

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

**CITY OF HIGHLAND VILLAGE
HIGHLAND VILLAGE, TEXAS**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2001**

**Prepared by:
The Finance Department**

CITY OF HIGHLAND VILLAGE, TEXAS

Comprehensive Annual Financial Report
For The Fiscal Year Ended September 30, 2001

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CITY OF HIGHLAND VILLAGE, TEXAS

Comprehensive Annual Financial Report
For The Fiscal Year Ended September 30, 2001

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INTRODUCTORY SECTION

FINANCIAL SECTION



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To Members of the City Council
CITY OF HIGHLAND VILLAGE, TEXAS

We have audited the accompanying general purpose financial statements of the City of Highland Village, Texas as of and for the year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Highland Village, Texas at September 30, 2001, and the results of its operations and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Highland Village, Texas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on such data.

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WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 11, 2002

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CITY OF HIGHLAND VILLAGE, TEXAS

GENERAL PURPOSE FINANCIAL STATEMENTS -
COMBINED FINANCIAL STATEMENTS OVERVIEW

These basic financial statements provide a summary overview of the financial position of all funds and account groups, as well as the operating results of all funds.

- Governmental Funds - Those through which most governmental functions are typically financed. The measurement focus is upon determination of financial position. The Governmental funds with the City are: the General, Special Revenue, Debt Service and Capital Projects Funds.
- Proprietary Funds - To account for the financing, acquisition and maintenance of Governmental facilities and services that are supported by user charges. The measurement focus is upon determination of net income, financial position and changes in financial position. The Proprietary Fund within the City is an Enterprise Fund.
- Account Groups - Used to establish accounting control and accountability for the City's general fixed assets and the unmatured principal of the City's general long-term debt.

CITY OF HIGHLAND VILLAGE, TEXAS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 2001

| ASSETS | Governmental Fund Types | | | |
|---|----------------------------|----------------------------|--------------------------|-----------------------------|
| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund |
| Cash and cash equivalents | \$ 2,197,051 | \$ 680,642 | \$ 159,614 | \$ 693,056 |
| Receivables (Net of allowances for estimated uncollectibles) | | | | |
| Taxes | 41,920 | | 11,538 | |
| Accounts | 47,074 | | | |
| Unbilled services | | | | |
| Grants | | 22,358 | | |
| Other | | | | |
| Interfund | 938,448 | 386,076 | 174,050 | 115,839 |
| Other assets | 2,327 | | | |
| Restricted cash and investments | | | | |
| Reserve bond debt service | | | | |
| Capital improvements | | | | |
| Construction funds | | | | |
| Property, plant and equipment, at cost (net of accumulated depreciation) | | | | |
| General fixed assets | | | | |
| Unamortized debt issue cost | | | | |
| Resources available in debt service fund | | | | |
| Resources to be provided for the retirement of general long-term debt | | | | |
| | | | | |
| TOTAL ASSETS | <u>\$ 3,226,820</u> | <u>\$ 1,089,076</u> | <u>\$ 345,202</u> | <u>\$ 808,895</u> |

The Notes to Combined Financial Statements
 are an integral part of this statement.

| Proprietary Fund Type | Account Groups | | Totals (Memorandum Only) | |
|--------------------------|----------------------|----------------------------|------------------------------|----------------------|
| | Enterprise Fund | General Fixed Assets | General Long-Term Debt | 2001 |
| \$ 1,768,455 | \$ | \$ | \$ 5,498,818 | \$ 3,766,443 |
| | | | 53,458 | 58,897 |
| 599,063 | | | 646,137 | 882,683 |
| 192,541 | | | 192,541 | 249,805 |
| | | | 22,358 | 61,438 |
| 10,548 | | | 10,548 | 7,045 |
| 58,821 | | | 1,673,234 | 2,001,775 |
| 5,100 | | | 7,427 | 11,603 |
| 1,699,263 | | | 1,699,263 | 2,070,067 |
| 2,795,275 | | | 2,795,275 | 3,355,524 |
| 1,853,366 | | | 1,853,366 | 1,467,792 |
| 11,233,415 | | | 11,233,415 | 11,345,550 |
| | 12,655,923 | | 12,655,923 | 13,041,660 |
| 261,479 | | | 261,479 | 283,848 |
| | | 47,708 | 47,708 | 3,556 |
| | | 12,434,585 | 12,434,585 | 13,043,260 |
| <u>\$ 20,477,326</u> | <u>\$ 12,655,923</u> | <u>\$ 12,482,293</u> | <u>\$ 51,085,535</u> | <u>\$ 51,650,946</u> |

(Continued)

CITY OF HIGHLAND VILLAGE, TEXAS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 2001

| LIABILITIES AND FUND EQUITY AND OTHER CREDITS | Governmental Fund Types | | | |
|---|----------------------------|----------------------------|--------------------------|-----------------------------|
| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund |
| Liabilities: | | | | |
| Accounts payable | \$ 523,357 | \$ 574 | \$ | \$ |
| Accrued expenditures/expenses | 171,943 | | | |
| Outstanding checks in excess of bank balance | | | | |
| Interfund | 501,915 | 82,617 | 285,956 | 185,871 |
| Accrued vacation benefits | | | | |
| Customer deposits | | | | |
| Accrued revenue bond interest | | | | |
| Deferred revenue | 41,920 | | 11,538 | |
| Accreted interest | | | | |
| Arbitrage rebate | | | | |
| Capital lease obligations | | | | |
| Notes payable | | | | |
| Certificates of obligation | | | | |
| Revenue bonds | | | | |
| General obligation bonds | | | | |
| Total liabilities | <u>1,239,135</u> | <u>83,191</u> | <u>297,494</u> | <u>185,871</u> |
| Fund Equity and Other Credits: | | | | |
| Investment in general fixed assets | | | | |
| Contributed capital | | | | |
| Retained earnings | | | | |
| Reserved for debt service | | | | |
| Reserved for capital improvements | | | | |
| Unreserved | | | | |
| Fund balance: | | | | |
| Reserved for encumbrances | 201,071 | | | |
| Reserved for debt service | | | 47,708 | |
| Reserved for capital projects/expenditures | | | | 623,024 |
| Reserved for park development | | 981,715 | | |
| Unreserved, designated for park development | 200,000 | | | |
| Unreserved, designated for capital improvements | 950,482 | | | |
| Unreserved, undesignated | 636,132 | 24,170 | | |
| Total fund equity and other credits | <u>1,987,685</u> | <u>1,005,885</u> | <u>47,708</u> | <u>623,024</u> |
| TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS | <u><u>\$ 3,226,820</u></u> | <u><u>\$ 1,089,076</u></u> | <u><u>\$ 345,202</u></u> | <u><u>\$ 808,895</u></u> |

The Notes to Combined Financial Statements
 are an integral part of this statement.

| Proprietary Fund Type | Account Groups | | Totals (Memorandum Only) | |
|--------------------------|----------------------|----------------------------|------------------------------|----------------------|
| | Enterprise Fund | General Fixed Assets | General Long-Term Debt | 2001 |
| \$ 504,315 | \$ | \$ | \$ 1,028,246 | \$ 381,874 |
| 52,273 | | | 224,216 | 380,295 |
| | | | | 291,886 |
| 616,875 | | | 1,673,234 | 2,001,775 |
| 24,418 | | 267,355 | 291,773 | 230,179 |
| 215,175 | | | 215,175 | 207,659 |
| 114,723 | | | 114,723 | 123,622 |
| | | | 53,458 | 58,896 |
| | | 86,111 | 86,111 | 75,308 |
| 68,712 | | 4,655 | 73,367 | |
| | | 52,088 | 52,088 | 176,329 |
| 184,266 | | | 184,266 | 269,088 |
| 6,118,686 | | | 6,118,686 | 6,377,466 |
| 3,914,000 | | | 3,914,000 | 4,329,000 |
| | | 12,072,084 | 12,072,084 | 12,582,083 |
| <u>11,813,443</u> | | <u>12,482,293</u> | <u>26,101,427</u> | <u>27,485,460</u> |
| | 12,655,923 | | 12,655,923 | 13,041,660 |
| 1,160,939 | | | 1,160,939 | 1,199,949 |
| 1,699,263 | | | 1,699,263 | 1,946,445 |
| 2,795,275 | | | 2,795,275 | 3,355,524 |
| 3,000,606 | | | 3,000,606 | 1,537,739 |
| | | | | |
| 7,800 | | | 208,871 | 124,394 |
| | | | 47,708 | 3,556 |
| | | | 623,024 | 654,425 |
| | | | 981,715 | 652,485 |
| | | | 200,000 | 200,000 |
| | | | 950,482 | 816,172 |
| | | | 660,302 | 633,137 |
| <u>8,663,883</u> | <u>12,655,923</u> | | <u>24,984,108</u> | <u>24,165,486</u> |
| <u>\$ 20,477,326</u> | <u>\$ 12,655,923</u> | <u>\$ 12,482,293</u> | <u>\$ 51,085,535</u> | <u>\$ 51,650,946</u> |

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CITY OF HIGHLAND VILLAGE, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - ALL
 GOVERNMENTAL FUND TYPES
 YEAR ENDED SEPTEMBER 30, 2001

| | Government Fund Types | | | | Totals (Memorandum Only) | |
|--|-----------------------|----------------------------|-------------------------|-----------------------------|-----------------------------|---------------------|
| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | 2001 | 2000 |
| | | | | | | |
| Revenues | | | | | | |
| Taxes | \$ 5,016,553 | \$ | \$ 1,103,969 | \$ | \$ 6,120,522 | \$ 5,543,041 |
| Licenses, permits and fees | 486,512 | 417,757 | | 80,000 | 984,269 | 1,080,817 |
| Intergovernmental | | 145,876 | | | 145,876 | 148,286 |
| Charges for services | 65,791 | | | | 65,791 | 12,580 |
| Fines and forfeits | 127,694 | | | | 127,694 | 184,224 |
| Miscellaneous | 172,446 | 38,728 | 13,811 | 41,702 | 266,687 | 430,893 |
| Total revenues | 5,868,996 | 602,361 | 1,117,780 | 121,702 | 7,710,839 | 7,399,841 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General administration | 719,892 | | | | 719,892 | 760,886 |
| Finance | 554,488 | | | | 554,488 | 594,856 |
| Fire | 402,848 | | | | 402,848 | 287,868 |
| Police | 1,667,533 | 146,110 | | | 1,813,643 | 1,656,810 |
| Municipal court | 90,172 | 31,424 | | | 121,596 | 97,001 |
| Community services | 421,744 | | | | 421,744 | 381,824 |
| City parks | 727,886 | 73,835 | | | 801,721 | 1,248,833 |
| Streets | 816,384 | | | | 816,384 | 530,468 |
| Maintenance | 432,550 | | | | 432,550 | 385,343 |
| Debt service | 34,218 | | 1,123,628 | | 1,157,846 | 1,202,624 |
| Capital outlay | | | | 50,803 | 50,803 | 1,050,300 |
| Total expenditures | 5,867,715 | 251,369 | 1,123,628 | 50,803 | 7,293,515 | 8,196,813 |
| Excess (deficiency) of revenues over expenditures | 1,281 | 350,992 | (5,848) | 70,899 | 417,324 | (796,972) |
| Other financing sources (uses) | | | | | | |
| Proceeds from capital leases | | 24,590 | | | 24,590 | 115,124 |
| Operating transfers in | 255,517 | 18,940 | 50,000 | | 324,457 | 447,000 |
| Operating transfers out | (18,940) | (64,998) | | (102,300) | (186,238) | (322,000) |
| Total other financial sources (uses) | 236,577 | (21,468) | 50,000 | (102,300) | 162,809 | 240,124 |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 237,858 | 329,524 | 44,152 | (31,401) | 580,133 | (556,848) |
| Fund balance at beginning of year | 1,745,274 | 680,914 | 3,556 | 654,425 | 3,084,169 | 3,641,017 |
| Residual equity transfer | 4,553 | (4,553) | | | | |
| Fund balance at end of year | \$ 1,987,685 | \$ 1,005,885 | \$ 47,708 | \$ 623,024 | \$ 3,664,302 | \$ 3,084,169 |

The Notes to Combined Financial Statements
 are an integral part of this statement.

CITY OF HIGHLAND VILLAGE, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS
 YEAR ENDED SEPTEMBER 30, 2001

| | General Fund | | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|--|
| | Budget | Actual | |
| Revenues | | | |
| Taxes | \$ 4,874,760 | \$ 5,016,553 | \$ 141,793 |
| Licenses, permits and fees | 521,700 | 486,512 | (35,188) |
| Intergovernmental | | | |
| Charges for services | 50,700 | 65,791 | 15,091 |
| Fines and forfeits | 170,000 | 127,694 | (42,306) |
| Insurance proceeds | | | |
| Miscellaneous | 161,320 | 172,446 | 11,126 |
| Total revenues | <u>5,778,480</u> | <u>5,868,996</u> | <u>90,516</u> |
| Expenditures | | | |
| General administration | 793,329 | 719,892 | 73,437 |
| Finance | 632,274 | 554,488 | 77,786 |
| Fire | 515,573 | 402,848 | 112,725 |
| Police | 1,743,577 | 1,667,533 | 76,044 |
| Municipal court | 104,182 | 90,172 | 14,010 |
| Community services | 436,278 | 421,744 | 14,534 |
| City parks | 751,949 | 727,886 | 24,063 |
| Streets | 1,013,758 | 816,384 | 197,374 |
| Maintenance | 437,554 | 432,550 | 5,004 |
| Debt service | 38,703 | 34,218 | 4,485 |
| Total expenditures | <u>6,467,177</u> | <u>5,867,715</u> | <u>599,462</u> |
| Excess (deficiency) of revenues over expenditures | <u>(688,697)</u> | <u>1,281</u> | <u>689,978</u> |
| Other financing sources (uses) | | | |
| Proceeds from capital lease | | | |
| Operating transfers in | 244,925 | 255,517 | 10,592 |
| Operating transfers out | (18,940) | (18,940) | |
| Total other financing sources (uses) | <u>225,985</u> | <u>236,577</u> | <u>10,592</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | <u>(462,712)</u> | <u>237,858</u> | <u>700,570</u> |
| Fund balance at beginning of year | 1,745,274 | 1,745,274 | |
| Residual equity transfer | | 4,553 | 4,553 |
| Fund balance at end of year | <u>\$ 1,282,562</u> | <u>\$ 1,987,685</u> | <u>\$ 705,123</u> |

The Notes to Combined Financial Statements
 are an integral part of this statement.

| Special Revenue Fund | | | Debt Service Fund | | |
|----------------------|---------------------|----------------------------------|-------------------|------------------|----------------------------------|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 695,408 | \$ 417,757 | \$ (277,651) | \$ 1,080,977 | \$ 1,103,969 | \$ 22,992 |
| 157,781 | 145,876 | (11,905) | | | |
| <u>32,000</u> | <u>38,728</u> | <u>6,728</u> | <u>14,000</u> | <u>13,811</u> | <u>(189)</u> |
| <u>885,189</u> | <u>602,361</u> | <u>(282,828)</u> | <u>1,094,977</u> | <u>1,117,780</u> | <u>22,803</u> |
| 182,739 | 146,110 | 36,629 | | | |
| 34,386 | 31,424 | 2,962 | | | |
| 91,406 | 73,835 | 17,571 | | | |
| | | | <u>1,125,977</u> | <u>1,123,628</u> | <u>2,349</u> |
| <u>308,531</u> | <u>251,369</u> | <u>57,162</u> | <u>1,125,977</u> | <u>1,123,628</u> | <u>2,349</u> |
| <u>576,658</u> | <u>350,992</u> | <u>(225,666)</u> | <u>(31,000)</u> | <u>(5,848)</u> | <u>25,152</u> |
| 27,086 | 24,590 | (2,496) | | | |
| 18,940 | 18,940 | | 50,000 | 50,000 | |
| <u>(50,000)</u> | <u>(64,998)</u> | <u>(14,998)</u> | | | |
| <u>(3,974)</u> | <u>(21,468)</u> | <u>(17,494)</u> | <u>50,000</u> | <u>50,000</u> | |
| 572,684 | 329,524 | (243,160) | 19,000 | 44,152 | 25,152 |
| 680,914 | 680,914 | | 3,556 | 3,556 | |
| | <u>(4,553)</u> | <u>(4,553)</u> | | | |
| <u>\$ 1,253,598</u> | <u>\$ 1,005,885</u> | <u>\$ (247,713)</u> | <u>\$ 22,556</u> | <u>\$ 47,708</u> | <u>\$ 25,152</u> |

CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2001
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2000)

| | <u>2001</u> | <u>2000</u> |
|--|---------------------|---------------------|
| Operating revenues | | |
| Charges for services | \$ 3,919,891 | \$ 4,384,902 |
| Penalties, fines and forfeits | 68,161 | 54,802 |
| | <u>3,988,052</u> | <u>4,439,704</u> |
| Operating expenses | | |
| Administration | 230,673 | 256,208 |
| Maintenance and operations | 3,144,177 | 2,818,900 |
| Depreciation and amortization | 826,479 | 830,648 |
| | <u>4,201,329</u> | <u>3,905,756</u> |
| Total operating expenses | | |
| | <u>4,201,329</u> | <u>3,905,756</u> |
| Operating income (loss) | <u>(213,277)</u> | <u>533,948</u> |
| Non-operating revenues (expenses), net | | |
| Interest income | 380,498 | 495,334 |
| Interest expense | (599,387) | (619,061) |
| Impact fees | 1,194,612 | 1,297,428 |
| | <u>975,723</u> | <u>1,173,701</u> |
| Total non-operating revenues (expenses) | | |
| | <u>975,723</u> | <u>1,173,701</u> |
| Income before operating interfund transfers | <u>762,446</u> | <u>1,707,649</u> |
| Operating transfers | | |
| Transfers out | <u>(138,219)</u> | <u>(125,000)</u> |
| Total operating transfers | <u>(138,219)</u> | <u>(125,000)</u> |
| Net income | 624,227 | 1,582,649 |
| Depreciation on fixed assets funded by contributed capital | <u>39,009</u> | <u>39,009</u> |
| Net increase in retained earnings | 663,236 | 1,621,658 |
| Retained earnings beginning of year | <u>6,839,708</u> | <u>5,218,050</u> |
| Retained earnings end of year | <u>\$ 7,502,944</u> | <u>\$ 6,839,708</u> |

The Notes to Combined Financial Statements
are an integral part of this statement.

CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2001
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2000)

| | 2001 | 2000 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 4,267,053 | \$ 4,247,156 |
| Cash paid to suppliers | (2,417,667) | (2,639,529) |
| Cash paid to employees | (579,736) | (467,614) |
| Net cash provided by operating activities | 1,269,650 | 1,140,013 |
| CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES: | | |
| Capital outlay | (665,756) | (39,885) |
| Interest paid | (608,286) | (627,853) |
| Principal payment on bonds payable and certificates of obligation | (700,000) | (698,000) |
| Principal payments on note payable | (84,822) | (80,292) |
| Impact and recovery fees collected | 1,194,612 | 1,297,428 |
| Net cash used by capital and related financing activities | (864,252) | (148,602) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Transfer to other funds | (452,430) | (767,579) |
| Payments to other funds | (138,219) | (125,000) |
| Net cash used by noncapital financing activities | (590,649) | (892,579) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received | 380,498 | 495,334 |
| Net cash provided by investing activities | 380,498 | 495,334 |
| Net increase in cash and cash equivalents | 195,247 | 594,166 |
| Cash and cash equivalents at the beginning of the year | 7,921,112 | 7,326,946 |
| Cash and cash equivalents at the end of the year | \$ 8,116,359 | \$ 7,921,112 |

The Notes to Combined Financial Statements
are an integral part of this statement.

(Continued)

CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2001
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2000)

| | Current Assets | Restricted Assets | Statement of Cash Flows |
|--|-------------------|----------------------|-------------------------------|
| RECONCILIATION OF CASH AND CASH EQUIVALENTS OF STATEMENT OF CASH FLOWS TO THE BALANCE SHEET: | | | |
| Cash and cash equivalents at beginning of the year | \$ 1,027,729 | \$ 6,893,383 | \$ 7,921,112 |
| Net increase (decrease) | 740,726 | (545,479) | 195,247 |
| Cash and cash equivalents at end of the year | \$ 1,768,455 | \$ 6,347,904 | \$ 8,116,359 |
| RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| | | 2001 | 2000 |
| Net operating income (loss) | | \$ (213,277) | \$ 533,948 |
| Adjustments to reconcile net operating income to net cash used in operating activities: | | | |
| Depreciation and amortization | | 826,479 | 830,648 |
| Increase in customer deposits | | 7,516 | 16,064 |
| (Increase) decrease in trade receivables | | 217,724 | (187,479) |
| (Increase) decrease in unbilled receivables | | 57,264 | (26,057) |
| (Increase) decrease in other receivables | | (3,503) | 4,923 |
| (Decrease) increase in accounts payable and accrued liabilities | | 377,447 | (32,034) |
| Net cash provided by operating activities | | \$ 1,269,650 | \$ 1,140,013 |

The Notes to Combined Financial Statements are an integral part of this statement.

(Concluded)

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The combined financial statements of the City of Highland Village are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The City of Highland Village adopted a Home Rule Charter in April 1985, and operates under a Council - Manager form of government. All powers of the City are vested in an elected council, which enacts local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of seven members, a mayor and six councilpersons elected by the City's residents.

The City's Comprehensive Annual Financial Report presents the financial position, results of operations and cash flows of the applicable fund types and account groups governed by the City Council. Accounting principles generally accepted in the United States of America require all funds and account groups that are controlled by or are dependent on the City Council to be included in its Comprehensive Annual Financial Report. The reporting entity is the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component units board and either the ability to impose its will by the primary government or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. No entities meet these criteria for inclusion.

B. Fund Accounting

The City's accounting system is organized and operated on the basis of fund accounting with each fund and account group being an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups are summarized into five generic fund types, two broad fund categories and two account groups as follows:

Governmental Fund Types

General Fund is the operating fund of the City. It is utilized to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Fund is used to account for the proceeds of specified revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund is utilized to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Project Fund is utilized to account for financial resources to be used for the acquisition or construction of capital improvements (other than those financed by proprietary funds). Such resources are derived from proceeds of general obligation debt, other sources designated for capital improvements and interest earned on such monies.

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies - continued

Proprietary Fund Types

Enterprise Fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

Account Groups

General Fixed Assets Account Group is utilized to account for fixed assets of governmental fund type operations.

General Long-Term Debt Account Group is utilized to account for the long-term liabilities of government fund types.

C. Measurement Focus

Measurement focus is the accounting convention, which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or capital maintenance information.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Fixed assets used in governmental fund type operations and long-term liabilities expected to be financed from governmental funds are accounted for in the General Fixed Assets and General Long-Term Debt Account Groups. The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Proprietary funds are accounted for on a "net income and capital maintenance" measurement focus. This means that all assets, liabilities, equity, revenues, expenses and transfers relating to the activity of a proprietary fund are accounted for through the proprietary fund. The measurement focus is upon the determination of net income, financial position and cash flows.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies - continued

D. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

The more significant revenues, which are treated as susceptible to accrual under the modified accrual basis are property taxes, inter-governmental revenues, charges for services, and interest. Accruals are only made for revenues remitted in time to be used as a resource for payment of obligations incurred during the preceding fiscal year. The City adheres to all applicable laws requiring prompt payment of invoices received and therefore, generally revenues received within thirty days of year - end are considered available. Other revenue sources are not generally considered measurable and available, and are not treated as susceptible to accrual.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The City has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 to its proprietary funds.

E. Budgets and Budgetary Accounting

The City Manager submits to the City Council, not later than forty-five days prior to the end of the fiscal year, a proposed budget for the ensuing fiscal year. At the meeting of the City Council at which the budget is submitted, the City Council fixes the time and place of the public hearing on the budget and causes to be published a notice of the budget hearing. After the budget hearing the budget may be adopted by a favorable vote of the majority vote of the Council. Upon adoption the budget is filed with the City Secretary and the County Clerk of Denton County.

During the fiscal year, the City Council may transfer funds allocated to a department to another department or re-estimate revenues or expenditures. The City Manager may transfer budgeted funds within a department or may transfer part or all of the balance in encumbered appropriation balance within a departmental budget as long as transfer does not exceed \$1,000. Expenditures should not exceed appropriations at the department level, the classification level as reported in the combined financial statements. Unused appropriations lapse at the end of each fiscal year.

Budgets for the general, special revenue funds, and debt service fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). The final amended versions of these budgets are used in this report. The amendments or supplemental appropriations were not material in relation to the originally adopted budgets.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations, is employed as an extension of formal budgeting integration. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies - continued

G. Cash and Investments

In accordance with GASB Statement No. 31, the City'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.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

H. Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. Taxes not expected to be collected within thirty days of the fiscal year ending are recorded as deferred revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

I. Allowance for Uncollectible Accounts

An allowance for uncollectible taxes including penalties and interest and water and sewer billed receivables is provided based on an analysis of historical trends. The allowances for uncollectible taxes and water and sewer billings at September 30, 2001 and 2000 were \$1,900 and \$2,756, respectively.

J. Unbilled Services

Utility operating revenues (water, sewer and refuse collection) are billed on monthly cycles. Customers are billed for periods ending the fifteenth of each month on the last day of the month. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year.

CITY OF HIGHLAND VILLAGE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies - continued

K. Property, Plant and Equipment

Property, plant and equipment of the proprietary fund are stated at cost (estimated cost for assets contributed). Interest costs relating to expenditures for constructed assets are capitalized until the property is substantially complete and ready to be placed in service. Depreciation expense is calculated principally on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

| <u>Estimated Category</u> | <u>Life</u> |
|-------------------------------|-------------|
| Buildings | 30 years |
| Distribution system | 20 years |
| Machinery and equipment | 3-10 years |

Maintenance, repairs, renewals and betterments, which do not enhance the value or increase the basic productive capacity of assets are charged to expense as incurred.

L. General Fixed Assets

General fixed assets have been acquired for general governmental purposes from governmental fund types. Assets purchased in governmental funds are recorded as expenditures in governmental fund types and capitalized at cost in the general fixed asset account group, except for infrastructure fixed assets. Infrastructure fixed assets (roads, bridges, curbs, gutters, streets, lighting systems, and similar assets that are immovable and of value only to the City) are not capitalized in the general fixed asset account group. Interest costs related to the construction of governmental fund type assets are not capitalized. Donated fixed assets are recorded as general fixed assets at their fair value at the date donated.

No depreciation is provided on general fixed assets.

M. Debt Issue Costs

Costs incurred in the issuance of revenue bonds of proprietary funds are classified as an asset and amortized over the life of the bonds.

N. Accrued Vacation

It is the City's policy to grant employees vacation leave earned at the rate of ten days a year for one but less than five years continuous service, fifteen days for six but less than ten years continuous service, and twenty days for over ten years continuous service. On termination, the employee shall be paid at the hourly rate of pay such employee was earning on the effective date of termination.

The City also grants employees sick leave earned at the rate of twelve days a year. On termination, employees are paid for one-half of the actual number of days earned up to a maximum of forty-five days.

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies - continued

Obligations under compensated absence arrangements for governmental fund types have been reflected in the general long-term debt account group. The City utilizes the last-in first-out method of recognizing the use of compensated absences. Thus, unless it is anticipated that compensated absences of governmental fund types will be used/paid in excess of a normal year's accumulation, no amount is classified as current.

Proprietary funds accrue compensated absences as a fund liability and expense in the period for which they are incurred.

O. Contributed Capital

Contributed capital in enterprise funds represents the accumulation of contributions in the form of cash or other assets, which generally do not have to be returned to the contributor. Such contributions are recorded directly to contributed capital and, accordingly, are not recognized as revenue.

Depreciation on assets acquired or constructed through contributed capital is closed to contributed capital as opposed to retained earnings.

P. Reserves and Designations

Reserves indicate portions of fund equity legally segregated for a specific future use. Designations indicate portions of fund equity, which are designated by the City Council for a specific future use but are not legally restricted. At September 30, 2001 the city had \$200,000 designated for park development and had \$950,482 designated for future capital expenditures.

Q. Cash Flow Presentation

For the purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

R. Total Columns

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2. Deposits and Investments with Financial Institutions

Deposits and investments are made in accordance with the provisions of the bank depository agreement or in any negotiable instrument the Council has authorized under the City's approved investment policy and the provisions of the Public Funds Investment Act of 1987, as amended. Deposits and investments may be made with or through the following institutions:

- a. Federally insured banks domiciled in the State of Texas, and
- b. Primary or regional brokers or security dealers that qualify under Securities and Exchange Commission Rule 15C 3-1.

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Deposits and Investments with Financial Institutions - continued

City Funds may be invested in the following:

- 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 on 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 issued by state and national banks domiciled in this state that are guaranteed or insured by the Federal Deposit Insurance Corporation, or its successors or secured with collateral;
- f. Fully collateralized direct repurchase agreements having a defined termination date, secured by approved obligations, pledged with a third party selected or approved by the political entity, and placed through a primary government securities dealer, as domiciled in this state, or a public fund investment pool.

In addition to investment in obligations, certificates or agreements described above, City bond proceeds may be invested in common trust funds or comparable investment devices owned or administered by banks domiciled in Texas.

The City's investment policies are governed by state statutes and City ordinance. Collateral is required for all deposits and investments not covered by federal deposit insurance in accordance with the Public Funds Collateral Act.

The City's cash deposits held at financial institutions can be categorized according to three levels of risk. Category 1 includes deposits that are insured or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes deposits that are not collateralized.

The City's entire cash deposits in the bank of \$578,124 on September 30, 2001, were covered by federal depository insurance or by collateral held by the City's agent in the City's name. The carrying amount of cash balances at September 30, 2001 was \$459,464.

Similar to cash deposits, investments can be categorized according to three levels of risk. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent, but not in the City's name.

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Deposits and Investments with Financial Institutions - continued

Investments held at year-end were categorized into the following categories of credit risk:

| | Category | | | Carrying Amount | Fair Value |
|---|----------|---|---|---------------------|---------------------|
| | 1 | 2 | 3 | | |
| Investments not subject to categorization: | | | | | |
| Texpool | | | | \$11,325,165 | \$11,325,165 |
| Mutual Fund | | | | <u>61,593</u> | <u>61,593</u> |
| Total investments | | | | <u>\$11,386,758</u> | <u>\$11,386,758</u> |

Deposits are carried at cost, which is equal to fair value. Cash and investments at year end were:

| Cash and Investments | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Enterprise Fund | Total |
|--|--------------------|----------------------------|-------------------------|-----------------------------|--------------------|---------------------|
| Petty Cash | \$ 500 | \$ | \$ | \$ | \$ | \$ 500 |
| Interest bearing accounts, net of outstanding checks | 169,135 | 19,548 | | | 270,781 | 459,464 |
| Investments | <u>2,027,416</u> | <u>661,094</u> | <u>159,614</u> | <u>693,056</u> | <u>7,845,578</u> | <u>11,386,758</u> |
| | <u>\$2,197,051</u> | <u>\$ 680,642</u> | <u>\$ 159,614</u> | <u>\$ 693,056</u> | <u>\$8,116,359</u> | <u>\$11,846,722</u> |

Cash and investments are reported as restricted assets as required by debt issues and City ordinance.

The monies in government in government investment pools represent investments in TexPool, an investment pool for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Note 3. Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds:

| | Due From | Due To |
|-----------------------------|------------|---------|
| General Fund | | |
| Enterprise Fund | \$ 616,875 | \$ |
| Park Development Fund | | 367,619 |
| Police Special Revenue Fund | 21,917 | |
| Debt Service Fund | 285,956 | |

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Interfund Receivables and Payables - continued

| | <u>Due From</u> | <u>Due To</u> |
|-----------------------------|-----------------------------|---------------------|
| General Fund – continued | | |
| Capital Projects Fund | | 115,839 |
| Kid's Kastle Fund | 7,256 | |
| Copperas Park Fund | 6,444 | |
| Security Fund | | 14,030 |
| Technology Fund | | 4,427 |
| Copperas Park Fund | | |
| General Fund | | 6,444 |
| Park Development Fund | | |
| General Fund | 367,619 | |
| Debt Service Fund | | 47,000 |
| Kids Kastle Fund | | |
| General Fund | | 7,256 |
| Police Special Revenue Fund | | |
| General Fund | | 21,917 |
| Security Fund | | |
| General Fund | 14,030 | |
| Technology Fund | | |
| General Fund | 4,427 | |
| Capital Projects Fund | | |
| General Fund | 115,839 | |
| Debt Service Fund | | 127,050 |
| Enterprise Fund | | 58,821 |
| Enterprise Fund | | |
| General Fund | | 616,875 |
| Capital Projects Fund | 58,821 | |
| Debt Service Fund | | |
| Capital Projects Fund | 127,050 | |
| Park Development Fund | 47,000 | |
| General Fund | <u> </u> | <u>285,956</u> |
| | <u>\$ 1,673,234</u> | <u>\$ 1,673,234</u> |

Note 4. General Fixed Assets

All fixed assets acquired for governmental fund type operations are capitalized at cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

A summary of changes in general fixed assets is as follows:

| | <u>Total</u> | <u>Land and Improvements</u> | <u>Buildings and Improvements</u> | <u>Construction Equipment</u> | <u>in Progress</u> |
|--------------------|----------------------|--------------------------------------|---|-----------------------------------|-------------------------------|
| Balance, beginning | \$ 13,041,660 | \$ 4,458,874 | \$ 5,301,225 | \$ 3,236,287 | \$ 45,274 |
| Additions | 456,356 | 169,565 | 63,870 | 222,921 | |
| Deletions | <u>842,093</u> | <u> </u> | <u> </u> | <u>796,819</u> | <u>45,274</u> |
| Balance, ending | <u>\$ 12,655,923</u> | <u>\$ 4,628,439</u> | <u>\$ 5,365,095</u> | <u>\$ 2,662,389</u> | <u>\$ </u> |

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Proprietary Fixed Assets

A summary of proprietary fixed assets by major class of fixed assets is as follows:

| | | |
|--------------------------------|----|----------------------|
| Land | \$ | 75,713 |
| Buildings | | 30,348 |
| Distribution systems | | 16,901,416 |
| Machinery and equipment | | 576,777 |
| Construction in progress | | 372,461 |
| Other assets | | <u>612,636</u> |
| | | 18,569,351 |
| Less: accumulated depreciation | | <u>7,335,936</u> |
| | | <u>\$ 11,233,415</u> |

Note 6. Long-Term Debt

General Long-Term Debt

General long-term debt of the City consists of general obligation bonds, combination tax and revenue certificates of obligation, capital lease obligations and obligations under compensated absence agreements.

General obligation bonds and combination tax and revenue certificates of obligations retirement is provided from the debt service tax together with interest earned within the Debt Service Fund. Financial resources of the General and Enterprise Funds provide the retirement of accrued vacation

General obligation bonds, combination tax revenue certificates of obligation and notes payable outstanding at September 30, 2001, are as follows:

General Obligation Bonds and Combination Tax Revenue Certificates of Obligation

| | <u>Interest Rates</u> | <u>Date Issued</u> | <u>Date Series Matures</u> | <u>Amount of Original Issue</u> | <u>Amount Outstanding 9/30/01</u> |
|--|-----------------------|--------------------|----------------------------|---------------------------------|-----------------------------------|
| Combination Tax and Revenue Certificates of Obligation | 4.75-5.30 | 1997 | 2017 | \$ 4,090,000 | \$ 3,805,000 |
| Combination Tax and Revenue Bonds | 7.50-9.60 | 1989 | 2004 | 590,000 | 210,000 |
| Combination Tax and Revenue Certificates of Obligation | 5.80-8.00 | 1994 | 2004 | 310,000 | 110,000 |
| General Obligation Refunding Bonds | 2.80-5.00 | 1993 | 2012 | 2,814,000 | 1,726,000 |
| Combination Tax and Revenue Bonds Certificates of Obligation | 5.10-6.25 | 1995 | 2015 | 725,000 | 580,000 |
| Combination Tax and Revenue Bonds Certificates of Obligation | 5.30-7.70 | 1996 | 2016 | 1,850,000 | 1,600,000 |
| General Obligation Refunding and Improvement Bond | 4.70- 5.00 | 1998 | 2024 | 4,041,084 | <u>4,041,084</u> |
| | | | | | <u>\$12,072,084</u> |

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6. Long-Term Debt - continued

The debt service requirements of bonds and certificates of obligation to be retired from governmental funds are as follows:

General Obligation Bonds and Combination Tax Revenue Certificates of Obligation

| Due Fiscal Year Ending | Principal | Interest | Total |
|---------------------------|---------------------|---------------------|---------------------|
| 2002 | \$ 541,000 | \$ 585,122 | \$ 1,126,122 |
| 2003 | 639,000 | 551,963 | 1,190,963 |
| 2004 | 705,000 | 516,141 | 1,221,141 |
| 2005 | 704,450 | 512,427 | 1,216,877 |
| 2006 | 716,829 | 487,841 | 1,204,670 |
| 2007 and thereafter | <u>8,765,805</u> | <u>3,349,490</u> | <u>12,115,295</u> |
| | <u>\$12,072,084</u> | <u>\$ 6,002,984</u> | <u>\$18,075,068</u> |

A summary of changes in general long-term debt follows:

| | Total | Bonds | Capital Lease Obligation | Compensated Absences Obligation | Accreted Interest | Arbitrage Rebate |
|--------------------|---------------------|---------------------|--------------------------------|---------------------------------------|----------------------|---------------------|
| Balance, beginning | \$13,046,816 | \$12,582,083 | \$ 176,329 | \$ 213,096 | \$ 75,308 | \$ |
| Additions | 94,307 | | 24,590 | 54,259 | 10,803 | 4,655 |
| Deletions | <u>658,830</u> | <u>509,999</u> | <u>148,831</u> | | | |
| Balance, ending | <u>\$12,482,293</u> | <u>\$12,072,084</u> | <u>\$ 52,088</u> | <u>\$ 267,355</u> | <u>\$ 86,111</u> | <u>\$ 4,655</u> |

The City has issued Capital Appreciation Bonds (zero coupon bonds), which were originally recorded at the amount of proceeds received. Each year interest is accreted to in the general long-term debt account group on the Capital Appreciation Bonds.

Proprietary Long-Term Debt

Proprietary bonds and certificates of obligation as of September 30, 2001, are as follows:

| | Interest Rates | Date Issued | Date Series Matures | Amount of Original Issue | Amount Outstanding 9/30/01 |
|--|-------------------|----------------|---------------------------|--------------------------------|----------------------------------|
| Waterworks and Sewer Revenue Certificates | 4.55-7.50% | 1996 | 2017 | \$ 4,300,000 | \$ 3,755,000 |
| Combination Tax and Water Revenue Certificates | 5.40-6.10 | 1994 | 2014 | 3,000,000 | 2,380,000 |
| General Obligation Refunding Bonds | 2.50-5.00 | 1993 | 2012 | 4,221,000 | 2,589,000 |
| General Obligation Refunding Improvement Bonds | 3.25-6.50 | 1992 | 2008 | 2,405,000 | 1,325,000 |
| Waterworks and Sewer Revenue Certificates | 5.50 | 1976 | 2008 | 600,000 | <u>235,000</u> |
| | | | | | <u>\$10,284,000</u> |
| Notes Payable | | | | | |
| Notes Payable | | 1997 | 2002 | \$ 670,300 | <u>\$ 184,266</u> |

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6. Long-Term Debt – continued

The debt service requirements of long-term debt of the proprietary fund are as follows:

Bonds and Certificates of Obligation

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|---------------------|---------------------|---------------------|
| 2002 | \$ 739,000 | \$ 551,352 | \$ 1,290,352 |
| 2003 | 776,000 | 510,893 | 1,286,893 |
| 2004 | 815,000 | 467,826 | 1,282,826 |
| 2005 | 848,000 | 421,851 | 1,269,851 |
| 2006 | 896,000 | 378,608 | 1,274,608 |
| 2007 and thereafter | <u>6,210,000</u> | <u>1,661,642</u> | <u>7,871,642</u> |
| | <u>\$10,284,000</u> | <u>\$ 3,992,172</u> | <u>\$14,276,172</u> |

Bartonville Note

The City entered into an agreement to pay Bartonville Water Supply Corporation \$670,000 to decertify its certification of convenience and necessity for property within the city limits of Highland Village. The discounted present value of such obligation has been recorded as a note payable. The requirements of the note are as follows:

| | <u>Principal</u> | <u>Imputed Interest</u> | <u>Total</u> |
|------|-------------------|-----------------------------|-------------------|
| 2002 | \$ 89,606 | \$ 10,394 | \$ 100,000 |
| 2003 | <u>94,660</u> | <u>5,340</u> | <u>100,000</u> |
| | <u>\$ 184,266</u> | <u>\$ 15,734</u> | <u>\$ 200,000</u> |

In-Substance Defeasance of Debt

The City adopted Statement No. 23 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities, for proprietary refundings occurring subsequent to September 30, 1994. The City elected not to retroactively apply this statement to refundings prior to September 30, 1994.

The unamortized difference between the reacquisition price of the old debt and its net carrying amount is reported as a deduction from the newly issued debt on the balance sheet in the proprietary fund. This amount is being amortized as a component of interest expense over a period of 17.5 years (the remaining lives of the refunded debt). Current year amortization of the deferred amount was \$26,220. The amortized carrying value of this amount is \$251,314 at September 30, 2001.

In previous years the City has legally defeased certain outstanding general obligation bonds, certificates of obligation, and revenue bonds by placing proceeds of new bonds into irrevocable trusts pledged to pay all future debt service payments of the refunded debt. Accordingly, the trust pledged to pay all future debt service payments of the refunded debt and the liability for the defeased issues is not included in the City's financial statements. As of September 30, 2001, the following outstanding bonds were legally defeased.

| <u>Series</u> | <u>Type</u> | <u>Amounts</u> |
|---------------|---|----------------|
| 1988 | Wastewater and Sewer System Revenue Bonds | \$ 2,020,000 |

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7. Capital Leases

The City has entered into lease agreements as lessee for financing equipment. These leases qualify as capital leases and therefore have been recorded at the present value of the future minimum lease payments as of the date of their inception in the general long-term debt group of accounts. The equipment is recorded in the general fixed asset account group. The equipment's carrying value is \$688,849 as of September 30, 2001.

The following is a schedule of the future minimum lease payment under these agreements, and the present value of the net minimum lease payments at September 30, 2001:

| <u>Year Ending</u> <u>September 30</u> | |
|---|------------------|
| 2002 | \$ 41,718 |
| 2003 | 7,867 |
| 2004 | <u>7,868</u> |
| Minimum lease payments | 57,453 |
| Less amount representing interest | <u>5,365</u> |
| | <u>\$ 52,088</u> |

Note 8. Employees' Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 745 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 10 or more years of service or with 25 years of service regardless of age. A member is vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8. Employees' Retirement System - continued

Contributions

The contribution rate for the employees is 7%, and the City's matching percent is currently 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. 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 currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2000 valuation is effective for rates beginning January, 2002.)

The annual pension cost was \$228,889. The City's annual pension cost was equal to the required and actual contributions for the years ended December 31, 2000, 1999, and 1998.

Actuarial Assumptions

| | |
|---------------------------------|--------------------------|
| Actuarial Cost Method - | Unit Credit |
| Amortization Method - | Level Percent of Payroll |
| Remaining Amortization Period - | 25 Years – Open Period |
| Asset Valuation Method - | Amortized Cost |
| Investment Rate of Return | 8% |
| Projected Salary Increases - | None |
| Includes Inflation At - | None |
| Cost-of-Living Adjustments - | None |

The City is one of 745 municipalities having the benefit plan administered by TMRS. Each of the 745 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2000 valuations are contained in the 2000 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8. Employees' Retirement System – continued
Schedule of Actuarial Liabilities and Funding Progress

| | <u>FY 2000-01</u> | <u>FY 1999-00</u> | <u>FY 1998-99</u> | <u>FY 1997-98</u> | <u>FY 1996-97</u> | <u>FY 1995-96</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarial Valuation Date | 12/31/00 | 12/31/99 | 12/31/98 | 12/31/97 | 12/31/96 | 12/31/95 |
| Actuarial Value of Assets | \$3,365,363 | \$2,786,609 | \$2,381,693 | \$2,003,368 | \$1,672,354 | \$1,299,153 |
| Actuarial Accrued Liability | 3,277,026 | 2,683,881 | 2,430,126 | 2,070,935 | 1,709,312 | 1,343,831 |
| Percentage Funded | 102.7% | 103.8% | 98.0% | 96.7% | 97.8% | 96.7% |
| Unfunded (Over-funded) Actuarial | | | | | | |
| Accrued Liability (UAAL) | (88,337) | (102,728) | 48,433 | 67,567 | 36,958 | 44,678 |
| Annual Covered Payroll | 2,965,282 | 2,631,922 | 2,517,013 | 2,183,797 | 2,230,953 | 1,940,879 |
| UAAL as a Percentage of Covered Payroll | (3.0%) | (3.9%) | 1.9% | 3.1% | 1.66% | 2.31% |
| Net Pension Obligation (NPO) at Beginning of Period | | | | | | |
| Annual Pension Cost: | | | | | | |
| Annual Required Contribution (ARC) | 228,889 | 214,161 | 184,806 | 166,932 | 161,099 | 152,168 |
| Interest on NPO Adjustment to the ARC | | | | | | |
| Contributions Made | 228,889 | 214,161 | 184,806 | 166,932 | 161,099 | 152,168 |
| Increase in NPO | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| NPO at End of Period | <u>\$ </u> | <u>\$ </u> | <u>\$ </u> | <u>\$ </u> | <u>\$ </u> | <u>\$ </u> |

Note 9. Commitments

The City has contracted with the UTRWD to take 2 million gallons per day (MGD) and currently pays the UTRWD \$180,000 annually for each of the 2 MGD to pay its proportionate share of debt service on the water system. An additional 1 MGD was subscribed to by the City in February 1999, to be available in June 2001. The City must pay the UTRWD \$45,000/MGD for this additional demand from June 2000 to June 2001. The \$180,000 annual demand charge was commenced in June 2001 for the additional subscription. On December 2, 1999, the City Council approved a credit for one-half of the demand charge for one year for a new subdivision under contract prior to October 1, 1999. This waiver applies to the City 1.0 MGD expansion capacity through May 2002. The UTRWD volume charges for treated water is at a rate of \$.75 per thousand gallons. The City also has 1.0 MGD ownership in the water rights of Lake Chapman water. Availability of this water is not expected until 2003.

Upper Trinity Regional Water District ("UTRWD") - (Sewer System) - The City has contracted with the City of Lewisville to provide sewer treatment for the City's sewer customers until September 30, 2004. To meet its long-term wastewater treatment needs, the City of Highland Village entered into a contract with the Upper Trinity Regional Water District Lakeview Regional Water Reclamation System (sewer plant), in June 1995. The UTRWD has issued a series of bonds to provide for capital funding for the expansion and refurbishment of the Lakeview Sewer Plant and to construct the regional sewer system with all of said bonds to be payable from and secured by annual payments made by participating members. The City, as a participating member has agreed to pay its proportion share. The City's subscribed capacity in the regional system is 1.8 million gallons per day (MGD). However, the subscribed capacity was reduced to 1.404 MGD, temporarily reapportioning .396 MGD to other participating cities. The City will increase their subscription capacity back to 1.8 MGD upon completion of the next UTRWD plant expansion expected in FY 2001-2002. The City is committed to pay facility charges (currently \$369,000 / MGD for joint facilities and \$155,000 / MGD for facilities specific to Highland Village). The volume rate for treatment is \$1.25 per thousand gallons.

CITY OF HIGHLAND VILLAGE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 10. Risk Management

The City is exposed to various risks or loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability and property coverage is insured by the Texas Political Subdivisions Property/Casualty Joint Self-Insurance Fund, a public entity risk pool. The City's only responsibility to the Fund is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

Note 11. Deficit Fund Balance

A deficit undesignated fund balance of \$6,793 exists in the Copperas Park special revenue fund. The deficit resulted because of significant decline in entrance fees primarily due to a drought in the summer of 2000. The deficit will be eliminated with operating transfers from the general fund in fiscal year ending September 30, 2002.

COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP
FINANCIAL STATEMENTS

AND

SCHEDULES

GENERAL FUND

Established to account for resources traditionally associated with governments, which are not required to be accounted for in other funds.

CITY OF HIGHLAND VILLAGE, TEXAS
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2001

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|------------------------------|------------------|------------------|---|
| General administration | | | |
| Personnel | \$ 345,207 | \$ 336,265 | \$ 8,942 |
| Services | 408,317 | 349,526 | 58,791 |
| Maintenance | 2,400 | 1,995 | 405 |
| Supplies | <u>37,405</u> | <u>32,106</u> | <u>5,299</u> |
| Total general administration | <u>793,329</u> | <u>719,892</u> | <u>73,437</u> |
| Finance | | | |
| Personnel | 287,161 | 277,669 | 9,492 |
| Services | 212,362 | 197,402 | 14,960 |
| Maintenance | 3,263 | 3,162 | 101 |
| Supplies | <u>129,488</u> | <u>76,255</u> | <u>53,233</u> |
| Total finance | <u>632,274</u> | <u>554,488</u> | <u>77,786</u> |
| Fire | | | |
| Personnel | 268,556 | 239,626 | 28,930 |
| Services | 70,921 | 60,080 | 10,841 |
| Maintenance | 3,456 | 2,815 | 641 |
| Supplies | 65,440 | 44,353 | 21,087 |
| Capital Outlay | <u>107,200</u> | <u>55,974</u> | <u>51,226</u> |
| Total fire | <u>515,573</u> | <u>402,848</u> | <u>112,725</u> |
| Police | | | |
| Personnel | 1,410,410 | 1,361,462 | 48,948 |
| Services | 196,648 | 186,603 | 10,045 |
| Maintenance | 17,112 | 12,092 | 5,020 |
| Supplies | 64,122 | 59,002 | 5,120 |
| Capital Outlay | <u>55,285</u> | <u>48,374</u> | <u>6,911</u> |
| Total police | <u>1,743,577</u> | <u>1,667,533</u> | <u>76,044</u> |

(Continued)

CITY OF HIGHLAND VILLAGE, TEXAS
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2001

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--------------------|------------------|----------------|--|
| Municipal Court | | | |
| Personnel | 57,756 | 52,142 | 5,614 |
| Services | 42,426 | 34,789 | 7,637 |
| Maintenance | 2,500 | 2,500 | |
| Supplies | 1,500 | 741 | 759 |
| | <u>104,182</u> | <u>90,172</u> | <u>14,010</u> |
| | | | |
| Community services | | | |
| Personnel | 303,949 | 300,655 | 3,294 |
| Services | 102,551 | 96,052 | 6,499 |
| Supplies | 4,778 | 3,658 | 1,120 |
| Capital Outlay | 25,000 | 21,379 | 3,621 |
| | <u>436,278</u> | <u>421,744</u> | <u>14,534</u> |
| | | | |
| City parks | | | |
| Personnel | 469,528 | 458,387 | 11,141 |
| Services | 130,002 | 122,436 | 7,566 |
| Maintenance | 27,353 | 22,297 | 5,056 |
| Supplies | 72,500 | 72,638 | (138) |
| Capital outlay | 52,566 | 52,128 | 438 |
| | <u>751,949</u> | <u>727,886</u> | <u>24,063</u> |
| | | | |
| Streets | | | |
| Personnel | 361,395 | 330,540 | 30,855 |
| Services | 95,729 | 69,659 | 26,070 |
| Maintenance | 452,234 | 332,636 | 119,598 |
| Supplies | 23,900 | 20,338 | 3,562 |
| Capital outlay | 80,500 | 63,211 | 17,289 |
| | <u>1,013,758</u> | <u>816,384</u> | <u>197,374</u> |

(Continued)

CITY OF HIGHLAND VILLAGE, TEXAS
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
 GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2001

| | Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------|------------------|------------------|--|
| Maintenance | | | |
| Personnel | 155,214 | 153,610 | 1,604 |
| Services | 112,037 | 129,003 | (16,966) |
| Maintenance | 49,753 | 36,258 | 13,495 |
| Supplies | 120,550 | 113,679 | 6,871 |
| Total maintenance | 437,554 | 432,550 | 5,004 |
| Debt Service | 38,703 | 34,218 | 4,485 |
| Total Expenditures | \$ 6,467,177 | \$ 5,867,715 | \$ 599,462 |

SPECIAL REVENUE FUNDS

Special Revenue Funds are utilized to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

Copperas Park Fund - accounts for the operations of Copperas Park. Park admission and usage fees charged to patrons finance operations.

Park Development - utilized to account for development fees charged to property developers, which will be used to develop and maintain City parks.

Police Fund - to account for: 1) property and funds seized in conjunction with drug arrests; 2) funds received from Texas Commission on Law Enforcement Officers Standards and Education (TCLEOSE) for the purpose of providing service training for police officers; 3) funds received from the United States Department of Justice for the purpose of hiring police officers through the Community Oriented Policing Service (COPS) program; and 4) funds received from the Texas Narcotics Control Program for the purpose of hiring narcotics patrol officers.

Kid's Kastle Fund - accounts for funds donated to maintain the Kid's Kastle Park.

Municipal Court Security Building Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Municipal Court Technology Fund – The State Legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, PC's and any other technology items needed for the court.

CITY OF HIGHLAND VILLAGE, TEXAS
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2001

| | Copperas Park Fund | Park Development Fund | Police Fund | Kid's Kastle Fund | Security Building Fund | Technology Fund | Totals |
|---|--------------------------|-----------------------------|-------------------|-------------------------|------------------------------|--------------------|---------------------|
| ASSETS | | | | | | | |
| Cash and investments | \$ | \$ 661,096 | \$ 12,065 | \$ 7,481 | \$ | \$ | \$ 680,642 |
| Receivables | | | 22,358 | | | | 22,358 |
| Interfund | | 367,619 | | | 14,030 | 4,427 | 386,076 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | \$ | \$ 1,028,715 | \$ 34,423 | \$ 7,481 | \$ 14,030 | \$ 4,427 | \$ 1,089,076 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| LIABILITIES AND FUND BALANCE (DEFICIT) | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ | \$ 349 | \$ | \$ 225 | \$ | \$ | \$ 574 |
| Interfund | | 6,444 | 21,917 | 7,256 | | | 82,617 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | | 6,793 | 47,000 | 21,917 | 7,481 | | 83,191 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Fund balance (deficit) | | | | | | | |
| Reserved for park development | | 981,715 | | | | | 981,715 |
| Unreserved | | (6,793) | 12,506 | | 14,030 | 4,427 | 24,170 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balance (deficit) | | (6,793) | 981,715 | 12,506 | 14,030 | 4,427 | 1,005,885 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES AND FUND BALANCE (DEFICIT) | \$ | \$ 1,028,715 | \$ 34,423 | \$ 7,481 | \$ 14,030 | \$ 4,427 | \$ 1,089,076 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

CITY OF HIGHLAND VILLAGE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 YEAR ENDED SEPTEMBER 30, 2001

| | Copperas Park Fund | Park Development Fund | Police Fund | Kid's Kastle Fund | Security Building Fund | Technology Fund | Totals |
|---|--------------------------|-----------------------------|------------------|-------------------------|------------------------------|--------------------|---------------------|
| Revenues | | | | | | | |
| Licenses, permits and fees | \$ 64,562 | \$ 346,394 | \$ | \$ | \$ 3,167 | \$ 3,634 | \$ 417,757 |
| Intergovernmental | | | 145,876 | | | | 145,876 |
| Miscellaneous | | 32,836 | 3,573 | 2,319 | | | 38,728 |
| Total revenues | <u>64,562</u> | <u>379,230</u> | <u>149,449</u> | <u>2,319</u> | <u>3,167</u> | <u>3,634</u> | <u>602,361</u> |
| Expenditures | | | | | | | |
| Personnel | 46,747 | | 143,082 | | | | 189,829 |
| Services | 6,295 | | 235 | | 2,201 | 4,633 | 13,364 |
| Maintenance | 1,070 | | | 6,397 | | | 7,467 |
| Supplies | 13,326 | | | | | | 13,326 |
| Capital Outlay | | | 2,793 | | | 24,590 | 27,383 |
| Total expenditures | <u>67,438</u> | | <u>146,110</u> | <u>6,397</u> | <u>2,201</u> | <u>29,223</u> | <u>251,369</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,876)</u> | <u>379,230</u> | <u>3,339</u> | <u>(4,078)</u> | <u>966</u> | <u>(25,589)</u> | <u>350,992</u> |
| Other financing sources (uses) | | | | | | | |
| Proceeds from capital lease | | | | | | 24,590 | 24,590 |
| Operating transfers in | 17,940 | | | 1,000 | | | 18,940 |
| Operating transfers out | | (50,000) | (14,998) | | | | (64,998) |
| Total other financial sources (uses) | <u>17,940</u> | <u>(50,000)</u> | <u>(14,998)</u> | <u>1,000</u> | | <u>24,590</u> | <u>(21,468)</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 15,064 | 329,230 | (11,659) | (3,078) | 966 | (999) | 329,524 |
| Fund balance (deficit) at beginning of year | (21,857) | 652,485 | 24,165 | 7,631 | 13,064 | 5,426 | 680,914 |
| Residual equity transfer | | | | (4,553) | | | (4,553) |
| Fund balance (deficit) at end of year | <u>\$ (6,793)</u> | <u>\$ 981,715</u> | <u>\$ 12,506</u> | <u>\$</u> | <u>\$ 14,030</u> | <u>\$ 4,427</u> | <u>\$ 1,005,885</u> |

CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COPPERAS PARK FUND
YEAR ENDED SEPTEMBER 30, 2001

| | Budget | Actual | Variance - Favorable (Unfavorable) |
|--|------------|------------|--|
| Revenues | | | |
| Licenses, permits and fees | \$ 80,000 | \$ 64,562 | \$ (15,438) |
| Total revenues | 80,000 | 64,562 | (15,438) |
| Expenditures | | | |
| City parks | | | |
| Personnel | 60,354 | 46,747 | 13,607 |
| Services | 5,500 | 6,295 | (795) |
| Maintenance | 1,000 | 1,070 | (70) |
| Supplies | 14,400 | 13,326 | 1,074 |
| Total expenditures | 81,254 | 67,438 | 13,816 |
| Deficiency of revenues over expenditures | (1,254) | (2,876) | (1,622) |
| Other financing sources (uses) | | | |
| Operating transfers in | 17,940 | 17,940 | |
| Excess of revenues and other sources over expenditures | 16,686 | 15,064 | (1,622) |
| Fund balance (deficit) at beginning of year | (21,857) | (21,857) | |
| Fund balance (deficit) at end of year | \$ (5,171) | \$ (6,793) | \$ (1,622) |

CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FUND
YEAR ENDED SEPTEMBER 30, 2001

| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|---------------------------------------|---------------------|-------------------|---|
| Revenues | | | |
| Park development fees | \$ 603,908 | \$ 346,394 | \$ (257,514) |
| Interest income | <u>32,000</u> | <u>32,836</u> | <u>836</u> |
| | | | |
| Total revenues | <u>635,908</u> | <u>379,230</u> | <u>(256,678)</u> |
| | | | |
| Other financing uses | | | |
| Operating transfers out | <u>(50,000)</u> | <u>(50,000)</u> | <u> </u> |
| | | | |
| Excess of revenues over other uses | 585,908 | 329,230 | (256,678) |
| | | | |
| Fund balance at beginning of year | <u>652,485</u> | <u>652,485</u> | <u> </u> |
| | | | |
| Fund balance at end of year | <u>\$ 1,238,393</u> | <u>\$ 981,715</u> | <u>\$ (256,678)</u> |

CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
POLICE FUND
YEAR ENDED SEPTEMBER 30, 2001

| | Budget | Actual | Variance - Favorable (Unfavorable) |
|---|------------|------------|--|
| Revenues | | | |
| Intergovernmental | \$ 157,781 | \$ 145,876 | \$ (11,905) |
| Miscellaneous | | 3,573 | 3,573 |
| | 157,781 | 149,449 | (8,332) |
| Total revenues | | | |
| Expenditures | | | |
| Personnel | 178,767 | 143,082 | 35,685 |
| Supplies | | 235 | (235) |
| Capital outlay | 3,972 | 2,793 | 1,179 |
| | 182,739 | 146,110 | 36,629 |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | (24,958) | 3,339 | 28,297 |
| Other financing sources | | | |
| Operating transfers out | | (14,998) | (14,998) |
| | | (14,998) | (14,998) |
| Total other financial sources | | | |
| Deficiency of revenues and other sources over expenditures and other uses | (24,958) | (11,659) | 13,299 |
| Fund balance at beginning of year | 24,165 | 24,165 | |
| Fund balance at end of year | \$ (793) | \$ 12,506 | \$ 13,299 |

CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
KID'S KASTLE FUND
YEAR ENDED SEPTEMBER 30, 2001

| | <u>Budget</u> | <u>Actual</u> | Variance - Favorable (Unfavorable) |
|--|--------------------------|-----------------------------|--|
| Revenues | | | |
| Miscellaneous income | \$ _____ | \$ <u>2,319</u> | \$ <u>2,319</u> |
| Expenditures | | | |
| Maintenance | <u>10,152</u> | <u>6,397</u> | <u>3,755</u> |
| Deficiency of revenues over expenditures | <u>(10,152)</u> | <u>(4,078)</u> | <u>6,074</u> |
| Other financing sources | | | |
| Operating transfers in | <u>1,000</u> | <u>1,000</u> | <u> </u> |
| Total other financial sources | <u>1,000</u> | <u>1,000</u> | <u> </u> |
| Deficiency of revenues and other sources over expenditures | (9,152) | (3,078) | 6,074 |
| Fund balance at beginning of year | 7,631 | 7,631 | |
| Residual equity transfer | <u> </u> | <u>(4,553)</u> | <u>(4,553)</u> |
| Fund balance at end of year | \$ <u><u>(1,521)</u></u> | \$ <u><u> </u></u> | \$ <u><u>1,521</u></u> |

CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT SECURITY BUILDING FUND
YEAR ENDED SEPTEMBER 30, 2001

| | Budget | Actual | Variance - Favorable (Unfavorable) |
|---|-------------------------|-------------------------|--|
| Revenues | | | |
| Licenses, permits and fees | \$ <u>5,000</u> | \$ <u>3,167</u> | \$ <u>(1,833)</u> |
| Expenditures | | | |
| Services | <u>2,800</u> | <u>2,201</u> | <u>599</u> |
| Excess of revenues over expenditures | 2,200 | 966 | (1,234) |
| Fund balance at beginning of year | <u>13,064</u> | <u>13,064</u> | <u> </u> |
| Fund balance at end of year | <u><u>\$ 15,264</u></u> | <u><u>\$ 14,030</u></u> | <u><u>\$ (1,234)</u></u> |

CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TECHNOLOGY FUND
YEAR ENDED SEPTEMBER 30, 2001

| | <u>Budget</u> | <u>Actual</u> | Variance - Favorable (Unfavorable) |
|--|------------------------|------------------------|--|
| Revenues | | | |
| Licenses, permits and fees | \$ 6,500 | \$ 3,634 | \$ (2,866) |
| Total Revenues | <u>6,500</u> | <u>3,634</u> | <u>(2,866)</u> |
| Expenditures | | | |
| Services | | 4,633 | (4,633) |
| Capital outlay | <u>31,586</u> | <u>24,590</u> | <u>6,996</u> |
| Total expenditures | <u>31,586</u> | <u>29,223</u> | <u>2,363</u> |
| Deficiency of revenues over expenditures | (25,086) | (25,589) | (503) |
| Other financing sources | | | |
| Proceeds from capital leases | <u>27,086</u> | <u>24,590</u> | <u>(2,496)</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 2,000 | (999) | (2,999) |
| Fund balance at beginning of year | <u>5,426</u> | <u>5,426</u> | <u> </u> |
| Fund balance at end of year | <u><u>\$ 7,426</u></u> | <u><u>\$ 4,427</u></u> | <u><u>\$ (2,999)</u></u> |

GENERAL FIXED ASSET
ACCOUNT GROUP

Established to account for land, buildings and improvements, and machinery of the governmental funds.

CITY OF HIGHLAND VILLAGE, TEXAS
SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
SEPTEMBER 30, 2001

General fixed assets

| | |
|----------------------------|------------------|
| Land and improvements | \$ 4,628,439 |
| Buildings and improvements | 5,365,095 |
| Equipment | <u>2,662,389</u> |

Total general fixed assets \$ 12,655,923

Investment in general fixed assets

| | |
|---|------------------|
| Investment in general fixed assets acquired prior to October 1, 1990 | \$ 974,103 |
| General fund | 1,208,790 |
| Vehicle replacement fund | 602,126 |
| Special revenue funds | 1,276,743 |
| Capital project funds | <u>8,594,161</u> |

Total investment in general fixed assets \$ 12,655,923

CITY OF HIGHLAND VILLAGE, TEXAS
SCHEDULE OF GENERAL FIXED ASSETS - BY DEPARTMENT
SEPTEMBER 30, 2001

| Department | Total | Land | Buildings and Improvements | Equipment |
|--|--------------------------|-------------------------|----------------------------------|-------------------------|
| General Administration | \$ 1,328,182 | \$ | \$ 1,144,342 | \$ 183,840 |
| Police | 686,408 | | | 686,408 |
| Fire | 840,371 | | 34,837 | 805,534 |
| Community Services | 28,711 | | | 28,711 |
| City Parks | 2,254,057 | 1,857,507 | | 396,550 |
| Streets | 526,890 | | | 526,890 |
| Maintenance | 34,456 | | | 34,456 |
| Total fixed assets allocated to departments | 5,699,075 | 1,857,507 | 1,179,179 | 2,662,389 |
| Land and improvements | 2,770,932 | 2,770,932 | | |
| Buildings and improvements | 4,185,916 | | 4,185,916 | |
| Total general fixed assets | <u>\$ 12,655,923</u> | <u>\$ 4,628,439</u> | <u>\$ 5,365,095</u> | <u>\$ 2,662,389</u> |

CITY OF HIGHLAND VILLAGE, TEXAS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2001

| Department | Balance September 30, 2000 | Additions | Retirements | Reclassifications | Balance September 30, 2001 |
|--|----------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| General Administration | \$ 1,309,584 | \$ 18,598 | \$ | \$ | \$ 1,328,182 |
| Finance | 32,236 | | 32,236 | | |
| Police | 1,094,318 | 48,374 | 467,563 | 11,279 | 686,408 |
| Fire | 804,795 | 55,974 | 5,568 | (14,830) | 840,371 |
| Code Enforcement | 54,944 | 21,379 | 47,612 | | 28,711 |
| City Parks | 2,116,755 | 74,989 | 61,565 | 123,878 | 2,254,057 |
| Streets | 655,407 | 63,211 | 38,124 | (153,604) | 526,890 |
| Maintenance | 49,055 | | 14,599 | | 34,456 |
| Municipal Court | 995 | | 995 | | |
| | | | | | |
| Total fixed assets allocated to departments | 6,118,089 | 282,525 | 668,262 | (33,277) | 5,699,075 |
| | | | | | |
| Land and improvements | 2,737,655 | | | 33,277 | 2,770,932 |
| Buildings and improvements | 4,185,916 | | | | 4,185,916 |
| | | | | | |
| Total general fixed assets | \$ <u>13,041,660</u> | \$ <u>282,525</u> | \$ <u>668,262</u> | \$ <u></u> | \$ <u>12,655,923</u> |