



THE TOWN OF

Highland Park

TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2012



THE PECAN TREE on Armstrong Parkway near Preston Road has grown gracefully from a small sapling to a massive tree since Joseph Cole discovered it in 1865. The tree has been carefully protected and nurtured along the way. Strong and resilient, the grand old tree is a symbol of Highland Park as the Town has matured through excellent stewardship of resources and wise decision-making based on sound planning for the future.

TOWN OF HIGHLAND PARK, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

Prepared by:

Finance Department



TOWN OF HIGHLAND PARK

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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TOWN OF HIGHLAND PARK
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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INTRODUCTORY SECTION



THE TOWN OF
Highland Park
TEXAS
4700 DREXEL DRIVE, HIGHLAND PARK, TEXAS 75205
Telephone (214) 521-4161

February 12, 2013

The Honorable Mayor, Town Council and the Citizens of the Town of Highland Park:

The Town of Highland Park ("Town") Financial Management Policies requires that the Town's Finance Department prepare a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Comprehensive Annual Financial Report for the Town of Highland Park, Texas for the fiscal year ended September 30, 2012 is hereby issued.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making the representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Weaver & Tidwell LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended September 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditor.

Profile of the Town

The Town was incorporated in 1913 and chartered as a home-rule city under Texas law in 1975. The Town is a fully developed upper-class residential community located in the heart of Dallas, just a few miles north of the Dallas central business district. The Town occupies approximately 2.2 square miles and serves a population of about 8,564. The Town is empowered by state statute to levy a property tax on both real and business personal property located within its boundaries.

The Town operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and five (5) Council members. The Town Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the Town Administrator (manager) and Town Attorney. The Town Administrator is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the Town, and for appointing heads of various departments. The Mayor and Town Council members serve two (2) year terms with a limit of three (3) terms in either capacity. All elected officials are elected at large.

The Town provides a full range of services, including public safety (police, fire and emergency medical), maintenance of streets and infrastructure, sanitation services, maintenance of the treated water distribution system and both sanitary and storm sewer collection and transmission systems, library services as well as general administrative services.

The annual budget serves as the foundation of the Town's financial planning and control. The respective department heads prepare and submit line item budget requests for the operations and maintenance portion of their respective departments as well as a listing of capital items for consideration. The personnel portion of the budget is developed by the Town's Director of Fiscal & Human Resources, utilizing market data compiled from other cities and compensation professionals. The Town Administrator uses these requests as the starting point for developing a proposed budget. The Town's Charter requires that the proposed budget be submitted to the Town Secretary no later than August 31st with adoption taking place no later than September 30th. The entire budget process includes public involvement as the various elements composing the budget are reviewed in open and advertised public meetings. The appropriated budget is prepared by fund and department (e.g. Public Safety). Department heads may make transfers of appropriations within a department's budgeted operations and maintenance levels, however, reallocation of personnel and capital appropriations as well as the transfer of appropriations between departments must be approved by the Town Administrator. Amendments to budget dollar amounts must be approved by the Town Council. Budget-to-actual comparisons are provided in this report for the General Fund on page 32.

Local economy

During the past several years, the Town has experienced similar economic challenges as other entities in our region, state and nation. Property tax revenues provide a greater portion of the Town's total governmental revenue stream than in most neighboring cities. Historically, the Town has realized strong property value growth year-to-year; however, these values were down slightly for 2012. Since the property tax rate was unchanged from 2011, property tax revenues were 0.6% less than the prior year. With the lowest municipal property tax rate in the Dallas/Ft. Worth Metroplex, property tax revenues are still considered a viable revenue source.

Building activity fees, a revenue stream which is an indicator of the economy, are down 1.1% from last year. Investment earnings, which is also an indicator of the economy, has decreased 23.7% from the prior year. Sales tax revenue, normally another indicator of the economy, has increased \$344,245 (13.4%) during the year.

While Town Management remains optimistic that these signs point to an improvement in the local economy, the Town is closely monitoring all local economic indicators with the intention of being able to respond as needed.

During the 2012 year, total revenues increased \$352,436 (1.3%) and total expenses decreased \$284,789 (1.2%). The net assets of the Town increased \$3,772,258 (5.0%).

Relevant Financial Policies

The Town's financial operations are guided by the Statement of Financial Management Policies as adopted by the Town Council. The purpose of these policies is to provide guidelines, in accordance with the applicable Texas Statutes and the Town of Highland Park Charter, Ordinances and Resolutions, for the planning and direction of the financial affairs of the Town. The intended goal of the Statement of Financial Management Policies is to enable the Town to adhere to the principles of sound municipal finance and to continue its long-term stable and positive financial condition.

Long-Term Financial Planning

At September 30, 2012, General Fund unassigned fund balance was \$3,935,177 and Enterprise Fund unrestricted net assets was \$1,933,334. The General Fund amount was 24.9% of current year non-capital expenditures, which is above the minimum fund balance level of 22% required by the Town Council. The enterprise fund balance was 28.9% of current year non-capital expenditures, which is above the minimum fund balance level of 25% prescribed by Council.

Town management, in conjunction with the Council, developed and adopted a formal Capital Improvement Plan (CIP) for the Town during the year. The development of a formal CIP resulted in a separate multi-year capital budget, which is in addition to the Town's annual operating budget. Projects selected for inclusion in the CIP will be evaluated based on several areas: safety, impact on Town services, quality of life, necessity, outside financial sources, and budgetary impact.

The Town is committed to continue in the funding of its capital program on a pay-as-you-go basis. The development of a formal CIP and the use of both general and utility fund balances in excess of the established minimums will each play a significant role in the Town's short-term and long-term financial strategies.

Major Initiatives

During the year, the Town continued work on the DPS Communications and Town Hall Remodeling Project, which shall be the largest renovation to date of the Town Hall complex. The Capital Improvement Plan multi-year budget for the project provides total funding of \$19,200,000 from the Capital Projects Fund. Municipal offices were moved to a temporary location during the year to provide uninterrupted service to residents during construction. Construction should be complete and all offices will return to the Town Hall complex during the 2013-2014 fiscal year.

Awards

The Town of Highland Park received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. This was the twenty-ninth time that the Town has achieved this prestigious honor. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by the Town and its management.

A Certificate of Achievement is valid for a period of one year. We believe that our CAFR for the current year also meets the requirements of the Certificate of Achievement program and are presenting it to the GFOA to determine its eligibility for another certificate.

The Town also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Town. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the Mayor and Town Council members for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectively submitted,

Bill Lindley
Town Administrator

Bill Pollock
Director of Fiscal and Human Resources

Clayton Gray
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Highland Park
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



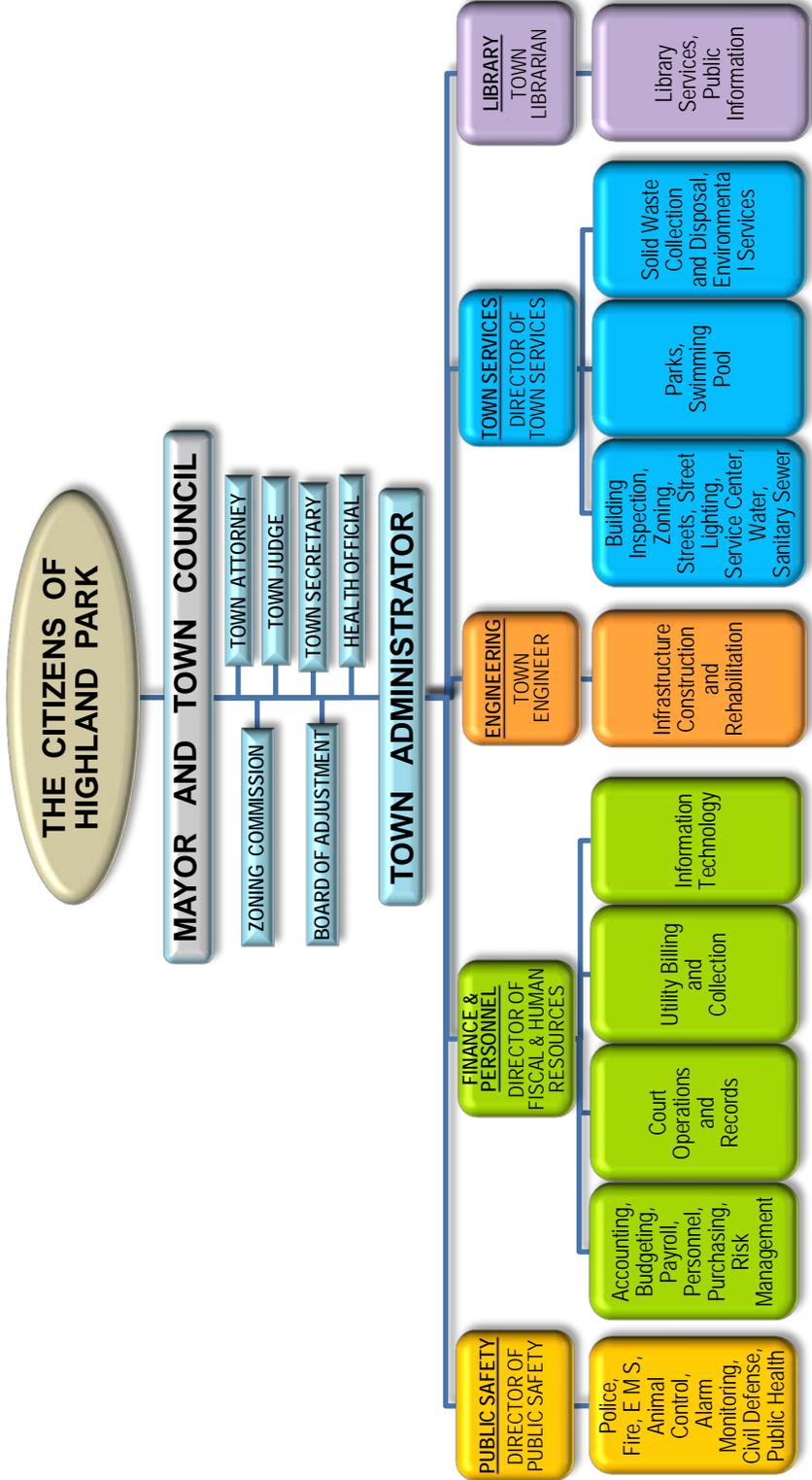
Christopher P. Morille

President

Jeffrey R. Enos

Executive Director

TOWN OF HIGHLAND PARK
ORGANIZATION CHART BY MANAGEMENT STRUCTURE



DEPARTMENTAL ORGANIZATION CHART

| <u>Function</u> | <u>Department Head</u> | <u>Department(s)</u> |
|----------------------------------|--------------------------------------|--|
| Engineering | Town Engineer | Engineering |
| Finance & Personnel | Director of Fiscal & Human Resources | Finance, Municipal Court, Utility Administration |
| Library | Town Librarian | Library |
| Public Safety | Director of Public Safety | Public Safety |
| Public Works, Parks & Sanitation | Director of Town Services | Building Inspection, Parks, Pool, Sanitation, Service Center, Sewer, Streets, Street Lighting, Water |

LISTING OF PRINCIPAL OFFICIALS

Town Council

Joel Williams, **Mayor**
Laurence W. Nixon, **Mayor Pro Tem**
Andrew Barr, **Council Member**
Will C. Beecherl, **Council Member**
Bob Carter, **Council Member**
Stephen Rogers, **Council Member**

Town Administrator

Bill Lindley

Town Attorney

Albert D. Hammack

Town Judge

Pat A. Robertson

Town Secretary

Gayle Kirby

Director of Fiscal & Human Resources

Bill Pollock

Director of Public Safety

Chris Vinson

Director of Town Services

Ronnie Brown

Town Engineer

Meran Dadgostar

Town Librarian

Bonnie Case



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Town Council
of the Town of Highland Park
Highland Park, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Park (Town) as of and for the year ended September 30, 2012, 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. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2012, and the respective changes in financial position and the cash flows, where applicable, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, on our consideration of the Town's internal control over financial reporting and on our tests 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 24 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 12, 2013

Management's Discussion and Analysis

As management of the Town of Highland Park ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-6 of this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$76,291,611 (net assets). Of this amount, \$22,586,084 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased a total of \$3,772,258, the result of operations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$18,958,238, an increase of \$2,027,960 in comparison with the prior year. Approximately 20.8% of the reported combined ending fund balances, or \$3,935,117, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,935,117 or 24.9% of total General Fund expenditures and the unrestricted net assets for the Enterprise Fund was \$1,933,334, or 28.8% of total Enterprise Fund operating expenses.
- Total governmental capital outlay of \$2,775,231 was partially offset by the net gain from operations of the General Fund of \$2,258,273.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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.)

The government-wide financial statements distinguish between governmental activities (i.e., functions of the Town that are principally supported by taxes and intergovernmental revenues) and business-type activities (i.e., functions that are intended to recover all or a significant portion of their cost through user fees and charges). The governmental activities of the Town include general government, public safety, streets, library services and

parks and recreation. The business-type activities of the Town include the distribution and sale of treated water and the collection and disposal of sewerage.

The government-wide financial statements can be found on pages 26-27 of this report.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for the General Fund and Capital Projects Fund. Budgetary comparison statements are provided for each fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 28-32 of this report.

Proprietary funds: The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its distribution and sale of treated water and the collection and disposal of sanitary and solid waste. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its fleet of vehicles and management information systems. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 33-35 of this report.

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 fund financial statements. The notes to the financial statements can be found on pages 37-59 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* pertaining to the Town's funding of its obligation to provide pension benefits to Town employees through the Texas Municipal Retirement System. Also included is a budgetary comparison for the Capital Projects Fund, combining statements for the nonmajor governmental funds and the schedule of changes in equipment and accumulated depreciation for the internal service fund. This supplementary information may be found on pages 62 to 72.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$76,291,611 at the close of the most recent fiscal year.

| | Governmental activities | | Business-type activities | | Total | |
|----------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$ 23,663,027 | \$ 21,737,970 | \$ 3,069,398 | \$ 4,456,123 | \$ 26,732,425 | \$ 26,194,093 |
| Capital assets | 36,283,176 | 35,479,938 | 17,422,351 | 15,778,121 | 53,705,527 | 51,258,059 |
| Total assets | 59,946,203 | 57,217,908 | 20,491,749 | 20,234,244 | 80,437,952 | 77,452,152 |
| Current Liabilities | 1,944,069 | 2,672,522 | 987,392 | 984,689 | 2,931,461 | 3,657,211 |
| Long term liabilities | 1,066,208 | 1,107,776 | 148,672 | 167,812 | 1,214,880 | 1,275,588 |
| Total liabilities | 3,010,277 | 3,780,298 | 1,136,064 | 1,152,501 | 4,146,341 | 4,932,799 |
| Net assets: | | | | | | |
| Invested in capital assets | 36,283,176 | 35,479,938 | 17,422,351 | 15,778,121 | 53,705,527 | 51,258,059 |
| Unrestricted | 20,652,750 | 17,957,672 | 1,933,334 | 3,303,622 | 22,586,084 | 21,261,294 |
| Total net assets | \$ 56,935,926 | \$ 53,437,610 | \$ 19,355,685 | \$ 19,081,743 | \$ 76,291,611 | \$ 72,519,353 |

The largest portion of the Town's net assets (70.4%) is its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of \$22,586,084, unrestricted net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

| | Governmental activities | | Business-type activities | | Total | |
|------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 4,172,221 | \$ 2,863,195 | \$ 8,237,561 | \$ 9,945,105 | \$ 12,409,782 | \$ 12,808,300 |
| Contributions | - | - | 627,941 | - | 627,941 | - |
| General revenues: | | | | | | |
| Property taxes | 9,640,285 | 9,714,359 | - | - | 9,640,285 | 9,714,359 |
| Other taxes | 4,147,833 | 3,717,739 | - | - | 4,147,833 | 3,717,739 |
| Other | 636,397 | 869,103 | 12,168 | 12,469 | 648,565 | 881,572 |
| Total revenues | <u>18,596,736</u> | <u>17,164,396</u> | <u>8,877,670</u> | <u>9,957,574</u> | <u>27,474,406</u> | <u>27,121,970</u> |
| Expenses: | | | | | | |
| General government | 1,033,107 | 812,643 | 6,702,773 | 7,983,612 | 7,735,880 | 8,796,255 |
| Public safety | 10,214,838 | 10,188,243 | - | - | 10,214,838 | 10,188,243 |
| Streets | 1,117,699 | 1,090,129 | - | - | 1,117,699 | 1,090,129 |
| Street lighting | 206,703 | 284,966 | - | - | 206,703 | 284,966 |
| Library | 768,755 | 745,811 | - | - | 768,755 | 745,811 |
| Parks | 1,240,538 | 1,404,315 | - | - | 1,240,538 | 1,404,315 |
| Swimming pool | 192,559 | 228,565 | - | - | 192,559 | 228,565 |
| Municipal court | 319,953 | 341,435 | - | - | 319,953 | 341,435 |
| Sanitation | 1,039,230 | - | - | - | 1,039,230 | - |
| Finance | 473,970 | 515,296 | - | - | 473,970 | 515,296 |
| Building inspection | 392,023 | 391,922 | - | - | 392,023 | 391,922 |
| Total expenses | <u>16,999,375</u> | <u>16,003,325</u> | <u>6,702,773</u> | <u>7,983,612</u> | <u>23,702,148</u> | <u>23,986,937</u> |
| Transfers in (out) | 1,900,955 | 473,401 | (1,900,955) | (473,401) | - | - |
| Increase in net assets | 3,498,316 | 1,634,472 | 273,942 | 1,500,561 | 3,772,258 | 3,135,033 |
| Net assets 10/1 | 53,437,610 | 51,803,138 | 19,081,743 | 17,581,182 | 72,519,353 | 69,384,320 |
| Net assets 9/30 | <u>\$ 56,935,926</u> | <u>\$ 53,437,610</u> | <u>\$ 19,355,685</u> | <u>\$ 19,081,743</u> | <u>\$ 76,291,611</u> | <u>\$ 72,519,353</u> |

For the fiscal year 2012, the Town's total net assets increased \$3,772,258, the result of operations.

Governmental activities: Governmental activities, excluding transfers, increased the Town's net assets by \$1,597,361. This accounted for 36.3% of the total growth in the net assets of the Town from operations.

Total 2012 revenues increased by \$1,432,340 (9.3%) from 2011. This increase was the combined result of an increase in charges for services of \$1,309,026 and an increase in sales taxes of \$344,245.

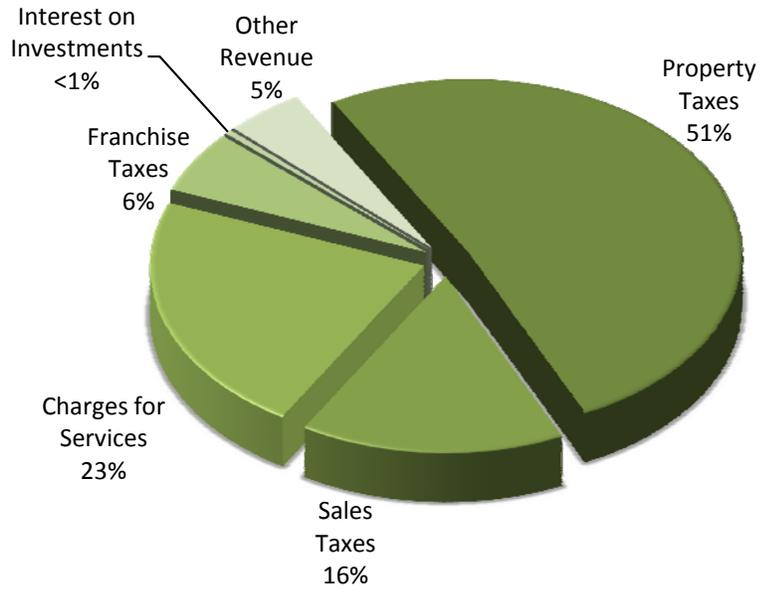
Total expenses increased \$996,050 (6.2%) from 2011. The Sanitation Department was a part of the Enterprise Fund in prior years; however, it is now a department of the General Fund. Sanitation Department expenses this year were \$1,039,230. During the year, a new department (I T) was added to the General Fund and is reported in General government expenses. Expenses of the I T Department this year were \$295,032.

Business-type activities: The revenue rate structures for business-type activities are developed with the intent of generating resources sufficient to fund the cost of the respective service provided and for infrastructure replacement and/or rehabilitation. Net assets from operations for business-type activities (excluding transfers out) increased \$2,174,897. Comparatively, the increase in the investment in business-type capital assets, net of depreciation, increased \$1,644,230 for the year.

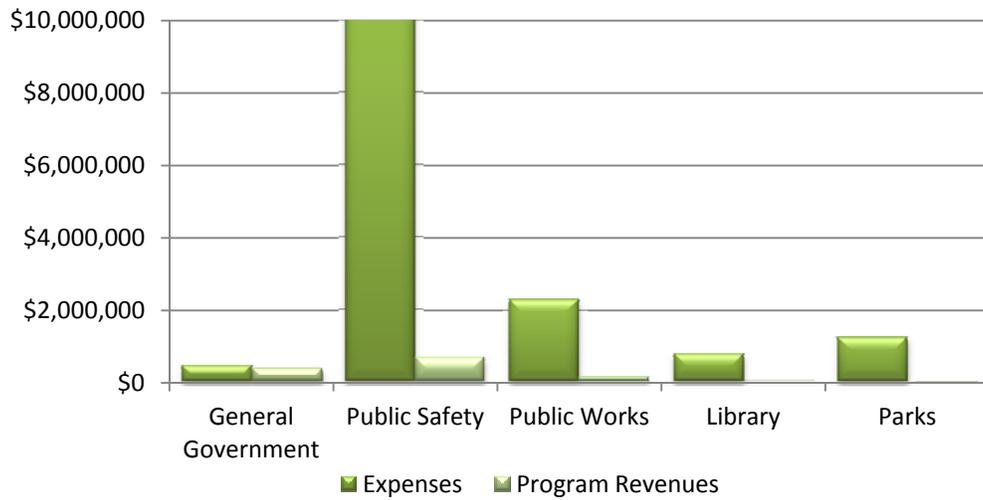
Total business-type revenues for 2012 decreased by \$1,079,904 (10.9%) from 2011 revenues. Charges for services decreased by \$1,707,544, the result of a decrease in the volume of water sold of approximately 9%.

Transfers: Transactions of a significant nature that did not impact the Town's total net assets involved transfers made in conjunction with the prior year implementation of the Town's first formal capital program. During fiscal year 2011, a five-year Capital Improvement Plan was adopted and in order to consolidate the Town's resources for it, transfers in the amount of \$1,900,955 were made from business-type activities to governmental-type activities.

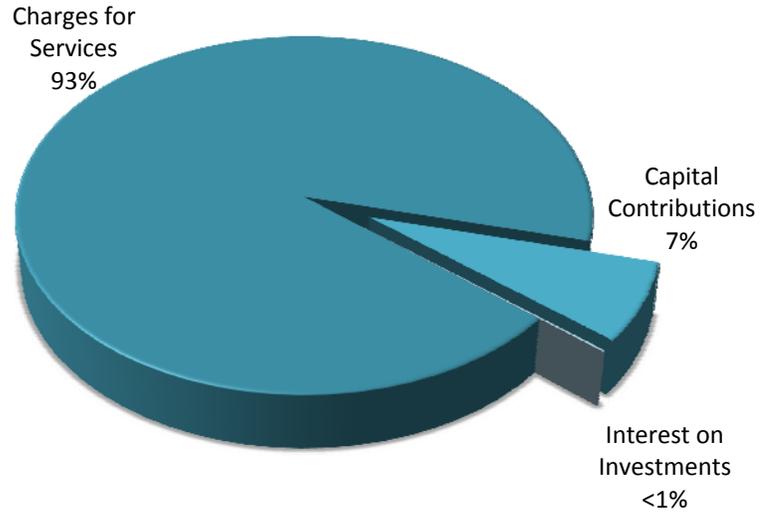
Revenues by Source – Governmental Activities



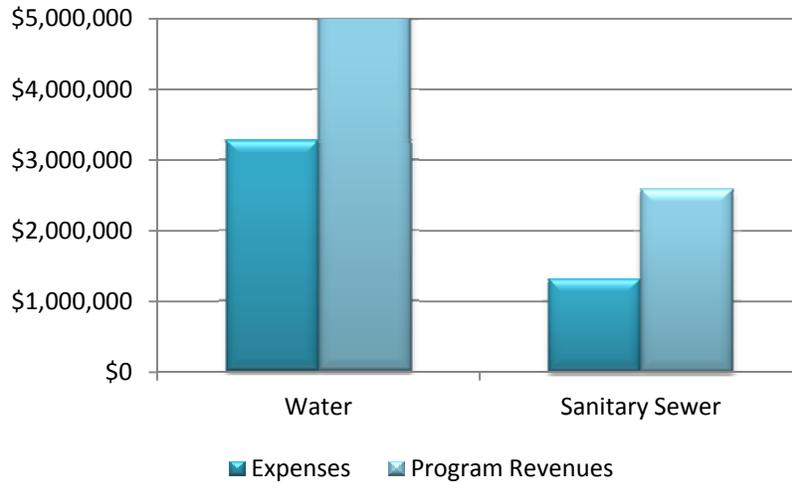
Expense and Program Revenues – Governmental Activities



Revenues by Source – Business-Type Activities



Expense and Revenues – Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$18,958,238, an increase of \$2,027,960 in comparison with the prior year. This increase consists of the net result of activities described below for each of the individual governmental funds.

Approximately 20.8% of total fund balance (\$3,935,117) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance includes amounts not available for new spending because it is 1) nonspendable and is for inventory and prepaid items (\$15,397); 2) is restricted for special revenue funds and for use by the Library and Court (\$188,075); 3) committed for capital acquisition, stormwater drainage improvements and employee disbursement (\$12,400,573); or 4) assigned to liquidate contracts and purchase orders of the prior period (\$2,419,076).

The General Fund is the primary operating fund of the Town. The total fund balance of the Town's General Fund decreased by \$250,700 during the current fiscal year; this was primarily the net result of (1) an excess of revenues over expenditures of \$2,258,273 (increase); (2) a budgeted transfer in the amount of \$2,352,546 from current revenues to the Capital Projects Fund (decrease); and (3) a transfer of \$181,821 to the Capital Projects Fund in accordance with the Town's Financial Management Policies (decrease).

As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.9% of total General Fund expenditures, while total fund balance represents 27.9% of that same amount.

The Capital Projects Fund ended the fiscal year with a total fund balance of \$13,853,722, all committed or assigned for capital acquisitions and projects. Of this amount, \$12,183,151 is restricted for capital acquisition. The total fund balance of the Capital Projects Fund increased by \$2,140,761 during the current fiscal year; this was the net result of \$4,775,322 in transfers from the General Fund (\$2,534,367) and the Enterprise Fund (\$1,900,955) and operations.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Town's Enterprise Fund at the end of the year amounted to \$1,933,334, an increase of \$273,942. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The final amended budget was \$100,385 less than the original budget. This was the net result of (1) the adjustment of equipment use charges in the Department of Public Safety of \$161,000 (decrease); (2) change in the amount of transfer from the Utility Administration Department to the Finance Department of \$253,565 (decrease); (3) the creation of the I T Department budget of \$261,385 (increase); and (4) the transfer of General Fund surplus to the Capital Projects Fund of \$181,821 (increase.)

Actual fiscal year 2012 General Fund expenditures were \$714,455 (3.7%) less than the final amended budget. This variance was due to retirement and employee health insurance costs being less than anticipated.

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of September 30, 2012 amounts to \$53,705,527 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and park facilities. The net increase in the Town's investment in capital assets for the current fiscal year was \$2,447,468, or 4.8%.

Additional information on the Town's capital assets can be found in note 2 on pages 50-52 of this report.

Economic Factors and Next Year's Budgets and Rates

The preparation of the 2013 Operating Budget was significantly impacted by the current economic recession and the effect that it has, and is having, on property values, housing starts, interest earnings and court revenues. Significant factors considered in preparing the budget include:

- Taxable property values for 2012 decreased \$16,117,180 (0.36%). Property tax revenues will be lower due to the combination of the decrease in values and the decision to retain a tax rate of \$0.22/\$100 valuation.
- Sales taxes have increased \$344,245 (13.4%) during 2012 over 2011, the result of stronger retail sales within the Town. The Town is projecting sales tax revenue of \$2,750,000 for the 2013 budget year, a 7.8% increase of the 2012 budget.
- Water sales have decreased \$370,575 (7.0%) during 2012 over 2011, the result of decreased usage.

Requests for Information

This financial report is designed to provide a general overview of the Town'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:

**Town of Highland Park
Finance Department
4700 Drexel Drive
Highland Park TX 75205**

BASIC FINANCIAL STATEMENTS

TOWN OF HIGHLAND PARK
Statement of Net Assets
September 30, 2012

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 9,179,101 | \$ 707,147 | \$ 9,886,248 |
| Investments | 13,206,582 | 717,350 | 13,923,932 |
| Receivables (net of allowances for uncollectibles): | 1,261,947 | 1,549,057 | 2,811,004 |
| Inventory of Supplies | 7,949 | 83,213 | 91,162 |
| Prepaid Items | 7,448 | 12,631 | 20,079 |
| Total Current Assets | 23,663,027 | 3,069,398 | 26,732,425 |
| Noncurrent Assets | | | |
| Capital Assets: | | | |
| Land, Improvements and Construction in Progress | 7,792,511 | 1,645,626 | 9,438,137 |
| Other Capital Assets, Net of Accumulated Depreciation | 28,490,665 | 15,776,725 | 44,267,390 |
| Total Noncurrent Assets | 36,283,176 | 17,422,351 | 53,705,527 |
| Total Assets | \$ 59,946,203 | \$ 20,491,749 | \$ 80,437,952 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Vouchers Payable | \$ 363,179 | \$ 563,908 | \$ 927,087 |
| Retainage Payable | 125,646 | 43,939 | 169,585 |
| Accrued Liabilities | 1,145,147 | 181,373 | 1,326,520 |
| Deposits | 49,232 | 176,231 | 225,463 |
| Noncurrent Liabilities Due Within One Year | 260,865 | 21,941 | 282,806 |
| Total Current Liabilities | 1,944,069 | 987,392 | 2,931,461 |
| Noncurrent Liabilities: | | | |
| Due in More Than One Year | 1,066,208 | 148,672 | 1,214,880 |
| Total Liabilities | 3,010,277 | 1,136,064 | 4,146,341 |
| NET ASSETS | | | |
| Invested in Capital Assets | 36,283,176 | 17,422,351 | 53,705,527 |
| Unrestricted | 20,652,750 | 1,933,334 | 22,586,084 |
| Total Net Assets | \$ 56,935,926 | \$ 19,355,685 | \$ 76,291,611 |

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND PARK
Statement of Activities
For the fiscal year ended September 30, 2012

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|----------------------|----------------------|----------------------------------|---|----------------------------|------------------------|
| | Expenses | Charges for Services | Capital Grants And Contributions | Governmental Activities | Business - Type Activities | Total |
| Primary government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 1,033,107 | \$ 376,375 | \$ - | \$ (656,732) | \$ - | \$ (656,732) |
| Department of Public Safety | 10,214,838 | 666,846 | - | (9,547,992) | - | (9,547,992) |
| Street Department | 1,117,699 | 134,859 | - | (982,840) | - | (982,840) |
| Street Lighting Department | 206,703 | - | - | (206,703) | - | (206,703) |
| Library | 768,755 | 15,347 | - | (753,408) | - | (753,408) |
| Parks Department | 1,240,538 | 10,560 | - | (1,229,978) | - | (1,229,978) |
| Swimming Pool | 192,559 | 103,531 | - | (89,028) | - | (89,028) |
| Sanitation | 1,039,230 | 1,254,088 | - | 214,858 | - | 214,858 |
| Municipal Court | 319,953 | 684,318 | - | 364,365 | - | 364,365 |
| Finance Department | 473,970 | - | - | (473,970) | - | (473,970) |
| Building Inspection Department | 392,023 | 926,297 | - | 534,274 | - | 534,274 |
| Total governmental activities | <u>16,999,375</u> | <u>4,172,221</u> | <u>-</u> | <u>(12,827,154)</u> | <u>-</u> | <u>(12,827,154)</u> |
| Business-type activities: | | | | | | |
| Enterprise | 6,702,773 | 8,237,561 | 627,941 | - | 2,162,729 | 2,162,729 |
| Total business-type activities | <u>6,702,773</u> | <u>8,237,561</u> | <u>627,941</u> | <u>-</u> | <u>2,162,729</u> | <u>2,162,729</u> |
| Total primary government | <u>\$ 23,702,148</u> | <u>\$ 12,409,782</u> | <u>\$ 627,941</u> | <u>\$ (12,827,154)</u> | <u>\$ 2,162,729</u> | <u>\$ (10,664,425)</u> |
| General Revenues: | | | | | | |
| Property Taxes | | | | \$ 9,640,285 | \$ - | \$ 9,640,285 |
| Sales Taxes | | | | 2,923,273 | - | 2,923,273 |
| Other Taxes | | | | 146,057 | - | 146,057 |
| Franchise Taxes | | | | 1,078,503 | - | 1,078,503 |
| Penalties and Interest on Taxes | | | | 45,662 | - | 45,662 |
| Interest on Investments | | | | 80,420 | 12,168 | 92,588 |
| Miscellaneous | | | | 510,315 | - | 510,315 |
| Transfers | | | | 1,900,955 | (1,900,955) | - |
| Total general revenues and transfers | | | | <u>16,325,470</u> | <u>(1,888,787)</u> | <u>14,436,683</u> |
| Change in Net Assets | | | | 3,498,316 | 273,942 | 3,772,258 |
| Net Assets - Beginning of Year | | | | 53,437,610 | 19,081,743 | 72,519,353 |
| Net Assets - End of Year | | | | <u>\$ 56,935,926</u> | <u>\$ 19,355,685</u> | <u>\$ 76,291,611</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND PARK
Balance Sheet - Governmental Funds
September 30, 2012

| | General | Capital Projects | Non-Major | Total Governmental Funds |
|---|---------------------|----------------------|-------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,342,495 | \$ 6,158,463 | \$ 677,763 | \$ 8,178,721 |
| Investments | 3,492,910 | 7,954,295 | - | 11,447,205 |
| Receivables (net of allowances for uncollectibles)- | | | | |
| Interest | 4,421 | 10,339 | - | 14,760 |
| Taxes | 1,015,291 | - | - | 1,015,291 |
| Other | 118,541 | - | 15,348 | 133,889 |
| Fines | 94,228 | - | - | 94,228 |
| Inventory of Supplies | 7,949 | - | - | 7,949 |
| Prepaid Items | 7,278 | - | 170 | 7,448 |
| Total Assets | <u>\$ 6,083,113</u> | <u>\$ 14,123,097</u> | <u>\$ 693,281</u> | <u>\$ 20,899,491</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Vouchers Payable | \$ 207,945 | \$ 143,729 | \$ 5,340 | \$ 357,014 |
| Retainage Payable | - | 125,646 | - | 125,646 |
| Accrued Liabilities | 1,143,988 | - | 1,159 | 1,145,147 |
| Deposits | 49,232 | - | - | 49,232 |
| Deferred Revenue | | | | |
| Property Taxes | 138,456 | - | - | 138,456 |
| Ambulance | 31,530 | - | - | 31,530 |
| Fines | 94,228 | - | - | 94,228 |
| Total Liabilities | <u>1,665,379</u> | <u>269,375</u> | <u>6,499</u> | <u>1,941,253</u> |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Inventory of Supplies | 7,949 | - | - | 7,949 |
| Prepaid Items | 7,278 | - | 170 | 7,448 |
| Restricted | | | | |
| Crime Prevention | - | - | 496 | 496 |
| Court Technology | - | - | 54,077 | 54,077 |
| Court Security | - | - | 4,868 | 4,868 |
| Library | 128,634 | - | - | 128,634 |
| Committed | | | | |
| Capital Acquisition | - | 12,183,151 | - | 12,183,151 |
| Stormwater Drainage Improvements | - | - | 214,234 | 214,234 |
| Employee Christmas Fund | - | - | 3,188 | 3,188 |
| Assigned | | | | |
| Capital Projects | - | 1,670,571 | - | 1,670,571 |
| Drainage | - | - | 409,749 | 409,749 |
| Other | 338,756 | - | - | 338,756 |
| Unassigned | 3,935,117 | - | - | 3,935,117 |
| Total Fund Balances | <u>4,417,734</u> | <u>13,853,722</u> | <u>686,782</u> | <u>18,958,238</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,083,113</u> | <u>\$ 14,123,097</u> | <u>\$ 693,281</u> | <u>\$ 20,899,491</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND PARK
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Assets
 September 30, 2012

Total fund balances -- governmental funds \$ 18,958,238

Amounts reported for governmental activities in the statement of net assets (page 26)
 are different because:

Capital assets of \$56,063,547 net of accumulated depreciation of \$20,241,202 used in
 governmental activities are not financial resources and therefore are not reported as
 assets in governmental funds. 36,283,176

Revenues have been recognized in the government-wide financial statements but are
 deferred as liabilities at the fund level as follows:

| | | |
|----------------|---------------|---------|
| Property Taxes | \$ 138,456 | |
| Ambulance Fees | 31,530 | |
| Court Fines | <u>94,228</u> | |
| | | 264,214 |

Long term liabilities related to compensated absences are recognized on the government-
 wide financial statements and not at the fund level. (1,012,936)

Long term liabilities related to other post employment benefits are recognized on the
 government-wide financial statements and not at the fund level. (314,137)

An internal service fund is used by the Town's management:

The assets and liabilities of the internal service fund are included with governmental
 activities. The net property of \$4,204,680 as it relates to the internal service funds
 is included in the capital asset amount above. 2,757,371

Total Net Assets--governmental activities (page 26) \$ 56,935,926

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND PARK
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended September 30, 2012

| | General | Capital Projects | Non-Major | Total Governmental Funds |
|---|--------------|---------------------|------------|--------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 9,657,658 | \$ - | \$ - | \$ 9,657,658 |
| Sales Taxes | 2,923,273 | - | - | 2,923,273 |
| Other Taxes | 146,057 | - | - | 146,057 |
| Franchise Fees | 1,078,503 | - | - | 1,078,503 |
| Penalties and Interest | 45,662 | - | - | 45,662 |
| Licenses and Permits | 995,508 | - | - | 995,508 |
| Service Fees | 2,466,451 | - | 408,567 | 2,875,018 |
| Fines and Forfeits | 351,545 | - | - | 351,545 |
| Interest on Investments | 28,156 | 43,500 | 742 | 72,398 |
| Contributions | 81,972 | - | 17,070 | 99,042 |
| Miscellaneous | 316,093 | - | 6 | 316,099 |
| Total Revenues | 18,090,878 | 43,500 | 426,385 | 18,560,763 |
| EXPENDITURES | | | | |
| Current- | | | | |
| General Government | 1,015,662 | - | 110,535 | 1,126,197 |
| Department of Public Safety | 9,984,927 | - | - | 9,984,927 |
| Street Department | 374,173 | - | - | 374,173 |
| Street Lighting Department | 169,907 | - | - | 169,907 |
| Library | 625,146 | - | - | 625,146 |
| Parks Department | 1,220,933 | - | - | 1,220,933 |
| Swimming Pool | 162,743 | - | - | 162,743 |
| Municipal Court | 278,791 | - | 18,374 | 297,165 |
| Finance Department | 471,900 | - | - | 471,900 |
| Building Inspection Department | 392,023 | - | - | 392,023 |
| Sanitation | 1,039,230 | - | - | 1,039,230 |
| Capital Outlay | 97,170 | 2,678,061 | - | 2,775,231 |
| Total Expenditures | 15,832,605 | 2,678,061 | 128,909 | 18,639,575 |
| Excess (Deficiency) of Revenues Over Expenditures | 2,258,273 | (2,634,561) | 297,476 | (78,812) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 19,577 | 4,775,322 | - | 4,794,899 |
| Transfers Out | (2,534,367) | - | (159,577) | (2,693,944) |
| Proceeds from Sale of Assets | 5,817 | - | - | 5,817 |
| Net Other Financing Sources (Uses) | (2,508,973) | 4,775,322 | (159,577) | 2,106,772 |
| Net Change in Fund Balances | (250,700) | 2,140,761 | 137,899 | 2,027,960 |
| FUND BALANCES, beginning of year | 4,668,434 | 11,712,961 | 548,883 | 16,930,278 |
| FUND BALANCES, end of year | \$ 4,417,734 | \$ 13,853,722 | \$ 686,782 | \$ 18,958,238 |

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND PARK
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended September 30, 2012

Amounts reported for governmental activities in the statement of activities (page 27) are different because:

| | |
|--|--------------|
| Net changes in fund balances--total governmental funds | \$ 2,027,960 |
|--|--------------|

| | |
|---|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,775,231) exceeded depreciation (\$1,358,095) in the current period. | 1,417,136 |
|---|-----------|

| | |
|---|-----------------|
| Revenues in the statement of activities reported on the accrual method differ from amounts reported at the fund level on the modified accrual basis as follows: | |
| Property Taxes | (17,373) |
| Ambulance Fees | <u>(49,850)</u> |
| | (67,223) |

| | |
|--|-------|
| Expenditures related to the long-term liability for other post employment benefits are recognized in the government-wide financial statements. | (283) |
|--|-------|

| | |
|--|--------|
| Expenditures related to the long-term liability for compensated absences are recognized in the government-wide financial statements. | 23,473 |
|--|--------|

| | |
|--|---------|
| The disposal of capital assets is not recognized in the governmental funds | (7,620) |
|--|---------|

| | |
|--|----------------|
| Internal service funds are used by management to charge the costs of certain activities, such as the purchase of equipment, to individual funds. The net revenue (expense), excluding capital contributions from a governmental fund (\$2,020,961), of the internal service fund is reported with governmental activities. | <u>104,873</u> |
|--|----------------|

| | |
|---|----------------------------|
| Change in net assets of governmental activities (page 27) | <u><u>\$ 3,498,316</u></u> |
|---|----------------------------|

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND PARK
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the year ended September 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance -</u> |
|---------------------------------------|-------------------------|---------------------|---------------------|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Positive</u> <u>(Negative)</u> |
| REVENUES | | | | |
| Property Taxes | \$ 9,623,335 | \$ 9,623,335 | \$ 9,657,658 | \$ 34,323 |
| Sales Taxes | 2,550,000 | 2,550,000 | 2,923,273 | 373,273 |
| Other Taxes | 110,000 | 110,000 | 146,057 | 36,057 |
| Franchise Fees | 1,010,000 | 1,010,000 | 1,078,503 | 68,503 |
| Penalties and Interest | 60,000 | 60,000 | 45,662 | (14,338) |
| Licenses and Permits | 882,200 | 882,200 | 995,508 | 113,308 |
| Service Fees | 2,527,650 | 2,527,650 | 2,466,451 | (61,199) |
| Fines and Forfeits | 348,500 | 348,500 | 351,545 | 3,045 |
| Interest on Investments | 35,150 | 35,150 | 28,156 | (6,994) |
| Contributions | 10,000 | 10,000 | 81,972 | 71,972 |
| Miscellaneous | 319,500 | 319,500 | 316,093 | (3,407) |
| Total Revenues | <u>17,476,335</u> | <u>17,476,335</u> | <u>18,090,878</u> | <u>614,543</u> |
| EXPENDITURES | | | | |
| Current- | | | | |
| General Government | 701,915 | 946,419 | 1,015,662 | (69,243) |
| Department of Public Safety | 10,564,600 | 10,403,600 | 9,984,927 | 418,673 |
| Street Department | 385,260 | 385,260 | 374,173 | 11,087 |
| Street Lighting Department | 257,340 | 257,340 | 169,907 | 87,433 |
| Library | 693,770 | 693,770 | 625,146 | 68,624 |
| Parks Department | 1,282,100 | 1,281,295 | 1,220,933 | 60,362 |
| Swimming Pool | 184,805 | 184,805 | 162,743 | 22,062 |
| Municipal Court | 296,250 | 296,250 | 278,791 | 17,459 |
| Finance Department | 514,810 | 479,161 | 471,900 | 7,261 |
| Building Inspection Department | 380,705 | 379,135 | 392,023 | (12,888) |
| Sanitation | 1,068,350 | 1,068,155 | 1,039,230 | 28,925 |
| Capital Outlay | 116,770 | 171,870 | 97,170 | 74,700 |
| Total Expenditures | <u>16,446,675</u> | <u>16,547,060</u> | <u>15,832,605</u> | <u>714,455</u> |
| Excess of Revenues Over Expenditures | <u>1,029,660</u> | <u>929,275</u> | <u>2,258,273</u> | <u>1,328,998</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 20,000 | 20,000 | 19,577 | (423) |
| Transfers Out | (2,353,160) | (2,534,981) | (2,534,367) | 614 |
| Sale of Assets | 3,500 | 3,500 | 5,817 | 2,317 |
| Net Other Financing Sources (Uses) | <u>(2,329,660)</u> | <u>(2,511,481)</u> | <u>(2,508,973)</u> | <u>2,508</u> |
| Net Change in Fund Balances | <u>(1,300,000)</u> | <u>(1,582,206)</u> | <u>(250,700)</u> | <u>1,331,506</u> |
| FUND BALANCES, beginning of year | 4,668,434 | 4,668,434 | 4,668,434 | - |
| FUND BALANCES, end of year | <u>\$ 3,368,434</u> | <u>\$ 3,086,228</u> | <u>\$ 4,417,734</u> | <u>\$ 1,331,506</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND PARK
Proprietary Funds
Statement of Net Assets
September 30, 2012

| | <u>Business-Type Activities - Enterprise Fund</u> | <u>Governmental Activities - Internal Service Funds</u> |
|--|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 707,147 | \$ 1,000,380 |
| Investments | 717,350 | 1,759,377 |
| Receivables (net of allowance for uncollectibles)- | | |
| Water, Sewer and Garbage- | | |
| Billed | 1,064,510 | - |
| Unbilled | 482,819 | - |
| Interest | 1,728 | 3,779 |
| Inventory of Supplies | 83,213 | - |
| Prepaid Items | 12,631 | - |
| Total Current Assets | <u>3,069,398</u> | <u>2,763,536</u> |
| NON-CURRENT ASSETS | | |
| Land | 238,750 | - |
| Buildings | 20,197 | - |
| Improvements Other Than Buildings | 22,389,153 | - |
| Vehicles and Rolling Stock | - | 4,041,634 |
| Machinery and Equipment | 663,437 | 3,449,972 |
| Office Furniture and Equipment | 36,038 | - |
| Construction in Progress | 1,406,876 | - |
| | <u>24,754,451</u> | <u>7,491,606</u> |
| Less Accumulated Depreciation | <u>(7,332,100)</u> | <u>(3,286,926)</u> |
| Capital Assets, Net of Accumulated Depreciation | <u>17,422,351</u> | <u>4,204,680</u> |
| Total Assets | <u>\$ 20,491,749</u> | <u>\$ 6,968,216</u> |
| LIABILITIES | | |
| Current Liabilities- | | |
| Vouchers Payable | \$ 563,908 | \$ 6,165 |
| Retainage Payable | 43,939 | - |
| Accrued Liabilities | 181,373 | - |
| Deposits | 176,231 | - |
| Compensated absences- current | 21,941 | - |
| Total Current Liabilities | <u>987,392</u> | <u>6,165</u> |
| Noncurrent Liabilities | | |
| OPEB | 28,813 | - |
| Compensated absences | 119,859 | - |
| Total Noncurrent Liabilities | <u>148,672</u> | <u>-</u> |
| Total Liabilities | <u>1,136,064</u> | <u>6,165</u> |
| NET ASSETS | | |
| Invested in Capital Assets | 17,422,351 | 4,204,680 |
| Unrestricted | 1,933,334 | 2,757,371 |
| Total Net Assets | <u>\$ 19,355,685</u> | <u>\$ 6,962,051</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND PARK
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the year ended September 30, 2012

| | <u>Business-Type Activities - Enterprise Fund</u> | <u>Governmental Activities - Internal Service Funds</u> |
|---|---|---|
| OPERATING REVENUES | | |
| Water Sales | \$ 5,329,577 | \$ - |
| Sewer Services | 2,591,081 | - |
| New Connections | 28,150 | - |
| Plumbing Permits | 53,860 | - |
| Penalties for Late Payments | 73,702 | - |
| Inter-Departmental Water Sales | 102,842 | - |
| Charges for Services | - | 956,230 |
| Miscellaneous | 58,349 | 15,518 |
| Total Operating Revenues | 8,237,561 | 971,748 |
| OPERATING EXPENSES | | |
| Personnel Services | 1,956,724 | - |
| Materials and Supplies | 2,705,288 | - |
| Services and Charges | 1,387,974 | 8,962 |
| Depreciation | 652,787 | 739,774 |
| Total Operating Expenses | 6,702,773 | 748,736 |
| Operating Income | 1,534,788 | 223,012 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest | 12,168 | 8,022 |
| Gain on Sale of Assets | - | 73,839 |
| Total Nonoperating Revenues | 12,168 | 81,861 |
| Income before Transfers and Capital Contributions | 1,546,956 | 304,873 |
| Transfers out | (1,900,955) | (200,000) |
| Contributions of Capital Assets | 627,941 | 2,020,961 |
| Change in Net Assets | 273,942 | 2,125,834 |
| NET ASSETS, beginning of year | 19,081,743 | 4,836,217 |
| NET ASSETS, end of year | \$ 19,355,685 | \$ 6,962,051 |

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND PARK
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended September 30, 2012

| | <u>Business-Type Activities - Enterprise Fund</u> | <u>Governmental Activities - Internal Service Funds</u> |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers and users | \$ 8,462,628 | \$ 971,748 |
| Payments from services provided | (15,035) | (66,369) |
| Cash payments to suppliers | (4,089,568) | (8,962) |
| Cash payments to employees | (1,974,526) | - |
| Net cash provided by operating activities | 2,383,499 | 896,417 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Transfers out | (1,900,955) | (200,000) |
| Net cash used for noncapital financing activities | (1,900,955) | (200,000) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition and construction of capital assets | (1,669,076) | (133,496) |
| Net cash used for capital and related financing activities | (1,669,076) | (133,496) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investment securities | (558,000) | (1,250,000) |
| Proceeds from sale and maturities of investment securities | 1,494,107 | 521,888 |
| Interest and dividends received on investments | 12,291 | 81,054 |
| Net cash provided by (used for) investing activities | 948,398 | (647,058) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (238,134) | (84,137) |
| CASH AND CASH EQUIVALENTS, beginning of year | 945,281 | 1,084,517 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 707,147 | \$ 1,000,380 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating Income | \$ 1,534,788 | \$ 223,012 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 652,787 | 739,774 |
| Increase in inventory | 2,188 | - |
| Accounts receivable | 220,822 | - |
| Other assets | 4,386 | - |
| Accounts payable and accrued liabilities | (2,880) | (66,369) |
| Due to other funds | (15,035) | - |
| Other post-employment benefits | (17,802) | - |
| Deposits | 4,245 | - |
| Total adjustments | 848,711 | 673,405 |
| Net cash provided by operating activities | \$ 2,383,499 | \$ 896,417 |

The notes to the financial statements are an integral part of this statement.



**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Town of Highland Park, Texas (the "Town"), relating to the financial statements for the year ended September 30, 2012, conform to generally accepted accounting principles for local governmental units. The more significant accounting policies are summarized below.

A. Reporting Entity

In defining the scope of the Town for financial reporting purposes, the Town conforms to the criteria of the Government Accounting Standards Board ("GASB") Statement 14, "The Financial Reporting Entity" as amended by GASB Statement 39, "Determining Whether Certain Organizations are Component Units." The Town's basic financial statements include all organizations and activities determined to be part of the Town's reporting entity. No other governmental organizations are includable within the Town's reporting entity.

B. 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 non-fiduciary activities of the Town. 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 the proprietary 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.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 Town 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The Town reports the following non-major governmental funds:

Special Revenue Funds - The Town's Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes.

Stormwater Drainage Fund – Accounts for the collection of fees to protect the public health and safety from loss of life and property caused by surface water overflows, surface water stagnation and pollution arising from non-point source runoff within the Town.

Employee Christmas Fund - The Employee Christmas Fund accounts for the collection of unsolicited contributions of citizens and the distribution to the Town's employees.

Forfeited Property Fund - The Forfeited Property Fund accounts for the receipt of forfeited assets as a result of criminal activities and the funding of crime prevention programs and equipment.

Court Technology Fund – Accounts for the Municipal Court technology fee charged to defendants as specified by state law.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Court Security Fund – Accounts for the Municipal Court security fee charged to defendants as specified by state law.

The Town reports the following major proprietary funds:

Enterprise Fund - The Town's Enterprise Fund is used to account for operations of the Town's sale of treated water and the disposal of sewage and solid waste for its citizens.

Additionally, the government reports the following fund types:

Internal Service Fund – The Internal Service Fund is used to account for the financing of goods or services provided by one department to other departments within the Town. The Equipment Replacement Fund is used to account for the acquisition and disposal of vehicles and large dollar equipment for the Town.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's water and sewer function and various other functions of the Town and charges of the internal service funds to the water and sewer funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund and of the Town's Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

D. Budgets and Budgetary Accounting

The Town's general policies and procedures in establishing the budgetary data reflected in the financial statements are described below.

1. The Town Administrator acts as budget officer and prepares a proposed budget covering the expenditures of the Town in accordance with the provisions of the Town Charter.
2. A copy of the proposed budget is filed in the office of the Town Secretary no less than 30 days prior to the end of the fiscal year in accordance with provisions of the Town Charter. The 2011-2012 proposed budget was filed on August 24, 2011.
3. A public hearing is conducted at a regular Town Council meeting to obtain citizen comments.
4. Notice of a public hearing relating to budget adoption is duly advertised by the Town Secretary in accordance with the provision of Vernon's Annotated Civil Statutes. The 2011-2012 budget hearing was held on September 12, 2011.
5. Prior to September 30, the budget is legally enacted through passage of an ordinance. The 2011-2012 budget was approved September 12, 2011 through passage of Ordinance No. 1864.
6. Amendments to the budget are made at regularly scheduled Town Council meetings with notice of public hearing posted three days prior to the meeting.
7. The Town's budget is a line-item budget. Overall control is the responsibility of the Town Administrator with each respective department head being responsible for the administration of their departmental budgets. The department head has the flexibility of transferring appropriations between line items within the department as long as the total departmental appropriations are not exceeded. The exception to this policy is that no recognized salary or capital budgetary savings can be transferred without prior authorization of the Town Administrator.
8. Encumbrances outstanding at the end of the year that the Town intends to pay during the next year are appropriated in next year's budgeted expenditures as appropriations expire at year-end.
9. Formal budgetary integration is employed as a management control device during the current year for the General Fund, Enterprise Fund, and Equipment Replacement Fund (Internal Service Fund).
10. The legally adopted budget for the General Fund and Capital Projects Fund are adopted on the modified accrual basis of accounting as described in Note 1.C. Budgeted amounts are as amended.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Amendments to the General Fund budget were not material to the original appropriations. Expenditures in excess of the budget may occur within individual expenditure accounts without Town Council approval. The Town Council must approve all expenditures in excess of the budget on a departmental basis.

11. The legally adopted budgets for the Enterprise Fund and Internal Service Funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP"), except that capital outlays are treated as expenses.

E. Deposits, Investments and Investment Policies

The Town's management of deposits and investments are directed by its Statement of Investment Policies ("Policies"), adopted by the Town Council. The Policies are in accordance with the laws of the State of Texas, where applicable. The Policies identify authorized investments and investment terms, collateral requirements, safekeeping requirements for collateral and investments and certain investment practices. Authorized investments include obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities, direct obligations of the State of Texas or its agencies and instrumentalities, collateralized certificates of deposit, eligible local government investment pools and money market mutual funds meeting specific conditions. Repurchase agreements, reverse purchase agreements, bankers acceptances and commercial paper are also authorized to the extent that they may be contained in the portfolios of approved local government investment pools. Though authorized for a variety of investment instruments, the Town invests solely in United States Agency Securities and a local government investment pool. Investments are held until maturity or until market values equal or exceed cost.

In accordance with GASB Statement No. 31, the Town's participating investments with a remaining maturity at time of purchase of less than one year and non-participating investments are reported utilizing a cost base measure. Participating investments with a remaining maturity at date of purchase of more than one year are reported at fair value.

In applying GASB Statement No. 31, the Town utilizes the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
 - a) Items required to be reported at amortized cost,
 - b) Items in external pools that are not SEC-registered,
 - c) Items subject to involuntary participation in an external pool,
 - d) Items associated with a fund other than the fund to which the income is assigned;
- 3) Any unrealized gain/loss resulting from the valuation is recognized in the respective funds that participate in the Town's investment pool;

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- 4) The gain/loss resulting from valuation is reported within the revenue account "investment income" on the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds and the Statement of Revenues, Expenses and Changes in Retained Earnings for Proprietary Funds.

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturity of three (3) months or less from the date of acquisition.

The Town's carrying amounts of cash and cash equivalents as of September 30, 2012, as reflected in the financial statements, is:

| | Governmental and Business-Type Activities |
|----------------------|--|
| Cash/Demand Deposits | \$ 3,041,615 |
| Investment Pools | 6,844,633 |
| Total | \$ 9,886,248 |

The Town's deposits are insured by the Federal Deposit Insurance Corporation (FDIC), collateralized with securities pledged to the Town, and held in the Town's name by Frost National Bank. The fair value of these securities at year-end and insurance was \$6,250,806. The bank balance at year-end was \$3,353,001.

The Town's investments are categorized to give an indication of the level of risk assumed at year-end. Category 1 included U.S. government and federal agency securities that are held by the Town's agent in the Town's name. The Town had no Category 2 or Category 3 investments.

| | Carrying Value | Fair Value |
|--|-------------------|---------------|
| Federal Agency Securities | \$ 11,191,932 | \$ 11,191,932 |
| Certificate of deposit | 2,732,000 | 2,732,000 |
| Investment Pools (included as cash and cash equivalents per combined balance sheet) | 6,844,633 | 6,844,633 |
| Total Investments | \$ 20,768,565 | \$ 20,768,565 |

Maturities at September 30, 2012, were as follows:

| | |
|---------------------------|---------------|
| Cash and Cash Equivalents | \$ 6,844,633 |
| 3 months to 2 years | 13,923,932 |
| Total | \$ 20,768,565 |

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The table below identifies the investment types that are allowed for the Town by the Public Funds Investment Act (Government Code Chapter 2265.) The table also identifies certain provisions of the Town's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment In One Issuer</u> |
|---|-------------------------|--|---|
| U. S. Treasury Obligations | 3 Years | 100% | None |
| U.S. Government Agency Securities and Instruments of Government-Sponsored Corporations | 3 Years | 80% | None |
| Authorized Local Government Investment Pool (per Pool) | 3 Years | 25% | None |
| Fully Collateralized Certificates of Deposit | 3 Years | 25% | 50% |
| SEC-Regulated No-Load MoneyMarket Mutual Fund (per Fund) | 3 Years | 25% | 50% |

The Town maintains a comprehensive and proactive cash management program which is designed to monitor and control all Town funds to ensure maximum utilization and yield a market rate of return. The basic and underlying strategy of this program is that all the Town's funds are earning interest. The Town's investment strategy emphasizes low credit risk, diversification, and the management of maturities.

The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

Interest rate risk - In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 270 days. As of September 30, 2012, the Town did not invest in any securities which are highly sensitive to interest rate fluctuations.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Town's investment policy, or debt agreements, and the actual rating as of year end for each investment type. As of September 30, 2012, the Town had the following investments:

| Investment Type | Amount | Weighted Average Maturity | Minimum Legal Rating | Rating as of Year End |
|--|----------------------|---------------------------------|----------------------------|-----------------------------|
| LOGIC | \$ 6,844,633 | 45 Days | AAA | AAAm |
| Cerificates of deposit | 2,732,000 | 411 Days | N/A | N/A |
| U. S. Government Securities: | | | | |
| Federal Home Loan Mortgage Corporation | \$ 2,053,575 | | | AA+ |
| Federal Home Loan Bank | 3,472,770 | | | AA+ |
| Federal National Mortgage Association | 1,009,200 | | | AA+ |
| Federal Farm Credit Bank | 4,656,387 | | | AA+ |
| Total U.S. Government Securities | <u>11,191,932</u> | 257 Days | | |
| Total Primary Government | <u>\$ 20,768,565</u> | | | |

Concentration of credit risk - Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities. With the exception of U.S. Government securities (debt obligations issued by the U.S. Government, its agencies, or instrumentalities) as authorized in the Town's investment policy, no more than 50% of the total investment portfolio will be invested in any one security type or with a single financial institution. Diversification of the portfolio considers diversification by maturity dates and diversification by investment instrument.

Custodial credit risk - deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Texas Government Code, Section 2257, collateral for Public Funds establishes the requirement of and the criteria for securing deposited public funds. The Town's investment policy further defines eligible securities acceptable for securing Town deposits at a level equal to at least 102% of deposits plus any accrued interest less any amount insured by the Federal Deposit Insurance Corporation. As of September 30, 2012, the Town's deposits with its financial institution in excess of federal depository insurance limits were fully collateralized.

TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Custodial credit risk – investments – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town avoids custodial credit risk on investments through its investment policy which further limits eligible instruments for investments of public funds. As of September 30, 2012, the Town had no custodial credit risk on its investments.

Investment in State Investment Pools - During the year the Town invested in a public fund investment pool (LOGIC). Investments in the pool are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the Town has not issued certificates, but rather it owns an individual beneficial interest in the net assets of the related investment pool. The fair value of the position of the pool is designed to approximate the share value.

LOGIC - LOGIC'S governing body is a six-member board of directors comprised of individuals who are employees, officers, or elected officials of participants in the fund or who do not have a business relationship with the fund and are qualified to advise. A maximum of two advisory board members will supplement the board and will be employees or members of the firm providing managerial services to the fund and will represent the general manager of the fund. LOGIC is administered by First Southwest Asset Management, Inc. and JP Morgan Chase.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

F. Receivables

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Enterprise</u> | <u>Internal Service</u> | <u>Total</u> |
|------------------------------------|---------------------|-----------------------------|------------------|---------------------|-----------------------------|---------------------|
| Receivables: | | | | | | |
| Water, sewer and garbage | | | | | | |
| Billed | \$ - | \$ - | \$ - | \$ 1,084,565 | \$ - | \$ 1,084,565 |
| Unbilled | - | - | 15,348 | 482,819 | - | 498,167 |
| Interest | 4,421 | 10,339 | - | 1,728 | 3,779 | 20,267 |
| Property Taxes | 159,661 | - | - | - | - | 159,661 |
| Sales Taxes | 579,031 | - | - | - | - | 579,031 |
| Mixed Beverage Taxes | 39,483 | - | - | - | - | 39,483 |
| Franchise Taxes | 255,286 | - | - | - | - | 255,286 |
| Other | 175,668 | - | - | - | - | 175,668 |
| Fines and Forfeitures | 94,228 | - | - | - | - | 94,228 |
| Gross receivables | <u>1,307,778</u> | <u>10,339</u> | <u>15,348</u> | <u>1,569,112</u> | <u>3,779</u> | <u>2,906,356</u> |
| Less: allowance for uncollectibles | <u>(75,297)</u> | <u>-</u> | <u>-</u> | <u>(20,055)</u> | <u>-</u> | <u>(95,352)</u> |
| Net total receivables | <u>\$ 1,232,481</u> | <u>\$ 10,339</u> | <u>\$ 15,348</u> | <u>\$ 1,549,057</u> | <u>\$ 3,779</u> | <u>\$ 2,811,004</u> |

G. Inventories of Supplies

Inventories of supplies are stated at cost (first-in, first-out) and are determined by physical count. Inventory item expenditures are recognized when used under the consumption method.

H. 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. The Town uses the consumption method in the governmental funds.

I. Property, Plant and Equipment

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost when determinable, or estimated historic costs based on appraisals or other acceptable methods. Gifts or contributions of property and equipment are recorded at fair market value at time of receipt. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant, and equipment of the Town, is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 50 |
| Improvements Other Than Buildings | 12 - 20 |
| Machinery and Equipment | 5 - 20 |
| Office Furniture and Equipment | 10 |
| Computer Equipment | 3 - 5 |
| Police Sedans | 1 - 2 |
| Pickups/Small Trucks | 5 |
| Medium/Heavy Trucks | 6 - 7 |
| Fire Apparatus | 15 |

J. Accumulated Unpaid Compensated Absences

It is the Town's policy to permit employees to accumulate certain earned but unused vacation, comp time, and sick pay benefits. Accumulated personnel leave is accrued in the Enterprise Fund as current liabilities based upon unpaid amounts as of September 30, 2012, that must be paid by December 31, 2012, and amounts that become vested as of September 30, 2012, that must be paid within a one-year period. Otherwise, remaining amounts that have been earned but are not expected to be paid within a one-year period are included as long-term liabilities in the Enterprise Fund and in the government-wide statements.

K. Encumbrances

Encumbrances outstanding at the end of the year are not included in the expenditures of the General Fund. Assigned fund balance is established and a budget reappropriation made for those amounts the Town intends to pay during the next year applicable to next year's budget appropriations.

L. Fund Balance

In fiscal year 2011, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Fund Balance – continued

In accordance with GASB 54, the Town classifies governmental fund balances as follows:

Nonspendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories and prepaid items.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes retirement of long term debt, construction programs, and other federal and state grants.

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Town through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the Town Council.

Assigned -- includes fund balance amounts that are self-imposed by the Town to be used for a particular purpose. Fund balance can be assigned by the Town's Council or the Director of Fiscal and Human Resources as established in the Town's Statement of Financial Management Policies. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When multiple categories of fund balance are available for expenditure, the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Minimum Fund Balance Policy -- It is the policy of the Town to achieve and maintain an unassigned fund balance in the General Fund equal to 22% of estimated revenue for the current Annual Budget.

M. Property Tax

Property taxes attach as an enforceable lien on property located in the Town as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. The Town bills and collects its own property taxes. The property tax revenues are recognized when levied to the extent that they result in current receivables under policies as described in Note 1.C. The tax rate for the current year was \$0.22 on each \$100 of assessed valuation.

TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

N. Expenditure Allocations

The expenditures of the service center and municipal building departments of the General Fund are allocated to other departments (in both General and Enterprise Funds) of the Town based upon actual usage and percentage usage calculations for each department. These reallocations to the Enterprise Fund amounted to \$16,034 of service center expenditures and \$11,580 of municipal building expenditures during fiscal year 2012.

The Finance Department also allocates 30% of its expenditures to the Enterprise Fund. The reallocation of Finance Department expenditures to the Enterprise Fund amounted to \$204,630.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

2. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|----------------------|-----------------------|--------------------|-----------------------|----------------------|
| General Capital Assets: | | | | | |
| Capital Assets, not Being Depreciated: | | | | | |
| Land | \$ 4,193,026 | \$ - | \$ - | \$ - | \$ 4,193,026 |
| Work in Progress | 3,952,411 | 2,105,175 | - | (2,458,101) | 3,599,485 |
| Total General Capital Assets, not being Depreciated | <u>8,145,437</u> | <u>2,105,175</u> | <u>-</u> | <u>(2,458,101)</u> | <u>7,792,511</u> |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings | 5,019,716 | - | - | - | 5,019,716 |
| Capital Improvements | 33,331,927 | 642,641 | - | 437,140 | 34,411,708 |
| Furniture and Fixtures | 58,287 | - | - | - | 58,287 |
| Office Equipment | 227,041 | - | (31,884) | - | 195,157 |
| Machinery and Equipment | 1,546,364 | 27,415 | (18,386) | - | 1,555,393 |
| Total General Capital Assets Being Depreciated | <u>40,183,335</u> | <u>670,056</u> | <u>(50,270)</u> | <u>437,140</u> | <u>41,240,261</u> |
| Less Accumulated Depreciation for: | | | | | |
| Buildings | (774,519) | (101,074) | - | - | (875,593) |
| Capital Improvements | (13,579,904) | (1,079,815) | - | - | (14,659,719) |
| Furniture and Fixtures | (58,287) | - | - | - | (58,287) |
| Office Equipment | (227,041) | - | 31,884 | - | (195,157) |
| Machinery and Equipment | (999,080) | (177,206) | 10,766 | - | (1,165,520) |
| Total Accumulated Depreciation | <u>(15,638,831)</u> | <u>(1,358,095)</u> | <u>42,650</u> | <u>-</u> | <u>(16,954,276)</u> |
| Total General Capital Assets Being Depreciated, net | <u>24,544,504</u> | <u>(688,039)</u> | <u>(7,620)</u> | <u>437,140</u> | <u>24,285,985</u> |
| Internal Service Fund Capital Assets: | | | | | |
| Capital Assets, not Being Depreciated: | | | | | |
| Work in Progress | 56,726 | - | (56,726) | - | - |
| Total General Capital Assets, not being Depreciated | <u>56,726</u> | <u>-</u> | <u>(56,726)</u> | <u>-</u> | <u>-</u> |
| Capital Assets, Being Depreciated: | | | | | |
| Machinery and Equipment | 1,580,577 | 138,043 | (289,609) | 2,020,961 | 3,449,972 |
| Vehicles | 4,291,422 | 95,327 | (345,115) | - | 4,041,634 |
| Total Capital Assets Being Depreciated | <u>5,871,999</u> | <u>233,370</u> | <u>(634,724)</u> | <u>2,020,961</u> | <u>7,491,606</u> |
| Less Accumulated Depreciation for: | | | | | |
| Machinery and Equipment | (1,386,404) | (400,105) | 284,105 | - | (1,502,404) |
| Vehicles | (1,752,324) | (339,669) | 307,471 | - | (1,784,522) |
| Total Accumulated Depreciation | <u>(3,138,728)</u> | <u>(739,774)</u> | <u>591,576</u> | <u>-</u> | <u>(3,286,926)</u> |
| Total Capital Assets Being Depreciated, net | <u>2,733,271</u> | <u>(506,404)</u> | <u>(43,148)</u> | <u>2,020,961</u> | <u>4,204,680</u> |
| Total Governmental Activities | | | | | |
| Governmental Activities Capital Assets | | | | | |
| Not Being Depreciated | <u>\$ 8,202,163</u> | <u>\$ 2,105,175</u> | <u>\$ (56,726)</u> | <u>\$ (2,458,101)</u> | <u>\$ 7,792,511</u> |
| Governmental Activities Capital Assets | | | | | |
| Being Depreciated, net | <u>\$ 27,277,775</u> | <u>\$ (1,194,443)</u> | <u>\$ (50,768)</u> | <u>\$ 2,458,101</u> | <u>\$ 28,490,665</u> |

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

2. CAPITAL ASSETS – continued

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Business-type Activities: | | | | |
| Capital Assets, not Being Depreciated: | | | | |
| Land | \$ 238,750 | \$ - | \$ - | \$ 238,750 |
| Work in Progress | <u>688,200</u> | <u>1,546,443</u> | <u>(827,767)</u> | <u>1,406,876</u> |
| Total Capital Assets, not Being Depreciated | <u>926,950</u> | <u>1,546,443</u> | <u>(827,767)</u> | <u>1,645,626</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | 20,197 | - | - | 20,197 |
| Improvements Other than Building | 20,828,674 | 1,560,479 | - | 22,389,153 |
| Machinery and Equipment | 697,410 | 17,862 | (51,835) | 663,437 |
| Office Furniture and Equipment | <u>36,038</u> | <u>-</u> | <u>-</u> | <u>36,038</u> |
| Total Capital Assets Being Depreciated | <u>21,582,319</u> | <u>1,578,341</u> | <u>(51,835)</u> | <u>23,108,825</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | (20,195) | - | - | (20,195) |
| Capital Improvements | (6,358,441) | (598,803) | 51,835 | (6,905,409) |
| Machinery and Equipment | (337,295) | (53,984) | - | (391,279) |
| Office Furniture and Equipment | <u>(15,217)</u> | <u>-</u> | <u>-</u> | <u>(15,217)</u> |
| Total Accumulated Depreciation | <u>(6,731,148)</u> | <u>(652,787)</u> | <u>51,835</u> | <u>(7,332,100)</u> |
| Total Capital Assets Being Depreciated, net | <u>\$ 14,851,171</u> | <u>\$ 925,554</u> | <u>\$ -</u> | <u>\$ 15,776,725</u> |
| Business-Type Activities Capital Assets, net | <u>\$ 15,778,121</u> | <u>\$ 2,471,997</u> | <u>\$ (827,767)</u> | <u>\$ 17,422,351</u> |

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

2. CAPITAL ASSETS – continued

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

| | | |
|---|----|-------------------------|
| Governmental Activities: | | |
| General Government | \$ | 148,114 |
| Department of Public Safety | | 199,630 |
| Street Department | | 776,810 |
| Street Lighting Department | | 36,547 |
| Library | | 71,312 |
| Parks Department | | 77,275 |
| Swimming Pool | | 30,836 |
| Municipal Court | | <u>17,571</u> |
| Total Depreciation Expense - General Capital Assets | | 1,358,095 |
| Internal Service Fund | | <u>739,774</u> |
| Total Depreciation Expense - Governmental Activities | \$ | <u><u>2,097,869</u></u> |
| | | |
| Business-type Activities: | | |
| Water | \$ | 381,196 |
| Sewer | | <u>271,591</u> |
| Total Depreciation Expense - Business-type Activities | \$ | <u><u>652,787</u></u> |

3. INTERFUND TRANSACTIONS

During the fiscal year 2010, a five-year Capital Improvement Plan was adopted and in order to consolidate the Town's resources for it, transfers in the amount of \$1,900,955 were made from business-type activities to governmental-type activities. Individual fund transfers for the fiscal year 2012 were as follows:

| Transfer Out: | Transfer In: | | | Purpose of Transfer |
|-----------------------|----------------------------|-------------------------|---------------------------|-------------------------------------|
| | Capital Projects Fund | General Fund | Total | |
| General Fund | \$ 2,534,367 | \$ - | \$2,534,367 | Funding of Capital Improvement Plan |
| Utility Fund | 1,900,955 | - | 1,900,955 | Funding of Capital Improvement Plan |
| Internal Service Fund | 200,000 | - | 200,000 | Funding of Capital Improvement Plan |
| Nonmajor Funds | <u>140,000</u> | <u>19,577</u> | <u>159,577</u> | Municipal Court Security |
| Total | <u><u>\$ 4,775,322</u></u> | <u><u>\$ 19,577</u></u> | <u><u>\$4,794,899</u></u> | |

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2012, was as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> <u>Balance</u> | <u>Due Within</u> <u>One Year</u> |
|----------------------------------|------------------------------------|------------------|--------------------|---------------------------------|--------------------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 1,036,409 | \$ 31,407 | \$ (54,880) | \$ 1,012,936 | \$ 260,865 |
| OPEB liability | <u>313,854</u> | <u>283</u> | <u>-</u> | <u>314,137</u> | <u>-</u> |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 1,350,263</u> | <u>\$ 31,690</u> | <u>\$ (54,880)</u> | <u>\$ 1,327,073</u> | <u>\$ 260,865</u> |
| Business-type activities: | | | | | |
| Compensated absences | \$ 141,800 | \$ 1,145 | \$ (1,145) | \$ 141,800 | \$ 21,941 |
| OPEB liability | <u>46,615</u> | <u>-</u> | <u>(17,802)</u> | <u>28,813</u> | <u>-</u> |
| Business-type activity | | | | | |
| Long-term liabilities | <u>\$ 188,415</u> | <u>\$ 1,145</u> | <u>\$ (18,947)</u> | <u>\$ 170,613</u> | <u>\$ 21,941</u> |

The compensated absences liability, net pension obligation, and net other post employment benefit obligation attributable to the governmental activities will be liquidated by the General Fund.

5. RETIREMENT PLANS

Texas Municipal Retirement System

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

5. RETIREMENT PLANS - continued

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

| | <u>Plan Year 2011</u> | <u>Plan Year 2012</u> |
|--|-----------------------|-----------------------|
| Employee deposit rate | 7% | 7% |
| Matching ration (Town to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service requirement eligibility (expressed as age/years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated Service Credit | 0.0% | 0.0% |
| Annuity Increase (to retirees) | 0% of CPI | 0% of CPI |

Contributions

Under the state law governing TMRS, the contribution rate for each Town is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that Town. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The Town contributes to the TMRS Plan at an actuarially determined rate. 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. The annual pension cost and net pension obligation/ (asset) are as follows:

| | <u>September 30</u> | | |
|--|---------------------|--------------------|------------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Annual Required Contribution (ARC) | \$ 1,365,088 | \$ 1,304,409 | \$ 754,282 |
| Annual Pension Cost | 1,365,088 | 1,304,409 | 754,282 |
| Contributions Made | <u>(1,365,088)</u> | <u>(1,304,409)</u> | <u>(754,282)</u> |
| Change in Net Pension Obligation (NPO) | - | - | - |
| NPO, Beginning of Year | - | - | - |
| NPO, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

5. RETIREMENT PLANS - continued

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

| | Valuation Date | | |
|--|---------------------------|---------------------------|---------------------------|
| | 12/31/2009 | 12/31/2010 | 12/31/2011 |
| Actuarial Cost Method | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |
| Amortization Method | Level % of payroll | Level % of payroll | Level % of payroll |
| Remaining Amortization Period | 23 years; closed period | 24.9 years; closed period | 25.0 years; closed period |
| Amortization Period for New Gains/Losses | 25 years | 25 years | 25 years |
| Asset Valuation Method | 10-year smoothed market | 10-year smoothed market | 10-year smoothed market |
| Actuarial Assumptions: | | | |
| Investment Rate of Return | 7.5% | 7.0% | 7.0% |
| Projected Salary Increases | Varies by age and service | Varies by age and service | Varies by age and service |
| Includes Inflation at | 3.0% | 3.0% | 3.0% |
| Cost-of-Living Adjustments | 0.0% | 0.0% | 0.0% |

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio | Unfunded AAL (UAAL) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-----------------------------|---------------------------------|---|-----------------|---------------------------|--------------------|---|
| 12/31/2011 | \$ 59,437,144 | \$ 56,101,958 | 105.9% | \$(3,335,186) | \$10,001,596 | -33.3% |

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Deferred Compensation Plan

The Town offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to its employees. Under this plan, employees may defer receipt of income. The plan is administered by the International City Management Association Retirement Corporation (ICMARC). All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, and the Town has no fiduciary responsibilities over the plan. It is therefore not reported in the financial statements of the Town.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

6. POST EMPLOYMENT BENEFITS

The Town offers retired employees the option to retain health and dental insurance coverage under the Town's insurance carrier until age 65 through a single employer defined benefit plan. The Town does not contribute funds for this coverage, and Retirees are required to pay all insurance premiums. While the Town does not directly pay premiums for retirees, the Town's cost for insurance coverage is affected by the inclusion of these individuals in the group. This effect on cost is considered to be an implicit rate subsidy. There were three participating retirees receiving health and dental insurance coverage as of September 30, 2012. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate report. Benefit provisions for retirees are not mandated by any form of employment agreement, and the continued provision of these benefits is based entirely on the discretion of the Town Council. At September 30, 2012, there were approximately 121 active members, and there are no terminated employees entitled to receive benefits in the future.

Funding Policy

Before the age of 65, retired employees are allowed to remain on the Town's healthcare insurance. The Town bills retirees quarterly in advance for the cost of their premiums and the Town remits these premiums at the same time it remits premiums for active employees. Contributions to the plan by the Town during the year (which equals the premiums paid by the Town) was zero (\$0).

Annual OPEB Cost

The Town's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost for the fiscal year ending September 30, 2012, is as follows:

| | |
|---|------------------|
| Annual required contribution | \$ 138,472 |
| Interest on OPEB obligation | 16,221 |
| Adjustment to ARC | <u>(15,029)</u> |
| Annual OPEB cost end of year | 139,664 |
| Net estimated employer contributions | <u>(157,183)</u> |
| Increase in net OPEB obligation | (17,519) |
| | |
| Net OPEB obligation – as of beginning of the year | \$ 360,469 |
| Net OPEB obligation – as of end of year | \$ 342,950 |

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

6. POST EMPLOYMENT BENEFITS – continued

Annual OPEB Cost - continued

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2012 and the preceding two fiscal years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Employer Amount Contributed | Percentage Contributed | Net OPEB Obligation |
|----------------------|---------------------|--------------------------------|---------------------------|------------------------|
| September 30, 2010 | \$111,268 | \$0 | 0% | \$222,536 |
| September 30, 2011 | \$137,933 | \$0 | 0% | \$360,469 |
| September 30, 2012 * | \$139,664 | \$157,183 | 113% | \$342,950 |

*The employer contribution for fiscal year ending September 30, 2012 includes historical implicit subsidies which were not recognized in prior years.

Funding Status and Funding Progress

The funded status of the plan as of actuarial measurement dates are as follows:

| Actuarial Valuation Date as of | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (d) | Ratio of UAAL to Annual Covered Payroll (b-a)/d |
|--------------------------------------|--|--|------------------------------------|--------------------------|----------------------------------|--|
| 2/29/2008 | - | \$1,237,038 | \$1,237,038 | 0.00% | \$8,585,683 | 14.40% |
| 12/31/2009 | - | \$1,369,234 | \$1,369,234 | 0.00% | \$10,069,402 | 13.60% |
| 12/31/2011 | - | \$1,277,323 | \$1,277,323 | 0.00% | \$10,893,439 | 11.73% |

Under the reporting parameters, the Town's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,277,323 at December 31, 2011. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 11.73%.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the Town's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

6. POST EMPLOYMENT BENEFITS – continued

Actuarial Methods and Assumptions - continued

anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the Town and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

| | |
|----------------------------|--|
| Inflation rate | 3.00% per annum |
| Investment rate of return | 4.50%, net of expenses |
| Actuarial cost method | Projected Unit Credit Cost Method |
| Amortization method | Level as a percentage of employee payroll |
| Amortization period | 30-year, open amortization |
| Payroll Growth | 3.00% per annum |
| Healthcare cost trend rate | Initial rate of 8.50% declining to an ultimate rate of 4.50% after 8 years |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the Town's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

7. COMMITMENTS AND CONTINGENCIES

During the current year, the Town purchased treated water from the Dallas County Park Cities Municipal Utility District ("DCPCMUD") for \$1.2388 for each 1,000 gallons consumed. The Town entered into a contract with the District on April 19, 2004 which expires on April 18, 2024. The current year charges for services were \$2,457,116.

Sewage service is provided to the Town under a contract with the City of Dallas, which expires February 22, 2014. The charge for this service is based upon fluctuations in capital expenditures and expenses made by the City of Dallas and is calculated based on the average water sales over the four winter months of the previous year. The current year charges for service were \$927,269.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

7. COMMITMENTS AND CONTINGENCIES – continued

The use of a sanitary landfill for solid waste disposal is provided to the Town under a contract with Waste Management / Skyline Landfill, which expires when the existing landfill has reached its capacity. This landfill was permitted by the State of Texas in 1995 with a projected life of 37 years. The current year charges for service were \$101,732.

The Town entered into a ten (10) year contract effective May 1, 2007 for solid waste collection services with Allied Waste Services. The contract pricing is based upon fixed rates for different service locations and classifications. The current year charges for service were \$830,007.

The Town also entered into a ten (10) year contract effective May 1, 2007 with Allied Waste Services for collection of recyclable materials. Charges are based upon changes in the CPI-U index for Dallas/Ft. Worth. Charges for service are based upon residential service locations and amounted to \$93,440 for the current year.

The sweeping of streets, alleys and cleaning of storm sewer inlets is performed under contract with Moore Disposal. Frequency of service is established under contract and current year charges were \$34,584.

Certain litigation was outstanding against the Town as of September 30, 2012. In the opinion of the Town's attorneys, the potential loss on such litigation would not be significant to the Town's financial statements.

Risk Management

The Town places all of its property, liability and workers' compensation coverage with Texas Municipal League, a public entity risk pool currently operating as a common risk management and insurance program. The Town pays an annual premium to Texas Municipal League for its general insurance coverage. The risk pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$1,000,000 for workers' compensation, \$250,000 for property and \$1,000,000 for liability damage.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

7. COMMITMENTS AND CONTINGENCIES - continued

The limits of liability and deductible are:

| | <u>Limit</u> | | <u>Deductible</u> |
|--------------------------------|---------------|-------------------|-------------------|
| General Liability | \$ 10,000,000 | Each Occurrence | \$ 25,000 |
| | 10,000,000 | Annual Aggregate | |
| Sudden Events | 2,000,000 | Each Occurrence | 25,000 |
| | 10,000,000 | Annual Aggregate | |
| Auto Liability | 2,000,000 | Each Occurrence | 1,000 |
| Law Enforcement Liability | 5,000,000 | Each Occurrence | 25,000 |
| | 10,000,000 | Annual Aggregate | |
| Errors and Omissions Liability | 2,000,000 | Each Wrongful Act | 25,000 |
| | 4,000,000 | Annual Aggregate | |
| Auto Physical Damage | 1,720,763 | | 10,000 |
| Real & Personal Property | 16,457,410 | | 10,000 |
| Mobile Equipment | 243,852 | | 1,000 |
| Boiler & Machinery | 10,881,600 | | 500 |
| Workers' Compensation | - | Each Occurrence | 50,000 |
| | - | Annual Aggregate | 150,000 |

Auto physical damage, equipment and property limits have changed to reflect changes in replacement cost of insured assets. All coverage amounts have been sufficient to satisfy any and all claims filed against the Town.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HIGHLAND PARK
Schedule of Funding Progress
Texas Municipal Retirement System
Required Supplementary Information
Last Six Fiscal Years (Unaudited)

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Funded Ratio (1)/(2) | (4) Unfunded AAL (UAAL) (2)-(1) | (5) Annual Covered Payroll | (6) UAAL as a Percent of Covered Payroll (4)/(5) |
|--------------------------------|--|--|-----------------------------------|---|-------------------------------------|---|
| 12/31/2006 | \$33,541,290 | \$ 39,966,250 | 83.9% | \$ 6,424,960 | \$ 8,009,520 | 80.2% |
| 12/31/2007 | \$35,020,220 | \$ 40,283,066 | 86.9% | \$ 5,262,846 | \$ 8,585,683 | 61.3% |
| 12/31/2008 | \$32,992,375 | \$ 38,190,219 | 86.4% | \$ 5,197,844 | \$ 9,243,239 | 56.2% |
| 12/31/2009 | \$35,783,310 | \$ 40,849,276 | 87.6% | \$ 5,065,966 | \$10,069,402 | 50.3% |
| 12/31/2010 | \$55,545,786 | \$ 53,474,771 | 103.9% | \$(2,071,015) | \$ 10,115,135 | -20.5% |
| 12/31/2011 | \$59,437,144 | \$ 56,101,958 | 105.9% | \$(3,335,186) | \$ 10,001,596 | -33.3% |

COMBINING AND INDIVIDUAL
FINANCIAL STATEMENTS AND SCHEDULES



CAPITAL PROJECTS FUND

Capital Projects Fund – The purpose of the Capital Projects Fund is to account for large dollar capital projects and infrastructure maintenance projects. Funding for these items comes from transfers from the General Fund's current revenues and/or cash reserves, as the Town Council determines each year.

TOWN OF HIGHLAND PARK
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the year ended September 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance - Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Interest on Investments | \$ 65,000 | \$ 65,000 | \$ 43,500 | \$ (21,500) |
| Miscellaneous | 425,000 | 425,000 | - | (425,000) |
| Total Revenues | <u>490,000</u> | <u>490,000</u> | <u>43,500</u> | <u>(446,500)</u> |
| EXPENDITURES: | | | | |
| Capital Outlay | 11,471,448 | 11,471,448 | 2,678,061 | 8,793,387 |
| Total Expenditures | <u>11,471,448</u> | <u>11,471,448</u> | <u>2,678,061</u> | <u>8,793,387</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(10,981,448)</u> | <u>(10,981,448)</u> | <u>(2,634,561)</u> | <u>8,346,887</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 5,092,210 | 5,092,210 | 4,775,322 | (316,888) |
| Other Financing Sources (Uses) | <u>5,092,210</u> | <u>5,092,210</u> | <u>4,775,322</u> | <u>(316,888)</u> |
| Change in Fund Balance | (5,889,238) | (5,889,238) | 2,140,761 | 8,029,999 |
| FUND BALANCES, beginning of year | <u>11,712,961</u> | <u>11,712,961</u> | <u>11,712,961</u> | <u>-</u> |
| FUND BALANCES, end of year | <u>\$ 5,823,723</u> | <u>\$ 5,823,723</u> | <u>\$ 13,853,722</u> | <u>\$ 8,029,999</u> |

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Stormwater Drainage – Accounts for the collection of fees to protect the public health and safety from loss of life and property caused by surface water overflows, surface water stagnation and pollution arising from non-point source runoff within the Town.

Employee Christmas – Accounts for the collection of unsolicited contributions of citizens and the distribution to the Town's employees.

Forfeited Property – Accounts for the receipt of forfeited assets as a result of criminal activities and the funding of crime prevention programs and equipment.

Court Technology Fund – Accounts for the Municipal Court technology fee charged to defendants as specified by state law.

Court Security Fund – Accounts for the Municipal Court security fee charged to defendants as specified by state law.

TOWN OF HIGHLAND PARK
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2012

| | Special Revenue | | | | | Total |
|--|------------------------|-----------------------|-----------------------|---------------------|-------------------|-------------------|
| | Stormwater Drainage | Employee Christmas | Forfeited Property | Court Technology | Court Security | |
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$ 614,529 | \$ 3,188 | \$ 496 | \$ 54,682 | \$ 4,868 | \$ 677,763 |
| Receivables (net of allowances for uncollectibles)- | | | | | | |
| Other | 15,348 | - | - | - | - | 15,348 |
| Prepaid Items | 170 | - | - | - | - | 170 |
| | <u>630,047</u> | <u>3,188</u> | <u>496</u> | <u>54,682</u> | <u>4,868</u> | <u>693,281</u> |
| Total Assets and Other Debits | | | | | | |
| | <u>\$ 630,047</u> | <u>\$ 3,188</u> | <u>\$ 496</u> | <u>\$ 54,682</u> | <u>\$ 4,868</u> | <u>\$ 693,281</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Vouchers Payable | \$ 4,735 | \$ - | \$ - | \$ 605 | \$ - | \$ 5,340 |
| Accrued Liabilities | 1,159 | - | - | - | - | 1,159 |
| | <u>5,894</u> | <u>-</u> | <u>-</u> | <u>605</u> | <u>-</u> | <u>6,499</u> |
| Total Liabilities | | | | | | |
| | <u>5,894</u> | <u>-</u> | <u>-</u> | <u>605</u> | <u>-</u> | <u>6,499</u> |
| FUND BALANCE | | | | | | |
| Nonspendable | | | | | | |
| Prepaid Items | 170 | - | - | - | - | 170 |
| Restricted | | | | | | |
| Crime Prevention | - | - | 496 | - | - | 496 |
| Court Technology | - | - | - | 54,077 | - | 54,077 |
| Court Security | - | - | - | - | 4,868 | 4,868 |
| Committed | | | | | | |
| Stormwater Drainage Improvements | 214,234 | - | - | - | - | 214,234 |
| Employee Christmas Fund | - | 3,188 | - | - | - | 3,188 |
| Assigned | | | | | | |
| Drainage | 409,749 | - | - | - | - | 409,749 |
| Total Fund Balances | <u>624,153</u> | <u>3,188</u> | <u>496</u> | <u>54,077</u> | <u>4,868</u> | <u>686,782</u> |
| Total Liabilities and Fund Balance | <u>\$ 630,047</u> | <u>\$ 3,188</u> | <u>\$ 496</u> | <u>\$ 54,682</u> | <u>\$ 4,868</u> | <u>\$ 693,281</u> |

TOWN OF HIGHLAND PARK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended September 30, 2012

| | Stormwater Drainage | Special Revenue | | | | Total |
|---|------------------------|-----------------------|-----------------------|---------------------|-------------------|------------|
| | | Employee Christmas | Forfeited Property | Court Technology | Court Security | |
| REVENUES | | | | | | |
| Fees | \$ 363,265 | \$ - | \$ - | \$ 25,888 | \$ 19,414 | \$ 408,567 |
| Contributions | - | 17,070 | - | - | - | 17,070 |
| Interest on Investments | 522 | 2 | 2 | 80 | 136 | 742 |
| Miscellaneous | 6 | - | - | - | - | 6 |
| Total Revenues | 363,793 | 17,072 | 2 | 25,968 | 19,550 | 426,385 |
| EXPENDITURES | | | | | | |
| Personnel Services | 44,043 | - | - | - | - | 44,043 |
| Distributions of Contributions | - | 13,633 | - | - | - | 13,633 |
| FICA Contribution | - | 951 | - | - | - | 951 |
| TMRS | - | 1,678 | - | - | - | 1,678 |
| Materials and Supplies | 1,833 | - | - | 18,050 | - | 19,883 |
| Services and Charges | 48,397 | - | - | - | 324 | 48,721 |
| Total Expenditures | 94,273 | 16,262 | - | 18,050 | 324 | 128,909 |
| Excess of Revenues Over Expenditures | 269,520 | 810 | 2 | 7,918 | 19,226 | 297,476 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers Out | - | - | - | - | (159,577) | (159,577) |
| Other Financing Sources (Uses) | - | - | - | - | (159,577) | (159,577) |
| Net Change in Fund Balances | 269,520 | 810 | 2 | 7,918 | (140,351) | 137,899 |
| FUND BALANCES, beginning of year | 354,633 | 2,378 | 494 | 46,159 | 145,219 | 548,883 |
| FUND BALANCES, end of year | \$ 624,153 | \$ 3,188 | \$ 496 | \$ 54,077 | \$ 4,868 | \$ 686,782 |



INTERNAL SERVICE FUND

Equipment Replacement Fund – The purpose of the Equipment Replacement Fund is to account for the cost associated with the acquisition of specific equipment through the rental of the same to other departments.

TOWN OF HIGHLAND PARK
 Equipment Replacement Fund
 Schedule of Changes in Equipment and Accumulated Depreciation
 September 30, 2012

| | <u>Balance</u> October 1, 2011 | <u>Additions</u> and <u>Transfers In</u> | <u>Retirements</u> and <u>Transfers Out</u> | <u>Balance</u> September 30, 2012 |
|----------------------------|--------------------------------------|--|---|---|
| EQUIPMENT : | | | | |
| Vehicles and Rolling Stock | \$ 4,291,422 | \$ 95,327 | \$ 345,115 | \$ 4,041,634 |
| Office Equipment | 1,580,577 | 2,159,004 | 289,609 | 3,449,972 |
| Work in Progress | <u>56,726</u> | <u>-</u> | <u>56,726</u> | <u>-</u> |
| Totals | <u>5,928,725</u> | <u>2,254,331</u> | <u>691,450</u> | <u>7,491,606</u> |
| ACCUMULATED DEPRECIATION: | | | | |
| Vehicles and Rolling Stock | 1,752,324 | 339,669 | 307,471 | 1,784,522 |
| Office Equipment | <u>1,386,404</u> | <u>405,609</u> | <u>289,609</u> | <u>1,502,404</u> |
| Totals | <u>3,138,728</u> | <u>745,278</u> | <u>597,080</u> | <u>3,286,926</u> |
| NET EQUIPMENT | <u>\$ 2,789,997</u> | <u>\$ 1,509,053</u> | <u>\$ 94,370</u> | <u>\$ 4,204,680</u> |

STATISTICAL SECTION

This part of the Town of Highland Park's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and related supplementary information says about the Town's overall financial health.

| Contents | Page |
|---|-------------|
| Financial Trends This section contains information to help the reader understand how the Town's financial performance and well-being have changed over time. | 75-80 |
| Revenue Capacity This section contains information to help the reader assess the Town's most significant local revenue source, the property tax. | 81-84 |
| Debt Capacity This section contains information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future. | 85-86 |
| Demographic and Economic Information This section contains information to help the reader understand the environment within which the Town's financial activities take place. | 87-89 |
| Operating Information This section contains information to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs. | 90-92 |



TOWN OF HIGHLAND PARK
Net Assets by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets | \$ 20,328,471 | \$ 20,632,957 | \$ 21,010,063 | \$ 21,039,497 | \$ 22,771,121 | \$ 30,389,551 | \$ 32,160,748 | \$ 31,868,002 | \$ 35,479,938 | \$ 36,283,176 |
| Unrestricted | 10,289,781 | 10,480,926 | 11,243,934 | 12,399,045 | 16,406,211 | 13,355,949 | 14,317,432 | 19,935,136 | 17,957,672 | 20,652,750 |
| Total governmental activities net assets | \$ 30,618,252 | \$ 31,113,883 | \$ 32,253,997 | \$ 33,438,542 | \$ 39,177,332 | \$ 43,745,500 | \$ 46,478,180 | \$ 51,803,138 | \$ 53,437,610 | \$ 56,935,926 |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets | \$ 10,062,405 | \$ 11,390,763 | \$ 11,922,018 | \$ 12,704,373 | \$ 14,125,098 | \$ 14,017,164 | \$ 14,185,694 | \$ 14,555,810 | \$ 15,778,121 | \$ 17,422,351 |
| Unrestricted | 6,212,857 | 5,723,680 | 6,416,449 | 7,544,924 | 5,078,860 | 6,425,104 | 7,720,131 | 3,025,372 | 3,303,622 | 1,933,334 |
| Total business-type activities net assets | \$ 16,275,262 | \$ 17,114,443 | \$ 18,338,467 | \$ 20,249,297 | \$ 19,203,958 | \$ 20,442,268 | \$ 21,905,825 | \$ 17,581,182 | \$ 19,081,743 | \$ 19,355,685 |
| Primary Government | | | | | | | | | | |
| Invested in capital assets | \$ 30,390,876 | \$ 32,023,720 | \$ 32,932,081 | \$ 33,743,870 | \$ 36,896,219 | \$ 44,406,715 | \$ 46,346,442 | \$ 46,423,812 | \$ 51,258,059 | \$ 53,705,527 |
| Unrestricted | 16,502,638 | 16,204,606 | 17,660,383 | 19,943,969 | 21,485,071 | 19,781,053 | 22,037,563 | 22,960,508 | 21,261,294 | 22,586,084 |
| Total primary government net assets | \$ 46,893,514 | \$ 48,228,326 | \$ 50,592,464 | \$ 53,687,839 | \$ 58,381,290 | \$ 64,187,768 | \$ 68,384,005 | \$ 69,384,320 | \$ 72,519,353 | \$ 76,291,611 |

Source: Town Comprehensive Annual Financial Report

TOWN OF HIGHLAND PARK
Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | | | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General Government | \$ 412,898 | \$ 485,393 | \$ 659,447 | \$ 725,157 | \$ 877,318 | \$ 698,577 | \$ 824,699 | \$ 1,316,352 | \$ 812,643 | \$ 1,033,107 |
| Department of Public Safety | 7,168,797 | 7,584,900 | 7,928,535 | 8,619,782 | 8,730,922 | 9,628,878 | 9,867,090 | 10,164,906 | 10,188,243 | 10,214,838 |
| Street Department | 460,434 | 549,528 | 443,041 | 514,118 | 678,087 | 812,623 | 867,698 | 1,061,747 | 1,090,129 | 1,117,699 |
| Street Lighting Department | 338,862 | 307,291 | 326,253 | 326,216 | 277,504 | 318,467 | 327,938 | 307,312 | 284,966 | 206,703 |
| Library | 470,052 | 515,333 | 511,013 | 529,928 | 562,314 | 619,876 | 644,462 | 772,491 | 745,811 | 768,755 |
| Parks Department | 1,056,276 | 1,049,401 | 1,137,588 | 1,259,593 | 1,234,759 | 1,342,352 | 1,430,322 | 1,431,268 | 1,404,315 | 1,240,538 |
| Swimming Pool | 151,527 | 153,486 | 143,633 | 152,636 | 166,346 | 171,912 | 197,907 | 228,852 | 228,565 | 192,559 |
| Sanitation | - | - | - | - | - | - | - | - | - | 1,039,230 |
| Municipal Court | 200,874 | 206,783 | 232,787 | 229,596 | 297,580 | 320,864 | 318,937 | 343,042 | 341,435 | 319,953 |
| Finance Department | 405,642 | 435,389 | 434,076 | 447,171 | 459,684 | 480,159 | 481,073 | 520,784 | 515,296 | 473,970 |
| Building Inspection Department | 182,709 | 203,320 | 223,801 | 288,789 | 298,711 | 348,730 | 402,380 | 539,980 | 391,923 | 392,023 |
| Total governmental activities | 10,848,071 | 11,490,824 | 12,040,174 | 13,092,986 | 13,583,225 | 14,742,438 | 15,362,506 | 16,686,734 | 16,003,325 | 16,999,375 |
| Business-type activities: | | | | | | | | | | |
| Enterprise | 5,695,471 | 5,707,703 | 5,949,119 | 6,294,396 | 6,104,229 | 6,863,130 | 7,211,569 | 7,481,548 | 7,983,612 | 6,702,773 |
| Total business-type activities | 5,695,471 | 5,707,703 | 5,949,119 | 6,294,396 | 6,104,229 | 6,863,130 | 7,211,569 | 7,481,548 | 7,983,612 | 6,702,773 |
| Total primary government | \$ 16,543,542 | \$ 17,198,527 | \$ 17,989,293 | \$ 19,387,382 | \$ 19,687,454 | \$ 21,605,568 | \$ 22,574,075 | \$ 24,168,282 | \$ 23,986,937 | \$ 23,702,148 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General Government | \$ 18,015 | \$ 165,917 | \$ 195,069 | \$ 194,078 | \$ 190,066 | \$ 196,385 | \$ 191,381 | \$ 206,255 | \$ 208,091 | \$ 376,375 |
| Department of Public Safety | 612,331 | 620,643 | 647,933 | 650,449 | 655,606 | 713,878 | 755,635 | 568,974 | 741,602 | 666,846 |
| Street Department | 250,072 | 252,884 | 269,324 | 307,910 | 254,411 | 301,998 | 335,778 | 118,743 | 120,887 | 134,859 |
| Library | 21,842 | 20,878 | 20,768 | 19,167 | 18,108 | 14,652 | 18,619 | 16,959 | 16,001 | 15,347 |
| Parks Department | 3,976 | 4,172 | 4,186 | 4,770 | 4,322 | 12,955 | 12,680 | 11,720 | 10,360 | 10,560 |
| Swimming Pool | 80,222 | 76,745 | 76,094 | 79,580 | 87,014 | 94,432 | 94,184 | 92,468 | 109,959 | 103,531 |
| Sanitation | - | - | - | - | - | - | - | - | - | 1,254,088 |
| Municipal Court | 604,717 | 544,308 | 842,444 | 770,862 | 724,746 | 728,369 | 662,570 | 676,094 | 728,149 | 684,318 |
| Building Inspection Department | 646,340 | 748,458 | 930,257 | 858,409 | 1,312,827 | 725,997 | 904,647 | 968,993 | 928,146 | 926,297 |
| Operating grants and contributions | 134,408 | 35,455 | 16,466 | 4,960 | 528,388 | 1,477,837 | 32,392 | 4,383 | - | - |
| Total governmental activities | 2,371,923 | 2,469,460 | 3,002,541 | 2,890,185 | 3,175,488 | 4,266,503 | 3,007,886 | 2,664,589 | 2,863,195 | 4,172,221 |

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Business-type activities: | | | | | | | | | | |
| Charges for services | 6,467,877 | 6,042,665 | 7,047,070 | 7,890,635 | 6,683,686 | 7,910,871 | 8,465,285 | 8,315,859 | 9,945,105 | 8,237,561 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | - | 627,941 |
| Total business-type activities | 6,467,877 | 6,042,665 | 7,047,070 | 7,890,635 | 6,683,686 | 7,910,871 | 8,465,285 | 8,315,859 | 9,945,105 | 8,865,502 |
| Total primary government | 8,839,800 | 8,512,125 | 10,049,611 | 10,780,820 | 10,459,174 | 12,171,374 | 11,473,171 | 10,980,448 | 12,808,300 | 13,037,723 |
| Net (expense)/revenue | (8,476,148) | (9,021,364) | (9,037,633) | (10,202,801) | (9,807,737) | (10,475,935) | (12,354,620) | (14,022,145) | (13,140,130) | (12,827,154) |
| Governmental activities | 772,406 | 841,710 | 1,097,951 | 1,596,239 | 579,457 | 1,047,741 | 1,253,716 | 834,311 | 1,961,493 | 2,162,729 |
| Business-type activities | (7,703,742) | (8,179,654) | (7,939,682) | (8,606,562) | (9,228,280) | (9,428,194) | (11,100,904) | (13,187,834) | (11,178,637) | (10,664,425) |
| Total primary government net expense | | | | | | | | | | |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | 5,772,929 | 6,328,128 | 6,633,472 | 7,252,996 | 8,055,442 | 8,819,669 | 9,481,304 | 9,934,677 | 9,714,359 | 9,640,285 |
| Sales tax es | 1,635,389 | 1,711,186 | 1,952,093 | 2,126,860 | 2,260,502 | 2,420,130 | 2,300,369 | 2,430,775 | 2,579,028 | 2,923,273 |
| Other tax es | 82,562 | 94,253 | 107,517 | 102,115 | 105,069 | 106,462 | 106,433 | 94,159 | 127,969 | 146,057 |
| Franchise tax es | 851,643 | 858,564 | 880,995 | 950,145 | 925,302 | 965,870 | 1,018,539 | 1,015,431 | 1,010,742 | 1,078,503 |
| Penalty and interest on tax es | 42,942 | 47,749 | 42,426 | 46,607 | 55,763 | 66,184 | 65,671 | 59,834 | 55,505 | 45,662 |
| Interest on investments | 252,895 | 171,152 | 270,423 | 656,533 | 895,894 | 767,451 | 402,349 | 131,159 | 108,877 | 80,420 |
| Sale of assets | 110,308 | - | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | 1,765,797 | 1,293,877 | 87,379 | 211,751 | - |
| Miscellaneous | 272,844 | 231,338 | 290,821 | 252,090 | 327,332 | 277,280 | 418,758 | 393,567 | 492,970 | 510,315 |
| Transfers | 143,886 | 74,625 | - | - | 2,000,000 | - | - | 5,200,122 | 473,401 | 1,900,955 |
| Total governmental activities | 9,165,398 | 9,516,995 | 10,177,747 | 11,387,346 | 14,625,304 | 15,188,843 | 15,087,300 | 19,347,103 | 14,774,602 | 16,325,470 |
| Business-type activities: | | | | | | | | | | |
| Interest on investments | 134,574 | 72,096 | 126,073 | 314,591 | 375,204 | 190,569 | 209,841 | 41,168 | 12,469 | 12,168 |
| Sale of assets | (579) | - | - | - | - | - | - | - | - | - |
| Transfers | (143,886) | (74,625) | - | - | (2,000,000) | - | - | (5,200,122) | (473,401) | (1,900,955) |
| Total business-type activities | (9,891) | (2,529) | 126,073 | 314,591 | (1,624,796) | 190,569 | 209,841 | (5,158,954) | (460,932) | (1,888,787) |
| Total primary government | 9,155,507 | 9,514,466 | 10,303,820 | 11,701,937 | 13,000,508 | 15,379,412 | 15,297,141 | 14,188,149 | 14,313,670 | 14,436,683 |
| Changes in Net Assets | | | | | | | | | | |
| Governmental activities | 689,250 | 495,631 | 1,140,114 | 1,184,545 | 4,817,567 | 4,712,908 | 2,732,680 | 5,324,958 | 1,634,472 | 3,498,316 |
| Business-type activities | 762,515 | 839,181 | 1,224,024 | 1,910,830 | (1,045,339) | 1,238,310 | 1,463,557 | (4,324,643) | 1,500,561 | 273,942 |
| Total primary government | 1,451,765 | 1,334,812 | 2,364,138 | 3,095,375 | 3,772,228 | 5,951,218 | 4,196,237 | 1,000,315 | 3,135,033 | 3,772,258 |

Source: Town Comprehensive Annual Financial Report

TOWN OF HIGHLAND PARK
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

| Fiscal Year | Property Tax | Sales Tax | Franchise Tax | Mixed Beverage Tax | Total |
|-------------|--------------|--------------|---------------|--------------------|--------------|
| 2003 | \$ 5,772,929 | \$ 1,635,389 | \$ 851,643 | \$ 82,562 | \$ 8,342,523 |
| 2004 | 6,328,128 | 1,711,186 | 858,564 | 94,253 | 8,992,131 |
| 2005 | 6,633,472 | 1,952,093 | 880,995 | 107,517 | 9,574,077 |
| 2006 | 7,252,996 | 2,126,860 | 950,145 | 102,115 | 10,432,116 |
| 2007 | 8,055,442 | 2,260,502 | 925,302 | 105,069 | 11,346,315 |
| 2008 | 8,819,669 | 2,420,130 | 965,870 | 106,462 | 12,312,131 |
| 2009 | 9,488,571 | 2,300,369 | 1,030,631 | 106,433 | 12,926,004 |
| 2010 | 9,934,677 | 2,430,775 | 1,015,431 | 94,159 | 13,475,042 |
| 2011 | 9,714,359 | 2,579,028 | 1,010,742 | 127,969 | 13,432,098 |
| 2012 | 9,640,285 | 2,923,273 | 1,078,503 | 146,057 | 13,788,118 |

Source: Town Comprehensive Annual Financial Report

TOWN OF HIGHLAND PARK
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 817,225 | \$ 724,009 | \$ 294,011 | \$ 264,686 | \$ 227,102 | \$ 642,309 | \$ 556,019 | \$ 460,713 | \$ - | \$ - |
| Nonspendable | - | - | - | - | - | - | - | - | 27,715 | 15,227 |
| Restricted | - | - | - | - | - | - | - | - | 113,942 | 128,634 |
| Assigned | - | - | - | - | - | - | - | - | 394,300 | 338,756 |
| Unassigned | - | - | - | - | - | - | - | - | 4,132,477 | 3,935,117 |
| Unreserved | 4,237,381 | 3,662,258 | 4,326,409 | 2,986,225 | 4,694,373 | 3,944,352 | 5,000,470 | 3,936,857 | - | - |
| Total General Fund | <u>\$ 5,054,606</u> | <u>\$ 4,386,267</u> | <u>\$ 4,620,420</u> | <u>\$ 3,250,911</u> | <u>\$ 4,921,475</u> | <u>\$ 4,586,661</u> | <u>\$ 5,556,489</u> | <u>\$ 4,397,570</u> | <u>\$ 4,668,434</u> | <u>\$ 4,417,734</u> |
| All other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 817,698 | \$ 921,815 | \$ 904,421 | \$ 973,604 | \$ 9,737,980 | \$ 5,292,585 | \$ 1,459,922 | \$ 4,350,933 | \$ - | \$ - |
| Nonspendable | - | - | - | - | - | - | - | - | 98 | 170 |
| Restricted | - | - | - | - | - | - | - | - | 191,872 | 59,441 |
| Committed | - | - | - | - | - | - | - | - | 8,676,585 | 12,400,573 |
| Assigned | - | - | - | - | - | - | - | - | 3,393,289 | 2,080,320 |
| Unreserved, reported in: | | | | | | | | | | |
| Capital Projects Fund | 3,257,587 | 3,950,112 | 4,706,339 | 6,329,012 | 455,782 | 1,772,979 | 5,527,375 | 13,974,662 | - | - |
| Total all other Governmental Funds | <u>\$ 4,075,285</u> | <u>\$ 4,871,927</u> | <u>\$ 5,610,760</u> | <u>\$ 7,302,616</u> | <u>\$ 10,193,762</u> | <u>\$ 7,065,564</u> | <u>\$ 6,987,297</u> | <u>\$ 18,325,595</u> | <u>\$ 12,261,844</u> | <u>\$ 14,540,504</u> |

Note: In fiscal year 2011, the Town implemented GASB 54 which changed the fund balance classifications to Nonspendable, Restricted, Committed, Assigned and Unassigned.

See Note 1 to the Basic Financial Statements.

Source: Town Comprehensive Annual Financial Report

TOWN OF HIGHLAND PARK
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|----------------------|-------------------|-------------------|-------------------|---------------------|----------------------|-------------------|---------------------|----------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 8,308,699 | \$ 9,012,222 | \$ 9,574,883 | \$ 10,427,818 | \$ 11,290,415 | \$ 12,315,728 | \$ 12,926,004 | \$ 13,389,605 | \$ 13,438,042 | 13,805,491 |
| Penalties and Interest | 42,942 | 47,749 | 42,426 | 46,607 | 55,763 | 66,184 | 65,671 | 59,834 | 55,505 | 45,662 |
| Licenses and Permits | 696,305 | 797,720 | 1,000,525 | 914,566 | 1,368,191 | 784,591 | 965,340 | 1,051,114 | 1,008,939 | 995,508 |
| Service Fees | 1,219,358 | 1,325,512 | 1,501,013 | 1,565,855 | 1,502,798 | 1,576,990 | 1,622,643 | 1,347,210 | 1,439,407 | 2,875,018 |
| Fines and Forfeitures | 292,407 | 278,021 | 443,971 | 428,586 | 412,717 | 388,041 | 346,085 | 337,079 | 366,991 | 351,545 |
| Interest on Investments | 232,427 | 147,009 | 238,279 | 579,421 | 761,147 | 693,784 | 344,529 | 114,596 | 95,122 | 72,398 |
| Intergovernmental | - | - | - | - | - | 1,765,797 | 1,293,877 | 87,379 | 211,751 | - |
| Contributions | - | - | 21,131 | 30,376 | 559,437 | 1,505,656 | 132,072 | 59,280 | 93,908 | 99,042 |
| Miscellaneous | 407,248 | 266,793 | 286,156 | 226,674 | 296,283 | 249,461 | 295,673 | 253,630 | 220,811 | 316,099 |
| Total Revenues | 11,199,386 | 11,875,026 | 13,108,384 | 14,219,903 | 16,246,751 | 19,346,232 | 17,991,894 | 16,699,727 | 16,930,476 | 18,560,763 |
| Expenditures | | | | | | | | | | |
| General Government | 334,886 | 403,910 | 443,778 | 511,794 | 739,674 | 806,635 | 732,754 | 1,098,201 | 981,989 | 1,126,197 |
| Department of Public Safety | 6,951,840 | 7,333,508 | 7,700,362 | 8,274,758 | 8,408,121 | 9,472,901 | 9,490,181 | 9,947,630 | 9,986,728 | 9,984,927 |
| Street Department | 887,900 | 1,154,231 | 1,055,515 | 986,893 | 288,622 | 785,334 | 856,776 | 318,650 | 350,868 | 374,173 |
| Street Lighting Department | 274,977 | 243,791 | 262,063 | 288,187 | 238,880 | 279,828 | 305,611 | 277,085 | 264,445 | 169,907 |
| Library | 475,709 | 519,901 | 525,574 | 532,048 | 558,488 | 605,344 | 569,968 | 638,351 | 609,131 | 625,146 |
| Parks Department | 961,025 | 1,044,014 | 1,152,238 | 1,270,819 | 1,157,967 | 1,274,630 | 1,447,509 | 1,396,524 | 1,297,955 | 1,220,933 |
| Swimming Pool | 131,856 | 133,558 | 123,608 | 150,058 | 160,839 | 179,667 | 174,098 | 205,395 | 198,620 | 162,743 |
| Municipal Court | 199,677 | 206,532 | 219,776 | 216,607 | 226,792 | 239,087 | 252,461 | 299,360 | 291,393 | 297,165 |
| Finance Department | 402,047 | 432,088 | 427,336 | 437,466 | 451,381 | 474,821 | 471,679 | 514,680 | 507,215 | 471,900 |
| Building Inspection Department | 183,264 | 208,010 | 222,239 | 284,650 | 292,961 | 344,512 | 397,138 | 534,673 | 391,807 | 392,023 |
| Sanitation | - | - | - | - | - | - | - | - | - | 1,039,230 |
| Capital Outlay | 2,613,974 | 102,103 | 161,301 | 168,555 | 1,161,316 | 8,350,999 | 2,403,131 | 887,491 | 3,926,731 | 2,775,231 |
| Total Expenditures | 13,417,155 | 11,781,646 | 12,293,790 | 13,121,835 | 13,685,041 | 22,813,758 | 17,101,306 | 16,118,040 | 18,806,882 | 18,639,575 |
| Excess of Revenues Over Expenditures | (2,217,769) | 93,380 | 814,594 | 1,098,068 | 2,561,710 | (3,467,526) | 890,588 | 581,687 | (1,876,406) | (78,812) |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers In | 597,079 | 789,577 | 737,828 | 1,451,550 | 3,120,330 | 1,538,834 | 978,934 | 8,066,620 | 2,127,772 | 4,794,899 |
| Transfers Out | (607,386) | (760,129) | (609,348) | (2,227,392) | (1,120,330) | (1,538,834) | (978,934) | (2,866,498) | (1,654,371) | (2,693,944) |
| Sale of Assets | 113,152 | 5,475 | 29,912 | 121 | - | 4,514 | 973 | - | 7,668 | 5,817 |
| Total other Financing Sources (Uses) | 102,845 | 34,923 | 158,392 | (775,721) | 2,000,000 | 4,514 | 973 | 5,200,122 | 481,069 | 2,106,772 |
| Net Change in Fund Balances | \$(2,114,924) | \$ 128,303 | \$ 972,986 | \$ 322,347 | \$ 4,561,710 | \$(3,463,012) | \$ 891,561 | \$ 5,781,809 | \$(1,395,337) | \$ 2,027,960 |

Source: Town Comprehensive Annual Financial Report

TOWN OF HIGHLAND PARK
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Business | | Less: | | Total Taxable Assessed Value | Total Direct Tax Rate |
|-------------|----------------------|-------------------|---------------------|----------|------------------------------|-----------------------|
| | Residential Property | Personal Property | Tax-Exempt Property | Property | | |
| 2003 | 3,399,244,710 | 48,170,540 | 818,284,174 | | 2,629,131,076 | 0.22080 |
| 2004 | 3,453,004,560 | 52,941,730 | 736,475,292 | | 2,769,470,998 | 0.23000 |
| 2005 | 3,593,332,450 | 53,801,060 | 735,668,251 | | 2,911,465,259 | 0.23000 |
| 2006 | 3,986,604,910 | 41,888,720 | 853,275,070 | | 3,175,218,560 | 0.23000 |
| 2007 | 4,642,666,780 | 46,476,050 | 1,102,378,690 | | 3,586,764,140 | 0.22500 |
| 2008 | 5,187,681,250 | 54,237,020 | 1,230,557,711 | | 4,011,360,559 | 0.22000 |
| 2009 | 5,549,244,010 | 56,490,150 | 1,268,210,249 | | 4,337,523,911 | 0.22000 |
| 2010 | 5,622,164,550 | 61,504,450 | 1,166,130,371 | | 4,517,538,629 | 0.22000 |
| 2011 | 5,447,807,590 | 59,937,910 | 1,085,803,668 | | 4,421,941,832 | 0.22000 |
| 2012 | 5,407,849,850 | 56,732,470 | 1,058,757,668 | | 4,405,824,652 | 0.22000 |

Source: Dallas Central Appraisal District

TOWN OF HIGHLAND PARK
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Direct Rate | Overlapping Rates | | | | | | | | | | Total Direct & Overlapping Rates |
|-------------|--|-------------------|-------------------|----------------------------|--------------|----------------------|-----------------------|---------|--|--|--|----------------------------------|
| | Town of Highland Park Operating/General Rate | County | | | | | School District | | | | | |
| | | Dallas County | Hospital District | Community College District | Total County | Highland Park I.S.D. | Total Direct Tax Rate | | | | | |
| 2003 | 0.22080 | 0.19600 | 0.25400 | 0.06000 | 0.51000 | 1.61000 | 0.22080 | 2.34080 | | | | |
| 2004 | 0.23000 | 0.20390 | 0.25400 | 0.08030 | 0.53820 | 1.61000 | 0.23000 | 2.37820 | | | | |
| 2005 | 0.23000 | 0.21390 | 0.25400 | 0.08160 | 0.54950 | 1.53000 | 0.23000 | 2.30950 | | | | |
| 2006 | 0.23000 | 0.21390 | 0.25400 | 0.08100 | 0.54890 | 1.35570 | 0.23000 | 2.13460 | | | | |
| 2007 | 0.22500 | 0.21390 | 0.25400 | 0.08100 | 0.54890 | 1.35570 | 0.22500 | 2.12960 | | | | |
| 2008 | 0.22000 | 0.22810 | 0.25400 | 0.08040 | 0.56250 | 1.03670 | 0.22000 | 1.81920 | | | | |
| 2009 | 0.22000 | 0.22810 | 0.25400 | 0.08940 | 0.57150 | 1.09000 | 0.22000 | 1.88150 | | | | |
| 2010 | 0.22000 | 0.23331 | 0.27400 | 0.09490 | 0.60221 | 1.11000 | 0.22000 | 1.93221 | | | | |
| 2011 | 0.22000 | 0.24310 | 0.27100 | 0.09923 | 0.61333 | 1.11500 | 0.22000 | 1.94833 | | | | |
| 2012 | 0.22000 | 0.24310 | 0.27100 | 0.11938 | 0.63348 | 1.13420 | 0.22000 | 1.98768 | | | | |

Source: Dallas County Appraisal District

TOWN OF HIGHLAND PARK
Principal Property Taxpayers
September 30, 2012 and 2003
(Unaudited)

| Taxpayer | 2012 | | | 2003 | | |
|--------------------------------|------------------------|------|--------------------------------------|------------------------|------|--------------------------------------|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed |
| | | | Value | | | Value |
| Highland Park Shopping Village | \$ 115,044,550 | 1 | 2.61% | \$ 57,859,180 | 1 | 2.20% |
| Muse, John R & Lyn | 23,915,664 | 2 | 0.54% | 18,593,696 | 2 | 0.71% |
| Harlan Crow | 19,269,952 | 3 | 0.44% | N/A | N/A | N/A |
| Edwin L. Cox | 17,256,000 | 4 | 0.39% | 10,036,614 | 7 | 0.38% |
| L & B Depp | 16,720,670 | 5 | 0.38% | N/A | N/A | N/A |
| Corrigan Properties | 15,250,000 | 6 | 0.35% | 17,274,869 | 4 | 0.71% |
| Dallas Country Club | 14,964,300 | 7 | 0.34% | 6,671,100 | 9 | 0.19% |
| Margaret Crow Life Estate | 13,615,248 | 8 | 0.31% | N/A | N/A | N/A |
| Jerral W. & Gene C. Jones | 13,580,656 | 9 | 0.31% | 10,573,916 | 6 | 0.40% |
| Amy Mitchell | 13,270,080 | 10 | 0.30% | N/A | N/A | N/A |
| Trammel Crow | N/A | N/A | N/A | 18,512,481 | 3 | 0.71% |
| Lehndorff Preston | N/A | N/A | N/A | 12,900,000 | 5 | 0.49% |
| The Crespark LTD | N/A | N/A | N/A | 6,949,160 | 8 | 0.26% |
| Kenneth & Lynn Powell | N/A | N/A | N/A | 5,113,780 | 10 | 0.19% |
| | <u>\$ 262,887,120</u> | | <u>5.97%</u> | <u>\$ 164,484,796</u> | | <u>6.24%</u> |

Source: Dallas Central Appraisal District

TOWN OF HIGHLAND PARK
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Total Tax Levy | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | | Total Collections to Date | |
|-------------|----------------|--|--------------------|---------------------------------|--------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | Amount | Percentage of Levy | Amount | Percentage of Levy |
| 2003 | \$ 5,804,651 | \$ 5,737,070 | 98.8% | \$ | 63,765 | \$ 5,800,835 | 99.9% |
| 2004 | 6,369,983 | 6,287,173 | 98.7% | | 76,748 | 6,363,921 | 99.9% |
| 2005 | 6,696,521 | 6,611,586 | 98.7% | | 78,847 | 6,690,433 | 99.9% |
| 2006 | 7,303,760 | 7,232,503 | 99.0% | | 61,273 | 7,293,776 | 99.9% |
| 2007 | 8,115,122 | 8,003,122 | 98.6% | | 100,389 | 8,103,511 | 99.9% |
| 2008 | 8,890,683 | 8,818,214 | 99.2% | | 60,191 | 8,878,405 | 99.9% |
| 2009 | 9,603,740 | 9,535,060 | 99.3% | | 54,538 | 9,589,598 | 99.9% |
| 2010 | 10,062,755 | 9,984,063 | 99.2% | | 45,203 | 10,029,266 | 99.7% |
| 2011 | 9,764,883 | 9,681,165 | 99.1% | | 19,744 | 9,700,909 | 99.3% |
| 2012 | 9,696,331 | 9,622,922 | 99.2% | | - | 9,622,922 | 99.2% |

Sources: Dallas County, Town Departments

TOWN OF HIGHLAND PARK
Computation of Direct and Overlapping Debt
For the Year Ended September 30, 2012
(Unaudited)

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|----------------------|---------------------------------------|--|
| Town of Highland Park | \$ - | 0.00% | - |
| Dallas County* | 143,389,694 | 2.51% *** | 3,599,081 |
| Dallas County Community College District* | 315,730 | 2.41% *** | 7,609 |
| Highland Park Independent School District** | 115,415,000 | 39.81% **** | 45,949,346 |
| | <u>\$259,120,424</u> | | <u>\$ 49,556,036</u> |

Total Direct and Overlapping Debt to Assessed Valuation

1.12%

Per Capita Overlapping Debt

\$ 5,605

* Source: Dallas County

** Source: Highland Park Independent School District

*** Estimated Percentage Applicable is the ratio of property values in Highland Park compared to all of Dallas County

**** Estimated Percentage Applicable is the ratio of property values in Highland Park compared to all of HPIISD

TOWN OF HIGHLAND PARK
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

As a home rule city, the Town of Highland Park is not limited by the law in the amount of debt it may issue. The Town's charter (Section 9.10) states:

The Town shall have the power to borrow money on the credit of the Town and to issue general obligation bonds and other evidence of indebtedness for permanent public improvements or for any other public purpose not prohibited by the Constitution and laws of the state of Texas, and to issue refunding bonds to refund outstanding bonds and other evidences of indebtedness of the Town previously issued. All such bonds shall be issued in conformity with the laws of the State of Texas.

The Town has no issued debt outstanding as of September 30, 2012.

TOWN OF HIGHLAND PARK
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Population | Personal Income | | Unemployment Rate |
|-------------|------------|-----------------|----------------------------|-------------------|
| | | Personal Income | Per Capita Personal Income | |
| 2003 | 8,842 | 856,453,794 | 96,862 | 7.2% |
| 2004 | 8,842 | 856,453,794 | 96,862 | 6.3% |
| 2005 | 8,842 | 856,453,794 | 96,862 | 5.4% |
| 2006 | 8,842 | 856,453,794 | 96,862 | 5.2% |
| 2007 | 8,842 | 856,453,794 | 96,862 | 4.8% |
| 2008 | 8,842 | 856,453,794 | 96,862 | 5.3% |
| 2009 | 8,842 | 856,453,794 | 96,862 | 7.2% |
| 2010 | 8,842 | 856,453,794 | 96,862 | 8.8% |
| 2011 | 8,564 | 1,000,035,408 | 116,772 | 8.1% |
| 2012 | 8,564 | 1,136,168,752 | 132,668 | 7.3% |

Source: School enrollment data obtained from Highland Park Independent School District. All other data was obtained from U.S. Census Bureau's 2000 U. S. Census.

TOWN OF HIGHLAND PARK
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

| | 2012 | | 2003 | |
|--|--------------------------|---------------------|--------------------------|---------------------|
| | Number of Establishments | Number of Employees | Number of Establishments | Number of Employees |
| Real Estate & Rental & Leasing | 27 | 82 | 51 | 669 |
| Retail Trade | 51 | 584 | 11 | 142 |
| Accommodations & Food Services | 10 | 313 | 37 | 110 |
| Other Services (Except Public Administration | 13 | 81 | 26 | 100 |
| Professional, Scientific & Technical Services | 43 | 158 | 5 | 97 |
| Information | 5 | N/A | 7 | 83 |
| Administrative & Support & Waste Management & Remediation Services | 13 | 28 | 19 | 52 |
| Health Care & Social Assistance | 22 | N/A | 5 | 14 |
| Arts, Entertainment & Recreation | 8 | N/A | 2 | N/A |
| Education Services | 3 | N/A | | |

NOTE: The Town of Highland Park is a small municipality, only 2.2 square miles with a population of 8,842. There is no chamber of commerce in Highland Park. The only available information on employers is the Economic Census from the U. S. Census Bureau. This Census does not include information on individual businesses, only aggregate information by business sector. The information presented is from the most recent applicable Economic Census: 2012 data was obtained from the 2007 Economic Census, and 2003 data was obtained from the 1997 Economic Census.

TOWN OF HIGHLAND PARK
Construction and Property Values
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Commercial Construction* | | Residential Construction* | | Property Value** | |
|-------------|--------------------------|------------|---------------------------|------------|------------------|-------------------|
| | Number of Permits | Value | Number of Permits | Value | Real Property | Personal Property |
| 2003 | 17 | 8,179,448 | 900 | 55,200,021 | 3,388,364,020 | 49,178,120 |
| 2004 | 31 | 8,756,934 | 1,072 | 57,616,387 | 3,446,135,340 | 53,196,004 |
| 2005 | 16 | 1,771,229 | 1,089 | 86,778,948 | 3,579,432,340 | 54,296,025 |
| 2006 | 30 | 3,261,489 | 1,198 | 69,202,875 | 3,985,776,180 | 46,470,240 |
| 2007 | 20 | 3,157,626 | 1,149 | 99,673,538 | 4,638,493,550 | 46,466,590 |
| 2008 | 22 | 8,626,739 | 1,113 | 77,757,810 | 5,187,681,250 | 54,237,020 |
| 2009 | 21 | 41,335,048 | 870 | 53,601,984 | 5,549,244,010 | 56,490,150 |
| 2010 | 31 | 19,975,233 | 1,004 | 72,021,698 | 5,622,164,550 | 61,504,450 |
| 2011 | 38 | 8,985,914 | 1,097 | 76,604,257 | 5,447,807,590 | 59,937,910 |
| 2012 | 34 | 3,235,348 | 903 | 64,144,609 | 5,407,849,850 | 56,732,470 |

* Source: Town Departments

** Source: Dallas Central Appraisal District

TOWN OF HIGHLAND PARK
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years
(Unaudited)

| Function | Full-Time Equivalent Employees | | | | | | | | | |
|---------------------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Government | 1.40 | 1.40 | 1.40 | 1.40 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.60 |
| Public Safety | 67.00 | 67.00 | 67.00 | 67.00 | 68.00 | 70.33 | 69.00 | 69.00 | 69.00 | 69.00 |
| Street | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 |
| Street Lighting | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 1.65 | 1.65 | 1.65 | 1.74 | 1.80 |
| Library | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 |
| Parks | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.00 |
| Municipal Court | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.70 | 2.70 | 2.70 |
| Finance | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Building Inspection | 2.00 | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Service Center | 0.45 | 0.45 | 0.45 | 0.45 | 0.45 | 0.35 | 0.35 | 0.35 | 0.26 | 0.20 |
| Utility Administration | 6.00 | 6.00 | 6.00 | 6.00 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.80 |
| Water | 4.40 | 4.40 | 4.40 | 4.40 | 4.40 | 4.40 | 4.40 | 4.40 | 4.40 | 4.40 |
| Sewer | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 |
| Sanitation | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | - |
| Engineering | 3.00 | 4.00 | 4.00 | 3.50 | 3.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 |
| Stormwater Administration | - | - | - | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Total | 114.60 | 115.60 | 115.60 | 116.60 | 118.60 | 121.33 | 120.00 | 120.50 | 120.50 | 120.50 |

Source: Official Town Budget

TOWN OF HIGHLAND PARK
Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)

| Function | Fiscal Year | | | | | | | | | |
|-----------------------------------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Administration | | | | | | | | | | |
| Service Requests Processed | 9,063 | 8,755 | 8,410 | 10,817 | 8,991 | 6,440 | 6,935 | 7,842 | 6,415 | 5,286 |
| Public Safety | | | | | | | | | | |
| Call Responses: Police | 12,145 | 11,599 | 11,505 | 11,175 | 10,282 | 9,461 | 10,128 | 10,368 | 10,846 | 10,159 |
| Call Responses: Fire | 897 | 901 | 783 | 819 | 858 | 883 | 905 | 912 | 824 | 778 |
| Call Responses: EMS | 465 | 417 | 424 | 426 | 425 | 466 | 493 | 1,443 | 396 | 392 |
| Citations Issued | 11,668 | 11,088 | 12,469 | 12,755 | 11,634 | 8,566 | 8,584 | 7,871 | 8,410 | 8,099 |
| Street | | | | | | | | | | |
| Asphalt Repairs (Tons) | 282 | 222 | 192 | 183 | 167 | 161 | 154 | 170 | 227 | 524 |
| Storm Inlets Cleaned | 937 | 1,242 | 1,154 | 986 | 1,617 | 1,840 | 1,908 | 2,556 | 1,246 | 1,080 |
| Library | | | | | | | | | | |
| Total Circulation | 71,297 | 72,498 | 76,315 | 66,870 | 63,801 | 48,264 | 63,729 | 60,444 | 58,377 | 57,171 |
| Valid Library Cards | 3,321 | 3,220 | 3,133 | 3,121 | 3,039 | 2,838 | 2,791 | 2,770 | 3,024 | 2,945 |
| Swimming Pool | | | | | | | | | | |
| Annual Passes Sold | 1,952 | 1,811 | 1,788 | 1,884 | 1,652 | 1,737 | 1,676 | 1,680 | 1,590 | 1,501 |
| Daily Passes Sold | 1,299 | 1,360 | 1,559 | 1,494 | 1,625 | 2,132 | 2,679 | 2,325 | 2,881 | 2,554 |
| Finance / Personnel | | | | | | | | | | |
| Accounts Payable Checks Disbursed | 4,130 | 4,072 | 4,035 | 3,866 | 3,357 | 3,499 | 3,301 | 3,581 | 3,489 | 3,128 |
| Payroll Checks/ACH Disbursed | 4,765 | 4,573 | 4,148 | 4,285 | 4,231 | 4,459 | 4,361 | 4,585 | 4,601 | 4,696 |
| Building Inspection | | | | | | | | | | |
| Total Inspections | 2,632 | 2,894 | 3,399 | 3,615 | 3,461 | 3,193 | 2,837 | 2,654 | 2,838 | 3,088 |
| Total Permits Issued | 1,721 | 1,882 | 1,805 | 1,946 | 1,831 | 1,637 | 1,510 | 1,655 | 1,766 | 1,825 |
| Water | | | | | | | | | | |
| Meters Read | 61,246 | 61,895 | 62,332 | 63,018 | 63,542 | 64,143 | 62,568 | 64,763 | 65,258 | 66,736 |
| Meters Installed/Replaced | 487 | 271 | 238 | 79 | 90 | 67 | 53 | 44 | 38 | 19 |
| Sewer | | | | | | | | | | |
| Service Calls | 86 | 61 | 69 | 66 | 59 | 47 | 40 | 34 | 35 | 40 |
| Mains Cleaned | 689 | 606 | 570 | 610 | 773 | 1,060 | 903 | 871 | 920 | 1,087 |

Source: Town Departments

TOWN OF HIGHLAND PARK
Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)

| Function | Fiscal Year | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Administration | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Municipal Building | | | | | | | | | | |
| Public Safety | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Stations | | | | | | | | | | |
| Fire Vehicles | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| EMS Vehicles | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Patrol Vehicles | 10 | 9 | 9 | 9 | 10 | 10 | 10 | 10 | 10 | 10 |
| Street | | | | | | | | | | |
| Streets (miles) | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 |
| Library | | | | | | | | | | |
| Libraries | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks | | | | | | | | | | |
| Parks | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Tennis Courts | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Swimming Pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water | | | | | | | | | | |
| Water Mains (miles) | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Fire Hydrants | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 |
| Sewer | | | | | | | | | | |
| Wastewater collection system (miles) | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 |

Source: Town Departments