>	<u>190,871</u>	<u>1,161</u>	<u>178,981</u>
Supplies, Repairs and Services:				
Supplies	2,000	1,761	239	1,789
Advertising	500	487	13	651
Continuing education	500	105	395	485
Dues and memberships	120	115	5	115
Publications	300	-	300	279
Travel	600	-	600	101
Uniforms	2,000	1,637	363	2,294
Telephone	1,400	1,078	322	1,215
Street lighting	50,000	48,673	1,327	47,831
Professional services	500	1,849	(1,349)	397
Street signs	5,000	5,930	(930)	4,893
Maintenance and repair - building	500	224	276	493
Maintenance and repair - equipment	3,000	734	2,266	3,612
Maintenance and repair- vehicle	2,000	939	1,061	1,903
Maintenance - drainage	4,000	8,593	(4,593)	8,180
Maintenance - streets	20,000	43,215	(23,215)	15,354
Gas and oil	6,500	8,300	(1,800)	6,439
Equipment rental	3,000	1,467	1,533	2,501
Total Supplies, Repairs and Services	<u>101,920</u>	<u>125,107</u>	<u>(23,187)</u>	<u>98,532</u>
<b>TOTAL PUBLIC WORKS</b>	<u>293,952</u>	<u>315,978</u>	<u>(22,026)</u>	<u>277,513</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Budget	Actual		
<b>MUNICIPAL COURT:</b>				
Personnel:				
Salaries	\$ 51,212	\$ 60,629	\$ (9,417)	\$ 54,727
Retirement	4,869	4,987	(118)	4,363
Longevity pay	462	462	-	390
Insurance	6,500	6,470	30	6,692
Payroll taxes	1,013	1,114	(101)	1,041
<b>Total Personnel</b>	<u>64,056</u>	<u>73,662</u>	<u>(9,606)</u>	<u>67,213</u>
Supplies, Repairs and Services:				
Supplies	350	1,433	(1,083)	1,494
Travel	250	329	(79)	375
Continuing education	500	497	3	439
Advertising	200	185	15	136
Publications	1,000	1,030	(30)	922
Dues and memberships	130	140	(10)	-
Legal services	25,200	22,080	3,120	13,096
Maintenance and repair - equipment	-	1,422	(1,422)	3,299
Equipment supplies	-	-	-	1,325
<b>Total Supplies, Repairs and Services</b>	<u>27,630</u>	<u>27,116</u>	<u>514</u>	<u>21,086</u>
<b>TOTAL MUNICIPAL COURT</b>	<u>91,686</u>	<u>100,778</u>	<u>(9,092)</u>	<u>88,299</u>
<b>PARKS AND RECREATION:</b>				
Personnel:				
Salaries	31,790	34,269	(2,479)	29,347
Retirement	3,012	3,117	(105)	2,839
Insurance	8,945	6,841	2,104	6,205
Payroll taxes	730	622	108	471
<b>Total Personnel</b>	<u>44,477</u>	<u>44,849</u>	<u>(372)</u>	<u>38,862</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Budget	Actual		
<b>Supplies, Repairs and Services:</b>				
Supplies	\$ -	\$ 5,054	\$ (5,054)	\$ 131
Advertising	-	2,100	(2,100)	3,205
Dues and memberships	-	505	(505)	-
Travel	-	-	-	24
Telephone	500	393	107	403
Uniforms	500	457	43	505
Equipment rental	3,500	3,514	(14)	3,317
Park utilities	-	6,831	(6,831)	7,144
Park maintenance	1,500	3,341	(1,841)	4,180
Sign maintenance	200	302	(102)	-
Professional services	100	35	65	60
Gas and oil	3,000	4,218	(1,218)	3,686
Maintenance and repair - equipment	1,500	2,952	(1,452)	2,361
Maintenance and repair - vehicle	1,000	535	465	-
Equipment supplies	10,700	7,450	3,250	4,118
<b>Total Supplies, Repairs and Services</b>	<u>22,500</u>	<u>37,687</u>	<u>(15,187)</u>	<u>29,134</u>
<b>TOTAL PARKS AND RECREATION</b>	<u>66,977</u>	<u>82,536</u>	<u>(15,559)</u>	<u>67,996</u>
<b>COMMUNITY DEVELOPMENT:</b>				
<b>Personnel:</b>				
Salaries	79,400	81,793	(2,393)	78,312
Retirement	7,548	7,759	(211)	7,552
Longevity pay	384	384	-	1,224
Insurance	12,789	12,860	(71)	12,265
Payroll taxes	1,692	1,421	271	1,243
<b>Total Personnel</b>	<u>101,813</u>	<u>104,217</u>	<u>(2,404)</u>	<u>100,596</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Budget	Actual		
Supplies, Repairs and Services:				
Supplies	\$ 1,150	\$ 428	\$ 722	\$ 625
Travel	500	529	(29)	658
Continuing education	500	379	121	165
Advertising	400	355	45	355
Publications	400	322	78	114
Dues and memberships	200	332	(132)	186
Telephone	875	739	136	804
Professional services	42,875	59,619	(16,744)	50,932
Maintenance and repair - equipment	1,300	1,800	(500)	1,305
Maintenance and repair - vehicles	500	2	498	293
Gas and oil	1,800	257	1,543	1,144
Equipment supplies	-	550	(550)	-
Total Supplies, Repairs and Services	<u>50,500</u>	<u>65,312</u>	<u>(14,812)</u>	<u>56,581</u>
 TOTAL COMMUNITY DEVELOPMENT	 <u>152,313</u>	 <u>169,529</u>	 <u>(17,216)</u>	 <u>157,177</u>
 CAPITAL OUTLAY:				
Capital outlay - building	-	116,882	(116,882)	16,519
Capital outlay - streets	-	-	-	14,446
Capital outlay - equipment	11,800	47,289	(35,489)	41,518
Capital outlay - vehicles	25,378	26,716	(1,338)	27,126
 TOTAL CAPITAL OUTLAY	 <u>37,178</u>	 <u>190,887</u>	 <u>(153,709)</u>	 <u>99,609</u>
 TOTAL EXPENDITURES	 <u>\$ 3,644,551</u>	 <u>\$ 3,783,496</u>	 <u>\$ (138,945)</u>	 <u>\$ 3,325,720</u>

CITY OF LAKE DALLAS, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2008 AND 2007

---

	<u>2008</u>	<u>2007</u>
ASSETS		
Receivables:		
Ad valorem tax	\$ 9,008	\$ 9,605
TOTAL ASSETS	<u>\$ 9,008</u>	<u>\$ 9,605</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Deferred revenues	\$ 9,008	\$ 9,605
Total Liabilities	<u>9,008</u>	<u>9,605</u>
Fund balance:		
Reserved for debt service	_____ -	_____ -
Total Fund Balance	_____ -	_____ -
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,008</u>	<u>\$ 9,605</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, 2008 AND 2007

---

	<u>2008</u>	<u>2007</u>
REVENUES:		
Taxes:		
Property	\$389,000	\$337,560
TOTAL REVENUES	<u>389,000</u>	<u>337,560</u>
EXPENDITURES:		
Debt service:		
Principal retirement	228,881	220,967
Interest and fiscal charges	<u>172,019</u>	<u>178,714</u>
TOTAL EXPENDITURES	<u>400,900</u>	<u>399,681</u>
Excess of revenues over (under) expenditures	<u>(11,900)</u>	<u>(62,121)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in (net)	<u>11,900</u>	<u>62,121</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>11,900</u>	<u>62,121</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, 2008

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-ad valorem	<u>\$397,000</u>	<u>\$397,000</u>	<u>\$389,000</u>	<u>\$ (8,000)</u>
Total Revenues	<u>397,000</u>	<u>397,000</u>	<u>389,000</u>	<u>(8,000)</u>
Expenditures:				
Principal	228,646	258,646	228,881	29,765
Interest and Fees	<u>207,611</u>	<u>246,611</u>	<u>172,019</u>	<u>74,592</u>
Total Expenditures	<u>436,257</u>	<u>505,257</u>	<u>400,900</u>	<u>104,357</u>
Excess of Revenues over Expenditures	<u>(39,257)</u>	<u>(108,257)</u>	<u>(11,900)</u>	<u>96,357</u>
Other Financing Sources (Uses):				
Transfers In (net)	<u>142,022</u>	<u>142,022</u>	<u>11,900</u>	<u>(130,122)</u>
Total Other Financing Sources (Uses)	<u>142,022</u>	<u>142,022</u>	<u>11,900</u>	<u>(130,122)</u>
Net Change in Fund Balance	102,765	33,765	-	(33,765)
Fund Balance – October 1 (Beginning)	-	-	-	-
Fund Balance – September 30 (Ending)	<u>\$102,765</u>	<u>\$ 33,765</u>	<u>\$ -</u>	<u>\$ (33,765)</u>

CITY OF LAKE DALLAS, TEXAS  
SCHEDULE OF RESERVED FUND BALANCE  
GENERAL FUND  
SEPTEMBER 30, 2008

---

Court technology funds	\$ 19,443
Court security funds	10,928
Child safety funds	33,237
Juvenile case management funds	13,406
Willow Grove Park fees	6,942
Police auction fees	21,252
LEOSE	4,773
Police technology donations	235
Police seizure funds	6,801
Kids-N-Cops	8,149
Animal rescue	<u>4,610</u>
 Total	 <u>\$129,776</u>

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 units and each major fund of the City of Lake Dallas as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 8, 2009. 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 8, 2009

**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>
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
2008	576,333	2,161,490	78,823	315,978	100,778	82,536	169,529

---

<u>Special Events</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$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
107,142	1,123,821	457,347	5,173,777

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>
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
2008	3,115,718	23,575	340,429	249,418	385,709	69,498

---

<u>Grants</u>	<u>Miscellaneous</u>	<u>Intergovernmental</u>	<u>Total</u>
\$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
-	31,856	-	4,216,203

This page left blank intentionally.

CITY OF LAKE DALLAS, TEXAS  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN 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
2008	2,131,332	553,255	345,823	61,239	24,069	3,115,718

(1) Includes penalties and interest.

CITY OF LAKE DALLAS, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN 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
2008	2,121,104	2,082,593	98.18	26,978	2,109,571	99.46

---

<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
78,473	3.70

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 (1) Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
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
2008	228,881	172,019	400,900	4,184,396	9.58

(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
2008	2,504,803	3,352,552	74.7	847,749	1,371,362	61.8

This page left blank intentionally.