



THE TOWN OF  
*Highland Park*  
TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2011





# **TOWN OF HIGHLAND PARK, TEXAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2011**

Prepared by:

Finance Department



**TOWN OF HIGHLAND PARK**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**TOWN OF HIGHLAND PARK**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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# **INTRODUCTORY SECTION**



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

February 7, 2012

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, 2011 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, 2011, 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, 2011 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **Profile of the Town**

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

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

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

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

## **Local economy**

During the past several years, the Town has experienced similar economic challenges as other entities in our region, state and nation. Property tax revenues provide a greater portion of the Town's total governmental revenue stream than in most neighboring cities. Historically, the Town has realized strong property value growth year-to-year; however, these values were down slightly for 2011. Since the property tax rate was unchanged from 2010, Property Tax revenues were \$220,318 (2.2%) less than the prior year. With the lowest municipal property tax rate in the Dallas/Ft. Worth Metroplex, property tax revenues are still considered a viable revenue source.

Building activity fees and investment earnings, two revenue streams that are reflective of the economy, have decreased from the prior year. Building permits issued during the last two months of the year, however, indicate an increase in building activity. Sales tax revenue, normally another indicator of the economy, has increased

\$148,253 (6.1%) during the year. While Town Management remains optimistic that these signs point to an improvement in the local economy, the Town is closely monitoring all local economic indicators with the intention of being able to respond as needed.

During the 2011 year, total revenues increased \$1,953,373 (7.8%) and total expenses decreased \$181,345 (0.8%). The Net Assets of the Town increased \$3,135,033 (4.5%).

### **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, 2011, General Fund unassigned fund balance was \$4,132,477 and Enterprise Fund unrestricted net assets was \$3,303,622. The General Fund amount was 28.7% of current year non-capital expenditures, which is above the minimum fund balance level of 22% required by the Town Council. The enterprise fund balance was 41.4% 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**

During the year, the Town began work on the DPS Communications and Town Hall Remodeling Project, which shall be the largest renovation to date of the Town Hall complex. The Capital Improvement Plan for 2012 provides funding of \$10,338,263 from the Capital Projects Fund. 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, 2010. This was the twenty-eighth 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, 2010. 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, 2010

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.



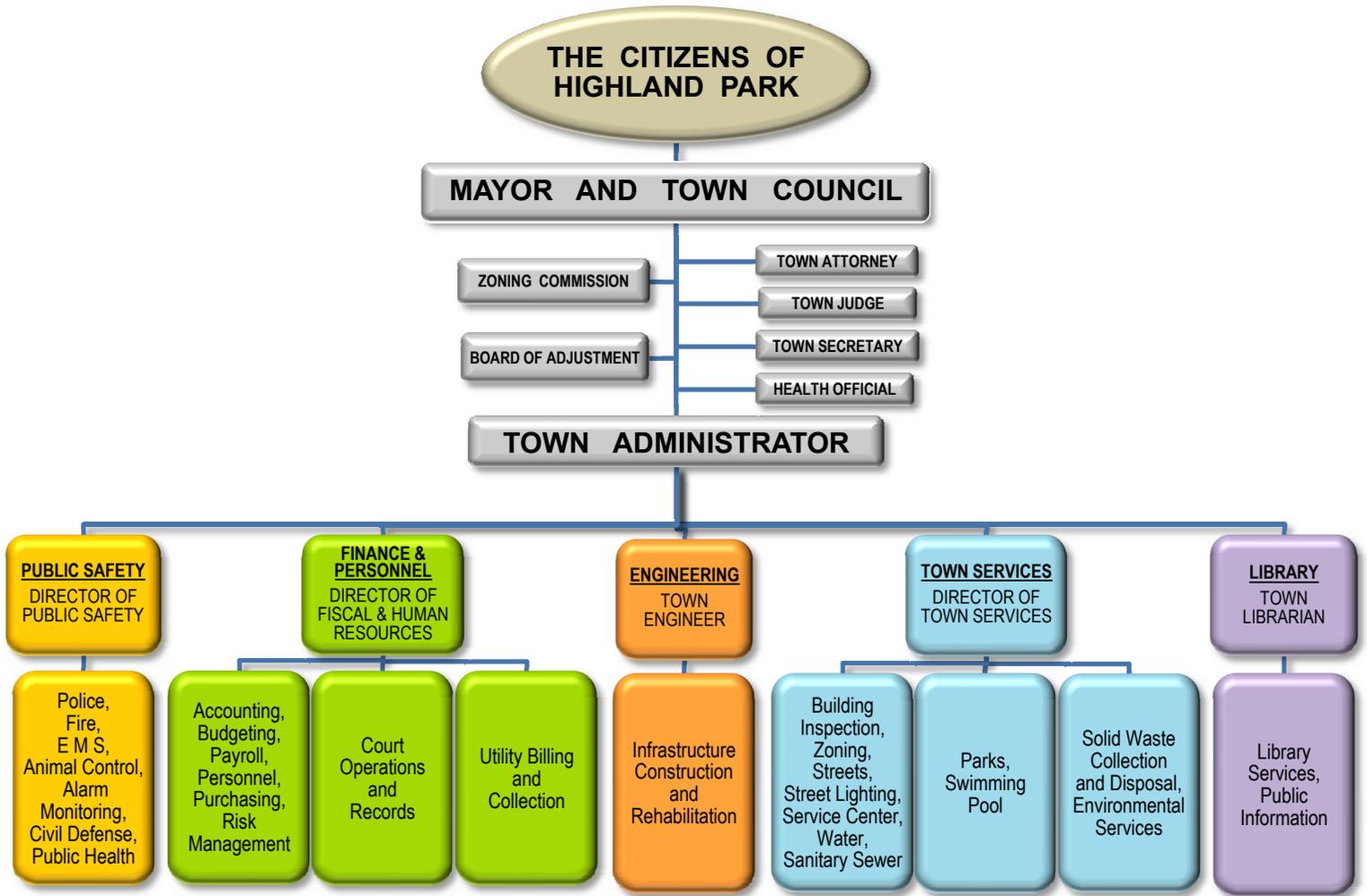
*Linda C. Davison*

President

*Jeffrey R. Enow*

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 (Town) as of and for the year ended September 30, 2011, 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, 2011, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1(L) to the basic financial statements, the Town implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2012, 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.

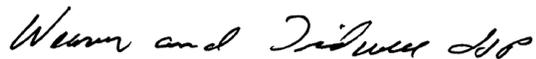
The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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 and individual fund financial statements and schedules, 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 and individual fund financial statements and schedules 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 on such data.

A handwritten signature in cursive script that reads "Weaver and Tidwell LLP".

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 7, 2012

## Management's Discussion and Analysis

As management of the Town of Highland Park ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2011. 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 \$72,519,353 (net assets). Of this amount, \$21,261,294 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased a total of \$3,135,033, the result of operations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,930,278, a decrease of \$1,395,317 in comparison with the prior year. Approximately 24.4% of the reported combined ending fund balances, or \$4,132,477, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,132,477 or 28.4% of total General Fund expenditures and the unrestricted net assets for the Enterprise Fund was \$3,303,622, or 41.4% of total Enterprise Fund operating expenses.
- Total governmental capital outlay of \$4,299,049 was partially offset by the net gain from operations of the General Fund of \$1,866,648.

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

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

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

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

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

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-58 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 \$72,519,353 at the close of the most recent fiscal year.

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 21,737,970	\$ 23,063,489	\$ 4,456,123	\$ 4,192,426	\$ 26,194,093	\$ 27,255,915
Capital assets	35,479,938	31,868,002	15,778,121	14,555,810	51,258,059	46,423,812
Total assets	\$ 57,217,908	\$ 54,931,491	\$ 20,234,244	\$ 18,748,236	\$ 77,452,152	\$ 73,679,727
Current Liabilities	2,672,522	1,939,543	984,689	1,011,248	3,657,211	2,950,791
Long term liabilities	1,107,776	1,188,810	167,812	155,806	1,275,588	1,344,616
Total liabilities	3,780,298	3,128,353	1,152,501	1,167,054	4,932,799	4,295,407
Net assets:						
Invested in capital assets	35,479,938	31,868,002	15,778,121	14,555,810	51,258,059	46,423,812
Unrestricted	17,957,672	19,935,136	3,303,622	3,025,372	21,261,294	22,960,508
Total net assets	\$ 53,437,610	\$ 51,803,138	\$ 19,081,743	\$ 17,581,182	\$ 72,519,353	\$ 69,384,320

The largest portion of the Town's net assets (70.7%) 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 \$21,261,294, 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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,863,195	\$ 2,660,206	\$ 9,945,105	\$ 8,315,859	\$ 12,808,300	\$ 10,976,065
Contributions	-	4,383	-	-	-	4,383
General Revenues:						
Property taxes	9,714,359	9,934,677	-	-	9,714,359	9,934,677
Other taxes	3,717,739	3,540,365	-	-	3,717,739	3,540,365
Other	869,103	671,939	12,469	41,168	881,572	713,107
Total revenues	\$ 17,164,396	\$ 16,811,570	\$ 9,957,574	\$ 8,357,027	\$ 27,121,970	\$ 25,168,597
Expenses:						
General government	812,643	1,316,352	7,983,612	7,481,548	8,796,255	8,797,900
Public safety	10,188,243	10,164,906	-	-	10,188,243	10,164,906
Streets	1,090,129	1,061,747	-	-	1,090,129	1,061,747
Street lighting	284,966	307,312	-	-	284,966	307,312
Library	745,811	772,491	-	-	745,811	772,491
Parks	1,404,315	1,431,268	-	-	1,404,315	1,431,268
Swimming pool	228,565	228,852	-	-	228,565	228,852
Municipal Court	341,435	343,042	-	-	341,435	343,042
Finance	515,296	520,784	-	-	515,296	520,784
Building inspection	391,922	539,980	-	-	391,922	539,980
Total expenses	\$ 16,003,325	\$ 16,686,734	\$ 7,983,612	\$ 7,481,548	\$ 23,986,937	\$ 24,168,282
Transfers In (Out)	473,401	5,200,122	(473,401)	(5,200,122)	-	-
Increase in net assets	1,634,472	5,324,958	1,500,561	(4,324,643)	3,135,033	1,000,315
Net assets 10/1	51,803,138	46,478,180	17,581,182	21,905,825	69,384,320	68,384,005
Net assets 9/30	\$ 53,437,610	\$ 51,803,138	\$ 19,081,743	\$ 17,581,182	\$ 72,519,353	\$ 69,384,320

For the fiscal year 2011, the Town's total net assets increased \$3,135,033, the result of operations.

**Governmental activities:** Governmental activities, excluding transfers, increased the Town's net assets by \$1,161,071. This accounted for 37.0% of the total growth in the net assets of the Town from operations.

Total 2011 revenues increased by \$352,826 (2.1%) from 2010. This increase was the combined result of a decrease in property taxes of \$230,318 due to lower taxable values, offset by: an increase in charges for services of \$202,989; an increase in sales taxes of \$148,253; an increase in intergovernmental revenues of \$124,372; and an increase in miscellaneous revenues of \$99,403.

Total expenses decreased \$683,409 (4.1%) from 2010. In the prior year, Building Inspection professional services were \$164,360 higher due to third party inspections of a new facility at the Dallas Country Club. General government expenses decreased \$503,709, the combined result of:

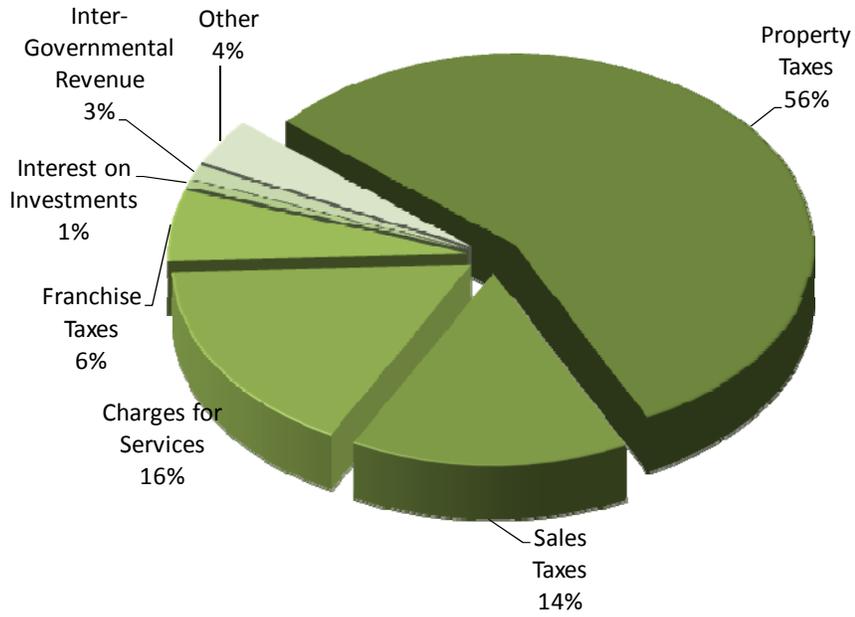
- During 2010, the Town changed its policy for capitalizing library books. The book value of library books of \$309,711 was removed from capital assets and was included in general government expenses.
- Due to the retirement and reallocation of personnel, the accrual for personnel expenses related to long-term compensated absences decreased \$74,681.
- Operating income of the Equipment Replacement Fund increased \$72,119, resulting in a decrease of 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 \$1,973,962. Comparatively, the increase in the investment in business-type capital assets, net of depreciation, increased \$1,222,311 for the year.

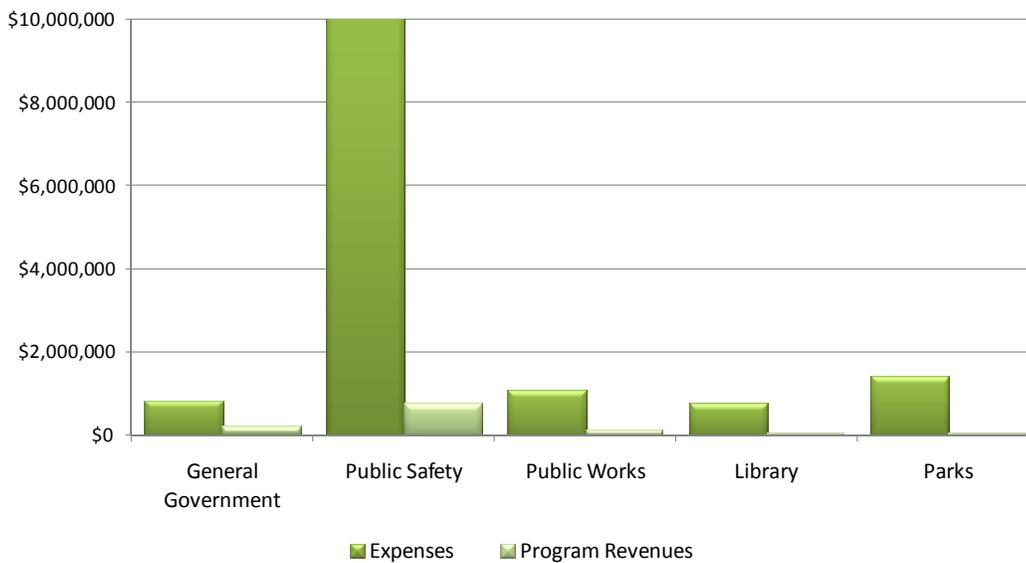
Total business-type revenues for 2011 increased by \$1,600,547 (19.2%) over 2010 revenues. Charges for services increased by \$1,629,246, the result of an increase in the volume of water sold of approximately 26% and a rate increase to offset a 17.2% increase in the cost of treated water purchased for resale.

**Transfers:** Transactions of a significant nature that did not impact the Town's total net assets involved transfers made in conjunction with the prior year implementation of the Town's first formal capital program. During fiscal year 2010, a five-year Capital Improvement Plan was adopted and in order to consolidate the Town's resources for it, transfers in the amount of \$473,401 were made from business-type activities to governmental-type activities.

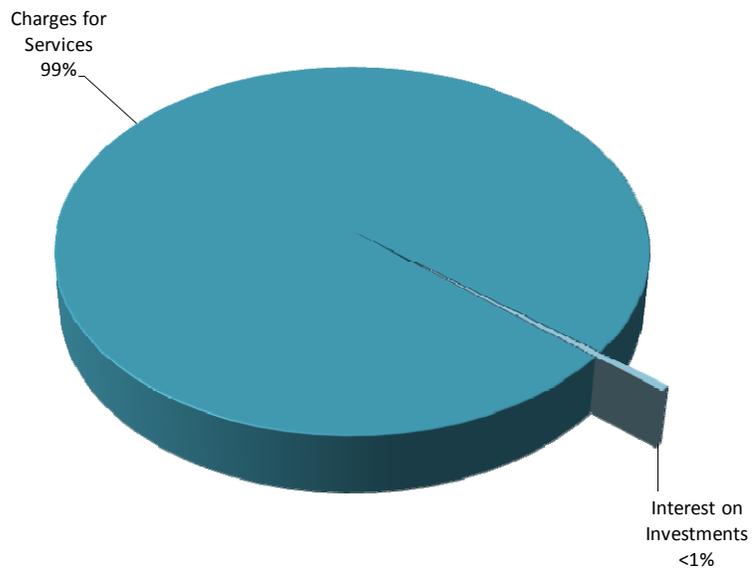
### Revenues by Source – Governmental Activities



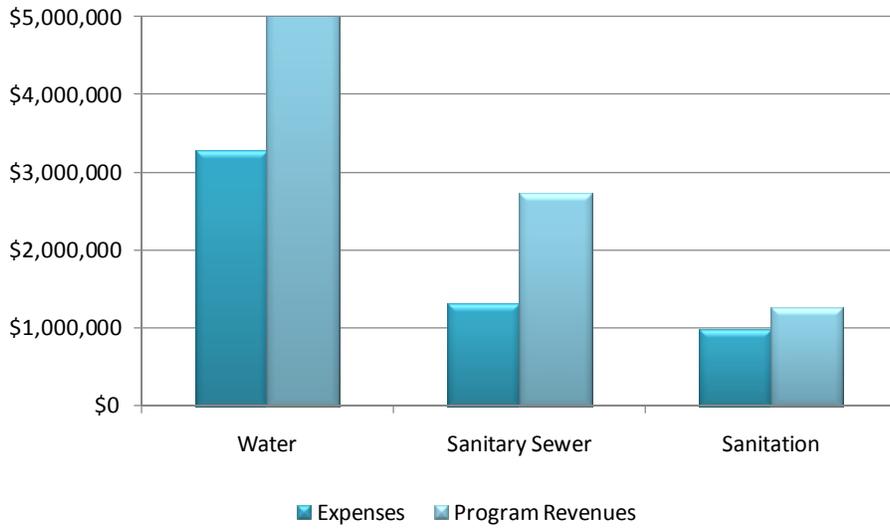
### Expense and Program Revenues – Governmental Activities



### Revenues by Source – Business-Type Activities



### Expense and Revenues – Business-Type Activities



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,930,278, a decrease of \$1,395,317 in comparison with the prior year. This decrease consists of the net result of activities described below for each of the individual governmental funds.

Approximately 24.4% of total fund balance (\$4,132,477) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance includes amounts not available for new spending because it is 1) nonspendable and is for inventory and prepaid items (\$27,813); 2) restricted for special revenue funds and for use by the Library (\$305,814); 3) committed for capital acquisition, stormwater drainage improvements and employee disbursement (\$8,676,585); or 4) assigned to liquidate contracts and purchase orders of the prior period (\$3,787,589).

The General Fund is the primary operating fund of the Town. The total fund balance of the Town's General Fund increased by \$270,864 during the current fiscal year; this was primarily the net result of (1) an excess of revenues over expenditures of \$1,866,648 (increase); (2) a budgeted transfer in the amount of \$990,000 from current revenues to the Capital Projects Fund (decrease); and (3) a transfer of \$664,794 to the Capital Projects Fund in accordance with the Town's Financial Management Policies (decrease).

As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28.4% of total General Fund expenditures, while total fund balance represents 32.1% of that same amount.

The Capital Projects Fund ended the fiscal year with a total fund balance of \$11,712,961, all committed or assigned for capital acquisitions and projects. Of this amount, \$8,330,542 is restricted for capital acquisition. The total fund balance of the Capital Projects Fund decreased by \$1,558,273 during the current fiscal year; this was the net result of \$2,096,450 in transfers from the General Fund (\$1,623,049) and the Enterprise Fund (\$473,401) and operations.

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

Unrestricted net assets of the Town's Enterprise Fund at the end of the year amounted to \$3,303,622, an increase of \$278,250. 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 \$51,837 less than the original budget. This was the net result of (1) the reallocation of personnel expenses between the General Fund and Enterprise Fund of \$73,974 (decrease); (2) the purchase of a fire hose in the amount of \$9,690 (increase); (3) the cost to repaint one of the Town's MICU units of \$4,000 (increase); and (4) the purchase of eBooks for the Library in the amount of \$8,447 (increase).

Actual fiscal year 2011 General Fund expenditures were \$556,714 (3.7%) less than the final amended budget. This variance was comprised of the following:

- Total personnel costs were \$358,664 less than budget. This was due to Public Safety open positions during parts of the year and employee health insurance costs being less than anticipated.
- Total supply costs were \$165,815 less than budgeted, the result of department's carefully monitoring costs due to the uncertain economy.

## **Capital Assets**

The Town's investment in capital assets for its governmental and business type activities as of September 30, 2011 amounts to \$51,258,059 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and park facilities. The net increase in the Town's investment in capital assets for the current fiscal year was \$4,834,247, or 10.4%.

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

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

The preparation of the 2012 Operating Budget was significantly impacted by the current economic recession and the effect that it has, and is having, on property values, housing starts, interest earnings and court revenues. Significant factors considered in preparing the budget include:

- Taxable property values for 2012 decreased \$54,544,220 (0.99%). Property tax revenues will be lower due to the combination of the decrease in values and the decision to retain a tax rate of \$0.22/\$100 valuation.
- Sales taxes have increased \$148,253 (6.1%) during 2011 over 2010, the result of stronger retail sales within the Town. The Town is projecting sales tax revenue of \$2,550,000 for the 2012 budget year, a 9.7% increase of the 2011 budget.
- Water sales have increased \$1,378,622 (32.0%) during 2011 over 2010, the combined result of an increase in water rates to offset costs and increased usage.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF HIGHLAND PARK**  
**Statement of Net Assets**  
**September 30, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 9,456,585	\$ 945,281	\$ 10,401,866
Investments	11,067,337	1,653,457	12,720,794
Receivables (net of allowances for uncollectibles):	1,171,200	1,770,002	2,941,202
Internal Balances	15,035	(15,035)	-
Inventory of Supplies	15,588	85,401	100,989
Prepaid Items	12,225	17,017	29,242
Total Current Assets	21,737,970	4,456,123	26,194,093
Noncurrent Assets			
Capital Assets:			
Land, Improvements and Construction in Progress	8,202,163	926,950	9,129,113
Other Capital Assets, Net of Accumulated Depreciation	27,277,775	14,851,171	42,128,946
Total Noncurrent Assets	35,479,938	15,778,121	51,258,059
Total Assets	\$ 57,217,908	\$ 20,234,244	\$ 77,452,152
<b>LIABILITIES</b>			
Current Liabilities:			
Vouchers Payable	\$ 966,297	\$ 549,948	\$ 1,516,245
Retainage Payable	84,142	-	84,142
Accrued Liabilities	1,333,550	242,152	1,575,702
Deposits	46,046	171,986	218,032
Noncurrent Liabilities Due Within One Year	242,487	20,603	263,090
Total Current Liabilities	2,672,522	984,689	3,657,211
Noncurrent Liabilities:			
Due in More Than One Year	1,107,776	167,812	1,275,588
Total Liabilities	3,780,298	1,152,501	4,932,799
<b>NET ASSETS</b>			
Invested in Capital Assets	35,479,938	15,778,121	51,258,059
Unrestricted	17,957,672	3,303,622	21,261,294
Total Net Assets	\$ 53,437,610	\$ 19,081,743	\$ 72,519,353

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, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants And Contributions	Primary Government		
				Governmental Activities	Business - Type Activities	Total
<b>Primary government:</b>						
Governmental Activities:						
General Government	\$ 812,643	\$ 208,091	\$ -	\$ (604,552)	\$ -	\$ (604,552)
Department of Public Safety	10,188,243	741,602	-	(9,446,641)	-	(9,446,641)
Street Department	1,090,129	120,887	-	(969,242)	-	(969,242)
Street Lighting Department	284,966	-	-	(284,966)	-	(284,966)
Library	745,811	16,001	-	(729,810)	-	(729,810)
Parks Department	1,404,315	10,360	-	(1,393,955)	-	(1,393,955)
Swimming Pool	228,565	109,959	-	(118,606)	-	(118,606)
Municipal Court	341,435	728,149	-	386,714	-	386,714
Finance Department	515,296	-	-	(515,296)	-	(515,296)
Building Inspection Department	391,922	928,146	-	536,224	-	536,224
Total governmental activities	<u>16,003,325</u>	<u>2,863,195</u>	<u>-</u>	<u>(13,140,130)</u>	<u>-</u>	<u>(13,140,130)</u>
Business-type activities:						
Enterprise	7,983,612	9,945,105	-	-	1,961,493	1,961,493
Total business-type activities	<u>7,983,612</u>	<u>9,945,105</u>	<u>-</u>	<u>-</u>	<u>1,961,493</u>	<u>1,961,493</u>
Total primary government	<u>\$ 23,986,937</u>	<u>\$ 12,808,300</u>	<u>\$ -</u>	<u>\$ (13,140,130)</u>	<u>\$ 1,961,493</u>	<u>\$ (11,178,637)</u>
General Revenues:						
Property Taxes				\$ 9,714,359	\$ -	\$ 9,714,359
Sales Taxes				2,579,028	-	2,579,028
Other Taxes				127,969	-	127,969
Franchise Taxes				1,010,742	-	1,010,742
Penalties and Interest on Taxes				55,505	-	55,505
Interest on Investments				108,877	12,469	121,346
Intergovernmental				211,751	-	211,751
Miscellaneous				492,970	-	492,970
Transfers				473,401	(473,401)	-
Total general revenues and transfers				<u>14,774,602</u>	<u>(460,932)</u>	<u>14,313,670</u>
Change in Net Assets				1,634,472	1,500,561	3,135,033
Net Assets - Beginning of Year				51,803,138	17,581,182	69,384,320
Net Assets - End of Year				<u>\$ 53,437,610</u>	<u>\$ 19,081,743</u>	<u>\$ 72,519,353</u>

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

**TOWN OF HIGHLAND PARK**  
**Balance Sheet - Governmental Funds**  
**September 30, 2011**

	General	Capital Projects	Non-Major	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,324,909	\$ 5,510,258	\$ 536,901	\$ 8,372,068
Investments	3,015,427	7,020,645	-	10,036,072
Receivables (net of allowances for uncollectibles)-				
Interest	3,307	21,690	-	24,997
Taxes	881,158	-	-	881,158
Other	104,406	-	13,589	117,995
Fines	144,078	-	-	144,078
Due From Other Funds	15,035	-	-	15,035
Inventory of Supplies	15,588	-	-	15,588
Prepaid Items	12,127	-	98	12,225
Total Assets	<u>\$ 6,516,035</u>	<u>\$ 12,552,593</u>	<u>\$ 550,588</u>	<u>\$ 19,619,216</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Vouchers Payable	\$ 137,277	\$ 755,876	\$ 610	\$ 893,763
Retainage Payable	386	83,756	-	84,142
Accrued Liabilities	1,332,455	-	1,095	1,333,550
Deposits	46,046	-	-	46,046
Deferred Revenue				
Property Taxes	155,829	-	-	155,829
Ambulance	31,530	-	-	31,530
Fines	144,078	-	-	144,078
Total Liabilities	<u>1,847,601</u>	<u>839,632</u>	<u>1,705</u>	<u>2,688,938</u>
<b>FUND BALANCES</b>				
Nonspendable				
Inventory of Supplies	15,588	-	-	15,588
Prepaid Items	12,127	-	98	12,225
Restricted				
Crime Prevention	-	-	494	494
Court Technology	-	-	46,159	46,159
Court Security	-	-	145,219	145,219
Library	113,942	-	-	113,942
Committed				
Capital Acquisition	-	8,330,542	-	8,330,542
Stormwater Drainage Improvements	-	-	343,665	343,665
Employee Christmas Fund	-	-	2,378	2,378
Assigned				
Capital Projects	-	3,382,419	-	3,382,419
Drainage	-	-	10,870	10,870
Other	394,300	-	-	394,300
Unassigned	4,132,477	-	-	4,132,477
Total Fund Balances	<u>4,668,434</u>	<u>11,712,961</u>	<u>548,883</u>	<u>16,930,278</u>
Total Liabilities and Fund Balances	<u>\$ 6,516,035</u>	<u>\$ 12,552,593</u>	<u>\$ 550,588</u>	<u>\$ 19,619,216</u>

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

**TOWN OF HIGHLAND PARK**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**

Total fund balances -- governmental funds \$ 16,930,278

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

Capital assets of \$54,257,497 net of accumulated depreciation of \$18,777,559 used in  
governmental activities are not financial resources and therefore are not reported as  
assets in governmental funds. 35,479,938

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

Property Taxes	\$ 155,829	
Ambulance Fees	31,530	
Court Fines	<u>144,078</u>	
		331,437

Long term liabilities related to compensated absences are recognized on the government-  
wide financial statements and not at the fund level. (1,036,409)

Long term liabilities related to other post employment benefits are recognized on the  
government-wide financial statements and not at the fund level. (313,854)

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 \$2,789,997 as it relates to the internal service funds  
is included in the capital asset amount above. 2,046,220

Total Net Assets--governmental activities (page 26) \$ 53,437,610

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

**TOWN OF HIGHLAND PARK**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the fiscal year ended September 30, 2011**

	General	Capital Projects	Non-Major	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 9,720,303	\$ -	\$ -	\$ 9,720,303
Sales Taxes	2,579,028	-	-	2,579,028
Other Taxes	127,969	-	-	127,969
Franchise Fees	1,010,742	-	-	1,010,742
Penalties and Interest	55,505	-	-	55,505
Licenses and Permits	1,008,939	-	-	1,008,939
Service Fees	1,204,482	-	234,925	1,439,407
Fines and Forfeits	366,991	-	-	366,991
Interest on Investments	33,301	60,257	1,564	95,122
Intergovernmental	-	211,751	-	211,751
Contributions	75,593	-	18,315	93,908
Miscellaneous	220,573	-	238	220,811
Total Revenues	16,403,426	272,008	255,042	16,930,476
<b>EXPENDITURES</b>				
Current-				
General Government	638,616	-	129,616	768,232
Department of Public Safety	9,828,167	-	-	9,828,167
Street Department	350,868	-	-	350,868
Street Lighting Department	264,445	-	-	264,445
Library	609,131	-	-	609,131
Parks Department	1,297,955	-	-	1,297,955
Swimming Pool	198,620	-	-	198,620
Municipal Court	291,393	-	-	291,393
Finance Department	507,215	-	-	507,215
Building Inspection Department	391,807	-	-	391,807
Capital Outlay	158,561	3,926,731	213,757	4,299,049
Total Expenditures	14,536,778	3,926,731	343,373	18,806,882
Excess (Deficiency) of Revenues Over Expenditures	1,866,648	(3,654,723)	(88,331)	(1,876,406)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	31,322	2,096,450	-	2,127,772
Transfers Out	(1,634,794)	-	(19,577)	(1,654,371)
Proceeds from Sale of Assets	7,688	-	-	7,688
Net Other Financing Sources (Uses)	(1,595,784)	2,096,450	(19,577)	481,089
Net Change in Fund Balances	270,864	(1,558,273)	(107,908)	(1,395,317)
FUND BALANCES, beginning of year	4,397,570	13,271,234	656,791	18,325,595
FUND BALANCES, end of year	\$ 4,668,434	\$ 11,712,961	\$ 548,883	\$ 16,930,278

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	\$ (1,395,317)
<p>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 (\$4,299,049) exceeded depreciation (\$1,349,537) in the current period.</p>	
	2,949,512
<p>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:</p>	
Property Taxes	(5,944)
Ambulance Fees	<u>47,858</u>
	41,914
Expenditures related to the long-term liability for other post employment benefits are recognized in the government-wide financial statements.	(120,096)
Expenditures related to the long-term liability for compensated absences are recognized in the government-wide financial statements.	(41,357)
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>199,816</u>
Change in net assets of governmental activities (page 27)	<u><u>\$ 1,634,472</u></u>

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

**TOWN OF HIGHLAND PARK**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 9,688,985	\$ 9,688,985	\$ 9,720,303	\$ 31,318
Sales Taxes	2,325,000	2,325,000	2,579,028	254,028
Other Taxes	100,000	100,000	127,969	27,969
Franchise Fees	990,000	990,000	1,010,742	20,742
Penalties and Interest	60,000	60,000	55,505	(4,495)
Licenses and Permits	881,325	881,325	1,008,939	127,614
Service Fees	1,128,000	1,128,000	1,204,482	76,482
Fines and Forfeits	371,000	371,000	366,991	(4,009)
Interest on Investments	60,100	60,100	33,301	(26,799)
Intergovernmental	4,500	4,500	-	(4,500)
Contributions	5,000	5,000	75,593	70,593
Miscellaneous	250,500	250,500	220,573	(29,927)
Total Revenues	15,864,410	15,864,410	16,403,426	539,016
<b>EXPENDITURES</b>				
Current-				
General Government	650,230	775,640	638,616	137,024
Department of Public Safety	10,007,615	10,021,305	9,828,167	193,138
Street Department	389,785	389,785	350,868	38,917
Street Lighting Department	306,110	306,110	264,445	41,665
Library	641,650	650,097	609,131	40,966
Parks Department	1,421,505	1,315,035	1,297,955	17,080
Swimming Pool	237,135	237,135	198,620	38,515
Municipal Court	307,950	307,950	291,393	16,557
Finance Department	541,015	541,015	507,215	33,800
Building Inspection Department	351,820	362,580	391,807	(29,227)
Capital Outlay	186,840	186,840	158,561	28,279
Total Expenditures	15,041,655	15,093,492	14,536,778	556,714
Excess (Deficiency) of Revenues Over Expenditures	822,755	770,918	1,866,648	1,095,730
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	31,745	31,745	31,322	(423)
Transfers Out	(990,000)	(1,634,794)	(1,634,794)	-
Sale of Assets	3,500	3,500	7,688	4,188
Net Other Financing Sources (Uses)	(954,755)	(1,599,549)	(1,595,784)	3,765
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(132,000)	(828,631)	270,864	1,099,495
FUND BALANCES, beginning of year	4,397,570	4,397,570	4,397,570	-
FUND BALANCES, end of year	\$ 4,265,570	\$ 3,568,939	\$ 4,668,434	\$ 1,099,495

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, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 945,281	\$ 1,084,517
Investments	1,653,457	1,031,265
Receivables (net of allowance for uncollectibles)-		
Water, Sewer and Garbage-		
Billed	1,314,726	-
Unbilled	453,425	-
Interest	1,851	2,972
Inventory of Supplies	85,401	-
Prepaid Items	17,017	-
Total Current Assets	4,471,158	2,118,754
<b>NON-CURRENT ASSETS</b>		
<b>CAPITAL ASSETS</b>		
Land	238,750	-
Buildings	20,197	-
Improvements Other Than Buildings	20,828,674	-
Vehicles and Rolling Stock	-	4,291,422
Machinery and Equipment	697,410	1,580,577
Office Furniture and Equipment	36,038	-
Construction in Progress	688,200	56,726
	22,509,269	5,928,725
Less Accumulated Depreciation	(6,731,148)	(3,138,728)
Capital Assets, Net of Accumulated Depreciation	15,778,121	2,789,997
Total Assets	20,249,279	4,908,751
<b>LIABILITIES</b>		
<b>Current Liabilities-</b>		
Vouchers Payable	549,948	72,534
Retainage Payable	-	-
Accrued Liabilities	242,152	-
Deposits	171,986	-
Due to other funds	15,035	-
Compensated absences- current	20,603	-
Total Current Liabilities	999,724	72,534
<b>Noncurrent Liabilities</b>		
OPEB	46,615	-
Compensated absences	121,197	-
Total Noncurrent Liabilities	167,812	-
Total Liabilities	1,167,536	72,534
<b>NET ASSETS</b>		
Invested in Capital Assets	15,778,121	2,789,997
Unrestricted	3,303,622	2,046,220
Total Net Assets	\$ 19,081,743	\$ 4,836,217

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, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>OPERATING REVENUES</b>		
Water Sales	\$ 5,700,152	\$ -
Sewer Services	2,745,623	-
Sanitation Services	1,257,603	-
New Connections	13,050	-
Plumbing Permits	33,320	-
Penalties for Late Payments	85,013	-
Inter-Departmental Water Sales	92,857	-
Charges for Services	-	508,781
Miscellaneous	17,487	1,813
Total Operating Revenues	9,945,105	510,594
<b>OPERATING EXPENSES</b>		
Personnel Services	2,092,714	-
Materials and Supplies	2,848,588	-
Services and Charges	2,453,659	8,570
Depreciation	588,651	484,713
Total Operating Expenses	7,983,612	493,283
Operating Income	1,961,493	17,311
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest	12,469	13,755
Gain on Sale of Assets	-	66,032
Total Nonoperating Revenues	12,469	79,787
Income before Transfers and Capital Contributions	1,973,962	97,098
Transfers out	(473,401)	-
Contributions of Capital Assets from Government	-	102,718
Change in Net Assets	1,500,561	199,816
NET ASSETS, beginning of year	17,581,182	4,636,401
NET ASSETS, end of year	\$ 19,081,743	\$ 4,836,217

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

**TOWN OF HIGHLAND PARK**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the fiscal year ended September 30, 2011**

	<u>Business-Type Activities - Enterprise Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 9,608,315	\$ 510,594
Receipts from interfund services provided	15,035	(41,520)
Cash payments to suppliers	(5,361,829)	(8,570)
Cash payments to employees	(2,060,105)	-
Net cash provided by operating activities	2,201,416	460,504
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers out	(473,401)	-
Net cash used for noncapital financing activities	(473,401)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(1,810,962)	(1,147,137)
Capital contributions	-	-
Net cash used for capital and related financing activities	(1,810,962)	(1,147,137)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investment securities	(3,802,655)	(1,798,620)
Proceeds from sale and maturities of investment securities	4,300,000	2,500,000
Interest and dividends received on investments	36,575	208,805
Net cash provided by investing activities	533,920	910,185
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	450,973	223,552
CASH AND CASH EQUIVALENTS, beginning of year	494,308	860,965
CASH AND CASH EQUIVALENTS, end of year	\$ 945,281	\$ 1,084,517
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ 1,961,493	\$ 17,311
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	588,651	484,713
Increase in inventory	(1,316)	-
Accounts receivable	(343,983)	-
Other assets	(3,911)	-
Accounts payable and accrued liabilities	(54,355)	(41,520)
Due to other funds	15,035	-
Compensated absences payable	14,772	-
Other post-employment benefits	17,837	-
Deposits	7,193	-
Total adjustments	239,923	443,193
Net cash provided by operating activities	\$ 2,201,416	\$ 460,504
<b>NONCASH INVESTING, CAPITAL AND RELATED ACTIVITIES:</b>		
Contribution of capital assets from governmental activities	\$ -	\$ 102,718

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



**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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, 2011, 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, 2011**

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, 2011**

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, 2011**

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 2010-2011 proposed budget was filed on August 22, 2010.
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 2010-2011 budget hearing was held on September 12, 2010.
5. Prior to September 30, the budget is legally enacted through passage of an ordinance. The 2010-2011 budget was approved September 12, 2010 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, 2011**

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, 2011**

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, 2011, as reflected in the financial statements, is:

	<b>Governmental and Business-Type Activities</b>
Cash/Demand Deposits	\$ 1,232,512
Investment Pools	9,169,354
Total	\$ 10,401,866

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 \$9,169,354. The bank balance at year-end was \$1,365,269.

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

	<b>Carrying Value</b>	<b>Fair Value</b>
Federal Agency Securities	\$ 12,471,794	\$ 12,471,794
Certificate of deposit	249,000	249,000
Investment Pools (included as cash and cash equivalents per combined balance sheet)	9,169,354	9,169,354
Total Investments	\$ 21,890,148	\$ 21,890,148

Maturities at September 30, 2011, were as follows:

Cash and Cash Equivalents	\$ 9,169,354
3 months to 2 years	12,720,794
Total	\$ 21,890,148

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment In One Issuer</b>
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, 2011, 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, 2011**

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, 2011, the Town had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
LOGIC	\$ 9,169,354	53 Days	AAA	AAA <sub>m</sub>
Cerificates of deposit	249,000	364 Days	N/A	N/A
U. S. Government Securities:				
Federal Home Loan Mortgage Corporation	\$ 4,267,827			AA+
Federal Home Loan Bank	4,170,972			AA+
Federal National Mortgage Association	2,032,495			AA+
Federal Farm Credit Bank	2,000,500			AA+
Total U.S. Government Securities	12,471,794	253 Days		
Total Primary Government	<u>\$ 21,890,148</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, 2011, the Town's deposits with its financial institution in excess of federal depository insurance limits were fully collateralized.

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Custodial credit risk – investments – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town avoids custodial credit risk on investments through its investment policy which further limits eligible instruments for investments of public funds. As of September 30, 2011, the Town had no custodial credit risk on its investments.

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.

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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	\$ -	\$ -	\$ -	\$ 1,324,815	\$ -	\$ 1,324,815
Unbilled	-	-	13,589	453,425	-	467,014
Interest	3,307	21,690	-	1,851	2,972	29,820
Property Taxes	175,232	-	-	-	-	175,232
Sales Taxes	434,735	-	-	-	-	434,735
Mixed Beverage Taxes	32,323	-	-	-	-	32,323
Franchise Taxes	255,286	-	-	-	-	255,286
Other	147,781	-	-	-	-	147,781
Fines and Forfeitures	144,078	-	-	-	-	144,078
Gross receivables	<u>1,192,742</u>	<u>21,690</u>	<u>13,589</u>	<u>1,780,091</u>	<u>2,972</u>	<u>3,011,084</u>
Less: allowance for uncollectibles	(59,793)	-	-	(10,089)	-	(69,882)
Net total receivables	<u>\$ 1,132,949</u>	<u>\$ 21,690</u>	<u>\$ 13,589</u>	<u>\$ 1,770,002</u>	<u>\$ 2,972</u>	<u>\$ 2,941,202</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, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

J. Accumulated Unpaid Compensated Absences

It is the Town's policy to permit employees to accumulate certain earned but unused vacation, comp time, and sick pay benefits. Accumulated personnel leave is accrued in the Enterprise Fund as current liabilities based upon unpaid amounts as of September 30, 2011, that must be paid by December 31, 2011, and amounts that become vested as of September 30, 2011, that must be paid within a one-year period. Otherwise, remaining amounts that have been earned but are not expected to be paid within a one-year period are included as long-term liabilities in the Enterprise Fund and in the government-wide statements.

K. Encumbrances

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

L. Fund Balance

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

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Fund Balance – continued

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

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

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

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

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

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

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

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

M. Property Tax

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

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

N. Expenditure Allocations

The expenditures of the service center and municipal building departments of the General Fund are allocated to other departments (in both General and Enterprise Funds) of the Town based upon actual usage and percentage usage calculations for each department. These reallocations to the Enterprise Fund amounted to \$15,249 of service center expenditures and \$13,504 of municipal building expenditures during fiscal year 2011.

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 \$211,805.

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**2. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>General Capital Assets:</b>				
Capital Assets, not Being Depreciated:				
Land	\$ 4,193,026	\$ -	\$ -	\$ 4,193,026
Work in Progress	872,426	3,826,243	(746,258)	3,952,411
Total General Capital Assets, not being Depreciated	<u>5,065,452</u>	<u>3,826,243</u>	<u>(746,258)</u>	<u>8,145,437</u>
Capital Assets, Being Depreciated:				
Buildings	5,019,716	-	-	5,019,716
Capital Improvements	32,114,247	1,217,680	-	33,331,927
Furniture and Fixtures	58,287	-	-	58,287
Office Equipment	256,613	1,384	(30,956)	227,041
Machinery and Equipment	1,546,364	-	-	1,546,364
Total General Capital Assets Being Depreciated	<u>38,995,227</u>	<u>1,219,064</u>	<u>(30,956)</u>	<u>40,183,335</u>
Less Accumulated Depreciation for:				
Buildings	(673,443)	(101,076)	-	(774,519)
Capital Improvements	(12,422,959)	(1,156,945)	-	(13,579,904)
Furniture and Fixtures	(51,149)	(7,138)	-	(58,287)
Office Equipment	(250,654)	(7,343)	30,956	(227,041)
Machinery and Equipment	(922,045)	(77,035)	-	(999,080)
Total Accumulated Depreciation	<u>(14,320,250)</u>	<u>(1,349,537)</u>	<u>30,956</u>	<u>(15,638,831)</u>
Total General Capital Assets Being Depreciated, net	<u>24,674,977</u>	<u>(130,473)</u>	<u>-</u>	<u>24,544,504</u>
<b>Internal Service Fund Capital Assets:</b>				
Capital Assets, not Being Depreciated:				
Work in Progress	50,000	56,726	(50,000)	56,726
Total General Capital Assets, not being Depreciated	<u>50,000</u>	<u>56,726</u>	<u>(50,000)</u>	<u>56,726</u>
Capital Assets, Being Depreciated:				
Machinery and Equipment	1,608,300	118,033	(145,756)	1,580,577
Vehicles	3,470,494	1,062,640	(241,712)	4,291,422
Total Capital Assets Being Depreciated	<u>5,078,794</u>	<u>1,180,673</u>	<u>(387,468)</u>	<u>5,871,999</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(1,387,946)	(145,043)	146,585	(1,386,404)
Vehicles	(1,613,275)	(339,670)	200,621	(1,752,324)
Total Accumulated Depreciation	<u>(3,001,221)</u>	<u>(484,713)</u>	<u>347,206</u>	<u>(3,138,728)</u>
Total Capital Assets Being Depreciated, net	<u>2,077,573</u>	<u>695,960</u>	<u>(40,262)</u>	<u>2,733,271</u>
<b>Total Governmental Activities</b>				
Governmental Activities Capital Assets				
Not Being Depreciated	<u>\$ 5,115,452</u>	<u>\$ 3,882,969</u>	<u>\$ (796,258)</u>	<u>\$ 8,202,163</u>
Governmental Activities Capital Assets				
Being Depreciated, net	<u>\$ 26,752,550</u>	<u>\$ 565,487</u>	<u>\$ (40,262)</u>	<u>\$ 27,277,775</u>

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

2. CAPITAL ASSETS – continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital Assets, not Being Depreciated:				
Land	\$ 238,750	\$ -	\$ -	\$ 238,750
Work in Progress	774,148	688,200	(774,148)	688,200
Total Capital Assets, not Being Depreciated	<u>1,012,898</u>	<u>688,200</u>	<u>(774,148)</u>	<u>926,950</u>
Capital Assets, Being Depreciated:				
Buildings	20,197	-	-	20,197
Improvements Other than Building	18,995,169	1,833,505	-	20,828,674
Machinery and Equipment	653,785	43,625	-	697,410
Office Furniture and Equipment	23,058	19,780	(6,800)	36,038
Total Capital Assets Being Depreciated	<u>19,692,209</u>	<u>1,896,910</u>	<u>(6,800)</u>	<u>21,582,319</u>
Less Accumulated Depreciation for:				
Buildings	(20,195)	-	-	(20,195)
Capital Improvements	(5,292,908)	(543,750)	-	(5,836,658)
Machinery and Equipment	(268,811)	(44,901)	-	(313,712)
Office Furniture and Equipment	(22,017)	-	6,800	(15,217)
Total Accumulated Depreciation	<u>(6,149,297)</u>	<u>(588,651)</u>	<u>6,800</u>	<u>(6,731,148)</u>
Total Capital Assets Being Depreciated, net	<u>\$ 13,542,912</u>	<u>\$ 1,308,259</u>	<u>\$ -</u>	<u>\$ 14,851,171</u>
Business-Type Activities Capital Assets, net	<u>\$ 14,555,810</u>	<u>\$ 1,996,459</u>	<u>\$ (774,148)</u>	<u>\$ 15,778,121</u>

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

2. CAPITAL ASSETS – continued

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

Governmental Activities:	
General Government	\$ 140,969
Department of Public Safety	205,437
Street Department	775,546
Street Lighting Department	36,776
Library	71,312
Parks Department	69,080
Swimming Pool	31,756
Municipal Court	18,661
Total Depreciation Expense - General Capital Assets	1,349,537
Internal Service Fund	484,713
Total Depreciation Expense - Governmental Activities	\$ 1,834,250
Business-type Activities:	
Water	\$ 338,515
Sewer	250,136
Total Depreciation Expense - Business-type Activities	\$ 588,651

3. INTERFUND TRANSACTIONS

During the fiscal year 2010, a five-year Capital Improvement Plan was adopted and in order to consolidate the Town's resources for it, transfers in the amount of \$2,141,388 were made from business-type activities to governmental-type activities. Individual fund transfers for the fiscal year 2011 were as follows:

<b>Transfer Out:</b>	<b>Transfer In:</b>			<b>Purpose of Transfer</b>
	Capital Projects Fund	General Fund	Total	
General Fund	\$ 1,634,794	\$ -	\$ 1,634,794	Funding of Capital Improvement Plan
Utility Fund	461,656	11,745	473,401	Funding of Capital Improvement Plan
Nonmajor Funds	-	19,577	19,577	Municipal Court Security
Total	\$ 2,096,450	\$ 31,322	\$ 2,127,772	

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 995,052	\$ 60,911	\$ (19,554)	\$ 1,036,409	\$ 242,487
OPEB liability	193,758	120,096	-	313,854	-
Governmental activity					
Long-term liabilities	<u>\$ 1,188,810</u>	<u>\$ 181,007</u>	<u>\$ (19,554)</u>	<u>\$ 1,350,263</u>	<u>\$ 242,487</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 127,028	\$ 68,404	\$ (63,004)	\$ 141,800	\$ 20,603
OPEB liability	28,778	17,837	-	46,615	-
Business-type activity					
Long-term liabilities	<u>\$ 155,806</u>	<u>\$ 86,241</u>	<u>\$ (63,004)</u>	<u>\$ 188,415</u>	<u>\$ 20,603</u>

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

5. RETIREMENT PLANS

Texas Municipal Retirement System

**Plan Description**

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

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

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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 2010</u>	<u>Plan Year 2011</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:

	<b>September 30</b>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual Required Contribution (ARC)	\$ 1,405,510	\$ 1,365,088	\$ 1,304,409
Annual Pension Cost	\$ 1,405,510	\$ 1,365,088	\$ 1,304,409
Contributions Made	\$ (1,405,510)	\$ (1,365,088)	\$ (1,304,409)
Change in Net Pension Obligation (NPO)	\$ -	\$ -	\$ -
NPO, Beginning of Year	\$ -	\$ -	\$ -
NPO, End of Year	\$ -	\$ -	\$ -

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

5. RETIREMENT PLANS - continued

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	Valuation Date		
	12/31/2008	12/31/2009	12/31/2010
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	24 years; closed period	23 years; closed period	24.9 years; closed period
Amortization Period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	Amortized cost	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

The funded status as of December 31, 2010, 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
12/31/2010	\$ 55,545,786	\$ 53,474,771	103.9%	\$(2,071,015)	\$10,115,135	-20.5%

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, 2011**

**6. POST EMPLOYMENT BENEFITS**

The Town offers retired employees the option to retain health and dental insurance coverage under the Town's insurance carrier until age 65 through a single employer defined benefit plan. The Town does not contribute funds for this coverage, and Retirees are required to pay all insurance premiums. While the Town does not directly pay premiums for retirees, the Town's cost for insurance coverage is affected by the inclusion of these individuals in the group. This effect on cost is considered to be an implicit rate subsidy. There were three participating retirees receiving health and dental insurance coverage as of September 30, 2011. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate report. Benefit provisions for retirees are not mandated by any form of employment agreement, and the continued provision of these benefits is based entirely on the discretion of the Town Council.

**Funding Policy**

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

**Annual OPEB Cost**

The Town's annual 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, 2011:

Annual Required Contribution	\$	134,439
Interest of Prior Year Net OPEB Obligation		10,014
Adjustment to Annual Required Contribution		(6,520)
Annual OPEB Cost		137,933
Contributions Made		-
Increase in Net OPEB Obligation		137,933
Net Obligation, Beginning of Year		222,536
Net Obligation, End of Year	\$	360,469
Percentage of OPEB Costs Contributed		0%

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

6. POST EMPLOYMENT BENEFITS - continued

**Funding Status and Funding Progress**

The funded status of the plan as of actuarial measurement date of January 11, 2011 was as follows:

Actuarial Accrued Liability	\$ 1,369,234
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 1,369,234</u>
Funded Ratio	0%
Covered Payroll	\$ 10,115,135
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	14%

Since the Town did not establish an irrevocable trust, plan assets will always be reported as zero (\$0). Because the actuarial accrued liability is the implicit rate subsidy of premiums, the Town believes that its actual health plan postemployment benefit will not grow significantly over time. The Town has chosen, therefore, to fund these benefits on a pay-as-you-go method.

7. COMMITMENTS AND CONTINGENCIES

During the current year, the Town purchased treated water from the Dallas County Park Cities Municipal Utility District ("DCPCMUD") for \$1.2388 for each 1,000 gallons consumed. The Town entered into a contract with the District on April 19, 2004 which expires on April 18, 2024. The current year charges for services were \$2,643,547.

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 \$911,739.

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 \$95,832.

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 \$805,838.

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 \$90,883 for the current year.

**TOWN OF HIGHLAND PARK  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

7. COMMITMENTS AND CONTINGENCIES - continued

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 \$34,112.

Certain litigation was outstanding against the Town as of September 30, 2011. In the opinion of the Town's attorneys, the potential loss on such litigation would not be significant to the Town's financial statements.

Risk Management

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

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
	\$ 5,000,000	Annual Aggregate	
Errors and Omissions Liability	\$ 2,000,000	Each Wrongful Act	\$ 25,000
	\$ 4,000,000	Annual Aggregate	
Auto Physical Damage	\$ 1,720,763		\$ 10,000
Real & Personal Property	\$ 16,457,410		\$ 10,000
Mobile Equipment	\$ 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.

## **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	Actuarial	Funded	Unfunded	Annual	UAAL as a
	Value	Accrued	Ratio	AAL	Covered	Percent of
Actuarial	of Assets	Liability (AAL)	(1)/(2)	(UAAL)	Payroll	Covered
Valuation				(2)-(1)		Payroll
Date						(4)/(5)
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%
12/31/2010	\$55,545,786	\$53,474,771	103.9%	\$(2,071,015)	\$10,115,135	-20.5%

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Interest on Investments	\$ 90,000	\$ 112,800	\$ 60,257	\$ (52,543)
Intergovernmental	-	-	211,751	211,751
Miscellaneous	1,000,000	-	-	-
Total Revenues	<u>1,090,000</u>	<u>112,800</u>	<u>272,008</u>	<u>159,208</u>
<b>EXPENDITURES:</b>				
Capital Outlay	10,835,000	10,843,465	3,926,731	6,916,734
Total Expenditures	<u>10,835,000</u>	<u>10,843,465</u>	<u>3,926,731</u>	<u>6,916,734</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,745,000)</u>	<u>(10,730,665)</u>	<u>(3,654,723)</u>	<u>7,075,942</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	3,254,765	3,254,765	2,096,450	(1,158,315)
Net Other Financing Sources (Uses)	<u>3,254,765</u>	<u>3,254,765</u>	<u>2,096,450</u>	<u>(1,158,315)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(6,490,235)</u>	<u>(7,475,900)</u>	<u>(1,558,273)</u>	<u>5,917,627</u>
FUND BALANCES, beginning of year	13,271,234	13,271,234	13,271,234	-
FUND BALANCES, end of year	<u>\$ 6,780,999</u>	<u>\$ 5,795,334</u>	<u>\$ 11,712,961</u>	<u>\$ 5,917,627</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, 2011**

	Special Revenue					Total
	Stormwater Drainage	Employee Christmas	Forfeited Property	Court Technology	Court Security	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 342,536	\$ 2,378	\$ 494	\$ 46,274	\$ 145,219	\$ 536,901
Receivables (net of allowances for uncollectibles)-						
Other	13,589	-	-	-	-	13,589
Prepaid Items	98	-	-	-	-	98
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets and Other Debits	\$ 356,223	\$ 2,378	\$ 494	\$ 46,274	\$ 145,219	\$ 550,588
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Vouchers Payable	\$ 495	\$ -	\$ -	\$ 115	\$ -	\$ 610
Accrued Liabilities	1,095	-	-	-	-	1,095
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	1,590	-	-	115	-	1,705
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE</b>						
Nonspendable						
Prepaid Items	98	-	-	-	-	98
Restricted						
Crime Prevention	-	-	494	-	-	494
Court Technology	-	-	-	46,159	-	46,159
Court Security	-	-	-	-	145,219	145,219
Committed						
Stormwater Drainage Improvements	343,665	-	-	-	-	343,665
Employee Christmas Fund	-	2,378	-	-	-	2,378
Assigned						
Drainage	10,870	-	-	-	-	10,870
Total Fund Balances	354,633	2,378	494	46,159	145,219	548,883
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 356,223	\$ 2,378	\$ 494	\$ 46,274	\$ 145,219	\$ 550,588
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**TOWN OF HIGHLAND PARK**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended September 30, 2011**

	Stormwater Drainage	Special Revenue				Total
		Employee Christmas	Forfeited Property	Court Technology	Court Security	
<b>REVENUES</b>						
Fees	\$ 186,581	\$ -	\$ -	\$ 27,625	\$ 20,719	\$ 234,925
Contributions	-	18,315	-	-	-	18,315
Interest on Investments	1,207	6	12	66	273	1,564
Miscellaneous	204	-	34	-	-	238
<b>Total Revenues</b>	<b>187,992</b>	<b>18,321</b>	<b>46</b>	<b>27,691</b>	<b>20,992</b>	<b>255,042</b>
<b>EXPENDITURES</b>						
Personnel Services	36,213	-	-	-	-	36,213
Distributions of Contributions	-	18,059	-	-	-	18,059
FICA Contribution	-	1,249	-	-	-	1,249
TMRS	-	2,345	-	-	-	2,345
Materials and Supplies	3,719	-	-	20,014	-	23,733
Services and Charges	36,544	-	11,150	-	323	48,017
Capital Outlay	213,757	-	-	-	-	213,757
<b>Total Expenditures</b>	<b>290,233</b>	<b>21,653</b>	<b>11,150</b>	<b>20,014</b>	<b>323</b>	<b>343,373</b>
Excess (Deficiency) of Revenues Over Expenditures	(102,241)	(3,332)	(11,104)	7,677	20,669	(88,331)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	-	-	-	-	(19,577)	(19,577)
Net Other Financing Sources (Uses)	-	-	-	-	(19,577)	(19,577)
Net Change in Fund Balances	(102,241)	(3,332)	(11,104)	7,677	1,092	(107,908)
FUND BALANCES, beginning of year	456,874	5,710	11,598	38,482	144,127	656,791
FUND BALANCES, end of year	\$ 354,633	\$ 2,378	\$ 494	\$ 46,159	\$ 145,219	\$ 548,883



## **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, 2011**

	<u>Balance</u> <u>October 1,</u> <u>2010</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>2011</u>
<b>EQUIPMENT:</b>				
Vehicles and Rolling Stock	\$ 3,470,494	\$ 1,062,640	\$ 241,712	\$ 4,291,422
Office Equipment	1,608,300	118,033	145,756	1,580,577
Work in Progress	50,000	56,726	50,000	56,726
	<u>5,128,794</u>	<u>1,237,399</u>	<u>437,468</u>	<u>5,928,725</u>
Totals				
<b>ACCUMULATED DEPRECIATION:</b>				
Vehicles and Rolling Stock	1,613,275	339,669	200,620	1,752,324
Office Equipment	1,387,946	144,905	146,447	1,386,404
	<u>3,001,221</u>	<u>484,574</u>	<u>347,067</u>	<u>3,138,728</u>
Totals				
<b>NET EQUIPMENT</b>	<u><u>\$ 2,127,573</u></u>	<u><u>\$ 752,825</u></u>	<u><u>\$ 90,401</u></u>	<u><u>\$ 2,789,997</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.

<b>Contents</b>	<b>Page</b>
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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>										
Invested in capital assets	\$ 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	\$ 35,479,938
Unrestricted	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	17,957,672
<b>Total governmental activities net assets</b>	<b>\$ 30,241,846</b>	<b>\$ 30,618,252</b>	<b>\$ 31,113,883</b>	<b>\$ 32,253,997</b>	<b>\$ 33,438,542</b>	<b>\$ 39,177,332</b>	<b>\$ 43,745,500</b>	<b>\$ 46,478,180</b>	<b>\$ 51,803,138</b>	<b>\$ 53,437,610</b>
<b>Business-type activities</b>										
Invested in capital assets	\$ 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	\$ 15,778,121
Unrestricted	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	3,303,622
<b>Total business-type activities net assets</b>	<b>\$ 15,553,914</b>	<b>\$ 16,275,262</b>	<b>\$ 17,114,443</b>	<b>\$ 18,338,467</b>	<b>\$ 20,249,297</b>	<b>\$ 19,203,958</b>	<b>\$ 20,442,268</b>	<b>\$ 21,905,825</b>	<b>\$ 17,581,182</b>	<b>\$ 19,081,743</b>
<b>Primary Government</b>										
Invested in capital assets	\$ 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	\$ 51,258,059
Unrestricted	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	21,261,294
<b>Total primary government net assets</b>	<b>\$ 45,795,760</b>	<b>\$ 46,893,514</b>	<b>\$ 48,228,326</b>	<b>\$ 50,592,464</b>	<b>\$ 53,687,839</b>	<b>\$ 58,381,290</b>	<b>\$ 64,187,768</b>	<b>\$ 68,384,005</b>	<b>\$ 69,384,320</b>	<b>\$ 72,519,353</b>

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 386,561	\$ 412,898	\$ 485,393	\$ 659,447	\$ 725,157	\$ 877,318	\$ 698,577	\$ 824,699	\$ 1,316,352	\$ 812,643
Department of Public Safety	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	10,188,243
Street Department	542,805	460,434	549,528	443,041	514,118	678,087	812,623	867,698	1,061,747	1,090,129
Street Lighting Department	289,819	338,862	307,291	326,253	326,216	277,504	318,467	327,938	307,312	284,966
Library	432,037	470,052	515,333	511,013	529,928	562,314	619,876	644,462	772,491	745,811
Parks Department	978,429	1,056,276	1,049,401	1,137,588	1,259,593	1,234,759	1,342,352	1,430,322	1,431,268	1,404,315
Swimming Pool	141,045	151,527	153,486	143,633	152,636	166,346	171,912	197,907	228,852	228,565
Municipal Court	186,715	200,874	206,783	232,787	229,596	297,580	320,864	318,937	343,042	341,435
Finance Department	390,409	405,642	435,389	434,076	447,171	459,684	480,159	481,073	520,784	515,296
Building Inspection Department	190,883	182,709	203,320	223,801	288,789	298,711	348,730	402,380	539,980	391,923
Total governmental activities	10,202,371	10,848,071	11,490,824	12,040,174	13,092,966	13,583,225	14,742,438	15,362,506	16,686,734	16,003,325
Business-type activities:										
Enterprise	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	7,983,612
Total business-type activities	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	7,983,612
Total primary government	\$ 15,707,720	\$ 16,543,542	\$ 17,198,527	\$ 17,989,293	\$ 19,387,362	\$ 19,687,454	\$ 21,605,568	\$ 22,574,075	\$ 24,168,282	\$ 23,986,937
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General Government	\$ 20,042	\$ 18,015	\$ 165,917	\$ 195,069	\$ 194,078	\$ 190,066	\$ 196,385	\$ 191,381	\$ 206,255	\$ 208,091
Department of Public Safety	618,541	612,331	620,643	647,933	650,449	655,606	713,878	755,635	588,974	741,602
Street Department	235,392	250,072	252,884	269,324	307,910	254,411	301,998	335,778	118,743	120,887
Library	24,718	21,842	20,878	20,768	19,167	18,108	14,652	18,619	16,959	16,001
Parks Department	5,281	3,976	4,172	4,186	4,770	4,322	12,955	12,680	11,720	10,360
Swimming Pool	65,532	80,222	76,745	76,094	79,580	87,014	94,432	94,184	92,468	109,959
Municipal Court	583,946	604,717	544,308	842,444	770,862	724,746	728,369	662,570	676,094	728,149
Building Inspection Department	653,185	646,340	748,458	930,257	858,409	1,312,827	725,997	904,647	968,993	928,146
Operating grants and contributions	78,726	134,408	35,455	16,466	4,960	528,388	1,477,837	32,392	4,383	-
Total governmental activities	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	2,863,195

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Business-type activities:</b>										
Enterprise	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	9,945,105
Total business-type activities	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	9,945,105
Total primary government	\$ 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	\$ 12,808,300
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (13,140,130)
Business-type activities	599,473	772,406	841,710	1,097,951	1,596,239	579,457	1,047,741	1,253,716	834,311	1,961,493
Total primary government net expense	\$ (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)	\$ (11,178,637)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 9,714,359
Sales taxes	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	2,579,028
Other taxes	82,555	82,562	94,253	107,517	102,115	105,069	106,462	106,433	94,159	127,969
Franchise taxes	918,921	851,643	858,564	880,995	950,145	925,302	965,870	1,018,539	1,015,431	1,010,742
Penalty and interest on taxes	35,419	42,942	47,749	42,426	46,607	55,763	66,184	65,671	59,834	55,505
Interest on investments	589,261	252,895	171,152	270,423	656,533	895,894	767,451	402,349	131,159	108,877
Sale of assets	3,101,501	110,308	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	1,765,797	1,293,877	87,379	211,751
Miscellaneous	264,612	272,844	231,338	290,821	252,090	327,332	277,280	418,758	393,567	492,970
Transfers	(60,000)	143,886	74,625	-	-	2,000,000	-	-	5,200,122	473,401
Total governmental activities	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	14,774,602
Business-type activities:										
Interest on investments	225,363	134,574	72,096	126,073	314,591	375,204	190,569	209,841	41,168	12,469
Sale of assets	(28)	(579)	-	-	-	-	-	-	-	-
Transfers	60,000	(143,886)	(74,625)	-	-	(2,000,000)	-	-	(5,200,122)	(473,401)
Total business-type activities	285,335	(9,891)	(2,529)	126,073	314,591	(1,624,796)	190,569	209,841	(5,158,954)	(460,932)
Total primary government	\$ 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	\$ 14,313,670
<b>Changes in Net Assets</b>										
Governmental activities	\$ 4,113,827	\$ 689,250	\$ 495,631	\$ 1,140,114	\$ 1,184,545	\$ 4,817,567	\$ 4,712,908	\$ 2,732,680	\$ 5,324,958	\$ 1,634,472
Business-type activities	884,808	762,515	839,181	1,224,024	1,910,830	(1,045,339)	1,238,310	1,463,557	(4,324,643)	1,500,561
Total primary government	\$ 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	\$ 3,135,033

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)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Mixed Beverage Tax</b>	<b>Total</b>
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
2011	9,714,359	2,579,028	1,010,742	127,969	13,432,098

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 880,388	\$ 817,225	\$ 724,009	\$ 294,011	\$ 264,686	\$ 227,102	\$ 642,309	\$ 556,019	\$ 460,713	\$ -
Nonspendable	-	-	-	-	-	-	-	-	-	27,715
Restricted	-	-	-	-	-	-	-	-	-	113,942
Assigned	-	-	-	-	-	-	-	-	-	394,300
Unassigned	-	-	-	-	-	-	-	-	-	4,132,477
Unreserved	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	\$ 5,122,282	\$ 5,054,606	\$ 4,386,267	\$ 4,620,420	\$ 3,250,911	\$ 4,921,475	\$ 4,586,661	\$ 5,556,489	\$ 4,397,570	\$ 4,668,434
All other Governmental Funds										
Reserved	\$ 2,850,480	\$ 817,698	\$ 921,815	\$ 904,421	\$ 973,604	\$ 9,737,980	\$ 5,292,585	\$ 1,459,922	\$ 4,350,933	\$ -
Nonspendable	-	-	-	-	-	-	-	-	-	98
Restricted	-	-	-	-	-	-	-	-	-	191,872
Committed	-	-	-	-	-	-	-	-	-	8,676,585
Assigned	-	-	-	-	-	-	-	-	-	3,393,289
Unassigned	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Capital Projects Fund	3,272,053	3,257,587	3,950,112	4,706,339	6,329,012	455,782	1,772,979	5,527,375	13,974,662	-
Total all other Governmental Funds	\$ 6,122,533	\$ 4,075,285	\$ 4,871,927	\$ 5,610,760	\$ 7,302,616	\$ 10,193,762	\$ 7,065,564	\$ 6,987,297	\$ 18,325,595	\$ 12,261,844

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

See Note 1 to the Basic Financial Statements.

Source: Town Comprehensive Annual Financial Report

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Taxes	\$ 8,099,081	\$ 8,308,899	\$ 9,012,222	\$ 9,574,883	\$ 10,427,818	\$ 11,290,415	\$ 12,315,728	\$ 12,926,004	\$ 13,389,605	13,438,042
Penalties and Interest	35,419	42,942	47,749	42,426	46,607	55,763	66,184	65,671	59,834	55,505
Licenses and Permits	721,527	696,305	797,720	1,000,525	914,566	1,368,191	784,591	965,340	1,051,114	1,008,939
Service Fees	1,165,152	1,219,358	1,325,512	1,501,013	1,565,855	1,502,798	1,576,990	1,622,643	1,347,210	1,439,407
Fines and Forfeitures	297,112	292,407	278,021	443,971	428,586	412,717	388,041	346,085	337,079	366,991
Interest on Investments	538,565	232,427	147,009	238,279	579,421	761,147	693,764	344,529	114,596	95,122
Intergovernmental	-	-	-	-	-	-	1,765,797	1,293,877	87,379	211,751
Contributions	-	-	-	21,131	30,376	559,437	1,505,656	132,072	59,280	93,908
Miscellaneous	343,339	407,246	296,793	266,156	226,614	296,263	249,491	259,673	253,630	220,811
<b>Total Revenues</b>	<b>11,200,195</b>	<b>11,199,366</b>	<b>11,875,026</b>	<b>13,108,364</b>	<b>14,219,903</b>	<b>16,246,751</b>	<b>19,346,252</b>	<b>17,991,694</b>	<b>16,699,721</b>	<b>16,350,476</b>
<b>Expenditures</b>										
General Government	324,015	334,886	403,910	443,778	511,794	739,674	806,635	732,754	1,098,201	981,989
Department of Public Safety	6,668,713	6,951,840	7,333,508	7,700,362	8,274,758	8,408,121	9,472,901	9,490,181	9,947,630	9,986,728
Street Department	883,425	887,900	1,154,231	1,055,515	986,893	288,622	785,334	856,776	318,650	350,868
Street Lighting Department	222,763	274,977	243,791	262,063	288,187	238,880	279,828	305,611	277,085	264,445
Library	459,227	475,709	519,901	525,574	532,048	558,488	605,344	569,968	638,351	609,131
Parks Department	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	1,297,955
Swimming Pool	119,632	131,856	133,558	123,608	150,058	160,839	179,667	174,098	205,395	198,620
Municipal Court	195,419	199,677	206,532	219,776	216,607	226,792	239,087	252,461	299,360	291,393
Finance Department	387,286	402,047	432,088	427,336	437,466	451,381	474,821	471,679	514,690	507,215
Building Inspection Department	190,883	183,264	208,010	222,239	284,650	292,961	344,512	397,138	534,673	391,807
Capital Outlay	2,682,970	2,613,974	102,103	161,301	166,559	1,161,316	8,350,959	2,403,131	887,491	3,926,731
<b>Total Expenditures</b>	<b>13,021,736</b>	<b>13,417,155</b>	<b>11,761,646</b>	<b>12,293,790</b>	<b>13,121,835</b>	<b>13,686,041</b>	<b>22,813,758</b>	<b>17,101,306</b>	<b>16,118,040</b>	<b>18,806,862</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(1,821,543)</b>	<b>(2,217,789)</b>	<b>93,380</b>	<b>814,594</b>	<b>1,098,068</b>	<b>2,561,710</b>	<b>(3,467,526)</b>	<b>890,588</b>	<b>581,687</b>	<b>(1,876,406)</b>
<b>Other Financing Sources (Uses):</b>										
Transfers In	5,329,962	597,079	789,577	737,828	1,451,550	3,120,330	1,538,834	978,934	8,066,620	2,127,772
Transfers Out	(5,468,132)	(607,386)	(760,129)	(609,348)	(2,227,392)	(1,120,330)	(1,538,834)	(978,934)	(2,866,498)	(1,654,371)
Sale of Assets	3,085,108	113,152	5,475	29,912	121	-	4,514	973	-	7,988
<b>Total other Financing Sources (Uses)</b>	<b>2,946,938</b>	<b>102,845</b>	<b>34,923</b>	<b>158,392</b>	<b>(775,211)</b>	<b>2,000,000</b>	<b>4,514</b>	<b>973</b>	<b>5,200,122</b>	<b>481,089</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,125,395</b>	<b>\$(2,114,924)</b>	<b>\$ 128,303</b>	<b>\$ 972,986</b>	<b>\$ 322,347</b>	<b>\$ 4,561,710</b>	<b>\$(3,463,012)</b>	<b>\$ 891,561</b>	<b>\$ 5,781,809</b>	<b>\$(1,395,317)</b>

Source: Town Comprehensive Annual Financial Report

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

Fiscal Year	Business		Less:		Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Personal Property	Tax-Exempt Property	Property		
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
2011	5,447,807,590	59,937,910	1,085,803,668		4,421,941,832	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	Town of Highland Park		Overlapping Rates					Total Direct & Overlapping Rates
	General Fund	Total	County *			School District**		
			Dallas County	Hospital District	Community College District	Total County	Highland Park I.S.D.	
2002	0.22900	0.19600	0.25400	0.05000	0.50000	1.69500	2.42400	
2003	0.22080	0.19600	0.25400	0.06000	0.51000	1.61000	2.34080	
2004	0.23000	0.20390	0.25400	0.08030	0.53820	1.61000	2.37820	
2005	0.23000	0.21390	0.25400	0.08160	0.54950	1.53000	2.30950	
2006	0.23000	0.21390	0.25400	0.08100	0.54890	1.35570	2.13460	
2007	0.22500	0.21390	0.25400	0.08100	0.54890	1.35570	2.12960	
2008	0.22000	0.22810	0.25400	0.08040	0.56250	1.03670	1.81920	
2009	0.22000	0.22810	0.25400	0.08940	0.57150	1.09000	1.88150	
2010	0.22000	0.23331	0.27400	0.09490	0.60221	1.11000	1.93221	
2011	0.22000	0.24310	0.27100	0.09923	0.61333	1.11500	1.94833	

\* Source: Dallas County

\*\* Source: Highland Park Independent School District

**TOWN OF HIGHLAND PARK**  
**Principal Property Taxpayers**  
**September 30, 2011 and 2002**  
**(Unaudited)**

Taxpayer	2011			2002		
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Percentage of Total Taxable Assessed Value	
		Rank	Value		Rank	Value
Highland Park Shopping Village	\$ 105,008,030	1	2.37%	\$ 58,700,000	1	2.43%
Muse, John R & Lyn	24,166,776	2	0.54%	18,399,808	2	0.76%
Harlan Crow	19,269,952	3	0.43%	N/A	N/A	N/A
L & B Depp	17,875,000	4	0.40%	N/A	N/A	N/A
Edwin L. Cox	17,416,000	5	0.39%	9,119,649	8	0.38%
Jerral W. & Gene C. Jones	13,736,536	6	0.31%	9,612,652	7	0.40%
Corrigan Properties	13,600,000	7	0.31%	14,632,990	4	0.61%
Margaret Crow Life Estate	12,670,000	8	0.29%	N/A	N/A	N/A
Highland Gates at Katy Trail	12,494,560	9	0.28%	N/A	N/A	N/A
Amy Mitchell	11,772,430	10	0.27%	N/A	N/A	N/A
Trammel Crow	N/A	N/A	N/A	16,019,007	3	0.66%
Lehndorff Preston	N/A	N/A	N/A	13,136,000	5	0.54%
The Crestpark LTD	N/A	N/A	N/A	12,174,440	6	0.50%
Howard G. Gibraltar	N/A	N/A	N/A	7,789,790	9	0.32%
Dallas Country Club	N/A	N/A	N/A	6,804,980	10	0.28%
	<u>\$ 248,009,284</u>		<u>5.59%</u>	<u>\$ 166,389,316</u>		<u>6.88%</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		Total Collections to Date	
		Fiscal Year of the Levy	Percentage of Levy	Subsequent Years	Amount	Percentage of Levy	
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%	59,654	7,292,157	99.8%	
2007	8,115,122	8,003,122	98.6%	98,807	8,101,929	99.8%	
2008	8,890,683	8,818,214	99.2%	58,716	8,876,930	99.8%	
2009	9,603,740	9,535,060	99.3%	52,866	9,587,926	99.8%	
2010	10,062,755	9,984,063	99.2%	40,059	10,024,122	99.6%	
2011	9,764,883	9,681,165	99.1%	-	9,681,165	99.1%	

Sources: Dallas County, Town Departments

**TOWN OF HIGHLAND PARK**  
**Computation of Direct and Overlapping Debt**  
**For the Year Ended September 30, 2011**  
**(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Town of Highland Park	\$ -	0.00%	\$ -
Dallas County*	172,878,177	2.51%	4,339,242
Dallas County Community College District*	421,735	2.41%	10,164
Highland Park Independent School District**	115,415,000	3.91%	4,512,727
	<u>\$ 288,714,912</u>		<u>\$ 8,862,133</u>
Ratio of Total Direct and Overlapping Debt to Assessed Valuation			<u>0.88%</u>
Per Capita Overlapping Debt			<u>\$ 1,002</u>

\* 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, 2011.

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

Fiscal Year	Personal Income	Population	Personal Income	Per Capita Personal Income	Median Age	Education			Unemployment Rate
						Income	Level in Years of Formal Schooling	School Enrollment	
2002	856,453,794	8,842	97,008	42	16.1	1,650	1.9%		
2003	856,453,794	8,842	97,008	42	16.1	1,676	1.9%		
2004	856,453,794	8,842	97,008	42	16.1	1,701	1.9%		
2005	856,453,794	8,842	97,008	42	16.1	1,757	1.9%		
2006	856,453,794	8,842	97,008	42	16.1	1,762	1.9%		
2007	856,453,794	8,842	97,008	42	16.1	1,771	1.9%		
2008	856,453,794	8,842	97,008	42	16.1	1,767	1.9%		
2009	865,453,794	8,842	97,008	42	16.1	1,801	1.9%		
2010	865,453,794	8,842	97,008	42	16.1	1,861	1.9%		
2011	1,000,035,408	8,564	116,772	42	16.1	1,896	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)**

	2011		2002			
	Business Sector	Number of Establishments	Number of Employees	Business Sector	Number of Establishments	Number of Employees
Real Estate & Rental & Leasing		27	82	Retail Trade	51	669
Retail Trade		51	584	Wholesale Trade	11	142
Accommodations & Food Services		10	313	Professional, Scientific & Technical Services	37	110
Other Services ( Except Public Administration		13	81	Real Estate & Rental & Leasing	26	100
Professional, Scientific & Technical Services		43	158	Accommodations & Food Services	5	97
Information		5	N/A	Other Services ( Except Public Administration	7	83
Administrative & Support & Waste Management & Remediation Services		13	28	Health Care & Social Assistance	19	52
Health Care & Social Assistance		22	N/A	Administrative & Support & Waste Management & Remediation Services	5	14
Arts, Entertainment & Recreation		8	N/A	Arts, Entertainment & Recreation	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: 2011 data was obtained from the 2007 Economic Census, and 2002 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
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
2011	38	8,985,914	1,097	76,604,257	5,447,807,590	59,937,910

\*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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	1.40	1.40	1.40	1.40	1.40	2.20	2.20	2.20	2.20	2.20
Public Safety	67.00	67.00	67.00	67.00	67.00	68.00	70.33	69.00	69.00	69.00
Street	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Street Lighting	2.10	2.15	2.15	2.15	2.15	2.15	1.65	1.65	1.65	1.74
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	2.70	2.70
Finance	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Building Inspection	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
Service Center	0.30	0.45	0.45	0.45	0.45	0.45	0.35	0.35	0.35	0.26
Utility Administration	6.00	6.00	6.00	6.00	6.00	6.20	6.20	6.20	6.20	6.20
Water	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Sewer	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Sanitation	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Engineering	3.00	3.00	4.00	4.00	3.50	3.50	4.50	4.50	4.50	4.50
Stormwater Administration	-	-	-	-	0.50	0.50	0.50	0.50	0.50	0.50
<b>Total</b>	<b>114.40</b>	<b>114.60</b>	<b>115.60</b>	<b>115.60</b>	<b>116.60</b>	<b>118.60</b>	<b>121.33</b>	<b>120.00</b>	<b>120.50</b>	<b>120.50</b>

Source: Official Town Budget

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration										
Service Requests Processed	8,149	9,063	8,755	8,410	10,817	8,991	6,440	6,935	7,842	6,415
Public Safety										
Call Responses: Police	12,270	12,145	11,599	11,505	11,175	10,282	9,461	10,128	10,368	10,846
Call Responses: Fire	945	897	901	783	819	858	883	905	912	824
Call Responses: EMS	492	465	417	424	426	425	466	493	1,443	396
Citations Issued	11,195	11,668	11,088	12,469	12,755	11,634	8,566	8,584	7,871	8,410
Street										
Asphalt Repairs (Tons)	301	282	222	192	183	167	161	154	170	227
Storm Inlets Cleaned	734	937	1,242	1,154	986	1,617	1,840	1,908	2,556	1,246
Library										
Total Circulation	79,406	71,297	72,498	76,315	66,870	63,801	48,264	63,729	60,444	58,377
Valid Library Cards	3,571	3,321	3,220	3,133	3,121	3,039	2,838	2,791	2,770	3,024
Swimming Pool										
Annual Passes Sold	2,300	1,952	1,811	1,788	1,884	1,652	1,737	1,676	1,680	1,590
Daily Passes Sold	1,335	1,299	1,360	1,559	1,494	1,625	2,132	2,679	2,325	2,881
Finance / Personnel										
Accounts Payable Checks Disbursed	4,229	4,130	4,072	4,035	3,866	3,357	3,499	3,301	3,581	3,489
Payroll Checks/ACH Disbursed	4,611	4,765	4,573	4,148	4,285	4,231	4,459	4,361	4,585	4,601
Building Inspection										
Total Inspections	3,034	2,632	2,894	3,399	3,615	3,461	3,193	2,837	2,654	2,838
Total Permits Issued	1,622	1,721	1,882	1,805	1,946	1,831	1,637	1,510	1,655	1,766
Water										
Meters Read	60,544	61,246	61,895	62,332	63,018	63,542	64,143	62,568	64,763	65,258
Meters Installed/Replaced	432	487	271	238	79	90	67	53	44	38
Sewer										
Service Calls	104	86	61	69	66	59	47	40	34	35
Mains Cleaned	40	689	606	570	610	773	1,060	903	871	920

Source: Town Departments

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	2	2	2	3	3	3	3
Patrol Vehicles	10	10	9	9	9	10	10	10	10	10
Street										
Streets (miles)	42	42	42	42	42	42	42	42	42	42
Library										
Libraries	1	1	1	1	1	1	1	1	1	1
Parks										
Parks	22	22	22	22	22	22	22	22	22	22
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Water										
Water Mains (miles)	40	40	40	40	40	40	40	40	40	40
Fire Hydrants	252	252	252	252	252	252	252	252	252	252
Sewer										
Wastewater collection system (miles)	37	37	37	37	37	37	37	37	37	37

Source: Town Departments