

TOWN OF HOLLYWOOD PARK, TEXAS

Financial and Compliance Report

For the Year Ended September 30, 2010

TOWN OF HOLLYWOOD PARK, TEXAS

Financial and Compliance Report
For the Year Ended September 30, 2010

TABLE OF CONTENTS	<u>Page</u>
Introductory Section	
Town Officials	1
Financial Section	
Independent Auditor’s Report	2
Management’s Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Statement of Net Assets – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds.....	20
Notes to the Basic Financial Statements.....	21

TOWN OF HOLLYWOOD PARK, TEXAS

Financial and Compliance Report
For the Year Ended September 30, 2010

TABLE OF CONTENTS (CONTINUED)

Page

Required Supplemental Information

Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual

General Fund.....42

Economic Development Corporation43

Texas Municipal Retirement System Schedule of Funding Progress (Unaudited)45

Supplemental Section

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Governmental Auditing Standards*46

Schedule of Findings and Responses.....48

INTRODUCTORY SECTION

TOWN OF HOLLYWOOD PARK, TEXAS

Town Officials
September 30, 2010

Bob Sartor Mayor
Gary Miller Council Member
Deborah Trueman Council Member
Tim McCallum..... Council Member
David Swan..... Council Member
Paul Homburg Council Member

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Town Council
Hollywood 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 Hollywood Park, Texas (the Town), as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

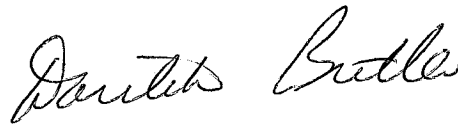
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2011, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Texas Municipal Retirement System schedule of funding progress on pages 4 through 12, pages 42 through 44, and page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



San Antonio, Texas
January 12, 2011

TOWN OF HOLLYWOOD PARK, TEXAS

Management's Discussion and Analysis September 30, 2010

As management of the Town of Hollywood Park, Texas, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Hollywood Park, Texas (the Town) for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with the Town's audited financial statements, which follow this section.

Financial Highlights

- ❑ Overall, the Town improved its financial position during fiscal year 2010.
- ❑ The Town's Net Assets increased by \$798,772 during the year.
- ❑ The Town's assets exceeded liabilities at September 30, 2010 by \$6,200,261. Of this amount \$736,369 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- ❑ The total cost of all the Town's programs was \$3,059,293.
- ❑ During the year, the Town had operating expenses of \$2,971,429 for governmental activities, which was \$809,431 less than the \$3,780,860 generated in program and general revenues.
- ❑ During the year, the Town had operating expenses of \$87,864 for business-type activities, which was \$10,659 more than the \$77,205 generated in program and general revenues.
- ❑ The Town increased governmental capital assets with capital additions of \$641,272 of which \$8,691 was for office furniture and equipment, \$108,789 for equipment, \$215,668 for vehicles, \$32,365 for infrastructure and \$275,759 for construction in progress.

The following discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements comprise three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the basic financial statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Management's Discussion and Analysis
September 30, 2010

Reporting the Town as a Whole

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 government-wide financial statements can be found on pages 13 through 14 of the audit report.

- ❑ 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.

Thus, one of the most important questions asked about the Town's finances, "Is the Town as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- ❑ Governmental activities – Most of the Town's basic services are reported here, including General and Administration, Municipal Courts, Public Safety (Police and Fire Departments), Public Works, Recreation, and Sanitation. Property taxes, sales taxes, franchise taxes, hotel taxes, and charges for services financially support these activities.
- ❑ Business-type activities – The Town's Sewer services are reported as a business-type activity.

TOWN OF HOLLYWOOD PARK, TEXAS

Management's Discussion and Analysis
September 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. As previously stated, the Town's financial position improved during the fiscal year ended September 30, 2010, as Town net assets increased by \$798,772. The largest part of the Town's net assets reflects its investment in capital assets (land and land improvements, buildings and fixtures, infrastructure, equipment, vehicles, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following reflects a comparative condensed Statement of Net Assets:

	Net Assets as of September 30, 2010 and 2009					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 875,968	\$ 491,648	\$ 206,816	\$ 198,180	\$ 1,082,784	\$ 689,828
Capital and Other Long-Term Assets	5,410,230	4,910,436	-	-	5,410,230	4,910,436
Total Assets	6,286,198	5,402,084	206,816	198,180	6,493,014	5,600,264
Current Liabilities	145,038	98,807	19,295	-	164,333	98,807
Non-Current Liabilities	128,420	99,968	-	-	128,420	99,968
Total Liabilities	273,458	198,775	19,295	-	292,753	198,775
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,955,187	2,600,506	-	-	2,955,187	2,600,506
Restricted for Child Safety	39,303	38,658	-	-	39,303	38,658
Restricted for Special Revenue Funds	2,469,402	2,362,877	-	-	2,469,402	2,362,877
Unrestricted	548,848	201,268	187,521	198,180	736,369	399,448
TOTAL NET ASSETS	\$ 6,012,740	\$ 5,203,309	\$ 187,521	\$ 198,180	\$ 6,200,261	\$ 5,401,489

TOWN OF HOLLYWOOD PARK, TEXAS

Management's Discussion and Analysis

September 30, 2010

Statement of Activities

The following reflects a comparative statement of changes in net assets of the primary government:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services	\$ 446,259	\$ 551,444	\$ 77,188	\$ 83,905	\$ 523,447	\$ 635,349
Capital Grants and Contributions	56,072	-	-	-	56,072	-
Operating Grants and Contributions	4,448	-	-	-	4,448	-
General Revenues						
Ad Valorem Taxes	1,980,611	1,529,480	-	-	1,980,611	1,529,480
Sales Taxes	782,368	784,186	-	-	782,368	784,186
Franchise Taxes	245,752	219,868	-	-	245,752	219,868
Mixed Beverage Taxes	6,264	6,868	-	-	6,264	6,868
Hotel Taxes	48,316	91,027	-	-	48,316	91,027
Interest Revenue	3,967	18,629	17	14	3,984	18,643
Net Gain on Sale/Disposal of Fixed Assets	88,646	-	-	-	88,646	-
Miscellaneous Revenue	118,157	49,217	-	-	118,157	49,217
TOTAL REVENUES AND GAINS	3,780,860	3,250,719	77,205	83,919	3,858,065	3,334,638
Expenses and Losses						
General and Administration	495,551	500,930	-	-	495,551	500,930
Municipal Court	66,040	71,240	-	-	66,040	71,240
Public Safety	1,656,142	1,644,041	-	-	1,656,142	1,644,041
Public Works	194,312	174,890	-	-	194,312	174,890
Recreation	84,092	82,351	-	-	84,092	82,351
Sanitation	474,490	449,460	-	-	474,490	449,460
Sewer	-	-	87,864	93,567	87,864	93,567
Interest on Long-Term Debt	802	3,647	-	-	802	3,647
TOTAL EXPENSES AND LOSSES	2,971,429	2,926,559	87,864	93,567	3,059,293	3,020,126
Change in Net Assets	809,431	324,160	(10,659)	(9,648)	798,772	314,512
Net Assets - Beginning	5,203,309	4,879,149	198,180	207,828	5,401,489	5,086,977
Net Assets - Ending	\$ 6,012,740	\$ 5,203,309	\$ 187,521	\$ 198,180	\$ 6,200,261	\$ 5,401,489

The Town's combined net assets increased to \$6,200,261 from \$5,401,489 or 15% as a result of the increase in net assets of the Governmental Activities of \$809,431 and the decrease in Business-Type Activities of \$10,659. The Town's total unrestricted net assets that can be used to finance day-to-day operations are \$736,369.

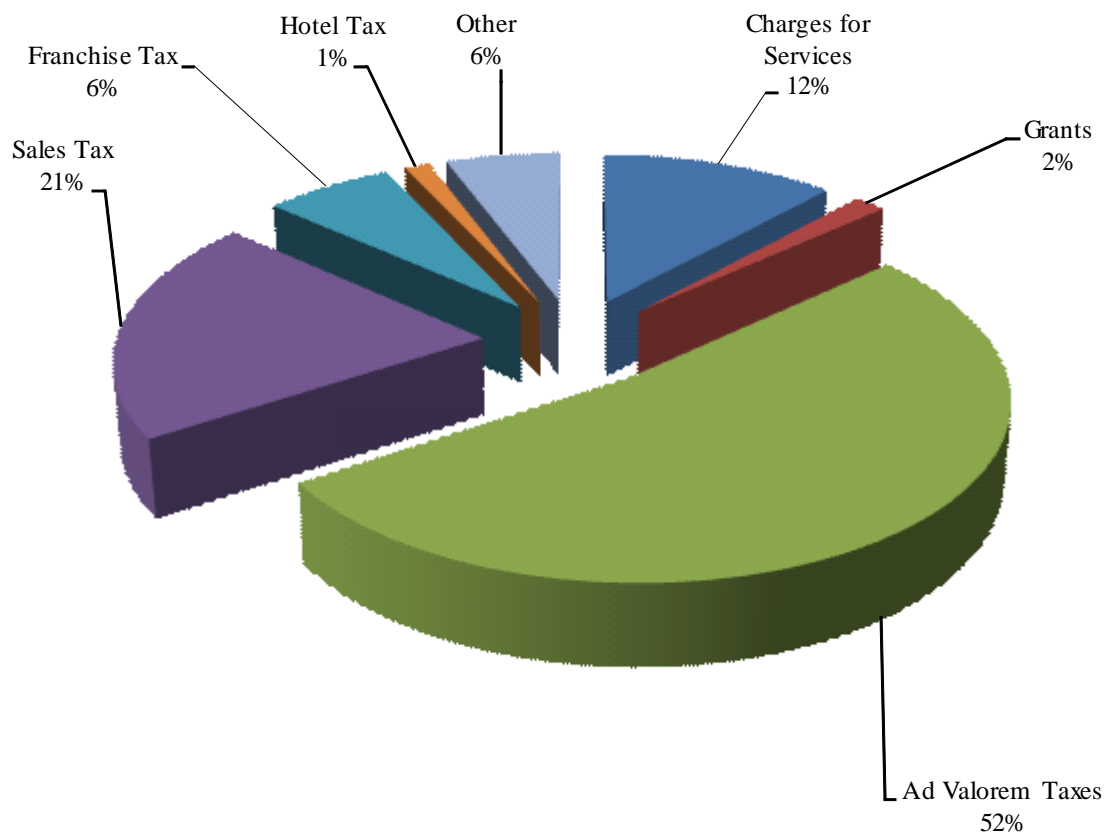
TOWN OF HOLLYWOOD PARK, TEXAS

Management's Discussion and Analysis
September 30, 2010

Governmental Activities

The result of fiscal year 2010 governmental activity was an increase of \$809,431 in net assets, to \$6,012,740. Of the total governmental activities' net assets, \$2,995,187 is invested in capital assets net of related debt, \$39,303 is restricted for child safety, \$2,469,402 is restricted for special revenue funds, and \$548,848 is unrestricted, that is, having no legal commitment.

Revenues – Governmental Activities Fiscal Year Ending September 30, 2010

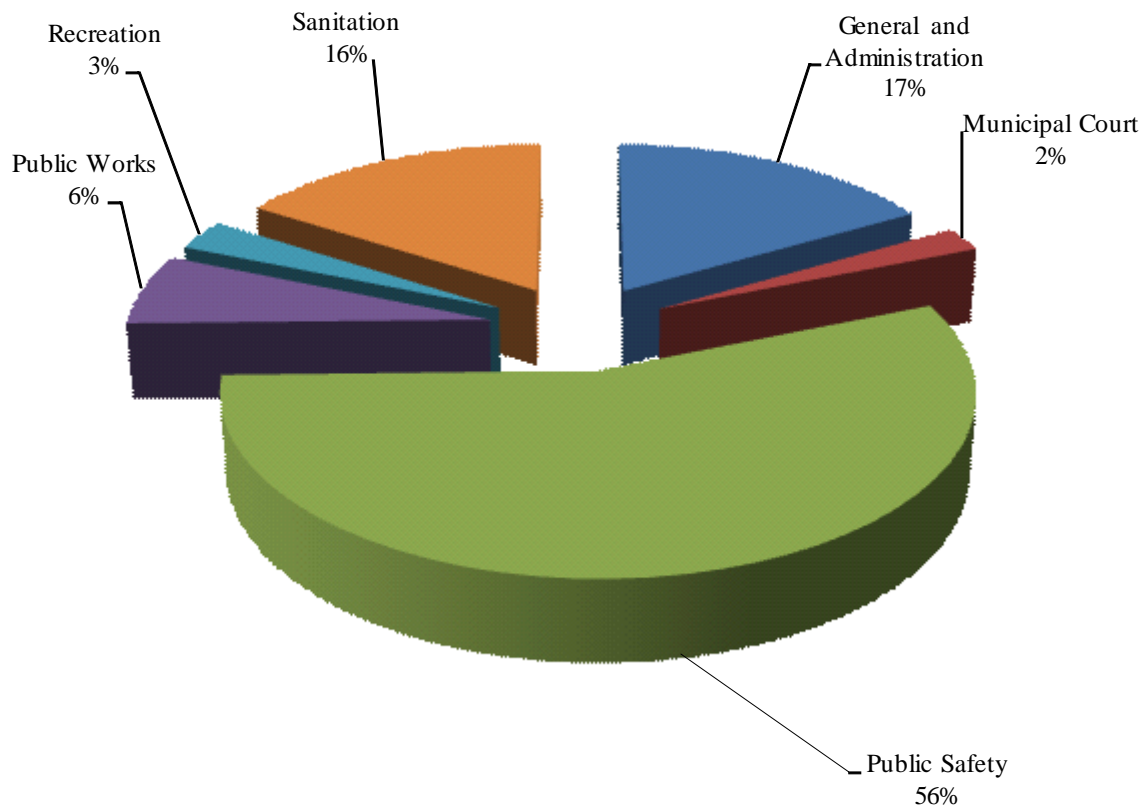


Charges for services of \$446,259 represent 12% of total governmental revenues. Sales tax revenues for the year were \$782,368, or 21% of total governmental revenues. The Town increased its property tax rate to \$.490000 per \$100 of 2009 values and the related property tax revenue of \$1,980,611 represents 52% of total governmental revenue sources. Franchise taxes and hotel taxes collected were \$245,752 and \$48,316, and represent 6% and 1%, respectively, of total governmental revenue sources. Grant revenues for the year were \$60,520, representing 2% of total governmental revenues. Other revenues (net gain on sale/disposal of fixed assets, mixed beverage taxes and miscellaneous revenues) totaled \$213,067, or approximately 6% of total revenues.

TOWN OF HOLLYWOOD PARK, TEXAS

Management's Discussion and Analysis
September 30, 2010

Expenses – Governmental Activities Fiscal Year Ending September 30, 2010



The relative mix of expenditures continues to remain similar to last fiscal year. As planned, Public Safety (Police and Fire Departments) was the largest governmental activity during the year followed by General and Administration.

Business-Type Activities

The result of fiscal year 2010 business-type activities was a decrease of \$10,659 in net assets due to operating expenses totaling \$87,864, exceeding operating and general revenues of \$77,205. The total business-type activities' net assets of \$187,521 are unrestricted, that is, having no legal commitment.

TOWN OF HOLLYWOOD PARK, TEXAS

Management's Discussion and Analysis
September 30, 2010

Business-Type Activities (Continued)

The majority of the business-type revenues represent charges for services.

Reporting the Town's Most Significant Funds

Analysis of the Town's major funds begins on page 15. The fund financial statements, found on pages 15 through 20 of the audit report, provide detailed information about the most significant funds, not the Town as a whole. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations accompanying the fund financial statements.
- Proprietary funds – When the Town charges customers for the services it provides, with intent to cover all costs of the service provided, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

In summary, fund financial statements are considered the traditional method of portraying available funds for immediate spending needs. It is a relative measure of a Town government's ability to meet General fund program costs in the near future. Therefore, the Town's fund balance does not reflect the equity value of the long-term investment the Town has in its infrastructure and capital assets. Government-wide Statements of Net Assets and Activities are therefore designed to reflect the value of all capital assets of the Town, so that the total net asset figures compare to a private entity's retained earnings.

TOWN OF HOLLYWOOD PARK, TEXAS

Management's Discussion and Analysis
September 30, 2010

FUND FINANCIAL ANALYSIS

Governmental Type Funds

Total Governmental fund revenues exceeded expenditures by \$442,072. The overall fund balance increased by \$466,785, or 17% from last year's fund balance.

Business-Type Funds

The Town is the owner of a Sewer enterprise. This enterprise is considered a major fund.

For the business-type fund for fiscal year 2010, operating expenses exceeded operating revenues by \$10,676. After non-operating revenues of \$17, net assets decreased by \$10,659, a 5% decrease from last year's balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's budget for the fiscal year ending September 30, 2010 was approved in September 2009. There were no budget amendments during the year. General fund budgeted revenues were less than actual revenues by \$157,881. General fund budgeted expenditures were less than actual expenditures by \$176,795.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town has invested in a broad range of capital assets, including land, buildings, fixtures, furniture, equipment, vehicles, and infrastructure. The investment in capital assets as of September 30, 2010 is \$2,967,131, net of depreciation. Buildings and fixtures totaling \$1,134,089, net of depreciation, comprise the majority of the Town's capital assets.

The Town's fiscal year 2011 capital budget calls for spending \$148,843 for Governmental Activities. Budgeted funding sources for these capital expenditures include \$148,843 in sales, property, and other taxes.

TOWN OF HOLLYWOOD PARK, TEXAS

Management's Discussion and Analysis
September 30, 2010

Debt Administration

At September 30, 2010, the Town had \$11,944 in a capital lease outstanding.

The following is a summary statement of outstanding debt as of September 30, 2010:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital Lease	\$ 11,944	\$ -	\$ 11,944
Total	<u>\$ 11,944</u>	<u>\$ -</u>	<u>\$ 11,944</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged.

The economic outlook for Bexar County remains stable. The Town's budget levels remain similar to previous years.

Request 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 the Town's Finance Department at Town of Hollywood Park, Texas, 2 Mecca Drive, Hollywood Park, Texas 78232, (210) 494-2023.

BASIC FINANCIAL STATEMENTS

TOWN OF HOLLYWOOD PARK, TEXAS

Statement of Net Assets
September 30, 2010

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 136,750	\$ 200,266	\$ 337,016
Texpool Investments	463,672	-	463,672
Receivables	265,865	6,550	272,415
Prepaid and Other Assets	9,681	-	9,681
Total Current Assets	<u>875,968</u>	<u>206,816</u>	<u>1,082,784</u>
Noncurrent Assets			
Restricted Assets			
Cash and Cash Equivalents	752,942	-	752,942
Texpool Investments	1,690,157	-	1,690,157
Capital Assets			
Land and Land Improvements	402,441	-	402,441
Construction-in-Progress	90,583	-	90,583
Land Improvements, Net of Depreciation	92,225	-	92,225
Buildings and Fixtures, Net of Depreciation	1,134,089	-	1,134,089
Infrastructure, Net of Depreciation	616,438	-	616,438
Equipment, Net of Depreciation	300,930	-	300,930
Office Furniture and Equipment, Net of Depreciation	27,038	-	27,038
Vehicles, Net of Depreciation	303,387	-	303,387
Total Noncurrent Assets	<u>5,410,230</u>	<u>-</u>	<u>5,410,230</u>
Total Assets	<u>6,286,198</u>	<u>206,816</u>	<u>6,493,014</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	143,351	19,295	162,646
Interest Payable	687	-	687
Payable from Restricted Assets			
Customer Deposits	1,000	-	1,000
Total Current Liabilities	<u>145,038</u>	<u>19,295</u>	<u>164,333</u>
Long-Term Liabilities			
Due Within One Year	11,944	-	11,944
Due In More Than One Year	116,476	-	116,476
Total Long-Term Liabilities	<u>128,420</u>	<u>-</u>	<u>128,420</u>
Total Liabilities	<u>273,458</u>	<u>19,295</u>	<u>292,753</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,955,187	-	2,955,187
Restricted for			
Child Safety	39,303	-	39,303
Special Revenue Funds	2,469,402	-	2,469,402
Unrestricted	548,848	187,521	736,369
Total Net Assets	<u>\$ 6,012,740</u>	<u>\$ 187,521</u>	<u>\$ 6,200,261</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Statement of Activities

For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General and Administration	\$ 495,551	\$ -	\$ -	\$ -	\$ (495,551)		\$ (495,551)
Municipal Court	66,040	74,108	-	-	8,068		8,068
Public Safety	1,656,142	296,558	4,448	56,072	(1,299,064)		(1,299,064)
Public Works	194,312	62,664	-	-	(131,648)		(131,648)
Recreation	84,092	12,929	-	-	(71,163)		(71,163)
Sanitation	474,490	-	-	-	(474,490)		(474,490)
Interest on Long-Term Debt	802	-	-	-	(802)		(802)
Total Governmental Activities	2,971,429	446,259	4,448	56,072	(2,464,650)		(2,464,650)
Business-Type Activities							
Sewer	87,864	77,188	-	-		\$ (10,676)	(10,676)
Total Business-Type Activities	87,864	77,188	-	-		(10,676)	(10,676)
Total Government	\$ 3,059,293	\$ 523,447	\$ 4,448	\$ 56,072	(2,464,650)	(10,676)	(2,475,326)

General Revenues

Taxes		
Ad Valorem Tax		1,980,611
Sales Taxes		782,368
Franchise Tax		245,752
Mixed Beverage Tax		6,264
Hotel Tax		48,316
Interest Revenue		3,967
Net Gain on Sale/Disposal of Fixed Assets		88,646
Miscellaneous Revenue		118,157
Total General Revenues, Special Items, and Transfers		3,274,081
Change in Net Assets		809,431
Net Assets - Beginning		5,203,309
Net Assets - Ending		6,012,740
		198,180
		187,521
		5,401,489
		6,200,261

The Accompanying Notes are an Integral Part of These Basic Financial Statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Balance Sheet – Governmental Funds
September 30, 2010

	SPECIAL REVENUE					OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	HOTEL TAX	ECONOMIC DEVELOPMENT	VENUE TAX	STREET TAX		
ASSETS							
Cash	\$ 60,435	\$ 699,870	\$ 10	\$ 38	\$ 461	\$ 128,878	\$ 889,692
Texpool Investments	459,128	100,211	571,187	648,637	374,666	-	2,153,829
Receivables							
Ad Valorem Taxes	38,897	-	-	-	-	-	38,897
General	141,841	12,072	18,264	36,527	18,264	-	226,968
Due From Other Funds	100	-	-	-	-	553	653
Prepaid and Other Assets	9,681	-	-	-	-	-	9,681
TOTAL ASSETS	\$ 710,082	\$ 812,153	\$ 589,461	\$ 685,202	\$ 393,391	\$ 129,431	\$ 3,319,720
LIABILITIES							
Accounts Payable	\$ 120,385	\$ -	\$ 22,707	\$ 257	\$ -	\$ 2	\$ 143,351
Deposits	1,000	-	-	-	-	-	1,000
Deferred Revenues	35,035	-	-	-	-	-	35,035
Due to Other Funds	553	-	100	-	-	-	653
TOTAL LIABILITIES	156,973	-	22,807	257	-	2	180,039
FUND BALANCES							
Reserved for:							
Child Safety	39,303	-	-	-	-	-	39,303
Police	9,916	-	-	-	-	-	9,916
Prepaid and Other Assets	9,681	-	-	-	-	-	9,681
Special Revenue Funds	-	812,153	566,654	684,945	393,391	12,259	2,469,402
Unreserved - Designated for Fire Truck	-	-	-	-	-	117,170	117,170
Unreserved - Designated for Administration	494,209	-	-	-	-	-	494,209
TOTAL FUND BALANCES	553,109	812,153	566,654	684,945	393,391	129,429	3,139,681
TOTAL LIABILITIES AND FUND BALANCES	\$ 710,082	\$ 812,153	\$ 589,461	\$ 685,202	\$ 393,391	\$ 129,431	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,728,435. 2,967,131

A portion the Town's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not reported in the governmental funds. 35,035

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:

Capital Lease Payable	(11,944)
Net Pension Obligation	(38,946)
Interest Payable	(687)
Accrued Compensated Absences	(77,530)
	(129,107)

Net Assets of Governmental Activities \$ 6,012,740

The Accompanying Notes are an Integral Part of These Basic Financial Statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2010

	SPECIAL REVENUE					OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	HOTEL TAX	ECONOMIC DEVELOPMENT	VENUE TAX	STREET TAX		
REVENUES							
Ad Valorem Taxes	\$ 1,976,025	\$ -	\$ -	\$ -	\$ -	\$ -	1,976,025
Franchise Taxes	245,752	-	-	-	-	-	245,752
Sales Taxes	390,796	-	97,893	195,786	97,893	-	782,368
Mixed Beverages Taxes	6,264	-	-	-	-	-	6,264
Hotel Taxes	-	48,316	-	-	-	-	48,316
Licenses and Permits	62,664	-	-	-	-	-	62,664
Fire Protection	296,558	-	-	-	-	-	296,558
Recreational Department	12,929	-	-	-	-	-	12,929
Municipal Court	70,317	-	-	-	-	3,791	74,108
Interest	737	252	1,133	1,176	658	11	3,967
Grants	60,520	-	-	-	-	-	60,520
Miscellaneous Revenue	122,204	-	-	-	-	403	122,607
Total Revenues	<u>3,244,766</u>	<u>48,568</u>	<u>99,026</u>	<u>196,962</u>	<u>98,551</u>	<u>4,205</u>	<u>3,692,078</u>
EXPENDITURES							
Current							
General and Administration	453,989	-	7,397	-	-	-	461,386
Municipal Court	62,733	-	-	-	-	-	62,733
Police Department	722,626	-	-	-	-	-	722,626
Fire Department	804,308	-	-	-	-	-	804,308
Public Works	128,058	-	-	810	-	-	128,868
Recreation	46,246	-	-	3,040	-	-	49,286
Sanitation	474,490	-	-	-	-	-	474,490
Capital Outlay	192,608	-	103,327	202,807	22,534	-	521,276
Debt Service							
Principal	24,344	-	-	-	-	-	24,344
Interest	689	-	-	-	-	-	689
Total Expenditures	<u>2,910,091</u>	<u>-</u>	<u>110,724</u>	<u>206,657</u>	<u>22,534</u>	<u>-</u>	<u>3,250,006</u>
Excess of Revenues Over (Under) Expenditures	334,675	48,568	(11,698)	(9,695)	76,017	4,205	442,072
Other Financing Sources and Uses							
Transfers In	2,744	-	-	-	-	117,160	119,904
Transfers Out	(117,160)	-	-	-	-	(2,744)	(119,904)
Proceeds from Capital Lease	24,713	-	-	-	-	-	24,713
Total Other Financing Sources and Uses	<u>(89,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,416</u>	<u>24,713</u>
Net Change in Fund Balances	<u>244,972</u>	<u>48,568</u>	<u>(11,698)</u>	<u>(9,695)</u>	<u>76,017</u>	<u>118,621</u>	<u>466,785</u>
Fund Balance, Beginning of Year	308,137	763,585	578,352	694,640	317,374	10,808	2,672,896
Fund Balance, End of Year	<u>\$ 553,109</u>	<u>\$ 812,153</u>	<u>\$ 566,654</u>	<u>\$ 684,945</u>	<u>\$ 393,391</u>	<u>\$ 129,429</u>	<u>\$ 3,139,681</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2010

Reconciliation of the change in fund balances - total governmental funds to the
change in net assets of governmental activities:

Net Change in Fund Balances - Total Governmental Funds	\$	466,785
<p>Governmental funds report capital outlays as expenditures. However, in the government-wide 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 (\$521,276) exceeded depreciation (\$251,622) in the current period</p>		
		269,654
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:</p>		
Capital Lease Principal Payments		24,344
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Property Tax Revenue		4,586
Net Gain on Sale/Disposal of Fixed Assets		85,396
<p>Proceeds from capital leases are reported as current financial resources in the governmental funds, but are recorded as long-term liabilities in the statement of net assets</p>		
		(24,713)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>		
Interest Expense		(113)
Pension Expense		(20,876)
Accrued Compensated Absences		4,368
		<hr/>
Change in net assets of governmental activities	\$	<u>809,431</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Statement of Net Assets – Proprietary Funds
September 30, 2010

	<u>SEWER</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 200,266
Accounts Receivable	<u>6,550</u>
Total Assets	<u>206,816</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>19,295</u>
Total Liabilities	<u>19,295</u>
NET ASSETS	
Unrestricted	<u>187,521</u>
Total Net Assets	<u>\$ 187,521</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds
For the Year Ended September 30, 2010

	<u>SEWER</u>
OPERATING REVENUES	
Charges for Services:	
Sewer Sales	\$ <u>77,188</u>
Total Operating Revenues	<u>77,188</u>
OPERATING EXPENSES	
Sewer	<u>87,864</u>
Total Operating Expenses	<u>87,864</u>
Operating Income (Loss)	(10,676)
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	<u>17</u>
Total Non-Operating Revenues (Expenses)	<u>17</u>
Change in Net Assets	(10,659)
Total Net Assets - Beginning	<u>198,180</u>
Total Net Assets - Ending	<u>\$ <u>187,521</u></u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2010

	<u>SEWER</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 77,036
Payments to Suppliers	<u>(68,569)</u>
Net Cash Provided By Operating Activities	8,467
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>17</u>
Net Cash Provided By Investing Activities	17
Net Increase (Decrease) In Cash & Cash Equivalents	8,484
Balances - Beginning of the Year	<u>191,782</u>
Balances - End of the Year	<u>\$ 200,266</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (10,676)
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:	
Change In Assets & Liabilities:	
(Increase) Decrease in Accounts Receivable	(152)
Increase (Decrease) in Accounts Payable	<u>19,295</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 8,467</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note A - Summary of Significant Accounting Policies

The Town of Hollywood Park, Texas (the Town) was incorporated in 1955 under the provisions of the State of Texas. The Town operates under a General Law Charter, which was adopted October 5, 1951, and provides the following services as authorized by its charter: public safety (police and fire), streets, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's policies are described below.

Reporting Entity

In evaluating how to define the Town (primary government) for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town has a blended component unit, the Town of Hollywood Park Economic Development Corporation.

Blended Component Unit

The Town of Hollywood Park Economic Development Corporation (EDC) was incorporated March 6, 2000 under the provisions of the Development Corporation Act of 1979. The purpose of the EDC is to promote economic development with the Town and the State of Texas in order to eliminate unemployment and under employment and to promote and encourage employment and the public welfare of, for, and on behalf of the Town. Although legally separate, the EDC is blended as a governmental major special revenue fund into the primary government. Separate financial statements for the EDC are not issued.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note A - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note A - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The criteria used to determine if a governmental or enterprise fund should be reported as a major fund is as follows: the total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type (that is, total governmental or total enterprise funds), and total assets and liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The following is a brief description of the major governmental funds that are presented in a separate column in the fund financial statements:

- The General Fund is always presented as a major fund.
- The Hotel Tax Fund accounts for the hotel taxes received and disbursed by the Town.
- The EDC's purpose is to promote economic development of the Town through employment and public welfare projects.
- The Venue Tax Fund accounts for venue sales tax collections received and venue disbursements of the Town.
- The Street Tax Fund accounts for street sales tax collections received and street repair disbursements of the Town.

The following is a brief description of the major enterprise fund that is presented in a separate column in the fund financial statements:

- The Sewer Fund accounts for the sewer operations of the Town. Financing for the Sewer Fund operations is provided by user charges.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note A - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Town currently has eight special revenue funds which consist of the EDC, hotel tax collections, venue sales tax collections, street sales tax collections, asset forfeiture fund, seizure fund, court technology fund and a court security fund.

Proprietary Funds

Enterprise Fund

The Sewer Fund is an enterprise fund and is used to account for the sewer operations of the Town. Enterprise funds are used to account for operations which are financed and operated in a manner similar to private enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

The Town has no fiduciary funds.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note A - Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.
- b. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note A - Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The Town applied (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. In accordance with GASB Statements Nos. 20 and 34, the Town has elected not to apply FASB pronouncements issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. Capital grant revenues are also reported as operating revenues. Operating expenses for enterprise 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 non-operating revenues and expenses.

Those revenues susceptible to accrual are property taxes, sales taxes, franchise taxes, interest revenue, and charges for services. Revenue from fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

Property taxes, though measurable, are not available soon enough in the subsequent period to finance current obligations. Therefore, in the governmental funds, property tax receivables are recorded and deferred until they become available. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits.

Accounts Receivable

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note A - Summary of Significant Accounting Policies (Continued)

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed in the fund financial statements.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and reported as capital assets in the government-wide financial statements. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are recorded at fair market value at the date received. The minimum capitalization threshold is any individual item with a total cost greater than or equal to \$500.

Capital assets in proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the general capital assets.

General infrastructure assets acquired prior to October 1, 2003, are not reported in the financial statements except for a sign in the amount of \$2,350, acquired in fiscal year 2000.

Depreciation of capital assets is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and Fixtures	5 - 50 years
Infrastructure	5 - 50 years
Equipment	5 - 25 years
Vehicles	5 - 10 years
Office Furniture and Equipment	5 - 20 years

Interest Capitalization

The Town does not capitalize interest costs related to construction.

Restricted Assets

Restricted assets include cash and cash equivalents and investments of the governmental funds that are legally restricted as to their use.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note A - Summary of Significant Accounting Policies (Continued)

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term debt consists of accrued compensated absences, capital leases payable, and a net pension obligation.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

It is the Town's policy to permit employees to accumulate an amount of earned but unused vacation and sick leave. The Town allows employees, from the date of employment, to accrue sick leave up to a maximum of 584 hours. The Town allows employees, after the completion of a six-month probation period, to accrue vacation leave up to 80 hours for regular employees and 120 hours for firefighters per year. Vacation leave will be paid to employees upon termination. In the fund financial statements, the cost of vacation leave is recognized when payments are made to employees. In the government-wide financial statements, an accrual is recorded for accumulated unpaid vacation pay.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note A - Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Government-Wide Statements (Continued)

- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Application of Restricted and Unrestricted Resources

The Town may receive funding whose expenditures are restricted to certain allowable costs. In situations where both restricted and unrestricted resources are available to cover allowable costs, the Town will first apply the restricted resources and then cover additional costs with unrestricted resources. The Town reserves the right to selectively defer the use of restricted resources.

Property Taxes - Revenue Recognition

Taxes are levied on October 1 and are due and payable at that time. Property taxes attach as an enforceable lien on property as of January 1. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

Designation of Fund Balance for Administration

The Town normally designates approximately 3 months of operational funds each year. However, for this fiscal year, the amount is approximately 2 months.

	Balance at September 30, 2010
	<hr/>
Administration - represents approximately 2 months worth of Operational Funds	\$ 494,209
	<hr/> <hr/>

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note A - Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B - Deposits and Investments

Policies

The Town Council is responsible for selecting depositories and investing idle funds. The Town does not enter into reverse repurchase agreements.

The Town's investment policy authorizes investment instruments consistent with governing law (Government Code 2256) as follows:

- A. Except as provided by Government Code 2256.009(b), the following are authorized investments:
 - 1. Direct obligations of the United States limited to Treasury Bills, Treasury Notes, and Treasury Bonds.
 - 2. Obligations of the State of Texas including its agencies, counties, cities, and other political subdivisions rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent.
 - 3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States.
- B. Certificates of Deposit or Money Market Accounts if issued by a state or national bank domiciled in this state that are:
 - 1. Guaranteed or insured by the Federal Deposit Insurance corporations or its successor.
 - 2. Secured by eligible collateral.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note B - Deposits and Investments (Continued)

Policies (Continued)

- C. Eligible investments pools (as discussed in the Public Funds Investment Act, Sec. 2256.016 - 2256.019) as authorized by the Council. An investment pool shall invest the funds it received from entities in authorized investments permitted by the Public Funds Investment Act. In order to be eligible, an investment pool must meet the following conditions:
1. Must be continuously rated no lower than “AAA”, “AAAm”, or an equivalent rating by a nationally recognized rating agency.
 2. A Public Fund Investment Pool created to function as a Money Market Mutual Fund must mark its portfolio to market daily, and to the extent reasonably possible, stabilize at a \$1.00 net asset value; the ratio of the market value to book value of the fund must be maintained between 0.995 and 1.005.
 3. The Pool must establish an advisory board composed of qualified members representing participants and non-participants.

Deposits

All cash is held in one financial institution in the name of the Town. These deposits were insured throughout the year and at the financial statement date by a combination of FDIC insurance coverage and pledged US Government Securities.

The carrying amount of the Town's cash held with financial institutions was \$1,089,658 and the bank balance was \$1,111,731. The Town also had \$300 of cash on hand at September 30, 2010. The Town’s deposits are categorized as follows

Amount insured by the FDIC, or collateralized with securities held by the Town in its name.	\$	250,000
Uncollateralized (includes \$861,731 that is collateralized with securities held by the pledging financial institution's agent, Frost Bank, but not in the name of the Town).		861,731
Total Bank Balance	\$	<u><u>1,111,731</u></u>

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note B - Deposits and Investments (Continued)

Investments

At September 30, 2010, all of the Town's investments were in the Texas Local Government Investment Pool (TexPool). The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard and Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The fair market value of investments at September 30, 2010 was \$2,153,829.

Note C - Receivables

Receivables are considered fully collectible by the Town. Accordingly, no allowance for losses is recognized in the financial statements. Receivables at September 30, 2010 were as follows:

	Governmental Activities	Business-Type Activities
Ad Valorem Taxes	\$ 38,897	\$ -
Sales Taxes	146,109	-
Franchise Taxes	61,463	-
Hotel Taxes	12,072	-
Accounts Receivable - Miscellaneous	7,324	6,550
	<u>\$ 265,865</u>	<u>\$ 6,550</u>

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note D – Interfund Balances and Transfers

Interfund Balances

Interfund balances at September 30, 2010 consisted of the following:

	<u>Owed From Fund (Due To):</u>			<u>Total</u>
	<u>Economic Development Corporation</u>	<u>General Fund</u>		
<u>Owed to Fund (Due From):</u>				
General Fund	\$ 100	\$ -	\$ 100	
Court Technology Fund	-	320	320	
Court Security Fund	-	233	233	
	<u>\$ 100</u>	<u>\$ 553</u>	<u>\$ 653</u>	

All amounts were for short-term loans and are expected to be repaid within one year.

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers In (Out)</u>	<u>Purpose</u>
Governmental Activities:				
General Fund	\$ -	\$ (117,160)	\$ (117,160)	Open new Fire Truck fund
Non-Major Governmental Funds	117,160	-	117,160	Open new Fire Truck fund
General Fund	2,744	-	2,744	Transfer for capital outlay
Non-Major Governmental Funds	-	(2,744)	(2,744)	Transfer for capital outlay
Total Governmental Activities	<u>\$ 119,904</u>	<u>\$ (119,904)</u>	<u>\$ -</u>	

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note E - Capital Assets and Depreciation

A summary of changes in fixed assets is as follows:

	Balance 10/01/09	Increases	Decreases	Transfers	Balance 09/30/10
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 275,292	\$ -	\$ -	\$ 127,149	\$ 402,441
Construction in Progress	<u>187,773</u>	<u>275,759</u>	<u>-</u>	<u>(372,949)</u>	<u>90,583</u>
Total Capital Assets Not Being Depreciated	463,065	275,759	-	(245,800)	493,024
Capital Assets Being Depreciated:					
Land Improvements	-	-	-	93,000	93,000
Building and Fixtures	1,736,171	-	(2,250)	56,500	1,790,421
Infrastructure	770,575	32,365	-	9,300	812,240
Office Furniture and Equipment	230,804	8,691	(62,113)	-	177,382
Equipment	543,516	108,789	(110,305)	87,000	629,000
Vehicles	<u>776,628</u>	<u>215,668</u>	<u>(291,797)</u>	<u>-</u>	<u>700,499</u>
Total Capital Assets Being Depreciated	4,057,694	365,513	(466,465)	245,800	4,202,542
Accumulated Depreciation					
Land Improvements	-	(775)	-	-	(775)
Building and Fixtures	(597,417)	(61,165)	2,250	-	(656,332)
Infrastructure	(142,071)	(53,731)	-	-	(195,802)
Office Furniture and Equipment	(194,442)	(14,339)	58,437	-	(150,344)
Equipment	(386,295)	(43,721)	101,946	-	(328,070)
Vehicles	<u>(588,453)</u>	<u>(77,891)</u>	<u>269,232</u>	<u>-</u>	<u>(397,112)</u>
Total Accumulated Depreciation	(1,908,678)	(251,622)	431,865	-	(1,728,435)
Net Capital Assets Being Depreciated	<u>2,149,016</u>	<u>113,891</u>	<u>(34,600)</u>	<u>245,800</u>	<u>2,474,107</u>
Net Capital Assets	<u>\$ 2,612,081</u>	<u>\$ 389,650</u>	<u>\$ (34,600)</u>	<u>\$ -</u>	<u>\$ 2,967,131</u>

Depreciation was charged to the functions as follows:

Governmental Activities:	
General and Administration	\$ 33,636
Municipal Court	3,310
Public Safety	116,032
Public Works	63,838
Recreation	<u>34,806</u>
Total Governmental Activities Depreciation Expense	<u>\$ 251,622</u>

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note F - Leases

The Town leases administrative equipment under various operating leases. Assets acquired through capital leases are discussed in Note G. Total expenditures for operating leases in the governmental activities for the fiscal year ended September 30, 2010 were \$5,111.

The future minimum lease payments for non-cancellable operating leases are as follows:

Year Ended September 30,	Amount
2011	\$ 4,176
2012	1,392
Total	<u>\$ 5,568</u>

Note G – Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2010 included the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Capital Leases Payable:					
Ford Motor Credit	\$ 11,575	\$ 24,713	\$ 24,344	\$ 11,944	\$ 11,944
Total Capital Leases Payable	11,575	24,713	24,344	11,944	11,944
Compensated Absences	81,898	-	4,368	77,530	-
Net Pension Obligation	18,070	20,876	-	38,946	-
Governmental Activities Long-Term Liabilities	<u>\$ 111,543</u>	<u>\$ 45,589</u>	<u>\$ 28,712</u>	<u>\$ 128,420</u>	<u>\$ 11,944</u>

The General Fund is typically used to liquidate other long-term liabilities.

Description of Debt

Ford Motor Credit – Capital Lease

On November 26, 2008, the Town entered into a capital lease agreement with Ford Motor Credit in the amount of \$23,839 to purchase a police car. The lease is due and payable with 2 annual payments of \$12,264 on December 1 of each year. The capital lease was fully paid in December 2009. Accumulated depreciation on the police car totaled \$8,741 at year end.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note G – Long-Term Liabilities (Continued)

Description of Debt (Continued)

Ford Motor Credit – Capital Lease

On December 2, 2009, the Town entered into a capital lease agreement with Ford Motor Credit in the amount of \$24,713 to purchase a police car. The lease is due and payable with 2 annual payments of \$12,768 on December 2 of each year. Accumulated depreciation on the police car totaled \$4,119 at year end.

Debt Maturity

Debt service requirements at September 30, 2010 were as follows:

Governmental Activities – Capital Leases

<u>Year Ended September 30,</u>	<u>Governmental</u>
2011	<u>Activities</u>
	<u>\$ 12,768</u>
Total Future Minimum	
Lease Payments	12,768
Less: Amounts Representing	
Interest	<u>(824)</u>
Principal Amounts Due	11,944
Current Portion	<u>(11,944)</u>
Long-Term Portion	<u>\$ -</u>

Note H - Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The restricted assets in the governmental activities are as follows:

	<u>Cash</u>	<u>Investments</u>
Customer Deposits	\$ 1,000	\$ -
Child Safety	39,303	-
Special Revenue Funds	712,639	1,690,157
	<u>\$ 752,942</u>	<u>\$ 1,690,157</u>

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note I - Reservation of Fund Balance

Reservations of fund balances of governmental funds are created to either satisfy legal covenants that require a portion of the equity to be segregated or to identify the portion of the equity that is not available for appropriation of future expenditures. Specific reservations of fund equity are summarized below.

Fund Balance Reserved for Child Safety

This reserve was created to represent a portion of the fund balance account for child safety. This reservation is established to account for financial resources to be used for child safety funded by municipal court revenues.

Fund Balance Reserved for Police

This reserve was created to represent a portion of the fund balance account for police. This reservation is established to account for financial resources to be used by the police received from fingerprinting.

Fund Balance Reserved for Special Revenue Funds

This reserve was created to represent a portion of the fund balance account for the special revenue funds. This reservation is established to account for financial resources to be used by the special revenue funds for the purpose of the funds.

Note J – Risk Management

The Town contracts with the Texas Municipal League (TML) in the form of inter-local agreements to provide the following types of insurance coverage through the intergovernmental risk pool:

- Liability/Property
- Workers' Compensation

These multi-employer accounts provide for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. The liability of the Town is generally limited to the amounts calculated in the inter-local agreements.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note K - Pension Plans

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 calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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:

	Plan Year 2009	Plan Year 2010
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

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.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note K - Pension Plans (Continued)

Contributions (Continued)

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:

Annual required contribution (ARC)	\$	125,254
Interest on net pension obligation		1,355
Adjustment to the ARC		(1,103)
Annual pension cost (APC)		<u>125,506</u>
Contributions made		<u>(104,630)</u>
Increase (decrease) in net pension obligation		20,876
Net pension obligation/(asset), beginning of year		18,070
Net pension obligation/(asset), end of year	\$	<u><u>38,946</u></u>

Three-year trend information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2008	\$ 85,734	\$ 85,734	100%	\$ -
2009	\$ 121,054	\$ 102,984	85%	\$ 18,070
2010	\$ 125,506	\$ 104,630	83%	\$ 38,946

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

Valuation Date	<u>December 31, 2007</u>	<u>December 31, 2008</u>	<u>December 31, 2009</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	30 years; closed period	29 years; closed period	28 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.5%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.1%	2.1%	2.1%

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements
September 30, 2010

Note K - Pension Plans (Continued)

Contributions (Continued)

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) = (1) / (2)	Unfunded AAL (UAAL) (4) = (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) = (4) / (5)
12/31/2009	\$ 1,663,927	\$ 2,387,134	69.7%	\$ 723,207	\$ 1,315,512	55.0%

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 liability of benefits.

Supplemental Death Benefits

The Town also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The Town's contributions to the TMRS SDBF for the years ending 2010, 2009, and 2008 were \$2,268, \$2,702, and \$2,648, respectively, which equaled the required contributions each year.

TOWN OF HOLLYWOOD PARK, TEXAS

Notes to the Basic Financial Statements

September 30, 2010

Note L - Contingencies

The Town participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by grantor agencies, therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Note M – Purchase Commitment

On June 8, 2010, the City entered into a capital lease agreement in the amount of \$362,264 with Oshkosh Capital to purchase a new fire truck. The fire truck is currently being built to the Town's specifications and the Town will not have ownership until the fire truck is completed and delivered to the Town. The lease term and corresponding lease payments will commence upon delivery and acceptance of the completed fire truck, which is expected to occur in February 2011. As such, no provision for the lease is recorded in the accompanying basic financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF HOLLYWOOD PARK, TEXAS

Required Supplemental Information
 Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual – General Fund
 For the Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Ad Valorem Taxes	\$ 1,980,514	\$ 1,980,514	\$ 1,976,025	\$ (4,489)
Franchise Taxes	199,639	199,639	245,752	46,113
Sales Taxes	415,667	415,667	390,796	(24,871)
Mixed Beverage Taxes	6,987	6,987	6,264	(723)
Licenses and Permits	54,828	54,828	62,664	7,836
School Crossing Guard	3,500	3,500	3,727	227
Fire Protection	300,000	300,000	296,558	(3,442)
Recreational Department	13,000	13,000	12,929	(71)
Municipal Courts	96,400	96,400	70,317	(26,083)
Interest	2,800	2,800	737	(2,063)
Grants	-	-	60,520	60,520
Miscellaneous	13,550	13,550	118,477	104,927
Total Revenues	<u>3,086,885</u>	<u>3,086,885</u>	<u>3,244,766</u>	<u>157,881</u>
EXPENDITURES				
General and Administration	219,140	219,140	201,006	18,134
Municipal Court	66,105	66,105	62,733	3,372
General Government Building	54,300	54,300	55,006	(706)
Police Department	769,775	769,775	722,626	47,149
Fire Department	807,625	807,625	804,308	3,317
Public Works	135,328	135,328	128,058	7,270
Recreation Department	42,850	42,850	46,246	(3,396)
Sanitation	474,490	474,490	474,490	-
Contract Services	195,500	195,500	197,977	(2,477)
Capital Outlay	321,773	321,773	192,608	129,165
Debt Service				
Principal Payments	-	-	24,344	(24,344)
Interest Payments	-	-	689	(689)
Total Expenditures	<u>3,086,886</u>	<u>3,086,886</u>	<u>2,910,091</u>	<u>176,795</u>
Excess of Revenues Over (Under) Expenditures	(1)	(1)	334,675	334,676
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	2,744	2,744
Transfers Out	-	-	(117,160)	(117,160)
Proceeds from Capital Lease	-	-	24,713	24,713
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(89,703)</u>	<u>(89,703)</u>
Excess of Revenues and Other Sources Over				
(Under) Expenditures and Other Uses	(1)	(1)	244,972	244,973
Fund Balance - Beginning of Year	308,137	308,137	308,137	-
Fund Balance - End of Year	<u>\$ 308,136</u>	<u>\$ 308,136</u>	<u>\$ 553,109</u>	<u>\$ 244,973</u>

TOWN OF HOLLYWOOD PARK

Required Supplemental Information
 Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual – Economic Development Corporation
 For the Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Sales Taxes	\$ 108,000	\$ 108,000	\$ 97,893	\$ (10,107)
Interest Revenue	8,400	8,400	1,133	(7,267)
Total Revenues	<u>116,400</u>	<u>116,400</u>	<u>99,026</u>	<u>(17,374)</u>
EXPENDITURES				
General and Administration	1,200	1,200	7,397	(6,197)
Contract Services	6,700	41,700	-	41,700
Capital Outlay	-	33,500	103,327	(69,827)
Total Expenditures	<u>7,900</u>	<u>76,400</u>	<u>110,724</u>	<u>(34,324)</u>
Excess of Revenues Over (Under) Expenditures	<u>108,500</u>	<u>40,000</u>	<u>(11,698)</u>	<u>(51,698)</u>
Fund Balance - Beginning of Year	578,352	578,352	578,352	-
Fund Balance - End of Year	<u>\$ 686,852</u>	<u>\$ 618,352</u>	<u>\$ 566,654</u>	<u>\$ (51,698)</u>

TOWN OF HOLLYWOOD PARK, TEXAS

Required Supplemental Information
Notes to the Budgetary Comparison Schedules
For the Year Ended September 30, 2010

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Economic Development Corporation.
2. The Town Council approves, by ordinance, the total budget appropriation.
3. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The Town does not budget for the following major special revenue funds: Hotel Tax Fund, Venue Tax Fund and Street Tax Fund.

The Town budgeted some of its Capital Outlay as Contract Services expenditures for the Economic Development Corporation.

Actual expenditures exceeded budgeted expenditures by \$34,324 for the Economic Development Corporation.

TOWN OF HOLLYWOOD PARK

Required Supplemental Information

Texas Municipal Retirement System Schedule of Funding Progress (Unaudited)

For the Year Ended September 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) = (1) / (2)	Unfunded AAL (UAAL) (4) = (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) = (4) / (5)
12/31/2007	\$ 1,486,169	\$ 2,135,459	69.6%	\$ 649,290	\$ 1,151,234	56.4%
12/31/2008	\$ 1,648,035	\$ 2,319,604	71.0%	\$ 671,569	\$ 1,296,776	51.8%
12/31/2009	\$ 1,663,927	\$ 2,387,134	69.7%	\$ 723,207	\$ 1,315,512	55.0%

SUPPLEMENTAL SECTION



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

To the Honorable Mayor and Members of Town Council
Town of Hollywood Park, Texas

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Hollywood Park, Texas (the Town) as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 12, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness [2010-1].

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency [2010-1].

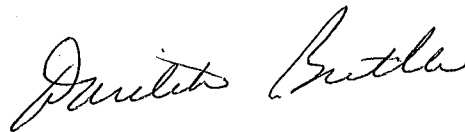
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town in a separate letter dated January 12, 2011.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Honorable Mayor and Town Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



San Antonio, Texas
January 12, 2011

TOWN OF HOLLYWOOD PARK, TEXAS

Schedule of Findings and Responses
For the Year Ended September 30, 2010

Internal Control Over Financial Reporting

2010-1 – Financial Statement Preparation

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Town does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in cities of this size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost.

To provide oversight of the financial statement preparation services at an appropriate level, we suggest management establish effective review policies and procedures, including the performance of the following:

- Reconcile general ledger amounts to the draft financial statements using grouping schedules provided by us.
- Review all supporting documentation and explanations for journal entries we propose and approve the entries.
- Review the adequacy of financial statement disclosures by completing a disclosure checklist or reviewing and approving the completed disclosure checklist we provide to you. Disclosure checklists are available from various sources or may be obtained from us.
- Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
- Review and approve the cash flow worksheet used in preparing the statement of cash flows.
- Apply analytical procedures to the draft financial statements.
- Perform other procedures as considered necessary by management.

Management's Response and Planned Corrective Action

Management concurs with the finding and recommendation. The Town will establish effective review policies and procedures, including the performance of procedures listed above in the recommendation.

Implementation

The Town will implement this recommendation for the fiscal year ending September 30, 2011.