

TOWN OF HOLLYWOOD PARK, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

TOWN OF HOLLYWOOD PARK
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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TOWN OF HOLLYWOOD PARK

PRINCIPAL OFFICERS

TOWN OFFICIALS

MAYOR

BOB SARTOR

TOWN COUNCIL

STEVE PHILLIPS

DEBRA TRUEMAN

TIM MCCALLUM

DAVID SWAN

PAUL HOMBURG

CITY SECRETARY

JANICE ALAMIA

ATTORNEY

DENTON, NAVARRO, ROCHA & BERNAL

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Town Council
Town of Hollywood Park

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, 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 Town of Hollywood Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hollywood Park, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 8 and 39 through 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

January 20, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Hollywood Park's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended September 30, 2011. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

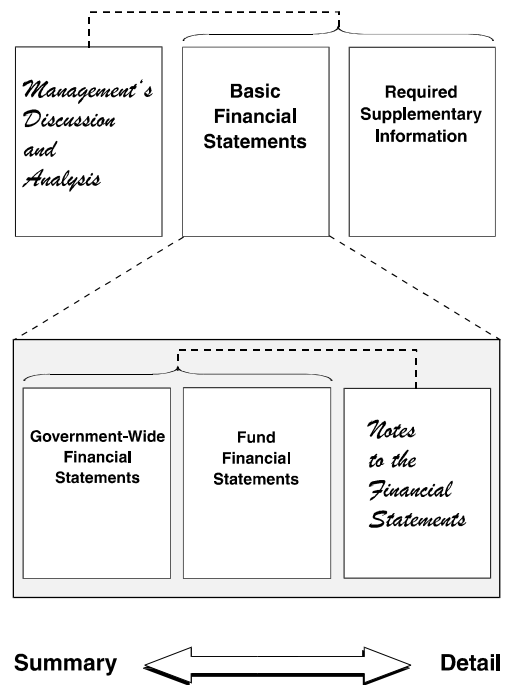
- The Town's total combined net assets were \$6,609,953 at September 30, 2011.
- During the year, the Town's governmental expenses were \$482,738 less than the \$3,636,192 generated in general and program revenues for governmental funds. The total cost of the Town's programs increased 6.1% from the prior year.
- The general fund reported a fund balance this year of \$736,844, an increase of 33%.
- The Town leased a fire truck during the fiscal year ending September 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Town's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1F, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
	Fund Statements		
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the City operates similar to private businesses: sewer
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses & changes in net assets • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the Town’s financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town’s net assets and how they have changed. Net assets—the difference between the Town’s assets and liabilities—is one way to measure the Town’s financial health or *position*.

- Over time, increases or decreases in the Town’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, one needs to consider additional non-financial factors such as changes in the Town’s tax base.

- The government-wide financial statements of the Town include the *Governmental activities*. Most of the Town's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant *funds*—not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Town Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Town has the following kinds of funds:

- *Governmental funds*—Most of the Town's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net assets. The Town's combined net assets were \$6,609,953 at September 30, 2011. (See Table A-1).

Table A-1
City's Net Assets

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2011 - 2010
	2011	2010	2011	2010	2011	2010	
<i>Assets:</i>							
Current Assets	\$ 3,151,633	\$ 3,319,067	\$ 194,732	\$ 206,816	\$ 3,346,365	\$ 3,525,883	(5.1)
Capital Assets (net)	4,007,307	2,967,131	-	-	4,007,307	2,967,131	35.1
<i>Total Assets</i>	<u>7,158,940</u>	<u>6,286,198</u>	<u>194,732</u>	<u>206,816</u>	<u>7,353,672</u>	<u>6,493,014</u>	13.3
<i>Liabilities:</i>							
Current Liabilities	512,738	145,038	8,199	19,295	520,937	164,333	217.0
Long-Term Liabilities	222,782	128,420	-	-	222,782	128,420	73.5
<i>Total Liabilities</i>	<u>735,520</u>	<u>273,458</u>	<u>8,199</u>	<u>19,295</u>	<u>743,719</u>	<u>292,753</u>	154.0
<i>Net Assets:</i>							
Invested in Capital Assets	3,715,720	2,955,187	-	-	3,715,720	2,955,187	25.7
Restricted	2,028,494	2,508,705	-	-	2,028,494	2,508,705	(19.1)
Unrestricted	679,206	548,848	186,533	187,521	865,739	736,369	17.6
<i>Total Net Assets</i>	<u>\$ 6,423,420</u>	<u>\$ 6,012,740</u>	<u>\$ 186,533</u>	<u>\$ 187,521</u>	<u>\$ 6,609,953</u>	<u>\$ 6,200,261</u>	6.6

The unrestricted net assets represent resources available to fund the programs of the Town next year.

Governmental Activities

- Property tax rates were unchanged for the fiscal year ending September 30, 2011; however, fluctuations in taxable values and varying collection rates produced a decrease in property tax revenues of \$23,941 to \$1,956,670.

Table A-2
Changes in City's Net Assets

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2011	2010	2011	2010	2011	2010	2011 - 2010
<i>Program Revenues:</i>							
Charges for Services	\$ 545,651	\$ 446,259	\$ 88,729	\$ 77,188	\$ 634,380	\$ 523,447	21.2
Operating Grants and Contributions	8,376	4,448	-	-	8,376	4,448	88.3
Capital Contributions	-	56,072	-	-	-	56,072	(100.0)
<i>General Revenues:</i>							
Taxes	3,050,108	3,063,311	-	-	3,050,108	3,063,311	(0.4)
Interest Earnings	2,774	3,967	16	17	2,790	3,984	(30.0)
Miscellaneous	29,283	206,803	-	-	29,283	206,803	(85.8)
TOTAL REVENUES	3,636,192	3,780,860	88,745	77,205	3,724,937	3,858,065	(3.5)
<i>Program Expenses:</i>							
General Government	585,046	495,551	-	-	585,046	495,551	18.1
Police	807,721	783,574	-	-	807,721	783,574	3.1
Fire	908,304	872,568	-	-	908,304	872,568	4.1
Public Works	196,081	194,312	-	-	196,081	194,312	0.9
Municipal Court	66,676	66,040	-	-	66,676	66,040	1.0
Recreation	105,401	84,092	-	-	105,401	84,092	25.3
Sanitation	473,518	474,490	-	-	473,518	474,490	(0.2)
Sewer	-	-	89,733	87,864	89,733	87,864	2.1
Interest on Debt	10,707	802	-	-	10,707	802	1235.0
TOTAL EXPENSES	3,153,454	2,971,429	89,733	87,864	3,243,187	3,059,293	6.0
Change in Net Assets	\$ 482,738	\$ 809,431	\$ (988)	\$ (10,659)	\$ 481,750	\$ 798,772	39.7

Table A-3 presents the cost of each of the Town's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars. The cost of all *governmental* activities this year was \$3,153,454. Taxpayers paid for 62% of these activities through property taxes of \$1,956,670. 17.3% of the cost was paid by those who directly benefited from the programs

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2011	2010	2011 - 2010	2011	2010	2011 - 2010
General Government	\$ 585,046	\$ 495,551	18.1	\$ 510,790	\$ 495,551	3.1
Police	807,721	783,574	3.1	800,341	783,574	2.1
Fire	908,304	872,568	4.1	556,480	515,490	8.0
Public Works	196,081	194,312	0.9	196,081	131,648	48.9
Municipal Court	66,676	66,040	1.0	(38,305)	(8,068)	374.8
Recreation	105,401	84,092	25.3	89,815	71,163	26.2
Sanitation	473,518	474,490	(0.2)	473,518	474,490	(0.2)
Sewer	89,733	87,868	2.1	1,004	10,676	(90.6)

Business-Type Activities

Revenues of the Town's Sewer business-type activities increased 15% to \$88,729, but operating expenses only increased 2.1% to \$89,733. Fluctuations in revenues and expenses are primarily related to changes in water consumption.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Revenues from governmental fund types totaled \$3,645,968, a decrease of 1.2% from the preceding year.

General Fund Budgetary Highlights

The Town's actual expenditures in the general fund were \$33,595 less than budgeted amounts, but the economic development corporation's expenditures were over budget by \$58,223. The Town amended the general fund budget during the year to account for increased pool maintenance and the purchase of a police vehicle. The Economic Development Corporation underestimated the costs of improvements to the police and fire department building.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2011, the Town had invested \$6,013,898 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and disposals) of \$1,318,329 or 22% over the prior year. The most significant additions being the completion of the police and fire building improvements and the purchase of a fire truck through a capital lease.

Table A-4
City's Capital Assets
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2011 - 2010
	2011	2010	2011	2010	2011	2010	
Land	\$ 402	\$ 402	\$ -	\$ -	\$ 402	\$ 402	0.0
Buildings and Improvements	2,496	1,883	-	-	2,496	1,883	32.5
Equipment	1,900	1,507	-	-	1,900	1,507	26.1
Infrastructure	1,215	812	-	-	1,215	812	49.6
Construction in Progress	-	91	-	-	-	91	(100.0)
Totals at Historical Cost	6,014	4,696	-	-	6,014	4,696	28.1
Total Accumulated Depreciation	(2,007)	(1,728)	-	-	(2,007)	(1,728)	16.1
Net Capital Assets	<u>\$ 4,007</u>	<u>\$ 2,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,007</u>	<u>\$ 2,967</u>	35.1

More detailed information about the Town's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the Town had a capital lease of \$291,587 outstanding as shown in Table A-5. The Town has no bonds. More detailed information about the Town's debt is presented in the notes to the financial statements.

Table A-5
City's Long-Term Debt
(in thousands dollars)

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2011	2010	2011	2010	2011	2010	Change
Capital Leases	\$ 292	\$ 12	\$ -	\$ -	\$ 292	\$ 12	2341.3
Total Long-Term Debt	\$ 292	\$ 12	\$ -	\$ -	\$ 292	\$ 12	2341.3

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2012 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.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (210) 494-2023.



TOWN OF HOLLYWOOD PARK
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



TOWN OF HOLLYWOOD PARK
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,911,166	\$ 187,777	\$ 3,098,943
Receivables (net of allowances for uncollectibles):			
Ad Valorem Taxes	38,193	-	38,193
Other	202,274	6,955	209,229
Capital Assets:			
Land	402,442	-	402,442
Buildings and Improvements	2,496,320	-	2,496,320
Vehicles and Equipment	1,899,934	-	1,899,934
Infrastructure	1,215,202	-	1,215,202
Accumulated Depreciation	(2,006,591)	-	(2,006,591)
TOTAL ASSETS	\$ 7,158,940	\$ 194,732	\$ 7,353,672
LIABILITIES AND NET ASSETS			
<i>Liabilities:</i>			
Accounts Payable	\$ 202,830	\$ 8,199	\$ 211,029
Accrued Expenses	30,639	-	30,639
Accrued Interest Payable	1,174	-	1,174
Deposits	3,237	-	3,237
Accrued Compensated Absences	151,051	-	151,051
Net Pension Obligation	55,002	-	55,002
<i>Noncurrent Liabilities:</i>			
Due within One Year	68,805	-	68,805
Due in more than One Year	222,782	-	222,782
TOTAL LIABILITIES	735,520	8,199	743,719
<i>Net Assets:</i>			
Invested in Capital Assets, Net of Related Debt	3,715,720	-	3,715,720
Restricted for:			
Special Revenues	2,028,494	-	2,028,494
Unrestricted	679,206	186,533	865,739
TOTAL NET ASSETS	6,423,420	186,533	6,609,953
TOTAL LIABILITIES AND NET ASSETS	\$ 7,158,940	\$ 194,732	\$ 7,353,672

See accompanying notes to basic financial statements.

TOWN OF HOLLYWOOD PARK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
<i>Governmental Activities:</i>				
General and Administrative	\$ 585,046	\$ 74,256	\$ -	\$ -
Police	807,721	2,260	5,120	-
Fire	908,304	348,568	3,256	-
Public Works	196,081	-	-	-
Municipal Court	66,676	104,981	-	-
Recreation	105,401	15,586	-	-
Sanitation	473,518	-	-	-
Interest on Long-term Debt	10,707	-	-	-
<i>Total Governmental Activities</i>	<u>3,153,454</u>	<u>545,651</u>	<u>8,376</u>	<u>-</u>
<i>Business-Type Activities</i>				
Sewer	89,733	88,729	-	-
<i>Total Business-Type Activities</i>	<u>89,733</u>	<u>88,729</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 3,243,187</u>	<u>\$ 634,380</u>	<u>\$ 8,376</u>	<u>\$ -</u>
General Revenues:				
Taxes				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
Hotel Occupancy Tax				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets at Beginning of Year				
Prior Period Adjustment				
Net Assets at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (510,790)	\$ -	\$ (510,790)
(800,341)	-	(800,341)
(556,480)	-	(556,480)
(196,081)	-	(196,081)
38,305	-	38,305
(89,815)	-	(89,815)
(473,518)	-	(473,518)
(10,707)	-	(10,707)
<u>(2,599,427)</u>	<u>-</u>	<u>(2,599,427)</u>
-	(1,004)	(1,004)
<u>-</u>	<u>(1,004)</u>	<u>(1,004)</u>
(2,599,427)	(1,004)	(2,600,431)
1,956,670	-	1,956,670
223,154	-	223,154
801,896	-	801,896
68,388	-	68,388
2,774	16	2,790
29,283	-	29,283
<u>3,082,165</u>	<u>16</u>	<u>3,082,181</u>
482,738	(988)	481,750
6,012,740	187,521	6,200,261
(72,058)	-	(72,058)
<u>\$ 6,423,420</u>	<u>\$ 186,533</u>	<u>\$ 6,609,953</u>

TOWN OF HOLLYWOOD PARK
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Hotel Tax	<u>Major Fund</u> Venue Tax
ASSETS			
Cash and Cash Equivalents	\$ 770,137	\$ 862,693	\$ 841,906
Receivables (net of allowances for uncollectibles):			
Property Taxes	38,193	-	-
Other Receivables	119,234	18,042	32,499
Due from Other Funds	9,500	-	-
	<u>937,064</u>	<u>880,735</u>	<u>874,405</u>
TOTAL ASSETS	<u>\$ 937,064</u>	<u>\$ 880,735</u>	<u>\$ 874,405</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 131,038	\$ -	\$ -
Accrued Expenditures	30,639	-	-
Deposits	3,237	-	-
Due to Other Funds	23	-	-
Deferred/Unearned Revenues	35,283	-	-
TOTAL LIABILITIES	<u>200,220</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>			
Restricted for:			
Tourism Development	-	880,735	-
Economic Development	-	-	-
Venue Construction and Maintenance	-	-	874,405
Municipal Court	-	-	-
Street Maintenance	-	-	-
Police	-	-	-
Donor Stipulations	-	-	-
Assigned for:			
Fire Truck Replacement	-	-	-
Unassigned	736,844	-	-
<i>Total Fund Balances</i>	<u>736,844</u>	<u>880,735</u>	<u>874,405</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 937,064</u>	<u>\$ 880,735</u>	<u>\$ 874,405</u>

See accompanying notes to basic financial statements.

<u>Major Fund Economic Development</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 195,732	\$ 240,698	\$ 2,911,166
-	-	38,193
16,250	16,250	202,275
-	23	9,523
<u>\$ 211,982</u>	<u>\$ 256,971</u>	<u>\$ 3,161,157</u>
\$ 71,147	\$ 644	\$ 202,829
-	-	30,639
-	-	3,237
9,500	-	9,523
-	-	35,283
<u>80,647</u>	<u>644</u>	<u>281,511</u>
-	-	880,735
131,335	-	131,335
-	-	874,405
-	16,343	16,343
-	122,233	122,233
-	1,323	1,323
-	2,120	2,120
-	114,308	114,308
-	-	736,844
<u>131,335</u>	<u>256,327</u>	<u>2,879,646</u>
<u>\$ 211,982</u>	<u>\$ 256,971</u>	<u>\$ 3,161,157</u>



TOWN OF HOLLYWOOD PARK
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 2,879,646
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,007,307
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	35,283
Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(151,051)
Long-term liabilities, including capital leases and net pension obligations, are not due and payable in the current period and, therefore, not reported in the funds.	(291,587)
The governmental funds report pension plan contributions as expenditures when they are paid. However, in the statement of net assets, the difference between contributions made and the actuarial accrued pension costs are reported as an asset or obligation. This amount represents the cumulative amount that pension costs exceeded actual contributions.	(55,002)
Accrued interest payable on debt is not due and payable in the current period and, therefore, not reported in the funds.	<u>(1,174)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 6,423,420</u></u>

See accompanying notes to basic financial statements.

TOWN OF HOLLYWOOD PARK
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Hotel Tax	<u>Major Fund</u> Venue Tax
REVENUES			
Ad Valorem Taxes	\$ 1,956,422	\$ -	\$ -
Franchise Fees	223,154	-	-
Sales Taxes	404,877	-	198,509
Hotel Occupancy Tax	-	68,388	-
Fines and Penalties	99,575	-	-
Licenses and Permits	70,925	-	-
Interest Income	744	194	922
Miscellaneous	60,235	-	-
Grants and Donations	2,000	-	-
Interlocal Agreement	348,568	-	-
TOTAL REVENUES	<u>3,166,500</u>	<u>68,582</u>	<u>199,431</u>
EXPENDITURES			
<i>Current:</i>			
General and Administrative	538,908	-	-
Police	746,525	-	-
Fire	810,172	-	-
Public Works	131,542	-	-
Municipal Court	62,560	-	-
Recreation	45,442	-	6,125
Sanitation	473,518	-	-
Capital Outlay	443,521	-	3,846
<i>Debt Service:</i>			
Principal	82,621	-	-
Interest and Fiscal Charges	10,220	-	-
TOTAL EXPENDITURES	<u>3,345,029</u>	<u>-</u>	<u>9,971</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(178,529)</u>	<u>68,582</u>	<u>189,460</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Capital Lease	362,264	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>362,264</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	183,735	68,582	189,460
Fund Balances at Beginning of Year	<u>553,109</u>	<u>812,153</u>	<u>684,945</u>
Fund Balances at End of Year	<u>\$ 736,844</u>	<u>\$ 880,735</u>	<u>\$ 874,405</u>

See accompanying notes to basic financial statements.

<u>Major Fund</u> <u>Economic</u> <u>Development</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ -	\$ 1,956,422
-	-	223,154
99,255	99,255	801,896
-	-	68,388
-	5,406	104,981
-	-	70,925
649	264	2,773
-	3,641	63,876
-	2,985	4,985
-	-	348,568
<u>99,904</u>	<u>111,551</u>	<u>3,645,968</u>
4,337	-	543,245
-	-	746,525
-	3,736	813,908
-	-	131,542
-	-	62,560
-	-	51,567
-	-	473,518
530,886	374,308	1,352,561
-	-	82,621
-	-	10,220
<u>535,223</u>	<u>378,044</u>	<u>4,268,267</u>
<u>(435,319)</u>	<u>(266,493)</u>	<u>(622,299)</u>
-	-	362,264
-	-	362,264
(435,319)	(266,493)	(260,035)
<u>566,654</u>	<u>522,820</u>	<u>3,139,681</u>
<u>\$ 131,335</u>	<u>\$ 256,327</u>	<u>\$ 2,879,646</u>



TOWN OF HOLLYWOOD PARK
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (260,035)

Amounts reported for governmental activities in the Statement of Activities are different because:

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 exceeded depreciation. 1,050,198

Governmental funds report the proceeds from the sales of capital assets as revenues. However, in the statement of activities these proceeds are reduced by the net book value of the capital assets disposed. This is the net book value of capital assets disposed of during the year. (10,024)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 248

The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets.

Principal Payments	82,621	
Proceeds from Capital Leases	<u>(362,264)</u>	(279,643)

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.

Change in Compensated Absences	(1,463)	
Change in Net Pension Obligation	(16,056)	
Change in Accrued Interest	<u>(487)</u>	<u>(18,006)</u>

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 482,738

TOWN OF HOLLYWOOD PARK
STATEMENT OF NET ASSETS – PROPRIETARY FUND
SEPTEMBER 30, 2011

	<u>Business-Type Activities</u> Sewer Fund <u> </u>
ASSETS	
Cash and Cash Equivalents	\$ 187,777
Receivables (net of allowances for uncollectibles)	<u>6,955</u>
TOTAL ASSETS	<u><u>\$ 194,732</u></u>
LIABILITIES AND NET ASSETS	
<i>Liabilities</i>	
Accounts Payable	\$ 8,199
<i>Total Liabilities</i>	<u>8,199</u>
<i>Net Assets:</i>	
Unrestricted	<u>186,533</u>
<i>Total Net Assets</i>	<u>186,533</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 194,732</u></u>

See accompanying notes to basic financial statements.

TOWN OF HOLLYWOOD PARK
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR SEPTEMBER 30, 2011

	Business-Type Activities
	Sewer Fund
OPERATING REVENUES	
Charges for Utility Service	\$ 88,729
TOTAL OPERATING REVENUES	88,729
OPERATING EXPENSES	
Waste Water Treatment Fees	89,733
TOTAL OPERATING EXPENSES	89,733
OPERATING INCOME (LOSS)	(1,004)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	16
TOTAL NONOPERATING REVENUES (EXPENSES)	16
CHANGE IN NET ASSETS	(988)
NET ASSETS AT BEGINNING OF YEAR	187,521
NET ASSETS AT END OF YEAR	\$ 186,533

See accompanying notes to basic financial statements.

TOWN OF HOLLYWOOD PARK
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-Type Activities
	Sewer Fund
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 88,324
Cash Paid to Suppliers for Goods and Services	(100,829)
Net Cash Provided (Used) by Operating Activities	(12,505)
Cash Flows From Investing Activities:	
Investment Interest Received	16
Net Cash Provided (Used) by Investing Activities	16
Net Increase (Decrease) in Cash and Cash Equivalents	(12,489)
Cash and Cash Equivalents at Beginning of Year	200,266
Cash and Cash Equivalents at End of Year	\$ 187,777
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (1,004)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(405)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(11,096)
Total Adjustments to Reconcile Operating Activities	(11,501)
Net Cash Provided (Used) by Operating Activities	\$ (12,505)

See accompanying notes to basic financial statements.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Hollywood Park, Texas (“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. The Town provides the following services as authorized by its charter: police and fire protection, sanitation, parks and recreation, general administrative services, and sewer services.

The financial statements of the Town have been prepared in conformity with 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. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2011, the Town had one component unit that is blended in these financial statements:

Hollywood Park Economic Development Corporation

The Town exerts significant control over the Economic Development Corporation (EDC), a legally separate entity. The EDC uses the taxing authority of the Town and exists only to benefit the Town and its community. This qualifies the EDC as a component unit, which is as a separate fund of the Town. The EDC collects a ¼ cent sales tax to promote the economic growth in the Town of Hollywood Park. The EDC does not issue separate financial statements.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the Town. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The statement of activities reflects 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. 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 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 in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Hotel Tax Fund, Venue Tax Fund and Economic Development Fund all meet the criteria as *major governmental funds*.

3. 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. This measurement focus is also used for 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. Revenue types which have been accrued consist of revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. 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. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The government reports the following major governmental funds:

The General Fund is the general operating fund of the Town and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, police, fire, recreation, public works, municipal court and sanitation.

Hotel Tax Fund is used to account for the proceeds of an occupancy tax on local hotels and motels. The funds are used to promote tourism in the Town.

Venue Tax Fund is used to account for proceeds from a ½ cent sales tax to fund various venues in the Town. Currently it is funding the development and operations of Triangle Park.

Economic Development Fund is used to account for the ¼ cent sales tax used to promote business development in the Town. This fund is a separate legal entity reported as a blended component unit of the Town.

The Town has the following nonmajor governmental funds: Court Technology, Court Security, Grants & Donations, Asset Forfeiture, Fire Truck Replacement, Street Maintenance, and Asset Seizure.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The Town's Proprietary Fund is the Sewer Fund (used to account for the provision of sewer services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Town.

5. INVESTMENTS

State statutes authorize the Town to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The Town has all its monies in interest bearing checking accounts, savings accounts, government investment pools, and certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2010 and past due after January 31, 2011. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles; however, presently the Town estimates that all accounts are collectible.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the Town. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

TOWN OF HOLLYWOOD PARK
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2011

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

9. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include Town-owned streets, sewer, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Estimated Life
Buildings and Improvements	5 to 30 years
Streets and Infrastructure	10 to 20 years
Furniture, Fixtures, Vehicles	5 to 10 years

10. COMPENSATED ABSENCES

Full-time employees earn vacation leave at varying rates depending on length of service and department worked. No more than 20 days (160 hours for regular employees, 240 for firefighters, and 200 hours for police) may be carried over annually. Accumulated vacation leave is paid on termination.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. COMPENSATED ABSENCES (Cont.)

Full-time employees earn sick leave monthly at varying rates depending on their department. Sick leave benefits carryover each year up to a maximum of 584 hours for regular employees, 876 hours for firefighters and 730 hours for police. A portion of unused sick leave (ranging from 0% to 50% depending on years of service) is paid upon termination. Liabilities for compensated absences are recognized in the fund statements only to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

11. DEFERRED/UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as deferred revenue. Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

12. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net assets. On new bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. FUND BALANCES (Cont.)

Committed - Represents amounts that can only be used for a specific purpose by a resolution of Town Council. Committed amounts cannot be used for any other purpose unless the Town Council removes those constraints through the same formal action.

Assigned - Represents amounts which the Town intends to use for a specific purpose but do not meet the criteria of restricted or committed. Assignments may be created by the Council or Finance Director.

Unassigned - Represents the residual balance that may be spent on any other purpose of the Town.

When an expenditure is incurred for a purpose in which multiple classifications are available, the Town considers restricted balances spent first, committed second and assigned third.

14. NET ASSETS

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

15. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the Town, those revenues are charges for sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

16. INTERFUND TRANSFERS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

17. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE B -- DEPOSITS AND INVESTMENTS

The Town's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Town's agent bank approved pledge securities in an amount sufficient to protect Town funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Deposits

At September 30, 2011, the carrying amount of the primary government's (the Town) cash on hand was \$300 and the carrying amount of deposits in bank was \$1,202,417 and the bank balance was \$1,248,894. Of the bank balance, \$250,000 was covered by federal deposit insurance and the Town's depository had pledged securities having a face value of \$1,974,369 and market value of \$2,184,992 as collateral for the Town's deposits. All of the Town's cash was fully collateralized.

2. Investments

The Town is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the Town adhered to the requirements of the Act. Additionally, investment practices of the Town were in accordance with local policies.

The Act determines the types of investments which are allowable for the Town. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The Town's investment policy further limits investments to: (1) federally insured bank deposits, (2) collateralized bank deposits, (3) U.S. Government Treasury bills and notes, including sweep accounts that invest in them, (4) U.S. Government Agencies, and (5) Public Funds Investment Pools. No other investments may be made without authorization of Town Council.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

The Town's investments at September 30, 2011 consist of \$1,896,226 in TexPool, a 2a7 like public funds investment pool. TexPool operates in accordance with the provisions of the Texas Public Funds Investment Act and is rated AAAM. The investment in TexPool is included in cash and cash equivalents.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the Town was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Town was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Town's name. At year end, the Town was not significantly exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Town was not exposed to a concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the Town was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Town was not exposed to foreign currency risk.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

4. Investment Accounting Policy

The Town's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE C -- PROPERTY TAX CALENDAR

The Town's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the Town. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2010, upon which the fiscal 2011 levy was based, was \$396,788,192 (i.e., market value less exemptions). The estimated market value was \$405,362,086, making the taxable value 97.9% of the estimated market value.

The Town is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2011, was \$0.49 per \$100 of assessed value, which means that the Town has a tax margin of \$2.01 for each \$100 value and could increase its annual tax levy by approximately \$7,975,441 based upon the present assessed valuation before the limit is reached. However, the Town may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE D -- OTHER RECEIVABLES

Other receivables for the Town as of September 30, 2011 are as follows:

<i>Primary Government</i>	General Fund	Hotel Tax	Venue Tax	EDC	Nonmajor Funds
Sales and Mixed Beverage Tax	\$ 66,317	\$ -	\$ 32,499	\$ 16,250	\$ 16,250
Franchise Tax	52,020	-	-	-	-
Hotel Occupancy Tax	-	18,042	-	-	-
Miscellaneous	897	-	-	-	-
Total Other Receivables	<u>\$ 119,234</u>	<u>\$ 18,042</u>	<u>\$ 32,499</u>	<u>\$ 16,250</u>	<u>\$ 16,250</u>

NOTE E -- INTERFUND RECEIVABLE/PAYABLE

During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2011, balances of interfund amounts receivable or payable have been recorded as follows:

<i>Primary Government</i>	Due From	Due To	Purpose
<i>General Fund:</i>			
Economic Development	\$ 9,500	\$ -	<i>capital outlay reimbursement</i>
Nonmajor Funds	-	23	<i>Collections on-behalf of other funds</i>
	<u>9,500</u>	<u>23</u>	
<i>Economic Development:</i>			
General Fund	-	9,500	<i>capital outlay reimbursement</i>
	-	9,500	
<i>Nonmajor Funds:</i>			
General Fund	23	-	<i>Collections on-behalf of other funds</i>
	<u>23</u>	<u>-</u>	
Totals	<u>\$ 9,523</u>	<u>\$ 9,523</u>	

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE F -- CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance 10/1/2010	Additions	Disposals/ Transfers	Balance 9/30/2011
Land	\$ 402,442	\$ -	\$ -	\$ 402,442
Buildings and Improvements	1,883,421	10,539	602,360	2,496,320
Vehicles and Equipment	1,506,883	427,105	(34,054)	1,899,934
Infrastructure	812,240	385,013	17,949	1,215,202
Construction in Progress	90,583	529,726	(620,309)	-
	<u>4,695,569</u>	<u>1,352,383</u>	<u>(34,054)</u>	<u>6,013,898</u>
Less Accumulated Depreciation				
Buildings and Improvements	(657,107)	(93,321)	-	(750,428)
Vehicles and Equipment	(875,527)	(153,668)	24,030	(1,005,165)
Infrastructure	(195,802)	(55,196)	-	(250,998)
	<u>(1,728,436)</u>	<u>(302,185)</u>	<u>24,030</u>	<u>(2,006,591)</u>
Governmental Capital Assets, Net	<u>\$ 2,967,133</u>	<u>\$ 1,050,198</u>	<u>\$ (10,024)</u>	<u>\$ 4,007,307</u>

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 43,728
Municipal Court	3,775
Police Department	54,266
Fire Department	86,873
Public Works	63,556
Parks and Recreation	49,987
Total Depreciation Expense - Governmental Activities	<u>\$ 302,185</u>

NOTE G -- LONG-TERM DEBT

Capital Lease

On June 8, 2010, the City agreed to lease purchase a fire truck through Oshkosh Capital. An old fire truck was traded in and a downpayment of \$190,000 was made towards the purchase. The remaining portion of \$362,264 was financed through a lease that commenced on February 14, 2011 and requires five annual payments of \$80,072 beginning on that date. The lease has an effective interest rate of 3.9%. The fire truck is included in capital assets for a cost of \$560,860 with accumulated depreciation of \$32,717.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE G -- LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

<u>Governmental Activities</u>	<u>Balance 10/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2011</u>	<u>Due Within One Year</u>
<i>Capital Leases:</i>					
Police Vehicle	\$ 11,944	\$ -	\$ (11,944)	\$ -	\$ -
Fire Truck	-	362,264	(70,677)	291,587	68,805
Compensated Absences	149,588	1,463	-	151,051	151,051
Total Governmental Activities	<u>161,532</u>	<u>363,727</u>	<u>(82,621)</u>	<u>442,638</u>	<u>219,856</u>
Total Primary Government	<u>\$ 161,532</u>	<u>\$ 363,727</u>	<u>\$ (82,621)</u>	<u>\$ 442,638</u>	<u>\$ 219,856</u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2011, including interest payments, are as follows:

<u>Year Ending September 30,</u>	<u>Lease Payments</u>
2012	\$ 80,072
2013	80,072
2014	80,072
2015	80,072
	<u>320,288</u>
Less: Amount Representing Interest	<u>(28,701)</u>
	<u>\$ 291,587</u>

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

Plan Description

The Town provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide 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 Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677. In addition, the report is available on TMRS' website at TMRS.com.

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (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	6%	6%
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 Town's contribution rate is annually determined by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are 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 the Town. Both the normal cost and the 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 are as follows:

Annual Required Contribution (ARC)	\$ 133,187
Interest on Net Pension Obligation	2,921
Adjustment to the ARC	(2,420)
Annual Pension Cost	<u>133,688</u>
Contributions Made	<u>(117,632)</u>
Increase (decrease) in Net Pension Obligation	16,056
Net Pension Obligation, beginning of year	<u>38,946</u>
Net Pension Obligation, end of year	<u><u>\$ 55,002</u></u>

TOWN OF HOLLYWOOD PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Fiscal Year Ending September 30,	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution	Net Pension Obligation
2009	\$ 121,054	\$ 102,984	85%	\$ 18,070
2010	125,506	104,630	83%	38,946
2011	133,688	117,632	88%	55,002

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

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10 - prior to restructuring	12/31/10 - restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining Amortization Period	29.0 years; closed period	28.0 years; closed period	27.0 years; closed period	26.9 years; closed period
Amortization Period for new	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10 -year smoothed market	10 -year smoothed market	10 -year smoothed market
Investment Rate of Return	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%	2.1%

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

TOWN OF HOLLYWOOD PARK
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2011

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	FUNDING RATIO (1)/(2)	UNFUNDED	ANNUAL COVERED PAYROLL	UAAL AS A
				ACTUARIAL ACCRUED LIABILITY (UAAL)		PERCENTAGE OF COVERED PAYROLL
2010 - Old	\$ 1,910,577	\$ 2,604,035	73.4%	\$ 693,458	\$ 1,305,977	53.1%
2010 - New	\$ 2,593,415	\$ 3,121,519	83.1%	\$ 528,104	\$ 1,305,977	40.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. 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.

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT

The Town also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 city's contributions to the TMRS SDBF for the fiscal years ending December 31, 2011, 2010 and 2009 were \$2,356, \$2,268 and \$2,702, respectively, which equaled the required contributions each year.

TOWN OF HOLLYWOOD PARK
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2011

NOTE J -- COMMITMENTS AND CONTINGENCIES

Litigation

The Town is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the Town's liability in these cases, if decided adversely to the Town, will not have a material effect on the Town's financial position.

Subsequent Event

The Town's interlocal agreement with Hill Country Village for fire services expired on September 30, 2011. The Town and City could not reach an agreement on a subsequent agreement; thus, the Town will not be receiving the General Fund revenue in the fiscal year ending September 30, 2012.

NOTE K -- RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The Town contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the Town is generally limited to the contributed amounts for losses up to \$1,000,000. Annual contributions for the year ended September 30, 2011 were \$53,653 for property and casualty and workers compensation coverage.

NOTE L – PRIOR PERIOD ADJUSTMENT

In the prior year, the accrual for compensated employee absences was understated by the amount of sick leave that the Town pays upon termination. A prior period adjustment was recorded to correct the beginning net assets as follows:

	Governmental Activities
Beginning Governmental Net Assets, Previously Reported	\$ 6,012,740
Understated Accrued Compensated Absences	(72,058)
Beginning Governmental Net Assets, Restated	\$ 5,940,682



REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Economic Development Fund
- Schedule of Funding Progress – Defined Benefit

TOWN OF HOLLYWOOD PARK
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 1,944,589	\$ 1,944,589	\$ 1,956,422	\$ 11,833
Franchise Fees	211,600	211,600	223,154	11,554
Sales Taxes	361,470	361,470	404,877	43,407
Fines and Penalties	73,600	73,600	99,575	25,975
Licenses and Permits	53,290	53,290	70,925	17,635
Interest Income	500	500	744	244
Miscellaneous	26,250	30,181	60,235	30,054
Grants and Donations	-	-	2,000	2,000
Interlocal Agreement	341,130	341,130	348,568	7,438
TOTAL REVENUES	<u>3,012,429</u>	<u>3,016,360</u>	<u>3,166,500</u>	<u>150,140</u>
EXPENDITURES				
<i>Current:</i>				
General and Administrative	493,759	486,259	538,908	(52,649)
Police	775,680	776,596	746,525	30,071
Fire	843,510	843,510	810,172	33,338
Public Works	143,034	154,465	131,542	22,923
Municipal Court	67,883	67,883	62,560	5,323
Recreation	43,950	43,950	45,442	(1,492)
Sanitation	483,000	483,000	473,518	9,482
Capital Outlay	431,036	430,120	443,521	(13,401)
<i>Debt Service:</i>				
Principal	82,621	82,621	82,621	-
Interest and Fiscal Charges	10,220	10,220	10,220	-
TOTAL EXPENDITURES	<u>3,374,693</u>	<u>3,378,624</u>	<u>3,345,029</u>	<u>33,595</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(362,264)</u>	<u>(362,264)</u>	<u>(178,529)</u>	<u>183,735</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	362,264	362,264	362,264	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>362,264</u>	<u>362,264</u>	<u>362,264</u>	<u>-</u>
Net Change in Fund Balance	-	-	183,735	183,735
Beginning Fund Balance	553,109	553,109	553,109	-
Ending Fund Balance	<u>\$ 553,109</u>	<u>\$ 553,109</u>	<u>\$ 736,844</u>	<u>\$ 183,735</u>

TOWN OF HOLLYWOOD PARK
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL – ECONOMIC DEVELOPMENT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Sales Taxes	\$ 108,000	\$ 108,000	\$ 99,255	\$ (8,745)
Interest Income	2,000	2,000	649	(1,351)
TOTAL REVENUES	<u>110,000</u>	<u>110,000</u>	<u>99,904</u>	<u>(10,096)</u>
EXPENDITURES				
<i>Current:</i>				
General and Administrative	27,500	27,500	4,337	23,163
Capital Outlay	440,000	449,500	530,886	(81,386)
TOTAL EXPENDITURES	<u>467,500</u>	<u>477,000</u>	<u>535,223</u>	<u>(58,223)</u>
Net Change in Fund Balance	(357,500)	(367,000)	(435,319)	(68,319)
Beginning Fund Balance	<u>566,654</u>	<u>566,654</u>	<u>566,654</u>	<u>-</u>
Ending Fund Balance	<u>\$ 209,154</u>	<u>\$ 199,654</u>	<u>\$ 131,335</u>	<u>\$ (68,319)</u>

TOWN OF HOLLYWOOD PARK
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The Town maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the Town Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund and Economic Development Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The Economic Development Corporation exceeded its budgeted appropriations by \$58,223.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

TOWN OF HOLLYWOOD PARK
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT
 LAST THREE CALENDAR YEARS

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
2008	\$ 1,648,035	\$ 2,319,604	71.0%	\$ 671,569	\$ 1,296,776	51.8%
2009	1,663,927	2,387,134	69.7%	723,207	1,315,512	55.0%
2010 (1)	1,910,577	2,604,035	73.4%	693,458	1,305,977	53.1%
2010 (2)	2,593,415	3,121,519	83.1%	528,104	1,305,977	40.4%

* As of December 31 of the preceding year, the date of the actuarial valuation.

** Assets are stated at cost as of December 31 of the preceding year.

(1) This actuarial valuation was performed under the old model.

(2) This actuarial valuation was performed under the new model.



OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Comparative Statements – Venue Tax Fund
- Comparative Statements – Hotel Tax Fund
- Comparative Statements – Economic Development Fund
- Combining Statements – Nonmajor Governmental Funds
- Comparative Statements – Proprietary Sewer Fund

TOWN OF HOLLYWOOD PARK
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 770,137	\$ 519,564
Receivables (net of allowances for uncollectibles):		
Property Taxes	38,193	38,897
Other Receivables	119,234	141,841
Prepaid Items	-	9,681
Due from Other Funds	9,500	100
TOTAL ASSETS	\$ 937,064	\$ 710,083
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 131,038	\$ 120,386
Accrued Expenditures	30,639	-
Deposits	3,237	1,000
Due to Other Funds	23	553
Deferred/Unearned Revenues	35,283	35,035
<i>Total Liabilities</i>	200,220	156,974
<i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	-	9,681
Unassigned	736,844	543,428
<i>Total Fund Balance</i>	736,844	553,109
TOTAL LIABILITIES & FUND BALANCES	\$ 937,064	\$ 710,083

TOWN OF HOLLYWOOD PARK
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
REVENUES		
Ad Valorem Taxes	\$ 1,956,422	\$ 1,976,025
Franchise Fees	223,154	245,752
Sales Taxes	404,877	397,060
Fines and Penalties	99,575	70,316
Licenses and Permits	70,925	63,279
Interest Income	744	740
Miscellaneous	60,235	125,868
Grants and Donations	2,000	60,520
Interlocal Agreement	348,568	296,558
TOTAL REVENUES	3,166,500	3,236,118
EXPENDITURES		
<i>Current:</i>		
General and Administrative	538,908	453,985
Police	746,525	722,625
Fire	810,172	804,309
Public Works	131,542	128,061
Municipal Court	62,560	62,733
Recreation	45,442	46,244
Sanitation	473,518	474,490
Capital Outlay	443,521	192,606
<i>Debt Service:</i>		
Principal	82,621	24,344
Interest and Fiscal Charges	10,220	689
TOTAL EXPENDITURES	3,345,029	2,910,086
Excess (Deficiency) of Revenues Over (Under) Expenditures	(178,529)	326,032
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	-	(114,416)
Other Sources	-	8,643
Proceeds from Capital Lease	362,264	24,713
TOTAL OTHER FINANCING SOURCES (USES)	362,264	(81,060)
Net Change in Fund Balance	183,735	244,972
Beginning Fund Balance	553,109	308,137
Ending Fund Balance	\$ 736,844	\$ 553,109

TOWN OF HOLLYWOOD PARK
 COMPARATIVE BALANCE SHEETS
 VENUE TAX FUND
 SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 841,906	\$ 648,675
Sales Tax Receivable	32,499	36,527
TOTAL ASSETS	\$ 874,405	\$ 685,202
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ 257
<i>Total Liabilities</i>	-	257
<i>Fund Balances:</i>		
Restricted for:		
Venue Construction and Maintenance	874,405	684,945
<i>Total Fund Balances</i>	874,405	684,945
TOTAL LIABILITIES & FUND BALANCES	\$ 874,405	\$ 685,202

TOWN OF HOLLYWOOD PARK
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 VENUE TAX FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
REVENUES		
Sales Tax	\$ 198,509	\$ 195,786
Interest Income	922	1,175
TOTAL REVENUES	199,431	196,961
 EXPENDITURES		
Recreation	6,125	1,863
Capital Outlay	3,846	204,793
TOTAL EXPENDITURES	9,971	206,656
 Net Change in Fund Balance	 189,460	 (9,695)
 Fund Balances at Beginning of Year	 684,945	 694,640
 Fund Balances at End of Year	 \$ 874,405	 \$ 684,945

TOWN OF HOLLYWOOD PARK
 COMPARATIVE BALANCE SHEETS
 HOTEL TAX FUND
 SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 862,693	\$ 800,081
Other Receivables	18,042	12,072
TOTAL ASSETS	\$ 880,735	\$ 812,153
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ -
<i>Total Liabilities</i>	-	-
<i>Fund Balances:</i>		
Restricted for Tourism Development	880,735	812,153
<i>Total Fund Balances</i>	880,735	812,153
TOTAL LIABILITIES & FUND BALANCES	\$ 880,735	\$ 812,153

TOWN OF HOLLYWOOD PARK
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 HOTEL TAX FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
REVENUES		
Hotel Occupancy Tax	\$ 68,388	\$ 48,316
Interest Income	194	252
TOTAL REVENUES	68,582	48,568
 EXPENDITURES		
General and Administrative	-	-
TOTAL EXPENDITURES	-	-
 Net Change in Fund Balance	68,582	48,568
 Fund Balances at Beginning of Year	812,153	763,585
 Fund Balances at End of Year	\$ 880,735	\$ 812,153

TOWN OF HOLLYWOOD PARK
 COMPARATIVE BALANCE SHEETS
 ECONOMIC DEVELOPMENT FUND
 SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 195,732	\$ 571,197
Sales Tax Receivable	16,250	18,264
TOTAL ASSETS	\$ 211,982	\$ 589,461
 LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 71,147	\$ 22,707
Due to Other Funds	9,500	100
<i>Total Liabilities</i>	80,647	22,807
 <i>Fund Balances:</i>		
Restricted for Economic Development	131,335	566,654
<i>Total Fund Balances</i>	131,335	566,654
 TOTAL LIABILITIES & FUND BALANCES	\$ 211,982	\$ 589,461

TOWN OF HOLLYWOOD PARK
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 ECONOMIC DEVELOPMENT FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
REVENUES		
Sales Tax	\$ 99,255	\$ 97,893
Interest Income	649	1,133
TOTAL REVENUES	99,904	99,026
 EXPENDITURES		
<i>Current:</i>		
General and Administrative	4,337	7,397
Capital Outlay	530,886	103,327
TOTAL EXPENDITURES	535,223	110,724
 Net Change in Fund Balance	(435,319)	(11,698)
 Fund Balances at Beginning of Year	566,654	578,352
 Fund Balances at End of Year	\$ 131,335	\$ 566,654

TOWN OF HOLLYWOOD PARK
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011 AND 2010

	Special Revenue Funds		
	Court Technology	Court Security	Grants & Donations
ASSETS			
Cash and Cash Equivalents	\$ 7,899	\$ 8,421	\$ 2,290
Other Receivables	-	-	-
Due from Other Funds	12	11	-
	<u>12</u>	<u>11</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 7,911</u>	<u>\$ 8,432</u>	<u>\$ 2,290</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ -	\$ -	\$ 170
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>170</u>
<i>Fund Balances:</i>			
Restricted For:			
Municipal Court	7,911	8,432	-
Street Maintenance	-	-	-
Police Department	-	-	-
Donor Stipulations	-	-	2,120
Assigned for Fire Truck Replacement	-	-	-
<i>Total Fund Balances</i>	<u>7,911</u>	<u>8,432</u>	<u>2,120</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 7,911</u>	<u>\$ 8,432</u>	<u>\$ 2,290</u>

Special Revenue Funds			Capital Projects	Total Nonmajor Funds	
Asset Forfeiture	Street Maintenance	Asset Seizure	Fire Truck Replacement	2011	2010
\$ 360	\$ 106,455	\$ 965	\$ 114,308	\$ 240,698	\$ 504,004
-	16,250	-	-	16,250	18,265
-	-	-	-	23	553
<u>\$ 360</u>	<u>\$ 122,705</u>	<u>\$ 965</u>	<u>\$ 114,308</u>	<u>\$ 256,971</u>	<u>\$ 522,822</u>
\$ -	\$ 472	\$ 2	\$ -	\$ 644	\$ 2
-	472	2	-	644	2
-	-	-	-	16,343	10,937
-	122,233	-	-	122,233	393,391
360	-	963	-	1,323	1,323
-	-	-	-	2,120	-
-	-	-	114,308	114,308	117,169
<u>360</u>	<u>122,233</u>	<u>963</u>	<u>114,308</u>	<u>256,327</u>	<u>522,820</u>
<u>\$ 360</u>	<u>\$ 122,705</u>	<u>\$ 965</u>	<u>\$ 114,308</u>	<u>\$ 256,971</u>	<u>\$ 522,822</u>

TOWN OF HOLLYWOOD PARK
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Special Revenue Funds		
	Court Technology	Court Security	Grants & Donations
REVENUES			
Sales Tax	\$ -	\$ -	\$ -
Fines and Penalties	3,086	2,320	-
Interest Income	-	-	-
Miscellaneous Income	-	-	-
Grants and Donations	-	-	2,985
TOTAL REVENUES	<u>3,086</u>	<u>2,320</u>	<u>2,985</u>
EXPENDITURES			
Fire	-	-	865
Capital Outlay	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>865</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,086</u>	<u>2,320</u>	<u>2,120</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	3,086	2,320	2,120
Fund Balances at Beginning of Year	<u>4,825</u>	<u>6,112</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 7,911</u>	<u>\$ 8,432</u>	<u>\$ 2,120</u>

Special Revenue Funds			Capital Projects	Total Nonmajor Funds	
Asset Forfeiture	Street Maintenance	Asset Seizure	Fire Truck Replacement	2011	2010
\$ -	\$ 99,255	\$ -	\$ -	\$ 99,255	\$ 97,893
-	-	-	-	5,406	4,194
-	254	-	10	264	669
-	3,641	-	-	3,641	-
-	-	-	-	2,985	-
-	103,150	-	10	111,551	102,756
-	-	-	2,871	3,736	-
-	374,308	-	-	374,308	22,534
-	374,308	-	2,871	378,044	22,534
-	(271,158)	-	(2,861)	(266,493)	80,222
-	-	-	-	-	114,416
-	-	-	-	-	114,416
-	(271,158)	-	(2,861)	(266,493)	194,638
360	393,391	963	117,169	522,820	328,182
\$ 360	\$ 122,233	\$ 963	\$ 114,308	\$ 256,327	\$ 522,820

TOWN OF HOLLYWOOD PARK
 COMPARATIVE STATEMENTS OF NET ASSETS
 PROPRIETARY FUND
 SEWER SYSTEM
 SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 187,777	\$ 200,266
Accounts Receivable	6,955	6,550
TOTAL ASSETS	\$ 194,732	\$ 206,816
LIABILITIES AND NET ASSETS		
<i>Liabilities:</i>		
Accounts Payable	\$ 8,199	\$ 19,295
<i>Total Liabilities</i>	8,199	19,295
<i>Net Assets:</i>		
Unrestricted	186,533	187,521
<i>Total Net Assets</i>	186,533	187,521
TOTAL LIABILITIES & NET ASSETS	\$ 194,732	\$ 206,816

TOWN OF HOLLYWOOD PARK
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND – SEWER SYSTEM
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Operating Revenues		
Fees Charged to Users	\$ 88,729	\$ 77,188
Total Operating Revenues	88,729	77,188
Operating Expenses Before Depreciation		
Waste Water Treatment Fees	89,733	87,864
Total Operating Expenses Before Depreciation	89,733	87,864
Operating Income (Loss)	(1,004)	(10,676)
Other Income (Expense):		
Interest Income	16	17
Total Other Income (Expense)	16	17
CHANGE IN NET ASSETS	(988)	(10,659)
Net Assets at Beginning of Year	187,521	198,180
Net Assets at End of Year	\$ 186,533	\$ 187,521

TOWN OF HOLLYWOOD PARK
 COMPARATIVE STATEMENTS OF CASH FLOWS
 PROPRIETARY FUND – SEWER SYSTEM
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 88,324	\$ 77,036
Cash Paid to Suppliers for Goods and Services	<u>(100,829)</u>	<u>(68,569)</u>
Net Cash Provided (Used) by Operating Activities	<u>(12,505)</u>	<u>8,467</u>
Cash Flows From Investing Activities:		
Investment Interest Received	<u>16</u>	<u>17</u>
Net Cash Provided (Used) by Investing Activities	<u>16</u>	<u>17</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,489)	8,484
Cash and Cash Equivalents at Beginning of Year	<u>200,266</u>	<u>191,782</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 187,777</u></u>	<u><u>\$ 200,266</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (1,004)	\$ (10,676)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(405)	(152)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	<u>(11,096)</u>	<u>19,295</u>
Total Adjustments to Reconcile Operating Activities	<u>(11,501)</u>	<u>19,143</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (12,505)</u></u>	<u><u>\$ 8,467</u></u>

