

TOWN OF HICKORY CREEK

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' OPINION

SEPTEMBER 30, 2015

TOWN OF HICKORY CREEK

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in 2015, the Town adopted new accounting guidance prescribed by GASB #68 for its pension plan – an agent multiple-employer defined benefit pension plan that has a special funding situation. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Page 15 discloses the Town's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the Town's pension plan. Page 17 discloses the adjustment to the Town's Beginning Net Position. Our opinion is not modified with respect to the matter.

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 Texas Municipal Retirement system schedules on pages 48 and 49 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 17, 2015 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 17, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

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TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015

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, 2015. 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 and deferred inflows at September 30, 2015 by \$7,783,244. Of this amount, \$1,932,124 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$738,916 during the fiscal year from the results of current year operations. However, total net position also decreased by \$433,203 due to new standards that required recording of the Town's Texas Municipal Retirement Systems' net pension liability.
- As of September 30, 2015, the Town of Hickory Creek's governmental funds reported combined ending fund balances of \$7,646,285, an increase of \$4,632,146 in comparison with the beginning of the period. Approximately 28 percent of this total amount, \$2,148,360, 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 \$2,148,360 or 69.8 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, deferred inflows 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, 2015

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 are 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, 2015

Government-wide Financial Analysis

The Town's combined net position was \$7,783,244 as of September 30, 2015. 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

	Governmental Activities	
	2015	2014
Current and other assets	\$ 8,060,853	\$ 3,245,564
Capital assets	<u>10,680,908</u>	<u>10,743,321</u>
Total assets	<u>18,741,761</u>	<u>13,988,885</u>
Deferred outflows of resources	<u>279,783</u>	<u>8,438</u>
Long-term liabilities outstanding	10,559,965	6,325,346
Other liabilities	<u>423,757</u>	<u>194,446</u>
Total liabilities	<u>10,983,722</u>	<u>6,519,792</u>
Deferred inflows of resources	<u>254,578</u>	<u>-</u>
Net position:		
Net investment in capital assets	560,831	4,589,370
Restricted for:		
Debt service	117,324	86,478
Street improvements/maintenance	5,075,517	917,973
Court security and technology	97,448	84,592
Unrestricted	<u>1,932,124</u>	<u>1,799,118</u>
Total net position	<u>\$ 7,783,244</u>	<u>\$ 7,477,531</u>

TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015

Governmental Activities. The Town's general revenues for governmental activities for the years ended September 30, 2015 and 2014 are detailed below (Table 2).

Table 2
General Revenues

	<u>2015</u>	<u>2014</u>
Property taxes	\$1,429,772	\$1,367,957
Sales taxes	1,077,923	1,082,982
Franchise taxes	238,017	232,534
Mixed beverage taxes	4,019	7,397
Investment earnings	4,608	3,292
Miscellaneous	4,043	5,046
	<u>\$2,758,382</u>	<u>\$2,699,208</u>

The following table provides a summary of the Town's operations for the years ended September 30, 2015 and 2014.

Table 3
Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$1,484,332	\$1,306,213
Operating grants and contributions	45,778	76,356
Capital grants and contributions	308,484	159,952
General revenues:		
Property taxes	1,429,772	1,367,957
Sales taxes	1,077,923	1,082,982
Other taxes	242,036	239,931
Investment earnings	4,608	3,292
Miscellaneous	4,043	5,046
	<u>4,596,976</u>	<u>4,241,729</u>
Expenses:		
Administration	539,034	658,954
Police	917,412	897,643
Fire	584,825	549,329
Municipal court	420,982	441,171
Public works	956,390	1,100,520
Debt service – interest and fees	447,556	238,553
	<u>3,866,199</u>	<u>3,886,170</u>
Special Items	8,139	11,885
Change in net position	738,916	367,444
Net position – October 1 (beginning)	7,477,531	7,110,087
Prior period adjustment	(433,203)	-
Net position – September 30 (ending)	<u>\$7,783,244</u>	<u>\$7,477,531</u>

TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015

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 \$7,646,285, an increase of \$4,632,146 in comparison with the beginning of the period. Approximately 28.10 percent of this total amount (\$2,148,360) 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 (\$5,075,517), 2) to pay for court security and technology costs (\$97,448), 3) to pay for debt retirement (\$117,324), 4) to liquidate prepaid items (\$179,715), and 5) to fund the 2015-2016 deficit budget (\$27,921).

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 \$2,148,360, while total fund balance was \$3,527,708. 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 69.85 percent of total general fund expenditures, while total fund balance represents 114.69 percent of that same amount.

The fund balance of the Town's general fund increased by \$764,180 during the current year. Key factors in this increase are as follows:

- Revenues increased \$367,692 or 10.73% from the previous year, primarily due to increases in building permits and road fees.
- Expenditures decreased \$451,391 or 12.80% from the previous year, primarily because the previous year's expenditures included the purchase of land and 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 \$19,768 decrease in available fund balance. The available fund balance for the general fund actually increased in the amount of \$764,180, due primarily to increases in court revenue, building permits and road fees.

TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of September 30, 2015, amount to \$10,680,908 (net of accumulated depreciation). This amount represents a net decrease of \$62,413, or 0.6 percent, below the beginning of the year. The investment in capital assets includes land, buildings, equipment, vehicles, roads and construction in progress.

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

<u>Description</u>	<u>Amount</u>
Initial work on various street improvements	\$ 356,999
Computers	22,007
Motorola radios	20,621
Police vehicle	<u>39,707</u>
Total	<u>\$ 439,334</u>

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

	<u>Governmental Activities</u>
Land	\$ 757,710
Buildings	3,107,379
Equipment and Vehicles	338,631
Street and Road Infrastructure	6,082,372
Construction in Progress	<u>394,816</u>
Totals	<u>\$ 10,680,908</u>

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

Long-term Debt. At the end of the current period, the Town had tax notes outstanding of \$455,000, general obligation bonds outstanding of \$5,230,000, certificates of obligation outstanding of \$3,795,000, capital leases outstanding of \$27,024 and accrued compensated absences of \$75,568, for a total of \$9,582,592.

The Town's total debt increased by \$3,351,000 during the current year. New debt incurred during the year included \$3,795,000 of certificates of obligation issued, \$3,720,000 of general obligation bonds issued, and a \$36,561 capital lease. Information on the Town's long-term debt can be found in note 7 of this report.

TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015

Economic Factors and Next Year's Budgets and Rates

The Town council adopted a balanced budget for 2015-2016 and approved a tax rate of 0.401367 per \$100 of assessed value. Property values were \$347,620,645 in 2014 and \$392,362,715 in 2015. The increase in property values facilitated the Town council's ability to issue certificate of obligations in the amount of \$4,000,000 for street improvements, drainage improvements and sidewalks while maintaining the previous year's tax rate.

Sales tax revenue remained strong despite the loss of two restaurants due to the Interstate 35 E expansion.

Residential development continues to thrive. Developers will add additional homes in 2016 with the following new residential developments - Shadow Creek Estates and Country Oak Estates.

The Town will begin reconstruction on multiple streets during the 2015-2016 year including: Main Street, Royal Oaks, Hickory Creek Road, Hickory Hills, Crest Ct, and rejuvenation of road surfaces in Lakewood Gardens and Hickory Hills. Harbor Lane was recently replaced with concrete instead of asphalt thus increasing the lifespan of the road.

The Town council will be considering multiple capital improvement projects in 2016 including: recreation fields, improved bathroom facilities and security cameras in the parks, street lighting, sport courts and a Town hall addition.

The 2015-2016 budget is consistent with maintaining a strong reserve and disciplined spending.

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, 2015

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Economic</u>
	<u>Activities</u>	<u>Development</u>
		<u>Corporation</u>
ASSETS		
Cash and Investments	\$ 7,467,118	\$948,641
Receivables (net of allowance for uncollectibles):		
Taxes – Ad Valorem	41,207	-
Taxes – Sales	241,888	-
Other	3,656	-
Due from Denton County	188,328	-
Internal Balances	(61,059)	61,059
Prepaid Costs	179,715	825
Capital Assets:		
Land	757,710	881,382
Buildings, net	3,107,379	-
Equipment and Vehicles, net	338,631	-
Street, Road, Park Infrastructure, net	6,082,372	77,103
Construction in Progress	<u>394,816</u>	<u>-</u>
Total Assets	<u>18,741,761</u>	<u>1,969,010</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to TMRS	104,752	-
Deferred Charge on Bond Refunding	<u>175,031</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>279,783</u>	<u>-</u>
LIABILITIES		
Accounts Payable	240,583	4,242
Accrued Wages	26,878	-
Accrued Interest	60,472	-
Due to State Agencies	55,127	-
Due to Public Improvement District	40,697	-
Long-term Liabilities:		
Due within one year	583,208	-
Due in more than one year	9,717,189	-
Net Pension Liability	<u>259,568</u>	<u>-</u>
Total Liabilities	<u>10,983,722</u>	<u>4,242</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to TMRS	<u>254,578</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>254,578</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	560,831	958,485
Restricted for:		
Debt Retirement	117,324	-
Economic Development	-	1,006,283
Street Improvements/Maintenance	5,075,517	-
Court Security/Technology	97,448	-
Unrestricted Net Position	<u>1,932,124</u>	<u>-</u>
Total Net Position	<u>\$ 7,783,244</u>	<u>\$1,964,768</u>

The accompanying Notes are an integral part of this statement.

TOWN OF HICKORY CREEK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<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>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 539,034	\$ 17,103	\$ -	\$ -
Police	917,412	517,763	-	-
Fire	584,825	-	-	-
Municipal Court	420,982	420,982	-	-
Public Works	956,390	528,484	-	308,484
Debt Service – Interest and Fees	<u>447,556</u>	<u>-</u>	<u>45,778</u>	<u>-</u>
Total Governmental Activities	<u>3,866,199</u>	<u>1,484,332</u>	<u>45,778</u>	<u>308,484</u>
TOTAL PRIMARY GOVERNMENT	<u>\$3,866,199</u>	<u>\$1,484,332</u>	<u>\$45,778</u>	<u>\$308,484</u>

COMPONENT UNITS:

Economic Development Corporation	<u>\$ 78,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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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)

Prior Period Adjustment Required by GASB 68

NET POSITION, September 30 (ending)

The accompanying Notes are an integral part of this statement.

Net (Expense) Revenue and
Change in Net Position

<u>Governmental Activities</u>	<u>Component Units</u>
\$ (521,931)	\$ -
(399,649)	-
(584,825)	-
-	-
(119,422)	-
(401,778)	-
<u>(2,027,605)</u>	<u>-</u>
<u>(2,027,605)</u>	<u>-</u>
<u>-</u>	<u>(78,152)</u>
848,379	-
581,393	-
1,077,923	359,308
238,017	-
4,019	-
4,608	899
4,043	211
8,139	-
<u>2,766,521</u>	<u>360,418</u>
738,916	282,266
7,477,531	1,682,502
<u>(433,203)</u>	<u>-</u>
<u>\$7,783,244</u>	<u>\$1,964,768</u>

TOWN OF HICKORY CREEK

BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and Investments	\$3,293,776	\$ -
Receivables (net of allowances for uncollectibles):		
Taxes –Ad Valorem	24,782	16,425
Taxes - Sales	241,888	-
Other	3,656	-
Due from Denton County	-	-
Due from Other Funds	167,250	127,400
Prepaid Costs	<u>179,715</u>	<u>-</u>
Total Assets	<u>\$3,911,067</u>	<u>\$ 143,825</u>
 LIABILITIES AND FUND EQUITY		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 52,557	\$ -
Interest Payable	-	10,076
Accrued Wages	26,878	-
Due to State Agencies	55,127	-
Due to EDC	61,059	-
Due to Public Improvement District	40,697	-
Due to Other Funds	<u>122,259</u>	<u>-</u>
Total Liabilities	<u>358,577</u>	<u>10,076</u>
Deferred Inflows of Resources:		
Unavailable Revenue-Property Taxes	<u>24,782</u>	<u>16,425</u>
Total Deferred Inflows of Resources	<u>24,782</u>	<u>16,425</u>
Fund Equity:		
Nonspendable Fund Balance:		
Prepaid Costs	179,715	-
Restricted Fund Balance:		
Court Security and Technology Fees	97,448	-
Street Improvements/Maintenance	1,074,264	-
Retirement of Long-term Debt	-	117,324
Assigned Fund Balance:		
2015-2016 Deficit Budget	27,921	-
Unassigned Fund Balance	<u>2,148,360</u>	<u>-</u>
Total Fund Equity	<u>3,527,708</u>	<u>117,324</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$3,911,067</u>	<u>\$ 143,825</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 4,173,342	\$7,467,118
-	41,207
-	241,888
-	3,656
188,328	188,328
-	294,650
-	179,715
<u>\$ 4,361,670</u>	<u>\$8,416,562</u>

\$ 188,026	\$ 240,583
-	10,076
-	26,878
-	55,127
-	61,059
-	40,697
<u>172,391</u>	<u>294,650</u>
<u>360,417</u>	<u>729,070</u>

-	<u>41,207</u>
-	<u>41,207</u>

-	179,715
-	97,448
4,001,253	5,075,517
-	117,324
-	27,921
-	<u>2,148,360</u>
<u>4,001,253</u>	<u>7,646,285</u>
<u>\$ 4,361,670</u>	<u>\$8,416,562</u>

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TOWN OF HICKORY CREEK

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total Fund Balances – Governmental Funds	\$ 7,646,285
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	14,348,635
Accumulated depreciation is not reported in the fund financial statements.	(3,667,727)
Tax notes, general obligation bonds, certificates of obligation, capital leases and compensated absences are not reported in the fund financial statements.	(9,582,592)
Property tax revenue reported as unavailable revenues in the fund financial statements was recognized as revenue in the government-wide financial statements.	41,207
Bond premiums are not recognized in the fund financial statements.	(717,805)
Deferred charge on bond refunding is not recognized in the fund financial statements.	175,031
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(50,396)
Included in the items related to debt is the recognition of the Town’s net TMRS pension liability required by GASB 68 in the amount of \$259,568, a Deferred Resource Inflow related to TMRS in the amount of \$254,578 and a Deferred Resource Outflow related to TMRS in the amount of \$104,752. This amounted to a decrease in Net Position in the amount of \$409,394.	<u>(409,394)</u>
Net Position of Governmental Activities	<u>\$ 7,783,244</u>

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, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>
Revenues:		
Taxes - Ad Valorem	\$ 863,249	\$ 592,100
- Franchise	238,017	-
- Sales	1,077,923	-
- Mixed Beverage	4,019	-
Court Citations	852,020	-
Corp of Engineers	57,748	-
Building Permits	271,993	-
Interest Income	3,478	-
Other Permits and Fees	244,900	-
Parks and Recreation	51,939	-
Gas Royalties	705	-
Donations from EDC	-	45,778
Developer/County Contributions	120,156	-
Drug Seizures/Forfeitures	1,901	-
Public Donations	2,478	-
Other	<u>4,691</u>	<u>-</u>
Total Revenues	<u>3,795,217</u>	<u>637,878</u>
Expenditures:		
Current:		
General Government	514,081	-
Police	832,863	-
Fire	584,825	-
Municipal Court	410,648	-
Public Works	575,425	-
Debt Service:		
Principal	48,488	380,000
Interest and Fees	2,136	333,548
Capital Outlay	<u>107,271</u>	<u>-</u>
Total Expenditures	<u>3,075,737</u>	<u>713,548</u>
Excess (Deficit) of Revenues over Expenditures	<u>719,480</u>	<u>(75,670)</u>
Other Financing Sources (Uses):		
Capital lease proceeds	36,561	-
Sale of personal property	8,139	-
Sale of bonds	-	3,720,000
Premium on bonds sold	-	324,796
Payment to bond paying agent	<u>-</u>	<u>(3,938,280)</u>
Total Other Financing Sources (Uses)	<u>44,700</u>	<u>106,516</u>
Net Change in Fund Balance	764,180	30,846
Fund Balance – October 1, (beginning)	<u>2,763,528</u>	<u>86,478</u>
Fund Balance – September 30 (ending)	<u>\$3,527,708</u>	<u>\$ 117,324</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,455,349
-	238,017
-	1,077,923
-	4,019
-	852,020
-	57,748
-	271,993
1,130	4,608
-	244,900
-	51,939
-	705
-	45,778
188,328	308,484
-	1,901
-	2,478
-	4,691
<u>189,458</u>	<u>4,622,553</u>
-	514,081
-	832,863
-	584,825
-	410,648
-	575,425
-	428,488
94,827	430,511
<u>356,999</u>	<u>464,270</u>
<u>451,826</u>	<u>4,241,111</u>
<u>(262,368)</u>	<u>381,442</u>
-	36,561
-	8,139
3,795,000	7,515,000
304,488	629,284
-	(3,938,280)
<u>4,099,488</u>	<u>4,250,704</u>
3,837,120	4,632,146
<u>164,133</u>	<u>3,014,139</u>
<u>\$ 4,001,253</u>	<u>\$ 7,646,285</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, 2015**

Total Net Change in Fund Balances – Governmental Funds	\$ 4,632,146
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.	464,270
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.	(526,683)
Revenues from property taxes are shown as unavailable 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.	(25,577)
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.	2,073
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.	428,488
Current year proceeds from general obligation bonds, certificates of obligation and capital leases are reported as other financing sources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements	(7,551,561)
Premiums on current year debt issuances are reported as other financing sources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(629,284)
Payments of refunding bond proceeds to the bond paying agent are reported as an other financing use in the fund financial statements but are shown as a reduction in long-term debt or a deferred charge on bond refunding in the government-wide financial statements.	3,938,280
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.	(20,591)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/14 caused the change in ending net position to increase in the amount of \$86,217. Contributions made before the measurement date but during the 2015 FY were also de-expended and recorded as a reduction in the net position liability for the Town. This also caused an increase in the change in net position in the amount of \$26,543. These contributions were replaced with the Town’s pension expense for the year of \$88,951, which caused a decrease in the change in net position. The impact of all of these is to increase the change in net position by \$23,809.	<u>23,809</u>
Change in Net Position of Governmental Activities	<u>\$ 738,916</u>

The accompanying Notes are an integral part of this statement.

TOWN OF HICKORY CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes - Ad Valorem	\$ 840,414	\$ 863,249	\$ 863,249	\$ -
- Franchise	227,000	238,017	238,017	-
- Sales	1,075,500	1,081,215	1,077,923	(3,292)
- Mixed Beverage	8,000	5,581	4,019	(1,562)
Court Citations	708,773	852,034	852,020	(14)
Corp of Engineers	41,000	57,748	57,748	-
Building Permits	191,500	272,242	271,993	(249)
Interest Income	2,150	3,478	3,478	-
Other Permits and Fees	50,898	64,293	244,900	180,607
Parks and Recreation	59,000	51,939	51,939	-
Gas Lease/Royalties	500	705	705	-
Public Donations	3,500	2,478	2,478	-
Developer Contributions	-	-	120,156	120,156
Drug Seizures/Forfeitures	-	1,901	1,901	-
Other	7,100	40,790	4,691	(36,099)
Total Revenues	<u>3,215,335</u>	<u>3,535,670</u>	<u>3,795,217</u>	<u>259,547</u>
Expenditures:				
Current:				
General Government	610,792	520,813	514,081	6,732
Police	851,921	835,892	832,863	3,029
Fire	584,825	584,825	584,825	-
Municipal Court	422,565	419,167	410,648	8,519
Public Works	735,016	611,622	575,425	36,197
Debt Service:				
Principal	28,242	48,488	48,488	-
Interest	1,742	2,136	2,136	-
Capital Outlay	-	70,710	107,271	(36,561)
Total Expenditures	<u>3,235,103</u>	<u>3,093,653</u>	<u>3,075,737</u>	<u>17,916</u>
Excess of Revenues Over Expenditures	<u>(19,768)</u>	<u>442,017</u>	<u>719,480</u>	<u>277,463</u>
Other Financing Sources (Uses)				
Capital Lease Proceeds	-	-	36,561	36,561
Sale of Personal Property	-	-	8,139	8,139
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>44,700</u>	<u>44,700</u>
Net Change in Fund Balance	(19,768)	442,017	764,180	322,163
Fund Balance – October 1 (Beginning)	<u>2,763,528</u>	<u>2,763,528</u>	<u>2,763,528</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$2,743,760</u>	<u>\$3,205,545</u>	<u>\$3,527,708</u>	<u>\$ 322,163</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2015

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, 2015

- 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, 2015, 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, 2015

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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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.

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 2015, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2014, upon which the fiscal year 2015 levy was based, was \$352,265,383. The tax rate to finance general governmental services and road maintenance for the year ended September 30, 2015, was \$.401367 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, 2015

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, deferred inflows 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, 2015

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. 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, 2015, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$284,715 and the bank balance was \$323,645. The Town's cash deposits at September 30, 2015 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.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015, the Town's cash balances totaled \$323,645. This entire amount was either collateralized with securities held by the Town's financial institution's agent in the Town's name or covered by FDIC insurance. Thus, the Town's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2015, 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, 2015, 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, 2015 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
LOGIC Investment Pool	\$7,181,943	\$7,181,943
Total	\$7,181,943	\$7,181,943

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2015

3. 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, 2015.
- 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, 2015 to fund the 2015-2016 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, 2015

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 \$2,148,360 at September 30, 2015. Prepaid expenditures (prepaid items) of \$179,715 are considered nonspendable fund balance. Court security and technology fees of \$97,448 are shown as restricted for those purposes. Street improvement/maintenance funds of \$1,074,264 are shown as restricted because the source of such funds are sales taxes and developer contributions earmarked for street maintenance. \$27,921 of reserves have been assigned to fund the 2015-2016 deficit budget.

Other Major Funds

The Debt Service Fund has restricted funds of \$117,324 at September 30, 2015 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$4,001,253 consisting primarily of unspent bond funds.

4. RECEIVABLES

Government-wide receivables as of September 30, 2015, 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	\$ 24,782	\$ 16,425	\$ -	\$ 41,207
Sales Taxes	241,888	-	-	241,888
Mixed beverage tax	106	-	-	106
Other	<u>3,550</u>	<u>-</u>	<u>-</u>	<u>3,550</u>
Gross Receivables	270,326	16,425	-	286,751
Less: Uncollectible allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$270,326</u>	<u>\$ 16,425</u>	<u>\$ -</u>	<u>\$286,751</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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.

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2015 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$ 167,250	\$ -
Debt Service Fund	-	122,259
Debt Service Fund:		
General Fund	122,259	-
Capital Projects Fund	5,141	-
Capital Projects Fund:		
General Fund	-	167,250
Debt Service Fund	-	<u>5,141</u>
Total	<u>\$ 294,650</u>	<u>\$ 294,650</u>

Internal balances between the primary government and component unit at September 30, 2015 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Economic Development Corporation		\$61,059
Economic Development Corporation:		
General Fund	<u>\$61,059</u>	
Total	<u>\$61,059</u>	<u>\$61,059</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>	
	Economic Development Corporation	<u>Total</u>
Transfer Out: General Fund	<u>\$359,308</u>	<u>\$359,308</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, 2015

6. CAPITAL ASSETS

Capital asset activity of the Town for the year ended September 30, 2015 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	\$ 757,710	\$ -	\$ -	\$ 757,710
Construction in Progress	<u>37,817</u>	<u>356,999</u>	<u>-</u>	<u>394,816</u>
Total capital assets, not being depreciated	<u>795,527</u>	<u>356,999</u>	<u>-</u>	<u>1,152,526</u>
Capital assets, being depreciated:				
Buildings and Improvements	3,917,966	-	-	3,917,966
Street, Road, Park Infrastructure	7,977,816	-	-	7,977,816
Furniture, Equipment and Vehicles	<u>1,376,844</u>	<u>107,271</u>	<u>(183,788)</u>	<u>1,300,327</u>
Total Capital assets, being depreciated	<u>13,272,626</u>	<u>107,271</u>	<u>(183,788)</u>	<u>13,196,109</u>
Less accumulated depreciation for:				
Buildings and Improvements	(708,914)	(101,673)	-	(810,587)
Street, Road, Park Infrastructure	(1,581,112)	(314,332)	-	(1,895,444)
Furniture, Equipment and Vehicles	<u>(1,034,806)</u>	<u>(110,678)</u>	<u>183,788</u>	<u>(961,696)</u>
Total accumulated depreciation	<u>(3,324,832)</u>	<u>(526,683)</u>	<u>183,788</u>	<u>(3,667,727)</u>
Total capital assets, being depreciated, net	<u>9,947,794</u>	<u>(419,412)</u>	<u>-</u>	<u>9,528,382</u>
Governmental activities capital assets, net	<u>\$10,743,321</u>	<u>\$ (62,413)</u>	<u>\$ -</u>	<u>\$10,680,908</u>

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

Governmental Activities:	
General government	\$ 43,300
Police	83,050
Municipal court	14,776
Public works	<u>385,557</u>
Total depreciation expense – Governmental activities	<u>\$526,683</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Capital asset activity of the Hickory Creek Economic Development Corporation for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 325,942	\$ 555,440	\$ -	\$ 881,382
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>555,440</u>	<u>-</u>	<u>1,032,236</u>
Less accumulated depreciation for:				
Street and Road Infrastructure	<u>(63,694)</u>	<u>(10,057)</u>	<u>-</u>	<u>(73,751)</u>
Total accumulated depreciation	<u>(63,694)</u>	<u>(10,057)</u>	<u>-</u>	<u>(73,751)</u>
Capital Assets, net	<u>\$ 413,102</u>	<u>\$ 545,383</u>	<u>\$ -</u>	<u>\$ 958,485</u>

7. LONG TERM DEBT

Long term debt of the Town at September 30, 2015 consists of three general obligation bond series, one certificates of obligation 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, 2015:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/14</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 9/30/15</u>	<u>Due Within One Year</u>
Tax Notes:						
Series 2012	1.66%	<u>\$ 565,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 455,000</u>	<u>\$ 110,000</u>
General Obligation Bonds:						
Series 2007	4.25-5.0%	4,085,000	-	3,925,000	160,000	160,000
Series 2012 Refunding	2.06%	1,465,000	-	115,000	1,350,000	125,000
Series 2015 Refunding 2.0 - 4.0 %		<u>-</u>	<u>3,720,000</u>	<u>-</u>	<u>3,720,000</u>	<u>10,000</u>
		<u>5,550,000</u>	<u>3,720,000</u>	<u>4,040,000</u>	<u>5,230,000</u>	<u>295,000</u>
Certificates of Obligation:						
Series 2015	2.0 - 4.0%	<u>-</u>	<u>3,795,000</u>	<u>-</u>	<u>3,795,000</u>	<u>130,000</u>
Capital Lease:						
Police vehicles	3.3%	38,951	-	38,951	-	-
Police vehicle	4.14%	<u>-</u>	<u>36,561</u>	<u>9,537</u>	<u>27,024</u>	<u>8,645</u>
		<u>38,951</u>	<u>36,561</u>	<u>48,488</u>	<u>27,024</u>	<u>8,645</u>
Premiums on Bond Issuance		93,754	629,284	5,233	717,805	39,563
Compensated Absences	-	<u>77,641</u>	<u>-</u>	<u>2,073</u>	<u>75,568</u>	<u>-</u>
Total Long-Term Debt		<u>\$6,325,346</u>	<u>\$8,180,845</u>	<u>\$4,205,794</u>	<u>\$10,300,397</u>	<u>\$ 583,208</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Long term debt of the Hickory Creek Economic Development Corporation consists of one bank note that was paid in full during the year ended September 30, 2015. A summary of the change in the long-term debt for the year ended September 30, 2015 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/14</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/15</u>	<u>Due Within One Year</u>
Bank Loan - Southside Bank	4.75%	\$217,480	\$ _____ -	\$217,480	\$ _____ -	\$ _____ -

8. 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>
2016	\$ 110,000	\$ 7,553	\$ 117,553
2017	115,000	5,727	120,727
2018	115,000	3,818	118,818
2019	115,000	1,909	116,909
	<u>\$ 455,000</u>	<u>\$ 19,007</u>	<u>\$ 474,007</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>
2016	\$ 295,000	\$ 171,685	\$ 466,685
2017	310,000	151,936	461,936
2018	310,000	145,660	455,660
2019	325,000	139,385	464,385
2020	445,000	132,808	577,808
2021-2025	1,670,000	506,260	2,176,260
2026-2030	1,285,000	276,400	1,561,400
2031-2032	590,000	35,600	625,600
	<u>\$5,230,000</u>	<u>\$1,559,734</u>	<u>\$ 6,789,734</u>

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

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 130,000	\$ 143,217	\$ 273,217
2017	145,000	129,600	274,600
2018	145,000	126,700	271,700
2019	150,000	123,800	273,800
2020	155,000	120,800	275,800
2021-2025	845,000	531,400	1,376,400
2026-2030	1,000,000	368,200	1,368,200
2031-2035	1,225,000	151,000	1,376,000
	<u>\$3,795,000</u>	<u>\$1,694,717</u>	<u>\$ 5,489,717</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

8. DEBT SERVICE REQUIREMENTS TO MATURITY (Continued)

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

Year Ended <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 8,645	\$ 1,119	\$ 9,764
2017	9,003	761	9,764
2018	<u>9,376</u>	<u>388</u>	<u>9,764</u>
	<u>\$ 27,024</u>	<u>\$ 2,268</u>	<u>\$ 29,292</u>

9. 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, 2015, \$4,995,000 of bonds outstanding are considered defeased.

10. DEFINED BENEFIT PENSION PLANS

Plan Description

The Town of Hickory Creek participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the Town are required to participate in TMRS.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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 2014	Plan Year 2015
Employee deposit rate	7.0%	7.0%
Employer deposit rate	10.32%	11.50%
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

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to buy not yet receiving benefits	15
Active employees	<u>18</u>
	41

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the town. Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Contributions continued

Employees for the Town of Hickory Creek were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Hickory Creek were 10.32% and 11.50% in calendar years 2014 and 2015, respectively. The Town's contributions to TMRS for the year ended September 30, 2015 were \$114,451, and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For towns with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. Once the plan is overfunded, the amortization period reverts back to the standard amortization period. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Net Pension Liability continued

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return*
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2013	\$2,327,870	\$1,814,002	\$ 513,868
Changes for the year:			
Service Cost	174,809	-	174,809
Interest	165,468	-	165,468
Change in benefit terms	-	-	-
Difference between expected and actual experience	(311,100)	-	(311,100)
Changes of assumptions	-	-	-
Contributions – employer	-	107,208	(107,208)
Contributions – employee	-	73,630	(73,630)
Net investment income	-	103,811	(103,811)
Benefit payments, including refunds of employee contributions	(102,884)	(102,884)	-
Administrative expense	-	(1,083)	1,083
Other changes	-	(89)	89
Net changes	\$(73,707)	\$180,593	\$(254,300)
Balance at 12/31/2014	\$2,254,163	\$1,994,595	\$259,568

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Town, calculated using the discount rate of 7.0%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Town's net pension liability (asset)	\$714,710	\$259,568	\$(98,939)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

For the year ended September 30, 2015, the Town recognized pension expense of \$88,951.

At September 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 254,578
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	18,535	-
Contributions subsequent to the measurement date	86,217	-
Total	\$ 104,752	\$ 254,578

\$86,217 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$(51,888)
2017	\$(51,888)
2018	\$(51,888)
2019	\$(51,889)
2020	\$(28,490)
Thereafter	-

11. 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, 2015 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.

12. 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.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

12. RISK MANAGEMENT (Continued)

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.

13. 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.

14. SUBSEQUENT EVENTS

Management has reviewed events subsequent to September 30, 2015 through December 17, 2015, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be disclosed in the financial statements.

15. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

In the current fiscal year, the Town implemented the following new standards:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71") amends the transition provisions of GASB 68. GASB 71 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and notes to the financial statements.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

16. PRIOR PERIOD ADJUSTMENT

In fiscal year 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and *GASB Statement No 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. As such, the prior period adjustment was necessary to record the beginning pension liability of the Town. The following illustrates the effect of the prior period adjustment:

Beginning Net Position – As Originally Presented	\$ 7,477,531
Restatement due to:	
Net pension liability (measurement date as of December 31, 2013)	(513,868)
Deferred Outflows:	
Town contributions made to TMRS during fiscal year	<u>80,665</u>
Beginning Net Position – As Restated	<u>\$ 7,044,328</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HICKORY CREEK

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>2014</u>
Total pension liability	
Service Cost	\$ 174,809
Interest (on the Total Pension Liability)	165,468
Changes of benefit terms	0
Difference between expected and actual experience	(311,100)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	<u>(102,884)</u>
Net Change in Total Pension Liability	(73,707)
Total Pension Liability – Beginning	<u>2,327,870</u>
Total Pension Liability – Ending (a)	<u><u>\$ 2,254,163</u></u>
Plan Fiduciary Net Position	
Contributions – Employer	\$ 107,208
Contributions – Employee	73,630
Net Investment Income	103,811
Benefit payments, including refunds of employee contributions	(102,884)
Administrative Expense	(1,083)
Other	<u>(89)</u>
Net Change in Plan Fiduciary Net Position	180,593
Plan Fiduciary Net Position – Beginning	<u>1,814,002</u>
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 1,994,595</u></u>
Net Pension Liability – Ending (a) – (b)	\$ 259,568
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.48%
Covered Employee Payroll	\$ 1,055,218
Net Pension Liability as a Percentage of Covered Employee Payroll	24.60%

Note: GASB 68, Paragraph 81, 2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of December 31, 2014 – the period from January 1, 2014 – December 31, 2014.

Note: Only one year of data is presented in accordance with GASBS 68, Paragraph 138. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”

TOWN OF HICKORY CREEK

SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR FISCAL YEAR 2015

	<u>2015</u>
Contractually Required Contribution	\$ 114,451
Contribution in Relation to the Contractually Required Contribution	<u>(114,451)</u>
Contribution Deficiency (Excess)	<u>\$ -0-</u>
Town's Covered-Employee Payroll	\$1,023,296
Contributions as a Percentage of Covered-Employee Payroll	11.18%

Note: GASB 68, Paragraph 81, 2,b requires that the data in this schedule be presented as of the Town's current fiscal year as opposed to the time period covered by the measurement date of January 1, 2014 - December 31, 2014.

Note: Only one year of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TOWN OF HICKORY CREEK

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no changes of benefit terms or changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

**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, 2015
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>2015</u>		Variance	
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>2014 Actual</u>
Expenditures:				
General Government:				
Salaries and Wages	\$ 176,528	\$ 176,807	\$ (279)	\$ 205,748
Insurance, Taxes and Retirement	54,359	52,722	1,637	49,917
Dues and Memberships	1,772	1,784	(12)	1,922
Training and Education	3,917	3,917	-	650
Office Supplies and Postage	8,352	8,219	133	8,417
Printing	1,486	1,486	-	1,741
Copier Rental	4,544	4,544	-	6,862
Computer Support and Maintenance	36,415	36,415	-	32,936
Advertising/Legal Notices	3,787	3,787	-	2,456
Public Relations	13,532	13,657	(125)	9,272
Telephone	15,278	15,278	-	16,141
Utilities	45,291	46,076	(785)	47,983
Legal Fees	35,413	34,026	1,387	90,443
Audit Fees	13,833	13,833	-	9,500
General Insurance	30,574	30,574	-	28,787
Building Maintenance and Supplies	38,770	39,687	(917)	41,602
Library Services	800	800	-	28,800
Election Costs	-	-	-	3,968
Travel	667	667	-	465
Tax Collection/Appraisal Costs	13,415	11,032	2,383	11,330
Ordinance Codification	1,175	1,175	-	1,255
Town Council Costs	1,427	1,427	-	2,543
Volunteer/Staff Events	5,435	5,435	-	2,377
Special Events	6,742	6,742	-	4,515
Other Expenditures	<u>7,301</u>	<u>3,991</u>	<u>3,310</u>	<u>3,364</u>
Total General Government Expenditures	<u>520,813</u>	<u>514,081</u>	<u>6,732</u>	<u>612,994</u>
Police Department:				
Salaries and Wages	538,731	539,072	(341)	541,899
Insurance, Taxes and Retirement	165,736	161,361	4,375	132,035
Office Supplies and Postage	3,309	3,309	-	4,138
Dues and Memberships	311	418	(107)	318
Personnel Equipment	843	843	-	3,073
Crime Lab Analysis	969	969	-	543
Auto Expense – Gas	27,422	26,619	803	46,237
Auto Expense – Repairs	24,257	24,515	(258)	28,181
Uniforms	6,777	6,777	-	8,316
Books and Subscriptions	695	673	22	295
Computer Support and Maintenance	27,523	21,583	5,940	8,834
Denton County Dispatch	34,096	34,096	-	32,136
Drug Forfeiture/Seizure	-	7,405	(7,405)	-
Training and Travel	4,087	4,087	-	4,384
Other Expenditures	<u>1,136</u>	<u>1,136</u>	<u>-</u>	<u>2,647</u>
Total Police Department Expenditures	<u>835,892</u>	<u>832,863</u>	<u>3,029</u>	<u>813,036</u>

TOWN OF HICKORY CREEK

STATEMENT OF GENERAL FUND EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>2015</u>		Variance Favorable (Unfavorable)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
Fire Department:				
Contract Services	\$ 584,825	\$ 584,825	\$ -	\$ 549,329
Total Fire Department Expenditures	<u>584,825</u>	<u>584,825</u>	<u>-</u>	<u>549,329</u>
Municipal Court:				
Salaries and Wages	97,260	96,230	1,030	92,691
Insurance, Taxes and Retirement	29,586	28,695	891	22,488
Office Supplies and Postage	2,306	2,306	-	2,040
Travel	1,160	1,160	-	687
Training and Education	270	270	-	400
Municipal Judge	9,750	9,750	-	10,125
State Court Costs	265,051	257,924	7,127	280,420
Warrant Service Fees	157	807	(650)	244
Building Security/Court Technology Costs	12,988	12,867	121	17,770
Jury Costs	-	-	-	294
Citations	-	-	-	-
Other Expenditures	639	639	-	351
Total Municipal Court	<u>419,167</u>	<u>410,648</u>	<u>8,519</u>	<u>427,510</u>
Public Works:				
Salaries and Wages	212,672	212,755	(83)	208,232
Insurance, Taxes and Retirement	65,411	63,442	1,969	50,519
Dues and Memberships	405	558	(153)	510
Office Supplies and Postage	1,289	1,289	-	1,134
Animal Control	6,809	7,014	(205)	9,482
Auto Expense – Gas	12,028	11,167	861	21,153
Auto Expense – Repairs	21,011	21,011	-	18,193
Supplies	6,354	6,270	84	10,809
Equipment Repairs and Maintenance	3,146	3,146	-	7,128
Equipment Rent	1,459	1,459	-	1,056
Uniforms	3,597	3,920	(323)	4,147
Training	687	1,037	(350)	354
Travel	1,071	1,071	-	1,270
Street Lighting	32,196	32,725	(529)	29,977
Computer Hardware/Software	2,325	2,325	-	2,044
Street Repairs and Maintenance	57,254	22,196	35,058	28,110
Engineering	37,230	34,339	2,891	53,414
Inspection Fees	79,440	82,853	(3,413)	69,503
Landscaping Services	28,417	28,417	-	29,168
Parks and Recreation	25,084	24,694	390	41,091
Beautification	9,064	9,064	-	9,765
Easement Purchase	-	-	-	110,000

TOWN OF HICKORY CREEK

STATEMENT OF GENERAL FUND EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>2015</u>		Variance Favorable (Unfavorable)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
Public Works:				
Radios	\$ 4,272	\$ 4,272	\$ -	\$ 5,101
Other Expenditures	<u>401</u>	<u>401</u>	<u>-</u>	<u>1,692</u>
Total Public Works	<u>611,622</u>	<u>575,425</u>	<u>36,197</u>	<u>713,852</u>
Capital Outlay:				
Land	-	-	-	300,905
Buildings	-	-	-	15,500
Equipment and Vehicles	70,710	107,271	(36,561)	43,032
Parks	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,526</u>
Total Capital Outlay	<u>70,710</u>	<u>107,271</u>	<u>(36,561)</u>	<u>389,963</u>
Debt Service:				
Principal Retirement	48,488	48,488	-	18,547
Interest	<u>2,136</u>	<u>2,136</u>	<u>-</u>	<u>1,897</u>
Total Debt Service	<u>50,624</u>	<u>50,624</u>	<u>-</u>	<u>20,444</u>
Total Expenditures	<u>\$3,093,653</u>	<u>\$3,075,737</u>	<u>\$ 17,916</u>	<u>\$3,527,128</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, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-ad valorem	\$592,100	\$592,100	\$ 592,100	\$ -
Donations from EDC	<u>45,778</u>	<u>45,778</u>	<u>45,778</u>	<u>-</u>
Total Revenues	<u>637,878</u>	<u>637,878</u>	<u>637,878</u>	<u>-</u>
Expenditures:				
Principal	380,000	380,000	380,000	-
Interest and Fees	<u>232,826</u>	<u>232,826</u>	<u>333,548</u>	<u>(100,722)</u>
Total Expenditures	<u>612,826</u>	<u>612,826</u>	<u>713,548</u>	<u>(100,722)</u>
Excess (Deficit) of Revenues over Expenditures	<u> </u>	<u>25,052</u>	<u>(75,670)</u>	<u>(100,722)</u>
Other Financing Sources (Uses):				
Sale of Refunding Bonds	-	-	3,720,000	3,720,000
Premium Bonds Sold	-	-	324,796	324,796
Payment to Bond Paying Agent	<u>-</u>	<u>-</u>	<u>(3,938,280)</u>	<u>(3,938,280)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>106,516</u>	<u>106,516</u>
Net Change in Fund Balance	25,052	25,052	30,846	5,794
Fund Balance – October 1 (Beginning)	<u>86,478</u>	<u>86,478</u>	<u>86,478</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 111,530</u>	<u>\$ 111,530</u>	<u>\$ 117,324</u>	<u>\$ 5,794</u>

TOWN OF HICKORY CREEK

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2015

Tax Year	Tax Rates		Assessed Valuation	Balance September 30, 2014
	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	688
2008	.27442	.17120	319,262,600	10,673
2009	.249409	.174878	317,875,400	10,605
2010	.245426	.178861	308,348,595	12,530
2011	.242609	.181678	307,337,200	12,333
2012	.244716	.179571	309,243,743	7,569
2013	.235848	.181034	317,095,245	10,676
2014	.238121	.163246	352,265,383	-
Total				<u>\$ 66,784</u>

<u>Current Year Levy</u>	<u>Collections</u>	<u>Supplements/ Adjustments</u>	<u>Balance September 30, 2015</u>
	\$ -	\$ -	\$ 2
	-	-	2
	-	-	2
	-	-	2
	-	-	2
	-	-	3
	-	-	2
	-	-	2
	-	-	3
	-	-	3
	-	-	2
	-	-	3
	-	-	2
	-	-	3
	-	-	2
	-	-	5
	-	-	361
	-	-	809
	-	-	505
	61	-	627
	9,990	-	683
	9,485	-	1,120
	9,159	-	3,371
	6,918	(244)	5,171
	174	(3,072)	4,323
	5,001	23	5,698
<u>\$1,365,900</u>	<u>1,395,373</u>	<u>47,977</u>	<u>18,504</u>
<u>\$1,365,900</u>	<u>\$1,436,161</u>	<u>\$ 44,684</u>	41,207
			-
			<u>\$ 41,207</u>

TOWN OF HICKORY CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Revenues:	
Taxes – Sales	\$ 359,308
Interest Income	899
Gas Royalties	<u>211</u>
Total Revenues	<u>360,418</u>
Expenditures:	
Administration:	
Legal and Professional	3,705
Marketing	5,147
Staff Consultant	1,745
Administrative Fees	6,599
Contribution to Town for Debt Service	45,778
Office Supplies and Postage	800
Dues and Subscriptions	25
Mowing	2,344
Debt Service:	
Note Principal	217,480
Note Interest	4,131
Capital Outlay-Land Purchase	<u>555,440</u>
Total Expenditures	<u>843,194</u>
Excess (Deficit) of Revenues over Expenditures	<u>(482,776)</u>
Change in Fund Balance	(482,776)
Fund Balance – October 1 (beginning)	<u>1,489,059</u>
Fund Balance – September 30 (ending)	<u>\$1,006,283</u>

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

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TONN & SEAY**
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P.O. BOX 977
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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, 2015, 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 17, 2015.

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, PC
Denton, Texas

December 17, 2015