

**TOWN OF LAKESIDE, TEXAS**  
**FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2010**  
**AND FOR THE YEAR THEN ENDED**

# TOWN OF LAKESIDE, TEXAS

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**INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Lakeside, Texas

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Lakeside, Texas, as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Lakeside, Texas. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Town of Lakeside, Texas, as of September 30, 2010 and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Town of Lakeside, Texas has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined are necessary to supplement, although not required to be part of, the basic financial statements.

*KSW, CPA, PC*

KSW, CPA, P.C.  
Arlington, Texas  
December 13, 2010

**TOWN OF LAKESIDE, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**AS OF SEPTEMBER 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 266,601	\$ 86,976	\$ 353,577
Certificates of deposit	600,000	480,000	1,080,000
Property taxes receivable, net of allowance for uncollectibles	-	-	-
Accounts receivable	17,468	51,862	69,330
Restricted assets:			
Customer deposits	-	33,820	33,820
Court technology fund	10,852	-	10,852
Court security fund	2,849	-	2,849
Capital assets:			
Land	21,474	110,779	132,253
Building	225,221	22,535	247,756
Furniture and equipment	189,028	145,236	334,264
Water system	-	1,567,676	1,567,676
Sewer system	-	490,692	490,692
Accumulated depreciation	(223,456)	(982,720)	(1,206,176)
<b>TOTAL ASSETS</b>	<b>\$ 1,110,037</b>	<b>\$ 2,006,856</b>	<b>\$ 3,116,893</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 16,800	\$ 5,696	\$ 22,496
Accrued liabilities	17,133	4,529	21,662
Payable from restricted assets:			
Customer deposits	-	33,820	33,820
Court technology fund	10,852	-	10,852
Court security fund	2,849	-	2,849
<b>TOTAL LIABILITIES</b>	<b>47,634</b>	<b>44,045</b>	<b>91,679</b>
<b>NET ASSETS</b>			
Invested in capital assets	212,267	1,354,198	1,566,465
Unrestricted	850,136	608,613	1,458,749
<b>TOTAL NET ASSETS</b>	<b>\$ 1,062,403</b>	<b>\$ 1,962,811</b>	<b>\$ 3,025,214</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE, TEXAS  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
General and administrative	\$ 186,813	\$ 12,906	\$ 5,283	\$ 37,142
Corporation court	28,710	-	-	-
Public works	23,545	-	-	-
Police department	430,476	41,447	51,471	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>669,544</u>	<u>54,353</u>	<u>56,754</u>	<u>37,142</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water, sewer and sanitation	602,790	583,218	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>602,790</u>	<u>583,218</u>	<u>-</u>	<u>-</u>
<b>TOTAL GOVERNMENT</b>	<u>\$ 1,272,334</u>	<u>\$ 637,571</u>	<u>\$ 56,754</u>	<u>\$ 37,142</u>
<b>GENERAL REVENUES</b>				
Property taxes				
Franchise taxes				
Sales taxes				
Penalties				
Interest				
Other				
<b>TOTAL GENERAL REVENUES</b>				
<b>CHANGE IN NET ASSETS</b>				
<b>NET ASSETS, BEGINNING OF YEAR</b>				
<b>NET ASSETS, END OF YEAR</b>				

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue  
and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (131,482)	\$ -	\$ (131,482)
(28,710)	-	(28,710)
(23,545)	-	(23,545)
<u>(337,558)</u>	<u>-</u>	<u>(337,558)</u>
 (521,295)	 -	 (521,295)
 -	 (19,572)	 (19,572)
 -	 (19,572)	 (19,572)
<u>(521,295)</u>	<u>(19,572)</u>	<u>(540,867)</u>
 353,716	 -	 353,716
100,885	-	100,885
72,653	-	72,653
2,201	-	2,201
13,832	14,283	28,115
<u>26,838</u>	<u>6,250</u>	<u>33,088</u>
 <u>570,125</u>	 <u>20,533</u>	 <u>590,658</u>
 48,830	 961	 49,791
<u>1,013,573</u>	<u>1,961,850</u>	<u>2,975,423</u>
<u>\$ 1,062,403</u>	<u>\$ 1,962,811</u>	<u>\$ 3,025,214</u>

**TOWN OF LAKESIDE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 266,601	\$ 266,601
Certificate of deposit	600,000	600,000
Property taxes receivable, net of allowance for uncollectibles	-	-
Accounts receivable	17,468	17,468
Restricted assets:		
Court technology fund	10,852	10,852
Court security fund	2,849	2,849
	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 897,770</u>	<u>\$ 897,770</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 16,800	\$ 16,800
Accrued expenses	17,133	17,133
Payable from restricted assets:		
Court technology fund	10,852	10,852
Court security fund	2,849	2,849
	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>47,634</u>	<u>47,634</u>
 <b>FUND BALANCES</b>		
Unreserved, reported in general fund	<u>850,136</u>	<u>850,136</u>
<b>TOTAL FUND BALANCES</b>	<u>850,136</u>	<u>850,136</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u>\$ 897,770</u>	 <u>\$ 897,770</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**AS OF SEPTEMBER 30, 2010**

**Total fund balance per governmental funds balance sheet** \$ 850,136

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet

212,267

**Net assets of governmental activities**

\$ 1,062,403

The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Property taxes	\$ 353,716	\$ 353,716
Franchise taxes	100,885	100,885
Sales taxes	72,653	72,653
Penalties	2,201	2,201
Fines and service fees	41,447	41,447
Permits and inspections	12,906	12,906
Interest	13,832	13,832
Grants	88,613	88,613
Contributions	5,283	5,283
Other	26,838	26,838
	<b>718,374</b>	<b>718,374</b>
<b>EXPENDITURES</b>		
General and administrative	216,977	216,977
Corporation court	28,710	28,710
Public works	23,545	23,545
Police department	454,887	454,887
	<b>724,119</b>	<b>724,119</b>
Excess (deficiency) of revenues over (under) expenditures	(5,745)	(5,745)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>855,881</b>	<b>855,881</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 850,136</b>	<b>\$ 850,136</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<b>Net change in fund balance - total governmental funds</b>	\$ (5,745)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	82,617
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Depreciation on capital assets is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in governmental funds.	(28,042)
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<b>Change in net assets of governmental activities</b>	<u>\$ 48,830</u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>favorable</u> <u>(unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 330,306	\$ 330,306	\$ 353,716	\$ 23,410
Franchise taxes	106,000	106,000	100,885	(5,115)
Sales taxes	60,000	60,000	72,653	12,653
Penalties	150	150	2,201	2,051
Fines and service fees	26,000	28,000	41,447	13,447
Permits, plats and inspections	13,850	15,100	12,906	(2,194)
Interest	20,000	20,000	13,832	(6,168)
Grants	57,759	94,901	88,613	(6,288)
Contributions	-	-	5,283	5,283
Other	57,222	57,222	26,838	(30,384)
<b>TOTAL REVENUES</b>	<u>671,287</u>	<u>711,679</u>	<u>718,374</u>	<u>6,695</u>
<b>EXPENDITURES</b>				
General and administrative	244,901	290,961	216,977	73,984
Corporation court	28,523	28,523	28,710	(187)
Public works	47,450	61,762	23,545	38,217
Police department	446,582	490,426	454,887	35,539
<b>TOTAL EXPENDITURES</b>	<u>767,456</u>	<u>871,672</u>	<u>724,119</u>	<u>147,553</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (96,169)</u>	<u>\$ (159,993)</u>	(5,745)	<u>\$ 154,248</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>855,881</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 850,136</u>	

The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2010**

	<b>Business-Type Activities Enterprise Funds</b>	
	<b>Water, Sewer and Sanitation</b>	<b>Total</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 86,976	\$ 86,976
Certificate of deposit	480,000	480,000
Accounts receivable	51,862	51,862
<b>TOTAL CURRENT ASSETS</b>	<b>618,838</b>	<b>618,838</b>
<b>RESTRICTED ASSETS</b>		
Customer deposits	33,820	33,820
<b>TOTAL RESTRICTED ASSETS</b>	<b>33,820</b>	<b>33,820</b>
<b>CAPITAL ASSETS</b>		
Land	110,779	110,779
Building	22,535	22,535
Furniture and equipment	145,236	145,236
Water system	1,567,676	1,567,676
Sewer system	490,692	490,692
	2,336,918	2,336,918
Less: Accumulated depreciation	(982,720)	(982,720)
<b>TOTAL CAPITAL ASSETS</b>	<b>1,354,198</b>	<b>1,354,198</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,006,856</b>	<b>\$ 2,006,856</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2010**

	<b>Business-Type Activities Enterprise Funds</b>	
	<u>Water, Sewer and Sanitation</u>	<u>Total</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,696	\$ 5,696
Accrued expenses	4,529	4,529
<b>TOTAL CURRENT LIABILITIES</b>	<u>10,225</u>	<u>10,225</u>
<b>CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS</b>		
Customer deposits	<u>33,820</u>	<u>33,820</u>
<b>TOTAL CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS</b>	<u>33,820</u>	<u>33,820</u>
<b>TOTAL LIABILITIES</b>	<u>44,045</u>	<u>44,045</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,354,198	1,354,198
Unrestricted	608,613	608,613
<b>TOTAL NET ASSETS</b>	<u>\$ 1,962,811</u>	<u>\$ 1,962,811</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Business-Type Activities</b>	
	<b>Enterprise Funds</b>	
	<b>Water, Sewer and Sanitation</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Water sales	\$ 404,971	\$ 404,971
Sewer sales	35,963	35,963
Fees	11,573	11,573
Sanitation services	119,000	119,000
Penalties and services charges	11,711	11,711
Other income	6,250	6,250
<b>TOTAL OPERATING REVENUES</b>	<b>589,468</b>	<b>589,468</b>
<b>OPERATING EXPENSES</b>		
Personnel services	210,395	210,395
Supplies and materials	18,158	18,158
Utilities and telephone	72,219	72,219
Insurance	3,739	3,739
Maintenance	49,149	49,149
Other expenses	23,148	23,148
Contractual services	118,937	118,937
Engineering and professional services	46,866	46,866
Rent	8,000	8,000
Depreciation	52,179	52,179
<b>TOTAL OPERATING EXPENSES</b>	<b>602,790</b>	<b>602,790</b>
<b>LOSS FROM OPERATIONS</b>	<b>(13,322)</b>	<b>(13,322)</b>
<b>NON-OPERATING REVENUE</b>		
Interest	14,283	14,283
<b>TOTAL NON-OPERATING REVENUE</b>	<b>14,283</b>	<b>14,283</b>
<b>CHANGE IN NET ASSETS</b>	<b>961</b>	<b>961</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,961,850</b>	<b>1,961,850</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,962,811</b>	<b>\$ 1,962,811</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Business-Type Activities Enterprise Funds</b>	
	<b>Water, Sewer and Sanitation</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and other	\$ 589,753	\$ 589,753
Cash paid to suppliers and employees	(549,576)	(549,576)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>40,177</u>	<u>40,177</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	14,283	14,283
Purchase of property and equipment	(625,787)	(625,787)
Sale of certificates of deposits	200,000	320,000
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(411,504)</u>	<u>(291,504)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(371,327)	(251,327)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> (including \$33,535 in restricted assets)	<u>492,123</u>	<u>492,123</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> (including \$33,820 in restricted assets)	<u>\$ 120,796</u>	<u>\$ 240,796</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
<b>LOSS FROM OPERATIONS</b>	\$ (13,322)	\$ (13,322)
<b>ADJUSTMENTS TO RECONCILE LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Depreciation	52,179	52,179
Increase in accounts receivable	(4,536)	(4,536)
Increase in accounts payable	4,991	4,991
Increase in accrued expenses	580	580
Increase in customer deposit	285	285
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 40,177</u>	<u>\$ 40,177</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF LAKESIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Lakeside, Texas (the "Town") was formed as an incorporated town on March 10, 1958. The Town is governed by an elected mayor and five-member council and provides the following services to the citizens of the Town: library, police department, water and sewer utilities, fire and ambulance, and general administration.

The financial statements of the Town have been prepared to conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As allowed in Section P80 of GASB's "*Codification of Governmental Accounting and Financial Reporting Standards*", the Town has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant accounting and reporting policies and practices used by the Town are described below

**A. Financial Statement Presentation**

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund. Significantly, the Town's statement of net assets includes both non-current assets and non-current liabilities of the Town. In addition, the government-wide statement of activities reflects depreciation expenses on the Town's capital assets, including infrastructure.

In addition to the government-wide financial statements, the Town has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. The accrual basis of accounting and the economic resources measurement focus is utilized by the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GAAP also requires supplementary information presented as Management's Discussion and Analysis. However, management has elected to exclude this information. In addition, a budgetary comparison statement is presented that compares the general fund budget with actual results.

**TOWN OF LAKESIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*B. Reporting Entity*

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting, as set forth in Section 2100 of 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 Town holds the corporate powers of the organization
- The Town appoints a voting majority of the organization's board
- The Town is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Town
- There is fiscal dependency by the organization on the Town

Based on these criteria, the Town of Lakeside has no component units.

*C. Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of the Town. 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 government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (general and administrative, police, etc.) 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, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. All franchise fees are based on gross receipts and are included in general revenues. The net cost is normally covered by general revenue (property and sales taxes, franchise fees, interest income, etc).

The Town segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities.

**TOWN OF LAKESIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The only governmental fund of the Town is the General Fund. It accounts for all revenues and expenditures of the Town.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The only proprietary fund of the Town is the Water, Sewer and Sanitation Fund. It is used to account for the provision of water, sewer and sanitation services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of personal and contractual services, supplies and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

*D. Measurement Focus and Basis of Accounting*

The government-wide statements and financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. 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. However, the Town has established an allowance for delinquent taxes equivalent to 100 percent of uncollected property taxes, which are more than eight months past due. As of September 30, 2010 there was \$3,180 in levied delinquent property taxes that were fully reserved. Gross receipts of taxes, licenses, and charges for services, fines and other revenues are recorded as revenue when received as they are generally not measurable until received.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

**TOWN OF LAKESIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. Budgetary Data*

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general fund. All annual unencumbered appropriations lapse at fiscal year end.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

*F. Capital Assets*

Capital assets include property, plant, equipment and infrastructure assets and are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. There is no capitalized interest included as part of this capitalized value.

The Town has elected to account for infrastructure assets on a prospective basis beginning October 1, 2003 and therefore has no infrastructure assets. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives for buildings and water and sewer system and equipment are 20 to 40 and 5 to 10 years, respectively.

**TOWN OF LAKESIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Governmental Activities:**

	<b>Balance 10/1/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2010</b>
<b>Capital Assets:</b>				
Land	\$ 21,474	\$ -	\$ -	\$ 21,474
Building	188,079	37,142	-	225,221
Furniture & equipment	143,553	45,475	-	189,028
	<u>\$ 353,106</u>	<u>\$ 82,617</u>	<u>\$ -</u>	<u>\$ 435,723</u>
<b>Depreciation:</b>				
Building	\$ (119,738)	\$ (6,978)	\$ -	\$ (126,716)
Furniture & equipment	(75,676)	(21,064)	-	(96,740)
	<u>\$ (195,414)</u>	<u>\$ (28,042)</u>	<u>\$ -</u>	<u>\$ (223,456)</u>
<b>Governmental Activities</b>				
Net Capital Assets	<u>\$ 157,692</u>	<u>\$ 54,575</u>	<u>\$ -</u>	<u>\$ 212,267</u>

**Business-Type Activities (Water, Sewer and Sanitation Fund):**

	<b>Balance 10/1/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2010</b>
<b>Capital Assets:</b>				
Land	\$ 110,779	\$ -	\$ -	\$ 110,779
Building	22,535	-	-	22,535
Furniture & equipment	145,236	-	-	145,236
Water & sewer system	1,432,581	625,787	-	2,058,368
	<u>\$ 1,711,131</u>	<u>\$ 625,787</u>	<u>\$ -</u>	<u>\$ 2,336,918</u>
<b>Depreciation:</b>				
Building	\$ (14,629)	\$ (959)	\$ -	\$ (15,588)
Furniture & equipment	(129,330)	(9,162)	-	(138,492)
Water & sewer system	(786,582)	(42,058)	-	(828,640)
	<u>\$ (930,541)</u>	<u>\$ (52,179)</u>	<u>\$ -</u>	<u>\$ (982,720)</u>
<b>Business-Type Activities</b>				
Net Capital Assets	<u>\$ 780,590</u>	<u>\$ 573,608</u>	<u>\$ -</u>	<u>\$ 1,354,198</u>

**TOWN OF LAKESIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation was charged to programs as follows:

**Governmental Activities:**

General and administrative	\$ 6,978
Police department	<u>21,064</u>
	<u>\$ 28,042</u>

**Business-Type Activities:**

Water, sewer and sanitation	\$ <u>52,179</u>
	<u>\$ 52,179</u>

**G. Fund Balance**

In the fund financial statements, unreserved fund balance indicates the portion of fund equity which is available for budgeting in future periods. Reservations of fund balance would be shown for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. However, the Town has no reserved fund balances. Designations of fund balance represent tentative management plans that are subject to change. The Town also does not currently hold any designated fund balances.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**I. Cash and Investments**

For purposes of the statement of cash flows, the Water, Sewer and Sanitation Fund considers all short-term investments (including restricted assets) with a maturity of three months or less at the date of acquisition to be cash equivalents.

**J. Restricted Assets**

Restricted assets in the Water, Sewer and Sanitation Fund include customer security deposits. Restricted assets in the General Fund include amounts received to be used for court technology and security.

**TOWN OF LAKESIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**2. CASH AND CASH EQUIVALENTS**

At year-end the carrying amount of the Town's cash deposits was \$1,481,098. \$355,190 of this amount was covered by federal depository insurance, and the remaining \$1,075,908 was covered by collateral held in the pledging financial institution's trust department in the government's name.

**3. PROPERTY TAXES**

Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 and are due and payable at that time. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalty and interest is charged at seven percent on delinquent taxes beginning February 1 and increases each month to 18 percent on July 1.

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Appraisal Review Board. The assessed value for the tax roll of January 1, 2009, upon which the original levy for fiscal year 2010 was based, was \$108,877,445.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The Town may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the Town sets tax rates on Town property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than eight percent, qualified voters of the Town may petition for an election to determine whether to limit the tax rate to no more than eight percent above the tax rate of the previous year.

Property tax revenues are recognized when levied to the extent that they result in current receivable available for financing current operations. The Town has chosen to establish an allowance for delinquent taxes equal to 100% of uncollected ad valorem taxes which are more than eight months past due. Current tax collections for the period ended September 30, 2010, were 99.45% of tax levy.

**TOWN OF LAKESIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**4. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH  
BENEFITS PLAN**

*A. Pension Plan Description*

The Town provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 837 administered by TMRS, an agent, multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial valuation performed. All assumptions for the December 31, 2009 valuations are contained in the 2009 TMRS Comprehensive Annual Financial Report ("CAFR"), a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153 or accessing the CAFR online at [www.tmrs.org](http://www.tmrs.org).

Benefits depend upon the sum of the employee's contributions to the Plan, with interest, and the Town-financed monetary credits, with interest. At the date the plan began, the Town granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 100 percent of the employee's accumulated contributions. In addition, the Town can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and Town matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS. The contribution rate for the employees is 5 percent, and the Town matching ratio is currently 2 to 1, both as adopted by the governing body of the Town.

Per TMRS statutes, there is a statutory maximum in effect based on the benefit levels elected by the Town. If the required rate calculated by TMRS exceeds one or both of those rates, the Town council at its option can choose to either adjust benefits to reduce the required rate to conform with the maximums or lift the maximums altogether and to pay the full required rate. The Town's maximum is 11.5 percent.

**TOWN OF LAKESIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**4. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH BENEFITS PLAN (CONTINUED)**

*B. Pension Funding Policy*

Under the state law governing TMRS, the actuary annually determines the Town's contribution rate on a calendar-year basis. The Town discloses the annual pension costs (which equal the required contributions) based on the calculated rates for the Town's fiscal year. The rate is 5.2% of covered payroll for the months in calendar year 2009, and 5.1 percent for the months in calendar year 2010. This rate consists of the normal cost contribution rate and the prior service contribution rate. The normal cost contribution rate finances the currently accruing monetary credits due to Town matching percent, which are the obligation of the Town as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation for the Town to each employee at the time his or her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. the January 1, 2010 contribution rate is based on the December 31, 2008 valuation results). If a change in plan provisions is elected by the Town, this rate can change.

*C. Pension Plan Provisions*

	Valuation Date		
	2007	2008	2009
1. Total number of participating entities	827	833	837
Town specific data:			
2. Employee deposit rate	5.0%	5.0%	5.0%
3. Matching ratio (Town to employee)	2 to 1	2 to 1	2 to 1
4. Years required for vesting	5	5	5
5. Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
6. Updated service credit	0%	0%	0%
7. Annuity increase to retirees	0%	0%	0%
8. Supplemental death benefit:			
For active employees	Y	Y	Y
For retirees	Y	Y	Y

**TOWN OF LAKESIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**4. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH BENEFITS PLAN (CONTINUED)**

*D. Pension Actuarial Information*

	<u>Valuation Date</u>		
	2007	2008	2009
1. Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
2. Amortization method	Level % of Payroll	Level % of Payroll	Level % of Payroll
3. Remaining amortization period	25 years; closed period	24 years; closed period	24 years; closed period
4. Asset valuation method	Amortized cost	Amortized cost	10-year Smoothed Market
5. Assumptions:			
Investment return	7.0%	7.5%	7.5%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

*E. Pension Funding Information*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") (b)	Unfunded AAL ("UAAL") (b-a)	Percentage Funded (a/b)	Annual Covered Payroll (c)
2007	\$ 231,349	\$ 295,369	\$ 64,020	78.3%	\$ 345,342
2008	250,990	299,428	48,438	83.8%	348,435
2009	294,491	352,692	58,201	83.5%	391,756

Actuarial Valuation Date	UAAL as a % of Covered Payroll (b-a)/(c)	Net Pension Obligation ("NPO") at the beginning of the period	Annual Required Contribution	Contribution Made	NPO at the end of the period
2007	18.50%	\$ -	\$ 21,408	\$ 21,408	\$ -
2008	13.90%	-	24,425	24,425	-
2009	14.90%	-	21,913	21,913	-

**TOWN OF LAKESIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**4. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH  
BENEFITS PLAN (CONTINUED)**

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for the liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by the Town. Two-thirds of the cities participating in TMRS have adopted Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit ("PUC") funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5 percent, the amortization period will be increased to 30 years, unless a Town requests that the period remain at 25 years. For cities with repeating features, these changes would likely result in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5 percent each year) to their full rate (or their required contribution rate).

*F. Supplemental Death Benefits Fund*

The Town as an employer participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The Town elected to provide group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered a postemployment benefit other than pension benefit ("OPEB" or other post-employment benefit) and is a fixed amount of \$7,500.

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers. As an employer, the Town contributions to the SDBF for the years ended September 30, 2010, 2009, and 2008 were \$829, \$831, and \$704, respectively, which equaled 100 percent of the required contributions each year.

**TOWN OF LAKESIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**4. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH BENEFITS PLAN (CONTINUED)**

*G. Supplemental Death Benefits Plan Provisions*

	<b>2009</b>
1. Total number of participating entities	720
Town specific data:	
2. Supplemental death benefit	
For active employees	Y
For retirees	Y

*H. Supplemental Death Benefits Actuarial Information*

	<b>2009</b>
1. Valuation date	12/31/09
2. Actuarial cost method	Projected unit credit
3. Amortization method	Level percent of payroll
4. Amortization period	25 years – open period
5. Asset valuation method	Fund value
6. Assumptions:	
Investment return	4.25%
Projected salary increases	Varies by age and service
Inflation	3.0%
Cost-of-living adjustments	None

**5. SUBSEQUENT EVENTS**

The Town has evaluated subsequent events from the statement of net assets date through December 13, 2010, the date through which the financial statements were available to be issued. Management has determined there are no events to disclose