

**TOWN OF HICKORY CREEK**

FINANCIAL STATEMENTS  
AND  
ACCOUNTANTS' OPINION

SEPTEMBER 30, 2014

**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 Position.....	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 Position.....	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, Texas

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and each major fund of the Town of Hickory Creek, Texas as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 11 and the budgetary comparison information on page 44, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hickory Creek, Texas's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of the Town of Hickory Creek, Texas's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hickory Creek, Texas's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

December 18, 2014

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

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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, 2014. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Hickory Creek exceeded its liabilities at September 30, 2014 by \$7,477,531. Of this amount, \$1,799,118 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$367,444.
- As of September 30, 2014, the Town of Hickory Creek's governmental funds reported combined ending fund balances of \$3,014,139, a decrease of \$467,421 in comparison with the beginning of the period. Approximately 63 percent of this total amount, \$1,896,292, 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 \$1,896,292 or 53.7 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 position presents information on all of the Town of Hickory Creek's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 position 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 position 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.

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

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

- **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 Position 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, 2014

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**Government-wide Financial Analysis**

The Town's combined net position was \$7,477,531 as of September 30, 2014. The Town first implemented GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, in 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 position (Table 1) and general revenues (Table 2) and changes in net position (Table 3) of the Town's governmental activities.

The largest portion of the Town's net position 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 Position

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	Governmental Activities	
	2013	2014
Current and other assets	\$ 3,699,310	\$ 3,245,564
Capital assets	<u>10,320,952</u>	<u>10,743,321</u>
Total assets	<u>14,020,262</u>	<u>13,988,885</u>
Deferred outflows of resources	<u>10,125</u>	<u>8,438</u>
Long-term liabilities outstanding	6,711,048	6,325,346
Other liabilities	<u>209,252</u>	<u>194,446</u>
Total liabilities	<u>6,920,300</u>	<u>6,519,792</u>
Net position:		
Net investment in capital assets	3,783,454	4,589,370
Restricted for:		
Debt service	66,226	86,478
Street improvements	1,182,342	917,973
Court security and technology	91,321	84,592
Unrestricted	<u>1,986,744</u>	<u>1,799,118</u>
Total net position	<u>\$ 7,110,087</u>	<u>\$ 7,477,531</u>

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014

**Governmental Activities.** The Town's general revenues for governmental activities for the years ended September 30, 2013 and 2014 are detailed below (Table 2).

Table 2  
General Revenues

	<u>2013</u>	<u>2014</u>
Property taxes	\$1,354,097	\$1,367,957
Sales taxes	1,133,306	1,082,982
Franchise taxes	211,767	232,534
Mixed beverage taxes	7,246	7,397
Investment earnings	5,821	3,292
Miscellaneous	4,111	5,046
	<u>\$2,716,348</u>	<u>\$2,699,208</u>

The following table provides a summary of the Town's operations for the years ended September 30, 2013 and 2014.

Table 3  
Changes in Net Position

	Governmental Activities	
	<u>2013</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$1,120,461	\$1,306,213
Operating grants and contributions	50,607	76,356
Capital grants and contributions	448,631	159,952
General revenues:		
Property taxes	1,354,097	1,367,957
Sales taxes	1,133,306	1,082,982
Other taxes	219,013	239,931
Investment earnings	5,821	3,292
Miscellaneous	4,111	5,046
	<u>4,336,047</u>	<u>4,241,729</u>
Expenses:		
Administration	623,996	658,954
Police	885,272	897,643
Fire	528,317	549,329
Municipal court	431,402	441,171
Public works	1,000,979	1,100,520
Debt service – interest and issuance costs	312,446	238,553
	<u>3,782,412</u>	<u>3,886,170</u>
Special Items	(16,350)	11,885
Change in net position	537,285	367,444
Net position – October 1 (beginning)	<u>6,572,802</u>	<u>7,110,087</u>
Net position – September 30 (ending)	<u>\$7,110,087</u>	<u>\$7,477,531</u>

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

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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 \$3,014,139, a decrease of \$467,421 in comparison with the beginning of the period. Approximately 62.91 percent of this total amount (\$1,896,292) 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 or assigned 1) to pay for capital improvements (\$917,973), 2) to pay for court security costs (\$84,592), 3) to pay for debt retirement (\$86,478), 4) to liquidate prepaid items (\$9,036), and 5) to fund the 2014-2015 deficit budget (\$19,768).

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 \$1,896,292, while total fund balance was \$2,763,528. 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 53.76 percent of total general fund expenditures, while total fund balance represents 78.35 percent of that same amount.

The fund balance of the Town's general fund decreased by \$87,718 during the current year. Key factors in this increase are as follows:

- Building permits and court citations increased from the previous year, but this was offset by a decrease in sales tax revenue.
- General fund expenditures were \$387,923 or 12.3% higher than the previous year, due primarily to the purchase of land and the purchase of a drainage easement.

#### **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 \$46,572 decrease in available fund balance. The available fund balance for the general fund actually decreased in the amount of \$87,718, due primarily to the drainage easement purchase.

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014

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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, 2014, amount to \$10,743,321 (net of accumulated depreciation). This amount represents a net increase of \$422,369, or 4.1 percent, above 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>
Land purchase	\$ 300,905
Drainage improvements completed during the year	82,802
Street improvements completed during the year	397,861
Park pavilion	56,746
Police vehicle equipment	<u>25,938</u>
 Total	 <u>\$ 864,252</u>

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

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	<u>Governmental Activities</u>
Land	\$ 757,710
Buildings	3,209,052
Equipment and Vehicles	342,038
Street and Road Infrastructure	6,396,704
Construction in Progress	<u>37,817</u>
Totals	<u>\$ 10,743,321</u>

Additional information on the Town's capital assets can be found in note 7 of this report.

**Long-term Debt.** At the end of the current period, the Town had tax notes outstanding of \$565,000, general obligation bonds outstanding of \$5,550,000, capital leases outstanding of \$38,951 and accrued compensated absences of \$77,641, for a total of \$6,231,592.

The Town's total debt decreased by \$385,702 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 8 of this report.

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

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

Due to conservative financial management principles and practices, preparation of the 2014-2015 fiscal year budget did not require an increase in the Town's property tax rate for the upcoming year. For the upcoming fiscal year of 2014-2015 the Town Council approved a tax rate of 0.401367 per \$100 of assessed value. This is a reduction in the property tax rate from the previous year of 0.416882 per \$100 of assessed value. This was in direct relationship to the Town's administration and the Council's very conservative approach to effectively and efficiently managing the Town's resources and expenditures.

During the 2013-2014 year, the Town along with the Parks & Recreation Board continued to work to improve the Town's existing parks by upgrading park structures and features and installing new amenities for all who visit the parks to enjoy. This has been a tremendous help in attracting more residents and visitors to enjoy the Town parks. The 190 unit apartment complex, known as "The Mansions at Hickory Creek", which began construction in 2013 was actually completed in May of 2014 and is currently 89% occupied. The residential developers attracted to the Town of Hickory Creek during 2013-2014 (Enclave, Steeplechase I & II, and Waterview) currently have their developments under construction and several new homes have already been completed.

For the 2014-2015 fiscal year, the Town will continue to work to improve streets, sidewalks, and public parks throughout the Town. The Town has approved the extension of Point Vista Road west from its intersection with Ronald Reagan Ave to Parkridge Road. On the east side of the I35 Frwy, Main Street will be improved and re-constructed with concrete to the entrance of West Lake Park, which is a Corp of Engineers Park.

The Town of Hickory Creek continues to maintain a strong financial reserve and conservative approach to managing the Town's resources and expenditures. The Town will continue its quest to attract new development to the Town of Hickory Creek.

#### **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 POSITION  
SEPTEMBER 30, 2014

	<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	\$ 2,980,406	\$1,430,741
Receivables (net of allowance for uncollectibles):		
Taxes – Ad Valorem	66,784	-
Taxes – Sales	246,278	-
Other	5,218	-
Internal Balances	(62,158)	62,158
Prepaid Costs	9,036	750
Capital Assets:		
Land	757,710	325,942
Buildings, net	3,209,052	-
Equipment and Vehicles, net	342,038	-
Street, Road, Park Infrastructure, net	6,396,704	87,160
Construction in Progress	<u>37,817</u>	<u>-</u>
Total Assets	<u>13,988,885</u>	<u>1,906,751</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charge on Bond Refunding	<u>8,438</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>8,438</u>	<u>-</u>
<b>LIABILITIES</b>		
Accounts Payable	75,180	4,590
Accrued Wages	27,207	-
Accrued Interest	29,805	2,179
Due to State Agencies	62,254	-
Long-term Liabilities:		
Due within one year	404,392	21,316
Due in more than one year	<u>5,920,954</u>	<u>196,164</u>
Total Liabilities	<u>6,519,792</u>	<u>224,249</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	4,589,370	195,622
Restricted for:		
Debt Retirement	86,478	-
Economic Development	-	1,486,880
Street Improvements/Maintenance	917,973	-
Court Security/Technology	84,592	-
Unrestricted Net Position	<u>1,799,118</u>	<u>-</u>
Total Net Position	<u>\$ 7,477,531</u>	<u>\$1,682,502</u>

The accompanying Notes are an integral part of this statement.

**TOWN OF HICKORY CREEK**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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<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	\$ 658,954	\$ 15,764	\$ -	\$ -
Police	897,643	531,357	-	-
Fire	549,329	-	-	-
Municipal Court	441,171	441,171	-	-
Public Works	1,100,520	317,921	30,578	159,952
Debt Service – Interest	<u>238,553</u>	<u>-</u>	<u>45,778</u>	<u>-</u>
Total Governmental Activities	<u>3,886,170</u>	<u>1,306,213</u>	<u>76,356</u>	<u>159,952</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$3,886,170</u></b>	<b><u>\$1,306,213</u></b>	<b><u>\$76,356</u></b>	<b><u>\$159,952</u></b>
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	<u>\$ 195,329</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 disposition of capital asset

    Total General Revenues and Special Items

Change in Net Position

NET POSITION, October 1 (beginning)

NET POSITION, September 30 (ending)

The accompanying Notes are an integral part of this statement.

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Net (Expense) Revenue and  
Change in Net Position

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<u>Governmental Activities</u>	<u>Component Units</u>
\$ (643,190)	\$ -
(366,286)	-
(549,329)	-
-	-
(592,069)	-
<u>(192,775)</u>	<u>-</u>
<u>(2,343,649)</u>	<u>-</u>
 <u>(2,343,649)</u>	 <u>-</u>
 <u>-</u>	 <u>(195,329)</u>
  775,169	  -
592,788	-
1,082,982	360,994
232,534	-
7,397	-
3,292	1,278
5,046	342
<u>11,885</u>	<u>-</u>
<u>2,711,093</u>	<u>362,614</u>
 367,444	 167,285
<u>7,110,087</u>	<u>1,515,217</u>
<u>\$7,477,531</u>	<u>\$1,682,502</u>

TOWN OF HICKORY CREEK

BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash and Investments	\$2,809,234	\$ -
Receivables (net of allowances for uncollectibles):		
Taxes –Ad Valorem	39,652	27,132
Taxes - Sales	246,278	-
Other	5,218	-
Due from Other Funds	7,039	86,478
Prepaid Costs	9,036	-
Total Assets	<u>\$3,116,457</u>	<u>\$ 113,610</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 75,180	\$ -
Accrued Wages	27,207	-
Due to State Agencies	62,254	-
Due to EDC	62,158	-
Due to Other Funds	86,478	-
Total Liabilities	<u>313,277</u>	<u>-</u>
Deferred Inflows of Resources:		
Unavailable Revenue-Property Taxes	<u>39,652</u>	<u>27,132</u>
Total Deferred Inflows of Resources	<u>39,652</u>	<u>27,132</u>
Fund Equity:		
Nonspendable Fund Balance:		
Prepaid Costs	9,036	-
Restricted Fund Balance:		
Court Security and Technology Fees	84,592	-
Street Improvements	753,840	-
Storm Drainage	-	-
Retirement of Long-term Debt	-	86,478
Assigned Fund Balance:		
2014-2015 Deficit Budget	19,768	-
Unassigned Fund Balance	<u>1,896,292</u>	<u>-</u>
Total Fund Equity	<u>2,763,528</u>	<u>86,478</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$3,116,457</u>	<u>\$ 113,610</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>
\$ 171,172	\$2,980,406
-	66,784
-	246,278
-	5,218
-	93,517
-	<u>9,036</u>
<u>\$ 171,172</u>	<u>\$3,401,239</u>
\$ -	\$ 75,180
-	27,207
-	62,254
-	62,158
<u>7,039</u>	<u>93,517</u>
<u>7,039</u>	<u>320,316</u>
<u>-</u>	<u>66,784</u>
<u>-</u>	<u>66,784</u>
-	9,036
-	84,592
86,895	840,735
77,238	77,238
-	86,478
-	19,768
-	<u>1,896,292</u>
<u>164,133</u>	<u>3,014,139</u>
<u>\$ 171,172</u>	<u>\$3,401,239</u>

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TOWN OF HICKORY CREEK

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

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<b>Total Fund Balances – Governmental Funds</b>	\$ 3,014,139
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	14,068,153
Accumulated depreciation is not reported in the fund financial statements.	(3,324,832)
Tax notes, general obligation bonds, capital leases and compensated absences are not reported in the fund financial statements.	(6,231,592)
Property tax revenue reported as unavailable revenues in the fund financial statements was recognized as revenue in the government-wide financial statements.	66,784
Bond premiums are not recognized in the fund financial statements.	(93,754)
Deferred charge on bond refunding is not recognized in the fund financial statements.	8,438
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>(29,805)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 7,477,531</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, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>Revenues:</b>		
Taxes - Ad Valorem	\$ 759,800	\$ 581,962
- Franchise	232,534	-
- Sales	1,082,982	-
- Mixed Beverage	7,397	-
Court Citations	893,905	-
Corp of Engineers	39,263	-
Building Permits	184,992	-
Interest Income	2,975	-
Other Permits and Fees	105,435	-
Parks and Recreation	87,604	-
Gas Royalties	841	-
Donations from EDC	-	45,778
Developer Contributions	-	-
Drug Seizures/Forfeitures	9,120	-
Insurance Proceeds	10,646	-
Public Donations	5,826	-
Other	4,205	-
Total Revenues	<u>3,427,525</u>	<u>627,740</u>
<b>Expenditures:</b>		
Current:		
General Government	612,994	-
Police	813,036	-
Fire	549,329	-
Municipal Court	427,510	-
Public Works	713,852	-
Debt Service:		
Principal	18,547	365,000
Interest and Fees	1,897	242,488
Capital Outlay	<u>389,963</u>	-
Total Expenditures	<u>3,527,128</u>	<u>607,488</u>
Excess (Deficit) of Revenues over Expenditures	<u>(99,603)</u>	<u>20,252</u>
<b>Other Financing Sources:</b>		
Sale of personal property	<u>11,885</u>	-
Total Other Financing Sources	<u>11,885</u>	-
Net Change in Fund Balance	(87,718)	20,252
Fund Balance – October 1, (beginning)	<u>2,851,246</u>	<u>66,226</u>
Fund Balance – September 30 (ending)	<u>\$2,763,528</u>	<u>\$ 86,478</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>
\$ -	\$ 1,341,762
-	232,534
-	1,082,982
-	7,397
-	893,905
-	39,263
-	184,992
317	3,292
-	105,435
-	87,604
-	841
-	45,778
135,200	135,200
-	9,120
-	10,646
-	5,826
-	<u>4,205</u>
<u>135,517</u>	<u>4,190,782</u>
-	612,994
-	813,036
-	549,329
-	427,510
-	713,852
-	383,547
-	244,385
<u>535,472</u>	<u>925,435</u>
<u>535,472</u>	<u>4,670,088</u>
<u>(399,955)</u>	<u>(479,306)</u>
-	<u>11,885</u>
-	<u>11,885</u>
(399,955)	(467,421)
<u>564,088</u>	<u>3,481,560</u>
<u>\$ 164,133</u>	<u>\$ 3,014,139</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, 2014

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<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$ (467,421)
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 position.	950,187
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 position in the government-wide financial statements.	(527,818)
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.	26,195
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.	(3,078)
Current year principal payments on tax notes, capital leases and general obligation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	383,547
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 the deferred loss on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of net position in the government-wide financial statements	(1,687)
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>2,286</u>
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 367,444</u>

The accompanying Notes are an integral part of this statement.

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2014

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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, 2014

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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, 2014, 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 Position and the Statement of Activities) 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, 2014

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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 and Tax Notes 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, 2014

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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, if applicable.

**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 2014, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2013, upon which the fiscal year 2014 levy was based, was \$317,095,245. The tax rate to finance general governmental services and road maintenance for the year ended September 30, 2014, was \$.416882 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, 2014

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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 Position**

Net position represents the difference between assets, deferred outflows and liabilities. Net investment in capital assets 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 position is 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, 2014

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

## **2. ADOPTION OF NEW ACCOUNTING STANDARDS**

In 2013, the Town implemented GASB Statement Numbers 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and 65, Items Previously Reported as Assets and Liabilities. These two statements:

- Defined transactions that result in the consumption of net assets in one period that are applicable to a future period as “deferred outflows of resources.”
- Defined transactions that result in the acquisition of net assets in one period that are applicable to a future period as “deferred inflows of resources.”
- Defined the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as “net position.”
- Required certain items previously reported as assets and liabilities that meet the definition of deferred outflows or inflows of resources to be retroactively reclassified in the Statements of Net Position and Balance Sheets, if practical, for all prior periods presented.

The effects of these two changes in accounting principle on the Town's financial statements are:

- Governmental fund financial statements
  - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.
- Government-wide financial statements
  - For refunded debt, record the difference between the reacquisition price and the net carrying amount of the refunded debt as a deferred resource outflow or inflow, as appropriate, and amortize the balance as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, all unamortized deferred losses on refunding transactions are classified as deferred outflows of resources.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**3. 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, 2014, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$244,966 and the bank balance was \$329,846. The Town's cash deposits at September 30, 2014 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:

- 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, 2014, the Town's cash balances totaled \$329,846. 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.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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- 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, 2014, 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, 2014, 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, 2014 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
LOGIC Investment Pool	\$2,734,980	\$2,734,980
Total	\$2,734,980	\$2,734,980

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2014

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#### 4. FUND BALANCE

The Town has 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, 2014.
- 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 assigned fund balance as of September 30, 2014 to fund the 2014-2015 deficit budget.
- 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, 2014

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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 \$1,896,292 at September 30, 2014. Prepaid expenditures (prepaid items) of \$9,036 are considered nonspendable fund balance. Court security and technology fees of \$84,592 are shown as restricted for those purposes. Street improvement funds of \$753,840 are shown as restricted because the source of such funds are sales taxes and developer contributions earmarked for street maintenance. \$19,768 of reserves have been assigned to fund the 2014-2015 deficit budget.

**Other Major Funds**

The Debt Service Fund has restricted funds of \$86,478 at September 30, 2014 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$164,133 consisting primarily of unspent bond funds.

**5. RECEIVABLES**

Government-wide receivables as of September 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 39,652	\$ 27,132	\$ -	\$ 66,784
Sales Taxes	246,278	-	-	246,278
Mixed beverage tax	1,668	-	-	1,668
Other	<u>3,550</u>	<u>-</u>	<u>-</u>	<u>3,550</u>
Gross Receivables	291,148	27,132	-	318,280
Less: Uncollectible allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$291,148</u>	<u>\$ 27,132</u>	<u>\$ -</u>	<u>\$318,280</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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Governmental funds report unavailable 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 unavailable revenue reported in the governmental funds relates to delinquent property taxes.

**6. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at September 30, 2014 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$ 7,039	\$ -
Debt Service Fund	-	86,478
Debt Service Fund:		
General Fund	86,478	-
Capital Projects Fund:		
General Fund	-	<u>7,039</u>
Total	<u>\$ 93,517</u>	<u>\$ 93,517</u>

Internal balances between the primary government and component unit at September 30, 2014 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Economic Development Corporation		\$62,158
Economic Development Corporation:		
General Fund	<u>\$62,158</u>	
Total	<u>\$62,158</u>	<u>\$62,158</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	
	<u>Corporation</u>	<u>Total</u>
	<u>\$358,332</u>	<u>\$358,332</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, 2014

**7. CAPITAL ASSETS**

Capital asset activity of the Town for the year ended September 30, 2014 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	\$ 456,805	\$ 300,905	\$ -	\$ 757,710
Construction in Progress	-	37,817	-	37,817
Total capital assets, not being depreciated	<u>456,805</u>	<u>338,722</u>	<u>-</u>	<u>795,527</u>
Capital assets, being depreciated:				
Buildings and Improvements	3,845,720	72,246	-	3,917,966
Street, Road, Park Infrastructure	7,497,155	480,661	-	7,977,816
Furniture, Equipment and Vehicles	<u>1,395,768</u>	<u>58,558</u>	<u>(77,482)</u>	<u>1,376,844</u>
Total Capital assets, being depreciated	<u>12,738,643</u>	<u>611,465</u>	<u>(77,482)</u>	<u>13,272,626</u>
Less accumulated depreciation for:				
Buildings and Improvements	(607,878)	(101,036)	-	(708,914)
Street, Road, Park Infrastructure	(1,274,928)	(306,184)	-	(1,581,112)
Furniture, Equipment and Vehicles	<u>(991,690)</u>	<u>(120,598)</u>	<u>77,482</u>	<u>(1,034,806)</u>
Total accumulated depreciation	<u>(2,874,496)</u>	<u>(527,818)</u>	<u>77,482</u>	<u>(3,324,832)</u>
Total capital assets, being depreciated, net	<u>9,864,147</u>	<u>83,647</u>	<u>-</u>	<u>9,947,794</u>
Governmental activities capital assets, net	<u>\$10,320,952</u>	<u>\$ 422,369</u>	<u>\$ -</u>	<u>\$10,743,321</u>

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

Governmental Activities:	
General government	\$ 43,524
Police	81,167
Municipal court	14,781
Public works	<u>388,346</u>
Total depreciation expense – Governmental activities	<u>\$527,818</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

Capital asset activity of the Hickory Creek Economic Development Corporation for the year ended September 30, 2014 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>(53,637)</u>	<u>(19,595)</u>	<u>-</u>	<u>(73,232)</u>
Total accumulated depreciation	<u>(53,637)</u>	<u>(19,595)</u>	<u>-</u>	<u>(73,232)</u>
Capital Assets, net	<u>\$ 423,159</u>	<u>\$ (19,595)</u>	<u>\$ -</u>	<u>\$ 403,564</u>

**8. LONG TERM DEBT**

Long term debt of the Town at September 30, 2014 consists of two general obligation bond series, one tax note series, one capital lease 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, 2014:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/13</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 9/30/14</u>	<u>Due Within One Year</u>
Tax Notes:						
Series 2012	1.66%	<u>\$ 675,000</u>	<u>\$ -</u>	<u>\$110,000</u>	<u>\$ 565,000</u>	<u>\$ 110,000</u>
General Obligation Bonds:						
Series 2007	4.25-5.0%	4,230,000	-	145,000	4,085,000	155,000
Series 2012 Refunding	2.06%	<u>1,575,000</u>	<u>-</u>	<u>110,000</u>	<u>1,465,000</u>	<u>115,000</u>
Capital Lease:						
Police vehicles	3.3%	<u>57,498</u>	<u>-</u>	<u>18,547</u>	<u>38,951</u>	<u>19,159</u>
Premiums on Bond Issuance		98,987	-	5,233	93,754	5,233
Compensated Absences	-	<u>74,563</u>	<u>3,078</u>	<u>-</u>	<u>77,641</u>	<u>-</u>
Total Long-Term Debt		<u>\$6,711,048</u>	<u>\$ 3,078</u>	<u>\$388,780</u>	<u>\$6,325,346</u>	<u>\$ 404,392</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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, 2014 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/13</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/14</u>	<u>Due Within One Year</u>
Bank Loan - Southside Bank	4.75%	\$237,819	\$ _____ -	\$20,339	\$217,480	\$21,316

**9. DEBT SERVICE REQUIREMENTS TO MATURITY**

Presented below is a summary of tax notes requirements to maturity:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 110,000	\$ 9,379	\$ 119,379
2016	110,000	7,553	117,553
2017	115,000	5,727	120,727
2018	115,000	3,818	118,818
2019	<u>115,000</u>	<u>1,909</u>	<u>116,909</u>
	<u>\$ 565,000</u>	<u>\$ 28,386</u>	<u>\$ 593,386</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>
2015	\$ 270,000	\$ 222,899	\$ 492,899
2016	285,000	214,330	499,330
2017	290,000	205,355	495,355
2018	295,000	196,180	491,180
2019	310,000	186,805	496,805
2020-2024	1,860,000	750,428	2,610,428
2025-2029	1,295,000	436,750	1,731,750
2030-2032	<u>945,000</u>	<u>96,000</u>	<u>1,041,000</u>
	<u>\$5,550,000</u>	<u>\$2,308,747</u>	<u>\$ 7,858,747</u>

Presented below is a summary of capital lease requirements to maturity:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 19,159	\$ 1,285	\$ 20,444
2016	<u>19,792</u>	<u>652</u>	<u>20,444</u>
	<u>\$ 38,951</u>	<u>\$ 1,937</u>	<u>\$ 40,888</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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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>
2015	\$ 21,316	\$ 10,081	\$ 31,397
2016	22,341	9,056	31,397
2017	23,415	7,982	31,397
2018	24,540	6,857	31,397
2019	25,719	5,678	31,397
2020-2023	<u>100,149</u>	<u>9,463</u>	<u>109,612</u>
	<u>\$ 217,480</u>	<u>\$ 49,117</u>	<u>\$ 266,597</u>

**10. DEFEASED BONDS OUTSTANDING**

In prior years, the Town issued refunding bonds to defease outstanding bonds for the purpose of consolidation and to achieve debt service savings. The Town has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Town's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. At September 30, 2014, \$1,225,000 of bonds outstanding are considered defeased.

**11. 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.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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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 2013	Plan Year 2014
Employee deposit rate	7.0%	7.0%
Matching ratio (Town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Contributions**

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

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)	\$ 104,296
2. Annual Pension Cost (APC)	104,296
3. Contributions Made	<u>(104,296)</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><u>\$ -0-</u></u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29.9 years - closed period	29.0 years - closed period	30.0 years - closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	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%

The funded status as of December 31, 2013, 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>
12/31/2013	\$1,720,453	\$2,327,870	73.9%	\$607,417	\$1,050,027	57.8%

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.

**12. 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, 2014 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.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**13. 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.

**14. COMMITMENT**

The donation from the Hickory Creek Economic Development Corporation to the Debt Service Fund of \$45,778 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.

**15. SUBSEQUENT EVENTS**

Management has reviewed events subsequent to September 30, 2014 through December 18, 2014, which is the date the financial statements were available to be issued. The following subsequent events were identified that were required to be disclosed in the financial statements.

**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, 2014

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes - Ad Valorem	\$ 756,092	\$ 759,800	\$ 759,800	\$ -
- Franchise	215,281	232,534	232,534	-
- Sales	1,109,437	1,074,996	1,082,982	7,986
- Mixed Beverage	7,600	7,745	7,397	(348)
Court Citations	805,100	893,905	893,905	-
Corp of Engineers	72,175	39,263	39,263	-
Building Permits	130,000	184,242	184,992	750
Interest Income	2,791	2,975	2,975	-
Other Permits and Fees	63,015	94,699	105,435	10,736
Parks and Recreation	50,000	78,818	87,604	8,786
Gas Lease/Royalties	500	841	841	-
Public Donations	4,000	5,826	5,826	-
Drug Seizures/Forfeitures	12,875	9,120	9,120	-
Insurance Proceeds	-	-	10,646	10,646
Other	<u>26,420</u>	<u>31,375</u>	<u>4,205</u>	<u>(27,170)</u>
<b>Total Revenues</b>	<u><b>3,255,286</b></u>	<u><b>3,416,139</b></u>	<u><b>3,427,525</b></u>	<u><b>11,386</b></u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	625,633	617,170	612,994	4,176
Police	865,479	808,512	813,036	(4,524)
Fire	561,145	549,329	549,329	-
Municipal Court	436,354	447,902	427,510	20,392
Public Works	792,763	612,568	713,852	(101,284)
<b>Debt Service:</b>				
Principal	20,202	18,547	18,547	-
Interest	282	1,897	1,897	-
Capital Outlay	-	<u>89,058</u>	<u>389,963</u>	<u>(300,905)</u>
<b>Total Expenditures</b>	<u><b>3,301,858</b></u>	<u><b>3,144,983</b></u>	<u><b>3,527,128</b></u>	<u><b>(382,145)</b></u>
Excess of Revenues Over Expenditures	<u>(46,572)</u>	<u>271,156</u>	<u>(99,603)</u>	<u>(370,759)</u>
<b>Other Financing Courses (Uses)</b>				
Sale of Personal Property	-	-	<u>11,885</u>	<u>11,885</u>
<b>Total Other Financing Sources (Uses)</b>	-	-	<u>11,885</u>	<u>11,885</u>
Net Change in Fund Balance	(46,572)	271,156	(87,718)	(358,874)
Fund Balance – October 1 (Beginning)	<u>2,851,246</u>	<u>2,851,246</u>	<u>2,851,246</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u><b>\$2,804,674</b></u>	<u><b>\$3,122,402</b></u>	<u><b>\$2,763,528</b></u>	<u><b>\$ (358,874)</b></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, 2014  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance Favorable (Unfavorable)	2013 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General Government:				
Salaries and Wages	\$ 204,779	\$ 205,748	\$ (969)	\$ 199,977
Insurance, Taxes and Retirement	50,024	49,917	107	43,518
Dues and Memberships	1,875	1,922	(47)	1,632
Training and Education	650	650	-	475
Office Supplies and Postage	8,417	8,417	-	8,787
Printing	1,741	1,741	-	2,242
Copier Rental	6,862	6,862	-	6,539
Computer Support and Maintenance	30,591	32,936	(2,345)	33,347
Advertising/Legal Notices	2,456	2,456	-	3,016
Public Relations	9,397	9,272	125	7,622
Telephone	16,141	16,141	-	15,861
Utilities	48,376	47,983	393	49,536
Legal Fees	95,249	90,443	4,806	79,764
Audit Fees	9,500	9,500	-	9,500
General Insurance	30,107	28,787	1,320	23,161
Building Maintenance and Supplies	42,388	41,602	786	35,097
Lake Cities Library	28,800	28,800	-	28,080
Election Costs	3,968	3,968	-	-
Travel	465	465	-	708
Tax Collection/Appraisal Costs	11,330	11,330	-	11,791
Ordinance Codification	1,255	1,255	-	4,269
Town Council Costs	2,543	2,543	-	1,599
Volunteer/Staff Events	2,377	2,377	-	2,229
Special Events	4,515	4,515	-	6,582
Other Expenditures	<u>3,364</u>	<u>3,364</u>	<u>-</u>	<u>5,100</u>
Total General Government Expenditures	<u>617,170</u>	<u>612,994</u>	<u>4,176</u>	<u>580,432</u>
Police Department:				
Salaries and Wages	540,037	541,899	(1,862)	551,544
Insurance, Taxes and Retirement	132,035	132,035	-	120,024
Office Supplies and Postage	4,138	4,138	-	1,733
Dues and Memberships	321	318	3	208
Personnel Equipment	3,073	3,073	-	821
Crime Lab Analysis	543	543	-	819
Auto Expense – Gas	43,481	46,237	(2,756)	42,646
Auto Expense – Repairs	28,532	28,181	351	29,142
Uniforms	8,316	8,316	-	5,074
Books and Subscriptions	295	295	-	484
Computer Support and Maintenance	8,249	8,834	(585)	7,404
Denton County Dispatch	32,136	32,136	-	42,173
Training and Travel	4,709	4,384	325	1,920
Other Expenditures	<u>2,647</u>	<u>2,647</u>	<u>-</u>	<u>1,456</u>
Total Police Department Expenditures	<u>808,512</u>	<u>813,036</u>	<u>(4,524)</u>	<u>805,448</u>

**TOWN OF HICKORY CREEK**

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014		Variance	2013
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Expenditures:				
Fire Department:				
Contract Services	\$ 549,329	\$ 549,329	\$ -	\$ 528,317
Total Fire Department Expenditures	<u>549,329</u>	<u>549,329</u>	<u>-</u>	<u>528,317</u>
Municipal Court:				
Salaries and Wages	91,950	92,691	(741)	90,506
Insurance, Taxes and Retirement	22,488	22,488	-	19,696
Office Supplies and Postage	2,040	2,040	-	1,289
Travel	687	687	-	870
Training and Education	400	400	-	250
Municipal Judge	10,125	10,125	-	10,920
State Court Costs	299,415	280,420	18,995	276,411
Warrant Service Fees	813	244	569	5,283
Building Security/Court Technology Costs	19,321	17,770	1,551	11,004
Jury Costs	294	294	-	540
Citations	-	-	-	-
Other Expenditures	<u>369</u>	<u>351</u>	<u>18</u>	<u>406</u>
Total Municipal Court	<u>447,902</u>	<u>427,510</u>	<u>20,392</u>	<u>417,175</u>
Public Works:				
Salaries and Wages	207,152	208,232	(1,080)	204,397
Insurance, Taxes and Retirement	50,519	50,519	-	44,480
Dues and Memberships	514	510	4	306
Office Supplies and Postage	1,134	1,134	-	1,244
Animal Control	9,326	9,482	(156)	13,086
Auto Expense – Gas	19,521	21,153	(1,632)	19,469
Auto Expense – Repairs	18,193	18,193	-	23,174
Supplies	11,019	10,809	210	8,179
Equipment Repairs and Maintenance	7,128	7,128	-	5,707
Equipment Rent	1,236	1,056	180	677
Uniforms	4,147	4,147	-	5,217
Training	704	354	350	260
Travel	1,270	1,270	-	87
Street Lighting	30,789	29,977	812	31,544
Computer Hardware/Software	2,044	2,044	-	113
Street Repairs and Maintenance	45,102	28,110	16,992	56,003
Engineering	63,096	53,414	9,682	65,057
Inspection Fees	69,503	69,503	-	62,609
Landscaping Services	29,168	29,168	-	28,029
Parks and Recreation	24,445	41,091	(16,646)	37,945
Beautification	9,765	9,765	-	12,818
Easement Purchase	-	110,000	(110,000)	-

TOWN OF HICKORY CREEK

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>2014</u>		Variance Favorable (Unfavorable)	2013 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
Public Works:				
Radios	\$ 5,101	\$ 5,101	\$ -	\$ 5,081
Other Expenditures	<u>1,692</u>	<u>1,692</u>	<u>-</u>	<u>922</u>
Total Public Works	<u>612,568</u>	<u>713,852</u>	<u>(101,284)</u>	<u>626,404</u>
Capital Outlay:				
Land	-	300,905	(300,905)	-
Buildings	15,500	15,500	-	-
Equipment and Vehicles	43,032	43,032	-	160,985
Parks	<u>30,526</u>	<u>30,526</u>	<u>-</u>	<u>-</u>
Total Capital Outlay	<u>89,058</u>	<u>389,963</u>	<u>(300,905)</u>	<u>160,985</u>
Debt Service:				
Principal Retirement	18,547	18,547	-	20,202
Interest	<u>1,897</u>	<u>1,897</u>	<u>-</u>	<u>242</u>
Total Debt Service	<u>20,444</u>	<u>20,444</u>	<u>-</u>	<u>20,444</u>
Total Expenditures	<u>\$3,144,983</u>	<u>\$3,527,128</u>	<u>\$ (382,145)</u>	<u>\$3,139,205</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, 2014

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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	\$578,205	\$581,962	\$ 581,962	\$ -
Donations from EDC	<u>37,565</u>	<u>45,778</u>	<u>45,778</u>	<u>-</u>
Total Revenues	<u>615,770</u>	<u>627,740</u>	<u>627,740</u>	<u>-</u>
Expenditures:				
Principal	365,000	365,000	365,000	-
Interest and Fees	<u>242,570</u>	<u>242,488</u>	<u>242,488</u>	<u>-</u>
Total Expenditures	<u>607,570</u>	<u>607,488</u>	<u>607,488</u>	<u>-</u>
Net Change in Fund Balance	8,200	20,252	20,252	-
Fund Balance – October 1 (Beginning)	<u>66,226</u>	<u>66,226</u>	<u>66,226</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 74,426</u>	<u>\$ 86,478</u>	<u>\$ 86,478</u>	<u>\$ -</u>

TOWN OF HICKORY CREEK

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
SEPTEMBER 30, 2014

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Tax Year	Tax Rates		Assessed Valuation	Balance September 30, 2013
	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	809
2006	.34020	.00	287,603,175	505
2007	.27824	.16738	318,990,395	690
2008	.27442	.17120	319,262,600	2,970
2009	.249409	.174878	317,875,400	3,033
2010	.245426	.178861	308,348,595	5,257
2011	.242609	.181678	307,337,200	8,490
2012	.244716	.179571	309,243,743	18,439
2013	.235848	.181034	317,095,245	-
Total				<u>\$ 40,589</u>

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<u>Current Year Levy</u>	<u>Collections</u>	<u>Supplements/ Adjustments</u>	<u>Balance September 30, 2014</u>
	\$ -	\$ -	\$ 2
	-	-	2
	-	-	2
	-	-	2
	-	-	2
	-	-	3
	-	-	2
	-	-	2
	-	-	3
	-	-	3
	-	-	2
	-	-	3
	-	-	2
	-	-	5
	-	-	361
	-	-	809
	-	-	505
	2	-	688
	2,181	9,884	10,673
	1,842	9,414	10,605
	1,845	9,118	12,530
	2,864	6,707	12,333
	10,459	(411)	7,569
<u>\$1,296,466</u>	<u>1,311,237</u>	<u>25,447</u>	<u>10,676</u>
<u>\$1,296,466</u>	<u>\$1,330,430</u>	<u>\$ 60,159</u>	66,784
			-
			<u>\$ 66,784</u>

TOWN OF HICKORY CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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Revenues:	
Taxes – Sales	\$ 360,994
Interest Income	1,278
Gas Royalties	<u>342</u>
Total Revenues	<u>362,614</u>
Expenditures:	
Administration:	
Legal and Professional	7,447
Marketing	16,431
Staff Consultant	54,300
Administrative Fees	6,400
Park Improvements	41,746
Contribution to Town for Debt Service	45,778
Office Supplies and Postage	800
Travel and Training	718
Dues and Subscriptions	170
Mowing	600
Bank Charges	25
Debt Service:	
Note Principal	20,339
Note Interest	<u>11,061</u>
Total Expenditures	<u>205,815</u>
Excess of Revenues over Expenditures	<u>156,799</u>
Change in Fund Balance	156,799
Fund Balance – October 1 (beginning)	<u>1,332,260</u>
Fund Balance – September 30 (ending)	<u>\$1,489,059</u>

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, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit and each major fund of the Town of Hickory Creek, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise The Town of Hickory Creek, Texas's basic financial statements, and have issued our report dated December 18, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

December 18, 2014