

**CITY OF LAKE DALLAS, TEXAS**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2014

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Lake Dallas, Texas

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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 Standard* 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 10 and the budgetary comparison information on page 38, 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 inquiries 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Dallas, Texas's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015 on our consideration of the City of Lake Dallas, Texas's internal control over financial reporting and on our test of its 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* in considering the City of Lake Dallas, Texas's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

January 14, 2015

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014

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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, 2014. 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 and deferred outflows of the City of Lake Dallas exceeded its liabilities at September 30, 2014 by \$5,148,948.
- The City's total net position increased by \$2,497,560.
- As of September 30, 2014, the City of Lake Dallas's governmental funds reported a combined ending fund balance of \$992,237, an increase of \$656,312 in comparison with the beginning of the period.
- The general fund fund balance increased \$582,935, from a deficit of \$37,437 at the beginning of the year to an ending fund balance of \$545,498.

**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 position presents information on all of the City of Lake Dallas's assets, deferred outflows and liabilities, with the difference reported as net position. Over time, increase or decreases in net position 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 position 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 position 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 Position and the Statement of Activities, the City is divided between two kinds of activities:

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014

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

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

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

The City of Lake Dallas maintains three 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 and debt service fund. 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.

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SEPTEMBER 30, 2014

**Government-wide Financial Analysis**

The City's combined net position was \$5,148,948 as of September 30, 2014. 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 position (Table 1) and general revenues (Table 2) and changes in net position (Table 3) of the City's governmental activities.

The largest portion of the City's net position 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 Position

	Governmental Activities	
	2013	2014
Current and other assets	\$ 947,687	\$ 1,401,188
Capital assets	<u>7,681,824</u>	<u>9,248,702</u>
Total assets	<u>8,629,511</u>	<u>10,649,890</u>
Deferred outflows of resources	<u>40,859</u>	<u>36,319</u>
Long-term liabilities outstanding	5,433,398	5,149,931
Other liabilities	<u>585,584</u>	<u>387,330</u>
Total liabilities	<u>6,018,982</u>	<u>5,537,261</u>
Net position:		
Net investment in capital assets	2,501,824	4,420,021
Restricted	212,912	289,922
Unrestricted	<u>(63,348)</u>	<u>439,005</u>
Total net position	<u>\$2,651,388</u>	<u>\$ 5,148,948</u>

**Governmental Activities.** The City's general revenues for governmental activities for the years ended September 30, 2013 and 2014 are detailed below (Table 2).

Table 2  
General Revenues

	2013	2014
Property taxes, levied for general purposes	\$1,701,606	\$1,863,614
Property taxes, levied for debt service	623,589	499,455
Sales taxes	695,042	701,241
Franchise taxes	405,491	386,766
Hotel occupancy taxes	54,755	69,982
Mixed beverage taxes	23,449	18,018
Investment earnings	895	529
Miscellaneous	<u>4,806</u>	<u>4,640</u>
	<u>\$3,509,633</u>	<u>\$3,544,245</u>

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The following table provides a summary of the City's operations for the years ended September 30, 2013 and 2014.

Table 3  
Changes in Net Position

	Governmental Activities	
	2013	2014
Revenues:		
Program revenues:		
Charges for services	\$1,500,354	\$3,483,650
Operating grants and contributions	10,850	18,413
Capital grants and contributions	-	-
General revenues:		
Property taxes	2,325,195	2,363,069
Sales taxes	695,042	701,241
Franchise taxes	405,491	386,766
Hotel occupancy taxes	54,755	69,982
Mixed beverage taxes	23,449	18,018
Investment earnings	895	529
Other	4,806	4,640
	<u>5,020,837</u>	<u>7,046,308</u>
Expenses:		
Administrative	735,967	614,199
Special events	114,787	119,461
Public safety	2,559,337	2,580,088
Animal control	147,662	172,220
Public works - streets	526,243	507,409
Municipal court	164,665	165,790
Parks and recreation	197,007	181,266
Community development	132,715	196,379
Debt service - interest	240,433	208,005
	<u>4,818,816</u>	<u>4,744,817</u>
Special items	6,141	-
Transfers in	215,113	196,069
Change in net position	423,275	2,497,560
Net position – October 1 (beginning)	<u>2,228,113</u>	<u>2,651,388</u>
Net position – September 30 (ending)	<u>\$2,651,388</u>	<u>\$5,148,948</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.

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SEPTEMBER 30, 2014

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As of the end of the current period, the City's governmental funds reported a combined ending fund balance of \$992,237, an increase of \$656,312 in comparison with the beginning of the period. Unassigned fund balance available for spending at the City's discretion was \$539,018. A portion of fund balance is considered nonspendable and not available for new spending because it has already been committed to liquidate prepaid items (\$6,480).

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 \$539,018, while total fund balance was \$545,498. The fund balance of the City's general fund increased by \$582,935 during the current period, due to increased revenue and to expenditure savings in several departments.

**General Fund Budgetary Highlights**

During the current year, the City Council did not amend the budget for the General Fund.

The original budget for the general fund projected that the activity for the year would increase available fund balance by \$84,928. The available fund balance for the general fund actually increased in the amount of \$582,935. This increase was due primarily to higher court and permit revenue received than had been expected, combined with expenditure savings in several departments.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental activities as of September 30, 2014, amount to \$9,248,702 (net of accumulated depreciation). This amount represents a net increase of \$1,566,878, or 20.3 percent, above the beginning of the period. The investment in capital assets includes land, buildings, equipment, vehicles, roads and parks.

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

<u>Description</u>	<u>Amount</u>
Continued work on Lakeview Drive project, paid for with Denton County funding	<u>\$2,044,923</u>
Total	<u>\$2,044,923</u>

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

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	<u>Governmental Activities</u>
Land	\$ 397,872
Buildings and Improvements	2,161,655
Streets and Parks Infrastructure	2,854,805
Equipment and Vehicles	135,682
Construction in Progress	<u>3,698,688</u>
Totals	<u>\$9,248,702</u>

Additional information on the City's capital assets can be found in Note 7 of this report.

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**Long-term Debt.** At the end of the current period, the City had certificates of obligation outstanding of \$2,590,000, accrued compensated absences of \$284,931 and general obligation bonds outstanding of \$2,275,000, for total long-term debt of \$5,149,931. No new debt was incurred during the year.

The City's total debt decreased by \$283,467 during the current period or 5.2%. Additional information on the City's long-term debt can be found in Note 8 of this report.

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

The City of Lake Dallas has made significant strides in overturning the deficit spending of previous years. Over a period of several years the City's financial position was becoming increasingly grim necessitating the borrowing of \$1,175,000 between 2009 and 2011 in order to cover payroll and expenses. In the third year of borrowing, the City was unable to pay a short term loan of \$500,000 and it became necessary to request from the loan institution that the City be allowed to pay the loan over a period of five years, though the lending institution would approve only three. This resulted in a downgrade to the City's bond rating as established by Standard and Poor's and an inability to purchase needed equipment, issue cost of living adjustments or provide pay raises for a period of several years. In addition, the City had no available monies to address potential emergencies.

A number of factors contributed to this poor financial position and the most significant included erroneous over-projections of revenues, under-projection of expenditures and the spending of unbudgeted funds for unbudgeted items, studies and consulting fees. While this was pointed out in the budget messages of the past two years, it continues to be reiterated because the City is still recovering from the financial damage that occurred in those previous years. It became apparent to new administration established in 2013 that a better financial plan was to be enacted or the City could face bankruptcy. For a period of time, in order to immediately reestablish a positive cash flow and support a systematic increase to the fund balance that is instrumental to the City's survival, new budgeting strategies were considered and set in motion. The strategy was a simple return to basics that provided for the realistic projection of revenues and expenditures; refusing to buy what was not budgeted; and to hold the line on day to day expenses when possible. The same strategy was shared by the EDC because of past actions that created a negative position for that corporation as well. While some critics complained that the City or EDC were not encouraging business growth or opportunities, the reality was that the City was fighting for survival and in the absence of these actions failure was imminent.

Because of the change in strategy, over the last two years the City was able to overcome a \$500,000 deficit; paid back the three year loan one year early; provided an employee bonus of three percent in 2014 and a salary increase of 5% in 2015 because employees had received no increases for several years; and will be able to replace much needed equipment in the 2015 budget. In addition, the City's Standard and Poor's bond rating has been raised two steps and it now finds itself with a \$500,000 reserve in the fund balance. Because of the new propositions approved by voters in the November, 2014 Election, the City will now be able to incrementally decrease property taxes over a period of years and enact a road improvement program paid by ¼ of one percent sales tax proceeds. It was originally believed that this recovery was expected to take many years but it occurred in less than three. Simply, attention to this City's financial health has become a priority for City Council and management alike and will result in lower taxes, better roads and better services, and the City can continue to encourage new development through the Community Development Corporation that is in a strong financial position and capable of assisting business development as well as infrastructure improvements and community based recreational facilities and services.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014

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**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.

**BASIC FINANCIAL STATEMENTS**

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	<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	\$ 881,075	\$ 325,280	\$ 393,422
Receivables (net of allowance for uncollectibles):			
Taxes – Ad Valorem	53,465	-	-
Taxes – Sales	126,590	63,295	63,295
Taxes - Franchise	26,627	-	-
Taxes- Occupancy	18,925	-	-
Taxes – Mixed Beverage	4,483	-	-
Other	6,411	-	-
Due from Denton County	273,592	-	-
Prepaid Expenses	6,480	-	-
Internal Balances	3,540	236	(3,776)
Capital Assets:			
Land	397,872	135,988	-
Buildings and Improvements, net	2,161,655	-	-
Streets and Parks Infrastructure, net	2,854,805	-	-
Equipment and Vehicles, net	135,682	-	-
Construction in Progress	<u>3,698,688</u>	<u>-</u>	<u>-</u>
Total Assets	<u>10,649,890</u>	<u>524,799</u>	<u>452,941</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on bond refunding	<u>36,319</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>36,319</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts Payable	221,650	-	1,383
Accrued Wages Payable	13,460	-	-
Accrued Interest Payable	29,215	-	-
State Court Costs Payable	72,442	-	-
Other Liabilities	50,563	-	-
Noncurrent Liabilities:			
Due within one year	325,000	-	-
Due in more than one year	<u>4,824,931</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>5,537,261</u>	<u>-</u>	<u>1,383</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,420,021	135,988	-
Restricted for:			
Community Development	-	-	451,558
Economic Development	-	388,811	-
Court Security and Technology	47,100	-	-
Other Purposes	242,822	-	-
Unrestricted Net Position	<u>439,005</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$5,148,948</u>	<u>\$ 524,799</u>	<u>\$ 451,558</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, 2014

<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	\$ 614,199	\$ 130,613	\$ -	\$ -
Community Relations	119,461	40,997	-	-
Public Safety	2,580,088	723,148	10,659	-
Animal Control	172,220	12,727	7,754	-
Public Works - Streets	507,409	2,077,294	-	-
Municipal Court	165,790	165,790	-	-
Parks and Recreation	181,266	92,191	-	-
Community Development	196,379	240,890	-	-
Debt Service - Interest and Fees	<u>208,005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>4,744,817</u>	<u>3,483,650</u>	<u>18,413</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$4,744,817</u></b>	<b><u>\$3,483,650</u></b>	<b><u>\$ 18,413</u></b>	<b><u>\$ -</u></b>
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	\$ 54,994	\$ -	\$ -	\$ -
Community Development Corporation	<u>147,802</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPONENT UNITS</b>	<b><u>\$ 202,796</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

Miscellaneous

Transfers in (out)

Total General Revenues

Change in Net Position

NET POSITION, October 1 (beginning)

NET POSITION, September 30 (ending)

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Component Units	
	Economic Development Corp	Community Development Corp
\$ (483,586)	\$ -	\$ -
(78,464)	-	-
(1,846,281)	-	-
(151,739)	-	-
1,569,885	-	-
-	-	-
(89,075)	-	-
44,511	-	-
<u>(208,005)</u>	<u>-</u>	<u>-</u>
<u>(1,242,754)</u>	<u>-</u>	<u>-</u>
 <u>(1,242,754)</u>	 <u>-</u>	 <u>-</u>
 -	 (54,994)	 -
<u>-</u>	<u>-</u>	<u>(147,802)</u>
 <u>-</u>	 <u>(54,994)</u>	 <u>(147,802)</u>
 1,863,614	 -	 -
499,455	-	-
701,241	350,620	350,620
386,766	-	-
69,982	-	-
18,018	-	-
529	195	292
4,640	-	-
<u>196,069</u>	<u>(80,934)</u>	<u>(115,135)</u>
<u>3,740,314</u>	<u>269,811</u>	<u>235,777</u>
 2,497,560	 214,887	 87,975
<u>2,651,388</u>	<u>309,912</u>	<u>363,583</u>
 <u>\$5,148,948</u>	 <u>\$ 524,799</u>	 <u>\$ 451,558</u>

CITY OF LAKE DALLAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$434,916	\$138,493	\$307,666	\$ 881,075
Receivables (net of allowances for uncollectibles):				
Ad Valorem tax	42,283	11,182	-	53,465
Sales tax	126,590	-	-	126,590
Franchise tax	26,627	-	-	26,627
Occupancy tax	18,925	-	-	18,925
Mixed beverage tax	4,483	-	-	4,483
Other	6,411	-	-	6,411
Due from Denton County	273,592	-	-	273,592
Due from EDC/CDC	3,776	-	-	3,776
Prepaid costs	<u>6,480</u>	<u>-</u>	<u>-</u>	<u>6,480</u>
Total Assets	<u>\$944,083</u>	<u>\$149,675</u>	<u>\$307,666</u>	<u>\$1,401,424</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 221,650	\$ -	\$ -	\$ 221,650
Accrued wages payable	13,460	-	-	13,460
State court costs payable	72,442	-	-	72,442
Other liabilities	50,563	-	-	50,563
Due to EDC/CDC	<u>236</u>	<u>-</u>	<u>-</u>	<u>236</u>
Total Liabilities	<u>358,351</u>	<u>-</u>	<u>-</u>	<u>358,351</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue-Property Taxes	<u>40,234</u>	<u>10,602</u>	<u>-</u>	<u>50,836</u>
Total Deferred Inflows of Resources	<u>40,234</u>	<u>10,602</u>	<u>-</u>	<u>50,836</u>
<b>Fund Balances:</b>				
<b>Nonspendable fund balance:</b>				
Prepaid costs	6,480	-	-	6,480
<b>Restricted fund balance:</b>				
Restricted for debt service	-	139,073	-	139,073
Restricted for court security/technology	-	-	47,100	47,100
Restricted for other purposes	-	-	242,822	242,822
Assigned fund balance	-	-	17,744	17,744
Unassigned fund balance	<u>539,018</u>	<u>-</u>	<u>-</u>	<u>539,018</u>
Total Fund Balances	<u>545,498</u>	<u>139,073</u>	<u>307,666</u>	<u>992,237</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$944,083</u>	<u>\$149,675</u>	<u>\$307,666</u>	<u>\$1,401,424</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 POSITION  
SEPTEMBER 30, 2014

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<b>Total Fund Balance – Governmental Funds</b>	\$ 992,237
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	14,677,450
Accumulated depreciation is not reported in the fund financial statements.	(5,428,748)
Bonds payable, certificates of obligation payable and compensated absences payable are not reported in the fund financial statements.	(5,149,931)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(29,215)
Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	50,836
Deferred charge on bond refundings is not recognized in the fund financial statements.	<u>36,319</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 5,148,948</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, 2014

	GENERAL FUND	DEBT SERVICE FUND	OTHER FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Revenues:</b>				
Taxes (ad valorem, sales and other)	\$ 3,039,713	\$ 500,172	\$ -	\$ 3,539,885
Special assessments	3,146	-	-	3,146
Licenses and permits	252,109	-	-	252,109
Charges for services	2,378,147	-	64,640	2,442,787
Fines and fees	709,565	-	76,043	785,608
Donations and grants	-	-	18,413	18,413
Interest	315	-	214	529
Miscellaneous revenues	4,640	-	-	4,640
Total Revenues	<u>6,387,635</u>	<u>500,172</u>	<u>159,310</u>	<u>7,047,117</u>
<b>Expenditures:</b>				
General government	593,199	-	-	593,199
Community relations	119,726	-	-	119,726
Public safety	2,441,982	-	14,204	2,456,186
Animal control	142,619	-	6,863	149,482
Public works – streets	261,144	-	-	261,144
Municipal court	144,024	-	15,214	159,238
Parks and recreation	55,622	-	18,988	74,610
Community development	192,211	-	608	192,819
Capital outlay	2,061,520	-	4,233	2,065,753
Debt service:				
Principal retirement	-	315,000	-	315,000
Interest and fees	12,722	186,995	-	199,717
Total Expenditures	<u>6,024,769</u>	<u>501,995</u>	<u>60,110</u>	<u>6,586,874</u>
Excess of Revenues Over (Under) Expenditures	<u>362,866</u>	<u>(1,823)</u>	<u>99,200</u>	<u>460,243</u>
<b>Other Financing Resources (Uses):</b>				
Transfers out	-	-	(24,000)	(24,000)
Transfers in	220,069	-	-	220,069
Total Other Financing Resources (Uses)	<u>220,069</u>	<u>-</u>	<u>(24,000)</u>	<u>196,069</u>
Net Change in Fund Balance	582,935	(1,823)	75,200	656,312
Fund Balance (Deficit) - October 1 (beginning)	<u>(37,437)</u>	<u>140,896</u>	<u>232,466</u>	<u>335,925</u>
Fund Balance - September 30 (ending)	<u>\$ 545,498</u>	<u>\$ 139,073</u>	<u>\$ 307,666</u>	<u>\$ 992,237</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, 2014

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<b>Total Net Change in Fund Balances – Governmental Funds</b>	<b>\$ 656,312</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.	315,000
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 position.	2,065,753
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 position in the government-wide financial statements.	(498,875)
Interest is accrued on outstanding debt in the government-side financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(3,748)
Revenues from property taxes are recorded as unavailable 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.	(809)
Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(4,540)
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>(31,533)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$2,497,560</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, 2014

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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, 2014

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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, 2014 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 Position and the Statement of Activities) 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, 2014

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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, 2014

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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 unavailable 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, 2014

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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 Position**

Net position represents the difference between assets, deferred outflows of resources and liabilities. Net investment in capital assets 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 position is 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, 2014

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## 2. ADOPTION OF NEW ACCOUNTING STANDARDS

In 2013, the City implemented GASB Statement Numbers 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and 65, Items Previously Reported as Assets and Liabilities. These two statements:

- Defined transactions that result in the consumption of net assets in one period that are applicable to a future period as “deferred outflows of resources.”
- Defined transactions that result in the acquisition of net assets in one period that are applicable to a future period as “deferred inflows of resources.”
- Defined the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as “net position.”
- Required certain items previously reported as assets and liabilities that meet the definition of deferred outflows or inflows of resources to be retroactively reclassified in the Statements of Net Position and Balance Sheets, if practical, for all prior periods presented.

The effects of these two changes in accounting principle on the City's financial statements are:

- Governmental fund financial statements
  - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.
- Government-wide financial statements
  - Reclassify bond issuance costs previously reported as assets to expenses of the period in which they were incurred, resulting in an adjustment to beginning net position.
  - For refunded debt, record the difference between the reacquisition price and the net carrying amount of the refunded debt as a deferred resource outflow or inflow, as appropriate, and amortize the balance as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

## 3. 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.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**1. Cash Deposits:**

At September 30, 2014, the carrying amount of the City's deposits in checking accounts and interest-bearing savings accounts was \$40,069 and the bank balance was \$47,576. The City's cash deposits at September 30, 2014 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, 2014, the City's cash balances totaled \$47,576. 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, 2014, the City held all of its investments in three public funds investment pools – Texpool, TexStar and LOGIC. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The City has no policy relating to the credit risk of investments. The credit quality rating for LOGIC at year-end was AAA (Standard & Poor's) and for TexPool and TexStar were AAAM (Standard & Poor's).

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

- 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, 2014, 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, 2014 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	\$ 429,231	\$ 429,231
LOGIC Investment Pool	358,452	358,452
TexStar Investment Pool	<u>46,989</u>	<u>46,989</u>
Total	<u>\$ 834,672</u>	<u>\$ 834,672</u>

#### 4. FUND BALANCE

The City has 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.
- 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.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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- 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, 2014.
- 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.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

### **General Fund**

The General Fund has unassigned fund balance of \$539,018 at September 30, 2014. Prepaid costs of \$6,480 are considered nonspendable fund balance.

### **Special Revenue Funds**

The fund balances of the Court Technology Fund and Court Security Fund (totaling \$47,100) 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, Police Auction Fund, Forensic Testing Fund and Willow Grove Camping Fees Fund (totaling \$242,822) are shown as restricted for those purposes also. The fund balances of the Kids N Cops Fund and Animal Rescue Fund (totaling \$17,744) have been assigned for use in the activities that generated those funds.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**Debt Service Funds**

The Debt Service Fund has restricted fund balance of \$139,073 at September 30, 2014 that is restricted by law for use in retiring long-term debt.

**5. RECEIVABLES**

Government-wide receivables as of September 30, 2014, 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	\$ 55,636	\$ 14,713	\$ 70,349
Sales taxes	126,590	-	126,590
Occupancy tax	18,925	-	18,925
Mixed beverage tax	4,483	-	4,483
Franchise tax	26,627	-	26,627
Other	<u>6,411</u>	<u>-</u>	<u>6,411</u>
Gross Receivables	238,672	14,713	253,385
Less: Uncollectible allowance	<u>13,353</u>	<u>3,531</u>	<u>16,884</u>
Net Total Receivables	<u>\$225,319</u>	<u>\$ 11,182</u>	<u>\$236,501</u>

Governmental funds report unearned 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 unavailable revenue reported in the governmental funds relates to delinquent property taxes.

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

There were no amounts due from and due to other funds at September 30, 2014.

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 - \$115,135.
- Transfers from Lake Dallas Economic Development Corporation to the general fund as reimbursement of payments of long-term debt - \$80,934.
- Transfer from the Willow Grove Camping Fees special revenue fund to the general fund for administrative fees- \$24,000.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**7. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 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>1,653,765</u>	<u>2,044,923</u>	<u>-</u>	<u>3,698,688</u>
Total capital assets, not being depreciated	<u>2,051,637</u>	<u>2,044,923</u>	<u>-</u>	<u>4,096,560</u>
Capital assets, being depreciated:				
Buildings and Improvements	3,019,612	1,836	-	3,021,448
Street and Parks	6,242,301	-	-	6,242,301
Equipment and Vehicles	<u>1,298,147</u>	<u>18,994</u>	<u>-</u>	<u>1,317,141</u>
Total capital assets, being depreciated	<u>10,560,060</u>	<u>20,830</u>	<u>-</u>	<u>10,580,890</u>
Less accumulated depreciation for:				
Buildings and Improvements	(784,574)	(75,219)	-	(859,793)
Street and Parks	(3,057,442)	(330,054)	-	(3,387,496)
Equipment and Vehicles	<u>(1,087,857)</u>	<u>(93,602)</u>	<u>-</u>	<u>(1,181,459)</u>
Total accumulated depreciation	<u>(4,929,873)</u>	<u>(498,875)</u>	<u>-</u>	<u>(5,428,748)</u>
Total capital assets, being depreciated, net	<u>5,630,187</u>	<u>(478,045)</u>	<u>-</u>	<u>5,152,142</u>
Governmental activities capital assets, net	<u>\$7,681,824</u>	<u>\$1,566,878</u>	<u>\$ -</u>	<u>\$9,248,702</u>

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

Governmental Activities:	
General Government	\$ 22,028
Public Safety	103,684
Animal Control	20,041
Public Works-Streets	244,417
Municipal Court	3,039
Parks and Recreation	105,066
Community Development	<u>600</u>
Total depreciation expense – Governmental activities	<u>\$498,875</u>

**8. LONG TERM DEBT**

Long term debt of the City consists of three general obligation bond series, four 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, 2014

The following is a summary of the changes in the City's Long-term Debt for the year ended September 30, 2014:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/13</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 09/30/14</u>	<u>Due Within One Year</u>
<b>Bonded Indebtedness:</b>						
2008 General Obligation	4.21%	\$ 840,000	\$ -	\$ 40,000	\$ 800,000	\$ 45,000
2009 General Obligation	2.5-3.375%	715,000	-	135,000	580,000	140,000
2012 General Obligation	1.499%	<u>895,000</u>	-	-	<u>895,000</u>	-
<b>Total Bonded Indebtedness</b>		<u>2,450,000</u>	-	<u>175,000</u>	<u>2,275,000</u>	<u>185,000</u>
<b>Certificates of Obligation:</b>						
2006 Series	4.24%	910,000	-	-	910,000	-
2008 Series	4.204%	120,000	-	60,000	60,000	60,000
2008 A Series	4.199%	710,000	-	35,000	675,000	35,000
2009 Series	4.26%	<u>990,000</u>	-	<u>45,000</u>	<u>945,000</u>	<u>45,000</u>
<b>Total Cert. of Obligation</b>		<u>2,730,000</u>	-	<u>140,000</u>	<u>2,590,000</u>	<u>140,000</u>
Compensated Absences		<u>253,398</u>	<u>31,533</u>	-	<u>284,931</u>	-
<b>Total Long-Term Debt</b>		<u>\$5,433,398</u>	<u>\$ 31,533</u>	<u>\$ 315,000</u>	<u>\$5,149,931</u>	<u>\$325,000</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.

**9. DEBT SERVICE REQUIREMENTS TO MATURITY**

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
September 30,			
2015	\$ 185,000	\$ 65,424	\$ 250,424
2016	190,000	59,329	249,329
2017	410,000	53,085	463,085
2018	340,000	43,180	383,180
2019	195,000	33,913	228,913
2020-2024	675,000	106,363	781,363
2025-2028	<u>280,000</u>	<u>30,103</u>	<u>310,103</u>
<b>Total</b>	<u>\$2,275,000</u>	<u>\$ 391,397</u>	<u>\$2,666,397</u>

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
September 30,			
2015	\$ 140,000	\$ 109,717	\$ 249,717
2016	90,000	103,804	193,804
2017	90,000	99,994	189,994
2018	180,000	96,184	276,184
2019	190,000	88,557	278,557
2020-2024	1,050,000	317,809	1,367,809
2025-2029	<u>850,000</u>	<u>90,316</u>	<u>940,316</u>
Total	<u>\$2,590,000</u>	<u>\$ 906,381</u>	<u>\$3,496,381</u>

**10. DEFEASED BONDS OUTSTANDING**

In prior years, the City issued refunding bonds to defease outstanding bonds for the purpose of consolidation and to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2014, \$635,000 of bonds outstanding are considered defeased.

**11. SHORT-TERM FINANCING**

Short-term financing during the year consisted of a line of credit obtained at Northstar Bank, upon which the City made periodic draws when needed for cash flow purposes. The line of credit was paid in full during the current fiscal year. A summary of the activity on the line of credit during the fiscal year ended September 30, 2014 is as follows:

<u>Description</u>	<u>Interest</u> <u>Rate</u> <u>Payable</u>	<u>Amounts</u> <u>Outstanding</u> <u>10/01/13</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts</u> <u>Outstanding</u> <u>09/30/14</u>
Line of credit	6.0%	<u>\$333,333</u>	<u>\$ -</u>	<u>\$ 333,333</u>	<u>\$ -</u>

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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**12. EMPLOYEE RETIREMENT PLAN**

**Plan Description**

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

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

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

	Plan Year 2013	Plan Year 2014
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:

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

1. Annual Required Contribution (ARC)	\$237,139
2. Annual Pension Cost (APC)	237,139
3. Contributions Made	<u>(237,139)</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 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	26.4 years - closed period	25.5 years - closed period	27.0 years - closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	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, 2013, 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
12/31/2013	\$6,109,931	\$7,059,920	86.5%	\$949,989	\$1,712,325	55.5%

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.

**13. 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, 2014 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.

**14. 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.

**15. SUBSEQUENT EVENTS**

Management has reviewed events subsequent to September 30, 2014 through January 14, 2015, which is the date the financial statements were available to be issued. No events were identified that are required to be disclosed in the financial statements:

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**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF LAKE DALLAS, TEXAS  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes (ad valorem, sales and other)	\$ 3,034,300	\$ 3,034,300	\$ 3,039,713	\$ 5,413
Special assessments	1,000	1,000	3,146	2,146
Licenses and permits	76,013	76,013	252,109	176,096
Charges for services	290,962	290,962	2,378,147	2,087,185
Fines	631,000	631,000	709,565	78,565
Interest	-	-	315	315
Miscellaneous revenue	1,000	1,000	4,640	3,640
Total Revenues	<u>4,034,275</u>	<u>4,034,275</u>	<u>6,387,635</u>	<u>2,353,360</u>
<b>Expenditures:</b>				
Current:				
General government	574,850	574,850	593,199	(18,349)
Community relations	126,860	126,860	119,726	7,134
Public safety	2,490,973	2,490,973	2,441,982	48,991
Animal control	127,344	127,344	142,619	(15,275)
Public works-streets	295,425	295,425	261,144	34,281
Municipal court	132,226	132,226	144,024	(11,798)
Parks and recreation	54,217	54,217	55,622	(1,405)
Community development	146,908	146,908	192,211	(45,303)
Capital Outlay	19,650	19,650	2,061,520	(2,041,870)
Debt service:				
Principal	166,667	166,667	-	166,667
Interest	10,333	10,333	12,722	(2,389)
Total Expenditures	<u>4,145,453</u>	<u>4,145,453</u>	<u>6,024,769</u>	<u>(1,879,316)</u>
Excess of Revenues over (under) Expenditures	<u>(111,178)</u>	<u>(111,178)</u>	<u>362,866</u>	<u>474,044</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>196,106</u>	<u>196,106</u>	<u>220,069</u>	<u>23,963</u>
Total Other Financing Sources (Uses)	<u>196,106</u>	<u>196,106</u>	<u>220,069</u>	<u>23,963</u>
Net Change in Fund Balance	84,928	84,928	582,935	498,007
Fund Balance (Deficit) – October 1 (beginning)	<u>(37,437)</u>	<u>(37,437)</u>	<u>(37,437)</u>	<u>-</u>
Fund Balance – September 30 (ending)	<u>\$ 47,491</u>	<u>\$ 47,491</u>	<u>\$ 545,498</u>	<u>\$ 498,007</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 434,916	\$ 332,742
Receivables:		
Ad valorem tax	42,283	42,773
Sales tax	126,590	128,647
Franchise tax	26,627	24,588
Occupancy tax	18,925	17,638
Mixed beverage tax	4,483	5,358
Other	6,411	4,693
Due from Denton County	273,592	-
Due from EDC/CDC	3,776	1,038
Prepaid costs	6,480	5,765
<b>TOTAL ASSETS</b>	<u>\$ 944,083</u>	<u>\$ 563,242</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 221,650	\$ 76,859
Accrued wages payable	13,460	6,126
Court costs payable	72,442	79,324
Other liabilities	50,563	64,475
Due to EDC/CDC	236	236
Short-term loan payable	-	333,333
<b>Total Liabilities</b>	<u>358,351</u>	<u>560,353</u>
Deferred Inflows of Resources:		
Unavailable revenue-property taxes	40,234	40,326
<b>Total Deferred Inflows of Resources</b>	<u>40,234</u>	<u>40,326</u>
Fund Balance:		
Nonspendable	6,480	5,765
Unassigned	539,018	(43,202)
<b>Total Fund Balance (Deficit)</b>	<u>545,498</u>	<u>(37,437)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 944,083</u>	<u>\$ 563,242</u>

## CITY OF LAKE DALLAS, TEXAS

## GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUES:		
Taxes:		
Property	\$ 1,863,706	\$ 1,699,296
Sales	701,241	695,042
Hotel occupancy tax	69,982	54,755
Mixed beverage	18,018	23,449
Franchise	386,766	405,491
Special assessments	3,146	2,941
License and permits	252,109	104,612
Charges for services	2,378,147	666,419
Fines	709,565	603,850
Interest	315	614
Miscellaneous	4,640	4,806
Total Revenues	<u>6,387,635</u>	<u>4,261,275</u>
EXPENDITURES:		
Current:		
General government	593,199	724,877
Community relations	119,726	114,787
Public safety	2,441,982	2,416,464
Animal control	142,619	121,759
Public works – streets	261,144	298,780
Municipal court	144,024	143,340
Parks and recreation	55,622	69,707
Community development	192,211	134,112
Capital outlay	2,061,520	239,825
Debt service:		
Interest	12,722	24,083
Total Expenditures	<u>6,024,769</u>	<u>4,287,734</u>
Excess of Revenues over (under) Expenditures	<u>362,866</u>	<u>(26,459)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	220,069	224,424
Transfers out	-	(9,311)
Sale of assets	-	8,000
Total Other Financing Sources (Uses)	<u>220,069</u>	<u>223,113</u>
Net Change in Fund Balance	582,935	196,654
Fund Balance (Deficit) - October 1 (beginning)	<u>(37,437)</u>	<u>(234,091)</u>
Fund Balance (Deficit) - September 30 (Ending)	<u>\$ 545,498</u>	<u>\$ (37,437)</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
Ad valorem tax	\$ 1,919,800	\$ 1,863,706	\$ (56,094)	\$ 1,699,296
Sales tax	680,000	701,241	21,241	695,042
Mixed beverage tax	14,000	18,018	4,018	23,449
Hotel occupancy tax	50,000	69,982	19,982	54,755
Franchise tax	370,500	386,766	16,266	405,491
Solid waste billings	-	-	-	176,310
Court fines and fees	631,000	709,565	78,565	603,850
Building permits	30,000	125,513	95,513	42,341
Park improvement fees	1,000	3,146	2,146	2,941
Lakeview Drive funding	-	2,077,294	2,077,294	212,425
Other permits and fees	46,013	126,596	80,583	62,271
School resource officer reimbursements	45,052	45,052	-	42,907
Rent - Lake Cities Library	40,570	40,570	-	40,570
Rent - fire station	41,640	41,527	(113)	40,435
Other rentals	2,300	2,485	185	1,953
Parks maintenance	30,000	30,000	-	30,000
Staff/office services - EDC/CDC	84,000	84,000	-	72,000
Interest earned	-	315	315	614
Mowing	4,000	3,495	(505)	4,772
Animal services	10,000	12,727	2,727	12,572
Special events	33,400	40,997	7,597	32,475
Other revenue	1,000	4,640	3,640	4,806
<b>TOTAL REVENUE</b>	<b><u>\$ 4,034,275</u></b>	<b><u>\$ 6,387,635</u></b>	<b><u>\$ 2,353,360</u></b>	<b><u>\$ 4,261,275</u></b>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
<b>GENERAL GOVERNMENT:</b>				
<b>Personnel:</b>				
Salaries	\$ 188,642	\$ 195,285	\$ (6,643)	\$ 201,860
Retirement	25,571	21,942	3,629	25,975
Longevity pay	1,404	1,404	-	1,848
Insurance	13,730	14,651	(921)	12,814
Payroll taxes	2,753	3,186	(433)	3,597
<b>Total Personnel</b>	<u>232,100</u>	<u>236,468</u>	<u>(4,368)</u>	<u>246,094</u>
<b>Supplies, Repairs and Services:</b>				
Insurance	42,000	38,932	3,068	35,200
Office expense	5,000	4,021	979	5,153
Operating supplies	3,500	4,294	(794)	4,254
Travel	2,100	1,819	281	2,030
Continuing education	750	583	167	1,512
Election expense	5,000	-	5,000	-
Ads and public notices	2,500	2,438	62	3,119
Publications	200	14	186	107
Printing	2,000	1,138	862	638
Dues and memberships	4,000	2,866	1,134	2,855
Postage	8,000	7,181	819	7,923
Telephone and utilities	35,000	43,076	(8,076)	39,872
Professional services	45,000	64,970	(19,970)	29,056
Solid waste billing	-	-	-	161,014
Tax appraisal/collection	22,500	20,446	2,054	21,381
Legal services	19,000	15,296	3,704	11,970
Council and committees	5,000	7,076	(2,076)	5,112
Scholarship	1,000	-	1,000	-
Maintenance and repair - building	22,000	22,825	(825)	21,113
Maintenance and repair - equipment	11,800	12,272	(472)	9,598
Equipment rental	5,400	5,371	29	8,062
Equipment supplies	-	490	(490)	4,770
SPAN	-	-	-	1,900
Lake Cities Library	100,000	100,000	-	100,000
Miscellaneous	1,000	1,623	(623)	2,144
<b>Total Supplies, Repairs and Services</b>	<u>342,750</u>	<u>356,731</u>	<u>(13,981)</u>	<u>478,783</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>574,850</u>	<u>593,199</u>	<u>(18,349)</u>	<u>724,877</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
<b>COMMUNITY RELATIONS:</b>				
Personnel:				
Salaries	\$ 54,650	\$ 51,211	\$ 3,439	\$ 50,894
Retirement	6,292	6,339	(47)	6,673
Insurance	6,624	1,507	5,117	6,382
Payroll taxes	744	941	(197)	819
Total Personnel	<u>68,310</u>	<u>59,998</u>	<u>8,312</u>	<u>64,768</u>
Supplies, Repairs and Services:				
Supplies	500	61	439	553
Office expense	350	472	(122)	930
Travel	300	248	52	83
Continuing education	500	373	127	30
Printing	1,000	774	226	215
Advertising	4,000	2,085	1,915	869
Dues and memberships	500	914	(414)	400
Telephone	400	378	22	431
Fireworks contribution	24,500	24,950	(450)	24,500
Community events	22,500	27,387	(4,887)	18,025
Rentals	4,000	2,086	1,914	3,983
Total Supplies, Repairs and Services	<u>58,550</u>	<u>59,728</u>	<u>(1,178)</u>	<u>50,019</u>
			-	
<b>TOTAL COMMUNITY RELATIONS</b>	<u>126,860</u>	<u>119,726</u>	<u>7,134</u>	<u>114,787</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
<b>PUBLIC SAFETY:</b>				
Police Department:				
Personnel:				
Salaries	\$ 1,112,829	\$ 1,092,068	\$ 20,761	\$ 1,098,448
Retirement	144,605	152,515	(7,910)	153,764
Longevity pay	10,224	10,152	72	11,628
Insurance	142,750	127,005	15,745	123,923
Payroll taxes	16,931	20,712	(3,781)	17,571
Total Personnel	<u>1,427,339</u>	<u>1,402,452</u>	<u>24,887</u>	<u>1,405,334</u>
Supplies, Repairs and Services:				
Office expense	5,600	5,337	263	5,349
Supplies	6,000	6,023	(23)	18,582
Travel expense	1,000	313	687	1,409
Continuing education	800	46	754	370
Miscellaneous expense	500	532	(32)	250
Ads and public notices	800	137	663	308
Publications	800	560	240	144
Dues and memberships	500	292	208	374
Uniforms	4,000	4,263	(263)	3,197
Telephone	9,000	10,269	(1,269)	9,388
Professional services	36,000	26,397	9,603	26,040
Detention expenses	1,500	1,790	(290)	1,509
Maintenance and repair - equipment	7,000	7,490	(490)	5,769
Maintenance and repair - vehicles	16,000	20,645	(4,645)	14,296
Gas and oil	33,000	34,119	(1,119)	38,065
Total Supplies, Repairs and Services	<u>122,500</u>	<u>118,213</u>	<u>4,287</u>	<u>125,050</u>
Total Police Department	<u>1,549,839</u>	<u>1,520,665</u>	<u>29,174</u>	<u>1,530,384</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
Fire Department:				
Contribution for services	\$ 941,134	\$ 921,317	\$ 19,817	\$ 886,080
Total Fire Department	<u>941,134</u>	<u>921,317</u>	<u>19,817</u>	<u>886,080</u>
TOTAL PUBLIC SAFETY	<u>2,490,973</u>	<u>2,441,982</u>	<u>48,991</u>	<u>2,416,464</u>
ANIMAL CONTROL:				
Personnel:				
Salaries	76,734	86,552	(9,818)	75,640
Retirement	10,168	10,953	(785)	9,599
Insurance	14,540	13,911	629	13,042
Payroll taxes	1,102	2,107	(1,005)	1,386
Total Personnel	<u>102,544</u>	<u>113,523</u>	<u>(10,979)</u>	<u>99,667</u>
Office expense	700	1,190	(490)	1,216
Supplies	3,500	5,005	(1,505)	3,881
Travel	100	69	31	76
Continuing education	250	275	(25)	125
Printing	100	-	100	-
Dues and memberships	-	45	(45)	45
Uniforms	300	665	(365)	386
Telephone	1,600	1,390	210	805
Professional services	300	501	(201)	710
Utilities	10,000	11,694	(1,694)	10,303
Land lease	1,250	1,200	50	1,200
Maintenance and repair - building	3,500	4,069	(569)	1,310
Maintenance and repair - equipment	600	224	376	10
Maintenance and repair - vehicles	600	1,180	(580)	214
Gas and oil	2,000	1,589	411	1,811
Total Supplies, Repairs and Services	<u>24,800</u>	<u>29,096</u>	<u>(4,296)</u>	<u>22,092</u>
TOTAL ANIMAL CONTROL	<u>127,344</u>	<u>142,619</u>	<u>(15,275)</u>	<u>121,759</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
<b>PUBLIC WORKS:</b>				
Street Department:				
Personnel:				
Salaries	\$ 122,000	\$ 116,558	\$ 5,442	\$ 140,613
Retirement	16,210	15,934	276	18,915
Longevity pay	1,362	546	816	3,618
Insurance	23,786	23,943	(157)	21,610
Payroll taxes	1,767	2,394	(627)	2,446
Total Personnel	<u>165,125</u>	<u>159,375</u>	<u>5,750</u>	<u>187,202</u>
Supplies	2,000	1,383	617	8,689
Advertising	200	251	(51)	868
Continuing education	400	-	400	335
Dues and memberships	200	-	200	205
Uniforms	1,800	1,941	(141)	1,568
Telephone	1,200	1,616	(416)	970
Street lighting	46,000	64,718	(18,718)	62,038
Professional services	-	-	-	161
Street signs	12,000	7,017	4,983	3,647
Maintenance and repair - building	1,000	436	564	378
Maintenance and repair - equipment	4,000	2,959	1,041	5,196
Maintenance and repair- vehicle	2,500	2,005	495	4,536
Maintenance - drainage	2,000	23	1,977	348
Maintenance - sidewalks	2,000	1,600	400	400
Maintenance - streets	50,000	11,941	38,059	16,673
Gas and oil	5,000	5,879	(879)	5,566
Total Supplies, Repairs and Services	<u>130,300</u>	<u>101,769</u>	<u>28,531</u>	<u>111,578</u>
<b>TOTAL PUBLIC WORKS</b>	<u>295,425</u>	<u>261,144</u>	<u>34,281</u>	<u>298,780</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
<b>MUNICIPAL COURT:</b>				
Personnel:				
Salaries	\$ 79,114	\$ 79,311	\$ (197)	\$ 85,382
Retirement	10,540	11,816	(1,276)	11,374
Insurance	13,027	12,078	949	11,955
Payroll taxes	<u>1,145</u>	<u>1,710</u>	<u>(565)</u>	<u>1,486</u>
Total Personnel	<u>103,826</u>	<u>104,915</u>	<u>(1,089)</u>	<u>110,197</u>
Supplies, Repairs and Services:				
Supplies	550	1,170	(620)	898
Travel	600	363	237	1,076
Continuing education	400	350	50	645
Advertising	-	-	-	137
Publications	2,600	2,831	(231)	2,328
Dues and memberships	250	240	10	340
Legal services	22,500	32,583	(10,083)	26,929
Warrant roundup	<u>1,500</u>	<u>1,572</u>	<u>(72)</u>	<u>790</u>
Total Supplies, Repairs and Services	<u>28,400</u>	<u>39,109</u>	<u>(10,709)</u>	<u>33,143</u>
TOTAL MUNICIPAL COURT	<u>132,226</u>	<u>144,024</u>	<u>(11,798)</u>	<u>143,340</u>
<b>PARKS AND RECREATION:</b>				
Personnel:				
Salaries	32,624	33,125	(501)	41,425
Retirement	4,316	4,036	280	4,636
Insurance	7,107	8,006	(899)	8,211
Payroll taxes	<u>470</u>	<u>678</u>	<u>(208)</u>	<u>1,021</u>
Total Personnel	<u>44,517</u>	<u>45,845</u>	<u>(1,328)</u>	<u>55,293</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
Supplies, Repairs and Services:				
Telephone	\$ 400	\$ 347	\$ 53	\$ 362
Uniforms	800	890	(90)	835
Park maintenance	1,000	2,267	(1,267)	3,393
Gas and oil	3,000	3,555	(555)	4,064
Maintenance and repair - equipment	4,000	2,515	1,485	4,179
Maintenance and repair - vehicle	500	203	297	1,581
Total Supplies, Repairs and Services	<u>9,700</u>	<u>9,777</u>	<u>(77)</u>	<u>14,414</u>
 TOTAL PARKS AND RECREATION	 <u>54,217</u>	 <u>55,622</u>	 <u>(1,405)</u>	 <u>69,707</u>
 COMMUNITY DEVELOPMENT:				
Personnel:				
Salaries	97,068	100,371	(3,303)	87,395
Retirement	13,138	13,673	(535)	11,600
Longevity pay	816	816	-	852
Insurance	13,516	12,648	868	8,970
Payroll taxes	1,425	1,805	(380)	1,292
Total Personnel	<u>125,963</u>	<u>129,313</u>	<u>(3,350)</u>	<u>110,109</u>
 Supplies, Repairs and Services:				
Supplies	300	418	(118)	472
Travel	200	234	(34)	60
Continuing education	600	480	120	130
Advertising	-	-	-	69
Publications	1,100	611	489	35
Dues and memberships	100	185	(85)	36
Telephone	425	399	26	402
Professional services	15,600	57,164	(41,564)	20,434
Maintenance and repair - equipment	2,100	1,972	128	1,972
Maintenance and repair - vehicles	120	1,185	(1,065)	40
Gas and oil	400	250	150	353
Total Supplies, Repairs and Services	<u>20,945</u>	<u>62,898</u>	<u>(41,953)</u>	<u>24,003</u>
 TOTAL COMMUNITY DEVELOPMENT	 <u>146,908</u>	 <u>192,211</u>	 <u>(45,303)</u>	 <u>134,112</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
<b>DEBT SERVICE:</b>				
Principal	\$ 166,667	\$ -	\$ 166,667	\$ -
Interest	<u>10,333</u>	<u>12,722</u>	<u>(2,389)</u>	<u>24,083</u>
<b>TOTAL DEBT SERVICE</b>	<u>177,000</u>	<u>12,722</u>	<u>164,278</u>	<u>24,083</u>
<b>CAPITAL OUTLAY:</b>				
Capital outlay - equipment	19,650	16,597	3,053	5,529
Capital outlay - vehicles	-	-	-	26,110
Capital outlay - streets	<u>-</u>	<u>2,044,923</u>	<u>(2,044,923)</u>	<u>208,186</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>19,650</u>	<u>2,061,520</u>	<u>(2,041,870)</u>	<u>239,825</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,145,453</u>	<u>\$ 6,024,769</u>	<u>\$ (1,879,316)</u>	<u>\$ 4,287,734</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, 2014

	Court Technology Fund	Court Security Fund	LEOSE Training Fund	Child Safety Fund
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Fines and fees	19,344	14,505	-	18,021
Donations and grants	-	-	1,799	-
Interest earned	17	17	6	27
Total Revenues	<u>19,361</u>	<u>14,522</u>	<u>1,805</u>	<u>18,048</u>
Expenditures:				
Public safety	-	-	1,661	6,000
Animal control	-	-	-	-
Municipal court	9,981	5,025	-	-
Parks and recreation	-	-	-	-
Community development	-	-	-	-
Capital outlay	4,233	-	-	-
Total Expenditures	<u>14,214</u>	<u>5,025</u>	<u>1,661</u>	<u>6,000</u>
Excess of Revenues over (under) Expenditures	5,147	9,497	144	12,048
Other Financing Sources (Uses):				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	5,147	9,497	144	12,048
Fund Balance – October 1 (beginning)	<u>19,845</u>	<u>12,611</u>	<u>6,188</u>	<u>32,377</u>
Fund Balance – September 30 (ending)	<u>\$ 24,992</u>	<u>\$ 22,108</u>	<u>\$ 6,332</u>	<u>\$ 44,425</u>

Juvenile Case Management <u>Fund</u>	Drug Seizure <u>Fund</u>	Kids N Cops <u>Fund</u>	Lake Lewisville Toll Bridge <u>Fund</u>	Police Auction <u>Fund</u>	Forensic Testing <u>Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ 9,090	\$ -
24,173	-	-	-	-	-
-	2,961	2,649	-	-	3,250
94	11	12	-	-	-
<u>24,267</u>	<u>2,972</u>	<u>2,661</u>	<u>-</u>	<u>9,090</u>	<u>3,250</u>
-	1,139	4,761	-	-	643
-	-	-	-	-	-
208	-	-	-	-	-
-	-	-	-	-	-
-	-	-	608	-	-
-	-	-	-	-	-
<u>208</u>	<u>1,139</u>	<u>4,761</u>	<u>608</u>	<u>-</u>	<u>643</u>
24,059	1,833	(2,100)	(608)	9,090	2,607
-	-	-	-	-	-
-	-	-	-	-	-
24,059	1,833	(2,100)	(608)	9,090	2,607
92,056	8,579	12,785	608	850	-
<u>\$ 116,115</u>	<u>\$ 10,412</u>	<u>\$ 10,685</u>	<u>\$ -</u>	<u>\$ 9,940</u>	<u>\$ 2,607</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, 2014

	<u>Willow Grove Camping Fees</u>	<u>Animal Rescue Fund</u>	<u>Total</u>
Revenues:			
Charges for services	\$55,550	\$ -	\$ 64,640
Fines and fees	-	-	76,043
Donations and grants	-	7,754	18,413
Interest earned	<u>23</u>	<u>7</u>	<u>214</u>
Total Revenues	<u>55,573</u>	<u>7,761</u>	<u>159,310</u>
Expenditures:			
Public safety	-	-	14,204
Animal control	-	6,863	6,863
Municipal court	-	-	15,214
Parks and recreation	18,988	-	18,988
Community development	-	-	608
Capital outlay	<u>-</u>	<u>-</u>	<u>4,233</u>
Total Expenditures	<u>18,988</u>	<u>6,863</u>	<u>60,110</u>
Excess of Revenues over (under) Expenditures	36,585	898	99,200
Other Financing Sources (Uses):			
Transfers out	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
Total Other Financing Sources (Uses)	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
Net Change in Fund Balance	12,585	898	75,200
Fund Balance – October 1 (beginning)	<u>40,406</u>	<u>6,161</u>	<u>232,466</u>
Fund Balance – September 30 (ending)	<u>\$52,991</u>	<u>\$ 7,059</u>	<u>\$307,666</u>

CITY OF LAKE DALLAS, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2014 AND 2013

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	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 138,493	\$ 140,035
Receivables:		
Ad valorem tax	<u>11,182</u>	<u>12,180</u>
TOTAL ASSETS	<u>\$ 149,675</u>	<u>\$152,215</u>
 DEFERRED INFLOWS AND FUND BALANCE		
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	<u>\$ 10,602</u>	<u>\$ 11,319</u>
Total Deferred Inflows of Resources	<u>10,602</u>	<u>11,319</u>
Fund balance:		
Restricted for debt service	<u>139,073</u>	<u>140,896</u>
Total Fund Balance	<u>139,073</u>	<u>140,896</u>
TOTAL DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 149,675</u>	<u>\$152,215</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, 2014 AND 2013

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	<u>2014</u>	<u>2013</u>
REVENUES:		
Taxes:		
Property	\$ <u>500,172</u>	\$ <u>622,351</u>
TOTAL REVENUES	<u>500,172</u>	<u>622,351</u>
EXPENDITURES:		
Debt service:		
Principal retirement	315,000	310,000
Interest and fees	<u>186,995</u>	<u>224,139</u>
TOTAL EXPENDITURES	<u>501,995</u>	<u>534,139</u>
Excess of Revenues over (Under) Expenditures	<u>(1,823)</u>	<u>88,212</u>
OTHER FINANCING SOURCES (USES):		
Refunding bonds sold	-	895,000
Payment to refunding escrow agent	<u>-</u>	<u>(860,399)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>34,601</u>
Net change in fund balance	(1,823)	122,813
Fund balance, beginning of year	<u>140,896</u>	<u>18,083</u>
Fund balance, end of year	<u>\$ 139,073</u>	<u>\$ 140,896</u>

CITY OF LAKE DALLAS, TEXAS  
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<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)	\$ 512,800	\$ 512,800	\$ 500,172	\$ (12,628)
Total Revenues	<u>512,800</u>	<u>512,800</u>	<u>500,172</u>	<u>(12,628)</u>
Expenditures:				
Principal	315,000	315,000	315,000	-
Interest and fees	<u>187,488</u>	<u>187,488</u>	<u>186,995</u>	<u>493</u>
Total Expenditures	<u>502,488</u>	<u>502,488</u>	<u>501,995</u>	<u>493</u>
Net Change in Fund Balance	10,312	10,312	(1,823)	(12,135)
Fund Balance – October 1 (beginning)	<u>140,896</u>	<u>140,896</u>	<u>140,896</u>	<u>-</u>
Fund Balance – September 30 (ending)	<u>\$ 151,208</u>	<u>\$ 151,208</u>	<u>\$ 139,073</u>	<u>\$ (12,135)</u>

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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 City Council  
City of Lake Dallas, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Lake Dallas, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise The City of Lake Dallas, Texas's basic financial statements, and have issued our report dated January 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hankins, Eastup, Deaton, Tom & Seay, PC  
Denton, Texas

January 14, 2015

**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>
2005	\$ 381,023	\$1,748,863	\$ 75,847	\$ 249,303	\$ 67,524	\$ 40,019	\$ 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
2012	921,854	2,455,426	88,492	311,391	152,134	93,881	128,455
2013	724,877	2,440,783	127,332	298,780	162,188	93,113	134,112
2014	593,199	2,456,186	149,482	261,144	159,238	74,610	192,819

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<u>Community Relations</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$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
112,556	148,530	667,211	5,079,930
114,787	253,710	558,222	4,907,904
119,726	2,065,753	514,717	6,586,874

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>
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
2012	3,534,748	238	68,353	712,799	702,786	1,116
2013	3,500,384	2,941	104,612	717,369	675,432	895
2014	3,539,885	3,146	252,109	2,442,787	785,608	529

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<u>Grants</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 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
7,550	21,631	5,049,221
10,850	4,806	5,017,289
18,413	4,640	7,047,117

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

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<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>
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
2012	2,397,494	662,826	412,124	49,456	12,848	3,534,748
2013	2,231,647	695,042	405,491	54,755	23,449	3,500,384
2014	2,363,878	701,241	386,766	69,982	18,018	3,539,885

(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>
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
2012	2,362,226	2,336,365	98.90	27,584	2,363,949	100.07
2013	2,326,050	2,308,038	99.22	(2,170)	2,305,868	99.13
2014	2,341,912	2,323,470	99.21	15,981	2,339,451	99.89

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<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Levy</u>
\$ 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
77,212	3.27
72,259	3.11
70,349	3.00

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 and Fees</u>	<u>Total Debt Service</u>	<u>Total (1) Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
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	251,571	636,571	5,107,864	12.46
2012	400,000	237,211	637,211	5,079,930	12.54
2013	310,000	224,139	534,139	4,907,904	10.88
2014	315,000	186,995	501,995	6,586,874	7.62

(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>
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
2012	5,029,750	5,988,124	84.0	958,374	1,863,091	51.4
2013	5,622,267	6,475,736	86.8	853,469	1,754,206	48.7
2014	6,109,931	7,059,920	86.5	949,989	1,712,325	55.5