

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

(A component unit of the City of Lake Dallas)

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

SEPTEMBER 30, 2011

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet.....	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	17
Statement of Revenues, Expenditures and Change in Fund Balance.....	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	19
Notes to the Basic Financial Statements.....	20
Required Supplementary Information:	
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund.....	29
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	30

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lake Dallas Community Development Corporation
Lake Dallas, Texas

Members of the Board:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lake Dallas Community Development Corporation (the "Corporation") as of and for the year ended September 30, 2011, which collectively comprises the Corporation's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on them 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 and each major fund of the Corporation 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.

In accordance with *Government Auditing Standards*, we have issued a report dated January 6, 2012, on our consideration of the Corporation's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the budget comparison information on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hankins, Eastup, Deaton, Tonn & Seay

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

January 6, 2012

MANAGEMENT'S DISCUSSION & ANALYSIS

This page left blank intentionally.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

As management of the Lake Dallas Community Development Corporation, we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the Corporation's basic financial statements.

Financial Highlights

- The assets of the Corporation exceeded its liabilities at September 30, 2011 by \$821,690. All of this amount is available to meet the Corporation's objective of promoting community development.
- The Corporation's total net assets increased by \$15,924.
- As of September 30, 2011, the Corporation's governmental funds reported combined ending fund balances of \$821,690, an increase of \$15,924 in comparison with the beginning of the year. \$109,518 of this amount is available for spending at the Corporation's discretion (*unassigned fund balance*).

Overview of the Financial Statements

The management discussion and analysis are intended to serve as an introduction to the Corporation's basic financial statements. The Corporation'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.

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

The statement of net assets presents information on all of the Corporation'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 Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation'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. 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 Corporation is divided between two kinds of activities:

- **Governmental activities.** All of the Corporation's basic services are reported here. Primarily sales taxes finance those services.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

- **Business-type activities.** The Corporation may charge a fee to customers to help it cover all or most of the cost of certain services it provides. The Corporation 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 Corporation as a whole. Some funds are required to be established by state law or bond covenants. However, the Board of Directors 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 Corporation are considered governmental funds.

Governmental Funds. All of the Corporation'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 Corporation'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 Corporation'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 Corporation maintains one individual governmental fund. 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.

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 Corporation's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Corporation 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.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

Government-wide Financial Analysis

The Corporation's combined net assets were \$821,690 as of September 30, 2011. The Corporation 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 Corporation's governmental activities.

Table 1
Net Assets

	Governmental Activities	
	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 807,364	\$ 823,070
Capital assets	<u>-</u>	<u>-</u>
Total assets	<u>807,364</u>	<u>823,070</u>
Long-term liabilities outstanding	-	-
Other liabilities	<u>1,598</u>	<u>1,380</u>
Total liabilities	<u>1,598</u>	<u>1,380</u>
Net assets:		
Restricted for parks project	714,692	712,172
Unrestricted	<u>91,074</u>	<u>109,518</u>
Total net assets	<u>\$ 805,766</u>	<u>\$ 821,690</u>

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

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

Table 2
Changes in Net Assets

	Governmental Activities	
	2010	2011
Revenues:		
General revenues:		
Sales taxes	\$ 248,317	\$ 258,213
Interest earnings	1,866	965
Transfers in (out)	<u>(92,764)</u>	<u>(164,598)</u>
	157,419	94,580
Expenses:		
Administration	39,806	38,990
Economic Development	<u>429,700</u>	<u>39,666</u>
	<u>469,506</u>	<u>78,656</u>
Change in net assets	(312,087)	15,924
Net assets – October 1 (beginning)	<u>1,117,853</u>	<u>805,766</u>
Net assets – September 30 (ending)	<u>\$ 805,766</u>	<u>\$ 821,690</u>

Financial Analysis of the Government's Funds

Governments Funds. The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Corporation'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.

As of the end of the current period, the Corporation's governmental funds reported combined ending fund balances of \$821,690, an increase of \$15,924 in comparison with the beginning of the period. \$109,518 of this amount constitutes unassigned fund balance, which is available for spending at the Corporation's discretion.

General Fund Budgetary Highlights

During the current year, the Board of Directors of the Corporation did not amend the Corporation's budget.

The original budget reflected that the activity for the year would decrease available fund balance by \$468,529. The available fund balance for the general fund actually increased in the amount of \$15,924. This difference was primarily due to a delay in expending proceeds of the Series 2009 certificates of obligation proceeds transferred in from the City of Lake Dallas in a prior year that are for use in the Willow Grove Park projects.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

Capital Asset and Debt Administration

Capital Assets. During the current fiscal year, the Corporation had no capital assets.

Long-term Debt. During the current fiscal year, the Corporation had no long-term debt.

Economic Factors and Next Year's Budgets

While retail sales didn't produce as strongly as expected in FY 2011, they were 3% higher than the previous year and at least there was improvement. With retail sales taxes coming in so far 10% higher than the previous year and with the completion of Z Flooring and Swisher Courts, these numbers should go much higher.

The CDC has undertaken a major park improvement project that includes a boat ramp, restroom with showers, a new access road and additional parking facilities. The project received Corps of Engineers approval late in the fall and construction began in December, 2011. The funds for this \$662,000 project come from a previous parks bond issue and \$258,000 from the Texas Parks and Wildlife Department boat ramp grant. When this park project is finished, the CDC will still have nearly \$200,000 for other parks and Main Street projects.

In fiscal year 2011, the CDC undertook a larger financial burden for parks maintenance with \$24,000 budgeted to be applied to offset the pay of the parks maintenance lead and \$10,000 for repair parts and equipment for the parks. These contributions will be continued and over time increased as the parks improvements will place further burden on City forces.

By the end of the fiscal year, the CDC reserves ought to be increased by \$60,000 if the parks and Main Street projects are undertaken as budgeted. The CDC's ability to do major projects will be limited in the future since they have obligated \$164,629 annually for debt service for the projects undertaken in the last four years and another \$70,000 for administrative service and parks maintenance. Significant growth in the sales tax receipts will be needed for the CDC to undertake major projects in the near future.

Requests for Information

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

This page left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	<u>Primary Government</u>
	<u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and Investments	\$ 731,192
Receivables:	
Sales taxes	20,579
Due from Lake Dallas EDC	50,000
Due from City of Lake Dallas	<u>21,299</u>
Total Assets	<u>823,070</u>
LIABILITIES	
Accounts Payable	<u>1,380</u>
Total Liabilities	<u>1,380</u>
NET ASSETS	
Restricted for Parks Projects	712,172
Unrestricted Net Assets	<u>109,518</u>
Total Net Assets	<u>\$ 821,690</u>

The accompanying Notes are an integral part of this statement.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

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>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:			
Administration	\$ 38,990	\$ -	\$ -
Community Development	<u>39,666</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>78,656</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 78,656</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES:

Taxes:
 Sales taxes
Interest Earnings
Transfers in (out)
 Total General Revenues

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

\$ (38,990)
(39,666)
(78,656)

(78,656)

258,213
965
(164,598)
94,580

15,924
805,766

\$ 821,690

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and Investments	\$ 731,192	\$ 731,192
Receivables:		
Sales taxes	20,579	20,579
Due from Lake Dallas EDC	50,000	50,000
Due from City of Lake Dallas	<u>21,299</u>	<u>21,299</u>
Total Assets	<u>\$ 823,070</u>	<u>\$ 823,070</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Current Liabilities:		
Accounts Payable	<u>\$ 1,380</u>	<u>\$ 1,380</u>
Total Current Liabilities	<u>1,380</u>	<u>1,380</u>
Fund Balance:		
Restricted for Parks Project	712,172	712,172
Unassigned Fund Balance	<u>109,518</u>	<u>109,518</u>
Total Fund Balance	<u>821,690</u>	<u>821,690</u>
Total Liabilities and Fund Balance	<u>\$ 823,070</u>	<u>\$ 823,070</u>

The accompanying Notes are an integral part of this statement.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total Fund Balances – Governmental Funds	\$ 821,690
Reconciling Items	<u> -0-</u>
Net Assets of Governmental Activities	<u>\$ 821,690</u>

The accompanying Notes are an integral part of this statement.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Sales tax	\$ 258,213	\$ 258,213
Interest income	<u>965</u>	<u>965</u>
Total Revenues	<u>259,178</u>	<u>259,178</u>
 Expenditures:		
Willow Grove Park costs	3,447	3,447
Keep Lake Dallas Beautiful campaign	1,208	1,208
Downtown development costs	2,577	2,577
Legal and audit fees	2,500	2,500
Park maintenance and operations	32,434	32,434
Staff services	36,000	36,000
Dues and membership	255	255
Travel and training	<u>235</u>	<u>235</u>
Total Expenditures	<u>78,656</u>	<u>78,656</u>
Excess of Revenue Over Expenditures	<u>180,522</u>	<u>180,522</u>
 Other Resources (Uses):		
Transfers out	<u>(164,598)</u>	<u>(164,598)</u>
Total Other Resources (Uses)	<u>(164,598)</u>	<u>(164,598)</u>
Net Change in Fund Balance	15,924	15,924
Fund Balance – October 1 (beginning)	<u>805,766</u>	<u>805,766</u>
Fund Balance – September 30 (ending)	<u>\$ 821,690</u>	<u>\$ 821,690</u>

The accompanying Notes are an integral part of this statement.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Total Net Change in Fund Balances – Governmental Funds	\$ 15,924
Reconciling Items	<u>-0-</u>
Change in Net Assets of Governmental Activities	<u>\$ 15,924</u>

The accompanying Notes are an integral part of this statement.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

Lake Dallas Community Development Corporation is a Texas non-profit industrial development corporation formed on January 1, 2003 under the Development Corporation Act of 1979, with the approval of the City Council of the City of Lake Dallas, Texas, and governed by Section 4B of the Act. The Corporation is managed by a seven-member Board of Directors.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

The purpose of the Corporation is to promote economic development within the City of Lake Dallas, Texas in order to eliminate unemployment and underemployment, to promote and encourage employment and the public welfare of the City, and to provide parks, park facilities and municipal buildings such as library facilities by developing, implementing and financing such projects. The primary source of funding for the Corporation is a one-quarter cent sales tax approved by the voters of the City of Lake Dallas in Fall, 2002.

The accompanying financial statements present the Corporation and its component units, entities for which the Corporation is considered to be financially accountable. The criteria for including organizations as component units within the Corporation'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 Corporation holds the corporate powers of the organization
- the Corporation appoints a voting majority of the organization's board
- the Corporation is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Corporation
- there is fiscal dependency by the organization on the Corporation

No component units, as defined by GASB standards, have been identified for inclusion in the reporting entity. However, because the Board of Directors of the Corporation are appointed by and serve at the pleasure of the City Council of the City of Lake Dallas, and because the Corporation exists primarily to benefit the City of Lake Dallas, the Corporation's financial activity is also included as a component unit in the financial statements of the City of Lake Dallas, Texas.

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 Corporation. 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 Corporation 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.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Separate financial statements are provided for governmental 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 Corporation 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. 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 Corporation 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.

Sales taxes and interest associated with the current fiscal period are both considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Corporation. The amount shown as sales tax receivable on the balance sheet consists of sales tax received from the State in October, 2011.

The Corporation reports the following major governmental fund:

General Fund – The General fund accounts for the resources used to finance the fundamental operations of the Corporation. It is the basic fund of the Corporation and includes all activities except those required to be accounted for in another fund. Currently, the Corporation uses no funds other than the General Fund.

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

D. Cash and Investments

The Corporation's cash consists of demand deposits. The Corporation's investments consists of deposits in State investment pools.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

E. 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.

F. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Budgets and Budgetary Accounting

The Corporation follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. A proposed operating budget for the fiscal year commencing the following October 1, is submitted to the City of Lake Dallas City Council. The operating budget includes proposed expenditures and the means of financing them for the general fund.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. The budget is legally enacted through passage of an ordinance.
- d. Any revisions that alter the total expenditures for governmental type funds must be approved by the City of Lake Dallas City Council.

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget was not amended during the year by the Corporation.

H. Fund Balance

Beginning with the fiscal year ending September 30, 2011, the Corporation 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 Corporation 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:

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

- 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 Corporation has no nonspendable fund balance at September 30, 2011.
- 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. The Willow Grove Park project funds are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Directors. The Board of Directors 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 Board 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 Corporation has no committed fund balance at September 30, 2011.
- Assigned: This classification includes amounts that are constrained by the Corporation's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to other individuals in the Corporation. Under the Corporation's adopted policy, only the Board of Directors may assign amounts for specific purposes. The Corporation has assigned no fund balance at September 30, 2011.
- 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 Corporation considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Corporation considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

The policy of the Board of Directors expresses 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 Corporation'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 on page 16.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

2. DEPOSITS AND INVESTMENTS

The Corporation'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 Corporation's agent bank approved pledged securities in an amount sufficient to protect Corporation 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 Corporation's deposits in checking accounts was \$16,460 and the bank balance was \$16,580. The Corporation's cash deposits at September 30, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the Corporation's agent bank in the Corporation'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 Corporation 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 Corporation 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 Corporation to have independent auditors perform test procedures related to investment practices as provided by the Act. The Corporation is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the Corporation 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 Corporation's deposits may not be returned to it. As of September 30, 2011, the Corporation's cash balances totaled \$16,580. This entire amount was either collateralized with securities held by the Corporation's financial institution's agent in the Corporation's name or covered by FDIC insurance. Thus, the Corporation's deposits are not exposed to custodial credit risk.

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Corporation 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 Corporation held all of its investments in the LOGIC and TexStar public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for LOGIC and TexStar at year-end was AAA (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 Corporation 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 LOGIC and TexStar 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 Corporation was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the Corporation'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 Corporation's investment at September 30, 2011 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexStar Investment Pool	\$ 712,184	\$ 712,184
LOGIC Investment Pool	<u>2,548</u>	<u>2,548</u>
Total	<u>\$ 714,732</u>	<u>\$ 714,732</u>

3. EXPENDITURES BY CHARACTER

The format of the Statement of Revenues, Expenditures, and Change in Fund Balance-Governmental Funds shows expenditures classified by project, meaning capital outlay directly associated with a particular project is charged to that account. Expenditures by character are as follows:

Current	\$ 75,209
Capital outlay	<u>3,447</u>
Total	<u>\$ 78,656</u>

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Capital outlay expended by the Corporation during the current year is not considered a capital asset of the Corporation but is capitalized by the City of Lake Dallas as capital assets expended for the City's benefit.

4. TRANSFERS OUT

Transfers out of \$164,598 consists of funds transferred to the City of Lake Dallas, under terms of written agreements with the City, to use in making long-term debt payments on the Series 2006 and Series 2009 Certificates of Obligation. The Corporation has committed to continued future contributions toward the Series 2006 and Series 2009 Certificates of Obligation annual debt service requirements, based on the portion of the proceeds used by the Corporation.

REQUIRED SUPPLEMENTARY INFORMATION

**LAKE DALLAS COMMUNITY
DEVELOPMENT CORPORATION**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL – 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:				
Sales tax	\$ 280,000	\$ 280,000	\$ 258,213	\$ (21,787)
Interest income	-	-	965	965
Park grant contributions	<u>258,000</u>	<u>258,000</u>	-	<u>(258,000)</u>
Total Revenues	<u>538,000</u>	<u>538,000</u>	<u>259,178</u>	<u>(278,822)</u>
Expenditures:				
Community development grants	5,000	5,000	-	5,000
Willow Grove Park costs	758,000	758,000	3,447	754,553
Keep Lake Dallas Beautiful campaign	5,000	5,000	1,208	3,792
Downtown development costs	750	750	2,577	(1,827)
Legal and audit fees	3,000	3,000	2,500	500
Park maintenance and operations	34,000	34,000	32,434	1,566
Staff services	36,000	36,000	36,000	-
Dues and membership	-	-	255	(255)
Travel and training	<u>150</u>	<u>150</u>	<u>235</u>	<u>(85)</u>
Total Expenditures	<u>841,900</u>	<u>841,900</u>	<u>78,656</u>	<u>763,244</u>
Excess of Revenues Over (Under) Expenditures	<u>(303,900)</u>	<u>(303,900)</u>	<u>180,522</u>	<u>484,422</u>
Other Resources (Uses):				
Transfers out	<u>(164,629)</u>	<u>(164,629)</u>	<u>(164,598)</u>	<u>31</u>
Total Other Resources (Uses)	<u>(164,629)</u>	<u>(164,629)</u>	<u>(164,598)</u>	<u>31</u>
Net Change in Fund Balance	(468,529)	(468,529)	15,924	484,453
Fund Balance – October 1 (beginning)	<u>805,766</u>	<u>805,766</u>	<u>805,766</u>	<u>-</u>
Fund Balance – September 30 (ending)	<u>\$ 337,237</u>	<u>\$ 337,237</u>	<u>\$ 821,690</u>	<u>\$ 484,453</u>

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

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TEXAS 76202-0977
TEL. (940) 387-8563
FAX (940) 383-4746

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

Board of Directors
Lake Dallas Community Development Corporation
Lake Dallas, Texas

We have audited the financial statements of the governmental activities and each major fund of the Lake Dallas Community Development Corporation (the "Corporation") as of and for the year ended September 30, 2011, which collectively comprise the Corporation'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 Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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



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

January 6, 2012