



THE TOWN OF

Highland Park

TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 2010

STONE STEPS & BUREAU



TOWN OF HIGHLAND PARK, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

Prepared by:

Finance Department



TOWN OF HIGHLAND PARK
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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INTRODUCTORY SECTION



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

January 27, 2011

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, 2010 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, 2010, 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, 2010 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 8,850. 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

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. For 2010, these values were relatively unchanged. However, with the lowest municipal property tax rate in the Dallas/Ft. Worth Metroplex, property tax revenues are still considered a viable revenue source.

Revenues which are more reflective of economic downturns, such as building activity fees and investment earnings, have shown declines over the last twelve months. During the prior year (2009), the Town responded to anticipated decline in key revenues sources by targeting took steps to reduce spending in 2010 through targeted reductions in operations & maintenance spending and in the deferral of \$306,700 in operational capital. These steps resulted in a strengthening of the Town's financial operations last year.

During the 2010 year, total revenues decreased 6.0% and expenses rose 6.6%. Even in this financial climate, the Net Assets of the Town increased \$1,000,315, which was less than the increase last year of \$4,196,237.

Going forward, the Town is closely monitoring all local economic indicators with the intention of being able to respond as needed. For the next budget year (2010-2011), staff was asked to prepare departmental expenditure requests at a level no greater than the approved budget for 2009-2010 with no new programs to be considered.

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, 2010, General Fund unreserved undesignated fund balance was \$3,776,316 and Enterprise Fund unreserved undesignated fund balance was \$3,025,372. The General Fund amount was 25.5% of current year non-capital expenditures, which is above the minimum fund balance level of 22% required by the Town Council. The Enterprise Fund amount was 40.4% 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

Other than the development and funding of a formal CIP, no new major programs or services were funded during the year ending September 30, 2010. As the Town prepares future budgets, the focus will be in four areas: 1) sustaining all current levels of service; 2) recruiting and retaining quality employees via the Town's pay plans including its pay for performance component; 3) funding a dynamic CIP; and 4) identifying viable revenue sources.

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, 2009. This was the twenty-seventh 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, 2009. 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, 2009

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.



President

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	Streets, Street Lighting, Building Inspection, Service Center, Water, Sanitary Sewer, Parks, Swimming Pool, Sanitation

LISTING OF PRINCIPAL OFFICIALS

Town Council

William H. Seay, Jr., **Mayor**
Gail Madden, **Mayor Pro Tem**
Andrew Barr, **Council Member**
Will C. Beecherl, **Council Member**
Laurence W. Nixon, **Council Member**
Stephen Rodgers, **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 (the Town) as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town. 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, 2010, and the respective changes in financial position, budget, 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 January 27, 2011, on our consideration of the Town's internal control over financial reporting and 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 the testing, and not to provide an opinion on the 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.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Town of Highland Park

Page 2

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The introductory section, combining non-major fund financial statements, schedules of capital assets and statistical section as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town. The combining non-major fund financial statements and schedules of capital assets have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly we express no opinion such data.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 27, 2011

Management's Discussion and Analysis

As management of the Town of Highland Park (the "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, 2010. 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 \$69,384,320 (net assets). Of this amount, \$22,960,508 (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 \$1,000,315, the result of operations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$18,325,595, an increase of \$5,781,809 in comparison with the prior year. Approximately 75.4% of the reported combined ending fund balances, or \$13,814,121, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$3,776,316 or 25.5% of total General Fund expenditures and the unrestricted net assets for the Enterprise Fund was \$3,025,372, or 40.4% of total Enterprise Fund operating expenses.

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 and solid waste.

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 two major governmental funds, the General Fund and the Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this 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 37-57 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 60 to 70.

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 \$69,384,320 at the close of the most recent fiscal year.

Net Assets

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 23,063,489	\$ 16,959,909	\$ 4,192,426	\$ 8,760,882	\$ 27,255,915	\$ 25,720,791
Capital assets	31,868,002	32,160,748	14,555,810	14,185,694	46,423,812	46,346,442
Total assets	\$ 54,931,491	\$ 49,120,657	\$ 18,748,236	\$ 22,946,576	\$ 73,679,727	\$ 72,067,233
Current Liabilities	1,939,543	1,500,331	1,011,248	904,734	2,950,791	2,405,065
Long term liabilities	1,188,810	1,142,146	155,806	136,017	1,344,616	1,278,163
Total liabilities	3,128,353	2,642,477	1,167,054	1,040,751	4,295,407	3,683,228
Net assets:						
Invested in capital assets	31,868,002	32,160,748	14,555,810	14,185,694	46,423,812	46,346,442
Unrestricted	19,935,136	14,317,432	3,025,372	7,720,131	22,960,508	22,037,563
Total net assets	\$ 51,803,138	\$ 46,478,180	\$ 17,581,182	\$ 21,905,825	\$ 69,384,320	\$ 68,384,005

The largest portion of the Town's net assets (66.9%) 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 \$22,960,508, 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 2,660,206	\$ 2,975,494	\$ 8,315,859	\$ 8,465,285	\$ 10,976,065	\$ 11,440,779
Contributions	4,383	32,392	-	-	4,383	32,392
General Revenues:						
Property taxes	9,934,677	9,481,304	-	-	9,934,677	9,481,304
Other taxes	3,540,365	3,425,341	-	-	3,540,365	3,425,341
Other	671,939	2,180,655	41,168	209,841	713,107	2,390,496
Total revenues	<u>\$ 16,811,570</u>	<u>\$ 18,095,186</u>	<u>\$ 8,357,027</u>	<u>\$ 8,675,126</u>	<u>\$ 25,168,597</u>	<u>\$ 26,770,312</u>
Expenses:						
General government	1,316,352	824,699	7,481,548	7,211,569	8,797,900	8,036,268
Public safety	10,164,906	9,867,090	-	-	10,164,906	9,867,090
Streets	1,061,747	867,698	-	-	1,061,747	867,698
Street lighting	307,312	327,938	-	-	307,312	327,938
Library	772,491	644,462	-	-	772,491	644,462
Parks	1,431,268	1,430,322	-	-	1,431,268	1,430,322
Swimming pool	228,852	197,907	-	-	228,852	197,907
Municipal Court	343,042	318,937	-	-	343,042	318,937
Finance	520,784	481,073	-	-	520,784	481,073
Building inspection	539,980	402,380	-	-	539,980	402,380
Total expenses	<u>\$ 16,686,734</u>	<u>\$ 15,362,506</u>	<u>\$ 7,481,548</u>	<u>\$ 7,211,569</u>	<u>\$ 24,168,282</u>	<u>\$ 22,574,075</u>
Transfers In (Out)	5,200,122	-	(5,200,122)	-	-	-
Change in net assets	5,324,958	2,732,680	(4,324,643)	1,463,557	1,000,315	4,196,237
Net assets 10/1	46,478,180	43,745,500	21,905,825	20,442,268	68,384,005	64,187,768
Net assets 9/30	<u>\$ 51,803,138</u>	<u>\$ 46,478,180</u>	<u>\$ 17,581,182</u>	<u>\$ 21,905,825</u>	<u>\$ 69,384,320</u>	<u>\$ 68,384,005</u>

For the fiscal year 2010, the Town's total net assets increased \$1,000,315, the result of operations.

Governmental activities: Governmental activities, excluding transfers, increased the Town's net assets by \$124,836.

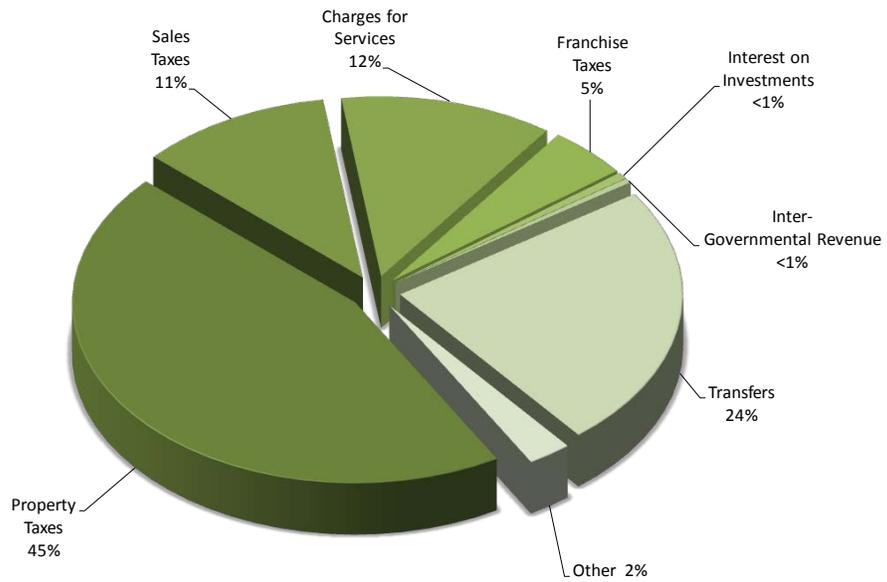
- Total 2010 revenues decreased by \$1,283,616 from 2009. This decrease was primarily the result of \$1,183,139 received in 2009 from Dallas County and the North Texas Tollway Authority toward the completion of Mockingbird Lane.
- Property taxes increased by \$453,373, or 4.8%, due to an increase of 4.2% in the taxable value of property sited within the Town. The tax rate for 2010 was \$0.22/\$100 taxable value, which was unchanged from 2009.
- In the past, all library materials placed in service in a single year were capitalized as a single asset. During the year, the Town stopped capitalizing these materials and they are now included as expenditures. As part of this change, the book value of library materials of \$309,711 is included in General Government expenses.
- Total expenses increased \$1,324,228 (or 8.6%) from 2009 to 2010, including: a 3.9% overall increase in personnel costs of \$445,069, an increase in depreciation of \$379,415, and the above mentioned \$309,711 in General Government expenses.

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 \$875,479. Comparatively, the increase in the investment in business-type capital assets, net of depreciation, increased \$370,116 for the year.

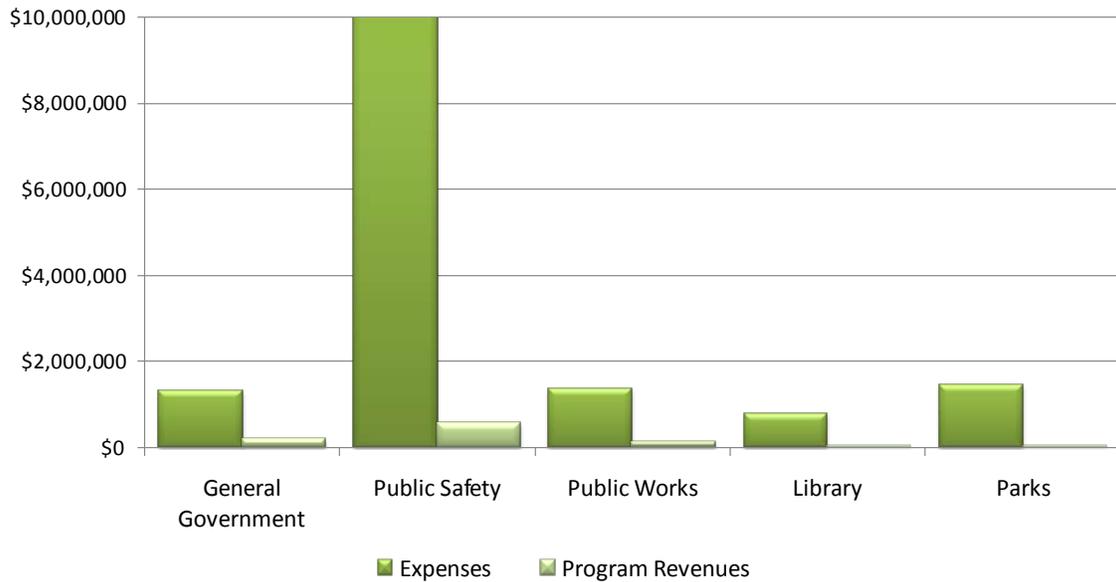
Total revenues for 2010 decreased by \$318,099 from 2009 revenues. Charges for services decreased by \$149,426 due to a 3.97% reduction in the volume of water sold (980,370,000 gallons) versus the projected amount of 1,021,000,000 gallons and other revenues (Interest on investments) decreased by \$168,673.

Transfers: Transactions of a significant nature that did not impact the Town's total net assets involved transfers made in conjunction with the implementation of the Town's first formal capital program. During the fiscal year, a five-year Capital Improvement Plan was adopted and in order to consolidate the Town's resources for it, transfers in the amount of \$5,200,122 were made from business-type activities to governmental-type activities.

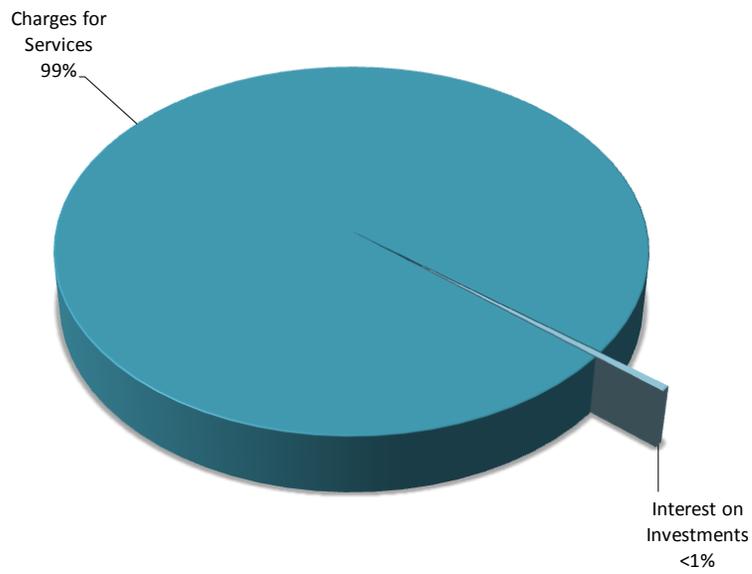
Revenues by Source – Governmental Activities



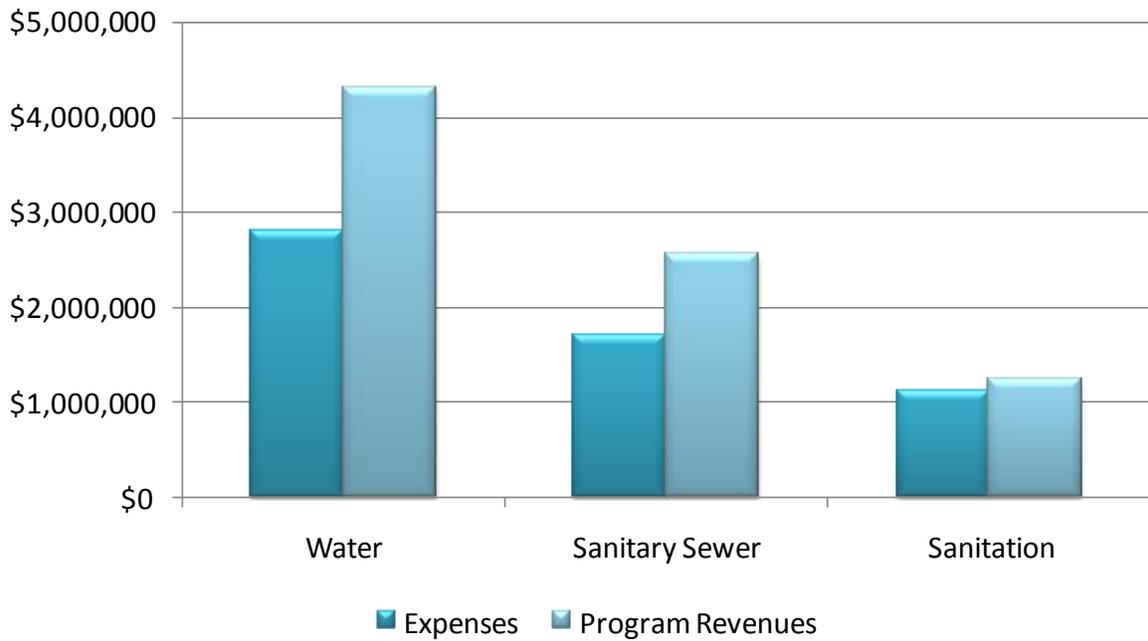
Expense and Program Revenues – Governmental Activities



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, unreserved 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 \$18,325,595, an increase of \$5,781,809 in comparison with the prior year. Of this amount, \$5,200,122 is the result of the transfers described on page 19. Approximately 75.4% of this total amount (\$13,814,121) constitutes unreserved undesignated fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$3,760,328); 2) for inventory and prepaid items (\$14,395); 3) for special revenue funds (\$576,210); and 4) for donated resources for future Library service improvements (\$160,541).

The General Fund is the primary operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,776,316. The total fund balance of the Town's General Fund decreased by \$1,158,919 during the current fiscal year, a net result of: 1) an excess of revenues over expenditures of \$1,496,269 (increase); 2) a budgeted transfer in the amount of \$650,000 from current revenues to the Capital Projects Fund (decrease); 3) a transfer of \$464,609 of unreserved fund balance to the Capital Projects Fund in accordance with the Town's Financial Management Policies (decrease); and, 4) a transfer in the amount of \$1,646,234 to the Capital Projects Fund for the consolidation of the Town's resources for in conjunction with the creation of the capital improvement program ("CIP") (decrease).

As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25.5% of total General Fund expenditures, while total fund balance represents 29.7% of that same amount.

The Capital Projects Fund ended the fiscal year with a total fund balance of \$13,271,234. Of this amount, \$3,233,429 is reserved for encumbrances. The total fund balance of the Capital Projects Fund increased by \$7,135,003 during the current fiscal year, the net result of \$7,960,965 in transfers from the General Fund (\$2,760,843) and the Enterprise Fund (\$5,200,122) and operations. These transfers were made during the fiscal year to consolidate the Town's resources into the Capital Projects Fund in conjunction with the adoption of a five-year Capital Improvement Program.

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 \$3,025,372, a decrease of \$4,694,759. 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 \$602,340 less than the original budget. When the Town adopted its five-year CIP, certain capital outlays originally budgeted in the General Fund were made included in the Town-wide capital budget. To accomplish this, the appropriation for street resurfacing and related concrete repairs/replacement, totaling \$617,150, in the Street Department was changed to be reflected as a transfer to the Capital Projects Fund.

Actual fiscal year 2010 General Fund expenditures were \$651,709 less than the final amended budget. This variance was comprised of the following:

- The Department of Public Safety realized a \$375,640 favorable variance (3.6%) due to budget savings in the following areas: 1) \$108,703 in personnel costs, the result of staffing changes during the year; 2) \$86,988 in operational costs from the deferral of facility improvements equipment purchases; 3) \$36,190 in the reduced cost of gasoline; and 4) \$31,125 for the firefighting apparel that did not require replacement;
- A favorable variance in the Street Department of \$101,120 due to the deferral of implementing a street name change-out program (\$26,000); the deferral of acquisition of a replacement dump-truck (annual funded depreciation of \$15,000); a saving of \$15,000 for securing third-party repair and maintenance services; and, a budgetary savings of \$26,279 in personnel costs;
- An unfavorable variance of \$47,973 in the Building Inspection Department due to the contracting with a third-party for large projects plan review and inspection. These projects included construction by the Highland Park Independent School District, construction at the Dallas Country Club and remodeling of the theater in the Highland Park Shopping Village. The additional costs were more than offset through building permit fees.

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of September 30, 2010 amounts to \$46,423,812 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and library materials. The net increase in the Town's investment in capital assets for the current fiscal year was \$77,370, or 0.2%.

Additional information on the Town's capital assets can be found in note 2 on pages 49-51 of this report.

Economic Factors and Next Year's Budgets and Rates

The preparation of the 2011 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:

- Property tax levy for 2011 will be \$181,800 less than 2010 due to a 2.98% decrease in taxable values and the retention of the tax rate of \$0.22/\$100 valuation;
- Use of \$132,000 in general Fund surplus to supplement current revenues;
- An increase in water rates to offset a 17.2% increase in the cost of treated water due to \$30,000,000 in plant improvements and the debt structure to pay for the year's obligation;
- An increase in projected sales tax receipts of \$255,750 to reflect current trends, and
- Decreases in interest earnings on investments to reflect the current rates of return.

Fiscal Year 2011 will be the first full year for managing the Town's capital program through a multi-year CIP. A significant amount of energy has been devoted to the development of the CIP and its management will play a large part in the Town's fiscal management and planning.

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, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 11,388,070	\$ 494,308	\$ 11,882,378
Investments	10,566,418	2,166,981	12,733,399
Receivables (net of allowances for uncollectibles):	1,094,606	1,433,946	2,528,552
Inventory of Supplies	5,367	84,085	89,452
Prepaid Items	9,028	13,106	22,134
Capital Assets:			
Land, Improvements and Construction in Progress	5,115,452	1,012,898	6,128,350
Other Capital Assets, Net of Accumulated Depreciation	<u>26,752,550</u>	<u>13,542,912</u>	<u>40,295,462</u>
Total Assets and Other Debits	<u>\$ 54,931,491</u>	<u>\$ 18,748,236</u>	<u>\$ 73,679,727</u>
LIABILITIES			
Vouchers Payable	\$ 844,764	\$ 615,369	\$ 1,460,133
Retainage Payable	66,513	54,135	120,648
Accrued Liabilities	977,656	176,951	1,154,607
Deposits	50,610	164,793	215,403
Noncurrent Liabilities:			
Due Within One Year	225,892	17,980	243,872
Due in More Than One Year	<u>962,918</u>	<u>137,826</u>	<u>1,100,744</u>
Total Liabilities	<u>3,128,353</u>	<u>1,167,054</u>	<u>4,295,407</u>
NET ASSETS			
Invested in Capital Assets	31,868,002	14,555,810	46,423,812
Unrestricted	<u>19,935,136</u>	<u>3,025,372</u>	<u>22,960,508</u>
Total Net Assets	<u>\$ 51,803,138</u>	<u>\$ 17,581,182</u>	<u>\$ 69,384,320</u>

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, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants And Contributions	Governmental Activities	Business - Type Activities	Total
Primary government:						
Governmental Activities:						
General Government	\$ 1,316,352	\$ 206,255	\$ 4,383	\$ (1,105,714)	\$ -	\$ (1,105,714)
Department of Public Safety	10,164,906	568,974	-	(9,595,932)	-	(9,595,932)
Street Department	1,061,747	118,743	-	(943,004)	-	(943,004)
Street Lighting Department	307,312	-	-	(307,312)	-	(307,312)
Library	772,491	16,959	-	(755,532)	-	(755,532)
Parks Department	1,431,268	11,720	-	(1,419,548)	-	(1,419,548)
Swimming Pool	228,852	92,468	-	(136,384)	-	(136,384)
Municipal Court	343,042	676,094	-	333,052	-	333,052
Finance Department	520,784	-	-	(520,784)	-	(520,784)
Building Inspection Department	539,980	968,993	-	429,013	-	429,013
Total governmental activities	<u>16,686,734</u>	<u>2,660,206</u>	<u>4,383</u>	<u>(14,022,145)</u>	<u>-</u>	<u>(14,022,145)</u>
Business-type activities:						
Enterprise	7,481,548	8,315,859	-	-	834,311	834,311
Total business-type activities	<u>7,481,548</u>	<u>8,315,859</u>	<u>-</u>	<u>-</u>	<u>834,311</u>	<u>834,311</u>
Total primary government	<u>\$ 24,168,282</u>	<u>\$ 10,976,065</u>	<u>\$ 4,383</u>	<u>\$ (14,022,145)</u>	<u>\$ 834,311</u>	<u>\$ (13,187,834)</u>
General Revenues:						
Property Taxes				\$ 9,934,677	\$ -	\$ 9,934,677
Sales Taxes				2,430,775	-	2,430,775
Other Taxes				94,159	-	94,159
Franchise Taxes				1,015,431	-	1,015,431
Penalties and Interest on Taxes				59,834	-	59,834
Interest on Investments				131,159	41,168	172,327
Intergovernmental				87,379	-	87,379
Miscellaneous				393,567	-	393,567
Transfers				5,200,122	(5,200,122)	-
Total general revenues and transfers				<u>19,347,103</u>	<u>(5,158,954)</u>	<u>14,188,149</u>
Change in Net Assets				5,324,958	(4,324,643)	1,000,315
Net Assets - Beginning of Year				<u>46,478,180</u>	<u>21,905,825</u>	<u>68,384,005</u>
Net Assets - End of Year				<u>\$ 51,803,138</u>	<u>\$ 17,581,182</u>	<u>\$ 69,384,320</u>

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

TOWN OF HIGHLAND PARK
Balance Sheet - Governmental Funds
September 30, 2010

	General	Capital Projects	Non-Major	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,251,048	\$ 7,592,578	\$ 683,479	\$ 10,527,105
Investments	2,786,645	6,028,750	-	8,815,395
Receivables (net of allowances for uncollectibles)-				
Interest	15,291	23,649	-	38,940
Taxes	846,360	-	-	846,360
Other	94,664	-	7,528	102,192
Fines	96,220	-	-	96,220
Inventory of Supplies	5,367	-	-	5,367
Prepaid Items	8,928	-	100	9,028
Total Assets	\$ 6,104,523	\$ 13,644,977	\$ 691,107	\$ 20,440,607
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Vouchers Payable	\$ 389,894	\$ 338,476	\$ 2,340	\$ 730,710
Retainage Payable	386	35,267	30,860	66,513
Accrued Liabilities	976,540	-	1,116	977,656
Deposits	50,610	-	-	50,610
Deferred Revenue				
Property Taxes	161,773	-	-	161,773
Ambulance	31,530	-	-	31,530
Fines	96,220	-	-	96,220
Total Liabilities	1,706,953	373,743	34,316	2,115,012
FUND BALANCES				
Reserved for Encumbrances	446,418	3,233,429	80,481	3,760,328
Reserved for Inventory of Supplies	5,367	-	-	5,367
Reserved for Prepaid Items	8,928	-	100	9,028
Reserved for Capital Improvements			376,293	376,293
Reserved for Employee Distribution			5,710	5,710
Reserved for Crime Prevention			11,598	11,598
Reserved for Court Technology			38,482	38,482
Reserved for Court Security			144,127	144,127
Unreserved				
Designated for Library	160,541	-	-	160,541
Unreserved Undesignated Reported In:				
General Fund	3,776,316	-	-	3,776,316
Capital Projects	-	10,037,805	-	10,037,805
Total Fund Balances	4,397,570	13,271,234	656,791	18,325,595
Total Liabilities and Fund Balances	\$ 6,104,523	\$ 13,644,977	\$ 691,107	\$ 20,440,607

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

Total fund balances -- governmental funds \$ 18,325,595

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

Capital assets of \$49,189,473 net of accumulated depreciation of \$17,321,471 used in
governmental activities are not financial resources and therefore are not reported as
assets in governmental funds. 31,868,002

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

Property Taxes	\$ 161,773	
Ambulance Fees	31,530	
Court Fines	<u>96,220</u>	
		289,523

Long term liabilities related to compensated absences are recognized on the government-
wide financial statements and not at the fund level. (995,052)

Long term liabilities related to other post employment benefits are recognized on the
government-wide financial statements and not at the fund level. (193,758)

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 \$2,127,573 as it relates to the internal service funds
is included in the capital asset amount above. 2,508,828

Total Net Assets--governmental activities (page 26) \$ 51,803,138

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
September 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 9,916,353	\$ -	\$ -	\$ 9,916,353
Sales Taxes	2,430,775	-	-	2,430,775
Other Taxes	94,159	-	-	94,159
Franchise Fees	948,318	-	-	948,318
Penalties and Interest	59,834	-	-	59,834
Licenses and Permits	1,051,114	-	-	1,051,114
Service Fees	1,121,649	-	225,561	1,347,210
Fines and Forfeits	337,079	-	-	337,079
Interest on Investments	44,828	66,533	3,235	114,596
Intergovernmental	4,383	82,996	-	87,379
Contributions	34,694	-	24,586	59,280
Miscellaneous	253,494	-	136	253,630
Total Revenues	<u>16,296,680</u>	<u>149,529</u>	<u>253,518</u>	<u>16,699,727</u>
EXPENDITURES				
Current-				
General Government	668,063	-	430,138	1,098,201
Department of Public Safety	9,947,630	-	-	9,947,630
Street Department	318,650	-	-	318,650
Street Lighting Department	277,085	-	-	277,085
Library	638,351	-	-	638,351
Parks Department	1,396,524	-	-	1,396,524
Swimming Pool	205,395	-	-	205,395
Municipal Court	299,360	-	-	299,360
Finance Department	514,680	-	-	514,680
Building Inspection Department	534,673	-	-	534,673
Capital Outlay	-	887,491	-	887,491
Total Expenditures	<u>14,800,411</u>	<u>887,491</u>	<u>430,138</u>	<u>16,118,040</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,496,269</u>	<u>(737,962)</u>	<u>(176,620)</u>	<u>581,687</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	105,655	7,960,965	-	8,066,620
Transfers Out	<u>(2,760,843)</u>	<u>(88,000)</u>	<u>(17,655)</u>	<u>(2,866,498)</u>
Net Other Financing Sources (Uses)	<u>(2,655,188)</u>	<u>7,872,965</u>	<u>(17,655)</u>	<u>5,200,122</u>
Net Change in Fund Balances	(1,158,919)	7,135,003	(194,275)	5,781,809
FUND BALANCES, beginning of year	5,556,489	6,136,231	851,066	12,543,786
FUND BALANCES, end of year	<u>\$ 4,397,570</u>	<u>\$ 13,271,234</u>	<u>\$ 656,791</u>	<u>\$ 18,325,595</u>

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

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

Net changes in fund balances--total governmental funds	\$ 5,781,809
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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 (\$1,214,601) exceeded depreciation (\$1,372,112) in the current period.	(157,511)
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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	18,324	
Franchise Fees	67,113	
Ambulance Fees	<u>(75,197)</u>	
		10,240

Expenditures related to the long-term liability for other post employment benefits are recognized in the government-wide financial statements.	50,215
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Expenditures related to the long-term liability for compensated absences are recognized in the government-wide financial statements.	(96,879)
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As library books are no longer capitalized, the book value of library materials at the time of the change is reported as a general government expense in the government-wide financial statements.	(309,711)
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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) of the internal service fund is reported with governmental activities.	<u>46,795</u>
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Change in net assets of governmental activities (page 27)	<u><u>\$ 5,324,958</u></u>
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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, 2010

	<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	\$9,973,110	\$ 9,973,110	\$ 9,916,353	\$ (56,757)
Sales Taxes	2,069,250	2,069,250	2,430,775	361,525
Other Taxes	105,000	105,000	94,159	(10,841)
Franchise Fees	980,000	980,000	948,318	(31,682)
Penalties and Interest	60,000	60,000	59,834	(166)
Licenses and Permits	966,750	966,750	1,051,114	84,364
Service Fees	1,458,150	1,101,000	1,121,649	20,649
Fines and Forfeits	391,200	391,200	337,079	(54,121)
Interest on Investments	120,800	120,800	44,828	(75,972)
Intergovernmental	4,500	4,500	4,383	(117)
Contributions	5,000	5,000	34,694	29,694
Miscellaneous	240,500	240,500	253,494	12,994
Total Revenues	<u>16,374,260</u>	<u>16,017,110</u>	<u>16,296,680</u>	<u>279,570</u>
EXPENDITURES				
Current-				
General Government	649,090	688,910	668,063	20,847
Department of Public Safety	10,256,405	10,323,270	9,947,630	375,640
Street Department	1,118,255	419,770	318,650	101,120
Street Lighting Department	299,545	298,880	277,085	21,795
Library	665,090	663,390	638,351	25,039
Parks Department	1,489,590	1,485,745	1,396,524	89,221
Swimming Pool	227,450	227,450	205,395	22,055
Municipal Court	335,795	334,705	299,360	35,345
Finance Department	525,325	523,300	514,680	8,620
Building Inspection Department	487,915	486,700	534,673	(47,973)
Total Expenditures	<u>16,054,460</u>	<u>15,452,120</u>	<u>14,800,411</u>	<u>651,709</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>319,800</u>	<u>564,990</u>	<u>1,496,269</u>	<u>931,279</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	20,000	20,000	105,655	85,655
Transfers Out	(650,000)	(2,760,843)	(2,760,843)	-
Sale of Assets	3,500	3,500	-	(3,500)
Net Other Financing Sources (Uses)	<u>(626,500)</u>	<u>(2,737,343)</u>	<u>(2,655,188)</u>	<u>82,155</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(306,700)</u>	<u>(2,172,353)</u>	<u>(1,158,919)</u>	<u>1,013,434</u>
FUND BALANCES, beginning of year	<u>5,556,489</u>	<u>5,556,489</u>	<u>5,556,489</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$5,249,789</u>	<u>\$ 3,384,136</u>	<u>\$ 4,397,570</u>	<u>\$ 1,013,434</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, 2010

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 494,308	\$ 860,965
Investments	2,166,981	1,751,023
Receivables (net of allowance for uncollectibles)-		
Water, Sewer and Garbage-		
Billed	995,360	-
Unbilled	428,808	-
Interest	9,778	10,894
Inventory of Supplies	84,085	-
Prepaid Items	13,106	-
Total Current Assets	4,192,426	2,622,882
NON-CURRENT ASSETS		
CAPITAL ASSETS		
Land	238,750	-
Buildings	20,197	-
Improvements Other Than Buildings	18,995,169	-
Vehicles and Rolling Stock	-	3,470,494
Machinery and Equipment	653,785	1,608,300
Office Furniture and Equipment	23,058	-
Construction in Progress	774,148	50,000
	20,705,107	5,128,794
Less Accumulated Depreciation	(6,149,297)	(3,001,221)
Capital Assets, Net of Accumulated Depreciation	14,555,810	2,127,573
Total Assets	18,748,236	4,750,455
LIABILITIES		
Current Liabilities-		
Vouchers Payable	615,369	114,054
Retainage Payable	54,135	-
Accrued Liabilities	176,951	-
Deposits	164,793	-
Compensated absences- current	17,980	-
Total Current Liabilities	1,029,228	114,054
Noncurrent Liabilities		
OPEB	28,778	-
Compensated absences	109,048	-
Total Noncurrent Liabilities	137,826	-
Total Liabilities	1,167,054	114,054
NET ASSETS		
Invested in Capital Assets	14,555,810	2,127,573
Unrestricted	3,025,372	2,508,828
Total Net Assets	\$ 17,581,182	\$ 4,636,401

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, 2010

	<u>Business-Type Activities - Enterprise Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
OPERATING REVENUES		
Water Sales	\$ 4,321,530	\$ -
Sewer Services	2,566,767	-
Sanitation Services	1,236,352	-
New Connections	7,650	-
Plumbing Permits	33,470	-
Penalties for Late Payments	80,455	-
Inter-Departmental Water Sales	60,617	-
Charges for Services	-	483,092
Miscellaneous	9,018	-
	<hr/>	<hr/>
Total Operating Revenues	8,315,859	483,092
OPERATING EXPENSES		
Personnel Services	2,173,996	-
Materials and Supplies	2,090,804	-
Services and Charges	2,651,167	2,477
Depreciation	565,581	535,423
	<hr/>	<hr/>
Total Operating Expenses	7,481,548	537,900
Operating Income (Loss)	<hr/>	<hr/>
	834,311	(54,808)
NONOPERATING REVENUES (EXPENSES)		
Interest	41,168	16,563
Gain on Sale of Assets	-	30,341
	<hr/>	<hr/>
Total Nonoperating Revenues	41,168	46,904
Income (Loss) before T transfers	875,479	(7,904)
T transfers out	(5,200,122)	-
Contributions of Capital Assets from Government	-	54,699
	<hr/>	<hr/>
Change in Net Assets	(4,324,643)	46,795
NET ASSETS, beginning of year	<hr/>	<hr/>
	21,905,825	4,589,606
NET ASSETS, end of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 17,581,182	\$ 4,636,401

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

TOWN OF HIGHLAND PARK
Proprietary Funds
Statement of Cash Flows
September 30, 2010

	<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	\$ 8,171,007	\$ 483,092
Receipts from interfund services provided	-	114,054
Cash payments to suppliers	(4,634,697)	(2,477)
Cash payments to employees	(2,172,187)	-
Net cash provided by operating activities	1,364,123	594,669
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers out	(5,200,122)	-
Net cash used for noncapital financing activities	(5,200,122)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(935,697)	(709,899)
Proceeds from sale of capital assets	-	-
Net cash used for capital and related financing activities	(935,697)	(709,899)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities	(680,841)	(2,226,653)
Proceeds from sale and maturities of investment securities	5,595,000	1,750,000
Interest and dividends received on investments	63,564	102,194
Net cash provided by (used for) investing activities	4,977,723	(374,459)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	206,027	(489,689)
CASH AND CASH EQUIVALENTS, beginning of year	288,281	1,350,654
CASH AND CASH EQUIVALENTS, end of year	\$ 494,308	\$ 860,965
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 834,311	\$ (54,808)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	565,581	535,423
Accounts receivable	(139,460)	-
Other assets	(4,632)	-
Accounts payable and accrued liabilities	111,906	114,054
Compensated absences payable	(12,580)	-
Other post-employment benefits	14,389	-
Deposits	(5,392)	-
Total adjustments	529,812	649,477
Net cash provided by operating activities	\$ 1,364,123	\$ 594,669
NONCASH INVESTING, CAPITAL AND RELATED ACTIVITIES:		
Contribution of capital assets from governmental activities	\$ -	\$ 54,699

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



**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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, 2010, 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, 2010**

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, 2010**

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, 2010**

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 2009-2010 proposed budget was filed on August 31, 2009.
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 2009-2010 budget hearing was held on September 14, 2009.
5. Prior to September 30, the budget is legally enacted through passage of an ordinance. The 2009-2010 budget was approved September 14, 2009 through passage of Ordinance No. 1803.
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, 2010

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 two (2) local government investment pools. 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, 2010**

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, 2010, as reflected in the financial statements, is:

	Governmental and Business-Type Activities
Cash/Demand Deposits	\$ 3,230,086
Investment Pools	8,652,292
Total	\$ 11,882,378

The Town's deposits are fully 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 was \$8,652,292. The bank balance at year-end was \$3,369,422.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

	Carrying Value	Fair Value
Federal Agency Securities	\$ 12,733,399	\$ 12,733,399
Investment Pools (included as cash and cash equivalents per combined balance sheet)	8,652,292	8,652,292
Total Investments	\$ 21,385,691	\$ 21,385,691
Maturities at September 30, 2010, were as follows:		
Cash and Cash Equivalents	\$ 8,652,292	
3 months to 2 years	12,733,399	
Total	\$ 21,385,691	

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
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 Money Market 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, 2010, 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, 2010**

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, 2010, the Town had the following investments:

Investment Type	Amount	Weighted Average Maturity	Minimum Legal Rating	Rating as of Year End
LOGIC	\$ 8,652,292	53 Days	AAA	AAAm
U. S. Government Securities:				
Federal Home Loan Mortgage Corporation	\$ 2,510,775			
Federal Home Loan Bank	8,719,499			
Federal National Mortgage Association	1,001,875			
Federal Farm Credit Bank	501,250	265 Days	N/A	N/A
Total Primary Government	<u>\$ 21,385,691</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, 2010, the Town's deposits with its financial institution in excess of federal depository insurance limits were fully collateralized.

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, 2010, the Town had no custodial credit risk on its investments.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investment in State Investment Pools - During the year the Town invested in two public funds investment pools (LOGIC and TexPool). Investments in these pools 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 pools. The fair values of the position of the pools are 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.

TexPool – The Texas State Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. Lehman Brothers and Federated Investors manage the daily operations of the pool under a contract with the Comptroller, acting on behalf of the Trust Company. Lehman Brothers is the administrator for the TexPool program providing participant services and marketing functions to TexPool participants. Lehman Brothers is the participant contact point for account maintenance, assistance with transactions, and other administrative information. Federated Investors is the investment manager for TexPool. Federated Investors also provides for accounting, custodial and transfer agency services to TexPool. The Town did not have funds invested in TexPool at year-end.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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	\$ -	\$ -	\$ -	\$ 1,002,772	\$ -	\$ 1,002,772
Unbilled	-	-	7,528	428,808	-	436,336
Interest	15,291	23,649	-	9,778	10,894	59,612
Property Taxes	181,107	-	-	-	-	181,107
Sales Taxes	420,044	-	-	-	-	420,044
Mixed Beverage Taxes	21,598	-	-	-	-	21,598
Franchise Taxes	240,029	-	-	-	-	240,029
Other	111,038	-	-	-	-	111,038
Fines and Forfeitures	96,220	-	-	-	-	96,220
Gross receivables	<u>1,085,327</u>	<u>23,649</u>	<u>7,528</u>	<u>1,441,358</u>	<u>10,894</u>	<u>2,568,756</u>
Less: allowance for uncollectibles	(32,792)	-	-	(7,412)	-	(40,204)
Net total receivables	<u><u>\$ 1,052,535</u></u>	<u><u>\$ 23,649</u></u>	<u><u>\$ 7,528</u></u>	<u><u>\$ 1,433,946</u></u>	<u><u>\$ 10,894</u></u>	<u><u>\$ 2,528,552</u></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, 2010**

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	20
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, 2010, that must be paid by December 31, 2010, and amounts that become vested as of September 30, 2010, 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. A reserve for encumbrances 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. Unreserved - Designated Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Other reserves are for amounts reserved for Employee Christmas and Forfeited Property. Amounts are designated within the General Fund's unreserved fund balance as the Town Council has designated current revenues for future period expenditures. Funds designated for the library are from private donations. All designated funds are accounted for separately, but may be combined with undesignated amounts for investment purposes.

TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 \$27,308 of service center expenditures and \$17,482 of municipal building expenditures during fiscal year 2010.

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 \$215,132.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

2. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
General Capital Assets:				
Capital Assets, not Being Depreciated:				
Land	\$ 4,193,026	\$ -	\$ -	\$ 4,193,026
Work in Progress	12,005	860,421	-	872,426
Total General Capital Assets, not being Depreciated	<u>4,205,031</u>	<u>860,421</u>	<u>-</u>	<u>5,065,452</u>
Capital Assets, Being Depreciated:				
Buildings	5,019,716	-	-	5,019,716
Capital Improvements	31,896,433	217,814	-	32,114,247
Furniture and Fixtures	52,192	6,095	-	58,287
Office Equipment	250,190	6,423	-	256,613
Machinery and Equipment	1,422,516	123,848	-	1,546,364
Library Books	672,711	-	(672,711)	-
Total General Capital Assets Being Depreciated	<u>39,313,758</u>	<u>354,180</u>	<u>(672,711)</u>	<u>38,995,227</u>
Less Accumulated Depreciation for:				
Buildings	(572,367)	(101,076)	-	(673,443)
Capital Improvements	(11,350,776)	(1,072,183)	-	(12,422,959)
Furniture and Fixtures	(59,955)	(1,459)	10,265	(51,149)
Office Equipment	(223,008)	(27,646)	-	(250,654)
Machinery and Equipment	(799,536)	(122,509)	-	(922,045)
Library Books	(305,496)	(47,239)	352,735	-
Total Accumulated Depreciation	<u>(13,311,138)</u>	<u>(1,372,112)</u>	<u>363,000</u>	<u>(14,320,250)</u>
Total General Capital Assets Being Depreciated, net	<u>26,002,620</u>	<u>(1,017,932)</u>	<u>(309,711)</u>	<u>24,674,977</u>
Internal Service Fund Capital Assets:				
Capital Assets, not Being Depreciated:				
Work in Progress	-	50,000	-	50,000
Total General Capital Assets, not being Depreciated	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Capital Assets, Being Depreciated:				
Machinery and Equipment	1,565,934	173,012	(130,646)	1,608,300
Vehicles	3,121,380	487,516	(138,402)	3,470,494
Total Capital Assets Being Depreciated	<u>4,687,314</u>	<u>660,528</u>	<u>(269,048)</u>	<u>5,078,794</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(1,292,141)	(226,451)	130,646	(1,387,946)
Vehicles	(1,442,076)	(308,972)	137,773	(1,613,275)
Total Accumulated Depreciation	<u>(2,734,217)</u>	<u>(535,423)</u>	<u>268,419</u>	<u>(3,001,221)</u>
Total Capital Assets Being Depreciated, net	<u>1,953,097</u>	<u>125,105</u>	<u>(629)</u>	<u>2,077,573</u>
Total Governmental Activities				
Governmental Activities Capital Assets				
Not Being Depreciated	<u>\$ 4,205,031</u>	<u>\$ 910,421</u>	<u>\$ -</u>	<u>\$ 5,115,452</u>
Governmental Activities Capital Assets				
Being Depreciated, net	<u>\$ 27,955,717</u>	<u>\$ (892,827)</u>	<u>\$ (310,340)</u>	<u>\$ 26,752,550</u>

During the year, the Town changed its policy for capitalizing library books. They are no longer being capitalized and are now included as expenditures. As part of this change, the book value of library books of \$309,711 was removed from capital assets and was included in general government expenses on the government-wide financial statements.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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	397,751	704,693	(328,296)	774,148
Total Capital Assets, not Being Depreciated	<u>636,501</u>	<u>704,693</u>	<u>(328,296)</u>	<u>1,012,898</u>
Capital Assets, Being Depreciated:				
Buildings	20,197	-	-	20,197
Improvements Other than Building	18,458,698	536,471	-	18,995,169
Machinery and Equipment	651,171	22,829	(20,215)	653,785
Office Furniture and Equipment	23,058	-	-	23,058
Total Capital Assets Being Depreciated	<u>19,153,124</u>	<u>559,300</u>	<u>(20,215)</u>	<u>19,692,209</u>
Less Accumulated Depreciation for:				
Buildings	(20,195)	-	-	(20,195)
Capital Improvements	(5,292,908)	(521,783)	-	(5,814,691)
Machinery and Equipment	(268,811)	(43,798)	20,215	(292,394)
Office Furniture and Equipment	(22,017)	-	-	(22,017)
Total Accumulated Depreciation	<u>(5,603,931)</u>	<u>(565,581)</u>	<u>20,215</u>	<u>(6,149,297)</u>
Total Capital Assets Being Depreciated, net	<u>\$ 13,549,193</u>	<u>\$ (6,281)</u>	<u>\$ -</u>	<u>\$ 13,542,912</u>
Business-Type Activities Capital Assets, net	<u>\$ 14,185,694</u>	<u>\$ 698,412</u>	<u>\$ (328,296)</u>	<u>\$ 14,555,810</u>

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

2. CAPITAL ASSETS – continued

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

Governmental Activities:	
General Government	\$ 127,091
Department of Public Safety	222,717
Street Department	736,001
Street Lighting Department	36,796
Library	130,190
Parks Department	66,683
Swimming Pool	29,552
Municipal Court	<u>23,082</u>
Total Depreciation Expense - General Capital Assets	1,372,112
Internal Service Fund	<u>535,423</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,907,535</u></u>
Business-type Activities:	
Machinery & Equipment	\$ 4,721
Water	318,059
Sewer	<u>242,801</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 565,581</u></u>

3. INTERFUND TRANSACTIONS

During the fiscal year, a five-year Capital Improvement Plan was adopted and in order to consolidate the Town's resources for it, transfers in the amount of \$5,200,122 were made from business-type activities to governmental-type activities. Individual fund transfers for the fiscal year 2010 were as follows:

Transfer Out:	Transfer In:		Total	Purpose of Transfer
	Capital Projects Fund	General Fund		
General Fund	\$ 2,760,843	\$ -	\$ 2,760,843	Funding of Capital Improvement Plan
Utility Fund	5,200,122	-	5,200,122	Funding of Capital Improvement Plan
Capital Projects Fund	-	88,000	88,000	Transfer of Library Funds
Nonmajor Funds	-	17,655	17,655	Municipal Court Security
Total	<u><u>\$ 7,960,965</u></u>	<u><u>\$ 105,655</u></u>	<u><u>\$ 8,066,620</u></u>	

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 1,045,267	\$ 34,291	\$ (84,506)	\$ 995,052	\$ 225,892
OPEB liability	<u>96,879</u>	<u>96,879</u>	<u>-</u>	<u>193,758</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 1,142,146</u>	<u>\$ 131,170</u>	<u>\$ (84,506)</u>	<u>\$ 1,188,810</u>	<u>\$ 225,892</u>
Business-type activities:					
Compensated absences	\$ 121,628	\$ 68,404	\$ (63,004)	\$ 127,028	\$ 17,980
OPEB liability	<u>14,389</u>	<u>14,389</u>	<u>-</u>	<u>28,778</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$ 136,017</u>	<u>\$ 82,793</u>	<u>\$ (63,004)</u>	<u>\$ 155,806</u>	<u>\$ 17,980</u>

The compensated absences liability 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, 2010**

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 2009</u>	<u>Plan Year 2010</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>2008</u>	<u>2009</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$ 1,523,221	\$ 1,405,510	\$ 1,365,088
Annual Pension Cost	\$ 1,523,221	\$ 1,405,510	\$ 1,365,088
Contributions Made	\$ (1,523,221)	\$ (1,405,510)	\$ (1,365,088)
Change in Net Pension Obligation (NPO)	\$ -	\$ -	\$ -
NPO, Beginning of Year	\$ -	\$ -	\$ -
NPO, End of Year	\$ -	\$ -	\$ -

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

5. RETIREMENT PLANS - continued

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

	Valuation Date		
	12/31/2007	12/31/2008	12/31/2009
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	25 years; closed period	24 years; closed period	23 years; closed period
Asset Valuation Method	Amortized cost	Amortized cost	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.5%	7.5%
Projected Salary Increases	None	None	None
Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	1.5%	0.0%	0.0%

The funded status as of December 31, 2009, 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
12/31/2009	\$ 35,783,310	\$ 40,849,276	87.6%	\$ 5,065,966	\$ 10,069,402	50.3%

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, 2010**

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. There were three participating retirees receiving health and dental insurance coverage as of September 30, 2010. 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.

Annual OPEB Cost

The Town's annual OPEB cost is calculated based on the annual required contribution of the Town (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Town's annual OPEB cost for the current year and the related information are as follows at September 30, 2010:

Annual Required Contribution	\$ 111,268
Interest of Prior Year Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	111,268
Contributions Made	-
Increase in Net OPEB Obligation	111,268
Net Obligation, Beginning of Year	111,268
Net Obligation, End of Year	\$ 222,536
Percentage of OPEB Costs Contributed	0%

Funding Status and Funding Progress

The funded status of the plan as of actuarial measurement date of February 29, 2009 was as follows:

Actuarial Accrued Liability	\$ 1,237,038
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	\$ 1,237,038
Funded Ration	0%
Covered Payroll	\$ 9,837,729
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	13%

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

The plan's actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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 \$1,880,529.

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 \$1,046,537.

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 \$105,970.

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 \$806,938.

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 \$90,629 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 \$34,461.

Certain litigation was outstanding against the Town as of September 30, 2010. In the opinion of the Town's attorneys, the potential loss on such litigation would not be significant to the Town's financial statements.

**TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

7. COMMITMENTS AND CONTINGENCIES - continued

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.

The limits of liability and deductible are:

	<u>Limit</u>		<u>Deductible</u>
General Liability	\$ 5,000,000	Each Occurrence	\$ 25,000
	\$ 10,000,000	Annual Aggregate	
Auto Liability	\$ 2,000,000	Each Occurrence	\$ 25,000
Law Enforcement Liability	\$ 2,000,000	Each Occurrence	\$ 25,000
	\$ 4,000,000	Annual Aggregate	
Errors and Omissions Liability	\$ 2,000,000	Each Wrongful Act	\$ 25,000
	\$ 4,000,000	Annual Aggregate	
Auto Physical Damage	\$ 1,779,887		\$ 10,000
Real & Personal Property	\$ 14,386,310		\$ 10,000
Mobile Equipment	\$ 138,900		\$ 1,000
Boiler & Machinery	\$ 10,881,600		\$ 500
Workers' Compensation	\$ -	Each Occurrence	\$ 50,000
	\$ -	Annual Aggregate	\$ 150,000

There have been no changes in the liability insurance coverage amounts in over ten (10) years. 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.

TOWN OF HIGHLAND PARK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

8. NEW GASB STANDARDS

During the year, the Town evaluated and implemented the following GASB statements:

Statement 51, "Accounting and Financial Reporting for Intangible Assets"

This Statement requires that intangible assets acquired in fiscal years ending after June 30, 1980 be classified as capital assets. As the Town has added no intangible assets subject to these provisions, there was no current effect on the financial statements as a result of implementing this Statement.

Statement 53, "Accounting and Financial Reporting for Derivative Instruments"

This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by governmental entities. As the Town does not and has not invested in derivative instruments, there was no current effect on the financial statements as a result of implementing this Statement.

Statement 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies"

This Statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. As the Town has not made such petition, there was no current effect on the financial statements as a result of implementing this Statement.

REQUIRED SUPPLEMENTARY INFORMATION

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

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	Unfunded AAL (UAAL) (2)-(1)	Annual Covered Payroll	UAAL as a Percent of Covered Payroll (4)/(5)
12/31/2004	\$30,032,312	\$36,102,365	83.2%	\$6,070,053	\$7,284,108	83.3%
12/31/2005	\$31,923,686	\$37,739,645	84.6%	\$5,815,959	\$7,597,182	76.6%
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%

**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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest on Investments	\$ 90,000	\$ 90,000	\$ 66,533	\$ (46,267)
Intergovernmental	-	-	82,996	82,996
Total Revenues	<u>90,000</u>	<u>90,000</u>	<u>149,529</u>	<u>36,729</u>
EXPENDITURES:				
Capital Outlay	<u>602,000</u>	<u>7,867,514</u>	<u>887,491</u>	<u>6,980,023</u>
Total Expenditures	<u>602,000</u>	<u>7,867,514</u>	<u>887,491</u>	<u>6,980,023</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(512,000)</u>	<u>(7,777,514)</u>	<u>(737,962)</u>	<u>7,039,552</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	650,000	7,917,993	7,960,965	42,972
Transfers Out	-	-	(88,000)	(88,000)
Net Other Financing Sources (Uses)	<u>650,000</u>	<u>7,917,993</u>	<u>7,872,965</u>	<u>(45,028)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	138,000	140,479	7,135,003	6,994,524
FUND BALANCES, beginning of year	<u>6,136,231</u>	<u>6,136,231</u>	<u>6,136,231</u>	-
FUND BALANCES, end of year	<u>\$ 6,274,231</u>	<u>\$ 6,276,710</u>	<u>\$13,271,234</u>	<u>\$ 6,994,524</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, 2010**

	Special Revenue					Total
	Stormwater Drainage	Employee Christmas	Forfeited Property	Court Technology	Court Security	
ASSETS						
Cash and Cash Equivalents	\$ 483,126	\$ 5,710	\$ 11,598	\$ 38,918	\$ 144,127	\$ 683,479
Investments	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles)-						
Other	7,528	-	-	-	-	7,528
Prepaid Items	100	-	-	-	-	100
	<u>490,754</u>	<u>5,710</u>	<u>11,598</u>	<u>38,918</u>	<u>144,127</u>	<u>691,107</u>
Total Assets and Other Debits	<u>\$ 490,754</u>	<u>\$ 5,710</u>	<u>\$ 11,598</u>	<u>\$ 38,918</u>	<u>\$ 144,127</u>	<u>\$ 691,107</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Vouchers Payable	\$ 1,904	\$ -	\$ -	\$ 436	\$ -	\$ 2,340
Retainage Payable	30,860	-	-	-	-	30,860
Accrued Liabilities	1,116	-	-	-	-	1,116
	<u>33,880</u>	<u>-</u>	<u>-</u>	<u>436</u>	<u>-</u>	<u>34,316</u>
FUND BALANCE						
Reserved for Encumbrances	80,481	-	-	-	-	80,481
Reserved for Prepaid Items	100					100
Reserved for Capital Improvements	376,293					
Reserved for Employee Distribution		5,710				
Reserved for Crime Prevention			11,598			
Reserved for Court Technology				38,482		
Reserved for Court Security					144,127	576,210
Total Fund Balances	<u>456,874</u>	<u>5,710</u>	<u>11,598</u>	<u>38,482</u>	<u>144,127</u>	<u>656,791</u>
Total Liabilities and Fund Balance	<u>\$ 490,754</u>	<u>\$ 5,710</u>	<u>\$ 11,598</u>	<u>\$ 38,918</u>	<u>\$ 144,127</u>	<u>\$ 691,107</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, 2010

	Special Revenue					Total
	Stormwater Drainage	Employee Christmas	Forfeited Property	Court Technology	Court Security	
REVENUES						
Fees	\$ 181,557	\$ -	\$ -	\$ 25,138	\$ 18,866	\$ 225,561
Contributions	-	24,586	-	-	-	24,586
Interest on Investments	2,830	7	27	88	283	3,235
Miscellaneous	136	-	-	-	-	136
Total Revenues	184,523	24,593	27	25,226	19,149	253,518
EXPENDITURES						
Personnel Services	44,542	-	-	-	-	44,542
Distributions of Contributions	-	18,701	-	-	-	18,701
FICA Contribution	-	1,292	-	-	-	1,292
TMRS	-	2,520	-	-	-	2,520
Materials and Supplies	3,734	-	-	19,652	-	23,386
Services and Charges	49,744	-	-	-	324	50,068
Capital Outlay	283,206	-	-	6,423	-	289,629
Total Expenditures	381,226	22,513	-	26,075	324	430,138
Excess (Deficiency) of Revenues Over Expenditures	(196,703)	2,080	27	(849)	18,825	(176,620)
OTHER FINANCING SOURCES (USES)						
Transfers Out	-	-	-	-	(17,655)	(17,655)
Net Other Financing Sources (Uses)	-	-	-	-	(17,655)	(17,655)
Net Change in Fund Balances	(196,703)	2,080	27	(849)	1,170	(194,275)
FUND BALANCES, beginning of year	653,577	3,630	11,571	39,331	142,957	851,066
FUND BALANCES, end of year	\$ 456,874	\$ 5,710	\$ 11,598	\$ 38,482	\$ 144,127	\$ 656,791



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, 2010

	<u>Balance</u> <u>October 1,</u> <u>2009</u>	<u>Additions</u> <u>and</u> <u>Transfers In</u>	<u>Retirements</u> <u>and</u> <u>Transfers Out</u>	<u>Balance</u> <u>September 30,</u> <u>2010</u>
EQUIPMENT:				
Vehicles and Rolling Stock	\$ 3,121,380	\$ 487,516	\$ 138,402	\$ 3,470,494
Office Equipment	1,565,934	173,012	130,646	1,608,300
Work in Progress	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Totals	<u>4,687,314</u>	<u>710,528</u>	<u>269,048</u>	<u>5,128,794</u>
ACCUMULATED DEPRECIATION:				
Vehicles and Rolling Stock	1,442,076	308,972	137,773	1,613,275
Office Equipment	<u>1,292,141</u>	<u>226,451</u>	<u>130,646</u>	<u>1,387,946</u>
Totals	<u>2,734,217</u>	<u>535,423</u>	<u>268,419</u>	<u>3,001,221</u>
NET EQUIPMENT	<u><u>\$ 1,953,097</u></u>	<u><u>\$ 175,105</u></u>	<u><u>\$ 629</u></u>	<u><u>\$ 2,127,573</u></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.	73-78
Revenue Capacity This section contains information to help the reader assess the Town's most significant local revenue source, the property tax.	79-82
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.	83-84
Demographic and Economic Information This section contains information to help the reader understand the environment within which the Town's financial activities take place.	85-87
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.	88-90



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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities										
Invested in capital assets	\$ 13,607,830	\$ 17,853,384	\$ 20,328,471	\$ 20,632,957	\$ 21,010,063	\$ 21,039,497	\$ 22,771,121	\$ 30,389,551	\$ 32,160,748	\$ 31,868,002
Unrestricted	11,364,469	12,388,462	10,289,781	10,480,926	11,243,934	12,399,045	16,406,211	13,355,949	14,317,432	19,935,136
Total governmental activities net assets	<u>\$ 24,972,299</u>	<u>\$ 30,241,846</u>	<u>\$ 30,618,252</u>	<u>\$ 31,113,883</u>	<u>\$ 32,253,997</u>	<u>\$ 33,438,542</u>	<u>\$ 39,177,332</u>	<u>\$ 43,745,500</u>	<u>\$ 46,478,180</u>	<u>\$ 51,803,138</u>
Business-type activities										
Invested in capital assets	\$ 8,911,489	\$ 9,160,606	\$ 10,062,405	\$ 11,390,763	\$ 11,922,018	\$ 12,704,373	\$ 14,125,098	\$ 14,017,164	\$ 14,185,694	\$ 14,555,810
Unrestricted	5,757,617	6,393,308	6,212,857	5,723,680	6,416,449	7,544,924	5,078,860	6,425,104	7,720,131	3,025,372
Total business-type activities net assets	<u>\$ 14,669,106</u>	<u>\$ 15,553,914</u>	<u>\$ 16,275,262</u>	<u>\$ 17,114,443</u>	<u>\$ 18,338,467</u>	<u>\$ 20,249,297</u>	<u>\$ 19,203,958</u>	<u>\$ 20,442,268</u>	<u>\$ 21,905,825</u>	<u>\$ 17,581,182</u>
Primary Government										
Invested in capital assets	\$ 22,519,319	\$ 27,013,990	\$ 30,390,876	\$ 32,023,720	\$ 32,932,081	\$ 33,743,870	\$ 36,896,219	\$ 44,406,715	\$ 46,346,442	\$ 46,423,812
Unrestricted	17,122,086	18,781,770	16,502,638	16,204,606	17,660,383	19,943,969	21,485,071	19,781,053	22,037,563	22,960,508
Total primary government net assets	<u>\$ 39,641,405</u>	<u>\$ 45,795,760</u>	<u>\$ 46,893,514</u>	<u>\$ 48,228,326</u>	<u>\$ 50,592,464</u>	<u>\$ 53,687,839</u>	<u>\$ 58,381,290</u>	<u>\$ 64,187,768</u>	<u>\$ 68,384,005</u>	<u>\$ 69,384,320</u>

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses										
Governmental activities:										
General Government	\$ 447,687	\$ 386,561	\$ 412,898	\$ 485,393	\$ 659,447	\$ 725,157	\$ 877,318	\$ 698,577	\$ 824,699	\$ 1,316,352
Department of Public Safety	6,186,187	6,663,668	7,168,797	7,584,900	7,928,535	8,619,782	8,730,922	9,628,878	9,867,090	10,164,906
Street Department	1,357,563	542,805	460,434	549,528	443,041	514,118	678,087	812,623	867,698	1,061,747
Street Lighting Department	285,519	289,819	338,862	307,291	326,253	326,216	277,504	318,467	327,938	307,312
Library	401,755	432,037	470,052	515,333	511,013	529,928	562,314	619,876	644,462	772,491
Parks Department	1,002,676	978,429	1,056,276	1,049,401	1,137,588	1,259,593	1,234,759	1,342,352	1,430,322	1,431,288
Swimming Pool	135,026	141,045	151,527	153,486	143,633	152,636	166,346	171,912	197,907	228,852
Municipal Court	185,467	186,715	200,874	206,783	232,787	229,596	297,580	320,864	318,937	343,042
Finance Department	365,094	390,409	405,642	435,389	434,076	447,171	459,684	480,159	481,073	520,784
Building Inspection Department	182,498	190,883	182,709	203,320	223,801	288,789	298,711	348,730	402,380	539,980
Total governmental activities	10,549,472	10,202,371	10,848,071	11,490,824	12,040,174	13,092,986	13,583,225	14,742,438	15,362,506	16,686,734
Business-type activities:										
Enterprise	4,837,210	5,505,349	5,695,471	5,707,703	5,949,119	6,294,396	6,104,229	6,863,130	7,211,569	7,481,548
Total business-type activities	4,837,210	5,505,349	5,695,471	5,707,703	5,949,119	6,294,396	6,104,229	6,863,130	7,211,569	7,481,548
Total primary government	\$ 15,386,682	\$ 15,707,720	\$ 16,543,542	\$ 17,198,527	\$ 17,989,293	\$ 19,387,382	\$ 19,687,454	\$ 21,605,568	\$ 22,574,075	\$ 24,168,282
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 17,986	\$ 20,042	\$ 18,015	\$ 165,917	\$ 195,069	\$ 194,078	\$ 190,066	\$ 196,385	\$ 191,381	\$ 206,255
Department of Public Safety	592,048	618,541	612,331	620,643	647,933	650,449	655,606	713,878	755,635	568,974
Street Department	221,895	235,392	250,072	252,884	289,324	307,910	254,411	301,998	335,778	118,743
Library	31,452	24,718	21,842	20,878	20,768	19,167	18,108	14,652	18,619	16,959
Parks Department	5,250	5,281	3,976	4,172	4,186	4,770	4,322	12,955	12,680	11,720
Swimming Pool	68,095	65,532	80,222	76,745	76,094	79,580	87,014	94,432	94,184	92,468
Municipal Court	589,339	583,946	604,717	544,308	842,444	770,862	724,746	728,369	662,570	676,094
Building Inspection Department	966,720	653,185	646,340	748,458	930,257	858,409	1,312,827	725,997	904,647	968,993
Operating grants and contributions	129,088	78,726	134,408	35,455	16,466	4,960	528,388	1,477,837	32,392	4,383
Total governmental activities	2,621,873	2,285,363	2,371,923	2,469,460	3,002,541	2,890,185	3,775,488	4,266,503	3,007,886	2,664,589

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Business-type activities:										
Enterprise	5,716,839	6,104,822	6,467,877	6,042,665	7,047,070	7,890,635	6,683,686	7,910,871	8,465,285	8,315,859
Total business-type activities	5,716,839	6,104,822	6,467,877	6,042,665	7,047,070	7,890,635	6,683,686	7,910,871	8,465,285	8,315,859
Total primary government	8,338,712	8,390,185	8,839,800	8,512,125	10,049,611	10,780,820	10,459,174	12,177,374	11,473,171	10,980,448
Net (expense)/revenue										
Governmental activities	(7,927,599)	(7,917,008)	(8,476,148)	(9,021,364)	(9,037,633)	(10,202,801)	(9,807,737)	(10,475,935)	(12,354,620)	(14,022,145)
Business-type activities	879,629	599,473	772,406	841,710	1,097,951	1,596,239	579,457	1,047,741	1,253,716	834,311
Total primary government net expense	(7,047,970)	(7,317,535)	(7,703,742)	(8,179,654)	(7,939,682)	(8,606,562)	(9,228,280)	(9,428,194)	(11,100,904)	(13,187,834)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	5,243,220	5,495,547	5,772,929	6,328,128	6,633,472	7,252,996	8,055,442	8,819,669	9,481,304	9,934,677
Sales taxes	1,647,716	1,603,019	1,635,389	1,711,186	1,952,093	2,126,860	2,260,502	2,420,130	2,300,369	2,430,775
Other taxes	79,842	82,555	82,562	94,253	107,517	102,115	105,069	106,462	106,433	94,159
Franchise taxes	886,443	918,921	851,643	858,564	880,995	950,145	925,302	965,870	1,018,539	1,015,431
Penalty and interest on taxes	54,586	35,419	42,942	47,749	42,426	46,607	55,763	66,184	65,671	59,834
Interest on investments	619,598	589,261	252,895	171,152	270,423	656,533	895,894	767,451	402,349	131,159
Sale of assets	200,820	3,101,501	110,308	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	1,765,797	1,293,877	87,379
Miscellaneous	173,393	264,612	272,844	231,338	290,821	252,090	327,332	277,280	418,758	393,567
Transfers	-	(60,000)	143,886	74,625	-	-	2,000,000	-	-	5,200,122
Total governmental activities	8,905,618	12,030,835	9,165,398	9,516,995	10,177,747	11,387,346	14,625,304	15,188,843	15,087,300	19,347,103
Business-type activities:										
Interest on investments	320,401	225,363	134,574	72,096	126,073	314,591	375,204	190,569	209,841	41,168
Sale of assets	(76)	(28)	(579)	-	-	-	-	-	-	-
Transfers	-	60,000	(143,886)	(74,625)	-	-	(2,000,000)	-	-	(5,200,122)
Total business-type activities	320,325	285,335	(9,891)	(2,529)	126,073	314,591	(1,624,796)	190,569	209,841	(5,158,954)
Total primary government	9,225,943	12,316,170	9,155,507	9,514,466	10,303,820	11,701,937	13,000,508	15,379,412	15,297,141	14,188,149
Changes in Net Assets										
Governmental activities	978,019	4,113,827	689,250	495,631	1,140,114	1,184,545	4,817,567	4,712,908	2,732,680	5,324,968
Business-type activities	1,199,954	884,808	762,515	839,181	1,224,024	1,910,830	(1,045,339)	1,238,310	1,463,557	(4,324,643)
Total primary government	2,177,973	4,998,635	1,451,765	1,334,812	2,364,138	3,095,375	3,772,228	5,951,218	4,196,237	1,000,315

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
2001	\$ 5,243,220	\$ 1,647,716	\$ 886,443	\$ 79,842	\$ 7,857,221
2002	5,495,547	1,603,019	918,921	82,555	8,100,042
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

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 572,655	\$ 880,388	\$ 817,225	\$ 724,009	\$ 294,011	\$ 264,686	\$ 227,102	\$ 642,309	\$ 556,019	\$ 460,713
Unreserved	6,326,686	4,241,894	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>\$ 6,899,341</u>	<u>\$ 5,122,282</u>	<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>
All other Governmental Funds										
Reserved	\$ 199,044	\$ 2,850,480	\$ 817,698	\$ 921,815	\$ 904,421	\$ 973,604	\$ 9,737,980	\$ 5,292,585	\$ 1,459,922	\$ 4,350,933
Unreserved, reported in:										
Capital Projects Fund	3,021,035	3,272,053	3,257,587	3,950,112	4,706,339	6,329,012	455,762	1,772,979	5,527,375	13,974,662
Total all other Governmental Funds	<u>\$ 3,220,079</u>	<u>\$ 6,122,533</u>	<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>

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$ 7,901,678	\$ 8,099,081	\$ 8,308,699	\$ 9,012,222	\$ 9,574,883	\$ 10,427,818	\$ 11,290,415	\$ 12,315,728	\$ 12,926,004	\$ 13,389,605
Penalties and Interest	54,586	35,419	42,942	47,749	42,426	46,607	55,763	66,184	65,671	59,834
Licenses and Permits	1,032,881	721,527	696,305	797,720	1,000,525	914,566	1,368,191	784,591	965,340	1,051,114
Service Fees	1,133,751	1,165,152	1,219,388	1,325,512	1,501,013	1,565,855	1,502,798	1,576,990	1,622,643	1,347,210
Fines and Forfeitures	327,389	297,112	292,407	278,021	443,971	428,586	412,717	388,041	346,085	337,079
Interest on Investments	556,415	538,565	232,427	147,009	238,279	579,421	761,147	693,784	344,529	114,596
Intergovernmental	-	-	-	-	-	-	-	1,765,797	1,293,877	87,379
Contributions	-	-	-	-	21,131	30,376	559,437	1,505,656	132,072	59,280
Miscellaneous	304,904	343,339	407,248	266,793	286,156	226,674	296,283	249,461	295,673	253,630
Total Revenues	11,311,604	11,200,195	11,199,386	11,875,026	13,108,384	14,219,903	16,246,751	19,346,232	17,991,894	16,899,727
Expenditures										
General Government	349,069	324,015	334,886	403,910	443,778	511,794	739,674	806,635	732,754	1,098,201
Department of Public Safety	6,141,980	6,688,713	6,951,840	7,333,508	7,700,362	8,274,758	8,408,121	9,472,901	9,490,181	9,947,630
Street Department	1,122,439	883,425	887,900	1,154,231	1,055,515	986,893	288,622	785,334	856,776	318,650
Street Lighting Department	221,970	222,763	274,977	243,791	262,063	288,187	238,880	279,828	305,611	277,085
Library	416,595	459,227	475,709	519,901	525,574	532,048	558,488	605,344	569,968	638,351
Parks Department	914,073	887,405	961,025	1,044,014	1,152,238	1,270,819	1,157,967	1,274,630	1,447,509	1,396,524
Swimming Pool	125,478	119,632	131,856	133,558	123,608	150,058	160,839	179,667	174,098	205,395
Municipal Court	184,716	195,419	199,677	206,532	219,776	216,607	226,792	239,087	252,461	299,360
Finance Department	361,914	387,286	402,047	432,088	427,336	437,466	451,381	474,821	471,679	514,680
Building Inspection Department	182,498	190,883	183,264	208,010	222,239	284,650	292,961	344,512	397,138	534,673
Capital Outlay	429,796	2,682,970	2,613,974	102,103	161,301	168,555	1,161,316	8,350,999	2,403,131	887,491
Total Expenditures	10,450,528	13,021,738	13,417,155	11,781,646	12,293,790	13,121,835	13,685,041	22,813,758	17,101,306	16,118,040
Excess of Revenues Over Expenditure	861,076	(1,821,543)	(2,217,769)	93,380	814,594	1,098,068	2,561,710	(3,467,526)	890,588	581,687
Other Financing Sources (Uses):										
Transfers In	207,530	5,329,962	597,079	789,577	737,828	1,451,550	3,120,330	1,538,834	978,934	8,066,620
Transfers Out	(236,600)	(5,468,132)	(607,386)	(760,129)	(609,348)	(2,227,392)	(1,120,330)	(1,538,834)	(978,934)	(2,866,498)
Sale of Assets	225,773	3,085,108	113,152	5,475	29,912	121	-	4,514	973	-
Total other Financing Sources (Uses)	196,703	2,946,938	102,845	34,923	158,392	(775,721)	2,000,000	4,514	973	5,200,122
Net Change in Fund Balances	\$ 1,057,779	\$ 1,125,395	\$ (2,114,924)	\$ 128,303	\$ 972,986	\$ 322,347	\$ 4,561,710	\$ (3,463,012)	\$ 891,561	\$ 5,781,809

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	Residential Property		Business Personal Property		Less: Tax-Exempt Property		Total Taxable Assessed Value	Total Direct Tax Rate
2001	\$ 2,752,340,640	\$ 46,447,980	\$ 630,551,452				\$ 2,168,237,168	0.24620
2002	3,215,531,340	53,368,200	812,298,881				2,456,600,659	0.22900
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

Source: Dallas Central Appraisal District

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

Fiscal Year	Overlapping Rates										
	Town of Highland Park		County *				School District**				
	General Fund***		Dallas County	Hospital District	Community College District	Total County	Highland Park I.S.D.			Total Direct Tax Rate	Total Direct & Overlapping Rates
2001	0.24620		0.19600	0.25400	0.05000	0.50000	1.58300			0.24620	2.32920
2002	0.22900		0.19600	0.25400	0.05000	0.50000	1.69500			0.22900	2.42400
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

* Source: Dallas County

** Source: Highland Park Independent School District

***The Town's rate is an operating general rate. The Town has no debt.

TOWN OF HIGHLAND PARK
Principal Property Taxpayers
September 30, 2010 and 2001
(Unaudited)

	2010			2001		
	Taxpayer	Taxable Assessed		Taxable Assessed		Percentage of Total Taxable Assessed
		Value	Rank	Value	Rank	
Highland Park Shopping Village	\$ 145,025,450	1	3.17%	\$ 54,011,820	1	2.51%
Muse, John R & Lyn	24,166,776	2	0.53%	N/A	N/A	N/A
Harlan Crow	19,269,952	3	0.42%	7,992,838	6	0.37%
L & B Depp	19,000,000	4	0.42%	N/A	N/A	N/A
Edwin L. Cox	17,416,000	5	0.38%	8,286,045	5	0.39%
Corrigan Properties, Inc.	14,931,960	6	0.33%	5,813,430	9	0.27%
Jerral W. & Gene C. Jones	13,824,560	7	0.30%	8,738,775	3	0.41%
Trammell Crow	12,670,000	8	0.28%	6,504,669	8	0.30%
Intercity Investment	12,000,000	9	0.26%	N/A	N/A	N/A
Amy Mitchell	11,772,430	10	0.26%	7,248,850	7	0.34%
Lehndorff Preston	N/A	N/A	N/A	11,929,390	2	0.55%
William P. Clements Jr.	N/A	N/A	N/A	8,629,380	4	0.40%
Leonard Riggs	N/A	N/A	N/A	4,272,184	10	0.20%
	<u>\$ 290,077,128</u>		<u>6.35%</u>	<u>\$ 123,427,381</u>		<u>5.74%</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		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy	Percentage of Levy		Amount	Percentage of Levy
2001	\$5,248,398	\$5,221,531	99.5%	\$ 23,125	\$5,244,656	99.9%
2002	5,534,428	5,461,883	98.7%	67,066	5,528,949	99.9%
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%	75,385	6,362,558	99.9%
2005	6,696,521	6,611,586	98.7%	76,803	6,688,389	99.9%
2006	7,303,760	7,232,503	99.0%	59,651	7,292,154	99.8%
2007	8,115,122	8,003,122	98.6%	98,518	8,101,640	99.8%
2008	8,890,683	8,818,214	99.2%	58,696	8,876,910	99.8%
2009	9,603,740	9,535,060	99.3%	54,329	9,589,389	99.9%
2010	10,062,755	9,984,063	99.2%	-	9,984,063	99.2%

Sources: Dallas County, Town Departments

TOWN OF HIGHLAND PARK
Computation of Direct and Overlapping Debt
For the Year Ended September 30, 2010
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Town of Highland Park	\$ -	0.00%	\$ -
Dallas County*	151,065,325	2.56%	3,867,272
Dallas County Community College District*	401,605	2.56%	10,281
Highland Park Independent School District**	118,000,000	38.58%	45,524,400
	<u>\$ 269,466,930</u>		<u>\$ 49,401,953</u>

Ratio of Total Direct and Overlapping Debt to Assessed Valuation

0.88%

Per Capita Overlapping Debt

\$ 5,587

* Source: Dallas County

** Source: Highland Park Independent School District

**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, 2010.

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

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education		
					Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2001	8,842	\$ 856,453,794	\$ 97,008	42	16.1	1,640	1.9%
2002	8,842	856,453,794	97,008	42	16.1	1,650	1.9%
2003	8,842	856,453,794	97,008	42	16.1	1,676	1.9%
2004	8,842	856,453,794	97,008	42	16.1	1,701	1.9%
2005	8,842	856,453,794	97,008	42	16.1	1,757	1.9%
2006	8,842	856,453,794	97,008	42	16.1	1,762	1.9%
2007	8,842	856,453,794	97,008	42	16.1	1,771	1.9%
2008	8,842	856,453,794	97,008	42	16.1	1,767	1.9%
2009	8,842	865,453,794	97,008	42	16.1	1,801	1.9%
2010	8,842	865,453,794	97,008	42	16.1	1,861	1.9%

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)

	2010		2001	
	Business Sector	Number of Establishments	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: 2010 data was obtained from the 2007 Economic Census, and 2001 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
2001	31	\$ 20,393,466	917	\$ 68,558,833	\$ 2,724,238,630	\$ 48,305,880
2002	24	9,313,856	933	49,801,396	3,158,653,510	48,966,670
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

*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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	1.40	1.40	1.40	1.40	1.40	1.40	2.20	2.20	2.20	2.20
Public Safety	67.00	67.00	67.00	67.00	67.00	67.00	68.00	70.33	69.00	69.00
Street	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Street Lighting	2.10	2.10	2.15	2.15	2.15	2.15	2.15	1.65	1.65	1.65
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	9.50
Municipal Court	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	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	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Service Center	0.30	0.30	0.45	0.45	0.45	0.45	0.45	0.35	0.35	0.35
Utility Administration	6.00	6.00	6.00	6.00	6.00	6.00	6.20	6.20	6.20	6.20
Water	4.60	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Sewer	2.40	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	0.50
Engineering	3.00	3.00	3.00	4.00	4.00	3.50	3.50	4.50	4.50	4.50
Stormwater Administration	-	-	-	-	-	0.50	0.50	0.50	0.50	0.50
T total	114.80	114.40	114.60	115.60	115.60	116.60	118.60	121.33	120.00	120.50

Source: Official Town Budget

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Administration										
Service Requests Processed	8,561	8,149	9,063	8,755	8,410	10,817	8,991	6,440	6,935	7,842
Public Safety										
Call Responses: Police	12,621	12,270	12,145	11,599	11,505	11,175	10,282	9,461	10,128	10,368
Call Responses: Fire	1,039	945	897	901	783	819	858	883	905	912
Call Responses: EMS	528	492	465	417	424	426	425	466	493	1,443
Citations Issued	11,525	11,195	11,668	11,088	12,469	12,755	11,634	8,566	8,584	7,871
Street										
Asphalt Repairs (Tons)	304	301	282	222	192	183	167	161	154	170
Storm Inlets Cleaned	935	734	937	1,242	1,154	986	1,617	1,840	1,908	2,556
Library										
Total Circulation	88,011	79,406	71,297	72,498	76,315	66,870	63,801	48,264	63,729	60,444
Valid Library Cards	3,757	3,571	3,321	3,220	3,133	3,121	3,039	2,838	2,791	2,770
Swimming Pool										
Annual Passes Sold	2,349	2,300	1,952	1,811	1,788	1,884	1,652	1,737	1,676	1,680
Daily Passes Sold	1,440	1,335	1,299	1,360	1,559	1,494	1,625	2,132	2,679	2,325
Finance / Personnel										
Accounts Payable Checks Disbursed	4,618	4,229	4,130	4,072	4,035	3,866	3,357	3,499	3,301	3,581
Payroll Checks/ACH Disbursed	4,632	4,611	4,765	4,573	4,148	4,285	4,231	4,459	4,361	4,585
Building Inspection										
Total Inspections	2,703	3,034	2,632	2,894	3,399	3,615	3,461	3,193	2,837	2,654
Total Permits Issued	1,651	1,622	1,721	1,882	1,805	1,946	1,831	1,637	1,510	1,655
Water										
Meters Read	62,319	60,544	61,246	61,895	62,332	63,018	63,542	64,143	62,568	64,763
Meters Installed/Replaced	733	432	487	271	238	79	90	67	53	44
Sewer										
Service Calls	114	104	86	61	69	66	59	47	40	34
Mains Cleaned	140	40	689	606	570	610	773	1,060	903	871

Source: Town Departments

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

Function	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</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	1	1	2	2	2	3	3	3
Patrol Vehicles	12	10	10	9	9	9	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