

**CITY OF LAKE DALLAS, TEXAS**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2010

CITY OF LAKE DALLAS, TEXAS  
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CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
P.O. BOX 977  
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**INDEPENDENT AUDITORS' REPORT**

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

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Dallas, Texas ("City") as of and for the year ended September 30, 2010, 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 opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2010, 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 and the budgetary comparison information on page 38 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 also issued a report dated January 6, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions 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 the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In addition, the statistical section listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.



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

January 6, 2011

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010

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As management of the City of Lake Dallas, we offer readers of the City of Lake Dallas's financial statements this narrative overview and analysis of the financial activities of the City of Lake Dallas for the year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements and with the independent auditors' report.

**Financial Highlights**

- The assets of the City of Lake Dallas exceeded its liabilities at September 30, 2010 by \$1,409,077.
- The City's total net assets decreased by \$316,584.
- As of September 30, 2010, the City of Lake Dallas's governmental funds reported a combined ending fund balance deficit of \$198,933, a decrease of \$1,556,426 in comparison with the beginning of the period.

**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. Separately-issued financial statements for each of these component units may be obtained by contacting the City of Lake Dallas.

**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:

- **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.

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010

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- **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 four types of 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, special revenue funds, debt service fund and capital projects. All but the special revenue funds 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, 2010

**Government-wide Financial Analysis**

The City's combined net assets were \$1,409,077 as of September 30, 2010. 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<br>Activities |                    |
|---|----------------------------|--------------------|
|   | 2009                       | 2010               |
| Current and other assets                        | \$1,699,096                | \$ 589,204         |
| Capital assets                                  | <u>6,998,690</u>           | <u>7,920,340</u>   |
| Total assets                                    | <u>8,697,786</u>           | <u>8,509,544</u>   |
| Long-term liabilities outstanding               | 6,759,704                  | 6,459,252          |
| Other liabilities                               | <u>212,421</u>             | <u>641,215</u>     |
| Total liabilities                               | <u>6,972,125</u>           | <u>7,100,467</u>   |
| Net assets:                                     |                            |                    |
| Invested in capital assets, net of related debt | 468,690                    | 1,725,340          |
| Restricted                                      | 1,113,693                  | 141,344            |
| Unrestricted                                    | <u>143,278</u>             | <u>(457,607)</u>   |
| Total net assets                                | <u>\$1,725,661</u>         | <u>\$1,409,077</u> |

**Governmental Activities.** The City's general revenues for governmental activities for the years ended September 30, 2009 and 2010 are detailed below (Table 2).

Table 2  
General Revenues

|   | 2009               | 2010               |
|---|--------------------|--------------------|
| Property taxes, levied for general purposes | \$1,895,126        | \$1,902,958        |
| Property taxes, levied for debt service     | 471,837            | 479,925            |
| Sales taxes                                 | 506,808            | 496,635            |
| Franchise taxes                             | 363,508            | 338,783            |
| Hotel occupancy taxes                       | 52,449             | 34,603             |
| Mixed beverage taxes                        | 22,953             | 19,837             |
| Contributions from EDC/CDC                  | 122,009            | 139,703            |
| Investment earnings                         | 18,540             | 2,001              |
| Miscellaneous                               | <u>16,210</u>      | <u>22,589</u>      |
|   | <u>\$3,469,440</u> | <u>\$3,437,034</u> |

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010

The following table provides a summary of the City's operations for the years ended September 30, 2009 and 2010.

Table 3  
Changes in Net Assets

|                                    | Governmental<br>Activities |                    |
|------------------------------------|----------------------------|--------------------|
|                                    | 2009                       | 2010               |
| Revenues:                          |                            |                    |
| Program revenues:                  |                            |                    |
| Charges for services               | \$1,116,452                | \$1,500,556        |
| Operating grants and contributions | 8,423                      | 12,164             |
| General revenues:                  |                            |                    |
| Property taxes                     | 2,366,963                  | 2,382,883          |
| Sales taxes                        | 506,808                    | 496,635            |
| Franchise taxes                    | 363,508                    | 338,783            |
| Hotel occupancy taxes              | 52,449                     | 34,603             |
| Mixed beverage taxes               | 22,953                     | 19,837             |
| Contributions from EDC/CDC         | 122,009                    | 139,703            |
| Investment earnings                | 18,540                     | 2,001              |
| Other                              | <u>16,210</u>              | <u>22,589</u>      |
|                                    | <u>4,594,315</u>           | <u>4,949,754</u>   |
| Expenses:                          |                            |                    |
| Administrative                     | 904,369                    | 1,017,223          |
| Special events                     | 195,638                    | 165,240            |
| Public safety                      | 2,420,451                  | 2,645,225          |
| Animal control                     | 116,957                    | 141,424            |
| Public works - streets             | 629,455                    | 616,194            |
| Municipal court                    | 136,288                    | 129,273            |
| Parks and recreation               | 139,122                    | 159,633            |
| Community development              | 150,702                    | 158,798            |
| Debt service - interest            | <u>255,998</u>             | <u>283,249</u>     |
|                                    | <u>4,948,980</u>           | <u>5,316,259</u>   |
| Special items                      | (6,893)                    | (2,211)            |
| Transfers in (out)                 | (1,057,381)                | 52,132             |
| Change in net assets               | (1,418,939)                | (316,584)          |
| Net assets – October 1 (beginning) | <u>3,144,600</u>           | <u>1,725,661</u>   |
| Net assets – September 30 (ending) | <u>\$1,725,661</u>         | <u>\$1,409,077</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, 2010

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As of the end of the current period, the City's governmental funds reported a combined ending fund balance deficit of \$(198,933), a decrease of \$1,556,426 in comparison with the beginning of the period. There was no unreserved fund balance available for spending at the City's discretion. 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 (\$396), 2) to liquidate prepaid items (\$11,841), and 3) for other miscellaneous restrictions (\$140,948).

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 was a deficit of \$352,118, while total fund balance was a deficit of \$340,277. The fund balance of the City's general fund decreased by \$584,077 during the current period, due to lower than expected revenues in the areas of taxes and court fines, and significant capital outlay expenditures.

**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 amended budget for the general fund projected that the activity for the year would decrease available fund balance by \$145,737. The available fund balance for the general fund actually decreased in the amount of \$584,077. This decrease was due primarily to lower court fine and tax revenue received than had been budgeted, and higher than expected capital outlay expenditures.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental activities as of September 30, 2010, amount to \$7,920,340 (net of accumulated depreciation). This amount represents a net increase of \$921,650, or 13.1 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>      |
|-----------------------------------|--------------------|
| Street paving & drainage projects | \$1,085,616        |
| Parks solar lights                | 101,281            |
| Lakeview Drive land purchase      | 66,093             |
| Three police vehicles             | 81,928             |
| Public works vehicle              | 21,367             |
| Mobile command truck              | 20,408             |
| Electronic ticket writers         | 29,024             |
| Total                             | <u>\$1,405,717</u> |

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010

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

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|                                  | <u>Governmental<br/>Activities</u> |
|----------------------------------|------------------------------------|
| Land                             | \$ 397,872                         |
| Buildings and Improvements       | 2,401,705                          |
| Streets and Parks Infrastructure | 3,345,840                          |
| Equipment and Vehicles           | 497,356                            |
| Construction in Progress         | <u>1,277,567</u>                   |
| Totals                           | <u>\$7,920,340</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 \$4,135,000, accrued compensated absences of \$264,252 and general obligation bonds outstanding of \$2,060,000, for total long-term debt of \$6,459,252. The only new debt incurred during the year was the issuance of \$1,240,000 general obligation refunding bonds.

The City's total debt decreased by \$300,452 during the current period or 4.5%. 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 recent encouraging National news about higher retail sales during the Christmas season and some better employment growth leads to an optimistic feeling about the local economy and our prospects for 2011. For FY 2011, we are thinking the beginning of an economic rebound will be felt first in a return of sales tax receipts to their FY 2009 level for existing businesses and perhaps somewhat higher due to the construction and operation of two new businesses, Swisher Courts and Z Flooring. Together these two businesses project adding about \$40,000 to the annual sales tax receipts. Property tax values are expected to be flat this coming year after declining by 4% for existing properties. Again, the construction of the Swisher Courts and Z Flooring buildings plus the recent completion of Daniels AC building and the construction of eight new homes will add about \$6.5 million to the city's tax base which will not offset the previous decline but will soften the blow. Other possible residential and commercial projects are so far out in the future as to have no effect on City revenues until two to three years from now.

What the City is going to do is continue to cut back spending where we can to at least match the declination of revenues during the past couple of years. In the budget process for the 2011 budget, all but one capital item was cut, repairs to streets and sidewalks were paved to the bare minimum, a 2% COLA for employees was delayed for a quarter and step plan increases were waived. Through these actions and some conservative revenue estimates, it was expected that a \$94,000 savings between budgeted revenues and expenses could be achieved.

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010

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However, FY 2010 was so bad that the City had to borrow \$300,000 to finish the year. This was not recognized in budgeting for FY 2011 and now steps have been initiated to further reduce spending to reduce if not eliminate this deficiency. The steps most recently taken include cancelling the remainder of the COLA, two layoffs of employees and not filling a temporarily vacant position in Community Development. These actions cut \$128,000 from FY 2011 expenses (and an additional \$25,000 in the first quarter of FY 2012) and coupled with the \$94,000 in budgeted savings closes the gap by over two thirds. Unless there is a striking rebound to the local economy, it is expected that next year will be more of the same.

**Requests for Information**

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

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**BASIC FINANCIAL STATEMENTS**

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CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010

|  | <u>Primary Government</u>          | <u>Component Units</u>                          |  |
|--|------------------------------------|---|--|
|  | <u>Governmental<br/>Activities</u> | <u>Economic<br/>Development<br/>Corporation</u> | <u>Community<br/>Development<br/>Corporation</u> |
| <b>ASSETS</b>                                      |                                    |   |  |
| Cash and Investments                               | \$ 279,730                         | \$ 157,824                                      | \$ 766,924                                       |
| Receivables (net of allowance for uncollectibles): |                                    |   |  |
| Taxes – Ad Valorem                                 | 65,611                             | -   | -  |
| Taxes – Sales                                      | 38,283                             | 19,141  | 19,141   |
| Taxes- Occupancy                                   | 3,764                              | -   | -  |
| Taxes – Mixed Beverage                             | 4,886                              | -   | -  |
| Other  | 132,521                            | -   | -  |
| Prepaid Expenses                                   | 11,841                             | 525   | -  |
| Internal Balances                                  | (70,443)                           | 49,525  | 20,918   |
| Debt Issuance Costs, net                           | 123,011                            | -   | -  |
| Capital Assets:                                    |                                    |   |  |
| Land   | 397,872                            | 388,535   | -  |
| Buildings and Improvements, net                    | 2,401,705                          | -   | -  |
| Streets and Parks Infrastructure, net              | 3,345,840                          | -   | -  |
| Equipment and Vehicles, net                        | 497,356                            | -   | -  |
| Construction in Progress                           | <u>1,277,567</u>                   | -   | -  |
| Total Assets                                       | <u>8,509,544</u>                   | <u>615,550</u>                                  | <u>806,983</u>                                   |
| <b>LIABILITIES</b>                                 |                                    |   |  |
| Accounts Payable                                   | 132,532                            | -   | 1,217  |
| Accrued Wages Payable                              | 62,369                             | -   | -  |
| Accrued Interest Payable                           | 41,700                             | -   | -  |
| State Court Costs Payable                          | 95,692                             | -   | -  |
| Other Liabilities                                  | 37,727                             | -   | -  |
| Short-term loan payable                            | 225,000                            | -   | -  |
| Deferred Revenues                                  | 46,195                             | -   | -  |
| Noncurrent Liabilities:                            |                                    |   |  |
| Due within one year                                | 385,000                            | 48,724  | -  |
| Due in more than one year                          | <u>6,074,252</u>                   | <u>253,897</u>                                  | -  |
| Total Liabilities                                  | <u>7,100,467</u>                   | <u>302,621</u>                                  | <u>1,217</u>                                     |
| <b>NET ASSETS</b>                                  |                                    |   |  |
| Invested in Capital Assets, net of related debt    | 1,725,340                          | 85,914  | -  |
| Restricted for:                                    |                                    |   |  |
| Capital Improvements                               | 396                                | -   | -  |
| Community Development                              | -                                  | -   | 805,766  |
| Economic Development                               | -                                  | 227,015   | -  |
| Court Security and Technology                      | 19,356                             | -   | -  |
| Police Department                                  | 94,282                             | -   | -  |
| Other Purposes                                     | 27,310                             | -   | -  |
| Unrestricted Net Assets                            | <u>(457,607)</u>                   | -   | -  |
| Total Net Assets                                   | <u>\$1,409,077</u>                 | <u>\$ 312,929</u>                               | <u>\$ 805,766</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, 2010

| <u>Functions/Programs</u>         | <u>Expenses</u>           | <u>Program Revenues</u>         |   |
|-----------------------------------|---------------------------|---------------------------------|---|
|                                   |                           | <u>Charges for<br/>Services</u> | <u>Operating Grants<br/>and Contributions</u> |
| <b>GOVERNMENTAL ACTIVITIES:</b>   |                           |                                 |   |
| General Government                | \$1,017,223               | \$ 478,139                      | \$ -  |
| Community Relations               | 165,240                   | 37,681                          | -   |
| Public Safety                     | 2,645,225                 | 487,782                         | 6,777   |
| Animal Control                    | 141,424                   | 6,942                           | 5,387   |
| Public Works - Streets            | 616,194                   | 223,946                         | -   |
| Municipal Court                   | 129,273                   | 129,273                         | -   |
| Parks and Recreation              | 159,633                   | 15,658                          | -   |
| Community Development             | 158,798                   | 121,135                         | -   |
| Debt Service - Interest           | <u>283,249</u>            | -                               | -   |
| Total Governmental Activities     | <u>5,316,259</u>          | <u>1,500,556</u>                | <u>12,164</u>                                 |
| <b>TOTAL PRIMARY GOVERNMENT</b>   | <b><u>\$5,316,259</u></b> | <b><u>\$1,500,556</u></b>       | <b><u>\$ 12,164</u></b>                       |
| <b>COMPONENT UNITS:</b>           |                           |                                 |   |
| Economic Development Corporation  | \$ 264,046                | \$ -                            | \$ -  |
| Community Development Corporation | <u>469,506</u>            | -                               | -   |
| <b>TOTAL COMPONENT UNITS</b>      | <b><u>\$ 733,522</u></b>  | <b><u>\$ -</u></b>              | <b><u>\$ -</u></b>                            |

**GENERAL REVENUES:**

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Hotel occupancy taxes

Mixed beverage taxes

Investment Earnings

Contributions from EDC/CDC

Miscellaneous

Transfers in (out)

Special item – gain (loss) on disposition 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<br>Change in Net Assets |                              |                               |
|---|------------------------------|-------------------------------|
| Governmental<br>Activities                        | Component Units              |                               |
|   | Economic<br>Development Corp | Community<br>Development Corp |
| \$ (539,084)                                      | \$ -                         | \$ -                          |
| (127,559)   | -                            | -                             |
| (2,150,666)                                       | -                            | -                             |
| (129,095)   | -                            | -                             |
| (392,248)   | -                            | -                             |
| -   | -                            | -                             |
| (143,975)   | -                            | -                             |
| (37,663)  | -                            | -                             |
| (283,249)   | -                            | -                             |
| <u>(3,803,539)</u>                                | <u>-</u>                     | <u>-</u>                      |
| <u>(3,803,539)</u>                                | <u>-</u>                     | <u>-</u>                      |
| -   | (264,046)                    | -                             |
| <u>-</u>  | <u>-</u>                     | <u>(469,506)</u>              |
| <u>-</u>  | <u>(264,046)</u>             | <u>(469,506)</u>              |
| 1,902,958   | -                            | -                             |
| 479,925   | -                            | -                             |
| 496,635   | 248,317                      | 248,317                       |
| 338,783   | -                            | -                             |
| 34,603  | -                            | -                             |
| 19,837  | -                            | -                             |
| 2,001   | 122                          | 1,866                         |
| 139,703   | -                            | -                             |
| 22,589  | -                            | -                             |
| 52,132  | 40,633                       | (92,764)                      |
| (2,211)   | 16,753                       | -                             |
| <u>3,486,955</u>                                  | <u>305,825</u>               | <u>157,419</u>                |
| (316,584)   | 41,779                       | (312,087)                     |
| <u>1,725,661</u>                                  | <u>271,150</u>               | <u>1,117,853</u>              |
| <u>\$1,409,077</u>                                | <u>\$ 312,929</u>            | <u>\$ 805,766</u>             |

CITY OF LAKE DALLAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010

|   | GENERAL<br>FUND   | DEBT<br>SERVICE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | OTHER<br>FUNDS   | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|-------------------|-------------------------|-----------------------------|------------------|--------------------------------|
| <b>ASSETS</b>                                       |                   |                         |                             |                  |                                |
| Cash and cash equivalents                           | \$ 138,386        | \$ -                    | \$ 396                      | \$140,948        | \$ 279,730                     |
| Receivables (net of allowances for uncollectibles): |                   |                         |                             |                  |                                |
| Ad Valorem tax                                      | 53,738            | 11,873                  | -                           | -                | 65,611                         |
| Sales tax   | 38,283            | -                       | -                           | -                | 38,283                         |
| Occupancy tax                                       | 3,764             | -                       | -                           | -                | 3,764                          |
| Mixed beverage tax                                  | 4,886             | -                       | -                           | -                | 4,886                          |
| Other   | 132,521           | -                       | -                           | -                | 132,521                        |
| Due from EDC/CDC                                    | 526               | -                       | -                           | -                | 526                            |
| Prepaid costs                                       | <u>11,841</u>     | <u>-</u>                | <u>-</u>                    | <u>-</u>         | <u>11,841</u>                  |
| Total Assets  | <u>\$ 383,945</u> | <u>\$ 11,873</u>        | <u>\$ 396</u>               | <u>\$140,948</u> | <u>\$ 537,162</u>              |
| <b>LIABILITIES AND FUND BALANCES</b>                |                   |                         |                             |                  |                                |
| Liabilities:  |                   |                         |                             |                  |                                |
| Accounts payable                                    | \$ 132,532        | \$ -                    | \$ -                        | \$ -             | \$ 132,532                     |
| Accrued wages payable                               | 62,369            | -                       | -                           | -                | 62,369                         |
| State court costs payable                           | 95,692            | -                       | -                           | -                | 95,692                         |
| Other liabilities                                   | 37,727            | -                       | -                           | -                | 37,727                         |
| Due to EDC/CDC                                      | 70,969            | -                       | -                           | -                | 70,969                         |
| Short-term loan payable                             | 225,000           | -                       | -                           | -                | 225,000                        |
| Deferred revenues                                   | <u>99,933</u>     | <u>11,873</u>           | <u>-</u>                    | <u>-</u>         | <u>111,806</u>                 |
| Total Liabilities                                   | <u>724,222</u>    | <u>11,873</u>           | <u>-</u>                    | <u>-</u>         | <u>736,095</u>                 |
| Fund Balances:                                      |                   |                         |                             |                  |                                |
| Reserved for prepaid costs                          | 11,841            | -                       | -                           | -                | 11,841                         |
| Reserved for construction                           | -                 | -                       | 396                         | -                | 396                            |
| Other reserves                                      | -                 | -                       | -                           | 140,948          | 140,948                        |
| Undesignated  | <u>(352,118)</u>  | <u>-</u>                | <u>-</u>                    | <u>-</u>         | <u>(352,118)</u>               |
| Total Fund Balances (Deficit)                       | <u>(340,277)</u>  | <u>-</u>                | <u>396</u>                  | <u>140,948</u>   | <u>(198,933)</u>               |
| Total Liabilities and Fund Balances                 | <u>\$ 383,945</u> | <u>\$ 11,873</u>        | <u>\$ 396</u>               | <u>\$140,948</u> | <u>\$ 537,162</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, 2010

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**Total Fund Balance (Deficit) – Governmental Funds** \$ (198,933)

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 \$10,046,255 and the accumulated depreciation was \$3,047,565. In addition, long-term liabilities of \$6,759,704 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. 238,986

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. 1,698,153

The current period depreciation expense increases accumulated depreciation. The net effect of the current period's depreciation is to decrease net assets. (517,495)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, removing the basis of capital assets sold and recognizing the liabilities associated with accrued interest and compensated absences. The net effect of these reclassifications and recognitions is to increase net assets. 188,366

**Net Assets of Governmental Activities** \$1,409,077

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, 2010

|  | GENERAL<br>FUND     | DEBT<br>SERVICE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | OTHER<br>FUNDS   | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|-------------------------|-----------------------------|------------------|--------------------------------|
| Revenues:                                      |                     |                         |                             |                  |                                |
| Taxes (ad valorem, sales and other)            | \$2,794,552         | \$ 479,919              | \$ -                        | \$ -             | \$3,274,471                    |
| Special assessments                            | 1,993               | -                       | -                           | -                | 1,993                          |
| Licenses and permits                           | 121,455             | -                       | -                           | -                | 121,455                        |
| Charges for services                           | 757,051             | -                       | 38,536                      | 34,987           | 830,574                        |
| Fines and fees                                 | 486,209             | -                       | -                           | 60,325           | 546,534                        |
| Donations and grants                           | -                   | -                       | -                           | 12,164           | 12,164                         |
| Interest                                       | 1,278               | -                       | 723                         | -                | 2,001                          |
| Miscellaneous revenues                         | 22,589              | -                       | -                           | -                | 22,589                         |
| Total Revenues                                 | <u>4,185,127</u>    | <u>479,919</u>          | <u>39,259</u>               | <u>107,475</u>   | <u>4,811,781</u>               |
| Expenditures:                                  |                     |                         |                             |                  |                                |
| General government                             | 978,718             | -                       | -                           | -                | 978,718                        |
| Community relations                            | 149,893             | -                       | -                           | 15,000           | 164,893                        |
| Public safety                                  | 2,460,928           | -                       | -                           | 24,012           | 2,484,940                      |
| Animal control                                 | 116,424             | -                       | -                           | 5,094            | 121,518                        |
| Public works – streets                         | 316,898             | -                       | -                           | -                | 316,898                        |
| Municipal court                                | 115,573             | -                       | -                           | 15,497           | 131,070                        |
| Parks and recreation                           | 111,753             | -                       | -                           | 20,706           | 132,459                        |
| Community development                          | 150,471             | -                       | -                           | -                | 150,471                        |
| Capital outlay                                 | 387,460             | -                       | 869,020                     | 51,673           | 1,308,153                      |
| Debt service:                                  |                     |                         |                             |                  |                                |
| Principal retirement                           | -                   | 390,000                 | -                           | -                | 390,000                        |
| Interest, fees and issuance costs              | 2,092               | 276,024                 | -                           | -                | 278,116                        |
| Total Expenditures                             | <u>4,790,210</u>    | <u>666,024</u>          | <u>869,020</u>              | <u>131,982</u>   | <u>6,457,236</u>               |
| Excess of Revenues Over (Under) Expenditures   | <u>(605,083)</u>    | <u>(186,105)</u>        | <u>(829,761)</u>            | <u>(24,506)</u>  | <u>(1,645,455)</u>             |
| Other Resources (Uses):                        |                     |                         |                             |                  |                                |
| Refunding bond proceeds                        | -                   | 1,240,000               | -                           | -                | 1,240,000                      |
| Sale of assets                                 | -                   | -                       | -                           | 6,500            | 6,500                          |
| Transfers in                                   | 36,405              | 180,113                 | -                           | 2,500            | 219,018                        |
| Transfers out                                  | (15,399)            | (24,405)                | (115,082)                   | (12,000)         | (166,886)                      |
| Payments to bond refunding agent               | -                   | (1,209,603)             | -                           | -                | (1,209,603)                    |
| Total Other Resources (Uses)                   | <u>21,006</u>       | <u>186,105</u>          | <u>(115,082)</u>            | <u>(3,000)</u>   | <u>89,029</u>                  |
| Net Change in Fund Balance                     | (584,077)           | -                       | (944,843)                   | (27,506)         | (1,556,426)                    |
| Fund Balance - October 1 (beginning)           | <u>243,800</u>      | <u>-</u>                | <u>945,239</u>              | <u>168,454</u>   | <u>1,357,493</u>               |
| Fund Balance (Deficit) - September 30 (ending) | <u>\$ (340,277)</u> | <u>\$ -</u>             | <u>\$ 396</u>               | <u>\$140,948</u> | <u>\$ (198,933)</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, 2010

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**Total Net Change in Fund Balances – Governmental Funds** \$(1,556,426)

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. 1,698,153

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. (517,495)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, removing the basis of capital assets sold and recognizing the liabilities associated with accrued interest and compensated absences. The net effect of these reclassifications and recognitions is to increase net assets. 59,184

**Change in Net Assets of Governmental Activities** \$ (316,584)

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

**A. Reporting Entity**

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

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

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

---

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, 2010 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, 2010

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

The City reports the following major governmental funds:

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

*Special Revenue Funds* – These funds are established to account for funds restricted for specified purposes. For many funds in this type, project accounting is employed to maintain integrity for the various sources of funds.

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

*Capital Projects Fund* – The Capital Projects Funds accounts for proceeds from the sale of bonds and certificates of obligation 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.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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**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.

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<br/>Life</u> |
|-------------------------|---------------------------|
| Buildings               | 25-40 years               |
| Street infrastructure   | 15 years                  |
| Machinery and equipment | 7-10 years                |
| Vehicles                | 5-7 years                 |

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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**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. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**J. Reserves and Designations**

Reserves on fund balance in the fund financial statements indicate portions of fund equity legally or otherwise segregated for a specific future use. At September 30, 2010, 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 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, 2010, the City had no designated fund balances.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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**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.

**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 not amended during the year by the City Council. Any 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, 2010, the carrying amount of the City's deposits in checking accounts and interest-bearing savings accounts was \$114,913 and the bank balance was \$159,592. The City's cash deposits at September 30, 2010 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, 2010

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**2. Investments:**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2010, the City's cash balances totaled \$159,592. 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, 2010, 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 City has no policy relating to the credit risk of investments. 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 has no formal policy relating to interest rate risk but 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, 2010, the City was not exposed to foreign currency risk.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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- 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, 2010 are shown below:

| <u>Name</u>             | <u>Carrying<br/>Amount</u> | <u>Market<br/>Value</u> |
|-------------------------|----------------------------|-------------------------|
| TexPool Investment Pool | \$ 10,788                  | \$ 10,788               |
| LOGIC Investment Pool   | 146,616                    | 146,616                 |
| TexStar Investment Pool | <u>513</u>                 | <u>513</u>              |
| Total                   | <u>\$ 157,917</u>          | <u>\$ 157,917</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 \$1,698,153 adjustment are as follows:

|  |                    |
|--|--------------------|
| Current year capital outlay            | \$1,308,153        |
| Bond principal payments                | 170,000            |
| Cert. of obligation principal payments | <u>220,000</u>     |
| Net adjustment                         | <u>\$1,698,153</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 \$188,366 adjustment are as follows:

|  |                   |
|--|-------------------|
| Refunding bond proceeds                    | \$(1,240,000)     |
| General obligation bonds refunded          | 1,185,000         |
| Deferred tax revenue recognized as revenue | 65,611            |
| Accrued interest payable on long-term debt | (41,700)          |
| Increase in accrued compensated absences   | (34,548)          |
| Capital outlay contributed by EDC/CDC      | 139,703           |
| Capitalized debt issuance costs            | 131,797           |
| Amortization of debt issuance costs        | (8,786)           |
| Book value of capital assets disposed      | <u>(8,711)</u>    |
| Net adjustment                             | <u>\$ 188,366</u> |

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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 \$59,184 adjustment are as follows:

|   |                  |
|---|------------------|
| Refunding bond proceeds                       | \$(1,240,000)    |
| General obligation bonds refunded             | 1,185,000        |
| Current year change in deferred tax revenue   | (1,730)          |
| Increase in accrued interest payable          | (308)            |
| Increase in accrued compensated absences      | (34,548)         |
| Capital outlay contributed by EDC/CDC         | 139,703          |
| Capitalization of current year issuance costs | 28,564           |
| Amortization of debt issuance costs           | (8,786)          |
| Book value of capital assets disposed         | <u>(8,711)</u>   |
| Net adjustment                                | <u>\$ 59,184</u> |

**4. RECEIVABLES**

Government-wide receivables as of September 30, 2010, including the applicable allowances for uncollectible accounts, are as follows:

|                               | General<br>Fund  | Debt<br>Service Fund | Total            |
|-------------------------------|------------------|----------------------|------------------|
| Receivables:                  |                  |                      |                  |
| Property taxes                | \$ 70,683        | \$ 15,593            | \$ 86,276        |
| Sales taxes                   | 38,283           | -                    | 38,283           |
| Occupancy tax                 | 3,764            | -                    | 3,764            |
| Mixed beverage tax            | 4,886            | -                    | 4,886            |
| Lakeview Drive reimbursements | 127,269          | -                    | 127,269          |
| Other                         | <u>5,252</u>     | <u>-</u>             | <u>5,252</u>     |
| Gross Receivables             | 250,137          | 15,593               | 265,730          |
| Less: Uncollectible allowance | <u>16,945</u>    | <u>3,720</u>         | <u>20,665</u>    |
| Net Total Receivables         | <u>\$233,192</u> | <u>\$ 11,873</u>     | <u>\$245,065</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, 2010.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Fund transfers during the year include the following:

- 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 - \$43,857.
- Transfers from Lake Dallas Community Development Corporation to the debt service fund, toward payment of long-term debt - \$104,498.
- Transfers from Lake Dallas Economic Development Corporation to the debt service fund, toward payment of long-term debt - \$3,224.

**6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010 was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
|--|------------------------------|--------------------|---------------------|---------------------------|
| Governmental activities:                     |                              |                    |                     |                           |
| Capital assets, not being depreciated:       |                              |                    |                     |                           |
| Land   | \$ 331,779                   | \$ 66,093          | \$ -                | \$ 397,872                |
| Construction in Progress                     | <u>285,266</u>               | <u>1,186,897</u>   | <u>(194,586)</u>    | <u>1,277,567</u>          |
| Total capital assets, not being depreciated  | <u>617,045</u>               | <u>1,252,990</u>   | <u>(194,596)</u>    | <u>1,675,439</u>          |
| Capital assets, being depreciated:           |                              |                    |                     |                           |
| Buildings and Improvements                   | 2,953,877                    | -                  | -                   | 2,953,877                 |
| Street and Parks                             | 5,270,377                    | 194,596            | -                   | 5,464,973                 |
| Equipment and Vehicles                       | <u>1,204,956</u>             | <u>194,866</u>     | <u>(83,512)</u>     | <u>1,316,310</u>          |
| Total capital assets, being depreciated      | <u>9,429,210</u>             | <u>389,462</u>     | <u>(83,512)</u>     | <u>9,735,160</u>          |
| Less accumulated depreciation for:           |                              |                    |                     |                           |
| Buildings and Improvements                   | (475,965)                    | (76,207)           | -                   | (552,172)                 |
| Street and Parks                             | (1,818,362)                  | (300,771)          | -                   | (2,119,133)               |
| Equipment and Vehicles                       | <u>(753,238)</u>             | <u>(140,517)</u>   | <u>74,801</u>       | <u>(818,954)</u>          |
| Total accumulated depreciation               | <u>(3,047,565)</u>           | <u>(517,495)</u>   | <u>74,801</u>       | <u>(3,490,259)</u>        |
| Total capital assets, being depreciated, net | <u>6,381,645</u>             | <u>(128,033)</u>   | <u>(8,711)</u>      | <u>6,244,901</u>          |
| Governmental activities capital assets, net  | <u>\$6,998,690</u>           | <u>\$1,124,957</u> | <u>\$ (203,307)</u> | <u>\$ 7,920,340</u>       |

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

|                              |                  |
|------------------------------|------------------|
| Governmental Activities:     |                  |
| General Government           | \$ 30,907        |
| Community Relations          | 249              |
| Public Safety                | 137,435          |
| Animal Control               | 20,330           |
| Public Works-Streets         | 298,334          |
| Municipal Court              | 1,781            |
| Parks and Recreation         | 25,564           |
| Community Development        | <u>2,895</u>     |
| Total depreciation expense – |                  |
| Governmental activities      | <u>\$517,495</u> |

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

**7. LONG TERM DEBT**

Long term debt of the City consists of two general obligation bond series, five certificates of obligation series, 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, 2010:

| Description                 | Interest<br>Rate<br>Payable | Amounts<br>Outstanding<br>10/01/09 | Additions          | Refunded/<br>Retired | Amounts<br>Outstanding<br>09/30/10 | Due<br>Within<br>One Year |
|-----------------------------|-----------------------------|------------------------------------|--------------------|----------------------|------------------------------------|---------------------------|
| Bonded Indebtedness:        |                             |                                    |                    |                      |                                    |                           |
| 1998 General Obligation     | 4.5-6.0%                    | \$1,185,000                        | \$ -               | \$1,185,000          | \$ -                               | \$ -                      |
| 2008 General Obligation     | 4.21%                       | 990,000                            | -                  | 35,000               | 955,000                            | 35,000                    |
| 2009 General Obligation     | 2.5-3.375%                  | -                                  | 1,240,000          | 135,000              | 1,105,000                          | 125,000                   |
| Total Bonded Indebtedness   |                             | <u>2,175,000</u>                   | <u>1,240,000</u>   | <u>1,355,000</u>     | <u>2,060,000</u>                   | <u>160,000</u>            |
| Certificates of Obligation: |                             |                                    |                    |                      |                                    |                           |
| 2001 Series                 | 4.875-5.0%                  | 555,000                            | -                  | 35,000               | 520,000                            | 35,000                    |
| 2006 Series                 | 4.24%                       | 1,470,000                          | -                  | 60,000               | 1,410,000                          | 65,000                    |
| 2009 Series                 | 4.204%                      | 335,000                            | -                  | 50,000               | 285,000                            | 55,000                    |
| 2009 A Series               | 4.199%                      | 835,000                            | -                  | 30,000               | 805,000                            | 30,000                    |
| 2010 Series                 | 4.26%                       | 1,160,000                          | -                  | 45,000               | 1,115,000                          | 40,000                    |
| Total Cert. of Obligation   |                             | <u>4,355,000</u>                   | <u>-</u>           | <u>220,000</u>       | <u>4,135,000</u>                   | <u>225,000</u>            |
| Compensated Absences        |                             | <u>229,704</u>                     | <u>34,548</u>      | <u>-</u>             | <u>264,252</u>                     | <u>-</u>                  |
| Total Long-Term Debt        |                             | <u>\$6,759,704</u>                 | <u>\$1,274,548</u> | <u>\$1,575,000</u>   | <u>\$6,459,252</u>                 | <u>\$ 385,000</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, 2010

**8. DEBT SERVICE REQUIREMENTS TO MATURITY**

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

| Year Ended    |                    |                   | Total               |
|---------------|--------------------|-------------------|---------------------|
| September 30, | <u>Principal</u>   | <u>Interest</u>   | <u>Requirements</u> |
| 2011          | \$ 160,000         | \$ 72,331         | \$ 232,331          |
| 2012          | 170,000            | 67,732            | 237,732             |
| 2013          | 175,000            | 62,798            | 237,798             |
| 2014          | 175,000            | 57,739            | 232,739             |
| 2015          | 185,000            | 52,005            | 237,005             |
| 2016-2020     | 685,000            | 168,316           | 853,316             |
| 2021-2025     | 295,000            | 83,569            | 378,569             |
| 2026-2028     | <u>215,000</u>     | <u>18,315</u>     | <u>233,315</u>      |
| Total         | <u>\$2,060,000</u> | <u>\$ 582,805</u> | <u>\$2,642,805</u>  |

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

| Year Ended    |                    |                    | Total               |
|---------------|--------------------|--------------------|---------------------|
| September 30, | <u>Principal</u>   | <u>Interest</u>    | <u>Requirements</u> |
| 2011          | \$ 225,000         | \$ 177,297         | \$ 402,297          |
| 2012          | 230,000            | 167,598            | 397,598             |
| 2013          | 245,000            | 157,557            | 402,557             |
| 2014          | 250,000            | 146,986            | 396,986             |
| 2015          | 260,000            | 136,039            | 396,039             |
| 2016-2020     | 1,155,000          | 525,812            | 1,680,812           |
| 2021-2025     | 1,160,000          | 265,196            | 1,425,196           |
| 2026-2029     | <u>610,000</u>     | <u>51,747</u>      | <u>661,747</u>      |
| Total         | <u>\$4,135,000</u> | <u>\$1,628,232</u> | <u>\$5,763,232</u>  |

**9. SHORT-TERM FINANCING**

Short-term financing consists of a line of credit obtained at Northstar Bank, upon which the City makes periodic draws when needed for cash flow purposes. A summary of the activity on the line of credit during the fiscal year ended September 30, 2010 is as follows:

| <u>Description</u> | <u>Interest<br/>Rate<br/>Payable</u> | <u>Amounts<br/>Outstanding<br/>10/01/09</u> | <u>Additions</u> | <u>Retired</u>   | <u>Amounts<br/>Outstanding<br/>09/30/10</u> |
|--------------------|--------------------------------------|---|------------------|------------------|---|
| Line of credit     | 6.0%                                 | <u>\$ -0-</u>                               | <u>\$400,000</u> | <u>\$175,000</u> | <u>\$225,000</u>                            |

The line of credit draws outstanding at September 30, 2010 are due July 21, 2011.

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2010

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**10. EMPLOYEE RETIREMENT PLAN**

**Plan Description**

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8667; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

|   | Plan Year 2009               | Plan Year 2010               |
|---|------------------------------|------------------------------|
| Employee deposit rate   | 7.0%                         | 7.0%                         |
| Matching ratio (City to employee)                                     | 2 to 1                       | 2 to 1                       |
| Years required for vesting  | 5                            | 5                            |
| Service retirement eligibility<br>(expressed as age/years of service) | 60/5,0/20                    | 60/5,0/20                    |
| Updated Service Credit  | 100% Repeating,<br>Transfers | 100% Repeating,<br>Transfers |
| Annuity Increase (to retirees)  | 70% of CPI Reporting         | 70% of CPI Reporting         |

**Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

CITY OF LAKE DALLAS, TEXAS  
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The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

|  |                  |
|--|------------------|
| 1. Annual Required Contribution (ARC)                | \$228,425        |
| 2. Annual Pension Cost (APC)                         | 228,425          |
| 3. Contributions Made                                | <u>(228,425)</u> |
| 4. Increase (decrease) in net pension obligation     | -0-              |
| 5. Net Pension Obligation/(Asset), beginning of year | <u>-0-</u>       |
| 6. Net Pension Obligation/(Asset), end of year       | <u>\$ -0-</u>    |

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

| Valuation Date                | <u>12/31/2007</u>            | <u>12/31/2008</u>            | <u>12/31/2009</u>            |
|-------------------------------|------------------------------|------------------------------|------------------------------|
| Actuarial Cost Method         | Projected<br>Unit Credit     | Projected<br>Unit Credit     | Projected<br>Unit Credit     |
| Amortization Method           | Level Percent<br>of Payroll  | Level Percent<br>of Payroll  | Level Percent<br>of Payroll  |
| Remaining Amortization Period | 30 years -<br>closed period  | 29 years -<br>closed period  | 28 years -<br>closed period  |
| Asset Valuation Method        | Amortized cost               | Amortized cost               | 10-year Smoothed<br>Market   |
| Actuarial Assumptions:        |                              |                              |                              |
| Investment Rate of Return*    | 7.0%                         | 7.5%                         | 7.5%                         |
| Projected Salary Increases*   | Varies by<br>age and service | Varies by<br>age and service | Varies by<br>age and service |
| * Includes Inflation at       | 3.00%                        | 3.00%                        | 3.00%                        |
| Cost-of-Living Adjustments    | 2.1%                         | 2.1%                         | 2.1%                         |

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

| Actuarial<br>Valuation Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) | Funded<br>Ratio | Unfunded<br>AAL (UAAL) | Covered<br>Payroll | UAAL as a<br>Percentage of<br>Covered Payroll |
|-----------------------------|---------------------------------|---|-----------------|------------------------|--------------------|---|
| 12/31/2009                  | \$3,055,077                     | \$4,268,323                             | 71.6%           | \$1,213,246            | \$1,744,148        | 69.6%   |

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

## **11. 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, 2010 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.

## **12. RISK MANAGEMENT**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF LAKE DALLAS, TEXAS  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

|  | <u>Budgeted Amounts</u> |                  | Actual<br>Amounts<br>(GAAP BASIS) | Variance<br>With<br>Final Budget |
|--|-------------------------|------------------|-----------------------------------|----------------------------------|
|  | <u>Original</u>         | <u>Final</u>     |                                   |                                  |
| Revenues:                                      |                         |                  |                                   |                                  |
| Taxes (ad valorem, sales and other)            | \$2,993,600             | \$2,993,600      | \$2,794,552                       | \$(199,048)                      |
| Special assessments                            | 3,000                   | 3,000            | 1,993                             | (1,007)                          |
| Licenses and permits                           | 127,800                 | 127,800          | 121,455                           | (6,345)                          |
| Charges for services                           | 688,384                 | 688,384          | 757,051                           | 68,667                           |
| Fines  | 690,000                 | 690,000          | 486,209                           | (203,791)                        |
| Interest                                       | 6,600                   | 6,600            | 1,278                             | (5,322)                          |
| Utilities settlement                           | 5,000                   | 5,000            | -                                 | (5,000)                          |
| Miscellaneous revenue                          | <u>8,015</u>            | <u>8,015</u>     | <u>22,589</u>                     | <u>14,574</u>                    |
| Total Revenues                                 | <u>4,522,399</u>        | <u>4,522,399</u> | <u>4,185,127</u>                  | <u>(337,272)</u>                 |
| Expenditures:                                  |                         |                  |                                   |                                  |
| Current:                                       |                         |                  |                                   |                                  |
| General government                             | 912,776                 | 998,787          | 978,718                           | 20,069                           |
| Community relations                            | 133,049                 | 144,993          | 149,893                           | (4,900)                          |
| Public safety                                  | 2,541,035               | 2,541,035        | 2,460,928                         | 80,107                           |
| Animal control                                 | 116,914                 | 124,314          | 116,424                           | 7,890                            |
| Public works-streets                           | 323,407                 | 323,407          | 316,898                           | 6,509                            |
| Municipal court                                | 140,378                 | 94,799           | 115,573                           | (20,774)                         |
| Parks and recreation                           | 107,440                 | 107,440          | 111,753                           | (4,313)                          |
| Community development                          | 164,861                 | 164,861          | 150,471                           | 14,390                           |
| Capital Outlay                                 | 168,500                 | 168,500          | 387,460                           | (218,960)                        |
| Debt service:                                  |                         |                  |                                   |                                  |
| Interest and fees                              | -                       | -                | 2,092                             | (2,092)                          |
| Total Expenditures                             | <u>4,608,360</u>        | <u>4,668,136</u> | <u>4,790,210</u>                  | <u>(122,074)</u>                 |
| Excess of Revenues over (under) Expenditures   | <u>(85,961)</u>         | <u>(145,737)</u> | <u>(605,083)</u>                  | <u>(459,346)</u>                 |
| Other Financing Sources (Uses):                |                         |                  |                                   |                                  |
| Transfers in                                   | -                       | -                | 36,405                            | 36,405                           |
| Transfers out                                  | -                       | -                | (15,399)                          | (15,399)                         |
| Total Other Financing Sources (Uses)           | <u>-</u>                | <u>-</u>         | <u>21,006</u>                     | <u>21,006</u>                    |
| Net Change in Fund Balance                     | (85,961)                | (145,737)        | (584,077)                         | (438,340)                        |
| Fund Balance – October 1 (Beginning)           | <u>243,800</u>          | <u>243,800</u>   | <u>243,800</u>                    | <u>-</u>                         |
| Fund Balance (Deficit) – September 30 (Ending) | <u>\$ 157,839</u>       | <u>\$ 98,063</u> | <u>\$ (340,277)</u>               | <u>\$(438,340)</u>               |

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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**NOTE 1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgets and Budgetary Accounting

The Council adopts an “appropriated budget” on a basis consistent with GAAP for the general fund and debt service fund. At a minimum, the Council is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these two funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to September 1, the Council prepares a budget based on the modified zero-based budgetary concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one of more budget workshops with the Council, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to September 30, the Council legally adopts the budget for the general fund and debt service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund’s total expenditures or total revenue or other resources object category requires Council approval prior to the fact. These amendments are presented to the Council at its regular monthly meeting and are reflected in the official minutes. The general fund budget was not amended during the year.
- Expenditure budgets are controlled at the departmental level by the City Manager. Budget managers may authorize transfers within departmental categories that do not affect the total fund appropriation. All budget appropriations lapse at year-end.

The general fund and debt service fund budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**COMBINING & INDIVIDUAL FUND  
STATEMENTS & SCHEDULES**

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2010 AND 2009

|                                     | <u>2010</u>      | <u>2009</u>      |
|-------------------------------------|------------------|------------------|
| <b>ASSETS</b>                       |                  |                  |
| Cash and cash equivalents           | \$138,386        | \$271,282        |
| Receivables:                        |                  |                  |
| Ad valorem tax                      | 53,738           | 55,474           |
| Sales tax                           | 38,283           | 34,014           |
| Occupancy tax                       | 3,764            | 3,394            |
| Mixed beverage tax                  | 4,886            | 5,944            |
| Other                               | 132,521          | 11,359           |
| Due from EDC/CDC                    | 526              | 1,605            |
| Prepaid costs                       | <u>11,841</u>    | <u>87,231</u>    |
| TOTAL ASSETS                        | <u>\$383,945</u> | <u>\$470,303</u> |
| <b>LIABILITIES AND FUND BALANCE</b> |                  |                  |
| Liabilities:                        |                  |                  |
| Accounts payable                    | \$132,532        | \$ 5,982         |
| Accrued wages payable               | 62,369           | 56,740           |
| Court costs payable                 | 95,692           | 48,803           |
| Other liabilities                   | 37,727           | 3,779            |
| Due to EDC/CDC                      | 70,969           | -                |
| Short-term loan payable             | 225,000          | -                |
| Deferred revenue                    | <u>99,933</u>    | <u>111,199</u>   |
| Total Liabilities                   | <u>724,222</u>   | <u>226,503</u>   |
| Fund Balance:                       |                  |                  |
| Reserved                            | 11,841           | 87,231           |
| Undesignated                        | <u>(352,118)</u> | <u>156,569</u>   |
| Total Fund Balance (Deficit)        | <u>(340,277)</u> | <u>243,800</u>   |
| TOTAL LIABILITIES AND FUND BALANCE  | <u>\$383,945</u> | <u>\$470,303</u> |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

|  | <u>2010</u>         | <u>2009</u>       |
|--|---------------------|-------------------|
| REVENUES:                                      |                     |                   |
| Taxes:   |                     |                   |
| Property                                       | \$1,904,694         | \$1,886,967       |
| Sales  | 496,635             | 506,808           |
| Hotel occupancy tax                            | 34,603              | 52,449            |
| Mixed beverage                                 | 19,837              | 22,953            |
| Franchise                                      | 338,783             | 363,508           |
| Special assessments                            | 1,993               | 4,449             |
| License and permits                            | 121,455             | 100,651           |
| Charges for services                           | 769,051             | 494,922           |
| Fines  | 486,209             | 362,240           |
| Interest                                       | 1,278               | 7,030             |
| Utilities settlement                           | -                   | 6,102             |
| Miscellaneous                                  | <u>22,589</u>       | <u>10,108</u>     |
| Total Revenues                                 | <u>4,197,127</u>    | <u>3,818,187</u>  |
|  |                     |                   |
| EXPENDITURES:                                  |                     |                   |
| Current:                                       |                     |                   |
| General government                             | 978,718             | 881,029           |
| Community relations                            | 149,893             | 132,755           |
| Public safety                                  | 2,460,928           | 2,286,834         |
| Animal control                                 | 116,424             | 94,659            |
| Public works – streets                         | 316,898             | 356,767           |
| Municipal court                                | 115,573             | 112,155           |
| Parks and recreation                           | 111,753             | 99,127            |
| Community development                          | 150,471             | 147,635           |
| Capital outlay                                 | 387,460             | 91,765            |
| Debt service:                                  |                     |                   |
| Interest and fees                              | <u>2,092</u>        | -                 |
| Total Expenditures                             | <u>4,790,210</u>    | <u>4,202,726</u>  |
| Excess of Revenues over (under) Expenditures   | <u>(593,083)</u>    | <u>(384,539)</u>  |
|  |                     |                   |
| OTHER FINANCING SOURCES (USES):                |                     |                   |
| Transfers in                                   | 24,405              | -                 |
| Transfers out                                  | <u>(15,399)</u>     | <u>(184,756)</u>  |
| Total Other Financing Sources (Uses)           | <u>9,006</u>        | <u>(184,756)</u>  |
| Net Change in Fund Balance                     | (584,077)           | (569,295)         |
| Fund Balance - October 1 (Beginning)           | <u>243,800</u>      | <u>813,095</u>    |
| Fund Balance (Deficit) - September 30 (Ending) | <u>\$ (340,277)</u> | <u>\$ 243,800</u> |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

|  | 2010                       |                            | Variance<br>Favorable<br>(Unfavorable) | 2009<br>Actual             |
|--|----------------------------|----------------------------|--|----------------------------|
|  | Budget                     | Actual                     |  |                            |
| Ad valorem tax                         | \$ 1,949,000               | \$ 1,904,694               | \$ (44,306)                            | \$ 1,886,967               |
| Sales tax                              | 586,000                    | 496,635                    | (89,365)                               | 506,808                    |
| Mixed beverage tax                     | 26,000                     | 19,837                     | (6,163)                                | 22,953                     |
| Hotel occupancy tax                    | 70,000                     | 34,603                     | (35,397)                               | 52,449                     |
| Franchise tax                          | 362,600                    | 338,783                    | (23,817)                               | 363,508                    |
| Solid waste billings                   | 390,000                    | 336,906                    | (53,094)                               | 244,067                    |
| Court fines and fees                   | 690,000                    | 486,209                    | (203,791)                              | 362,240                    |
| Building permits                       | 75,000                     | 70,458                     | (4,542)                                | 45,816                     |
| Park improvement fees                  | 3,000                      | 1,993                      | (1,007)                                | 4,449                      |
| Lakeview Drive funding                 | -                          | 185,410                    | 185,410                                | -                          |
| Other permits and fees                 | 52,800                     | 50,997                     | (1,803)                                | 54,835                     |
| School resource officer reimbursements | 24,000                     | 21,620                     | (2,380)                                | 21,761                     |
| Rent - Lake Cities Library             | 38,192                     | 38,192                     | -                                      | 37,080                     |
| Rent - fire station                    | 38,192                     | 38,200                     | 8                                      | 33,990                     |
| Other rentals                          | 6,000                      | 3,218                      | (2,782)                                | 5,535                      |
| Willow Grove Park administration fee   | -                          | 12,000                     | 12,000                                 | -                          |
| Parks maintenance                      | 20,800                     | -                          | (20,800)                               | -                          |
| Warrant service                        | 30,000                     | 4,200                      | (25,800)                               | 23,390                     |
| Staff/office services - EDC/CDC        | 72,000                     | 72,000                     | -                                      | 72,000                     |
| Interest earned                        | 6,600                      | 1,278                      | (5,322)                                | 7,030                      |
| Mowing                                 | 1,200                      | 682                        | (518)                                  | 1,144                      |
| Animal services                        | 5,000                      | 6,942                      | 1,942                                  | 5,189                      |
| Utilities settlement                   | 5,000                      | -                          | (5,000)                                | 6,102                      |
| Special events                         | 63,000                     | 37,681                     | (25,319)                               | 50,766                     |
| Other revenue                          | 8,015                      | 22,589                     | 14,574                                 | 10,108                     |
| <b>TOTAL REVENUE</b>                   | <b><u>\$ 4,522,399</u></b> | <b><u>\$ 4,185,127</u></b> | <b><u>\$ (337,272)</u></b>             | <b><u>\$ 3,818,187</u></b> |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

|   | 2010           |                | Variance<br>Favorable<br>(Unfavorable) | 2009<br>Actual |
|---|----------------|----------------|--|----------------|
|   | Budget         | Actual         |  |                |
| <b>GENERAL GOVERNMENT:</b>                  |                |                |  |                |
| <b>Personnel:</b>                           |                |                |  |                |
| Salaries                                    | \$ 258,867     | \$ 259,455     | \$ (588)                               | \$ 266,478     |
| Retirement                                  | 31,303         | 31,723         | (420)                                  | 25,179         |
| Longevity pay                               | 1,248          | 1,248          | -                                      | 1,782          |
| Insurance                                   | 15,778         | 15,490         | 288                                    | 15,547         |
| Payroll taxes                               | 4,818          | 4,412          | 406                                    | 4,256          |
| <b>Total Personnel</b>                      | <u>312,014</u> | <u>312,328</u> | <u>(314)</u>                           | <u>313,242</u> |
| <b>Supplies, Repairs and Services:</b>      |                |                |  |                |
| Insurance                                   | 32,000         | 33,148         | (1,148)                                | 29,885         |
| Office expense                              | 7,250          | 5,863          | 1,387                                  | 8,201          |
| Operating supplies                          | 4,200          | 4,302          | (102)                                  | 3,281          |
| Travel                                      | 2,000          | 2,557          | (557)                                  | 2,067          |
| Continuing education                        | 3,000          | 1,791          | 1,209                                  | 6,400          |
| Election expense                            | 5,000          | 2,472          | 2,528                                  | 16,196         |
| Ads and public notices                      | 2,000          | 1,016          | 984                                    | 2,854          |
| Publications                                | 350            | 360            | (10)                                   | 584            |
| Printing                                    | 4,049          | 4,159          | (110)                                  | 2,311          |
| Dues and memberships                        | 3,500          | 4,235          | (735)                                  | 3,145          |
| Postage                                     | 7,500          | 8,274          | (774)                                  | 6,909          |
| Telephone and utilities                     | 64,350         | 56,934         | 7,416                                  | 49,537         |
| Professional services                       | 100,500        | 91,578         | 8,922                                  | 66,353         |
| Solid waste billing                         | 275,000        | 272,682        | 2,318                                  | 207,330        |
| Tax appraisal/collection                    | 25,500         | 22,875         | 2,625                                  | 17,344         |
| Legal services                              | 8,000          | 12,842         | (4,842)                                | 7,205          |
| Council and committees                      | 9,700          | 7,934          | 1,766                                  | 8,884          |
| Maintenance and repair - building           | 17,000         | 16,356         | 644                                    | 23,021         |
| Maintenance and repair - equipment          | 10,039         | 11,615         | (1,576)                                | 12,447         |
| Equipment rental                            | 9,559          | 9,121          | 438                                    | 6,788          |
| Equipment supplies                          | -              | -              | -                                      | 7,045          |
| SPAN  | 4,276          | 4,276          | -                                      | -              |
| Lake Cities Library                         | 92,000         | 92,000         | -                                      | 80,000         |
| <b>Total Supplies, Repairs and Services</b> | <u>686,773</u> | <u>666,390</u> | <u>20,383</u>                          | <u>567,787</u> |
| <b>TOTAL GENERAL GOVERNMENT</b>             | <u>998,787</u> | <u>978,718</u> | <u>20,069</u>                          | <u>881,029</u> |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

|                                      | 2010           |                | Variance<br>Favorable<br>(Unfavorable) | 2009<br>Actual |
|--------------------------------------|----------------|----------------|--|----------------|
|                                      | Budget         | Actual         |  |                |
| <b>COMMUNITY RELATIONS:</b>          |                |                |  |                |
| Personnel:                           |                |                |  |                |
| Salaries                             | \$ 51,204      | \$ 58,629      | \$ (7,425)                             | \$ 53,450      |
| Retirement                           | 5,787          | 6,438          | (651)                                  | 4,334          |
| Insurance                            | 8,733          | 8,113          | 620                                    | 6,063          |
| Payroll taxes                        | 1,061          | 1,285          | (224)                                  | 861            |
| Total Personnel                      | <u>66,785</u>  | <u>74,465</u>  | <u>(7,680)</u>                         | <u>64,708</u>  |
| Supplies, Repairs and Services:      |                |                |  |                |
| Supplies                             | 500            | 921            | (421)                                  | 572            |
| Office expense                       | 750            | 520            | 230                                    | 430            |
| Travel                               | 850            | 643            | 207                                    | 1,124          |
| Continuing education                 | 300            | 314            | (14)                                   | 140            |
| Printing                             | 2,700          | 1,935          | 765                                    | 2,730          |
| Advertising                          | 7,000          | 8,270          | (1,270)                                | 4,118          |
| Dues and memberships                 | 400            | 670            | (270)                                  | 135            |
| Telephone                            | 400            | 406            | (6)                                    | 345            |
| Fireworks contribution               | 25,300         | 24,500         | 800                                    | 24,500         |
| Professional services                | 1,000          | -              | 1,000                                  | 1,000          |
| Contract labor                       | -              | 360            | (360)                                  | -              |
| Community events                     | 28,708         | 27,977         | 731                                    | 23,309         |
| Rentals                              | 10,000         | 8,215          | 1,785                                  | 9,504          |
| Maintenance and repair - equipment   | 300            | 697            | (397)                                  | 140            |
| Total Supplies, Repairs and Services | <u>78,208</u>  | <u>75,428</u>  | <u>2,780</u>                           | <u>68,047</u>  |
|                                      |                |                | -                                      |                |
| <b>TOTAL COMMUNITY RELATIONS</b>     | <u>144,993</u> | <u>149,893</u> | <u>(4,900)</u>                         | <u>132,755</u> |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

|                                      | 2010             |                  | Variance<br>Favorable<br>(Unfavorable) | 2009<br>Actual   |
|--------------------------------------|------------------|------------------|--|------------------|
|                                      | Budget           | Actual           |  |                  |
| <b>PUBLIC SAFETY:</b>                |                  |                  |  |                  |
| Police Department:                   |                  |                  |  |                  |
| Personnel:                           |                  |                  |  |                  |
| Salaries                             | \$ 1,143,219     | \$ 1,118,175     | \$ 25,044                              | \$ 1,045,474     |
| Retirement                           | 135,604          | 136,927          | (1,323)                                | 107,689          |
| Longevity pay                        | 9,882            | 9,738            | 144                                    | 8,778            |
| Insurance                            | 171,658          | 155,812          | 15,846                                 | 134,880          |
| Payroll taxes                        | 22,032           | 19,833           | 2,199                                  | 15,495           |
| Total Personnel                      | <u>1,482,395</u> | <u>1,440,485</u> | <u>41,910</u>                          | <u>1,312,316</u> |
| Supplies, Repairs and Services:      |                  |                  |  |                  |
| Office expense                       | 9,000            | 8,007            | 993                                    | 9,613            |
| Supplies                             | 8,000            | 3,383            | 4,617                                  | 7,918            |
| Travel expense                       | 2,500            | 106              | 2,394                                  | 1,329            |
| Continuing education                 | 1,500            | 257              | 1,243                                  | -                |
| Miscellaneous expense                | 600              | 745              | (145)                                  | 78               |
| Ads and public notices               | 2,000            | 2,907            | (907)                                  | 949              |
| Publications                         | 1,400            | 434              | 966                                    | 487              |
| Printing                             | 3,000            | 912              | 2,088                                  | 60               |
| Dues and memberships                 | 500              | 210              | 290                                    | 437              |
| Uniforms                             | 14,000           | 9,569            | 4,431                                  | 1,647            |
| Training                             | -                | -                | -                                      | 545              |
| Telephone                            | 8,000            | 8,694            | (694)                                  | 7,257            |
| Professional services                | 42,000           | 35,767           | 6,233                                  | 33,731           |
| Detention expenses                   | 2,000            | 1,716            | 284                                    | 1,477            |
| K-9 support                          | 1,500            | 1,468            | 32                                     | 510              |
| Maintenance and repair - building    | -                | 3                | (3)                                    | -                |
| Maintenance and repair - equipment   | 15,000           | 9,040            | 5,960                                  | 8,928            |
| Maintenance and repair - vehicles    | 10,000           | 11,570           | (1,570)                                | 9,540            |
| Gas and oil                          | 40,000           | 31,131           | 8,869                                  | 25,245           |
| Special programs                     | 1,500            | -                | 1,500                                  | -                |
| Rewards program                      | 1,500            | -                | 1,500                                  | -                |
| Equipment supplies                   | 7,000            | 6,884            | 116                                    | 1,307            |
| Total Supplies, Repairs and Services | <u>171,000</u>   | <u>132,803</u>   | <u>38,197</u>                          | <u>111,058</u>   |
| Total Police Department              | <u>1,653,395</u> | <u>1,573,288</u> | <u>80,107</u>                          | <u>1,423,374</u> |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

|                                      | 2010             |                  | Variance<br>Favorable<br>(Unfavorable) | 2009<br>Actual   |
|--------------------------------------|------------------|------------------|--|------------------|
|                                      | Budget           | Actual           |  |                  |
| Fire Department:                     |                  |                  |  |                  |
| Contribution for services            | \$ 887,640       | \$ 887,640       | \$ -                                   | \$ 863,460       |
| Total Fire Department                | <u>887,640</u>   | <u>887,640</u>   | <u>-</u>                               | <u>863,460</u>   |
| <br>                                 |                  |                  |  |                  |
| TOTAL PUBLIC SAFETY                  | <u>2,541,035</u> | <u>2,460,928</u> | <u>80,107</u>                          | <u>2,286,834</u> |
| <br>                                 |                  |                  |  |                  |
| ANIMAL CONTROL:                      |                  |                  |  |                  |
| Personnel:                           |                  |                  |  |                  |
| Salaries                             | 73,106           | 70,388           | 2,718                                  | 59,660           |
| Retirement                           | 8,134            | 7,983            | 151                                    | 4,427            |
| Insurance                            | 12,860           | 12,550           | 310                                    | 6,995            |
| Payroll taxes                        | <u>1,828</u>     | <u>1,772</u>     | <u>56</u>                              | <u>1,938</u>     |
| Total Personnel                      | <u>95,928</u>    | <u>92,693</u>    | <u>3,235</u>                           | <u>73,020</u>    |
| <br>                                 |                  |                  |  |                  |
| Supplies, Repairs and Services:      |                  |                  |  |                  |
| Office expense                       | 1,000            | -                | 1,000                                  | 3,584            |
| Supplies                             | 6,663            | 2,639            | 4,024                                  | 10,680           |
| Travel expense                       | 150              | -                | 150                                    | -                |
| Ads and public notices               | 250              | 128              | 122                                    | 303              |
| Publications                         | 100              | -                | 100                                    | -                |
| Printing                             | 600              | -                | 600                                    | -                |
| Dues and memberships                 | 50               | 35               | 15                                     | -                |
| Uniforms                             | 400              | 367              | 33                                     | -                |
| Telephone                            | 700              | 663              | 37                                     | 553              |
| Utilities                            | 12,473           | 14,685           | (2,212)                                | -                |
| Professional services                | 1,000            | 915              | 85                                     | 463              |
| Special events                       | 300              | -                | 300                                    | -                |
| Land lease                           | 1,200            | 1,200            | -                                      | 4,200            |
| Maintenance and repair - building    | 500              | 781              | (281)                                  | 109              |
| Maintenance and repair - equipment   | 500              | 123              | 377                                    | 23               |
| Maintenance and repair - vehicles    | 500              | 673              | (173)                                  | 693              |
| Gas and oil                          | <u>2,000</u>     | <u>1,522</u>     | <u>478</u>                             | <u>1,031</u>     |
| Total Supplies, Repairs and Services | <u>28,386</u>    | <u>23,731</u>    | <u>4,655</u>                           | <u>21,639</u>    |
| <br>                                 |                  |                  |  |                  |
| TOTAL ANIMAL CONTROL                 | <u>124,314</u>   | <u>116,424</u>   | <u>7,890</u>                           | <u>94,659</u>    |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

|                                      | 2010           |                | Variance<br>Favorable<br>(Unfavorable) | 2009<br>Actual |
|--------------------------------------|----------------|----------------|--|----------------|
|                                      | Budget         | Actual         |  |                |
| <b>PUBLIC WORKS:</b>                 |                |                |  |                |
| Street Department:                   |                |                |  |                |
| Personnel:                           |                |                |  |                |
| Salaries                             | \$ 150,068     | \$ 150,435     | \$ (367)                               | \$ 144,474     |
| Retirement                           | 18,043         | 18,907         | (864)                                  | 15,129         |
| Longevity pay                        | 2,970          | 2,970          | -                                      | 2,754          |
| Insurance                            | 31,269         | 31,919         | (650)                                  | 26,515         |
| Payroll taxes                        | 2,957          | 1,754          | 1,203                                  | 1,281          |
| Total Personnel                      | <u>205,307</u> | <u>205,985</u> | <u>(678)</u>                           | <u>190,153</u> |
| Supplies, Repairs and Services:      |                |                |  |                |
| Supplies                             | 2,000          | 1,701          | 299                                    | 2,446          |
| Advertising                          | 200            | -              | 200                                    | -              |
| Continuing education                 | 500            | 115            | 385                                    | 115            |
| Dues and memberships                 | 200            | 115            | 85                                     | 115            |
| Travel                               | -              | -              | -                                      | 39             |
| Uniforms                             | 2,600          | 1,940          | 660                                    | 1,964          |
| Telephone                            | 1,600          | 1,338          | 262                                    | 1,088          |
| Street lighting                      | 55,000         | 52,537         | 2,463                                  | 55,756         |
| Professional services                | 500            | 250            | 250                                    | 843            |
| Street signs                         | 5,000          | 3,585          | 1,415                                  | 6,538          |
| Maintenance and repair - building    | 750            | 266            | 484                                    | 151            |
| Maintenance and repair - equipment   | 2,000          | 3,155          | (1,155)                                | 2,057          |
| Maintenance and repair- vehicle      | 2,000          | 4,082          | (2,082)                                | 1,399          |
| Maintenance - drainage               | 10,000         | 5,742          | 4,258                                  | 17,707         |
| Maintenance - sidewalks              | 3,500          | 2,200          | 1,300                                  | 5,400          |
| Maintenance - streets                | 25,000         | 25,742         | (742)                                  | 65,786         |
| Gas and oil                          | 7,000          | 8,145          | (1,145)                                | 4,534          |
| Equipment rental                     | 250            | -              | 250                                    | 676            |
| Total Supplies, Repairs and Services | <u>118,100</u> | <u>110,913</u> | <u>7,187</u>                           | <u>166,614</u> |
| <b>TOTAL PUBLIC WORKS</b>            | <u>323,407</u> | <u>316,898</u> | <u>6,509</u>                           | <u>356,767</u> |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

|                                      | 2010              |                    | Variance<br>Favorable<br>(Unfavorable) | 2009<br>Actual     |
|--------------------------------------|-------------------|--------------------|--|--------------------|
|                                      | Budget            | Actual             |  |                    |
| <b>MUNICIPAL COURT:</b>              |                   |                    |  |                    |
| Personnel:                           |                   |                    |  |                    |
| Salaries                             | \$ 50,975         | \$ 67,492          | \$ (16,517)                            | \$ 70,225          |
| Retirement                           | 5,027             | 7,775              | (2,748)                                | 5,708              |
| Longevity pay                        | 86                | -                  | 86                                     | 534                |
| Insurance                            | 3,250             | 3,237              | 13                                     | 6,220              |
| Payroll taxes                        | 1,501             | 2,074              | (573)                                  | 2,354              |
| Total Personnel                      | <u>60,839</u>     | <u>80,578</u>      | <u>(19,739)</u>                        | <u>85,041</u>      |
| Supplies, Repairs and Services:      |                   |                    |  |                    |
| Supplies                             | 400               | 823                | (423)                                  | 1,117              |
| Travel                               | 200               | 829                | (629)                                  | 851                |
| Continuing education                 | 300               | 751                | (451)                                  | 102                |
| Advertising                          | 250               | 328                | (78)                                   | 73                 |
| Publications                         | 2,000             | 2,266              | (266)                                  | 2,160              |
| Dues and memberships                 | 105               | 190                | (85)                                   | 200                |
| Contract labor                       | 4,705             | 5,749              | (1,044)                                | -                  |
| Legal services                       | 26,000            | 24,059             | 1,941                                  | 20,730             |
| Maintenance and repair - equipment   | -                 | -                  | -                                      | 1,881              |
| Total Supplies, Repairs and Services | <u>33,960</u>     | <u>34,995</u>      | <u>(1,035)</u>                         | <u>27,114</u>      |
| <br>TOTAL MUNICIPAL COURT            | <br><u>94,799</u> | <br><u>115,573</u> | <br><u>(20,774)</u>                    | <br><u>112,155</u> |
| <b>PARKS AND RECREATION:</b>         |                   |                    |  |                    |
| Personnel:                           |                   |                    |  |                    |
| Salaries                             | 69,196            | 69,513             | (317)                                  | 61,836             |
| Retirement                           | 8,310             | 8,731              | (421)                                  | 6,382              |
| Longevity                            | 258               | 258                | -                                      | 186                |
| Insurance                            | 15,047            | 18,189             | (3,142)                                | 14,854             |
| Payroll taxes                        | 1,529             | 1,372              | 157                                    | 994                |
| Total Personnel                      | <u>94,340</u>     | <u>98,063</u>      | <u>(3,723)</u>                         | <u>84,252</u>      |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

|                                      | 2010           |                | Variance<br>Favorable<br>(Unfavorable) | 2009<br>Actual |
|--------------------------------------|----------------|----------------|--|----------------|
|                                      | Budget         | Actual         |  |                |
| Supplies, Repairs and Services:      |                |                |  |                |
| Supplies                             | \$ -           | \$ -           | \$ -                                   | \$ 26          |
| Telephone                            | 700            | 859            | (159)                                  | 637            |
| Uniforms                             | 1,200          | 1,480          | (280)                                  | 1,305          |
| Equipment rental                     | 3,000          | 951            | 2,049                                  | 3,904          |
| Park maintenance                     | 2,000          | 2,889          | (889)                                  | 628            |
| Sign maintenance                     | 200            | 10             | 190                                    | 1,880          |
| Gas and oil                          | 4,000          | 3,770          | 230                                    | 3,593          |
| Maintenance and repair - equipment   | 1,000          | 3,391          | (2,391)                                | 1,968          |
| Maintenance and repair - vehicle     | 1,000          | 340            | 660                                    | 934            |
| Total Supplies, Repairs and Services | <u>13,100</u>  | <u>13,690</u>  | <u>(590)</u>                           | <u>14,875</u>  |
| TOTAL PARKS AND RECREATION           | <u>107,440</u> | <u>111,753</u> | <u>(4,313)</u>                         | <u>99,127</u>  |
| COMMUNITY DEVELOPMENT:               |                |                |  |                |
| Personnel:                           |                |                |  |                |
| Salaries                             | 94,479         | 83,831         | 10,648                                 | 87,979         |
| Retirement                           | 11,467         | 10,194         | 1,273                                  | 8,672          |
| Longevity pay                        | 696            | 696            | -                                      | 552            |
| Insurance                            | 13,979         | 13,827         | 152                                    | 12,451         |
| Payroll taxes                        | 2,030          | 1,852          | 178                                    | 1,421          |
| Total Personnel                      | <u>122,651</u> | <u>110,400</u> | <u>12,251</u>                          | <u>111,075</u> |

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

|                                      | 2010                    |                         | Variance<br>Favorable<br>(Unfavorable) | 2009<br>Actual          |
|--------------------------------------|-------------------------|-------------------------|--|-------------------------|
|                                      | Budget                  | Actual                  |  |                         |
| Supplies, Repairs and Services:      |                         |                         |  |                         |
| Supplies                             | \$ 550                  | \$ 336                  | \$ 214                                 | \$ 412                  |
| Travel                               | 800                     | 208                     | 592                                    | 478                     |
| Continuing education                 | 650                     | 375                     | 275                                    | 509                     |
| Advertising                          | 350                     | 427                     | (77)                                   | 391                     |
| Publications                         | 400                     | 116                     | 284                                    | 153                     |
| Dues and memberships                 | 250                     | 251                     | (1)                                    | 186                     |
| Telephone                            | 900                     | 838                     | 62                                     | 686                     |
| Professional services                | 34,500                  | 32,231                  | 2,269                                  | 30,414                  |
| Contract labor                       | -                       | 2,340                   | (2,340)                                | -                       |
| Maintenance and repair - equipment   | 2,810                   | 2,509                   | 301                                    | 2,700                   |
| Maintenance and repair - vehicles    | 500                     | 182                     | 318                                    | 364                     |
| Gas and oil                          | 500                     | 258                     | 242                                    | 267                     |
| Total Supplies, Repairs and Services | <u>42,210</u>           | <u>40,071</u>           | <u>2,139</u>                           | <u>36,560</u>           |
| <br>TOTAL COMMUNITY DEVELOPMENT      | <br><u>164,861</u>      | <br><u>150,471</u>      | <br><u>14,390</u>                      | <br><u>147,635</u>      |
| <br>DEBT SERVICE:                    |                         |                         |  |                         |
| Interest and fees                    | -                       | 2,092                   | (2,092)                                | -                       |
| <br>TOTAL DEBT SERVICE               | <br><u>-</u>            | <br><u>2,092</u>        | <br><u>(2,092)</u>                     | <br><u>-</u>            |
| <br>CAPITAL OUTLAY:                  |                         |                         |  |                         |
| Capital outlay - land                | -                       | 66,093                  | (66,093)                               | -                       |
| Capital outlay - equipment           | 49,500                  | 39,898                  | 9,602                                  | 35,995                  |
| Capital outlay - vehicles            | 119,000                 | 103,295                 | 15,705                                 | 55,770                  |
| Capital outlay - streets             | -                       | 178,174                 | (178,174)                              | -                       |
| <br>TOTAL CAPITAL OUTLAY             | <br><u>168,500</u>      | <br><u>387,460</u>      | <br><u>(218,960)</u>                   | <br><u>91,765</u>       |
| <br>TOTAL EXPENDITURES               | <br><u>\$ 4,668,136</u> | <br><u>\$ 4,790,210</u> | <br><u>\$ (122,074)</u>                | <br><u>\$ 4,202,726</u> |

CITY OF LAKE DALLAS, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

|  | <u>Court<br/>Technology<br/>Fund</u> | <u>Court<br/>Security<br/>Fund</u> | <u>LEOSE<br/>Training<br/>Fund</u> |
|--|--------------------------------------|------------------------------------|------------------------------------|
| Revenues:                                      |                                      |                                    |                                    |
| Charges for services                           | \$ -                                 | \$ -                               | \$ -                               |
| Fines and fees                                 | 14,748                               | 10,936                             | -                                  |
| Donations and grants                           | <u>-</u>                             | <u>-</u>                           | <u>1,455</u>                       |
| Total Revenues                                 | <u>14,748</u>                        | <u>10,936</u>                      | <u>1,455</u>                       |
| Expenditures:                                  |                                      |                                    |                                    |
| Community relations                            | -                                    | -                                  | -                                  |
| Public safety                                  | -                                    | -                                  | 126                                |
| Animal control                                 | -                                    | -                                  | -                                  |
| Municipal court                                | 6,146                                | 5,045                              | -                                  |
| Parks and recreation                           | -                                    | -                                  | -                                  |
| Capital outlay                                 | <u>30,250</u>                        | <u>-</u>                           | <u>-</u>                           |
| Total Expenditures                             | <u>36,396</u>                        | <u>5,045</u>                       | <u>126</u>                         |
| Excess (Deficit) of Revenues over Expenditures | <u>(21,648)</u>                      | <u>5,891</u>                       | <u>1,329</u>                       |
| Other Resources (Uses):                        |                                      |                                    |                                    |
| Sale of assets                                 | -                                    | -                                  | -                                  |
| Transfers in                                   | -                                    | -                                  | -                                  |
| Transfers out                                  | <u>-</u>                             | <u>-</u>                           | <u>-</u>                           |
| Total Other Resources (Uses)                   | <u>-</u>                             | <u>-</u>                           | <u>-</u>                           |
| Net Change in Fund Balance                     | (21,648)                             | 5,891                              | 1,329                              |
| Fund Balance – October 1 (beginning)           | <u>26,475</u>                        | <u>8,638</u>                       | <u>-0-</u>                         |
| Fund Balance – September 30 (ending)           | <u>\$ 4,827</u>                      | <u>\$14,529</u>                    | <u>\$ 5,255</u>                    |

| <u>Child Safety Fund</u> | <u>Juvenile Case Management Fund</u> | <u>Drug Seizure Fund</u> | <u>VSC Auction Fund</u> | <u>Kids N Cops Fund</u> | <u>Lake Lewisville Toll Bridge Fund</u> |
|--------------------------|--------------------------------------|--------------------------|-------------------------|-------------------------|---|
| \$ -                     | \$ -                                 | \$ -                     | \$ -                    | \$ -                    | \$10,004                                |
| 16,220                   | 18,421                               | -                        | -                       | -                       | -                                       |
| -                        | -                                    | -                        | 500                     | 4,822                   | -                                       |
| <u>16,220</u>            | <u>18,421</u>                        | <u>-</u>                 | <u>500</u>              | <u>4,822</u>            | <u>10,004</u>                           |
| -                        | -                                    | -                        | -                       | -                       | 15,000                                  |
| 18,118                   | -                                    | -                        | -                       | 5,768                   | -                                       |
| -                        | -                                    | -                        | -                       | -                       | -                                       |
| -                        | 4,306                                | -                        | -                       | -                       | -                                       |
| -                        | -                                    | -                        | -                       | -                       | -                                       |
| -                        | -                                    | -                        | 20,408                  | 1,015                   | -                                       |
| <u>18,118</u>            | <u>4,306</u>                         | <u>-</u>                 | <u>20,408</u>           | <u>6,783</u>            | <u>15,000</u>                           |
| <u>(1,898)</u>           | <u>14,115</u>                        | <u>-</u>                 | <u>(19,908)</u>         | <u>(1,961)</u>          | <u>(4,996)</u>                          |
| -                        | -                                    | -                        | 6,500                   | -                       | -                                       |
| -                        | -                                    | -                        | 2,500                   | -                       | -                                       |
| -                        | -                                    | -                        | -                       | -                       | -                                       |
| -                        | -                                    | -                        | 9,000                   | -                       | -                                       |
| (1,898)                  | 14,115                               | -                        | (10,908)                | (1,961)                 | (4,996)                                 |
| <u>41,466</u>            | <u>22,064</u>                        | <u>6,801</u>             | <u>13,184</u>           | <u>5,929</u>            | <u>15,604</u>                           |
| <u>\$39,568</u>          | <u>\$36,179</u>                      | <u>\$6,801</u>           | <u>\$ 2,276</u>         | <u>\$3,968</u>          | <u>\$10,608</u>                         |

CITY OF LAKE DALLAS, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES (CONTINUED)  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

|  | <u>Willow Grove<br/>Camping Fees</u> | <u>Animal<br/>Rescue<br/>Fund</u> | <u>Police<br/>Technology<br/>Fund</u> |
|--|--------------------------------------|-----------------------------------|---------------------------------------|
| Revenues:                                      |                                      |                                   |                                       |
| Charges for services                           | \$24,983                             | \$ -                              | \$ -                                  |
| Fines and fees                                 | -                                    | -                                 | -                                     |
| Donations and grants                           | <u>-</u>                             | <u>5,387</u>                      | <u>-</u>                              |
| Total Revenues                                 | <u>24,983</u>                        | <u>5,387</u>                      | <u>-</u>                              |
| Expenditures:                                  |                                      |                                   |                                       |
| Community relations                            | -                                    | -                                 | -                                     |
| Public safety                                  | -                                    | -                                 | -                                     |
| Animal control                                 | -                                    | 5,094                             | -                                     |
| Municipal court                                | -                                    | -                                 | -                                     |
| Parks and recreation                           | 20,706                               | -                                 | -                                     |
| Capital outlay                                 | <u>-</u>                             | <u>-</u>                          | <u>-</u>                              |
| Total Expenditures                             | <u>20,706</u>                        | <u>5,094</u>                      | <u>-</u>                              |
| Excess (Deficit) of Revenues over Expenditures | <u>4,277</u>                         | <u>293</u>                        | <u>-</u>                              |
| Other Resources (Uses):                        |                                      |                                   |                                       |
| Sale of assets                                 | -                                    | -                                 | -                                     |
| Transfers in                                   | -                                    | -                                 | -                                     |
| Transfers out                                  | <u>(12,000)</u>                      | <u>-</u>                          | <u>-</u>                              |
| Total Other Resources (Uses)                   | <u>(12,000)</u>                      | <u>-</u>                          | <u>-</u>                              |
| Net Change in Fund Balance                     | (7,723)                              | 293                               | -                                     |
| Fund Balance – October 1 (beginning)           | <u>20,322</u>                        | <u>3,810</u>                      | <u>235</u>                            |
| Fund Balance – September 30 (ending)           | <u>\$12,599</u>                      | <u>\$ 4,103</u>                   | <u>\$ 235</u>                         |

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Total

\$34,987

60,325

12,164

107,476

15,000

24,012

5,094

15,497

20,706

51,673

131,982

(24,506)

6,500

2,500

(12,000)

(3,000)

(27,506)

168,454

\$140,948

CITY OF LAKE DALLAS, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2010 AND 2009

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|                                    | <u>2010</u>     | <u>2009</u>     |
|------------------------------------|-----------------|-----------------|
| ASSETS                             |                 |                 |
| Receivables:                       |                 |                 |
| Ad valorem tax                     | \$11,873        | \$11,867        |
| TOTAL ASSETS                       | <u>\$11,873</u> | <u>\$11,867</u> |
| <br>                               |                 |                 |
| LIABILITIES AND FUND BALANCE       |                 |                 |
| Liabilities:                       |                 |                 |
| Deferred revenues                  | \$11,873        | \$11,867        |
| Total Liabilities                  | <u>11,873</u>   | <u>11,867</u>   |
| Fund balance:                      |                 |                 |
| Reserved for debt service          | _____ -         | _____ -         |
| Total Fund Balance                 | _____ -         | _____ -         |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$11,873</u> | <u>\$11,867</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, 2010 AND 2009

|  | <u>2010</u>        | <u>2009</u>      |
|--|--------------------|------------------|
| REVENUES:                                    |                    |                  |
| Taxes:                                       |                    |                  |
| Property                                     | \$ <u>479,919</u>  | <u>\$468,978</u> |
| TOTAL REVENUES                               | <u>479,919</u>     | <u>468,978</u>   |
| EXPENDITURES:                                |                    |                  |
| Debt service:                                |                    |                  |
| Principal retirement                         | 390,000            | 315,066          |
| Interest and fiscal charges                  | <u>276,024</u>     | <u>288,655</u>   |
| TOTAL EXPENDITURES                           | <u>666,024</u>     | <u>603,721</u>   |
| Excess of revenues over (under) expenditures | <u>(186,105)</u>   | <u>(134,743)</u> |
| OTHER FINANCING SOURCES (USES):              |                    |                  |
| Refunding bond proceeds                      | 1,240,000          | -                |
| Operating transfers in (net)                 | 155,708            | 134,743          |
| Payments to bond refunding agent             | <u>(1,209,603)</u> | <u>-</u>         |
| TOTAL OTHER FINANCING SOURCES (USES)         | <u>186,105</u>     | <u>134,743</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  
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

|                                      | <u>Budgeted Amounts</u> |                  | Actual<br>Amounts<br>(GAAP BASIS) | Variance<br>With<br>Final Budget |
|--------------------------------------|-------------------------|------------------|-----------------------------------|----------------------------------|
|                                      | <u>Original</u>         | <u>Final</u>     |                                   |                                  |
| Revenues:                            |                         |                  |                                   |                                  |
| Taxes-ad valorem                     | <u>\$476,000</u>        | <u>\$476,000</u> | <u>\$ 479,919</u>                 | <u>\$ 3,919</u>                  |
| Total Revenues                       | <u>476,000</u>          | <u>476,000</u>   | <u>479,919</u>                    | <u>3,919</u>                     |
| Expenditures:                        |                         |                  |                                   |                                  |
| Principal                            | 285,000                 | 285,000          | 390,000                           | (105,000)                        |
| Interest and Fees                    | <u>197,285</u>          | <u>197,285</u>   | <u>276,024</u>                    | <u>(78,739)</u>                  |
| Total Expenditures                   | <u>482,285</u>          | <u>482,285</u>   | <u>666,024</u>                    | <u>(183,739)</u>                 |
| Excess of Revenues over Expenditures | <u>(6,285)</u>          | <u>(6,285)</u>   | <u>(186,105)</u>                  | <u>(179,820)</u>                 |
| Other Financing Sources (Uses):      |                         |                  |                                   |                                  |
| Refunding bond proceeds              | -                       | -                | 1,240,000                         | 1,240,000                        |
| Transfers In (net)                   | 91,746                  | 91,746           | 155,708                           | 63,962                           |
| Payments to bond refunding agent     | <u>-</u>                | <u>-</u>         | <u>(1,209,603)</u>                | <u>(1,209,603)</u>               |
| Total Other Financing Sources (Uses) | <u>91,746</u>           | <u>91,746</u>    | <u>186,105</u>                    | <u>94,359</u>                    |
| Net Change in Fund Balance           | 85,461                  | 85,461           | -                                 | (85,461)                         |
| Fund Balance – October 1 (Beginning) | <u>-</u>                | <u>-</u>         | <u>-</u>                          | <u>-</u>                         |
| Fund Balance – September 30 (Ending) | <u>\$ 85,461</u>        | <u>\$ 85,461</u> | <u>\$ -</u>                       | <u>\$ (85,461)</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, each major fund, and the aggregate remaining fund information of the City of Lake Dallas, Texas ("City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, 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*

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

January 6, 2011

**STATISTICAL SECTION**

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

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| <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> |
|--------------------|---------------------------|----------------------|-----------------------|-------------------------------|------------------------|----------------------------|------------------------------|
| 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                      |
| 2009               | 881,029                   | 2,295,176            | 100,175               | 356,767                       | 133,681                | 113,491                    | 147,635                      |
| 2010               | 978,718                   | 2,484,940            | 121,518               | 316,898                       | 131,070                | 132,459                    | 150,471                      |

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| <u>Community Relations</u> | <u>Capital Outlay</u> | <u>Debt Service</u> | <u>Total</u> |
|----------------------------|-----------------------|---------------------|--------------|
| \$ -                       | \$ 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    |
| 196,553                    | 901,239               | 633,721             | 5,759,467    |
| 164,893                    | 1,308,153             | 668,116             | 6,457,236    |

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

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| <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> |
|--------------------|--------------|----------------------------|----------------------------|-----------------------------|--------------|-----------------|
| 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          |
| 2009               | 3,301,663    | 4,449                      | 100,651                    | 602,068                     | 409,284      | 18,540          |
| 2010               | 3,274,471    | 1,993                      | 121,455                    | 804,038                     | 546,534      | 2,001           |

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| <u>Grants</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---------------|----------------------|--------------|
| \$ -          | \$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    |
| 4,932         | 26,924               | 4,216,203    |
| 8,423         | 16,210               | 4,461,288    |
| 12,164        | 22,589               | 4,785,245    |

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CITY OF LAKE DALLAS, TEXAS  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

| <u>Fiscal Year</u> | <u>(1)<br/>Property</u> | <u>Sales</u> | <u>Franchise</u> | <u>Hotel<br/>Occupancy</u> | <u>Mixed<br/>Beverage</u> | <u>Total</u> |
|--------------------|-------------------------|--------------|------------------|----------------------------|---------------------------|--------------|
| 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    |
| 2009               | 2,355,945               | 506,808      | 363,508          | 52,449                     | 22,953                    | 3,301,663    |
| 2010               | 2,384,613               | 496,635      | 338,783          | 34,603                     | 19,837                    | 3,274,471    |

(1) Includes penalties and interest.

CITY OF LAKE DALLAS, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)

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| <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> |
|--------------------|-------------------|--------------------------------|-------------------------------------|-----------------------------------|------------------------------|---|
| 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                                     |
| 2009               | 2,334,122         | 2,301,094                      | 98.58                               | 30,267                            | 2,331,361                    | 99.88                                     |
| 2010               | 2,377,828         | 2,349,084                      | 98.79                               | 11,158                            | 2,360,242                    | 99.26                                     |

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| <u>Outstanding<br/>Delinquent<br/>Taxes</u> | <u>Ratio of<br/>Delinquent<br/>Taxes to Levy</u> |
|---|--|
| \$ 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   |
| 86,613                                      | 3.71   |
| 86,276                                      | 3.63   |

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  
(UNAUDITED)

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| <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> |
|--------------------|------------------|-----------------|---------------------------|--|---|
| 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  |
| 2009               | 315,066          | 288,655         | 603,721                   | 4,930,382                                  | 12.25   |
| 2010               | 390,000          | 276,024         | 666,024                   | 5,588,216                                  | 11.92   |

(1) Excludes Capital Projects Fund.

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

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| <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> |
|--------------------|--|-----------------------------------|--------------------------|--|-------------------------------|--|
| 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   |
| 2009               | 2,758,125                                | 3,818,078                         | 72.2                     | 1,059,953                                  | 1,747,708                     | 60.6   |
| 2010               | 3,055,077                                | 4,268,323                         | 71.6                     | 1,213,246                                  | 1,744,148                     | 69.6   |

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