

**TOWN OF HICKORY CREEK**

FINANCIAL STATEMENTS  
AND  
ACCOUNTANTS' OPINION

SEPTEMBER 30, 2011

**TOWN OF HICKORY CREEK**

**TABLE OF CONTENTS**

	<u>Page No.</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities .....	16
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet.....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances.....	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	24
Notes to Financial Statements.....	25
Required Supplementary Information:	
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund .....	44
Combining and Individual Fund Statements and Schedules:	
Statement of General Fund Expenditures – Budget and Actual .....	46
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund .....	49
Schedule of Delinquent Taxes Receivable .....	50
Statement of Revenues, Expenditures and Change in Fund Balance – Economic Development Corporation .....	52
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	53

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Town Council  
Town of Hickory Creek

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the Town of Hickory Creek, Texas ("Town") as of and for the year ended September 30, 2011, which collectively comprises the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 government activities, the discretely presented component unit and each major fund of the Town as of September 30, 2011, and the respective changes in financial position 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 on pages 5 through 11 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.

In accordance with *Government Auditing Standards*, we have issued a report dated December 20, 2011, on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hickory Creek's basic financial statements as a whole. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town. The combining and individual fund statements and schedules 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 basic 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 basic financial statements taken as a whole.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

December 20, 2011

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2011

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As management of the Town of Hickory Creek, we offer readers of the Town of Hickory Creek's financial statements this narrative overview and analysis of the financial activities of the Town of Hickory Creek for the year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

#### **Financial Highlights**

- The assets of the Town of Hickory Creek exceeded its liabilities at September 30, 2011 by \$6,327,953. Of this amount, \$1,946,506 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$185,832.
- As of September 30, 2011, the Town of Hickory Creek's governmental funds reported combined ending fund balances of \$4,142,844, an increase of \$162,797 in comparison with the beginning of the period. Approximately 44 percent of this total amount, \$1,837,376, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current period, unassigned fund balance for the general fund was \$1,837,376 or 57.1 percent of total general fund expenditures.

#### **Overview of the Financial Statements**

The management discussion and analysis are intended to serve as an introduction to the Town of Hickory Creek's basic financial statements. The Town of Hickory Creek's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Also included as a discretely presented component unit is the Hickory Creek Economic Development Corporation, which was formed on July 1, 2003 as the result of a successful 4B sales tax election.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Hickory Creek's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town of Hickory Creek's assets and liabilities, with the difference between the two reported as net assets. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Hickory Creek is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent period. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the Town is divided between two kinds of activities:

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2011

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- **Governmental activities.** All of the Town's basic services are reported here, including the police, fire, library, community development, public works, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The Town may charge a fee to customers to help it cover all or most of the cost of certain services it provides. The Town had no business-type activities during the current period.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law or bond covenants. However, the Town Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the Town of Hickory Creek are considered governmental funds.

**Governmental Funds.** All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The Town of Hickory Creek maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, each of which are considered to be major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Hickory Creek's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town of Hickory Creek does not currently have any fiduciary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information highlighting budgetary information for the general fund.

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011

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**Government-wide Financial Analysis**

The Town's combined net assets were \$6,327,953 as of September 30, 2011. The Town first implemented GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, for fiscal year 2004. The following analysis presents both current and prior year data and discusses significant changes in the accounts. This analysis focuses on the net assets (Table 1) and general revenues (Table 2) and changes in net assets (Table 3) of the Town's governmental activities.

The largest portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

Net Assets

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	Governmental Activities	
	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 4,316,695	\$ 4,471,524
Capital assets	8,890,507	8,584,809
Total assets	<u>13,207,202</u>	<u>13,056,333</u>
Long-term liabilities outstanding	6,857,234	6,519,332
Other liabilities	207,847	209,048
Total liabilities	<u>7,065,081</u>	<u>6,728,380</u>
Net assets:		
Invested in capital assets, net of related debt	2,086,606	2,130,356
Restricted for:		
Debt service	33,499	53,567
Street improvements	2,089,777	2,110,307
Court security and technology	63,303	87,217
Unrestricted	<u>1,868,936</u>	<u>1,946,506</u>
Total net assets	<u>\$ 6,142,121</u>	<u>\$ 6,327,953</u>

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011

**Governmental Activities.** The Town's general revenues for governmental activities for the years ended September 30, 2010 and 2011 are detailed below (Table 2).

Table 2  
General Revenues

	<u>2010</u>	<u>2011</u>
Property taxes	\$1,363,385	\$1,322,055
Sales taxes	1,156,840	1,069,598
Franchise taxes	207,030	213,098
Mixed beverage taxes	7,842	7,253
Investment earnings	9,745	7,889
Miscellaneous	7,900	6,010
	<u>\$2,752,742</u>	<u>\$2,625,903</u>

The following table provides a summary of the Town's operations for the years ended September 30, 2010 and 2011.

Table 3  
Changes in Net Assets

	Governmental Activities	
	<u>2010</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$1,074,861	\$1,129,592
Operating grants and contributions	80,210	78,110
Capital grants and contributions	-	22,634
General revenues:		
Property taxes	1,363,385	1,322,055
Sales taxes	1,156,840	1,069,598
Other taxes	214,872	220,351
Investment earnings	9,745	7,889
Miscellaneous	7,900	6,010
	<u>3,907,813</u>	<u>3,856,239</u>
Expenses:		
Administration	611,891	616,087
Police	838,613	897,052
Fire	519,588	529,980
Municipal court	443,862	481,586
Public works	915,198	953,306
Debt service – interest and issuance costs	309,023	291,638
	<u>3,638,175</u>	<u>3,769,649</u>
Special Items	1,184,891	99,242
Change in net assets	1,454,529	185,832
Net assets – October 1 (beginning)	<u>4,687,592</u>	<u>6,142,121</u>
Net assets – September 30 (ending)	<u>\$6,142,121</u>	<u>\$6,327,953</u>

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2011

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#### **Financial Analysis of the Government's Funds**

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

As of the end of the current period, the Town's governmental funds reported combined ending fund balances of \$4,142,844, an increase of \$162,797 in comparison with the beginning of the period. Approximately 44.35 percent of this total amount (\$1,837,376) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is not available for new spending because it has already been committed 1) to pay for capital improvements (\$2,110,807), 2) to pay for court security costs (\$87,217), 3) to pay for debt retirement (\$53,567), and 4) to liquidate prepaid items (\$54,377).

The general fund is the chief operating fund of the Town. At the end of the current period, unassigned fund balance of the general fund totaled \$1,837,376, while total fund balance was \$2,418,335. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 57.06 percent of total general fund expenditures, while total fund balance represents 75.10 percent of that same amount.

The fund balance of the Town's general fund increased by \$139,528 during the current year. Key factors in this increase are as follows:

- Property tax revenue and sales tax revenue decreased from the previous year, but this was offset by an increase in court citation revenue.
- The Town realized \$131,454 as the final installment on the sale to TxDot of the Town's old Town hall/animal shelter facility.
- General fund expenditures were significantly lower than the previous year due primarily to reduced capital outlay costs.

#### **General Fund Budgetary Highlights**

During the current year, the Town Council of the Town of Hickory Creek amended the budget for the General Fund on two occasions. The majority of the appropriation related to actions taken to fund unbudgeted items during the period.

The Town administration reviewed each supplemental appropriation throughout the year and determined that increased revenues or beginning fund balance provided sufficient reserves to recommend the increase.

The original budget reflected that the activity for the year would cause a \$16,816 increase in available fund balance. The available fund balance for the general fund actually increased in the amount of \$139,528.

TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011

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**Capital Asset and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental activities as of September 30, 2011, amount to \$8,584,809 (net of accumulated depreciation). This amount represents a net decrease of \$305,698, or 3.4 percent, below the beginning of the year. The investment in capital assets includes land, buildings, equipment, vehicles, roads and construction in progress.

Major capital asset additions during the current year included the following:

<u>Description</u>	<u>Amount</u>
Veteran's memorial	\$ 88,018
Park pay stations	21,800
Computer equipment	<u>10,839</u>
Total	<u>\$ 120,657</u>

Table 4  
Capital Assets at Year-end  
(Net of Depreciation)

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	<u>Governmental Activities</u>
Land	\$ 456,805
Buildings	3,435,874
Equipment and Vehicles	334,708
Street and Road Infrastructure	3,860,389
Construction in Progress	<u>497,033</u>
Totals	<u>\$8,584,809</u>

Additional information on the Town's capital assets can be found in note 6 of this report.

**Long-term Debt.** At the end of the current period, the Town had certificates of obligation outstanding of \$1,840,000, general obligation bonds outstanding of \$4,505,000, and accrued compensated absences of \$64,879, for a total of \$6,519,332.

The Town's total debt decreased by \$337,902 during the current year. No new debt was incurred during the year. Information on the Town's long-term debt can be found in note 7 of this report.

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2011

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

Due to conservative financial management principles, preparation of the 2011-2012 fiscal year budget did not require an increase in the Town's property tax rate for the upcoming year. The Town's tax rate remains .424287 per \$100 of assessed value. The Town's administration and its council maintain a very conservative approach toward managing the Town's expenditures. During the 2010-2011 year, the Town completed the construction and opening of the planned **Veterans Memorial Park** just north and adjacent to Town hall. The Town has completed several road improvement projects and drainage projects. The Town has made significant improvements to the public parks, upgraded outdated police radios, and attracted new businesses to our community. The Town also updated and improved the Town of Hickory Creek's website to be more informative and user friendly. In addition, working under a state grant to become more energy efficient and save on energy costs, the Town made several energy efficient upgrades to the Public Works facility and changed the outdoor emergency warning sirens from electric to solar power which will save and help to reduce the Town's total energy usage.

For the 2011-2012 budget year, the Town will continue to work toward improving storm water drainage issues throughout the Town, will continue working to improve various roads throughout Town, and will continue working on improvements to various public parks within the Town's limits. In addition, the Town will be working with developers on future and planned development projects related to Hickory Creek and will be working to upgrade and improve the Town's internet capabilities as it relates to efficiency and effectiveness of the system.

The Town of Hickory Creek continues to maintain a strong financial reserve and a very conservative approach to managing the Town's expenditures. The 2011-2012 budget is consistent with maintaining a strong reserve and conservative spending principles.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town of Hickory Creek, P.O. Box 1717, Lake Dallas, Texas 75065.

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**BASIC FINANCIAL STATEMENTS**

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**TOWN OF HICKORY CREEK**

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Economic</u>
	<u>Activities</u>	<u>Development</u>
		<u>Corporation</u>
<b>ASSETS</b>		
Cash and Investments	\$ 4,060,587	\$1,115,823
Receivables (net of allowance for uncollectibles):		
Taxes – Ad Valorem	14,244	-
Taxes – Sales	242,533	-
Other	4,893	-
Due from Federal Agencies	15,572	-
Internal Balances	(61,422)	61,422
Prepaid Costs	54,377	1,361
Debt Issuance Costs	140,740	7,179
Capital Assets:		
Land	456,805	325,942
Buildings, net	3,435,874	-
Equipment and Vehicles, net	334,708	-
Street and Road Infrastructure, net	3,860,389	117,331
Construction in Progress	<u>497,033</u>	<u>-</u>
Total Assets	<u>13,056,333</u>	<u>1,629,058</u>
<b>LIABILITIES</b>		
Accounts Payable	65,717	5,947
Accrued Wages	18,017	-
Accrued Interest	35,352	2,756
Due to State Agencies	89,962	-
Due within one year	335,000	18,516
Due in more than one year	<u>6,184,332</u>	<u>257,225</u>
Total Liabilities	<u>6,728,380</u>	<u>284,444</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of related debt	2,130,356	167,532
Restricted for:		
Debt Retirement	53,567	-
Economic Development	-	1,177,082
Street Improvements/Maintenance	2,110,307	-
Court Security/Technology	87,217	-
Unrestricted Net Assets	<u>1,946,506</u>	<u>-</u>
Total Net Assets	<u>\$ 6,327,953</u>	<u>\$1,344,614</u>

The accompanying Notes are an integral part of this statement.

**TOWN OF HICKORY CREEK**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Functions/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>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 616,087	\$ 7,365	\$ 3,050	\$22,634
Police	897,052	523,104	1,428	-
Fire	529,980	-	-	-
Municipal Court	481,586	481,586	-	-
Public Works	953,306	117,537	2,389	-
Debt Service – Interest	282,826	-	71,243	-
Debt Service – Issuance Costs	<u>8,812</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>3,769,649</u>	<u>1,129,592</u>	<u>78,110</u>	<u>22,634</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$3,769,649</u></b>	<b><u>\$1,129,592</u></b>	<b><u>\$78,110</u></b>	<b><u>\$22,634</u></b>
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	<u>\$ 362,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GENERAL REVENUES:**

Taxes:

Property taxes – maintenance and operation

Property taxes – debt service

Sales taxes

Franchise taxes

Mixed beverage taxes

Investment Earnings

Miscellaneous

Special item – gain on sale of real and personal property

Total General Revenues and Special Items

Change in Net Assets

NET ASSETS, October 1 (beginning)

NET ASSETS, September 30 (ending)

The accompanying Notes are an integral part of this statement.

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Net (Expense) Revenue and  
Change in Net Assets

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<u>Governmental Activities</u>	<u>Component Units</u>
\$ (583,038)	\$ -
(372,520)	-
(529,980)	-
-	-
(833,380)	-
(211,583)	-
(8,812)	-
<u>(2,539,313)</u>	<u>-</u>
<u>(2,539,313)</u>	<u>-</u>
<u>-</u>	<u>(362,946)</u>
764,827	-
557,228	-
1,069,598	356,533
213,098	-
7,253	-
7,889	2,025
6,010	637
<u>99,242</u>	<u>-</u>
<u>2,725,145</u>	<u>359,195</u>
185,832	(3,751)
<u>6,142,121</u>	<u>1,348,365</u>
<u>\$6,327,953</u>	<u>\$1,344,614</u>

TOWN OF HICKORY CREEK

BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

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	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash and Investments	\$2,360,405	\$ -
Receivables (net of allowances for uncollectibles):		
Taxes –Ad Valorem	9,157	5,087
Taxes - Sales	242,533	-
Other	4,893	-
Due from Federal Agencies	15,572	-
Due from Other Funds	29,240	53,567
Prepaid Costs	<u>54,377</u>	<u>-</u>
Total Assets	<u>\$2,716,177</u>	<u>\$ 58,654</u>
 <b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 65,717	\$ -
Accrued Wages	18,017	-
Due to State Agencies	89,962	-
Due to EDC	61,422	-
Due to Other Funds	53,567	-
Deferred Revenue	<u>9,157</u>	<u>5,087</u>
Total Liabilities	<u>297,842</u>	<u>5,087</u>
Fund Equity:		
Nonspendable Fund Balance:		
Prepaid Costs	54,377	-
Restricted Fund Balance:		
Court Security and Technology Fees	87,217	-
Street Improvements	439,365	-
Storm Drainage	-	-
Retirement of Long-term Debt	-	53,567
Unassigned Fund Balance	<u>1,837,376</u>	<u>-</u>
Total Fund Equity	<u>2,418,335</u>	<u>53,567</u>
Total Liabilities and Fund Equity	<u>\$2,716,177</u>	<u>\$ 58,654</u>

The accompanying Notes are an integral part of this statement.

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<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$1,700,182	\$4,060,587
-	14,244
-	242,533
-	4,893
-	15,572
-	82,807
-	54,377
<u>\$1,700,182</u>	<u>\$4,475,013</u>

\$ -	\$ 65,717
-	18,017
-	89,962
-	61,422
29,240	82,807
-	14,244
<u>29,240</u>	<u>332,169</u>

-	54,377
-	87,217
332,417	771,782
1,338,525	1,338,525
-	53,567
-	1,837,376
<u>1,670,942</u>	<u>4,142,844</u>
<u>\$1,700,182</u>	<u>\$4,475,013</u>

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**TOWN OF HICKORY CREEK**

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

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<b>Total Fund Balances – Governmental Funds</b>	\$4,142,844
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	10,571,979
Accumulated depreciation is not reported in the fund financial statements.	(1,987,170)
Certificates of obligation, general obligation bonds and compensated absences are not reported in the fund financial statements.	(6,409,879)
Property tax revenue reported as deferred revenues in the fund financial statements was recognized as revenue in the government-wide financial statements.	14,244
Bond premiums are not recognized in the fund financial statements.	(109,453)
Debt issuance costs are not capitalized in the fund financial statements.	140,740
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	<u>(35,352)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$6,327,953</u></b>

The accompanying Notes are an integral part of this statement.

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund
<b>Revenues:</b>		
Taxes - Ad Valorem	\$ 767,099	\$ 558,364
- Franchise	213,098	-
- Sales	1,069,598	-
- Mixed Beverage	7,253	-
Court Citations	944,060	-
Corp of Engineers	25,648	-
Police Training Funds	1,428	-
Building Permits	30,592	-
Interest Income	4,688	-
Other Permits and Fees	74,341	-
Parks and Recreation	44,458	-
Gas Royalties	1,534	-
Donations from EDC	-	71,243
State Energy Grant	22,634	-
Public Donations	5,439	-
Insurance Proceeds	10,493	-
Other	4,476	-
Total Revenues	<u>3,226,839</u>	<u>629,607</u>
<b>Expenditures:</b>		
Current:		
General Government	566,949	-
Police	808,363	-
Fire	529,980	-
Municipal Court	468,753	-
Public Works	650,288	-
Debt Service:		
Principal	24,215	320,000
Interest	1,571	289,539
Capital Outlay	169,662	-
Total Expenditures	<u>3,219,781</u>	<u>609,539</u>
Excess of Revenues over Expenditures	<u>7,058</u>	<u>20,068</u>
<b>Other Resources:</b>		
Sale of Real and Personal Property	<u>132,470</u>	-
Total Other Resources	<u>132,470</u>	-
Net Change in Fund Balance	139,528	20,068
Fund Balance – October 1, (beginning)	<u>2,278,807</u>	<u>33,499</u>
Fund Balance – September 30 (ending)	<u>\$2,418,335</u>	<u>\$ 53,567</u>

The accompanying Notes are an integral part of this statement.

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<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,325,463
-	213,098
-	1,069,598
-	7,253
-	944,060
-	25,648
-	1,428
-	30,592
3,201	7,889
-	74,341
-	44,458
-	1,534
-	71,243
-	22,634
-	5,439
-	10,493
-	<u>4,476</u>
<u>3,201</u>	<u>3,859,647</u>
-	566,949
-	808,363
-	529,980
-	468,753
-	650,288
-	344,215
-	291,110
-	<u>169,662</u>
-	<u>3,829,320</u>
<u>3,201</u>	<u>30,327</u>
-	<u>132,470</u>
-	<u>132,470</u>
3,201	162,797
<u>1,667,741</u>	<u>3,980,047</u>
<u>\$ 1,670,942</u>	<u>\$ 4,142,844</u>

**TOWN OF HICKORY CREEK**

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

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<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$ 162,797
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net assets.	169,662
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets in the government-wide financial statements.	(442,132)
The fund financial statements report the proceeds from the sale of personal property. The government-wide financial statements report only the gain or loss from the disposition of personal property.	(33,228)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	(3,408)
Current year compensated absences earned but not used is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(11,546)
Current year principal payments on certificates of obligation, general obligation bonds and capital leases are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	344,215
Current year amortization of the premium on bond issuance is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements	5,233
Current year amortization of bond issuance costs is not recognized in the fund financial statements, but is shown as a reduction to the bond issuance costs asset in the government-wide financial statements.	(8,812)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	<u>3,051</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 185,832</u></b>

The accompanying Notes are an integral part of this statement.

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hickory Creek (the "Town") 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 ("GASB").

In fiscal year 2004, the Town implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes note disclosures requirements for governmental entities, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, which clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where difference have arisen, or potentially could arise, in interpretation and practice of GASB Statement No. 34.

GASB Statements No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the use of account groups to the already required fund financial statements and notes. GASB Statement No. 37 provides additional guidance in reporting infrastructure, program revenues and major criteria.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that the government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the more significant accounting policies.

#### A. Reporting Entity

The Town of Hickory Creek (Town) is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

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- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

The Town had one discretely presented component unit at September 30, 2011, the Hickory Creek Economic Development Corporation, which was created in fiscal year 2003 as the result of a successful 4B sales tax election.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the Town and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town had no business-type activities during the period.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded for the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town had no proprietary funds or fiduciary funds during the period.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first when appropriate, then unrestricted resources as they are needed.

The Town reports the following major governmental funds:

*General Fund* – The General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

*Debt Service Fund* – This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

*Capital Projects Fund* – The Capital Projects Funds accounts for proceeds from the sale of Certificates of Obligation to be used for authorized acquisition, construction, or renovation projects. Upon completion of a project, any unused debt proceeds, if any, are used to retire related debt principal.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

#### **D. Cash and Investments**

The Town's cash and investments are considered to be cash on hand, demand deposits and short-term investments in State investment pools.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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**E. Receivable and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the period are referred to as "due to/from other funds" or "advances to/from other funds."

Property tax receivables are shown net of an allowance for uncollectibles.

**F. Property Taxes**

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the Town has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that 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. The Town's availability period is sixty days. 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 Town 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.

For fiscal year 2011, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2010, upon which the fiscal year 2011 levy was based, was \$308,348,595. The tax rate to finance general governmental services and road maintenance for the year ended September 30, 2011, was \$.424287 per \$100.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the government-wide and fund financial statements. These items consist primarily of prepaid insurance.

**H. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

Depreciation expense is calculated 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>Category</u>	<u>Estimated Life</u>
Street and Road Infrastructure	15 years
Buildings	40 years
Leasehold improvements	40 years
Machinery and equipment	7-10 years
Vehicles	7 years

**I. Compensated Absences**

It is the Town's policy to permit employees to accumulate certain earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Town does not have a policy to pay any amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide financial statements.

**J. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**K. Net Assets**

Net assets represents 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.

**L. Budgets and Budgetary Accounting**

Prior to September 1, the Town administration submits to the Town Council a proposed budget for the ensuing fiscal year. At the meeting of the Town Council at which the budget is submitted, the Town 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 Town Secretary and the County Clerk of Denton County.

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

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The Town administration is authorized to transfer budgeted amounts between departments with any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. 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.

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget was amended at times during the year by the Town Council. Such amendments are reflected in the official minutes of the Council.

## **2. DEPOSITS AND INVESTMENTS**

The Town's funds are required to be deposited and invested under the terms of a depository agreement. The depository bank deposits for safekeeping and trust with the Town's agent bank approved pledged securities in an amount sufficient to protect Town funds on a day-to-day basis during the period of the agreement. 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. Cash Deposits:**

At September 30, 2011, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$155,036 and the bank balance was \$255,040. The Town's cash deposits at September 30, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

### **2. Investments:**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Town to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That policy addresses the following risks:

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2011, the Town's cash balances totaled \$255,040. This entire amount was either collateralized with securities held by the Town's financial institution's agent in the Town's name or covered by FDIC insurance. Thus, the Town's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2011, the Town held all of its investments in the LOGIC public funds investment pool. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for LOGIC at year-end was AAA (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the LOGIC investment pool is less than 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2011, the Town was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the Town's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

The Town's investment at September 30, 2011 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
LOGIC Investment Pool	\$3,905,291	\$3,905,291
Total	<u>\$3,905,291</u>	<u>\$3,905,291</u>

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

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#### 3. FUND BALANCE

Beginning with the fiscal period ending September 30, 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Court security and technology fees are being restricted because their use is restricted pursuant to the regulations that allow the collection of those fees. Debt service resources are to be used for future servicing of the Town's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. The Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town has no committed fund balance as of September 30, 2011.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to other individuals in the Town. Under the Town's policy, only the Council may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has no assigned fund balance as of September 30, 2011.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Council has provided otherwise in its commitment or assignment actions.

The fund balance policy of the Town expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications. The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 18 and 19) and are described below:

**General Fund**

The General Fund has unassigned fund balance of \$1,837,376 at September 30, 2011. Deferred expenditures (prepaid items) of \$54,377 are considered nonspendable fund balance. Court security and technology fees of \$87,217 are shown as restricted for those purposes. Street improvement funds of \$439,365 are shown as restricted because the source of such funds are sales taxes and developer contributions earmarked for street maintenance.

**Other Major Funds**

The Debt Service Fund has restricted funds of \$53,567 at September 30, 2011 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$1,670,942 consisting primarily of unspent bond funds.

**4. RECEIVABLES**

Government-wide receivables as of September 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 9,157	\$ 5,087	\$ 14,244
Sales taxes	242,533	-	242,533
Mixed beverage tax	1,526	-	1,526
Gas royalties	344	-	344
Corp of Engineer revenue	15,572	-	15,572
Credit cards in transit	1,643	-	1,643
Other	<u>1,380</u>	-	<u>1,380</u>
Gross Receivables	272,155	5,087	277,242
Less: Uncollectible allowance	-	-	-
Net Total Receivables	<u>\$272,155</u>	<u>\$ 5,087</u>	<u>\$277,242</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred revenue reported in the governmental funds relates to delinquent property taxes.

**5. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at September 30, 2011 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$29,240	\$ -
Debt Service Fund	-	53,567
Debt Service Fund:		
General Fund	53,567	-
Capital Projects Fund:		
General Fund	<u>-</u>	<u>29,240</u>
Total	<u>\$82,807</u>	<u>\$82,807</u>

Internal balances between the primary government and component unit at September 30, 2011 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Economic Development Corporation		\$61,422
Economic Development Corporation:		
General Fund	<u>\$61,422</u>	
Total	<u>\$61,422</u>	<u>\$61,422</u>

These balances resulted from the time lag between the date that payments between the two entities are made.

The following is a summary of transfers:

	<u>Transfer In:</u>	
Transfer Out:	Economic	
General Fund	Development	
	Corporation	<u>Total</u>
	<u>\$358,409</u>	<u>\$358,409</u>

Transfers from the general fund to the Economic Development Corporation represent remittance of sales taxes deposited initially in the general fund bank account.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

**6. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 471,805	\$ -	\$ (15,000)	\$ 456,805
Construction in Progress	<u>1,126,267</u>	<u>43,351</u>	<u>(672,585)</u>	<u>497,033</u>
Total capital assets, not being depreciated	<u>1,598,072</u>	<u>43,351</u>	<u>(687,585)</u>	<u>953,838</u>
Capital assets, being depreciated:				
Buildings and Improvements	3,136,819	760,603	(51,702)	3,845,720
Street and Road Infrastructure	4,616,938	-	-	4,616,938
Furniture, Equipment and Vehicles	<u>1,120,813</u>	<u>38,293</u>	<u>(3,623)</u>	<u>1,155,483</u>
Total Capital assets, being depreciated	<u>8,874,570</u>	<u>798,896</u>	<u>(55,325)</u>	<u>9,618,141</u>
Less accumulated depreciation for:				
Buildings and Improvements	(347,706)	(95,614)	33,474	(409,846)
Street and Road Infrastructure	(533,432)	(223,117)	-	(756,549)
Furniture, Equipment and Vehicles	<u>(700,997)</u>	<u>(123,401)</u>	<u>3,623</u>	<u>(820,775)</u>
Total accumulated depreciation	<u>(1,582,135)</u>	<u>(442,132)</u>	<u>37,097</u>	<u>(1,987,170)</u>
Total capital assets, being depreciated, net	<u>7,292,435</u>	<u>356,764</u>	<u>(18,228)</u>	<u>7,630,971</u>
Governmental activities capital assets, net	<u>\$8,890,507</u>	<u>\$ 400,115</u>	<u>\$ (705,813)</u>	<u>\$ 8,584,809</u>

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

Governmental Activities:	
General government	\$ 48,865
Police	79,999
Municipal court	11,847
Public works	<u>301,421</u>
Total depreciation expense – Governmental activities	<u>\$442,132</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

Capital asset activity of the Hickory Creek Economic Development Corporation for the year ended September 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 325,942	\$ -	\$ -	\$ 325,942
Street and Road Infrastructure	<u>150,854</u>	<u>-</u>	<u>-</u>	<u>150,854</u>
Totals at historic cost	<u>476,796</u>	<u>-</u>	<u>-</u>	<u>476,796</u>
Less accumulated depreciation for:				
Street and Road Infrastructure	<u>(23,466)</u>	<u>(10,057)</u>	<u>-</u>	<u>(33,523)</u>
Total accumulated depreciation	<u>(23,466)</u>	<u>(10,057)</u>	<u>-</u>	<u>(33,523)</u>
Capital Assets, net	<u>\$ 453,330</u>	<u>\$ (10,057)</u>	<u>\$ -</u>	<u>\$ 443,273</u>

**7. LONG TERM DEBT**

Long term debt of the Town at September 30, 2011 consists of one general obligation bond series, one certificates of obligation series and accrued compensated absences. All long-term debt represents transactions in the Town's governmental activities.

The following is a summary of the changes in the Town's Long-term Debt for the year ended September 30, 2011:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/10</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/11</u>	<u>Due Within One Year</u>
Certificates of Obligation Series 2004	3.91%	<u>\$2,030,000</u>	<u>\$ -</u>	<u>\$190,000</u>	<u>\$1,840,000</u>	<u>\$ 200,000</u>
General Obligation Bonds: Series 2007	4.25-5.0%	<u>4,635,000</u>	<u>-</u>	<u>130,000</u>	<u>4,505,000</u>	<u>135,000</u>
Capital Leases:						
Police Vehicles	6.12%	16,836	-	16,836	-	-
Public Works Vehicle	7.69%	<u>7,379</u>	<u>-</u>	<u>7,379</u>	<u>-</u>	<u>-</u>
Total Capital Leases		<u>24,215</u>	<u>-</u>	<u>24,215</u>	<u>-</u>	<u>-</u>
Premiums on Bond Issuance		114,686	-	5,233	109,453	-
Compensated Absences	-	<u>53,333</u>	<u>11,546</u>	<u>-</u>	<u>64,879</u>	<u>-</u>
Total Long-Term Debt		<u>\$6,857,234</u>	<u>\$ 11,546</u>	<u>\$349,448</u>	<u>\$6,519,332</u>	<u>\$ 335,000</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

Long term debt of the Hickory Creek Economic Development Corporation consists of one bank note. A summary of the change in the long-term debt for the year ended September 30, 2011 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/10</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/11</u>	<u>Due Within One Year</u>
Bank Loan - Southside Bank	4.75%	\$293,408	\$ _____ -	\$17,667	\$275,741	\$18,516

**8. DEBT SERVICE REQUIREMENTS TO MATURITY**

Presented below is a summary of certificates of obligation requirements to maturity:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	\$ 200,000	\$ 71,944	\$ 271,944
2013	210,000	64,124	274,124
2014	215,000	55,913	270,913
2015	225,000	47,507	272,507
2016	235,000	38,709	273,709
2017-2019	<u>755,000</u>	<u>59,628</u>	<u>814,628</u>
	<u>\$1,840,000</u>	<u>\$ 337,825</u>	<u>\$2,177,825</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	\$ 135,000	\$ 210,870	\$ 345,870
2013	140,000	204,120	344,120
2014	145,000	198,520	343,520
2015	155,000	192,720	347,720
2016	160,000	186,520	346,520
2017-2021	895,000	831,723	1,726,723
2022-2026	1,115,000	613,000	1,728,000
2027-2031	1,430,000	304,000	1,734,000
2032	<u>330,000</u>	<u>16,500</u>	<u>346,500</u>
	<u>\$4,505,000</u>	<u>\$2,757,973</u>	<u>\$7,262,973</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

Presented below is a summary of the Hickory Creek Economic Development Corporation bank loan requirements to maturity:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2012	\$ 18,516	\$ 12,881	\$ 31,397
2013	19,406	11,991	31,397
2014	20,339	11,058	31,397
2015	21,316	10,081	31,397
2016	22,341	9,056	31,397
2017-2021	128,880	27,990	156,870
2022-2023	44,943	1,990	46,933
	<u>\$ 275,741</u>	<u>\$ 85,047</u>	<u>\$ 360,788</u>

**9. EMPLOYEE RETIREMENT PLAN**

**Plan Description**

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8667; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS. Plan provisions for the Town were as follows:

	Plan Year 2010	Plan Year 2011
Employee deposit rate	7.0%	7.0%
Matching ratio (Town 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 Reporting	70% of CPI Reporting

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

**Contributions**

Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that town. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

1. Annual Required Contribution (ARC)	\$ 72,987
2. Annual Pension Cost (APC)	72,987
3. Contributions Made	<u>(72,987)</u>
4. Increase (decrease) in net pension obligation	-0-
5. Net Pension Obligation/(Asset), beginning of year	<u>-0-</u>
6. Net Pension Obligation/(Asset), end of year	<u>\$ -0-</u>

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

Valuation Date	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 years - closed period	28.7 years - closed period	28.3 years - closed period
Asset Valuation Method	Amortized cost	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.5%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2010	\$1,088,182	\$1,200,866	90.6%	\$112,684	\$1,081,649	10.4%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present 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.

**10. LITIGATION AND CONTINGENCIES**

The Town participates in some state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2011 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**11. RISK MANAGEMENT**

Liability and property insurance coverage is provided by TML Intergovernmental Risk Pool. The Town retains, as a risk only, the deductible amounts for each declaration of coverage. There were no reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

The Town is a member of the Texas Municipal League Intergovernmental Risk Pool. Insurance coverage of the Town is divided into the following types: property, crime, general liability, public official's liability, auto liability, auto physical damage, auto catastrophic, inland marine (mobile equipment), law enforcement liability, and boiler and machinery.

**12. COMMITMENT**

The donation from the Hickory Creek Economic Development Corporation to the Debt Service Fund of \$71,243 represents a commitment by the EDC toward the debt service payments on the Series 2004 Certificates of Obligation, based on the use of a portion of the proceeds for the construction of Ronald Reagan Avenue.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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**13. LAND PURCHASE OPTION CONTRACT**

In March, 2011 the Town and TxDot entered into an option contract whereby the Town gave TxDot the exclusive right to purchase its old Town hall/animal shelter property until April 30, 2015. In consideration for this, TxDot paid the Town at that time \$1,183,081, which was 90% of an agreed purchase price of \$1,314,535. The option contract stated that if TxDot failed to exercise its option, all monies paid to the Town would be kept by the Town. Thus, while title to the property had not changed hands, the \$1,183,081 option proceeds was recognized as revenue in the September 30, 2010 financial statements since the Town had no further requirements related to earning the funds and the funds would not be returned to TxDot under any circumstances. TxDot exercised the option in March, 2011 and paid the remaining 10% of \$131,454 to the Town at that time. That amount has been recognized in the accompanying financial statements as proceeds from the sale of property.

**14. SUBSEQUENT EVENTS**

Management has reviewed events subsequent to September 30, 2011 through December 20, 2011, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes - Ad Valorem	\$ 767,764	\$ 767,099	\$ 767,099	\$ -
- Franchise	205,280	213,098	213,098	-
- Sales	1,155,000	1,075,227	1,069,598	(5,629)
- Mixed Beverage	8,000	7,663	7,253	(410)
Court Citations	855,850	943,815	944,060	245
Corp of Engineers	32,500	25,648	25,648	-
Police Training Funds	-	1,428	1,428	-
Building Permits	15,000	29,800	30,592	792
Interest Income	7,750	4,683	4,688	5
Other Permits and Fees	53,810	57,780	74,341	16,561
Parks and Recreation	46,000	44,458	44,458	-
Gas Lease/Royalties	1,800	1,486	1,534	48
Public Donations	-	2,389	5,439	3,050
State Energy Grant	-	-	22,634	22,634
Insurance Proceeds	-	-	10,493	10,493
Other	17,287	18,387	4,476	(13,911)
Total Revenues	<u>3,166,041</u>	<u>3,192,961</u>	<u>3,226,839</u>	<u>33,878</u>
Expenditures:				
Current:				
General Government	627,188	564,458	566,949	(2,491)
Police	793,593	808,768	808,363	405
Fire	529,984	529,980	529,980	-
Municipal Court	453,212	434,646	468,753	(34,107)
Public Works	719,462	643,098	650,288	(7,190)
Debt Service:				
Principal	24,215	24,215	24,215	-
Interest	1,571	1,571	1,571	-
Capital Outlay	-	185,357	169,662	15,695
Total Expenditures	<u>3,149,225</u>	<u>3,192,093</u>	<u>3,219,781</u>	<u>(27,688)</u>
Excess of Revenues Over Expenditures	<u>16,816</u>	<u>868</u>	<u>7,058</u>	<u>6,190</u>
Other Resources:				
Sale of Real and Personal Property	-	131,454	132,470	1,016
Total Other Resources	-	131,454	132,470	1,016
Net Change in Fund Balance	16,816	132,322	139,528	7,206
Fund Balance – October 1 (Beginning)	<u>2,278,807</u>	<u>2,278,807</u>	<u>2,278,807</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$2,295,623</u>	<u>\$2,411,129</u>	<u>\$2,418,335</u>	<u>\$ 7,206</u>

**COMBINING & INDIVIDUAL FUND  
STATEMENTS & SCHEDULES**

TOWN OF HICKORY CREEK

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
Expenditures:				
General Government:				
Salaries and Wages	\$ 200,218	\$ 201,897	\$(1,679)	\$ 215,036
Insurance, Taxes and Retirement	39,261	37,652	1,609	40,755
Dues and Memberships	1,966	1,996	(30)	2,686
Training and Education	935	685	250	1,390
Office Supplies and Postage	9,529	9,529	-	9,530
Printing	1,431	1,431	-	1,082
Copier Rental	4,817	4,817	-	5,630
Computer Support and Maintenance	34,688	33,813	875	42,151
Advertising/Legal Notices	1,908	1,834	74	1,441
Public Relations	10,696	10,696	-	11,049
Telephone	10,983	10,983	-	12,320
Utilities	53,634	57,858	(4,224)	44,911
Legal Fees	73,920	74,158	(238)	59,798
Audit Fees	9,000	9,000	-	9,000
General Insurance	23,633	23,633	-	22,644
Building Maintenance and Supplies	29,907	29,430	477	29,967
Lake Cities Library	26,005	26,005	-	26,005
Election Costs	3,521	3,521	-	3,712
Travel	755	755	-	1,118
Tax Collection/Appraisal Costs	12,530	12,530	-	11,961
Ordinance Codification	350	350	-	2,570
Town Council Costs	931	931	-	1,897
Volunteer/Staff Events	5,569	5,569	-	5,943
Special Events	4,000	3,605	395	3,570
Other Expenditures	4,271	4,271	-	2,477
Total General Government Expenditures	<u>564,458</u>	<u>566,949</u>	<u>(2,491)</u>	<u>568,643</u>
Police Department:				
Salaries and Wages	557,597	560,098	(2,501)	529,541
Insurance, Taxes and Retirement	109,339	104,454	4,885	100,363
Office Supplies and Postage	2,376	2,376	-	1,098
Dues and Memberships	312	213	99	181
Personnel Equipment	1,543	1,355	188	2,594
Crime Lab Analysis	1,590	1,590	-	415
Auto Expense – Gas	46,645	45,088	1,557	29,890
Auto Expense – Repairs	28,480	31,718	(3,238)	18,783
Uniforms	2,521	2,521	-	2,843
Books and Subscriptions	295	295	-	285
Computer Support and Maintenance	9,431	9,628	(197)	11,190
Denton County Dispatch	44,880	44,880	-	39,697
Training	562	950	(388)	932

**TOWN OF HICKORY CREEK**

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011		Variance Favorable (Unfavorable)	2010 Actual
	Budget	Actual		
Expenditures:				
Police Department (Continued):				
Drug Forfeiture/Seizure	\$ -	\$ -	\$ -	\$ 332
Other Expenditures	<u>3,197</u>	<u>3,197</u>	<u>-</u>	<u>2,733</u>
Total Police Department Expenditures	<u>808,768</u>	<u>808,363</u>	<u>405</u>	<u>740,877</u>
Fire Department:				
Contract Services	<u>529,980</u>	<u>529,980</u>	<u>-</u>	<u>519,588</u>
Total Fire Department Expenditures	<u>529,980</u>	<u>529,980</u>	<u>-</u>	<u>519,588</u>
Municipal Court:				
Salaries and Wages	84,769	85,150	(381)	82,600
Insurance, Taxes and Retirement	16,622	15,880	742	15,655
Office Supplies and Postage	2,343	2,343	-	1,950
Travel	1,240	1,240	-	720
Training and Education	410	745	(335)	50
Municipal Judge	10,475	10,475	-	10,555
State Court Costs	284,105	308,585	(24,480)	296,152
Warrant Service Fees	25,670	35,121	(9,451)	10,239
County Jail Fees	600	600	-	3,960
Building Security/Court Technology Costs	6,538	6,740	(202)	8,712
Jury Costs	528	528	-	204
Citations	1,040	1,040	-	1,042
Other Expenditures	<u>306</u>	<u>306</u>	<u>-</u>	<u>286</u>
Total Municipal Court	<u>434,646</u>	<u>468,753</u>	<u>(34,107)</u>	<u>432,125</u>
Public Works:				
Salaries and Wages	245,249	245,671	(422)	259,545
Insurance, Taxes and Retirement	48,090	45,815	2,275	49,191
Dues and Memberships	574	444	130	486
Office Supplies and Postage	1,428	1,428	-	1,156
Animal Control	9,669	9,659	10	17,996
Auto Expense – Gas	20,381	18,972	1,409	15,810
Auto Expense – Repairs	10,671	17,926	(7,255)	21,413
Supplies	10,002	9,891	111	9,003
Equipment Repairs and Maintenance	6,431	6,431	-	6,905
Equipment Rent	691	691	-	2,137
Uniforms	5,366	5,366	-	5,737
Training	464	464	-	1,154
Travel	684	684	-	1,168
Street Lighting	24,505	26,580	(2,075)	28,390
Computer Hardware/Software	140	140	-	454
Street Repairs and Maintenance	161,312	161,312	-	150,606
Stormwater Drainage	16,468	16,468	-	-
Engineering	8,114	9,621	(1,507)	3,250
Inspection Fees	16,932	16,932	-	20,548

**TOWN OF HICKORY CREEK**

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>2011</u>		Variance	
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	2010 <u>Actual</u>
Expenditures:				
Public Works:				
Street Sweeping	\$ 1,840	\$ 1,840	\$ -	\$ 1,840
Landscaping Services	16,750	16,750	-	7,781
Parks and Recreation	27,566	27,432	134	35,191
Beautification	3,996	3,996	-	3,775
Community Events	-	-	-	2,433
Radios	4,589	4,589	-	4,770
Other Expenditures	<u>1,186</u>	<u>1,186</u>	-	<u>2,049</u>
Total Public Works Expenditures	<u>643,098</u>	<u>650,288</u>	<u>(7,190)</u>	<u>652,788</u>
Capital Outlay:				
Construction in Progress	62,096	43,351	18,745	626,663
Buildings and Improvements	84,968	88,018	(3,050)	-
Equipment and Vehicles	<u>38,293</u>	<u>38,293</u>	-	<u>151,435</u>
Total Capital Outlay	<u>185,357</u>	<u>169,662</u>	<u>15,695</u>	<u>778,098</u>
Debt Service:				
Principal Retirement	24,215	24,215	-	31,029
Interest	<u>1,571</u>	<u>1,571</u>	-	<u>4,812</u>
Total Debt Service Expenditures	<u>25,786</u>	<u>25,786</u>	-	<u>35,841</u>
Total Expenditures	<u>\$3,192,093</u>	<u>\$3,219,781</u>	<u>\$ (27,688)</u>	<u>\$3,727,960</u>

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-ad valorem	\$558,033	\$558,364	\$558,364	\$ -
Donations from EDC	<u>71,243</u>	<u>71,243</u>	<u>71,243</u>	<u>-</u>
Total Revenues	<u>629,276</u>	<u>629,607</u>	<u>629,607</u>	<u>-</u>
Expenditures:				
Principal	320,000	320,000	320,000	-
Interest and Fees	<u>300,286</u>	<u>289,539</u>	<u>289,539</u>	<u>-</u>
Total Expenditures	<u>620,286</u>	<u>609,539</u>	<u>609,539</u>	<u>-</u>
Excess of Revenues over Expenditures	8,990	20,068	20,068	-
Fund Balance – October 1 (Beginning)	<u>33,499</u>	<u>33,499</u>	<u>33,499</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 42,489</u>	<u>\$ 53,567</u>	<u>\$ 53,567</u>	<u>\$ -</u>

TOWN OF HICKORY CREEK

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
SEPTEMBER 30, 2011

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Tax Year	Tax Rates		Assessed Valuation	Balance September 30, 2010
	Maintenance	Debt Service		
1990	\$ .2382	\$ .1164	\$71,178,509	\$ 2
1991	.2642	.1176	69,990,074	2
1992	.2664	.1154	68,448,423	2
1993	.2725	.1093	67,145,626	2
1994	.29057	.09976	69,006,584	2
1995	.30355	.08783	72,727,541	3
1996	.30963	.09867	78,985,838	2
1997	.32363	.09001	82,797,602	2
1998	.33374	.08303	90,399,261	3
1999	.34055	.07316	98,120,181	3
2000	.30236	.06763	122,433,850	2
2001	.29716	.05261	156,884,810	3
2002	.29934	.00	197,999,265	2
2003	.31939	.00	218,034,378	5
2004	.34020	.00	241,570,253	361
2005	.34020	.00	259,282,187	827
2006	.34020	.00	287,603,175	1,003
2007	.27824	.16738	318,990,395	1,428
2008	.27442	.17120	319,262,600	2,965
2009	.249409	.174878	317,875,400	11,033
2010	.245426	.178861	308,348,595	-
Total				<u>\$ 17,652</u>

<u>Current Year Levy</u>	<u>Collections</u>	<u>Supplements/ Adjustments</u>	<u>Balance September 30, 2011</u>
	\$ -	\$ -	\$ 2
	-	-	2
	-	-	2
	-	-	2
	-	-	2
	-	-	3
	-	-	2
	-	-	2
	-	-	3
	-	-	3
	-	-	2
	-	-	3
	-	-	2
	-	-	5
	-	-	361
	18	-	809
	307	-	696
	489	1	940
	1,346	(106)	1,513
	9,127	(107)	1,799
<u>\$1,300,498</u>	<u>1,300,192</u>	<u>7,785</u>	<u>8,091</u>
<u>\$1,300,498</u>	<u>\$1,311,479</u>	<u>\$ 7,573</u>	14,244
			-
			<u>\$ 14,244</u>

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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Revenues:

Taxes – Sales	\$ 356,533
Interest Income	2,025
Gas Royalties	<u>637</u>
Total Revenues	<u>359,195</u>

Expenditures:

Administration:

Incentives	115,500
Legal and Professional	1,254
Marketing	35,054
Staff Consultant	58,900
Administrative Fees	6,325
Engineering	5,900
Park Improvements	39,950
Contribution to Town for Debt Service	71,243
Office Supplies and Postage	931
Travel and Training	2,154
Dues and Subscriptions	204
Mowing	1,273

Debt Service:

Note Principal	17,667
Note Interest	<u>13,744</u>

Total Expenditures 370,099

Excess (Deficit) of Revenues over Expenditures (10,904)

Change in Fund Balance (10,904)

Fund Balance – October 1 (beginning) 1,183,563

Fund Balance – September 30 (ending) \$1,172,659

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

Honorable Mayor and Town Council  
Town of Hickory Creek

We have audited the financial statements of the governmental activities, the discretely presented component unit and each major fund of the Town of Hickory Creek, Texas ("Town") as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *GOVERNMENT AUDITING STANDARDS*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, and appropriate federal awarding agencies and is not intended to be used and should not be used by anyone other than these specified parties.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

December 20, 2011