

**CITY OF LAKE DALLAS, TEXAS**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2011

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2011, 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, 2011, 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, 2012, 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, 2012

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011

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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, 2011. 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, 2011 by \$1,271,153.
- The City's total net assets decreased by \$137,924.
- As of September 30, 2011, the City of Lake Dallas's governmental funds reported a combined ending fund balance deficit of \$307,164, a decrease of \$108,231 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, 2011

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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, 2011

**Government-wide Financial Analysis**

The City's combined net assets were \$1,271,153 as of September 30, 2011. The City first implemented GASB Statement No. 34, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments*, for fiscal year 2004. The following analysis presents both current and prior year data and discusses significant changes in the accounts. This analysis focuses on the net assets (Table 1) and general revenues (Table 2) and changes in net assets (Table 3) of the City’s governmental activities.

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

Table 1  
Net Assets

	Governmental Activities	
	2010	2011
Current and other assets	\$ 589,204	\$ 717,670
Capital assets	<u>7,920,340</u>	<u>7,535,868</u>
Total assets	<u>8,509,544</u>	<u>8,253,538</u>
Long-term liabilities outstanding	6,459,252	6,093,123
Other liabilities	<u>641,215</u>	<u>889,262</u>
Total liabilities	<u>7,100,467</u>	<u>6,982,385</u>
Net assets:		
Invested in capital assets, net of related debt	1,725,340	1,725,868
Restricted	141,344	149,178
Unrestricted	<u>(457,607)</u>	<u>(603,893)</u>
Total net assets	<u>\$1,409,077</u>	<u>\$1,271,153</u>

**Governmental Activities.** The City's general revenues for governmental activities for the years ended September 30, 2010 and 2011 are detailed below (Table 2).

Table 2  
General Revenues

	2010	2011
Property taxes, levied for general purposes	\$1,902,958	\$1,684,535
Property taxes, levied for debt service	479,925	653,748
Sales taxes	496,635	516,425
Franchise taxes	338,783	350,045
Hotel occupancy taxes	34,603	51,316
Mixed beverage taxes	19,837	15,744
Contributions from EDC/CDC	139,703	1,165
Investment earnings	2,001	795
Miscellaneous	<u>22,589</u>	<u>28,463</u>
	<u>\$3,437,034</u>	<u>\$3,302,236</u>

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011

The following table provides a summary of the City's operations for the years ended September 30, 2010 and 2011.

Table 3  
Changes in Net Assets

	Governmental Activities	
	2010	2011
Revenues:		
Program revenues:		
Charges for services	\$1,500,556	\$1,475,798
Operating grants and contributions	12,164	11,397
Capital grants and contributions	-	40,303
General revenues:		
Property taxes	2,382,883	2,338,283
Sales taxes	496,635	516,425
Franchise taxes	338,783	350,045
Hotel occupancy taxes	34,603	51,316
Mixed beverage taxes	19,837	15,744
Contributions from EDC/CDC	139,703	1,165
Investment earnings	2,001	795
Other	<u>22,589</u>	<u>28,463</u>
	<u>4,949,754</u>	<u>4,829,734</u>
Expenses:		
Administrative	1,017,223	924,897
Special events	165,240	117,891
Public safety	2,645,225	2,687,985
Animal control	141,424	113,867
Public works - streets	616,194	612,867
Municipal court	129,273	146,462
Parks and recreation	159,633	135,471
Community development	158,798	123,665
Debt service - interest	<u>283,249</u>	<u>272,204</u>
	<u>5,316,259</u>	<u>5,135,309</u>
Special items	(2,211)	-
Transfers in (out)	52,132	167,651
Change in net assets	(316,584)	(137,924)
Net assets – October 1 (beginning)	<u>1,725,661</u>	<u>1,409,077</u>
Net assets – September 30 (ending)	<u>\$1,409,077</u>	<u>\$1,271,153</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, unassigned 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, 2011

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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 \$307,164, a decrease of \$108,231 in comparison with the beginning of the period. There was no unassigned fund balance available for spending at the City's discretion. A portion of fund balance is considered nonspendable and not available for new spending because it has already been committed to liquidate prepaid items (\$30,993).

The general fund is the chief operating fund of the City. At the end of the current period, unassigned fund balance of the general fund was a deficit of \$523,713, while total fund balance was a deficit of \$492,720. The fund balance of the City's general fund decreased by \$152,443 during the current period, due to lower revenues in the areas of taxes.

**General Fund Budgetary Highlights**

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

The original budget for the general fund projected that the activity for the year would decrease available fund balance by \$49,215. The available fund balance for the general fund actually decreased in the amount of \$152,443. This decrease was due primarily to lower tax revenue received than had been expected.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental activities as of September 30, 2011, amount to \$7,535,868 (net of accumulated depreciation). This amount represents a net decrease of \$384,472, or 4.8 percent, below the beginning of the period. The investment in capital assets includes land, buildings, equipment, vehicles, roads and parks.

Capital asset additions during the current year consist of the following:

<u>Description</u>	<u>Amount</u>
HVAC units for City Hall, paid for with a state energy grant	\$ 42,860
Municipal court renovation, paid for with court security funds	22,875
Continued work on Lakeview Drive project, paid for with Denton County funding	<u>75,351</u>
Total	<u>\$141,086</u>

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011

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

	Governmental Activities
Land	\$ 397,872
Buildings and Improvements	2,388,947
Streets and Parks Infrastructure	3,041,958
Equipment and Vehicles	354,173
Construction in Progress	<u>1,352,918</u>
Totals	<u>\$7,535,868</u>

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

**Long-term Debt.** At the end of the current period, the City had certificates of obligation outstanding of \$3,910,000, accrued compensated absences of \$283,123 and general obligation bonds outstanding of \$1,900,000, for total long-term debt of \$6,093,123. No new debt was incurred during the year.

The City's total debt decreased by \$366,129 during the current period or 5.7%. 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 last three years have been difficult financial years for the City of Lake Dallas. The economic downturn that the local and national economy suffered had severe repercussions on the City and we were slow to react and adjust the spending patterns. The result is that the City has run in the deficit for the last two years. Fortunately there seems to be an uptick in the economy over the last 12 months and the revenues are recovering to better positions. Sales tax revenue in FY 2011 stopped declining and actually had a 3% growth over the previous year (of course, that year was the lowest level in 5 years). So far in FY 2012 the sales tax revenues are running nearly 10% above the 2011 levels, month to month. With two new businesses – Z Flooring and Swisher Courts – opening this fall the sales tax revenues are expected to increase even more. Also, the addition of the two buildings for these businesses and 12 new houses contributed to a stabilization of the property tax rolls. The property tax assessments for this budget year are up 4%.

In addition to normal General Fund revenues shortfalls, the debt service payments and administration fees paid by the Economic Development Corporation were not fully paid due to budget issues in that area. The EDC budget for 2012 has catch-up payments for these accounts and keeping the EDC on track will help the General Fund budget.

The current budget continues the major cutbacks in spending that the City implemented last year – two layoffs, no COLA, no new positions and no capital projects. Spending for other line items, although minor in impact, have also been severely reduced in order to offset the shortfall in revenues.

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011

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Once again the City had to borrow funds to finish out the fiscal year although somewhat less than last year. This borrowing has been recognized in the FY 2012 budget with a repayment line item added to the budget. This should have been done last year and would have speeded up the recovery. The deficit for FY 2011 is half of FY 2010 so the City is on the right track. With the spending cuts and anticipated revenue enhancements the City should be in position to begin to reduce the deficits and build up the reserves. The goal for the reserve account remains at two to three months of spending.

**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, 2011

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Economic Development Corporation</u>	<u>Community Development Corporation</u>
<b>ASSETS</b>			
Cash and Investments	\$ 474,602	\$ 4,259	\$ 731,192
Receivables (net of allowance for uncollectibles):			
Taxes – Ad Valorem	62,198	-	-
Taxes – Sales	41,157	20,579	20,579
Taxes- Occupancy	12,208	-	-
Taxes – Mixed Beverage	3,215	-	-
Other	19,952	-	-
Prepaid Expenses	30,993	-	-
Internal Balances	(40,880)	(30,419)	71,299
Debt Issuance Costs, net	114,225	-	-
Capital Assets:			
Land	397,872	135,988	-
Buildings and Improvements, net	2,388,947	-	-
Streets and Parks Infrastructure, net	3,041,958	-	-
Equipment and Vehicles, net	354,173	-	-
Construction in Progress	<u>1,352,918</u>	<u>-</u>	<u>-</u>
Total Assets	<u>8,253,538</u>	<u>130,407</u>	<u>823,070</u>
<b>LIABILITIES</b>			
Accounts Payable	118,733	19,636	1,380
Accrued Wages Payable	66,497	-	-
Accrued Interest Payable	40,851	-	-
State Court Costs Payable	75,701	-	-
Other Liabilities	36,748	-	-
Short-term loan payable	500,000	-	-
Deferred Revenues	50,732	-	-
Noncurrent Liabilities:			
Due within one year	400,000	33,768	-
Due in more than one year	<u>5,693,123</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>6,982,385</u>	<u>53,404</u>	<u>1,380</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	1,725,868	102,220	-
Restricted for:			
Community Development	-	-	821,690
Economic Development	-	(25,217)	-
Court Security and Technology	14,991	-	-
Other Purposes	134,187	-	-
Unrestricted Net Assets	<u>(603,893)</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$1,271,153</u>	<u>\$ 77,003</u>	<u>\$ 821,690</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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 924,897	\$ 466,232	\$ -	\$ 40,303
Community Relations	117,891	34,650	-	-
Public Safety	2,687,985	589,207	5,561	-
Animal Control	113,867	7,339	5,836	-
Public Works - Streets	612,867	87,223	-	-
Municipal Court	146,462	146,462	-	-
Parks and Recreation	135,471	66,434	-	-
Community Development	123,665	78,251	-	-
Debt Service - Interest	<u>272,204</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>5,135,309</u>	<u>1,475,798</u>	<u>11,397</u>	<u>40,303</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$5,135,309</u></b>	<b><u>\$1,475,798</u></b>	<b><u>\$ 11,397</u></b>	<b><u>\$ 40,303</u></b>
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	\$ 545,627	\$ -	\$ -	\$ -
Community Development Corporation	<u>78,656</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPONENT UNITS</b>	<b><u>\$ 624,283</u></b>	<b><u>\$ -</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 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 Change in Net Assets		
Governmental Activities	Component Units	
	Economic Development Corp	Community Development Corp
\$ (418,362)	\$ -	\$ -
(83,241)	-	-
(2,093,217)	-	-
(100,692)	-	-
(525,644)	-	-
-	-	-
(69,037)	-	-
(45,414)	-	-
(272,204)	-	-
<u>(3,607,811)</u>	<u>-</u>	<u>-</u>
<u>(3,607,811)</u>	<u>-</u>	<u>-</u>
-	(545,627)	-
<u>-</u>	<u>-</u>	<u>(78,656)</u>
<u>-</u>	<u>(545,627)</u>	<u>(78,656)</u>
1,684,535	-	-
653,748	-	-
516,425	258,213	258,213
350,045	-	-
51,316	-	-
15,744	-	-
795	15	965
1,165	-	-
28,463	-	-
167,651	(15,053)	(164,598)
-	66,526	-
<u>3,469,887</u>	<u>309,701</u>	<u>94,580</u>
(137,924)	(235,926)	15,924
<u>1,409,077</u>	<u>312,929</u>	<u>805,766</u>
<u>\$1,271,153</u>	<u>\$ 77,003</u>	<u>\$ 821,690</u>

CITY OF LAKE DALLAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and cash equivalents	\$ 289,046	\$ 15,778	\$ -	\$ 169,778	\$ 474,602
Receivables (net of allowances for uncollectibles):					
Ad Valorem tax	48,926	13,272	-	-	62,198
Sales tax	41,157	-	-	-	41,157
Occupancy tax	12,208	-	-	-	12,208
Mixed beverage tax	3,215	-	-	-	3,215
Other	19,952	-	-	-	19,952
Due from EDC/CDC	89	-	-	-	89
Prepaid costs	<u>30,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,993</u>
Total Assets	<u>\$ 445,586</u>	<u>\$ 29,050</u>	<u>\$ -</u>	<u>\$ 169,778</u>	<u>\$ 644,414</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 118,733	\$ -	\$ -	\$ -	\$ 118,733
Accrued wages payable	66,497	-	-	-	66,497
State court costs payable	75,701	-	-	-	75,701
Other liabilities	36,748	-	-	-	36,748
Due to EDC/CDC	40,969	-	-	-	40,969
Short-term loan payable	500,000	-	-	-	500,000
Deferred revenues	<u>99,658</u>	<u>13,272</u>	<u>-</u>	<u>-</u>	<u>112,930</u>
Total Liabilities	<u>938,306</u>	<u>13,272</u>	<u>-</u>	<u>-</u>	<u>951,578</u>
Fund Balances:					
Nonspendable fund balance:					
Prepaid costs	30,993	-	-	-	30,993
Restricted fund balance:					
Restricted for debt service	-	15,778	-	-	15,778
Restricted for court security/technology	-	-	-	14,991	14,991
Restricted for other purposes	-	-	-	136,722	136,722
Assigned fund balance	-	-	-	18,065	18,065
Unassigned fund balance	<u>(523,713)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(523,713)</u>
Total Fund Balances (Deficit)	<u>(492,720)</u>	<u>15,778</u>	<u>-</u>	<u>169,778</u>	<u>(307,164)</u>
Total Liabilities and Fund Balances	<u>\$ 445,586</u>	<u>\$ 29,050</u>	<u>\$ -</u>	<u>\$ 169,778</u>	<u>\$ 644,414</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, 2011

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<b>Total Fund Balance (Deficit) – Governmental Funds</b>	\$ (307,164)
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	11,551,685
Accumulated depreciation is not reported in the fund financial statements.	(4,015,817)
Bonds payable, certificates of obligation payable and compensated absences payable are not reported in the fund financial statements.	(6,093,123)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(40,851)
Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	62,198
Debt issuance costs are not capitalized in the fund financial statements.	<u>114,225</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$1,271,153</u></b>

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Taxes (ad valorem, sales and other)	\$2,622,877	\$ 652,349	\$ -	\$ -	\$3,275,226
Special assessments	2,631	-	-	-	2,631
Licenses and permits	88,609	-	-	-	88,609
Charges for services	692,318	-	-	25,823	718,141
Fines and fees	589,950	-	-	76,467	666,417
Donations and grants	40,303	-	-	11,397	51,700
Interest	488	-	-	307	795
Miscellaneous revenues	28,463	-	-	-	28,463
Total Revenues	<u>4,065,639</u>	<u>652,349</u>	<u>-</u>	<u>113,994</u>	<u>4,831,982</u>
Expenditures:					
General government	896,277	-	-	-	896,277
Community relations	105,098	-	-	10,000	115,098
Public safety	2,524,378	-	-	13,884	2,538,262
Animal control	86,881	-	-	3,929	90,810
Public works – streets	309,911	-	-	-	309,911
Municipal court	125,042	-	-	15,411	140,453
Parks and recreation	81,001	-	-	26,994	107,995
Community development	119,870	-	-	-	119,870
Capital outlay	117,046	-	-	22,875	139,921
Debt service:					
Principal retirement	-	385,000	-	-	385,000
Interest, fees and issuance costs	12,696	251,571	-	-	264,267
Total Expenditures	<u>4,378,200</u>	<u>636,571</u>	<u>-</u>	<u>93,093</u>	<u>5,107,864</u>
Excess of Revenues Over (Under) Expenditures	<u>(312,561)</u>	<u>15,778</u>	<u>-</u>	<u>20,901</u>	<u>(275,882)</u>
Other Resources (Uses):					
Transfers in	180,420	-	-	20,302	200,722
Transfers out	<u>(20,302)</u>	<u>-</u>	<u>(396)</u>	<u>(12,373)</u>	<u>(33,071)</u>
Total Other Resources (Uses)	<u>160,118</u>	<u>-</u>	<u>(396)</u>	<u>7,929</u>	<u>167,651</u>
Net Change in Fund Balance	(152,443)	15,778	(396)	28,830	(108,231)
Fund Balance (Deficit) - October 1 (beginning)	<u>(340,277)</u>	<u>-</u>	<u>396</u>	<u>140,948</u>	<u>(198,933)</u>
Fund Balance (Deficit) - September 30 (ending)	<u>\$ (492,720)</u>	<u>\$ 15,778</u>	<u>\$ -</u>	<u>\$ 169,778</u>	<u>\$ (307,164)</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, 2011

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<b>Total Net Change in Fund Balances – Governmental Funds</b>	<b>\$ (108,231)</b>
Current year principal payments on bonds payable and certificates of obligation payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	385,000
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net assets.	141,086
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 year's depreciation is to decrease net assets in the government-wide financial statements.	(525,558)
Interest is accrued on outstanding debt in the government-side financial statements, whereas in the fund financial statements interest expenditures are reported when due.	849
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	(3,413)
Current year amortization of debt issuance costs is not recognized in the fund financial statements, but is shown as a reduction to the bond issuance costs asset in the government-wide financial statements.	(8,786)
Current year compensated absences earned but not used is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	<u>(18,871)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (137,924)</u></b>

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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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 provided 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, 2011

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

The City of Lake Dallas, as of September 30, 2011 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, 2011

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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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first when appropriate, then unrestricted resources as they are needed.

**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, 2011

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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 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, 2011

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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. 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.

**K. 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.

**L. 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.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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**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, 2011, the carrying amount of the City's deposits in checking accounts and interest-bearing savings accounts was \$255,163 and the bank balance was \$295,728. The City's cash deposits at September 30, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

**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, 2011, the City's cash balances totaled \$295,728. 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, 2011, 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.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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- 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, 2011, the City was not exposed to foreign currency risk.
- 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, 2011 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	\$ 41,347	\$ 41,347
LOGIC Investment Pool	171,481	171,481
TexStar Investment Pool	<u>11</u>	<u>11</u>
Total	<u>\$ 212,839</u>	<u>\$ 212,839</u>

### 3. FUND BALANCE

Beginning with the fiscal period ending September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

**Fund Balance Classification:** The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Court security and technology fees are being restricted because their use is restricted pursuant to the regulations that allow the collection of those fees. Child safety fees, juvenile case management fees, state LEOSE training fees and drug seizure funds are being restricted because their use is restricted by law in a similar manner to these specific purposes. Debt service funds are being restricted because their use is restricted for the purpose of retiring long-term debt.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. The Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Council has no committed fund balance as of September 30, 2011.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to other individuals in the Town. Under the City's policy, only the Council may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City assigned fund balance resources of various funds accounted for through the special revenue fund.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Council has provided otherwise in its commitment or assignment actions.

The Council has expressed an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications. The details of the fund balances are included in the Governmental Funds Balance Sheet (page 18) and are described below:

**General Fund**

The General Fund has an unassigned fund balance deficit of \$523,713 at September 30, 2011. Deferred expenditures (prepaid items) of \$30,993 are considered nonspendable fund balance.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

**Special Revenue Funds**

The fund balances of the Court Technology Fund and Court Security Fund (totaling \$14,991) are shown as restricted for those purposes. The fund balances of the LEOSE Training Fund, Juvenile Case Management Fund, Drug Seizure Fund, Child Safety Fund and Willow Grove Camping Fees Fund (totaling \$136,722) are shown as restricted for those purposes also. The fund balances of the Kids N Cops Fund, Lake Lewisville Toll Bridge Fund and Animal Rescue Fund (totaling \$18,065) have been assigned for use in the activities that generated those funds.

**Debt Service Funds**

The Debt Service Fund has restricted fund balance of \$15,778 at September 30, 2011 that is restricted by law for use in retiring long-term debt.

**4. RECEIVABLES**

Government-wide receivables as of September 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 64,337	\$ 17,452	\$ 81,789
Sales taxes	41,157	-	41,157
Occupancy tax	12,208	-	12,208
Mixed beverage tax	3,215	-	3,215
EDC staff/office services	18,000	-	18,000
Other	<u>1,952</u>	<u>-</u>	<u>1,952</u>
Gross Receivables	140,869	17,452	158,321
Less: Uncollectible allowance	<u>15,411</u>	<u>4,180</u>	<u>19,591</u>
Net Total Receivables	<u>\$125,458</u>	<u>\$ 13,272</u>	<u>\$138,730</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, 2011.

Fund transfers during the year include the following:

- Transfers from Lake Dallas Community Development Corporation to the general fund as reimbursement of payments of long-term debt - \$164,598.
- Transfers from Lake Dallas Economic Development Corporation to the debt service fund as reimbursement of payments of long-term debt - \$15,053.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

**6. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 397,872	\$ -	\$ -	\$ 397,872
Construction in Progress	<u>1,277,567</u>	<u>75,351</u>	<u>-</u>	<u>1,352,918</u>
Total capital assets, not being depreciated	<u>1,675,439</u>	<u>75,351</u>	<u>-</u>	<u>1,750,790</u>
Capital assets, being depreciated:				
Buildings and Improvements	2,953,877	65,735	-	3,019,612
Street and Parks	5,464,973	-	-	5,464,973
Equipment and Vehicles	<u>1,316,310</u>	<u>-</u>	<u>-</u>	<u>1,316,310</u>
Total capital assets, being depreciated	<u>9,735,160</u>	<u>65,735</u>	<u>-</u>	<u>9,800,895</u>
Less accumulated depreciation for:				
Buildings and Improvements	(552,172)	(78,493)	-	(630,665)
Street and Parks	(2,119,133)	(303,882)	-	(2,423,015)
Equipment and Vehicles	<u>(818,954)</u>	<u>(143,183)</u>	<u>-</u>	<u>(962,137)</u>
Total accumulated depreciation	<u>(3,490,259)</u>	<u>(525,558)</u>	<u>-</u>	<u>(4,015,817)</u>
Total capital assets, being depreciated, net	<u>6,244,901</u>	<u>(459,823)</u>	<u>-</u>	<u>5,785,078</u>
Governmental activities capital assets, net	<u>\$7,920,340</u>	<u>\$ (384,472)</u>	<u>\$ -</u>	<u>\$ 7,535,868</u>

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

Governmental Activities:	
General Government	\$ 29,139
Community Relations	104
Public Safety	142,860
Animal Control	20,330
Public Works-Streets	297,864
Municipal Court	1,937
Parks and Recreation	30,639
Community Development	<u>2,685</u>
Total depreciation expense –	
Governmental activities	<u>\$525,558</u>

**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.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

The following is a summary of the changes in the City's Long-term Debt for the year ended September 30, 2011:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/10</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 09/30/11</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
2008 General Obligation	4.21%	\$ 955,000	\$ -	\$ 35,000	\$ 920,000	\$ 40,000
2009 General Obligation	2.5-3.375%	<u>1,105,000</u>	<u>-</u>	<u>125,000</u>	<u>980,000</u>	<u>130,000</u>
Total Bonded Indebtedness		<u>2,060,000</u>	<u>-</u>	<u>160,000</u>	<u>1,900,000</u>	<u>170,000</u>
Certificates of Obligation:						
2001 Series	4.875-5.0%	520,000	-	35,000	485,000	40,000
2006 Series	4.24%	1,410,000	-	65,000	1,345,000	65,000
2009 Series	4.204%	285,000	-	55,000	230,000	55,000
2009 A Series	4.199%	805,000	-	30,000	775,000	30,000
2010 Series	4.26%	<u>1,115,000</u>	<u>-</u>	<u>40,000</u>	<u>1,075,000</u>	<u>40,000</u>
Total Cert. of Obligation		<u>4,135,000</u>	<u>-</u>	<u>225,000</u>	<u>3,910,000</u>	<u>230,000</u>
Compensated Absences		<u>264,252</u>	<u>18,871</u>	<u>-</u>	<u>283,123</u>	<u>-</u>
Total Long-Term Debt		<u>\$6,459,252</u>	<u>\$ 18,871</u>	<u>\$ 385,000</u>	<u>\$6,093,123</u>	<u>\$ 400,000</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.

**8. DEBT SERVICE REQUIREMENTS TO MATURITY**

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

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	190,000	45,911	235,911
2017-2021	550,000	143,876	693,876
2022-2026	310,000	71,150	381,150
2027-2028	<u>145,000</u>	<u>9,263</u>	<u>154,263</u>
Total	<u>\$1,900,000</u>	<u>\$ 510,474</u>	<u>\$2,410,474</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30,			<u>Requirements</u>
2012	\$ 230,000	\$ 168,976	\$ 398,976
2013	245,000	159,041	404,041
2014	250,000	148,470	398,470
2015	260,000	137,629	397,629
2016	210,000	126,331	336,331
2017-2021	1,205,000	483,844	1,688,844
2022-2026	1,150,000	226,724	1,376,724
2027-2029	<u>360,000</u>	<u>28,434</u>	<u>388,434</u>
Total	<u>\$3,910,000</u>	<u>\$1,479,449</u>	<u>\$5,389,449</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, 2011 is as follows:

<u>Description</u>	<u>Interest</u> <u>Rate</u> <u>Payable</u>	<u>Amounts</u> <u>Outstanding</u> <u>10/01/10</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts</u> <u>Outstanding</u> <u>09/30/11</u>
Line of credit	6.0%	<u>\$225,000</u>	<u>\$775,000</u>	<u>\$500,000</u>	<u>\$500,000</u>

The line of credit draws outstanding at September 30, 2011 are due July 21, 2012.

**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).

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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 2010	Plan Year 2011
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 (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, 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.

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)	\$252,111
2. Annual Pension Cost (APC)	252,111
3. Contributions Made	<u>(252,111)</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 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

Remaining Amortization Period	29 years - closed period	28.2 years - closed period	27.3 years - closed period
Asset Valuation Method	Amortized cost	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.5%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by 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, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010	\$4,459,588	\$5,716,758	78.0%	\$1,257,170	\$1,900,881	66.1%

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, 2011 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.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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**13. SUBSEQUENT EVENTS**

Management has reviewed events subsequent to September 30, 2011 through December 21, 2011, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF LAKE DALLAS, TEXAS  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes (ad valorem, sales and other)	\$2,993,600	\$2,883,400	\$2,622,877	\$(260,523)
Special assessments	3,000	500	2,631	2,131
Licenses and permits	132,800	106,000	88,609	(17,391)
Charges for services	763,694	677,260	692,318	15,058
Fines	610,000	604,574	589,950	(14,624)
Donations and grants	-	-	40,303	40,303
Interest	6,600	-	488	488
Utilities settlement	5,000	-	10,432	10,432
Miscellaneous revenue	7,705	17,710	18,031	321
Total Revenues	<u>4,522,399</u>	<u>4,289,444</u>	<u>4,065,639</u>	<u>(223,805)</u>
Expenditures:				
Current:				
General government	994,511	912,026	896,277	15,749
Community relations	144,993	115,972	105,098	10,874
Public safety	2,534,035	2,544,763	2,524,378	20,385
Animal control	124,314	95,018	86,881	8,137
Public works-streets	323,407	297,317	309,911	(12,594)
Municipal court	94,799	126,490	125,042	1,448
Parks and recreation	107,440	82,962	81,001	1,961
Community development	164,861	126,054	119,870	6,184
Capital Outlay	175,500	25,505	117,046	(91,541)
Debt service:				
Interest and fees	-	1,500	12,696	(11,196)
Total Expenditures	<u>4,663,860</u>	<u>4,327,607</u>	<u>4,378,200</u>	<u>(50,593)</u>
Excess of Revenues over (under) Expenditures	<u>(141,461)</u>	<u>(38,163)</u>	<u>(312,561)</u>	<u>(274,398)</u>
Other Financing Sources (Uses):				
Sale of assets	500	500	-	(500)
Transfers in	91,746	227,101	180,420	(46,681)
Transfers out	-	-	(20,302)	(20,302)
Total Other Financing Sources (Uses)	<u>92,246</u>	<u>227,601</u>	<u>160,118</u>	<u>(67,483)</u>
Net Change in Fund Balance	(49,215)	189,438	(152,443)	(341,881)
Fund Balance (Deficit) – October 1 (Beginning)	<u>(340,277)</u>	<u>(340,277)</u>	<u>(340,277)</u>	-
Fund Balance (Deficit) – September 30 (Ending)	<u>\$ (389,492)</u>	<u>\$ (150,839)</u>	<u>\$ (492,720)</u>	<u>\$(341,881)</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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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 or 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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$289,046	\$138,386
Receivables:		
Ad valorem tax	48,926	53,738
Sales tax	41,157	38,283
Occupancy tax	12,208	3,764
Mixed beverage tax	3,215	4,886
Other	19,952	132,521
Due from EDC/CDC	89	526
Prepaid costs	<u>30,993</u>	<u>11,841</u>
<b>TOTAL ASSETS</b>	<u><b>\$445,586</b></u>	<u><b>\$383,945</b></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$118,733	\$132,532
Accrued wages payable	66,497	62,369
Court costs payable	75,701	95,692
Other liabilities	36,748	37,727
Due to EDC/CDC	40,969	70,969
Short-term loan payable	500,000	225,000
Deferred revenue	<u>99,658</u>	<u>99,933</u>
Total Liabilities	<u>938,306</u>	<u>724,222</u>
Fund Balance:		
Nonspendable	30,993	-
Unassigned	(523,713)	-
Reserved	-	11,841
Undesignated	<u>-</u>	<u>(352,118)</u>
Total Fund Balance (Deficit)	<u>(492,720)</u>	<u>(340,277)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><b>\$445,586</b></u>	<u><b>\$383,945</b></u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUES:		
Taxes:		
Property	\$1,689,347	\$1,904,694
Sales	516,425	496,635
Hotel occupancy tax	51,316	34,603
Mixed beverage	15,744	19,837
Franchise	350,045	338,783
Special assessments	2,631	1,993
License and permits	88,609	121,455
Charges for services	692,318	769,051
Fines	589,950	486,209
Donations and grants	40,303	-
Interest	488	1,278
Utilities settlement	10,432	-
Miscellaneous	<u>18,031</u>	<u>22,589</u>
Total Revenues	<u>4,065,639</u>	<u>4,197,127</u>
EXPENDITURES:		
Current:		
General government	896,277	978,718
Community relations	105,098	149,893
Public safety	2,524,378	2,460,928
Animal control	86,881	116,424
Public works – streets	309,911	316,898
Municipal court	125,042	115,573
Parks and recreation	81,001	111,753
Community development	119,870	150,471
Capital outlay	117,046	387,460
Debt service:		
Interest and fees	<u>12,696</u>	<u>2,092</u>
Total Expenditures	<u>4,378,200</u>	<u>4,790,210</u>
Excess of Revenues over (under) Expenditures	<u>(312,561)</u>	<u>(593,083)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	180,420	24,405
Transfers out	<u>(20,302)</u>	<u>(15,399)</u>
Total Other Financing Sources (Uses)	<u>160,118</u>	<u>9,006</u>
Net Change in Fund Balance	(152,443)	(584,077)
Fund Balance (Deficit) - October 1 (Beginning)	<u>(340,277)</u>	<u>243,800</u>
Fund Balance (Deficit) - September 30 (Ending)	<u>\$ (492,720)</u>	<u>\$ (340,277)</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
Ad valorem tax	\$ 1,870,000	\$ 1,689,347	\$ (180,653)	\$ 1,904,694
Sales tax	560,000	516,425	(43,575)	496,635
Mixed beverage tax	29,000	15,744	(13,256)	19,837
Hotel occupancy tax	55,000	51,316	(3,684)	34,603
Franchise tax	369,400	350,045	(19,355)	338,783
Solid waste billings	390,000	347,600	(42,400)	336,906
Court fines and fees	604,574	589,950	(14,624)	486,209
Building permits	50,000	31,962	(18,038)	70,458
Park improvement fees	500	2,631	2,131	1,993
Lakeview Drive funding	-	87,223	87,223	185,410
Other permits and fees	56,000	56,647	647	50,997
School resource officer reimbursements	23,340	23,340	-	21,620
State energy grant	-	40,303	40,303	-
Rent - Lake Cities Library	39,338	39,338	-	38,192
Rent - fire station	38,582	38,582	-	38,200
Other rentals	6,000	3,951	(2,049)	3,218
Willow Grove Park administration fee	12,000	12,000	-	12,000
Parks maintenance	24,000	24,000	-	-
Warrant service	-	315	315	4,200
Staff/office services - EDC/CDC	72,000	72,000	-	72,000
Interest earned	-	488	488	1,278
Mowing	1,000	1,980	980	682
Animal services	6,000	7,339	1,339	6,942
Utilites settlement	-	10,432	10,432	-
Special events	65,000	34,650	(30,350)	37,681
Other revenue	17,710	18,031	321	22,589
<b>TOTAL REVENUE</b>	<b><u>\$ 4,289,444</u></b>	<b><u>\$ 4,065,639</u></b>	<b><u>\$ (223,805)</u></b>	<b><u>\$ 4,185,127</u></b>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
<b>GENERAL GOVERNMENT:</b>				
<b>Personnel:</b>				
Salaries	\$ 260,264	\$ 257,226	\$ 3,038	\$ 259,455
Retirement	35,119	34,923	196	31,723
Longevity pay	1,572	1,572	-	1,248
Insurance	17,347	17,322	25	15,490
Payroll taxes	4,530	3,939	591	4,412
<b>Total Personnel</b>	<u>318,832</u>	<u>314,982</u>	<u>3,850</u>	<u>312,328</u>
<b>Supplies, Repairs and Services:</b>				
Insurance	31,500	35,400	(3,900)	33,148
Office expense	6,000	2,922	3,078	5,863
Operating supplies	4,200	4,707	(507)	4,302
Travel	1,500	1,938	(438)	2,557
Continuing education	2,000	1,095	905	1,791
Election expense	2,500	5,350	(2,850)	2,472
Ads and public notices	1,500	5,781	(4,281)	1,016
Publications	200	197	3	360
Printing	4,500	3,132	1,368	4,159
Dues and memberships	3,500	3,674	(174)	4,235
Postage	7,000	8,347	(1,347)	8,274
Telephone and utilities	45,750	40,830	4,920	56,934
Professional services	35,000	29,120	5,880	91,578
Solid waste billing	275,000	266,354	8,646	272,682
Tax appraisal/collection	25,500	22,396	3,104	22,875
Legal services	9,244	8,694	550	12,842
Council and committees	7,700	3,947	3,753	7,934
Maintenance and repair - building	16,000	21,164	(5,164)	16,356
Maintenance and repair - equipment	10,200	6,624	3,576	11,615
Equipment rental	9,600	9,777	(177)	9,121
Equipment supplies	-	5,046	(5,046)	-
SPAN	-	-	-	4,276
Lake Cities Library	94,800	94,800	-	92,000
<b>Total Supplies, Repairs and Services</b>	<u>593,194</u>	<u>581,295</u>	<u>11,899</u>	<u>666,390</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>912,026</u>	<u>896,277</u>	<u>15,749</u>	<u>978,718</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
<b>COMMUNITY RELATIONS:</b>				
<b>Personnel:</b>				
Salaries	\$ 45,889	\$ 44,464	\$ 1,425	\$ 58,629
Retirement	5,788	7,887	(2,099)	6,438
Insurance	7,934	8,053	(119)	8,113
Payroll taxes	811	708	103	1,285
Total Personnel	<u>60,422</u>	<u>61,112</u>	<u>(690)</u>	<u>74,465</u>
<b>Supplies, Repairs and Services:</b>				
Supplies	1,000	299	701	921
Office expense	300	340	(40)	520
Travel	850	117	733	643
Continuing education	300	39	261	314
Printing	2,700	-	2,700	1,935
Advertising	6,500	1,514	4,986	8,270
Dues and memberships	700	1,145	(445)	670
Telephone	400	393	7	406
Fireworks contribution	15,000	14,700	300	24,500
Contract labor	-	-	-	360
Community events	19,500	22,073	(2,573)	27,977
Rentals	8,000	3,312	4,688	8,215
Maintenance and repair - equipment	300	54	246	697
Total Supplies, Repairs and Services	<u>55,550</u>	<u>43,986</u>	<u>11,564</u>	<u>75,428</u>
			-	
<b>TOTAL COMMUNITY RELATIONS</b>	<u>115,972</u>	<u>105,098</u>	<u>10,874</u>	<u>149,893</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
<b>PUBLIC SAFETY:</b>				
Police Department:				
Personnel:				
Salaries	\$ 1,161,324	\$ 1,156,340	\$ 4,984	\$ 1,118,175
Retirement	151,413	154,837	(3,424)	136,927
Longevity pay	10,554	10,518	36	9,738
Insurance	182,465	176,964	5,501	155,812
Payroll taxes	20,417	17,974	2,443	19,833
Total Personnel	<u>1,526,173</u>	<u>1,516,633</u>	<u>9,540</u>	<u>1,440,485</u>
Supplies, Repairs and Services:				
Office expense	8,000	4,399	3,601	8,007
Supplies	4,000	3,059	941	3,383
Travel expense	500	1,153	(653)	106
Continuing education	1,000	-	1,000	257
Miscellaneous expense	500	266	234	745
Ads and public notices	2,000	54	1,946	2,907
Publications	500	-	500	434
Printing	1,000	-	1,000	912
Dues and memberships	200	723	(523)	210
Uniforms	10,000	2,226	7,774	9,569
Telephone	8,000	8,968	(968)	8,694
Professional services	22,000	19,336	2,664	35,767
Detention expenses	2,000	1,504	496	1,716
K-9 support	1,500	738	762	1,468
Maintenance and repair - building	-	17	(17)	3
Maintenance and repair - equipment	10,000	4,111	5,889	9,040
Maintenance and repair - vehicles	12,000	14,112	(2,112)	11,570
Gas and oil	30,000	41,391	(11,391)	31,131
Special programs	-	300	(300)	-
Equipment supplies	-	-	-	6,884
Total Supplies, Repairs and Services	<u>113,200</u>	<u>102,357</u>	<u>10,843</u>	<u>132,803</u>
Total Police Department	<u>1,639,373</u>	<u>1,618,990</u>	<u>20,383</u>	<u>1,573,288</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
<b>Fire Department:</b>				
Contribution for services	\$ 905,390	\$ 905,388	\$ 2	\$ 887,640
Total Fire Department	<u>905,390</u>	<u>905,388</u>	<u>2</u>	<u>887,640</u>
TOTAL PUBLIC SAFETY	<u>2,544,763</u>	<u>2,524,378</u>	<u>20,385</u>	<u>2,460,928</u>
<b>ANIMAL CONTROL:</b>				
<b>Personnel:</b>				
Salaries	53,796	51,716	2,080	70,388
Retirement	7,013	7,312	(299)	7,983
Insurance	11,186	11,402	(216)	12,550
Payroll taxes	1,138	841	297	1,772
Total Personnel	<u>73,133</u>	<u>71,271</u>	<u>1,862</u>	<u>92,693</u>
<b>Supplies, Repairs and Services:</b>				
Office expense	100	114	(14)	-
Supplies	2,500	1,722	778	2,639
Travel expense	50	-	50	-
Ads and public notices	250	-	250	128
Publications	50	-	50	-
Printing	100	-	100	-
Dues and memberships	35	35	-	35
Uniforms	400	72	328	367
Telephone	700	623	77	663
Utilities	12,500	9,309	3,191	14,685
Professional services	1,000	-	1,000	915
Special events	300	-	300	-
Land lease	1,200	1,200	-	1,200
Maintenance and repair - building	200	1,136	(936)	781
Maintenance and repair - equipment	500	13	487	123
Maintenance and repair - vehicles	800	85	715	673
Gas and oil	1,200	1,301	(101)	1,522
Total Supplies, Repairs and Services	<u>21,885</u>	<u>15,610</u>	<u>6,275</u>	<u>23,731</u>
TOTAL ANIMAL CONTROL	<u>95,018</u>	<u>86,881</u>	<u>8,137</u>	<u>116,424</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
<b>PUBLIC WORKS:</b>				
Street Department:				
Personnel:				
Salaries	\$ 150,569	\$ 150,219	\$ 350	\$ 150,435
Retirement	19,980	21,088	(1,108)	18,907
Longevity pay	3,186	3,186	-	2,970
Insurance	31,383	33,636	(2,253)	31,919
Payroll taxes	2,714	1,374	1,340	1,754
Total Personnel	<u>207,832</u>	<u>209,503</u>	<u>(1,671)</u>	<u>205,985</u>
Supplies, Repairs and Services:				
Supplies	2,000	691	1,309	1,701
Continuing education	150	199	(49)	115
Dues and memberships	35	35	-	115
Uniforms	1,500	1,302	198	1,940
Telephone	1,600	1,135	465	1,338
Street lighting	40,000	52,640	(12,640)	52,537
Professional services	200	250	(50)	250
Street signs	4,000	3,374	626	3,585
Maintenance and repair - building	500	210	290	266
Maintenance and repair - equipment	2,500	2,478	22	3,155
Maintenance and repair- vehicle	3,000	1,000	2,000	4,082
Maintenance - drainage	4,000	367	3,633	5,742
Maintenance - sidewalks	3,000	4,842	(1,842)	2,200
Maintenance - streets	20,000	25,072	(5,072)	25,742
Gas and oil	7,000	6,813	187	8,145
Total Supplies, Repairs and Services	<u>89,485</u>	<u>100,408</u>	<u>(10,923)</u>	<u>110,913</u>
<b>TOTAL PUBLIC WORKS</b>	<u>297,317</u>	<u>309,911</u>	<u>(12,594)</u>	<u>316,898</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
<b>MUNICIPAL COURT:</b>				
Personnel:				
Salaries	\$ 78,543	\$ 74,358	\$ 4,185	\$ 67,492
Retirement	10,595	8,948	1,647	7,775
Insurance	7,660	7,789	(129)	3,237
Payroll taxes	1,602	1,533	69	2,074
Total Personnel	<u>98,400</u>	<u>92,628</u>	<u>5,772</u>	<u>80,578</u>
Supplies, Repairs and Services:				
Supplies	600	1,015	(415)	823
Travel	500	1,055	(555)	829
Continuing education	500	808	(308)	751
Advertising	350	340	10	328
Publications	1,100	1,776	(676)	2,266
Dues and memberships	40	280	(240)	190
Contract labor	-	-	-	5,749
Legal services	25,000	25,635	(635)	24,059
Maintenance and repair - equipment	-	1,505	(1,505)	-
Total Supplies, Repairs and Services	<u>28,090</u>	<u>32,414</u>	<u>(4,324)</u>	<u>34,995</u>
 TOTAL MUNICIPAL COURT	 <u>126,490</u>	 <u>125,042</u>	 <u>1,448</u>	 <u>115,573</u>
 <b>PARKS AND RECREATION:</b>				
Personnel:				
Salaries	51,027	48,943	2,084	69,513
Retirement	6,565	8,112	(1,547)	8,731
Longevity	438	438	-	258
Insurance	13,143	13,611	(468)	18,189
Payroll taxes	1,089	821	268	1,372
Total Personnel	<u>72,262</u>	<u>71,925</u>	<u>337</u>	<u>98,063</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
Supplies, Repairs and Services:				
Supplies	\$ -	\$ 29	\$ (29)	\$ -
Telephone	700	547	153	859
Uniforms	1,000	745	255	1,480
Equipment rental	2,000	693	1,307	951
Park maintenance	1,000	1,333	(333)	2,889
Sign maintenance	-	-	-	10
Gas and oil	4,000	3,988	12	3,770
Maintenance and repair - equipment	1,500	1,585	(85)	3,391
Maintenance and repair - vehicle	500	156	344	340
Total Supplies, Repairs and Services	<u>10,700</u>	<u>9,076</u>	<u>1,624</u>	<u>13,690</u>
TOTAL PARKS AND RECREATION	<u>82,962</u>	<u>81,001</u>	<u>1,961</u>	<u>111,753</u>
COMMUNITY DEVELOPMENT:				
Personnel:				
Salaries	67,734	68,833	(1,099)	83,831
Retirement	9,104	9,004	100	10,194
Longevity pay	840	840	-	696
Insurance	15,097	14,732	365	13,827
Payroll taxes	1,371	1,123	248	1,852
Total Personnel	<u>94,146</u>	<u>94,532</u>	<u>(386)</u>	<u>110,400</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
Supplies, Repairs and Services:				
Supplies	\$ 400	\$ 401	\$ (1)	\$ 336
Travel	200	186	14	208
Continuing education	750	39	711	375
Advertising	400	262	138	427
Publications	200	170	30	116
Dues and memberships	250	36	214	251
Telephone	900	525	375	838
Professional services	23,000	17,224	5,776	32,231
Contract labor	3,008	3,008	-	2,340
Maintenance and repair - equipment	2,200	2,100	100	2,509
Maintenance and repair - vehicles	300	1,093	(793)	182
Gas and oil	300	294	6	258
Total Supplies, Repairs and Services	<u>31,908</u>	<u>25,338</u>	<u>6,570</u>	<u>40,071</u>
 TOTAL COMMUNITY DEVELOPMENT	 <u>126,054</u>	 <u>119,870</u>	 <u>6,184</u>	 <u>150,471</u>
 DEBT SERVICE:				
Interest and fees	<u>1,500</u>	<u>12,696</u>	<u>(11,196)</u>	<u>2,092</u>
 TOTAL DEBT SERVICE	 <u>1,500</u>	 <u>12,696</u>	 <u>(11,196)</u>	 <u>2,092</u>
 CAPITAL OUTLAY:				
Capital outlay - land	-	-	-	66,093
Capital outlay - building	25,505	42,860	(17,355)	-
Capital outlay - equipment	-	-	-	39,898
Capital outlay - vehicles	-	-	-	103,295
Capital outlay - streets	-	74,186	(74,186)	178,174
 TOTAL CAPITAL OUTLAY	 <u>25,505</u>	 <u>117,046</u>	 <u>(91,541)</u>	 <u>387,460</u>
 TOTAL EXPENDITURES	 <u>\$ 4,327,607</u>	 <u>\$ 4,378,200</u>	 <u>\$ (50,593)</u>	 <u>\$ 4,790,210</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, 2011

	<u>Court Technology Fund</u>	<u>Court Security Fund</u>	<u>LEOSE Training Fund</u>
Revenues:			
Charges for services	\$ -	\$ -	\$ -
Fines and fees	16,463	12,347	-
Donations and grants	-	-	1,563
Interest earned	<u>13</u>	<u>5</u>	<u>16</u>
Total Revenues	<u>16,476</u>	<u>12,352</u>	<u>1,579</u>
Expenditures:			
Community relations	-	-	-
Public safety	-	-	1,593
Animal control	-	-	-
Municipal court	6,878	4,036	-
Parks and recreation	-	-	-
Capital outlay	<u>-</u>	<u>22,875</u>	<u>-</u>
Total Expenditures	<u>6,878</u>	<u>26,911</u>	<u>1,593</u>
Excess (Deficit) of Revenues over Expenditures	<u>9,598</u>	<u>(14,559)</u>	<u>(14)</u>
Other Resources (Uses):			
Transfers in	447	149	3,382
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Resources (Uses)	<u>447</u>	<u>149</u>	<u>3,382</u>
Net Change in Fund Balance	10,045	(14,410)	3,368
Fund Balance – October 1 (beginning)	<u>4,827</u>	<u>14,529</u>	<u>5,255</u>
Fund Balance – September 30 (ending)	<u>\$ 14,872</u>	<u>\$ 119</u>	<u>\$ 8,623</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18,110	20,577	8,970	-	-	-
-	-	-	-	3,998	-
<u>104</u>	<u>84</u>	<u>25</u>	<u>-</u>	<u>19</u>	<u>-</u>
<u>18,214</u>	<u>20,661</u>	<u>8,995</u>	<u>-</u>	<u>4,017</u>	<u>-</u>
-	-	-	-	-	10,000
4,957	-	3,371	2,293	1,593	-
-	-	-	-	-	-
-	4,497	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,957</u>	<u>4,497</u>	<u>3,371</u>	<u>2,293</u>	<u>1,593</u>	<u>10,000</u>
<u>13,257</u>	<u>16,164</u>	<u>5,624</u>	<u>(2,293)</u>	<u>2,424</u>	<u>(10,000)</u>
3,577	3,279	1,115	155	4,074	-
-	-	-	(138)	-	-
<u>3,577</u>	<u>3,279</u>	<u>1,115</u>	<u>17</u>	<u>4,074</u>	<u>-</u>
16,834	19,443	6,739	(2,276)	6,498	(10,000)
<u>39,568</u>	<u>36,179</u>	<u>6,801</u>	<u>2,276</u>	<u>3,968</u>	<u>10,608</u>
<u>\$56,402</u>	<u>\$55,622</u>	<u>\$13,540</u>	<u>\$ -</u>	<u>\$10,466</u>	<u>\$ 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, 2011

	<u>Willow Grove Camping Fees</u>	<u>Animal Rescue Fund</u>	<u>Police Technology Fund</u>
Revenues:			
Charges for services	\$25,823	\$ -	\$ -
Fines and fees	-	-	-
Donations and grants	-	5,836	-
Interest earned	<u>31</u>	<u>10</u>	<u>-</u>
Total Revenues	<u>25,854</u>	<u>5,846</u>	<u>-</u>
Expenditures:			
Community relations	-	-	-
Public safety	-	-	77
Animal control	-	3,929	-
Municipal court	-	-	-
Parks and recreation	26,994	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>26,994</u>	<u>3,929</u>	<u>77</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,140)</u>	<u>1,917</u>	<u>(77)</u>
Other Resources (Uses):			
Transfers in	3,076	971	77
Transfers out	<u>(12,000)</u>	<u>-</u>	<u>(235)</u>
Total Other Resources (Uses)	<u>(8,924)</u>	<u>971</u>	<u>(158)</u>
Net Change in Fund Balance	(10,064)	2,888	(235)
Fund Balance – October 1 (beginning)	<u>12,599</u>	<u>4,103</u>	<u>235</u>
Fund Balance – September 30 (ending)	<u>\$ 2,535</u>	<u>\$ 6,991</u>	<u>\$ -</u>

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Total

\$25,823  
76,467  
11,397  
307  
113,994

10,000  
13,884  
3,929  
15,411  
26,994  
22,875  
93,093

20,901

20,302  
(12,373)  
7,929

28,830

140,948

\$169,778

CITY OF LAKE DALLAS, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2011 AND 2010

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	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$15,778	\$ -
Receivables:		
Ad valorem tax	<u>13,272</u>	<u>11,873</u>
TOTAL ASSETS	<u>\$29,050</u>	<u>\$11,873</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Deferred revenues	<u>\$13,272</u>	<u>\$11,873</u>
Total Liabilities	<u>13,272</u>	<u>11,873</u>
Fund balance:		
Restricted for debt service	<u>15,778</u>	_____ -
Total Fund Balance	<u>15,778</u>	_____ -
TOTAL LIABILITIES AND FUND BALANCE	<u>\$29,050</u>	<u>\$11,873</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUES:		
Taxes:		
Property	\$ <u>652,349</u>	\$ <u>479,919</u>
TOTAL REVENUES	<u>652,349</u>	<u>479,919</u>
EXPENDITURES:		
Debt service:		
Principal retirement	385,000	390,000
Interest and fiscal charges	<u>251,571</u>	<u>276,024</u>
TOTAL EXPENDITURES	<u>636,571</u>	<u>666,024</u>
Excess of revenues over (under) expenditures	<u>15,778</u>	<u>(186,105)</u>
OTHER FINANCING SOURCES (USES):		
Refunding bond proceeds	-	1,240,000
Operating transfers in (net)	-	155,708
Payments to bond refunding agent	<u>-</u>	<u>(1,209,603)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>186,105</u>
Change in fund balance	15,778	-0-
Fund balance, beginning of year	<u>-0-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 15,778</u>	<u>\$ -0-</u>

CITY OF LAKE DALLAS, TEXAS  
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-ad valorem	<u>\$476,000</u>	<u>\$500,100</u>	<u>\$ 652,349</u>	<u>\$ 152,249</u>
Total Revenues	<u>476,000</u>	<u>500,100</u>	<u>652,349</u>	<u>152,249</u>
Expenditures:				
Principal	345,000	345,000	385,000	(40,000)
Interest and Fees	<u>208,446</u>	<u>297,796</u>	<u>251,571</u>	<u>46,225</u>
Total Expenditures	<u>553,446</u>	<u>642,796</u>	<u>636,571</u>	<u>6,225</u>
Excess of Revenues over Expenditures	<u>(77,446)</u>	<u>(142,696)</u>	<u>15,778</u>	<u>158,474</u>
Other Financing Sources (Uses):				
Transfers In (net)	-	<u>167,761</u>	-	<u>(167,761)</u>
Total Other Financing Sources (Uses)	-	<u>167,761</u>	-	<u>(167,761)</u>
Net Change in Fund Balance	(77,446)	25,065	15,778	(9,287)
Fund Balance – October 1 (Beginning)	-	-	-	-
Fund Balance – September 30 (Ending)	<u>\$ (77,446)</u>	<u>\$ 25,065</u>	<u>\$ 15,778</u>	<u>\$ (9,287)</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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 6, 2012. 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, 2012

**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>
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
2011	896,277	2,538,262	90,810	309,911	140,453	107,995	119,870

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<u>Community Relations</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 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
115,098	139,921	649,267	5,107,864

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>
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	830,574	546,534	2,001
2011	3,275,226	2,631	88,609	718,141	666,417	795

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<u>Grants</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ -	\$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	4,811,781
51,700	28,463	4,831,982

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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) Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel Occupancy</u>	<u>Mixed Beverage</u>	<u>Total</u>
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
2011	2,341,696	516,425	350,045	51,316	15,744	3,275,226

(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>
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
2011	2,317,805	2,287,698	98.70	26,824	2,314,522	99.86

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<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Levy</u>
\$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
81,789	3.53

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>
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
2011	385,000	264,267	649,267	5,107,864	12.71

(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
2011	4,459,588	5,716,758	78.0	1,257,170	1,900,881	66.1