

CITY OF LAKE DALLAS, TEXAS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2017

CITY OF LAKE DALLAS, TEXAS
TABLE OF CONTENTS

| | <u>Page No.</u> |
|---|-----------------|
| Independent Auditors' Report..... | 1 |
| Management's Discussion and Analysis | 5 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position..... | 15 |
| Statement of Activities | 16 |
| Fund Financial Statements: | |
| Governmental Fund Financial Statements: | |
| Balance Sheet..... | 18 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balances..... | 20 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 21 |
| Budgetary Comparison Schedule – General Fund..... | 22 |
| Notes to Financial Statements..... | 23 |
| Required Supplementary Information: | |
| Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System | 42 |
| Schedule of Employer Contributions – Texas Municipal Retirement System | 43 |
| Notes to Required Supplementary Information..... | 44 |
| Combining and Individual Fund Statements and Schedules: | |
| General Fund: | |
| Comparative Balance Sheets..... | 46 |
| Comparative Statement of Revenues, Expenditures and Changes in Fund Balances..... | 47 |
| Statement of Revenues – Budget and Actual..... | 48 |
| Statement of Expenditures by Department – Budget and Actual..... | 49 |
| Special Revenue Fund: | |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances..... | 58 |
| Debt Service Fund: | |
| Comparative Balance Sheet..... | 60 |
| Comparative Statement of Revenues, Expenditures and Changes in Fund Balances..... | 61 |
| Budgetary Comparison Schedule – Debt Service Fund | 62 |

CITY OF LAKE DALLAS, TEXAS
TABLE OF CONTENTS-Continued

Page No.

| | |
|--|----|
| 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 <i>Government Auditing Standards</i> | 63 |
|--|----|

STATISTICAL SECTION:

| | |
|--|----|
| General Governmental Expenditures by Function | 66 |
| General Governmental Revenues by Sources | 68 |
| General Governmental Tax Revenues by Source..... | 71 |
| Property Tax Levies and Collections..... | 72 |
| Ratio of Annual Debt Service Expenditures for General Long-Term Debt to Total General Governmental Expenditures | 74 |

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

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

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

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 unit, 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, 2017, 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 unit, each major fund and the aggregate remaining fund information of the City of Lake Dallas, Texas as of September 30, 2017, 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 12 and the Texas Municipal Retirement System Schedules on pages 42 and 43 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 12, 2018 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 12, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

This page left blank intentionally.

CITY OF LAKE DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

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, 2017. 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 and deferred inflows at September 30, 2017 by \$5,815,970.
- The City's total net position increased by \$405,573 during the fiscal year from the results of current year operations.
- As of September 30, 2017, the City of Lake Dallas's governmental funds reported a combined ending fund balance of \$1,907,310, an increase of \$74,028 in comparison with the beginning of the period.
- The general fund fund balance increased \$65,580, from a fund balance of \$1,378,741 at the beginning of the year to an ending fund balance of \$1,444,321.

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 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 the component unit may be obtaining 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, deferred inflows and liabilities, with the difference reported as net position. Over time, increases 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.

CITY OF LAKE DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

- **Governmental activities.** All of the City's basic services are reported here, including the police, fire, library, community development, public works, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **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.

CITY OF LAKE DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

Government-wide Financial Analysis

The City's combined net position was \$5,815,970 as of September 30, 2017. 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 | |
|-----------------------------------|----------------------------|---------------------|
| | 2016 | 2017 |
| Current and other assets | \$ 2,171,284 | \$ 2,204,689 |
| Capital assets | <u>8,650,869</u> | <u>8,834,788</u> |
| Total assets | <u>10,822,153</u> | <u>11,039,477</u> |
| Deferred outflows of resources | <u>750,930</u> | <u>563,621</u> |
| Long-term liabilities outstanding | 5,718,976 | 5,389,407 |
| Other liabilities | <u>291,273</u> | <u>263,783</u> |
| Total liabilities | <u>6,010,249</u> | <u>5,653,190</u> |
| Deferred inflows of resources | <u>152,437</u> | <u>133,938</u> |
| Net position: | | |
| Net investment in capital assets | 4,418,108 | 4,789,286 |
| Restricted | 295,048 | 581,060 |
| Unrestricted | <u>697,241</u> | <u>445,624</u> |
| Total net position | <u>\$ 5,410,397</u> | <u>\$ 5,815,970</u> |

Governmental Activities. The City's general revenues for governmental activities for the years ended September 30, 2016 and 2017 are detailed below (Table 2).

Table 2
General Revenues

| | 2016 | 2017 |
|---|---------------------|---------------------|
| Property taxes, levied for general purposes | \$ 2,094,129 | \$ 2,212,780 |
| Property taxes, levied for debt service | 448,346 | 476,336 |
| Sales taxes | 880,781 | 1,170,140 |
| Franchise taxes | 393,831 | 402,736 |
| Hotel occupancy taxes | 73,259 | 71,902 |
| Mixed beverage taxes | 19,675 | 21,180 |
| Investment earnings | 8,024 | 18,375 |
| Miscellaneous | <u>4,570</u> | <u>-</u> |
| | <u>\$ 3,922,615</u> | <u>\$ 4,373,449</u> |

CITY OF LAKE DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

The following table provides a summary of the City's operations for the years ended September 30, 2016 and 2017.

Table 3
Changes in Net Position

| | Governmental Activities | |
|--------------------------------------|----------------------------|--------------------|
| | 2016 | 2017 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 1,025,090 | \$1,029,178 |
| Operating grants and contributions | 110,509 | 48,340 |
| Capital grants and contributions | 43,613 | 100,000 |
| General revenues: | | |
| Property taxes | 2,542,475 | 2,689,116 |
| Sales taxes | 880,781 | 1,170,140 |
| Franchise taxes | 393,831 | 402,736 |
| Hotel occupancy taxes | 73,259 | 71,902 |
| Mixed beverage taxes | 19,675 | 21,180 |
| Investment earnings | 8,024 | 18,375 |
| Other | 4,570 | - |
| | <u>5,101,827</u> | <u>5,550,967</u> |
| Expenses: | | |
| Administration | 686,228 | 488,484 |
| Legislative | - | 226,683 |
| Community relations | 117,242 | 100,618 |
| Public safety | 2,711,124 | 2,626,347 |
| Animal control | 170,624 | 170,062 |
| Library | 166,306 | 160,789 |
| Public works - streets | 849,802 | 703,368 |
| Municipal court | 156,701 | 205,870 |
| Parks and facilities | 267,121 | 199,221 |
| Community development | 185,605 | 251,524 |
| Debt service - interest | 169,339 | 161,394 |
| | <u>5,480,092</u> | <u>5,294,360</u> |
| Extraordinary items | - | - |
| Transfers in | 116,334 | 148,966 |
| Change in net position | (261,931) | 405,573 |
| Net position – October 1 (beginning) | <u>5,672,328</u> | <u>5,410,397</u> |
| Net position – September 30 (ending) | <u>\$ 5,410,397</u> | <u>\$5,815,970</u> |

Financial Analysis of the Government's Funds

Governments Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the period.

CITY OF LAKE DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

As of the end of the current period, the City's governmental funds reported a combined ending fund balance of \$1,907,310, an increase of \$74,028 in comparison with the beginning of the period. Unassigned fund balance available for spending at the City's discretion was \$1,060,685. A portion of fund balance is considered nonspendable and not available for new spending because it is restricted for road maintenance (\$255,968), restricted for debt service (\$136,229), restricted for tourism (\$6,118), assigned for roof replacement (\$72,502), has already been committed to liquidate prepaid items (\$49,048) or are special revenue funds that have been restricted or assigned for specific purposes (\$326,760).

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 \$1,060,685, while total fund balance was \$1,444,321. The fund balance of the City's general fund increased by \$65,580 during the current period.

General Fund Budgetary Highlights

During the current year, the City Council amended the budget once for the General Fund.

The original budget for the general fund projected that the activity for the year would decrease available fund balance by \$470,080. The available fund balance for the general fund actually increased in the amount of \$65,580. The additional increase was primarily due to additional sales tax revenue.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2017, amounted to \$8,834,788 (net of accumulated depreciation). This amount represents a net increase of \$183,919, or 2.1 percent, above the beginning of the period. The investment in capital assets includes land, buildings, equipment, vehicles, roads and parks.

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

| <u>Description</u> | <u>Amount</u> |
|----------------------------------|------------------|
| Main Street rehabilitation costs | \$434,630 |
| 5 police vehicles | 250,434 |
| Public works vehicle | 33,755 |
| Total | <u>\$718,819</u> |

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

| | <u>Governmental Activities</u> |
|----------------------------------|------------------------------------|
| Land | \$ 397,872 |
| Construction in Progress | 26,225 |
| Buildings and Improvements | 1,939,642 |
| Streets and Parks Infrastructure | 5,838,000 |
| Equipment and Vehicles | 633,049 |
| Totals | <u>\$8,834,788</u> |

CITY OF LAKE DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

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

Long-term Debt. At the end of the current period, the City had certificates of obligation outstanding of \$2,270,000, accrued compensated absences of \$202,575, an equipment loan of \$308,201 and general obligation bonds outstanding of \$1,490,000, for total long-term debt of \$4,270,776. The only new debt incurred during the year was obtaining the \$308,201 equipment loan.

The City's total long-term debt decreased by \$263,604 during the current period or 5.8%. Additional information on the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

In June 2017, the City terminated the City Manager contract with Matt Shaffstall, and in July 2017 brought on John Cabrales Jr. as the Interim City Manager. The City later contracted with Mr. Cabrales to be the next City Manager effective January 1, 2018. The FY 2017-18 Budget refined the fund accounting model implemented in FY 2016-17, by creating four new special revenue funds. The Hotel Occupancy Tax (HOT) funds that are collected are legislatively restricted in how they can be used. Revenues from the one-quarter cent sales tax for street maintenance, the ten percent (10%) fee on each new residential building permit for park development and maintenance, and donations for the Library were placed into newly created special revenue funds.

The overall FY 2017-18 Budget for all funds is \$5,768,457 and includes 36.5 Full-Time Equivalent (FTE) positions. It is a balanced budget with no drawdown from the fund balance anticipated. In the past, the Council has expressed an intent to maintain a level of unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures, and it is estimated that the current budget will accomplish this. The City will also retire approximately \$151,000 from the Debt Service Fund this year.

In 2017, the City began phase II of the Main Street redevelopment project, with the contract to install and activate seven (7) of the seventeen (17) street lights associated with the project. The City's 2017 Capital Improvement Program consisted of the reconstructed two residential streets (Oak Lake Street and Prince Drive) and five drainage projects.

The City is experiencing redevelopment of its older residential areas and commercial buildings. There are also a number of residential infill projects that are anticipated for the coming year. The I 35 East expansion project will be completed soon so there are opportunities for redevelopment of the commercial corridor along the interstate frontage road. Also, the City Council and the Community Development Corporation Board are jointly working on a Strategic Plan for the City and it will contain some economic development goals.

Certified Taxable Value for 2018 is \$437,893,906, which is an 8.49% increase from last year's value. The ad valorem tax rate was decreased from \$0.668068 per \$100 of assessed valuation to \$0.661750 per \$100 of assessed valuation. Of this amount, \$0.558920 is provided for operation and maintenance, and \$0.102829 is provided for debt service.

Sales tax revenues are expected to increase 4.5% over last year's budgeted amount to \$645,000. This modest increase is due to the continued impact to traffic access to the City because of the I-35 Express construction project.

Franchise fees are expected to remain flat, with no significant increase since there have not been any new or significant utility improvements in the City that would affect this revenue source.

CITY OF LAKE DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

Requests for Information

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

This page left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

CITY OF LAKE DALLAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

| | <u>Primary Government</u> | <u>Component Unit</u> |
|--|------------------------------------|--|
| | <u>Governmental Activities</u> | <u>Community Development Corporation</u> |
| ASSETS | | |
| Cash and Investments | \$1,858,148 | \$ 476,167 |
| Receivables (net of allowance for uncollectibles): | | |
| Taxes – Ad Valorem | 74,197 | - |
| Taxes – Sales | 164,465 | 54,821 |
| Taxes - Franchise | 30,372 | - |
| Taxes- Occupancy | 20,025 | - |
| Taxes – Mixed Beverage | 4,962 | - |
| Other | 2,436 | - |
| Prepaid Expenses | 49,048 | - |
| Internal Balances | 1,036 | (1,036) |
| Capital Assets: | | |
| Land | 397,872 | - |
| Construction in Progress | 26,225 | - |
| Buildings and Improvements, net | 1,939,642 | - |
| Streets and Parks Infrastructure, net | 5,838,000 | - |
| Equipment and Vehicles, net | <u>633,049</u> | <u>-</u> |
| Total Assets | <u>11,039,477</u> | <u>529,952</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charge on bond refunding | 22,699 | - |
| Deferred outflow related to TMRS | <u>540,922</u> | <u>-</u> |
| Total Deferred Outflows of Resources | <u>563,621</u> | <u>-</u> |
| LIABILITIES | | |
| Accounts Payable | 78,350 | 11,195 |
| Accrued Wages Payable | 28,310 | - |
| Accrued Interest Payable | 24,493 | - |
| State Court Costs Payable | 22,860 | - |
| Short-term Loan Payable | 105,825 | - |
| Other Liabilities | 3,945 | - |
| Noncurrent Liabilities: | | |
| Due within one year | 581,269 | - |
| Due in more than one year | 3,689,507 | - |
| Net pension liability | <u>1,118,631</u> | <u>-</u> |
| Total Liabilities | <u>5,653,190</u> | <u>11,195</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflow related to TMRS | <u>133,938</u> | <u>-</u> |
| Total Deferred Inflows of Resources | <u>133,938</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 4,789,286 | - |
| Restricted for: | | |
| Community Development | - | 518,757 |
| Court Security and Technology | 62,655 | - |
| Other Purposes | 518,405 | - |
| Unrestricted Net Position | <u>445,624</u> | <u>-</u> |
| Total Net Position | <u>\$5,815,970</u> | <u>\$ 518,757</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, 2017

| <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> |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Administration | \$ 488,484 | \$ 118,751 | \$ - | \$ - |
| Legislative | 226,683 | - | - | - |
| Community Relations | 100,618 | 29,414 | - | - |
| Public Safety | 2,626,347 | 313,183 | 2,478 | - |
| Animal Control | 170,062 | 17,726 | 7,635 | - |
| Library | 160,789 | 10,296 | 36,717 | - |
| Public Works - Streets | 703,368 | - | 1,510 | 100,000 |
| Municipal Court | 205,870 | 205,870 | - | - |
| Parks and Facilities | 199,221 | 143,946 | - | - |
| Community Development | 251,524 | 189,992 | - | - |
| Debt Service - Interest and Fees | <u>161,394</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Governmental Activities | <u>5,294,360</u> | <u>1,029,178</u> | <u>48,340</u> | <u>100,000</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$5,294,360</u> | <u>\$1,029,178</u> | <u>\$ 48,340</u> | <u>\$100,000</u> |
| COMPONENT UNIT: | | | | |
| Community Development Corporation | <u>\$ 213,250</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| TOTAL COMPONENT UNIT | <u>\$ 213,250</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

GENERAL REVENUES:

Taxes:

 Property taxes, levied for general purposes

 Property taxes, levied for debt service

 Sales taxes

 Franchise taxes

 Hotel occupancy taxes

 Mixed beverage taxes

Investment Earnings

Special item – transfers in (out)

 Total General Revenues and Special Items

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

| <u>Governmental Activities</u> | <u>Component Unit Community Development Corp</u> |
|------------------------------------|--|
| \$ (369,733) | \$ - |
| (226,683) | - |
| (71,204) | - |
| (2,310,686) | - |
| (144,701) | - |
| (113,776) | - |
| (601,858) | - |
| - | - |
| (55,275) | - |
| (61,532) | - |
| <u>(161,394)</u> | <u>-</u> |
| <u>(4,116,842)</u> | <u>-</u> |
| <u>(4,116,842)</u> | <u>-</u> |
| <u>-</u> | <u>(213,250)</u> |
| <u>-</u> | <u>(213,250)</u> |
| 2,212,780 | - |
| 476,336 | - |
| 1,170,140 | 390,059 |
| 402,736 | - |
| 71,902 | - |
| 21,180 | - |
| 18,375 | 3,756 |
| <u>148,966</u> | <u>(148,966)</u> |
| <u>4,522,415</u> | <u>244,849</u> |
| 405,573 | 31,599 |
| <u>5,410,397</u> | <u>487,158</u> |
| <u>\$ 5,815,970</u> | <u>\$ 518,757</u> |

CITY OF LAKE DALLAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

| | <u>GENERAL FUND</u> | <u>DEBT SERVICE FUND</u> | <u>OTHER FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|-------------------------|----------------------------------|------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$1,398,096 | \$133,292 | \$326,760 | \$1,858,148 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Ad Valorem tax | 59,953 | 14,244 | - | 74,197 |
| Sales tax | 164,465 | - | - | 164,465 |
| Franchise tax | 30,372 | - | - | 30,372 |
| Occupancy tax | 20,025 | - | - | 20,025 |
| Mixed beverage tax | 4,962 | - | - | 4,962 |
| Other | 2,436 | - | - | 2,436 |
| Due from CDC | 1,036 | - | - | 1,036 |
| Prepaid costs | <u>49,048</u> | <u>-</u> | <u>-</u> | <u>49,048</u> |
| Total Assets | <u>\$1,730,393</u> | <u>\$147,536</u> | <u>\$326,760</u> | <u>\$2,204,689</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 78,350 | \$ - | \$ - | \$ 78,350 |
| Accrued wages payable | 28,310 | - | - | 28,310 |
| State court costs payable | 22,860 | - | - | 22,860 |
| Other liabilities | 3,945 | - | - | 3,945 |
| Short-term loan payable | <u>105,825</u> | <u>-</u> | <u>-</u> | <u>105,825</u> |
| Total Liabilities | <u>239,290</u> | <u>-</u> | <u>-</u> | <u>239,290</u> |
| Deferred Inflows of Resources: | | | | |
| Unavailable Revenue-Property Taxes | <u>46,782</u> | <u>11,307</u> | <u>-</u> | <u>58,089</u> |
| Total Deferred Inflows of Resources | <u>46,782</u> | <u>11,307</u> | <u>-</u> | <u>58,089</u> |
| Fund Balances: | | | | |
| Nonspendable fund balance: | | | | |
| Prepaid costs | 49,048 | - | - | 49,048 |
| Restricted fund balance: | | | | |
| Restricted for debt service | - | 136,229 | - | 136,229 |
| Restricted for court security/technology | - | - | 62,655 | 62,655 |
| Restricted for road maintenance | 255,968 | - | - | 255,968 |
| Restricted for tourism | 6,118 | - | - | 6,118 |
| Restricted for other purposes | - | - | 256,319 | 256,319 |
| Assigned fund balance | 72,502 | - | 7,786 | 80,288 |
| Unassigned fund balance | <u>1,060,685</u> | <u>-</u> | <u>-</u> | <u>1,060,685</u> |
| Total Fund Balances | <u>1,444,321</u> | <u>136,229</u> | <u>326,760</u> | <u>1,907,310</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | <u>\$1,730,393</u> | <u>\$147,536</u> | <u>\$326,760</u> | <u>\$2,204,689</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, 2017

| | |
|---|----------------------------|
| Total Fund Balance – Governmental Funds | \$ 1,907,310 |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements. | 16,014,775 |
| Accumulated depreciation is not reported in the fund financial statements. | (7,179,987) |
| Bonds payable, certificates of obligation payable and compensated absences payable are not reported in the fund financial statements. | (4,270,776) |
| Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. | (24,493) |
| Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements. | 58,089 |
| Deferred charge on bond refundings is not recognized in the fund financial statements. | 22,699 |
| Included in the items related to debt is the recognition of the City’s net TMRS pension liability required by GASB 68 in the amount of \$1,118,631, a Deferred Resource Outflow related to TMRS in the amount of \$540,922 and a Deferred Resource Inflow related to TMRS in the amount of \$133,938. This amounted to a decrease in Net Position in the amount of \$711,647. | <u>(711,647)</u> |
| Net Position of Governmental Activities | <u>\$ 5,815,970</u> |

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, 2017

| | GENERAL FUND | DEBT SERVICE FUND | OTHER FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|-------------------------|-------------------|--------------------------------|
| Revenues: | | | | |
| Taxes (ad valorem, sales and other) | \$ 3,890,121 | \$ 479,153 | \$ - | \$ 4,369,274 |
| Licenses and permits | 205,472 | - | - | 205,472 |
| Charges for services | 223,335 | - | 112,266 | 335,601 |
| Court fines | 388,323 | - | 27,280 | 415,603 |
| Donations and grants | 30,556 | - | 17,784 | 48,340 |
| Insurance proceeds | 72,502 | - | - | 72,502 |
| Interest | 12,550 | 2,741 | 3,084 | 18,375 |
| Total Revenues | <u>4,822,859</u> | <u>481,894</u> | <u>160,414</u> | <u>5,465,167</u> |
| Expenditures: | | | | |
| Administration | 476,844 | - | - | 476,844 |
| Legislative | 215,554 | - | - | 215,554 |
| Community relations | 99,410 | - | - | 99,410 |
| Public safety | 2,482,057 | - | 35,817 | 2,517,874 |
| Animal control | 127,399 | - | 8,325 | 135,724 |
| Library | 152,911 | - | 1,594 | 154,505 |
| Public works – streets | 313,000 | - | - | 313,000 |
| Municipal court | 181,054 | - | 15,612 | 196,666 |
| Parks and facilities | 65,005 | - | 38,658 | 103,663 |
| Community development | 278,219 | - | - | 278,219 |
| Capital outlay | 697,626 | - | 1,300 | 698,926 |
| Debt service: | | | | |
| Principal retirement | - | 500,000 | - | 500,000 |
| Interest and fees | 4,527 | 153,394 | - | 157,921 |
| Total Expenditures | <u>5,093,606</u> | <u>653,394</u> | <u>101,306</u> | <u>5,848,306</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(270,747)</u> | <u>(171,500)</u> | <u>59,108</u> | <u>(383,139)</u> |
| Other Financing Resources (Uses): | | | | |
| Loan Proceeds | 308,201 | - | - | 308,201 |
| Transfers out | (16,156) | - | (44,282) | (60,438) |
| Transfers in | 44,282 | 165,122 | - | 209,404 |
| Total Other Financing Resources (Uses) | <u>336,327</u> | <u>165,122</u> | <u>(44,282)</u> | <u>457,167</u> |
| Net Change in Fund Balance | 65,580 | (6,378) | 14,826 | 74,028 |
| Fund Balance - October 1 (beginning) | <u>1,378,741</u> | <u>142,607</u> | <u>311,934</u> | <u>1,833,282</u> |
| Fund Balance - September 30 (ending) | <u>\$ 1,444,321</u> | <u>\$ 136,229</u> | <u>\$ 326,760</u> | <u>\$ 1,907,310</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, 2017

| | |
|--|--------------------------|
| Total Net Change in Fund Balances – Governmental Funds | \$ 74,028 |
| 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. | 500,000 |
| 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. | 798,926 |
| 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. | (615,007) |
| Interest is accrued on outstanding debt in the government-side financial statements, whereas in the fund financial statements interest expenditures are reported when due. | 1,067 |
| 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. | (14,200) |
| Loan proceeds are shown as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements. | (308,201) |
| 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. | 71,805 |
| The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/16 caused the change in ending net position to increase in the amount of \$196,094. Contributions made before the measurement date but during the 2017 FY were also de-expended and recorded as a reduction in the net position liability for the City. This also caused an increase in the change in net position in the amount of \$53,759. These contributions were replaced with the City’s pension expense for the year of \$348,158, which caused a decrease in the change in net position. The impact of all of these is to decrease the change in net position by \$98,305. | <u>(98,305)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 405,573</u> |

The accompanying notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | <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) | \$ 3,605,678 | \$ 3,605,678 | \$ 3,890,121 | \$ 284,443 |
| Licenses and permits | 144,300 | 144,300 | 205,472 | 61,172 |
| Charges for services | 225,376 | 225,376 | 223,335 | (2,041) |
| Court fines | 445,079 | 445,079 | 388,323 | (56,756) |
| Donations and grants | 29,046 | 29,046 | 30,556 | 1,510 |
| Insurance proceeds | - | - | 72,502 | 72,502 |
| Interest | 5,754 | 5,754 | 12,550 | 6,796 |
| Miscellaneous revenue | 6,000 | 6,000 | - | (6,000) |
| Total Revenues | <u>4,461,233</u> | <u>4,461,233</u> | <u>4,822,859</u> | <u>361,626</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Administration | 490,997 | 490,997 | 476,844 | 14,153 |
| Legislative | 182,175 | 182,175 | 215,554 | (33,379) |
| Community relations | 178,066 | 178,066 | 99,410 | 78,656 |
| Public safety | 2,543,832 | 2,543,832 | 2,482,057 | 61,775 |
| Animal control | 144,771 | 144,771 | 127,399 | 17,372 |
| Library | 148,083 | 148,083 | 152,911 | (4,828) |
| Public works-streets | 506,631 | 506,631 | 313,000 | 193,631 |
| Municipal court | 123,716 | 123,716 | 181,054 | (57,338) |
| Parks and recreation | 62,987 | 62,987 | 65,005 | (2,018) |
| Community development | 195,636 | 195,636 | 278,219 | (82,583) |
| Debt Service - interest | 36,355 | 36,355 | 4,527 | 31,828 |
| Capital Outlay | 318,064 | 318,064 | 697,626 | (379,562) |
| Total Expenditures | <u>4,931,313</u> | <u>4,931,313</u> | <u>5,093,606</u> | <u>(162,293)</u> |
| Excess of Revenues over (under) Expenditures | <u>(470,080)</u> | <u>(470,080)</u> | <u>(270,747)</u> | <u>199,333</u> |
| Other Financing Sources (Uses): | | | | |
| Loan Proceeds | - | - | 308,201 | 308,201 |
| Transfers out | - | - | (16,156) | (16,156) |
| Transfers in | - | - | 44,282 | 44,282 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>336,327</u> | <u>336,327</u> |
| Net Change in Fund Balance | (470,080) | (470,080) | 65,580 | 535,660 |
| Fund Balance – October 1 (beginning) | <u>1,378,741</u> | <u>1,378,741</u> | <u>1,378,741</u> | <u>-</u> |
| Fund Balance -- September 30 (ending) | <u>\$ 908,661</u> | <u>\$ 908,661</u> | <u>\$ 1,444,321</u> | <u>\$ 535,660</u> |

CITY OF LAKE DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

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, 2017 has one discretely presented component unit as defined by GASB criteria- the Lake Dallas Community Development Corporation. Separately-issued financial statements for the component unit 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, 2017

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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, 2017

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, 2017

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, deferred inflows 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 amended once 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, 2017

2. DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository agreement. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the agreement. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At September 30, 2017, the carrying amount of the City's deposits in checking accounts and interest-bearing savings accounts was \$295 and the bank balance was \$501,881. The City's cash deposits at September 30, 2017 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, 2017, the City's cash balances totaled \$501,881. 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, 2017, the City held all of its investments in two public funds investment pools – TexPool and LOGIC. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

CITY OF LAKE DALLAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

- 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 was AAAM (Standard & Poor's).
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy relating to interest rate risk but manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool 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, 2017, 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, 2017 are shown below:

| <u>Name</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|-------------------------|----------------------------|-------------------------|
| TexPool Investment Pool | \$1,556,736 | \$1,556,736 |
| LOGIC Investment Pool | 300,980 | 300,980 |
| Total | <u>\$1,857,716</u> | <u>\$1,857,716</u> |

Fair Value Measurements

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based in the lowest level input that is significantly to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City's investments in the TexPool and LOGIC investment pools (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

CITY OF LAKE DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

3. 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.
- 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, 2017.
- 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 City. 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.

CITY OF LAKE DALLAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

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 18) and are described below:

General Fund

The General Fund has unassigned fund balance of \$1,060,685 at September 30, 2017. Prepaid costs of \$49,048 are considered nonspendable fund balance, \$255,968 is restricted for road maintenance, \$6,118 of hotel occupancy tax is restricted for tourism and \$72,502 insurance proceeds is assigned for roof replacement.

Special Revenue Funds

The fund balances of the Court Technology Fund and Court Security Fund (totaling \$62,655) 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 \$256,319) are shown as restricted for those purposes also. The fund balances of the Kids N Cops Fund and Animal Rescue Fund (totaling \$7,786) have been assigned for use in the activities that generated those funds.

Debt Service Funds

The Debt Service Fund has restricted fund balance of \$136,229 at September 30, 2017 that is restricted by law for use in retiring long-term debt.

3. RECEIVABLES

Government-wide receivables as of September 30, 2017, 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 | \$ 78,886 | \$ 18,742 | \$ 97,628 |
| Sales taxes | 164,465 | - | 164,465 |
| Occupancy tax | 20,025 | - | 20,025 |
| Mixed beverage tax | 4,962 | - | 4,962 |
| Franchise tax | 30,372 | - | 30,372 |
| Other | <u>2,436</u> | <u>-</u> | <u>2,436</u> |
| Gross Receivables | 301,146 | 18,742 | 319,888 |
| Less: Uncollectible allowance | <u>18,933</u> | <u>4,498</u> | <u>23,431</u> |
| Net Total Receivables | <u>\$282,213</u> | <u>\$ 14,244</u> | <u>\$296,457</u> |

CITY OF LAKE DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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.

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no amounts due from and due to other funds at September 30, 2017.

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 - \$148,966.
- Transfer from the Willow Grove Camping Fees special revenue fund to the general fund for administrative fees - \$15,000.
- Transfers between the general fund and various special revenue funds (detail of those transfers shown on pages 58 and 59) to reconcile the prior carryforward balance of each special revenue fund to the correct carryforward balance determined for each fund - \$44,282.

6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 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>-</u> | <u>460,855</u> | <u>(434,630)</u> | <u>26,225</u> |
| Total capital assets, not being depreciated | <u>397,872</u> | <u>460,855</u> | <u>(434,630)</u> | <u>424,097</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and Improvements | 3,023,948 | - | - | 3,023,948 |
| Street and Parks | 10,194,487 | 434,630 | - | 10,629,117 |
| Equipment and Vehicles | <u>1,599,542</u> | <u>338,071</u> | <u>-</u> | <u>1,937,613</u> |
| Total capital assets, being depreciated | <u>14,817,977</u> | <u>772,701</u> | <u>-</u> | <u>15,590,678</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (1,009,842) | (74,464) | - | (1,084,306) |
| Street and Parks | (4,350,521) | (440,596) | - | (4,791,117) |
| Equipment and Vehicles | <u>(1,204,617)</u> | <u>(99,947)</u> | <u>-</u> | <u>(1,304,564)</u> |
| Total accumulated depreciation | <u>(6,564,980)</u> | <u>(615,007)</u> | <u>-</u> | <u>(7,179,987)</u> |
| Total capital assets, being depreciated, net | <u>8,252,997</u> | <u>157,694</u> | <u>-</u> | <u>8,410,691</u> |
| Governmental activities capital assets, net | <u>\$ 8,650,869</u> | <u>\$ 618,549</u> | <u>\$ (434,630)</u> | <u>\$ 8,834,788</u> |

CITY OF LAKE DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

| | |
|---|------------------|
| Governmental Activities: | |
| General Government | \$ 21,377 |
| Public Safety | 94,116 |
| Animal Control | 28,144 |
| Public Works-Streets | 373,663 |
| Municipal Court | 1,842 |
| Parks and Recreation | 95,206 |
| Community Development | 350 |
| Library | <u>309</u> |
| Total depreciation expense – Governmental activities | <u>\$615,007</u> |

7. LONG TERM DEBT

Long term debt of the City consists of three general obligation bond series, three certificates of obligation series, an equipment loan and compensated absences. All long-term debt represents transactions in the City’s governmental activities.

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

The following is a summary of the changes in the City’s Long-term Debt for the year ended September 30, 2017:

| <u>Description</u> | <u>Interest Rate Payable</u> | <u>Amounts Outstanding 10/01/16</u> | <u>Additions</u> | <u>Retired</u> | <u>Amounts Outstanding 09/30/17</u> | <u>Due Within One Year</u> |
|-----------------------------|--------------------------------------|---|-------------------|-------------------|---|------------------------------------|
| Bonded Indebtedness: | | | | | | |
| 2008 General Obligation | 4.21% | \$ 710,000 | \$ - | \$ 45,000 | \$ 665,000 | \$ 50,000 |
| 2009 General Obligation | 2.5-3.375% | 295,000 | - | 145,000 | 150,000 | 150,000 |
| 2012 General Obligation | 1.499% | <u>895,000</u> | <u>-</u> | <u>220,000</u> | <u>675,000</u> | <u>140,000</u> |
| Total Bonded Indebtedness | | <u>1,900,000</u> | <u>-</u> | <u>410,000</u> | <u>1,490,000</u> | <u>340,000</u> |
| Certificates of Obligation: | | | | | | |
| 2006 Series | 4.24% | 910,000 | - | - | 910,000 | 85,000 |
| 2008 A Series | 4.199% | 600,000 | - | 40,000 | 560,000 | 40,000 |
| 2009 Series | 4.26% | <u>850,000</u> | <u>-</u> | <u>50,000</u> | <u>800,000</u> | <u>55,000</u> |
| Total Cert. of Obligation | | <u>2,360,000</u> | <u>-</u> | <u>90,000</u> | <u>2,270,000</u> | <u>180,000</u> |
| Equipment Loan | 2.997% | - | 308,201 | - | 308,201 | 61,269 |
| Compensated Absences | | <u>274,380</u> | <u>-</u> | <u>71,805</u> | <u>202,575</u> | <u>-</u> |
| Total Long-Term Debt | | <u>\$4,534,380</u> | <u>\$ 308,201</u> | <u>\$ 571,805</u> | <u>\$4,270,776</u> | <u>\$581,269</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.

CITY OF LAKE DALLAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

The retirement of accrued compensated absences is provided by financial resources of the General Fund.

8. DEBT SERVICE REQUIREMENTS TO MATURITY

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

| Year Ended | <u>Principal</u> | <u>Interest</u> | <u>Total Requirements</u> |
|---------------|--------------------|-------------------|---------------------------|
| September 30, | | | |
| 2018 | \$ 340,000 | \$ 43,180 | \$ 383,180 |
| 2019 | 195,000 | 33,913 | 228,913 |
| 2020 | 205,000 | 29,634 | 234,634 |
| 2021 | 205,000 | 25,069 | 230,069 |
| 2022 | 145,000 | 20,506 | 165,506 |
| 2023-2027 | 325,000 | 58,099 | 383,099 |
| 2028 | <u>75,000</u> | <u>3,158</u> | <u>78,158</u> |
| Total | <u>\$1,490,000</u> | <u>\$ 213,559</u> | <u>\$1,703,559</u> |

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

| Year Ended | <u>Principal</u> | <u>Interest</u> | <u>Total Requirements</u> |
|---------------|--------------------|-------------------|---------------------------|
| September 30, | | | |
| 2018 | \$ 180,000 | \$ 96,184 | \$ 276,184 |
| 2019 | 190,000 | 88,557 | 278,557 |
| 2020 | 190,000 | 80,508 | 270,508 |
| 2021 | 200,000 | 72,459 | 272,459 |
| 2022 | 210,000 | 63,985 | 273,985 |
| 2023-2027 | 1,075,000 | 178,003 | 1,253,003 |
| 2028-2029 | <u>225,000</u> | <u>13,170</u> | <u>238,170</u> |
| Total | <u>\$2,270,000</u> | <u>\$ 592,866</u> | <u>\$2,862,866</u> |

9. 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, 2017, \$420,000 of bonds outstanding are considered defeased.

10. SHORT-TERM FINANCING

Short-term financing consists of a commercial loan obtained at Northstar Bank in the prior fiscal year for the purchase of equipment and refinanced during the current fiscal year through Government Capital Corporation with Citizens 1st Bank. A summary of the activity on the loan during the fiscal year ended September 30, 2017 is as follows:

CITY OF LAKE DALLAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

| <u>Description</u> | <u>Interest Rate</u> | <u>Amounts Outstanding 10/01/16</u> | <u>Additions</u> | <u>Retired</u> | <u>Amounts Outstanding 09/30/17</u> |
|-------------------------------|----------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Northstar Bank | 4.50% | \$128,114 | \$ - | \$128,114 | \$ - |
| Citizens 1 st Bank | 3.544% | - | <u>135,000</u> | <u>29,175</u> | <u>105,825</u> |
| Total | | <u>\$128,114</u> | <u>\$135,000</u> | <u>\$157,289</u> | <u>\$105,825</u> |

11. EQUIPMENT LOAN

During the current fiscal year the City obtained financing through Government Capital Corporation for the purchase of police vehicles and other equipment. A summary of the activity on the loan during the current fiscal year is as follows:

| <u>Description</u> | <u>Interest Rate</u> | <u>Amounts Outstanding 10/01/16</u> | <u>Additions</u> | <u>Retired</u> | <u>Amounts Outstanding 09/30/17</u> |
|---|----------------------|-------------------------------------|------------------|----------------|-------------------------------------|
| Equipment loan - Government Capital Corp | 2.997% | \$ - | <u>\$308,201</u> | \$ - | <u>\$308,201</u> |

Presented below is a summary of debt service requirements to maturity:

| <u>Year Ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Requirements</u> |
|-----------------------|------------------|-----------------|---------------------------|
| September 30, 2018 | \$ 61,269 | \$ 5,158 | \$ 66,427 |
| 2019 | 59,026 | 7,401 | 66,427 |
| 2020 | 60,795 | 5,632 | 66,427 |
| 2021 | 62,617 | 3,810 | 66,427 |
| 2022 | <u>64,494</u> | <u>1,933</u> | <u>66,427</u> |
| Total | <u>\$308,201</u> | <u>\$23,934</u> | <u>\$332,135</u> |

12. DEFINED BENEFIT PENSION PLANS

Plan Description

The City of Lake Dallas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

CITY OF LAKE DALLAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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 2016 | Plan Year 2017 |
|---|---------------------------|---------------------------|
| Employee deposit rate | 7.0% | 7.0% |
| Employer deposit rate | 12.80% | 13.82% |
| 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 |

Employees covered by benefit terms.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 34 |
| Inactive employees entitled to buy not yet receiving benefits | 38 |
| Active employees | <u>33</u> |
| | 105 |

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Lake Dallas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lake Dallas were 12.80% and 13.82% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$249,853, and were equal to the required contributions.

CITY OF LAKE DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.50% per year |
| Overall payroll growth | 3.0% per year |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. Once the plan is overfunded, the amortization period reverts back to the standard amortization period. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2014 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

CITY OF LAKE DALLAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

| Asset Class | Target Allocation | Long-Term Expected Portfolio Real Rate of Return* |
|-----------------------|-------------------|---|
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.35% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 4.15% |
| Real Return | 10.0% | 4.15% |
| Real Estate | 10.0% | 4.75% |
| Absolute Return | 10.0% | 4.00% |
| Private Equity | 5.0% | 7.75% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|---|--------------------------------|------------------------------------|------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balance at 12/31/2015 | \$8,125,692 | \$6,941,096 | \$1,184,596 |
| Changes for the year: | | | |
| Service Cost | 304,544 | - | 304,544 |
| Interest | 548,546 | - | 548,546 |
| Change in benefit terms | - | - | - |
| Difference between expected and actual experience | (108,277) | - | (108,277) |
| Changes of assumptions | - | - | - |
| Contributions – employer | - | 222,894 | (222,894) |
| Contributions – employee | - | 124,265 | (124,265) |
| Net investment income | - | 469,202 | (469,202) |
| Benefit payments, including refunds of employee contributions | (302,728) | (302,728) | - |
| Administrative expense | - | (5,298) | 5,298 |
| Other changes | - | (285) | 285 |
| Net changes | 442,085 | 508,050 | (65,965) |
| Balance at 12/31/2016 | \$8,567,777 | \$7,449,146 | \$1,118,631 |

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

CITY OF LAKE DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|---|--|--------------------------|--|
| City's net pension liability (asset) | \$2,410,424 | \$1,118,631 | \$71,752 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$343,756.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ 133,396 |
| Changes in actuarial assumptions | 27,191 | - |
| Difference between projected and actual investment earnings | 317,637 | 542 |
| Contributions subsequent to the measurement date | 196,094 | - |
| Total | \$540,922 | \$ 133,938 |

\$196,094 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended September 30: | |
|--------------------------|-----------|
| 2018 | \$ 31,922 |
| 2019 | 84,397 |
| 2020 | 94,705 |
| 2021 | (134) |
| 2022 | - |
| Thereafter | - |

CITY OF LAKE DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017 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, 2017 through January 12, 2018, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE DALLAS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------------|---------------------------|---------------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 304,544 | \$ 280,697 | \$ 254,024 |
| Interest (on the Total Pension Liability) | 548,546 | 542,064 | 493,307 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | (108,277) | (239,049) | 235,740 |
| Change of assumptions | - | 98,743 | - |
| Benefit payments, including refunds of employee contributions | <u>(302,728)</u> | <u>(320,372)</u> | <u>(279,382)</u> |
| Net Change in Total Pension Liability | 442,085 | 362,083 | 703,689 |
| Total Pension Liability – Beginning | <u>8,125,692</u> | <u>7,763,609</u> | <u>7,059,920</u> |
| Total Pension Liability – Ending (a) | <u>\$8,567,777</u> | <u>\$8,125,692</u> | <u>\$7,763,609</u> |
| Plan Fiduciary Net Position | | | |
| Contributions – Employer | \$ 222,894 | \$ 214,231 | \$ 236,507 |
| Contributions – Employee | 124,265 | 123,422 | 124,103 |
| Net Investment Income | 469,202 | 10,212 | 370,300 |
| Benefit payments, including refunds of employee contributions | (302,728) | (320,372) | (279,382) |
| Administrative Expense | (5,298) | (6,220) | (3,866) |
| Other | <u>(285)</u> | <u>(307)</u> | <u>(318)</u> |
| Net Change in Plan Fiduciary Net Position | 508,050 | 20,966 | 447,344 |
| Plan Fiduciary Net Position – Beginning | <u>6,941,096</u> | <u>6,920,130</u> | <u>6,472,786</u> |
| Plan Fiduciary Net Position – Ending (b) | <u>\$7,449,146</u> | <u>\$6,941,096</u> | <u>\$6,920,130</u> |
| Net Pension Liability – Ending (a) – (b) | <u>\$1,118,631</u> | <u>\$1,184,596</u> | <u>\$ 843,479</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 86.94% | 85.42% | 89.14% |
| Covered Employee Payroll | \$1,775,768 | \$1,768,037 | \$1,763,314 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 62.99% | 67.00% | 47.83% |

Note: GASB 68, Paragraph 81, 2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of December 31, 2013 – the period from January 1, 2014 – December 31, 2014, December 31, 2014 – the period from January 1, 2015 – December 31, 2015 and December 31, 2015 – the period from January 1, 2016 – December 31, 2016.

Note: Only three years of data is presented in accordance with GASBS 68, Paragraph 138. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”

CITY OF LAKE DALLAS, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR FISCAL YEAR 2017

| | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 249,853 | \$ 224,395 | \$ 224,355 |
| Contribution in Relation to the Contractually Required Contribution | (249,853) | (224,395) | (224,355) |
| Contribution Deficiency (Excess) | \$ -0- | \$ -0- | \$ -0- |
| City's Covered-Employee Payroll | \$1,838,908 | \$1,765,570 | \$1,768,037 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.59% | 12.71% | 12.69% |

Note: GASB 68, Paragraph 81, 2,b requires that the data in this schedule be presented as of the City's current fiscal year as opposed to the time period covered by the measurement date of January 1, 2014 - December 31, 2014, January 1, 2015 – December 31, 2015 and January 1, 2016 – December 31, 2016.

Note: Only three years of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF LAKE DALLAS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 29 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.50% to 10.50% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014 |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB |

Other Information:

Notes There were no benefit changes during the year.

**COMBINING & INDIVIDUAL FUND
STATEMENTS & SCHEDULES**

CITY OF LAKE DALLAS, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2016 AND 2017

| | 2016 | 2017 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,299,282 | \$ 1,398,096 |
| Receivables: | | |
| Ad valorem tax | 58,165 | 59,953 |
| Sales tax | 157,070 | 164,465 |
| Franchise tax | 27,332 | 30,372 |
| Occupancy tax | 21,951 | 20,025 |
| Mixed beverage tax | 5,536 | 4,962 |
| Other | 100,433 | 2,436 |
| Due from CDC | 22,049 | 1,036 |
| Prepaid costs | 10,801 | 49,048 |
| TOTAL ASSETS | \$ 1,702,619 | \$ 1,730,393 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable | \$ 23,380 | \$ 78,350 |
| Accrued wages payable | 30,602 | 28,310 |
| Court costs payable | 47,283 | 22,860 |
| Other liabilities | 36,334 | 3,945 |
| Short-term loan payable | 128,114 | 105,825 |
| Total Liabilities | 265,713 | 239,290 |
| Deferred Inflows of Resources: | | |
| Unavailable revenue-property taxes | 58,165 | 46,782 |
| Total Deferred Inflows of Resources | 58,165 | 46,782 |
| Fund Balance: | | |
| Nonspendable | 10,801 | 49,048 |
| Restricted | 227,252 | 262,086 |
| Assigned | - | 72,502 |
| Unassigned | 1,140,688 | 1,060,685 |
| Total Fund Balance | 1,378,741 | 1,444,321 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | \$ 1,702,619 | \$ 1,730,393 |

CITY OF LAKE DALLAS, TEXAS
GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2017

| | <u>2016</u> | <u>2017</u> |
|--|---------------------|---------------------|
| REVENUES: | | |
| Taxes: | | |
| Property | \$ 2,082,180 | \$ 2,224,163 |
| Sales | 880,781 | 1,170,140 |
| Hotel occupancy tax | 73,259 | 71,902 |
| Mixed beverage | 19,675 | 21,180 |
| Franchise | 393,831 | 402,736 |
| License and permits | 129,163 | 205,472 |
| Charges for services | 234,641 | 223,335 |
| Court fines | 510,722 | 388,323 |
| Donations and grants | 77,369 | 30,556 |
| Insurance proceeds | - | 72,502 |
| Interest | 7,327 | 12,550 |
| Miscellaneous | 14,688 | - |
| Total Revenues | <u>4,423,636</u> | <u>4,822,859</u> |
| EXPENDITURES: | | |
| Current: | | |
| Administration | 643,477 | 476,844 |
| Legislative | - | 215,554 |
| Community relations | 112,514 | 99,410 |
| Public safety | 2,501,480 | 2,482,057 |
| Animal control | 127,469 | 127,399 |
| Library | 152,428 | 152,911 |
| Public works – streets | 473,678 | 313,000 |
| Municipal court | 143,259 | 181,054 |
| Parks and facilities | 62,342 | 65,005 |
| Community development | 169,953 | 278,219 |
| Capital outlay | 186,092 | 697,626 |
| Debt service: | | |
| Interest | 2,911 | 4,527 |
| Total Expenditures | <u>4,575,603</u> | <u>5,093,606</u> |
| Excess of Revenues over (under) Expenditures | <u>(151,967)</u> | <u>(270,747)</u> |
| OTHER FINANCING SOURCES (USES): | | |
| Loan proceeds | - | 308,201 |
| Transfers out | - | (16,156) |
| Transfers in | 128,334 | 44,282 |
| Total Other Financing Sources (Uses) | <u>128,334</u> | <u>336,327</u> |
| Net Change in Fund Balance | (23,633) | 65,580 |
| Fund Balance - October 1 (beginning) | <u>1,402,374</u> | <u>1,378,741</u> |
| Fund Balance - September 30 (Ending) | <u>\$ 1,378,741</u> | <u>\$ 1,444,321</u> |

CITY OF LAKE DALLAS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|--|
| Ad valorem tax | \$ 2,220,478 | \$ 2,224,163 | \$ 3,685 |
| Sales tax | 893,000 | 1,170,140 | 277,140 |
| Mixed beverage tax | 20,000 | 21,180 | 1,180 |
| Hotel occupancy tax | 75,000 | 71,902 | (3,098) |
| Franchise tax | 397,200 | 402,736 | 5,536 |
| Court fines and fees | 445,079 | 388,323 | (56,756) |
| Library donations, fines, memberships | 5,600 | 10,296 | 4,696 |
| Library funding | 29,046 | 29,046 | - |
| Denton County funding | - | 1,510 | 1,510 |
| Building permits | 60,000 | 108,018 | 48,018 |
| Park improvement fees | 3,000 | 5,668 | 2,668 |
| Other permits and fees | 81,300 | 92,056 | 10,756 |
| School resource officer reimbursements | 50,000 | 43,896 | (6,104) |
| Rent - fire station | 44,675 | 44,155 | (520) |
| Other rentals | 5,001 | 5,578 | 577 |
| Parks maintenance | 30,000 | 30,000 | - |
| Staff/office services - EDC/CDC | 42,000 | 42,000 | - |
| Interest earned | 5,754 | 12,550 | 6,796 |
| Animal services | 13,000 | 17,726 | 4,726 |
| Special events | 35,100 | 29,414 | (5,686) |
| Insurance proceeds | - | 72,502 | 72,502 |
| Other revenue | 6,000 | - | (6,000) |
| TOTAL REVENUE | \$ 4,461,233 | \$ 4,822,859 | \$ 361,626 |

CITY OF LAKE DALLAS, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------|----------------|----------------|--|
| ADMINISTRATION: | | | |
| Personnel: | | | |
| Salaries | \$ 234,255 | \$ 176,974 | \$ 57,281 |
| Retirement | 30,762 | 23,601 | 7,161 |
| Longevity pay | 540 | 540 | - |
| Insurance | 27,222 | 19,714 | 7,508 |
| Payroll taxes | 3,918 | 2,750 | 1,168 |
| Total Personnel | <u>296,697</u> | <u>223,579</u> | <u>73,118</u> |
| Supplies, Repairs and Services: | | | |
| Insurance | 41,000 | 36,674 | 4,326 |
| Office expense | 5,100 | 3,766 | 1,334 |
| Operating supplies | 1,500 | 2,760 | (1,260) |
| Travel and training | 5,000 | 3,420 | 1,580 |
| Ads and public notices | 1,200 | - | 1,200 |
| Publications | 200 | 172 | 28 |
| Printing | 3,200 | 326 | 2,874 |
| Dues and memberships | 2,000 | 1,431 | 569 |
| Postage | 5,000 | 5,393 | (393) |
| Telephone and utilities | 46,000 | 39,288 | 6,712 |
| Consultants and professionals | 24,000 | 64,627 | (40,627) |
| Information technology | 1,500 | 18,816 | (17,316) |
| Government services | 20,000 | 27,223 | (7,223) |
| Software maintenance | - | 1,985 | (1,985) |
| Maintenance and repair - building | 6,000 | 7,132 | (1,132) |
| Maintenance and repair - equipment | 26,700 | 34,145 | (7,445) |
| Equipment rental | 4,400 | 4,573 | (173) |
| Miscellaneous | 1,500 | 1,534 | (34) |
| Total Supplies, Repairs and Services | <u>194,300</u> | <u>253,265</u> | <u>(58,965)</u> |
| TOTAL ADMINISTRATION | <u>490,997</u> | <u>476,844</u> | <u>14,153</u> |
| LEGISLATIVE: | | | |
| Personnel: | | | |
| Salaries | 83,519 | 94,505 | (10,986) |
| Retirement | 11,111 | 13,050 | (1,939) |
| Longevity pay | 1,296 | 1,296 | - |
| Insurance | 9,030 | 4,278 | 4,752 |
| Payroll taxes | 1,369 | 1,394 | (25) |
| Total Personnel | <u>106,325</u> | <u>114,523</u> | <u>(8,198)</u> |

CITY OF LAKE DALLAS, TEXAS

GENERAL FUND

STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)
 BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|----------------|----------------|--|
| Supplies, Repairs and Services: | | | |
| Office expense | \$ - | \$ 560 | \$ (560) |
| Operating supplies | - | 44 | (44) |
| Travel and training | 4,000 | 7,709 | (3,709) |
| Flowers/gifts/plaques | 2,500 | 2,562 | (62) |
| Ads and public notices | 3,600 | 1,591 | 2,009 |
| Uniforms | 600 | 940 | (340) |
| Printing | 1,000 | - | 1,000 |
| Dues and memberships | 2,550 | 2,100 | 450 |
| Consultants and professionals | 15,000 | 35,930 | (20,930) |
| Telephone | 300 | 235 | 65 |
| Government services | 1,300 | 1,238 | 62 |
| Legal services | 35,000 | 44,766 | (9,766) |
| Information technology | - | 977 | (977) |
| Miscellaneous | 10,000 | 2,379 | 7,621 |
| Total Supplies, Repairs and Services | <u>75,850</u> | <u>101,031</u> | <u>(25,181)</u> |
| | | | |
| TOTAL LEGISLATIVE | <u>182,175</u> | <u>215,554</u> | <u>(33,379)</u> |
| | | | |
| COMMUNITY RELATIONS: | | | |
| Personnel: | | | |
| Salaries | 46,629 | 26,527 | 20,102 |
| Retirement | 6,108 | 3,071 | 3,037 |
| Insurance | 8,732 | 4,759 | 3,973 |
| Payroll taxes | 847 | 415 | 432 |
| Total Personnel | <u>62,316</u> | <u>34,772</u> | <u>27,544</u> |
| | | | |
| Supplies, Repairs and Services: | | | |
| Office expense | 350 | - | 350 |
| Flowers/gifts | - | 65 | (65) |
| Consultants and professionals | 4,500 | - | 4,500 |
| Dues and memberships | 200 | 1,815 | (1,615) |
| Telephone | 600 | 281 | 319 |
| Tourism and special events | 110,100 | 62,477 | 47,623 |
| Total Supplies, Repairs and Services | <u>115,750</u> | <u>64,638</u> | <u>51,112</u> |
| | | | |
| TOTAL COMMUNITY RELATIONS | <u>178,066</u> | <u>99,410</u> | <u>78,656</u> |

CITY OF LAKE DALLAS, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--------------------------------------|------------------|------------------|--|
| PUBLIC SAFETY: | | | |
| Police Department: | | | |
| Personnel: | | | |
| Salaries | \$ 1,038,026 | \$ 1,070,318 | \$ (32,292) |
| Retirement | 135,457 | 143,827 | (8,370) |
| Longevity pay | 8,148 | 10,314 | (2,166) |
| Insurance | 192,251 | 147,111 | 45,140 |
| Payroll taxes | 18,276 | 16,497 | 1,779 |
| Total Personnel | <u>1,392,158</u> | <u>1,388,067</u> | <u>4,091</u> |
| Supplies, Repairs and Services: | | | |
| Office expense | 4,000 | 4,178 | (178) |
| Supplies | 26,000 | 21,674 | 4,326 |
| Printing | 1,500 | 851 | 649 |
| Travel expense | 2,600 | 1,248 | 1,352 |
| Physicals and evaluations | 500 | 3,036 | (2,536) |
| Information technology | 3,000 | 35,435 | (32,435) |
| Ads and public notices | 800 | - | 800 |
| Publications | 500 | 3,706 | (3,206) |
| Dues and memberships | 250 | 2,479 | (2,229) |
| Uniforms | 5,000 | 5,771 | (771) |
| Permits and applications | 2,000 | 171 | 1,829 |
| Rentals | 6,300 | 1,356 | 4,944 |
| Jail fees | - | 400 | (400) |
| Telephone | 7,400 | 10,542 | (3,142) |
| Communications | 7,400 | 15,601 | (8,201) |
| Consultants and professionals | 22,500 | 18,027 | 4,473 |
| Maintenance and repair - equipment | 4,000 | 2,624 | 1,376 |
| Maintenance and repair - vehicles | 7,000 | 15,484 | (8,484) |
| Gas and oil | 18,000 | 16,752 | 1,248 |
| Total Supplies, Repairs and Services | <u>118,750</u> | <u>159,335</u> | <u>(40,585)</u> |
| Total Police Department | <u>1,510,908</u> | <u>1,547,402</u> | <u>(36,494)</u> |
| Fire Department: | | | |
| Contribution for services | <u>1,032,924</u> | <u>934,655</u> | <u>98,269</u> |
| Total Fire Department | <u>1,032,924</u> | <u>934,655</u> | <u>98,269</u> |
| TOTAL PUBLIC SAFETY | <u>2,543,832</u> | <u>2,482,057</u> | <u>61,775</u> |

CITY OF LAKE DALLAS, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--------------------------------------|----------------|----------------|--|
| ANIMAL CONTROL: | | | |
| Personnel: | | | |
| Salaries | \$ 90,313 | \$ 80,338 | \$ 9,975 |
| Retirement | 11,700 | 8,884 | 2,816 |
| Insurance | 19,637 | 18,458 | 1,179 |
| Payroll taxes | 2,471 | 2,151 | 320 |
| Total Personnel | <u>124,121</u> | <u>109,831</u> | <u>14,290</u> |
| Supplies, Repairs and Services: | | | |
| Office expense | 600 | 647 | (47) |
| Supplies | 2,800 | 2,696 | 104 |
| Travel and training | 500 | 250 | 250 |
| Property and liability insurance | 1,250 | 1,216 | 34 |
| Technology | 2,800 | - | 2,800 |
| Uniforms | 500 | 124 | 376 |
| Telephone | 1,600 | 932 | 668 |
| Consultants and professionals | 600 | 600 | - |
| Utilities | 7,500 | 9,213 | (1,713) |
| Maintenance and repair - building | 1,000 | 971 | 29 |
| Maintenance and repair - equipment | - | 98 | (98) |
| Maintenance and repair - vehicles | 500 | 4 | 496 |
| Gas and oil | 1,000 | 817 | 183 |
| Total Supplies, Repairs and Services | <u>20,650</u> | <u>17,568</u> | <u>3,082</u> |
| TOTAL ANIMAL CONTROL | <u>144,771</u> | <u>127,399</u> | <u>17,372</u> |
| LIBRARY: | | | |
| Personnel: | | | |
| Salaries | 79,448 | 80,242 | (794) |
| Retirement | 6,411 | 6,649 | (238) |
| Insurance | 8,846 | 9,621 | (775) |
| Payroll taxes | 3,728 | 3,185 | 543 |
| Total Personnel | <u>98,433</u> | <u>99,697</u> | <u>(1,264)</u> |

CITY OF LAKE DALLAS, TEXAS

GENERAL FUND

STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)
 BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|----------------|----------------|--|
| Supplies, Repairs and Services: | | | |
| Supplies | \$ 3,000 | \$ 2,708 | \$ 292 |
| Postage | 500 | 827 | (327) |
| Library materials | 10,000 | 7,195 | 2,805 |
| Information technology | 5,000 | 6,331 | (1,331) |
| Travel and training | 1,450 | 1,488 | (38) |
| Printing | 200 | - | 200 |
| Advertising | 650 | 413 | 237 |
| Dues and memberships | 4,200 | 4,159 | 41 |
| Telephone | 900 | 2,290 | (1,390) |
| Utilities | 8,000 | 10,430 | (2,430) |
| Consultants and professionals | 750 | 1,043 | (293) |
| Equipment rentals | 7,000 | 6,504 | 496 |
| Maintenance and repair - building | 8,000 | 9,826 | (1,826) |
| Total Supplies, Repairs and Services | <u>49,650</u> | <u>53,214</u> | <u>(3,564)</u> |
| | | | |
| TOTAL LIBRARY | <u>148,083</u> | <u>152,911</u> | <u>(4,828)</u> |
| | | | |
| PUBLIC WORKS: | | | |
| Street Department: | | | |
| Personnel: | | | |
| Salaries | 122,424 | 119,814 | 2,610 |
| Retirement | 16,102 | 16,018 | 84 |
| Longevity pay | 492 | 492 | - |
| Insurance | 32,575 | 36,201 | (3,626) |
| Payroll taxes | 2,288 | 1,740 | 548 |
| Total Personnel | <u>173,881</u> | <u>174,265</u> | <u>(384)</u> |

CITY OF LAKE DALLAS, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|----------------|----------------|--|
| Supplies, Repairs and Services: | | | |
| Supplies | \$ 15,500 | \$ 2,705 | \$ 12,795 |
| Advertising | 150 | 129 | 21 |
| Travel and training | 1,300 | 795 | 505 |
| Consultants and professionals | - | 305 | (305) |
| Uniforms | 600 | 1,774 | (1,174) |
| Telephone | 1,200 | 1,508 | (308) |
| Street lighting | 54,000 | 51,432 | 2,568 |
| Maintenance and repair - building | 500 | 126 | 374 |
| Maintenance and repair - equipment | 5,000 | 6,210 | (1,210) |
| Maintenance and repair- vehicle | 3,500 | 3,423 | 77 |
| Maintenance - drainage | 20,000 | 147 | 19,853 |
| Maintenance - streets | 231,000 | 65,510 | 165,490 |
| Gas and oil | - | 4,671 | (4,671) |
| Total Supplies, Repairs and Services | <u>332,750</u> | <u>138,735</u> | <u>194,015</u> |
| | | | |
| TOTAL PUBLIC WORKS | <u>506,631</u> | <u>313,000</u> | <u>193,631</u> |
| | | | |
| MUNICIPAL COURT: | | | |
| Personnel: | | | |
| Salaries | 60,388 | 86,544 | (26,156) |
| Retirement | 7,649 | 11,681 | (4,032) |
| Insurance | 10,937 | 18,075 | (7,138) |
| Payroll taxes | 1,172 | 1,346 | (174) |
| Total Personnel | <u>80,146</u> | <u>117,646</u> | <u>(37,500)</u> |
| | | | |
| Supplies, Repairs and Services: | | | |
| Supplies | 800 | 1,388 | (588) |
| Travel and training | 1,300 | 835 | 465 |
| Printing | 200 | - | 200 |
| Advertising | 700 | - | 700 |
| Dues and memberships | 250 | 420 | (170) |
| Legal services | 28,320 | 27,085 | 1,235 |
| Consultants and professionals | 12,000 | 33,680 | (21,680) |
| Total Supplies, Repairs and Services | <u>43,570</u> | <u>63,408</u> | <u>(19,838)</u> |
| | | | |
| TOTAL MUNICIPAL COURT | <u>123,716</u> | <u>181,054</u> | <u>(57,338)</u> |

CITY OF LAKE DALLAS, TEXAS

GENERAL FUND

STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)
 BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--------------------------------------|----------------|----------------|--|
| PARKS AND FACILITIES: | | | |
| Personnel: | | | |
| Salaries | 32,659 | 36,155 | (3,496) |
| Retirement | 4,278 | 4,465 | (187) |
| Insurance | 10,207 | 13,530 | (3,323) |
| Payroll taxes | 643 | 747 | (104) |
| Total Personnel | <u>47,787</u> | <u>54,897</u> | <u>(7,110)</u> |
| Supplies, Repairs and Services: | | | |
| Supplies | 1,200 | 1,295 | (95) |
| Telephone | 300 | 258 | 42 |
| Uniforms | 200 | 1,268 | (1,068) |
| Consultants and professionals | - | 1,015 | (1,015) |
| Park maintenance | 2,000 | 2,502 | (502) |
| Gas and oil | 2,000 | 1,871 | 129 |
| Rentals | 1,000 | - | 1,000 |
| Maintenance and repair - equipment | 7,500 | 1,707 | 5,793 |
| Maintenance and repair - vehicle | 1,000 | 192 | 808 |
| Total Supplies, Repairs and Services | <u>15,200</u> | <u>10,108</u> | <u>5,092</u> |
| TOTAL PARKS AND FACILITIES | <u>62,987</u> | <u>65,005</u> | <u>(2,018)</u> |
| COMMUNITY DEVELOPMENT: | | | |
| Personnel: | | | |
| Salaries | 104,891 | 138,402 | (33,511) |
| Retirement | 13,928 | 18,607 | (4,679) |
| Longevity pay | 1,428 | 1,428 | - |
| Insurance | 17,595 | 20,234 | (2,639) |
| Payroll taxes | 1,884 | 1,998 | (114) |
| Total Personnel | <u>139,726</u> | <u>180,669</u> | <u>(40,943)</u> |

CITY OF LAKE DALLAS, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------|-------------------------|-------------------------|--|
| Supplies, Repairs and Services: | | | |
| Supplies | \$ 300 | \$ 685 | \$ (385) |
| Travel and training | 1,150 | 1,442 | (292) |
| Printing | 50 | - | 50 |
| Publications | 610 | 112 | 498 |
| Advertising | - | 460 | (460) |
| Dues and memberships | 200 | 170 | 30 |
| Telephone | 400 | 807 | (407) |
| Consultants and professionals | 25,000 | 86,430 | (61,430) |
| Information technology | 2,200 | 1,779 | 421 |
| Abatement | 20,000 | 30 | 19,970 |
| Government services | 4,000 | 4,060 | (60) |
| Maintenance and repair - vehicles | 1,500 | 998 | 502 |
| Gas and oil | 500 | 577 | (77) |
| Total Supplies, Repairs and Services | <u>55,910</u> | <u>97,550</u> | <u>(41,640)</u> |
| TOTAL COMMUNITY DEVELOPMENT | <u>195,636</u> | <u>278,219</u> | <u>(82,583)</u> |
| CAPITAL OUTLAY: | | | |
| Capital outlay - equipment | 13,500 | 30,902 | (17,402) |
| Capital outlay - vehicles | - | 305,869 | (305,869) |
| Capital outlay - streets | 304,564 | 360,855 | (56,291) |
| TOTAL CAPITAL OUTLAY | <u>318,064</u> | <u>697,626</u> | <u>(379,562)</u> |
| DEBT SERVICE: | | | |
| Interest | <u>36,355</u> | <u>4,527</u> | <u>31,828</u> |
| TOTAL DEBT SERVICE | <u>36,355</u> | <u>4,527</u> | <u>31,828</u> |
| TOTAL EXPENDITURES | <u>\$ 4,931,313</u> | <u>\$ 5,093,606</u> | <u>\$ (162,293)</u> |

This page left blank intentionally.

CITY OF LAKE DALLAS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Court Technology Fund | Court Security Fund | LEOSE Training Fund | Child Safety Fund | Library Donations |
|--|-----------------------------|---------------------------|---------------------------|-------------------------|----------------------|
| Revenues: | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fines and fees | 8,863 | 5,835 | - | 11,243 | - |
| Donations and grants | - | - | 1,505 | - | 7,671 |
| Interest earned | 265 | 398 | 82 | 269 | 35 |
| Total Revenues | <u>9,128</u> | <u>6,233</u> | <u>1,587</u> | <u>11,512</u> | <u>7,706</u> |
| Expenditures: | | | | | |
| Public safety | - | - | 2,365 | 15,774 | - |
| Animal control | - | - | - | - | - |
| Municipal court | 13,188 | 2,424 | - | - | - |
| Parks and recreation | - | - | - | - | - |
| Library | - | - | - | - | 1,594 |
| Capital outlay | 1,300 | - | - | - | - |
| Total Expenditures | <u>14,488</u> | <u>2,424</u> | <u>2,365</u> | <u>15,774</u> | <u>1,594</u> |
| Excess of Revenues over (under) Expenditures | (5,360) | 3,809 | (778) | (4,262) | 6,112 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in (out) | (630) | 1,871 | 3,158 | (9,794) | 541 |
| Total Other Financing Sources (Uses) | <u>(630)</u> | <u>1,871</u> | <u>3,158</u> | <u>(9,794)</u> | <u>541</u> |
| Net Change in Fund Balance | (5,990) | 5,680 | 2,380 | (14,056) | 6,653 |
| Fund Balance – October 1 (beginning) | <u>28,927</u> | <u>34,038</u> | <u>7,375</u> | <u>39,160</u> | <u>-</u> |
| Fund Balance – September 30 (ending) | <u>\$ 22,937</u> | <u>\$ 39,718</u> | <u>\$ 9,755</u> | <u>\$ 25,104</u> | <u>\$ 6,653</u> |

| Juvenile Case Management Fund | Drug Seizure Fund | Kids N Cops Fund | Police Auction | Forensic Testing | Willow Grove Camping Fees | Animal Rescue Fund | Total |
|-------------------------------|-------------------|------------------|------------------|------------------|---------------------------|--------------------|-------------------|
| \$ - | \$ - | \$ - | \$ 6,790 | \$ - | \$ 105,476 | \$ - | \$ 112,266 |
| 1,339 | - | - | - | - | - | - | 27,280 |
| - | - | 973 | - | - | - | 7,635 | 17,784 |
| 1,524 | 137 | 91 | - | - | 241 | 42 | 3,084 |
| <u>2,863</u> | <u>137</u> | <u>1,064</u> | <u>6,790</u> | <u>-</u> | <u>105,717</u> | <u>7,677</u> | <u>160,414</u> |
| - | 10,638 | 7,040 | - | - | - | - | 35,817 |
| - | - | - | - | - | - | 8,325 | 8,325 |
| - | - | - | - | - | - | - | 15,612 |
| - | - | - | - | - | 38,658 | - | 38,658 |
| - | - | - | - | - | - | - | 1,594 |
| - | - | - | - | - | - | - | 1,300 |
| <u>-</u> | <u>10,638</u> | <u>7,040</u> | <u>-</u> | <u>-</u> | <u>38,658</u> | <u>8,325</u> | <u>101,306</u> |
| 2,863 | (10,501) | (5,976) | 6,790 | - | 67,059 | (648) | 59,108 |
| <u>(513)</u> | <u>627</u> | <u>(1,219)</u> | <u>(6,790)</u> | <u>3</u> | <u>(30,278)</u> | <u>(1,258)</u> | <u>(44,282)</u> |
| <u>(513)</u> | <u>627</u> | <u>(1,219)</u> | <u>(6,790)</u> | <u>3</u> | <u>(30,278)</u> | <u>(1,258)</u> | <u>(44,282)</u> |
| 2,350 | (9,874) | (7,195) | - | 3 | 36,781 | (1,906) | 14,826 |
| <u>144,707</u> | <u>18,011</u> | <u>11,677</u> | <u>25,870</u> | <u>405</u> | <u>(3,446)</u> | <u>5,210</u> | <u>311,934</u> |
| <u>\$ 147,057</u> | <u>\$ 8,137</u> | <u>\$ 4,482</u> | <u>\$ 25,870</u> | <u>\$ 408</u> | <u>\$ 33,335</u> | <u>\$ 3,304</u> | <u>\$ 326,760</u> |

CITY OF LAKE DALLAS, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2016 AND 2017

| | <u>2016</u> | <u>2017</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 142,607 | \$ 133,292 |
| Receivables: | | |
| Ad valorem tax | <u>14,124</u> | <u>14,244</u> |
| TOTAL ASSETS | <u>\$ 156,731</u> | <u>\$ 147,536</u> |
| DEFERRED INFLOWS AND FUND BALANCE | | |
| Deferred Inflows of Resources: | | |
| Unavailable revenue - property taxes | <u>\$ 14,124</u> | <u>\$ 11,307</u> |
| Total Deferred Inflows of Resources | <u>14,124</u> | <u>11,307</u> |
| Fund balance: | | |
| Restricted for debt service | <u>142,607</u> | <u>136,229</u> |
| Total Fund Balance | <u>142,607</u> | <u>136,229</u> |
| TOTAL DEFERRED INFLOWS AND FUND BALANCE | <u>\$ 156,731</u> | <u>\$ 147,536</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, 2016 AND 2017

| | <u>2016</u> | <u>2017</u> |
|--|-------------------|-------------------|
| REVENUES: | | |
| Taxes: | | |
| Property | \$ 446,117 | \$ 479,153 |
| Interest | <u>-</u> | <u>2,741</u> |
| TOTAL REVENUES | <u>446,117</u> | <u>481,894</u> |
| EXPENDITURES: | | |
| Debt service: | | |
| Principal retirement | 280,000 | 500,000 |
| Interest and fees | <u>163,517</u> | <u>153,394</u> |
| TOTAL EXPENDITURES | <u>443,517</u> | <u>653,394</u> |
| Excess of Revenues over (under) Expenditures | <u>2,600</u> | <u>(171,500)</u> |
| Other Financing Resources (Uses): | | |
| Transfers in | <u>-</u> | <u>165,122</u> |
| Total Other Financing Resources (Uses) | <u>-</u> | <u>165,122</u> |
| Net change in fund balance | 2,600 | (6,378) |
| Fund balance, beginning of year | <u>140,007</u> | <u>142,607</u> |
| Fund balance, end of year | <u>\$ 142,607</u> | <u>\$ 136,229</u> |

CITY OF LAKE DALLAS, TEXAS
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget |
|--|-------------------|-------------------|-----------------------------------|----------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes (ad valorem, sales and other) | \$ 470,857 | \$ 470,857 | \$ 479,153 | \$ 8,296 |
| Interest | - | - | 2,741 | 2,741 |
| Total Revenues | <u>470,857</u> | <u>470,857</u> | <u>481,894</u> | <u>11,037</u> |
| Expenditures: | | | | |
| Principal | 500,000 | 500,000 | 500,000 | - |
| Interest and fees | 153,468 | 153,468 | 153,394 | 74 |
| Total Expenditures | <u>653,468</u> | <u>653,468</u> | <u>653,394</u> | <u>74</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(182,611)</u> | <u>(182,611)</u> | <u>(171,500)</u> | <u>11,111</u> |
| Other Financing Resources (Uses): | | | | |
| Transfers in | 148,966 | 148,966 | 165,122 | 16,156 |
| Total Other Financing Resources (Uses) | <u>148,966</u> | <u>148,966</u> | <u>165,122</u> | <u>16,156</u> |
| Net Change in Fund Balance | (33,645) | (33,645) | (6,378) | 27,267 |
| Fund Balance – October 1 (beginning) | <u>142,607</u> | <u>142,607</u> | <u>142,607</u> | <u>-</u> |
| Fund Balance – September 30 (ending) | <u>\$ 108,962</u> | <u>\$ 108,962</u> | <u>\$ 136,229</u> | <u>\$ 27,267</u> |

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

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

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

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

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, the discretely presented component unit, 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, 2017, 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 12, 2018.

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, Tonn & Seay, PC
Denton, Texas

January 12, 2018

STATISTICAL SECTION

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

| <u>Fiscal Year</u> | <u>Administration</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> |
|--------------------|-----------------------|----------------------|-----------------------|-------------------------------|------------------------|----------------------------|------------------------------|
| 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 |
| 2015 | 616,812 | 2,506,825 | 135,342 | 271,980 | 151,488 | 78,959 | 159,082 |
| 2016 | 643,477 | 2,546,566 | 134,568 | 473,678 | 156,230 | 146,940 | 169,953 |
| 2017 | 692,398 | 2,517,874 | 135,724 | 313,000 | 196,666 | 103,663 | 278,219 |

| <u>Library</u> | <u>Community Relations</u> | <u>Capital Outlay</u> | <u>Debt Service</u> | <u>Total</u> |
|----------------|----------------------------|-----------------------|---------------------|--------------|
| \$ - | \$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 |
| 37,778 | 114,479 | 380,969 | 500,482 | 4,954,196 |
| 152,428 | 112,514 | 239,049 | 446,428 | 5,221,831 |
| 154,505 | 99,410 | 698,926 | 657,921 | 5,848,306 |

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

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>License and Permits</u> | <u>Charges for Services</u> | <u>Court Fines</u> | <u>Interest</u> | <u>Grants</u> |
|--------------------|--------------|----------------------------|-----------------------------|--------------------|-----------------|---------------|
| 2008 | \$3,115,718 | \$364,004 | \$249,418 | \$385,709 | \$69,498 | \$4,932 |
| 2009 | 3,301,663 | 105,100 | 602,068 | 409,284 | 18,540 | 8,423 |
| 2010 | 3,274,471 | 123,448 | 830,574 | 546,534 | 2,001 | 12,164 |
| 2011 | 3,275,226 | 91,240 | 718,141 | 666,417 | 795 | 51,700 |
| 2012 | 3,534,748 | 68,591 | 712,799 | 702,786 | 1,116 | 7,550 |
| 2013 | 3,500,384 | 107,553 | 717,369 | 675,432 | 895 | 10,850 |
| 2014 | 3,539,885 | 255,255 | 2,442,787 | 785,608 | 529 | 18,413 |
| 2015 | 3,778,284 | 102,466 | 291,848 | 628,668 | 1,349 | 12,738 |
| 2016 | 3,895,843 | 129,163 | 287,364 | 560,921 | 8,024 | 110,509 |
| 2017 | 4,369,274 | 205,472 | 335,601 | 415,603 | 18,375 | 48,340 |

| <u>Miscellaneous</u> | <u>Total</u> |
|----------------------|--------------|
| \$26,924 | \$4,216,203 |
| 16,210 | 4,461,288 |
| 22,589 | 4,811,781 |
| 28,463 | 4,831,982 |
| 21,631 | 5,049,221 |
| 4,806 | 5,017,289 |
| 4,640 | 7,047,117 |
| 14,462 | 4,829,815 |
| 52,212 | 5,044,036 |
| 72,502 | 5,465,167 |

This page left blank intentionally.

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

| <u>Fiscal Year</u> | <u>(1) Property</u> | <u>Sales</u> | <u>Franchise</u> | <u>Hotel Occupancy</u> | <u>Mixed Beverage</u> | <u>Total</u> |
|--------------------|-------------------------|--------------|------------------|----------------------------|---------------------------|--------------|
| 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 |
| 2015 | 2,510,163 | 774,987 | 401,826 | 72,014 | 19,294 | 3,778,284 |
| 2016 | 2,528,297 | 880,781 | 393,831 | 73,259 | 19,675 | 3,895,843 |
| 2017 | 2,703,316 | 1,170,140 | 402,736 | 71,902 | 21,180 | 4,369,274 |

(1) Includes penalties and interest.

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

| <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> |
|--------------------|-------------------|--------------------------------|-------------------------------------|-----------------------------------|------------------------------|---|
| 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 |
| 2015 | 2,494,907 | 2,469,998 | 99.00 | 14,017 | 2,484,015 | 99.56 |
| 2016 | 2,531,786 | 2,503,074 | 98.87 | 12,260 | 2,515,334 | 99.35 |
| 2017 | 2,692,296 | 2,662,593 | 98.90 | 5,597 | 2,668,190 | 99.10 |

| <u>Outstanding Delinquent Taxes</u> | <u>Ratio of Delinquent Taxes to Levy</u> |
|---|--|
| \$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 |
| 79,858 | 3.20 |
| 95,117 | 3.76 |
| 97,628 | 3.63 |

CITY OF LAKE DALLAS, TEXAS
RATIO TO ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL LONG-TERM DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1)
LAST TEN FISCAL YEARS
(UNAUDITED)

| <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> |
|--------------------|------------------|--------------------------|---------------------------|--|---|
| 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 |
| 2015 | 325,000 | 175,482 | 500,482 | 4,954,196 | 10.10 |
| 2016 | 280,000 | 166,428 | 446,428 | 5,221,831 | 8.55 |
| 2017 | 500,000 | 157,921 | 657,921 | 5,848,306 | 11.25 |

(1) Excludes Capital Projects Fund.